

The News of the Home Builders Association of West Florida

CORNEDSTONE

January 2015

HBA's 60th President

Shelby Johnson




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In This Issue

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We Have A Great Association Let's Work Together

It is truly an honor to be president of your Home Builders Association of West Florida. The friendships that I have developed with HBA members will last a lifetime.

Over the past years, I have been a president-in-training. I had the opportunity to watch others lead this association as president as well as other people who I truly admire. People like Newman Rodgers and Jill Grove have been key leaders for our association. I've tried to learn everything I can about all the aspects of this industry and our Association so that I can be more knowledgeable and effective as your president.

- I've visited offices and job sites to recruit new members.
- I've talked to governmental officials about industry issues.
- I've pored over building codes and various rules and regulations to determine how they would affect our industry.

In my business, I've always strived to build a quality product and stand behind it. And in all this, I've never apologized for being a builder and I've never backed away from a fight when I knew that our industry was right.

What do we have to apologize for anyway? America is the best-housed nation in the world. Northwest Florida has some of the most affordable houses in the nation. Each year, over 1,000 families in Escambia and Santa Rosa Counties enjoy the benefit of owning a brand new home.

Why is this possible? Because we, the building industry, took the risk to develop the land, create the products that go into a house, and built today's new homes with care and quality.

We are responsible for creating homes for families who build memories that will last a lifetime. Because of my belief that what we are doing is important and right, I believe our Association should do the following:

- Continue to fight for sensible growth policies and affordable housing in Northwest Florida.
- Oppose regulations that add to the cost of housing but do not contribute to the health, safety and welfare of homeowners (and)
- Support candidates who believe in affordable housing for all citizens.

Ask yourself this question... If the Home Builders Association of West Florida, the Florida Home Builders Association in Tallahassee and the National Association of Home Builders in Washington, DC didn't exist – where would we be today? I'll tell you where – out of business!

This year, I challenge you to put membership first and be a part of our membership effort. Who do you know right now who is benefiting from the all-important work that we're doing and isn't supporting our Association? Ask that person to join. Tell them that their future and our future depend on it.

I'm also asking you for a commitment to involvement in your Association. Become a leader in our industry and carry our message to other members and potential members, governmental bodies, the media and the public. You may ask yourself, "What's in it for me?" I'll tell you plain and simple: It is the satisfaction of knowing that you were one of the few who cared enough to make a difference.

Everything we do at the Home Builders Association of West Florida depends on volunteers. We can't our accomplish our tasks with a few people, but when we all come together with an ambitious and achievable set of goals, we can produce one of the best years this Association has ever enjoyed.

When I look out in this audience tonight, I see many past presidents, second vice presidents and countless volunteers who have made this Association great. I know that we have a proven past -- and with each of you by my side -- I know that we'll have a promising future.

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President's Message



*“Everything
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INSTALLATION BANQUET HIGHLIGHTS

The HBA Installation Banquet was held on December 4th at the Hilton Garden Inn. HBA members ushered in a new year of leadership with Shelby Johnson of Johnson Construction becoming the 60th President of the Home Builders Association of West Florida.



Master of Ceremonies Marty Stanovich performed the swearing in of William "Shelby" Johnson, of Johnson Construction, the 60th President of the Home Builders Association of West Florida.

Newman Rodgers receives his Presidential Award from HBA Executive Director David Peaden. Newman proved to be a very good leader and listener for the HBA. He had an enthusiasm for the HBA, its members and events, and it showed. Throughout the year Newman has led the association through many meetings, and he's supported our councils and committees.



Jill Grove, of Pensacola Energy, receives her 2nd Vice President Award from HBA Executive Director David Peaden. Grove, the highest ranking HBA Associate member, played a key role on the Senior Officer team. Her desire to make the HBA better always came through whether she was working on getting donations for the American Dream Home, or helping other members with their businesses.



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The coveted Associate and Builder of the Year Awards are used for the purpose of honoring a person who has done a great job in the past year, and it's also used to honor a person who has consistently made a significant and lasting contribution to the Home Builders Association for over a period of time.

