

NAHB Victories Saved Members Roughly \$6,200 per Housing Start in 2013

NAHB exists to serve the needs of its members, and it does this by fighting for the housing industry on major policy issues, by providing solid educational and networking opportunities, and with member savings programs with major retailers.

Each year, NAHB economists run the numbers and put a specific dollar value on NAHB's achievements so that members can see the return on their investment. All together, NAHB's efforts saved the typical home builder **roughly \$6,200 per housing start** in 2013.

Below is a summary of NAHB programs and policy victories that contributed to tangible savings for members in 2013.

There are many ways to calculate an estimate of the benefits of membership. The numbers below are averages, and some members will experience more of these benefits than others, depending on location, business volume and the aspect of the industry in which they work. And while there are many ways to parse the numbers, the key point is that NAHB's efforts deliver significant value for the membership.

1. Leading the fight to save property owners money.

NAHB led a coalition of 16 prominent real estate and business organizations in filing an amicus brief with the U.S. Supreme Court that explained why it is neither necessary nor fair for governments to extort money from property owners who wish to use their land. In a major victory for NAHB's members and property rights advocates, the Supreme Court agreed when on June 25 it issued a landmark decision in the case of *Koontz v. St. Johns River Water Management District*.

The decision overturned a Florida Supreme Court ruling that would have given governments expanded power to force unreasonable exactions upon developers in exchange for permit approvals, and it means that federal, state and local regulators will need to exercise more caution to ensure that permitting demands -- including monetary demands -- are proportionate to the project at hand.

NAHB has confirmed reports of one developer saving \$150,000 after pointing out the Supreme Court's decision to a local jurisdiction that was making monetary demands as a condition of permit approvals.

Assuming that the land development sector is operating at half of normal capacity and that half of all developers would have been affected, then industry savings totaled \$197 million in 2013.

2. 2013 IBS savings for NAHB members

NAHB members saved more than \$1 million at the 2013 IBS. Our members saved \$1.09 million on registration at the 2013 International Builders' Show over non-member pricing. In fact, for many of the approximately 17,000 of our members who attended the IBS and 5,000 who participated in the show's educational programming, the money they saved on registration fees easily surpassed the cost of their NAHB membership.

3. NAHB-supported stormwater court ruling in Virginia.

NAHB helped strike down another attempt at regulatory overreach in early 2013 when a U.S. District Court ruled that the Environmental Protection Agency cannot set limits on the amount of stormwater allowed to run into a stream or other body of water.

NAHB and two Virginia industry groups joined in the Commonwealth's lawsuit against the EPA, which had issued a Total Maximum Daily Load for the Accotink Creek, a Potomac River tributary. NAHB and its industry allies argued that the agency could not use flow as a measure for TMDLs – especially when the flow is rainwater, which EPA doesn't have the authority to regulate. The judge agreed. Virginia Attorney General Ken Cuccinelli said the ruling could ultimately save Virginia small businesses and taxpayers more than \$300 million. The ruling will also discourage the agency from pursuing similar limits on stormwater discharge in other areas of the country.

Based on land use patterns, NAHB estimates that approximately 40% of the savings generated by the ruling will benefit residential construction, generating a savings of \$120 million for the industry.

4. Extension of the tax code section 25C energy efficient remodeling credit.

Thanks in large part to the efforts of NAHB, remodelers in 2013 were able to take advantage of the Existing Home Retrofit Tax Credit (25C). The 25C tax credit provides consumers a tax credit of up to \$500 for the purchase of qualifying energy-efficient products. Government data indicates that the tax credit supported an estimated \$4.08 billion of remodeling in 2013 with a typical energy-efficient remodeling project costing a little more than \$2,800.

NAHB estimates that almost 18% of these remodeling projects would not have occurred without the credit. Thus, extending the 25C credit through 2013 resulted in an additional \$727 million in remodeling jobs for the industry. The tax credit expired at the end of 2013, and NAHB continues to push Congress to extend the 25C credit through 2014.

