



BEST HOME IMPROVEMENTS TO MAKE IN A RECESSION

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The days of undertaking quick-fix remodels to sell a home more quickly and for more money are long gone. Now, with loans hard to come by and home sales slow, remodeling is all about projects that save you money in the long term and pay you cash up front.

Believe it or not, the federal government is more than willing to help—to the tune of thousands in tax credits. But this isn't about redoing your kitchen; it's about energy independence.

In Depth: Home Improvements To Make In A Recession

In a recession, there's nothing better than padding your wallet whenever you can, so reducing energy costs makes natural sense. A serious commitment to this idea does have significant upfront costs, but it can save thousands in the long run.

FROM WINDOWS TO WIND

The Emergency Economic Stabilization Act of 2008, passed in October, increased the size of energy-related tax credits for homeowners. In past years, \$200 credits for energy-efficient windows or improvements to a roof were nothing exciting, but the new law added two particularly interesting technologies to the tax-credit rolls: wind turbines and geothermal heating systems, with credits of \$4,000 and \$2,000, respectively.

Granted, both are expensive investments—and that's assuming your neighborhood or homeowner association will let you put wind turbines on your property. They can run between \$5,000 and \$25,000. Still, these systems have the potential to reduce monthly energy costs to zero.

Geothermal heat pumps, which run between \$3,000 and \$10,000, won't reduce your water-heating bills to zero, but as they draw 70% of their energy directly from the earth, which is free, they can dramatically reduce hot-water costs.

Keep in mind: The old tax credits are still on the books, meaning you can still save if a wind turbine is currently outside your price range but energy-efficient windows are not. In fact, the 2008 law even featured some upgrades in tax-credit levels.

"Many of them are new in that they came out of the Energy Policy Act of 2005 or the Energy Independence Security Act of 2007 and were renewed," says Jonathan Cogan, a spokesman for the Department of Energy. "Some of those previously enacted tax incentives had a sunset date on them, and the more recent legislation extended the life of those."

The credit is now \$500 for window and roof improvements, instead of the \$200 offered last year.

THE BIGGER PICTURE

While such incentives are good news for homeowners trying to save a buck, some suggest that the tax credits don't go far enough in stimulating private-sector investment or reducing greenhouse emissions.

While cars and factories contribute to greenhouse emissions, 48% of them come from buildings, according to Architecture 2030, a green architecture research group. Edward Mazria, president of

Mazria, Inc., a Santa Fe, N.M., architecture firm, notes that homeowners behind on their mortgages are unlikely to make large up-front investments in technologies like fuel cells or solar arrays, which can cost \$5,000 to \$20,000, even if they do pay for themselves in the long run—some even can make money for a homeowner by feeding the power they generate back into the grid.

To keep people in their mortgages, many—including House Financial Services Chairman Barney Frank to the National Association of Realtors—have floated the idea of mortgage-rate buy-downs as an attempt to keep people in their homes and encourage home buying.

Mazria suggests combining the two: Allow mortgage-rate buy-downs if homeowners improve their energy efficiency by 75%. Homeowners don't have to choose between the short and long term, and government money becomes directly invested into green projects.

"It requires homeowners to invest money into improving the efficiency of their home," says Mazria. "Without it, the plans for the federal government to buy down mortgage rates? All that does is incentivize refinancing, it doesn't create any jobs."

And little could be better than the combination of lower mortgage payments and smaller energy costs. Especially when you throw in a few thousand dollars from Uncle Sam.

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