Thomas Westerheim Builder Of The Year

Thomas Westerheim, of Westerheim Properties, was named 2014 HBA Builder of the Year. Westerheim is a person who has truly given of his time and talents for the betterment of the home building industry and the HBA. For over 10 years, Westerheim has served on the HBA's Board of Directors, Governmental Affairs Committee, and participated in countless Membership Drives. Westerheim and his wife, Jennifer, also built the 2014 American Dream Home in Nature Trail for the Parade of Homes. The home was showcased during the Parade of Homes and it was sold before the first weekend. Congratulations to Thomas Westerheim as the Builder of the Year.



John Hattaway Associate Of The Year



John Hattaway was honored the HBA Associate of the Year Award. Jackie and John have been fixtures at countless HBA meetings and events.

John Hattaway, of Hattaway Home Design, was named 2014 HBA Associate of the Year. Hattaway has been an instrumental leader for the HBA for over 15 years. Hattaway's service to the HBA is unmatched. He built two American Dream Homes for the HBA in the early 2000s. He later switched into the home design business and designed many Dream Homes for the HBA. Hattaway has chaired many councils and committees for the HBA. He's participated in membership drives, served on the Board of Directors and Senior Officers. He embodies the true spirit of an HBA member. It is for these reasons that the HBA selected Hattaway as the 2014 Home Builders Association of West Florida's Associate of the Year.

Florida Home Builders Association new CEO/Chief/Lobbyist Rusty Payton address HBA members at the Installation Luncheon.

Payton said that he sees a huge upside for HBA members, and their customers and clients. He said through grass-roots organization, political action, and face-to-face lobbying efforts, he believes HBA members can achieve an economic and regulatory environment where jobs are created, builders are successful and housing consumers are well-served. Payton holds a B.A. in political science from the University of West Florida and a Master's degree in business administration from the University of North Alabama. He is a graduate of Pensacola's Pine Forest High School and his parents are Pensacola residence.



Doug Wenzel, of Bonded Builders Warranty Group, presents a check \$1,500 to Newman Rodgers during the Installation Banquet.

Bonded Builders has been a longtime supporter of the Home Builders Association and we appreciate Doug's commitment to the HBA.



Bobby Lindsey Garner Eagle Award

When it comes to supporting the Home Builders Association of West Florida, few members can match the intensity of Bobby Lindsey, of Pensacola Ready Mix USA. Lindsey was honored with an HBA Eagle Award during the HBA's Installation luncheon for his longtime dedication and service to the HBA. "Bobby has been a difference

maker in our industry and to our association," said outgoing HBA President Newman Rodgers. "The level of support he's given us through many years is much appreciated, and I am pleased we could recognize him for his efforts."



Brian Richardson Captures Eagle Award

In terms of relentless support to the Home Builders Association, Brian Richardson of ProBuild, has made sure that the Dream Home builders were provided products and services to keep costs at a minimum. "For many years, anything I've asked of Brian he has come through," said HBA Executive Director David Peadar. "He has helped with many Dream Homes, sponsored HBA events and helped local non-profits when called upon by the HBA. He is truly community minded and I am glad President Rodgers chose him for this honor."







Home Builders Association of West Florida

AUXILIARY COUNCIL

The Auxiliary Council hosted its annual Christmas Party for the children of the Lakeview Center on Saturday, December 13. The party was held at Cordova Lanes bowling center in Pensacola. Nine lanes were lively with the kids from the Lakeview Center who had a great time bowling and enjoyed pizza and cookies too. The ladies of the Auxiliary Council make certain that every child at the Lakeview Center isn't forgotten.

It was the changing of the guard as Angie Cooper, of Gulf Power, took the reins from Wilma Shortall, of Primary Residential Mortgage, as the Auxiliary Council President at the annual Auxiliary Holiday Party at McGuire's Irish Pub. Shortall led a renaissance of the Auxiliary Council that had a banner year in terms of over 25 new members and aggressive community service endeavors. Thank you, Wilma, for your leadership.



