

Big home builders say most consumers won't pay for 'green' homes

By Vinnee Tong, Associated Press (Via USA Today)

(March 8, 2007) NEW YORK — Green building has united disparate parties from environmental groups to big business to policymakers, but one key industry has struggled to react to the change in public sentiment.

The major home builders, who account for 80% of homebuilding activity in the nation, face a unique challenge in implementing green building on a widespread scale. Many have added energy-saving features and experimented with environmentally friendly materials, but they have not yet been able to sign on a critical mass of buyers willing to pay more for them.

The National Association of Home Builders and McGraw-Hill Construction predict a rise in green building to 10% of homes by 2010 from 2% today, but experts say the large-scale residential builders have been slower to respond because of the cost and availability of materials.

"The residential market as I see it is the last one to take off," said Mary Ann Lazarus, sustainable design director of architectural firm HOK.

Home builders are crucial to reducing greenhouse gas emissions believed to cause global warming, according to Ed Mazria, founder of environmental activist group Architecture 2030. He estimates that buildings — their construction and operation — contribute 48% of emissions, while transportation adds 27% and industrial activity 25%.

Certainly, there has been frustration among some of the largest home builders about finding the right cost formula. Estimates vary widely for how much green building can add to a home's final price, with lower estimates at 3% to 5% and higher predictions of 10% to 15%.

Ara Hovnanian, CEO and president of Hovnanian Enterprises, one of the nation's biggest home builders, says all things being equal, consumers would choose green. But all is not equal.

"Consumers have not been willing to make the investment," he says.

Hovnanian was one of 10 builders that developed an all-green community called Terramor in Orange County, south of Los Angeles. He said the results were frustrating; consumers were unwilling to pay extra for green features such as solar panels to generate electricity.

"We were all hoping consumers would embrace it and at least be willing to pay a substantial part of the premium," he said. "I can't say we were overwhelmed by the results financially."

Recouping that premium is more of a problem for developers who build properties for sale, as opposed to those who benefit later from lower electricity bills or being able to charge higher rents. Investing in green features ultimately benefits the buyer, so if the consumer is unwilling to pay more, the cost-benefit formula makes no sense, in Hovnanian's view.

Bill Valentine, chairman of architecture firm HOK, says the main goal for architects who support green building is to get sustainability into the common man's budget.

"The real action is in suburbia, in reconstructing suburbia," he said.

Mazria of Architecture 2030 and others say that's about to happen.

"I think we're just seeing the beginning of a total transformation of the building sector," Mazria said.

Mazria says a number of parties are working on proposals to extend the tax benefits in the Energy Policy Act of 2005 to encourage green building. He said two New Mexico Democrats, Rep. Tom Udall and Sen. Jeff Bingaman, are working to extend the act to 2013, and in some cases double the level of tax credits allowed for energy-saving measures such as solar or photovoltaic panels.

"It is a very small price to pay for mitigating the potential impact of climate change," Mazria said.

To date, 11 federal agencies, 17 states and 53 municipalities require buildings to meet either local green standards or those set by the U.S. Green Building Council, a non-profit group.

Among the early adopters are two smaller home builders, Los Angeles-based Pardee Homes and Florida-based WCI Communities. While they are much smaller than builders like Hovnanian, KB Home and others, they also build mainly where consumers have been more receptive to green building practices.

Pardee marketing Vice President Joyce Mason says one-third of about 10,000 homes it has built since 2001 are in its Living Smart line, which have carpet made from recycled soda bottles and wood from managed forests. She said consumers always appreciated the green features, but buyers have started specifically asking for them in recent months.

"We saw it first happen in hybrid cars," Mason said. "I think it's probably going to shift over to houses."

Karen Childress, environmental stewardship manager for WCI, says it first built a green home prototype in 2001 to explore energy efficiency and has experimented with a growing list of features since then. Its latest project is working with the Florida Solar Energy Center to design a home that generates enough of its own energy to be self-sustaining — the holy grail of green building.

Researchers are developing energy-saving methods to move toward that ideal.

James Sweeney, director of the Precourt Institute on Energy Efficiency at Stanford University, is organizing a research effort to develop strategies that could be used in the home, such as ways to encourage consumers to use less energy at peak times and building design changes. The research ultimately will include ways of encouraging changes in behavior that will save energy, Sweeney says.

"There may be no silver bullet, but there may be some silver buckshot," he said.