5. Ongoing efforts on building codes.

NAHB's Construction, Codes and Standards (CC&S) department maintains an intensive ongoing effort to keep costly requirements out of the model codes. When successful, this saves builders significant money in subsequent years in areas built to those codes.

At International Code Council hearings held in early October 2013, for example, NAHB was successful on 78% of the code proposals for the 2015 IRC that the association either supported or rejected in its efforts to keep building codes flexible, cost-effective and product-neutral.

NAHB members will directly benefit from these victories when local jurisdictions begin to adopt the 2015 version of the code. However, in 2013, members realized benefits from key accessibility proposals that NAHB kept out of the 2009 and 2012 IRC that would have required builders to provide elevators or lifts in all townhomes and split level homes with entrances that do not open into a living space and porches on all homes (to satisfy a proposal to require that all new homes have zero clearance entrances).

NAHB estimates that in 2013, this saved builders \$825.9 million in costs of including elevators and \$175.9 million in costs of building porches on homes where they otherwise would not be necessary.

6. NAHB designations that boost a builder's or remodeler's bottom line

By matching records of builders and remodelers who have earned NAHB professional designations to NAHB's 2012 Member Census, NAHB was able to demonstrate the following differences between the median earnings of members with and without various designations:

- Members who have earned the Graduate Master Builder (GMB) designation had company revenues that averaged \$1.61 million more last year than those without an NAHB builder designation.

- Those with a Certified Graduate Builder (CGB) designation had company revenues that averaged \$990,189 more.
- Members who earned the Certified Green Professional™ (CGP) designation had company revenues that averaged \$824,124 more.
- Those who earned the Certified Graduate Remodeler (CGR) designation had company revenues that averaged \$506,414 more than those without an NAHB remodeler designation.
- Members with the Certified Aging-in-Place Specialist (CAPS) designation had company revenues that averaged \$110,838 more.

Almost 1,000 NAHB members earned a designation in 2013 (based on records current as of November 15 and assuming that designations are earned at a constant rate throughout the year). After adjusting the numbers to account for members who hold more than one NAHB designation, this works out to a total of \$288.4 million in additional annual revenue.

7. Extension of the tax code section 45L \$2000 new energy efficient home tax credit.

NAHB led the charge on Capitol Hill so that builders were able to take advantage of the New Energy Efficiency Home Tax Credit (45L) in 2013. The 45L credit provides builders with a \$2,000 tax credit for the sale of homes that achieve a 50% improvement in energy efficiency over the 2006 International Energy Conservation Code.

Following a 2012 year-end lobbying blitz by NAHB, Congress retroactively renewed the 45L tax credit through 2012 and extended the credit through the end of 2013.

In 2013, home builders who were able to utilize the 45L tax credit received an aggregate of \$77 million in tax savings, according to estimates from the congressional Joint Committee on Taxation. NAHB continues to urge Congress to extend the 45L tax credit through 2014.

8. Increased profits for NAHB 20 Club members.

Offering unparalleled networking opportunities, the NAHB 20 Clubs are comprised of similar type builders or remodelers from non-competing markets who meet several times a year to share their wisdom and learn from each other ways to improve their operations and increase their bottom lines.

Statistics indicate that 20 Club members perform better than non-members in financial growth and long-term success. A recent analysis by NAHB shows that on average, 20 Club members double their net profit in their third year of membership in this program.

Association records indicate that 37 members passed this three-year threshold in 2013. Valuing this at the average of \$666,000 in net profit shown in the forthcoming 2014 edition of NAHB's *Cost of Doing Business* study produces an aggregate increase in net profit of \$24.6 million.

9. Expert free legal advice for NAHB members.

During the past year, NAHB lawyers with years of Washington legal experience have fielded more than 900 calls from members seeking information on a variety of legal concerns, including contracts and liability, labor and subcontractor issues, trade association issues, mechanics liens, and more.

A comparable one-hour session with a Washington attorney could cost a builder well over \$500 an hour. Looking at this another way, in just one hour of their time, NAHB members who took advantage of this free legal service more than offset the cost of their national annual dues. Other NAHB legal services designed exclusively for NAHB members include a [free review of local ordinances](#) and the [Legal Action Fund](#), which helps members and HBAs to defray high litigation costs. These services saved NAHB members \$225,000 in total.