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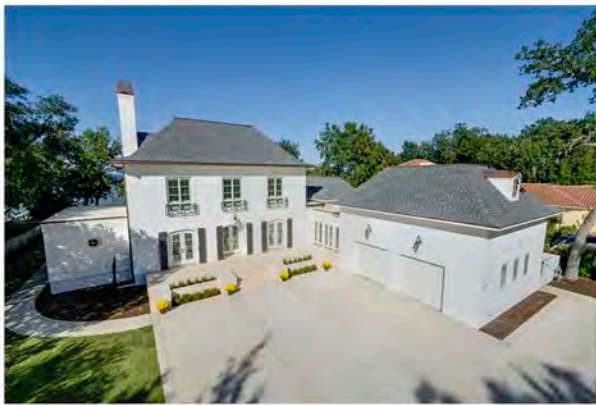
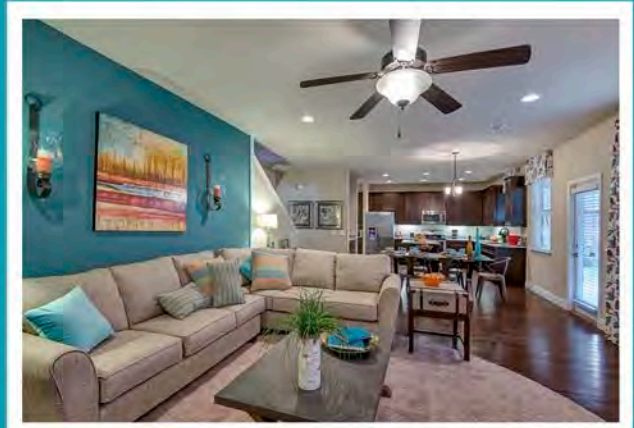
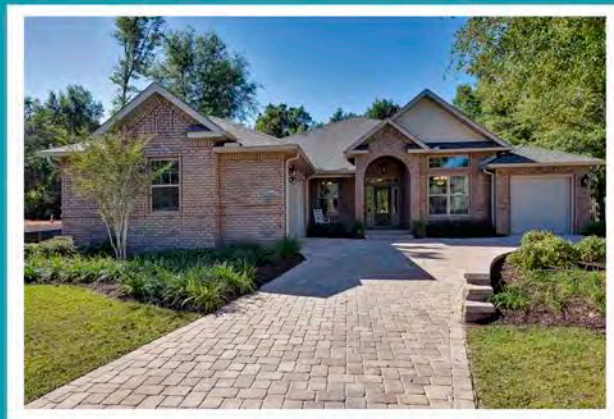


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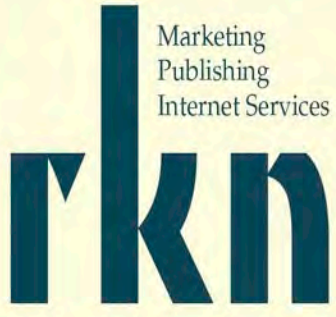


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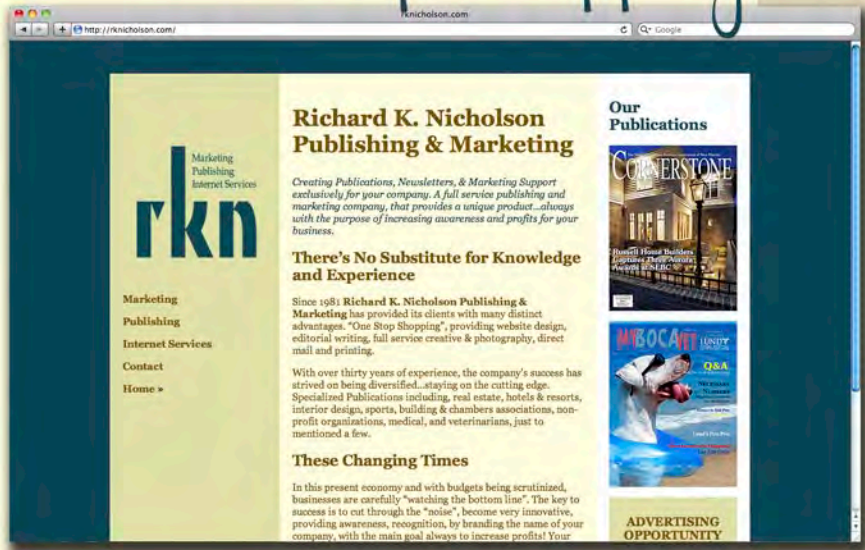


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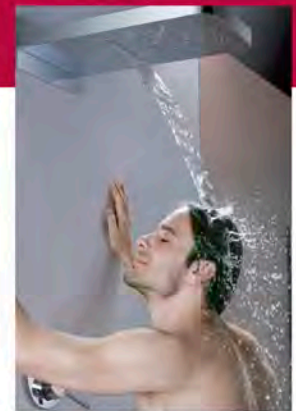


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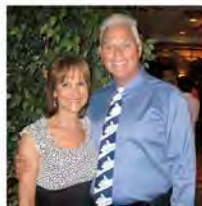
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NAHB Keeps the Wheels Turning

A strong housing industry is key to our nation's economic recovery. And when lawmakers and bureaucrats try to chip away at your profits with wrong-headed or just plain expensive rules, NAHB is here to make sure that you aren't regulated out of business.

Here's what we've been working on so far this year.

These dollar values represent the **savings per housing start** a typical builder will see as a result of select NAHB advocacy victories in 2014. Some members will experience more of these benefits than others, depending on location and market segment.

Learn more at valueofnabh.org

\$1,281

Farm Bill generates additional home building and remodeling.

\$669

EPA drops post-construction stormwater rule.

\$813

U.S. Supreme Court Clean Air Act ruling benefits multifamily builders.

\$1,477

Keeping costly provisions out of building codes saves construction costs.

\$1,132

Homeowner Flood Insurance Affordability Act saves business for builders and remodelers.



**FANNIE MAE AND FREDDIE
MAC HAVE ANNOUNCED
NEW LOW-DOWNPAYMENT
MORTGAGE PROGRAMS
GEARED PRIMARILY
TOWARD THE FIRST-TIME
HOME BUYER MARKET.**

In an official statement responding positively to the plan, NAHB Chairman Kevin Kelly said: “NAHB commends Fannie Mae and Freddie Mac for instituting new loan guidelines that will allow creditworthy borrowers to obtain mortgages with a downpayment of 3 percent. One of the biggest obstacles to achieving homeownership is the ability to come up with a downpayment. By reducing upfront cash requirements while establishing tough but fair underwriting guidelines that include a number of safeguards, Fannie and Freddie will open the door to homeownership for more American families, particularly first-time home buyers and younger households.”

Federal Housing Finance Agency Director Mel Watt, whose agency regulates Fannie Mae and Freddie Mac, said: “These underwriting guidelines provide a responsible approach to improving access to credit while ensuring safe and sound lending practices. To mitigate risk, Fannie Mae and Freddie Mac will use their automated underwriting systems, which include compensating factors to evaluate a borrower’s creditworthiness.”

Major media outlets reporting on the developments noted that Fannie Mae and Freddie Mac’s new programs to purchase mortgages with 3% downpayments would enable more creditworthy borrowers who lack the funds for a large downpayment to be able to obtain a home mortgage.

Green Appraisal Addendum Gets New Boost

The Home Innovation Research Labs, which certifies homes and developments to the ICC 700 National Green Building Standard (NGBS), has completed an agreement with the Appraisal Institute to license the Residential Green and Energy Efficient Appraisal Addendum. The institute developed the addendum to help ensure that home appraisals reflect home performance – a practice that NAHB has long advocated for.