10. New NAHB map tool for endangered species saves members money.

[NAHB's interactive species finder map](#) allows members to search by state and county to determine the status of the more than 1,400 species currently protected by the Endangered Species Act as well as the status of 700 additional species whose listings are now in the planning stages.

According to NAHB's Member Census, 5,246 builder members were engaged in land development in 2012. Before the advent of this tool, members would need to hire a NatureServe database specialist at an approximate cost of \$1,500 to perform a preliminary search to determine whether there are any federally protected species on their land.

Based on the assumption that the new tool allows each member to save the cost of one search per year, the total annual savings for our members was \$7.9 million in 2013.

11. Helping Illinois builders defeat a fire sprinkler mandate.

NAHB provided financial and technical assistance to help Illinois home builders mount a quick and effective campaign last summer to defeat the state fire marshal's plan to mandate fire sprinklers in new single-family homes. NAHB argued for the use of smoke detectors, which is a safer and more cost-effective alternative. HBA of Illinois EO Bill Ward was quick to credit NAHB Construction, Codes and Standards and State and Local Government staff for much-needed technical expertise and a grant to help fund a survey that demonstrated that an overwhelming 83% of local voters did not want fire sprinklers mandated in existing homes and 69% did not want them in new homes.

Based on NAHB's state housing forecast, this saved builders the cost of installing sprinkler systems in 9,300 Illinois homes in 2013. The average cost of a sprinkler system in NFPA Research Foundation's *Home Fire Cost Assessment Study-2013* was a little over \$6,000 (including costs of design, permits, additional equipment required, increased tap and water fees, but no mark-up from the builder to the ultimate home buyer). The total savings on all homes built in Illinois during the year was \$58.1 million.

12. NAHB Member Advantage provides significant savings for members.

Member Advantage gives members an easy way to reduce expenses, maximize profits and increase efficiency. Through agreements with leading national companies, NAHB offers exclusive discounts on a variety of products and services. Members saved more than \$7.2 million in 2013.

13. NAHB and NKBA sign agreement expanding members' educational opportunities.

In 2012, NAHB and the National Kitchen and Bath Association announced an agreement that makes it easier for individuals who hold builder and remodeler professional designations to take advantage of continuing education opportunities from both groups.

This will encourage even more home builders, professional remodelers and kitchen designers to take advantage of the excellent training and education offered by both associations. This news closely followed the announcement that the NAHB International Builders' Show (IBS) and the NKBA Kitchen & Bath Industry Show (KBIS) will join forces for a mega-exhibit in Las Vegas Feb 4-6, 2014. In late 2013, exhibit sales were up 16% over 2012, and more than 60 companies that had left the show during the downturn have returned, as NAHB noted in a [press release](#) reporting the expanding exhibitor base.

NAHB members will save the \$50 registration cost for KBIS attendance. Using a conservative estimate of 32,000 NAHB members attending yields a \$1.6 million savings.

14. Victory on bank rules keeps credit flowing.

In July 2013, the Federal Reserve Board (Federal Reserve), the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) approved the final Basel III regulatory capital rule. The new regulatory capital regime increases the quantity and quality of capital for all federally insured banking institutions and imposes additional thresholds for the largest banking organizations.

In a victory for NAHB and the residential construction industry, risk-weights on residential mortgage loans were not increased as proposed and the capital charges on residential AD&C loans were left unchanged. In addition, the final rule reflects NAHB's recommendations that the regulators consider the impact to community banks of overly burdensome capital rules that would restrict their ability to provide new-home production loans and small business loans. View a more detailed analysis [here](#).

Adverse Basel III changes would have increased the capital requirements for builder lending. NAHB estimates that these requirements would have increased the cost of capital by the amount of additional capital held (up to 12% levels) multiplied by the opportunity cost of the capital (6% interest rate). Combining this impact with the 2013 estimate of AD&C lending yields an industry yields a savings of \$169 million.