Builders in Home Innovation’s NGBS Green program will receive a completed addendum for every certified single-family home, and are encouraged to add information about the home’s green and sustainable features before providing the addendum to the appraiser assigned to the home.

The documents are designed to help ensure that home appraisals reflect high-performance features and lowered operating costs.

Real estate appraiser Sandy Adomatis, who wrote Residential Green Valuation Tools for the Appraisal Institute, also has contributed a Home Innovation blog post on why the addendum is a powerful communication tool for builders of green certified homes.

Learn more about the use of the addendum and refer to the Home Innovation website for news about upcoming webinars on real estate and green appraisal topics.



NAHB

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NEW Stormwater Management Guidance Makes More SENSE

New EPA guidance on stormwater management for home builders has been released, and thanks to some NAHB intervention, it's not as bad as it could be.

The federal Environmental Protection Agency issued final guidance for the more than 40,000 watersheds that are on a "pollution diet," or forced to abide by total maximum daily load (TMDL) requirements.

When home builders and developers work on projects in a watershed with a TMDL, they must do what they can to ensure the river, stream or other water body to which their stormwater runoff flows does not exceed these set pollution limits.

These requirements can come in two forms:

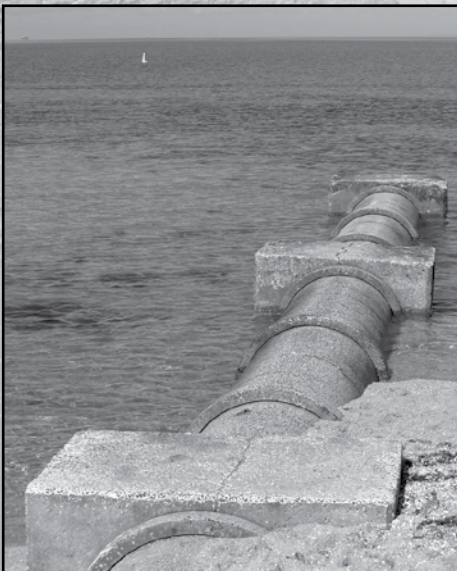
Narrative, including the use of certain Best Management Practices (BMPs), like the proper installation and maintenance of silt fences and concrete washouts, and **Numeric limits** for sediment and nutrients that require frequent scientific monitoring and record keeping. The 2009 turbidity effluent limitations guideline (ELG) rule that NAHB successfully defeated would have included numeric limits for sediment runoff for construction sites, for example.

The good news: EPA's new guidance no longer recommends numeric limits

be imposed on stormwater dischargers operating under a TMDL. The new guidance gives much more flexibility to state permitting authorities to allow builders and developers to use narrative BMPs to meet water quality goals. Compliance with numeric limits increases costs and liabilities, especially when compared to the use of effective BMPs and other narrative requirements.

In 2010, EPA issued guidance recommending that delegated permitting authorities (in most instances state environmental departments) impose measurable numeric limits on stormwater runoff to waterbodies on a TMDL. While this was guidance and not a rulemaking, EPA guidance is often treated as if it carries the same weight as regulation. As part of the Federal Water Quality Coalition, NAHB filed comments opposing EPA's 2010 numeric limit recommendations.

An added bonus: EPA's new guidance withdraws 2010 guidance language related to the use of stormwater "flow" as a surrogate for pollutants in permit limits. NAHB argued that permitting flow would hinder local land-use decision making and was beyond EPA's authority under the Clean Water Act. In response, EPA's new guidance focuses on the development of numeric sediment and nutrient limits for receiving waters, not numeric limits that would apply directly to end-of-pipe stormwater discharge.



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Special Studies, Economics and Housing Policy

National Association of Home Builders

BY NATALIA SINIAVSKAIA, PH.D.

Report available to the public as a courtesy of HousingEconomics.com

According to the 2013 American Housing Survey (AHS), one out of three households who moved and bought a home in the previous two years were millennials.