15. Preserving affordable down payments.

NAHB scored an important victory for builders and home buyers in August when regulators withdrew a proposed qualified residential mortgage (QRM) standard that would have resulted in 20% downpayments becoming the market standard. In another mortgage regulation development, the Consumer Financial Protection Bureau (CFPB) finalized the Ability to Repay (ATR) rule, which went into effect in January 2014. The ATR rule applies to all mortgage lending and includes a safe harbor in the definition of a qualified mortgage (QM) for lenders who make well underwritten loans with no risky features.

NAHB was instrumental in urging the CFPB to craft a final rule that balances consumer protections and lender liabilities and provides a solid foundation for lenders to provide consumer access to safe, affordable credit.

If the 20% down payment requirement of QRM had gone into effect for calendar year 2013, NAHB estimates conservatively that interest rates would have increased by at least 45 basis points. As a result, 7,400 fewer new homes would have been sold in 2013. These lost sales would have reduced industry revenues by \$1.82 billion.

16. A victory for builders and consumers in Chinese hardwood case.

In [a unanimous ruling](#), the U.S. International Trade Commission (ITC) on Nov. 5 found that domestic producers had not been materially harmed by imports of hardwood plywood from China. The 5-0 decision (one commissioner did not cast a vote) means that the U.S. will not impose antidumping or countervailing duties on imports of Chinese hardwood and plywood.

As a result, U.S. companies will not have to pay additional tariffs or fees on imported Chinese hardwood and plywood that are used in certain wood products in cabinets and other construction applications. NAHB had previously filed comments with the ITC concerning this case, emphasizing that the association “supports government policies, laws and regulations that encourage the removal of barriers to free trade in lumber and other building materials.”

The U.S. value of Chinese hardwood imports in 2012 was \$829.0 million. The tariffs that would have been applied for compensation are approximately 73% of the import value. Absorbing these additional charges would have cost NAHB members an additional \$606 million.

17. LIHTC rules extensions.

H.R. 8, the American Taxpayer Relief Act of 2012 (enacted in January 2013), contained two important rule extensions related to the Low-Income Housing Tax Credit. The first extended the fixed 9% credit rate, which provided a greater flow of equity into affordable housing development. The second extended the military base housing allowance exception for certain areas. Both extensions applied to 2013 only. According to estimates from the Congressional Joint Committee on Taxation, the combined tax benefit of these two tax extender items was \$45 million.

18. 2001-2003 Tax Rate Extensions.

H.R. 8, the American Taxpayer Relief Act of 2012 (enacted in January 2013), extended a number of tax measures that directly benefit builders. These include: extension of the 10%, 25%, 28% income tax rates and a top rate of 35% for those making less than

\$450,000 (\$400,000 single). The 15% capital gains and dividends tax rate was made permanent. And the alternative minimum tax (AMT) patch was made permanent, which if not enacted would cause many pass-thru entities like home builders to pay AMT.

NAHB has been a vocal opponent of the AMT and advocated in favor of lower individual tax rates, as those rates are business tax rates for S Corps, LLCs, and other pass-thru businesses. For 2013, the total tax benefit of these provisions was \$206 billion. NAHB estimates that 0.15% of that benefit was collected by home builders. That yields an industry benefit of \$314 million.

19. PMI tax deduction extension.

H.R. 8, the American Taxpayer Relief Act of 2012 (enacted in January 2013), extended the deduction for mortgage insurance for 2013, including deductions paid for FHA- and VA-backed loans. Such deductions reduce the after-tax cost of purchasing a home with a low downpayment, which is common among first-time home buyers.

According to estimates by NAHB using IRS data, loss of the deduction would have eliminated about 1.6% of home purchases by buyers using the deduction. Thus, there would have been approximately 1,060 fewer new home sales if the deduction had not been extended for 2013, which would have reduced industry revenue by approximately \$260 million.

NAHB wins provided savings of \$7,250 per housing start in 2012

A similar review of savings conducted one year ago found that NAHB victories saved members roughly **\$7,250 per housing start** in 2012. [You can read a detailed explanation of 2012 cost savings here.](#)