Being the youngest home buyers with little or no accumulated wealth affects how millennials shop and buy their homes, often for the first time. This article examines the 2013 AHS data and looks at what homes millennials bought over the previous two years, how they financed their purchases, what motivated them to move and how they chose homes and neighborhoods.

Among other findings, the article reports that:

- Three out of four millennial home buyers are first-time buyers.
- Compared to older generations of buyers, they are less likely to buy a new home but more likely to buy a condominium.
- Homes purchased by millennials tend to be older, smaller and less expensive. Half of all homes purchased by millennials averaged less than 1,650 square feet of living space and cost less than \$148,500.
- The most common reason for moving reported by millennial home buyers is to establish their own household, followed by the desire to have a larger unit and own it.
- When choosing a particular home, millennials are more likely to let financial reasons influence their choice, while older generations consider the right size most often.
- When selecting a new neighborhood, the right house most often influences the decision for both millennial and older home buyers. However, millennials are more likely to also pay attention to proximity to work and having good schools.
- Compared to older generations of home buyers, millennials are more likely to finance home purchases out of current income rather than out of accumulated wealth, and when taking out mortgages they are

more likely to use unconventional zero-down mortgages.

Data Source

The analysis in this article is based on the 2013 American Housing Survey (AHS), the most recent release of this ongoing biennial housing data collection. The survey is designed by the U.S. Department of Housing and Urban Development (HUD) and the U.S. Census Bureau to capture a relatively large amount of information about the physical and financial characteristics of the units in which Americans live. For purposes of this report, only housing units purchased in the two years preceding the 2013 AHS interviews are considered. Housing unit characteristics are tabulated by the age of the household of head, a person in whose name the housing unit is owned. Millennial home buyers are householders that were 33 years old or younger in 2013 and bought homes within the two years prior to the AHS interviews.

Characteristics of Purchased Homes

According to the 2013 AHS, millennials bought more than 2.6 million homes over the previous two years. The majority of millennial home buyers are older millennials ages 25 to 33, with the median age of 28 years. Close to 46 percent of millennial home buyers are married, more than 26 percent have kids. Half of millennial home buyers reported income in excess of \$60,500 while the median income of older home buyers was \$69,052. Detailed demographic characteristics of millennial and older home buyers are summarized in Appendix 1.

Being the youngest home buyers in the market today, the majority of millennials are buying homes for the first time in their lives. Three out of four millennials who purchased a home in the previous two years were first-time buyers, but a quarter traded their existing homes. Among older home buyers, these shares flip with 77 percent of older home buyers trading their existing properties and around 23 percent

entering the market for the first time.

Compared to older generations, millennials are less likely to buy a new home. Over the two years prior to the 2013 AHS interviews, less than 9 percent of millennial home buyers bought a new home. The share was close to 12 percent among older home buyers. In general, homes that millennials buy tend to be older. Half of all homes purchased by millennials are built before 1975, while the median age of homes bought by older generations is 1985.

Similarly to older generations, the vast majority of millennial home buyers choose to buy single-family detached homes. More than two thirds of millennials who bought homes over the previous two years purchased single-family detached properties. Nevertheless, compared to older home buyers, the millennial generation shows a slightly higher preference for multifamily condominiums. Over the two years, close to 9 percent of millennial home buyers bought a multifamily property compared to less than 6 percent of older home buyers.

Consistent with being the youngest and largely first-time home buyers, millennials tend to buy homes that are, on average, smaller and concentrated in the lower price ranges compared to homes purchased by older generations.

Millennial home buyers are concentrated more heavily at the low end of the home size distribution. More than a quarter of millennial home buyers purchased homes with less than 1,200 square feet of living space and another quarter bought homes averaging between 1,200 and 1,650 square feet.

The median size of homes bought by the older generations was 200 square feet larger - 1,850 square feet. The older generations dominate at the high end of the home size distribution, consistently registering higher shares for all homes with more than 2,000 square feet. While only 8 percent of millennial home buyers bought homes with 3,000 or more square feet of living space, that share was more than twice as high for older home buyers - 18 percent.

The appendix 2 presents analysis based on different ways of measuring home size - in terms of rooms, bedrooms, bathrooms and presence of family, dining rooms and other home features, such as garage or carport. The results are always consistent showing that compared to older home buyers, millennials are more likely to buy smaller homes regardless whether you measure home size in terms of square

feet of living space, or number of rooms, bedrooms, or bathrooms.

Homes that millennials purchased over the last two years are also more likely to be at the low end of the home price distribution. More than a quarter, 27 percent, of millennial home buyers paid less than \$100,000 for their homes. Additional 23 percent purchased homes valued between \$100,000 and \$150,000 setting the median price of homes purchased by millennials at \$148,500. Homes in the \$150,000-\$249,000 price range were also very popular with millennial home buyers with close to 29 percent buying homes in this price range.

The shares of millennial home buyers drop precipitously in the \$250,000+ housing market with less than 21 percent buying homes priced at \$250,000 or more. In comparison, the median price of homes purchased by older buyers was \$177,000 and their shares at the pricier end of the market were consistently higher. 36 percent of older home buyers bought homes valued at \$250,000 or more.

Reasons for Moving

The AHS asks respondents who moved recently the reasons they moved. Multiple reasons can be cited, so the reported shares do not add up to 100 percent but rather reflect how common various reasons are for different generations of home buyers.

The next two most frequently cited reasons for moving among millennial home buyers are the need to have a larger unit and desire to own it. Close to 15 percent of millennial households cited these needs as reasons for moving. Among the older generations, less than 14 percent of home buyers were motivated to move to have a larger unit and only 9 percent moved to own a home. While millennials are more frequently motivated to move to find homes larger than their current residencies, older households cite the desire to live in higher quality units and have less expensive maintenance more often.

Compared to older home buyers, millennials who are typically in the beginning of their careers are also more likely to move because of new jobs or job transfers. Close to 11 percent of millennial home buyers cited new jobs as one of the reasons for moving. That share was slightly less, under 9 percent, among older generations. Millennials also consider proximity to work and school more frequently than older home buyers and are more likely to move to make their commute times more convenient.

Family/personal-related reasons, such as the desire to live close to another family member or other relatives, play a bigger role for older home buyers. More than 11 percent of these older households but less than 4 percent of millennials cited family/personal-related reasons as influencing their decisions to move.

Home Buying Process

When shopping for a new home, millennials are just a bit quicker at picking their new home compared to older home buyers. On average they look at 13 other units before finally choosing a home and half of millennial home buyers look at 8 units or less. Older customers shop just a bit longer and on average look at between 14 and 15 units before buying a home, with half of older home buyers looking at 10 or more units.

The AHS recognizes that movers' reasons for selecting a new neighborhood may be different from their reasons for choosing a particular home and gathers data to answer both questions. When it comes to picking a new neighborhood, a house itself is the most frequently cited reason by both millennial and older home buyers. Three quarters of older home buyers and even larger share of millennials cited a house itself as the reason for settling in on the neighborhood choice.

Community safety and the looks and design of a neighborhood were ranked similarly high by millennial and older home buyers. Being close to friends and family was next on the



list of reasons for picking a neighborhood by both millennial and older home buyers even though millennials cited the proximity to friends and family more frequently.

The generational differences clearly stand out when good schools and being close to work are considered. More than half of millennials but only 40 percent of older home buyers cited proximity to work as one of the reasons for picking a new neighborhood. Similarly, 42 percent of millennials but only 34 percent of older home buyers worried about good schools when selecting a neighborhood. Being close to public transportation was the least important factor with less than 15 percent of millennial and older home buyers paying any attention to how convenient public transportation is.

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The generational differences are also noticeable when evaluating reasons for choosing a particular unit. Financial motives top the list of reasons most frequently cited by millennial home buyers. Three out of four millennials picked a particular unit because they liked it for financial reasons. Among older home buyers, only 64 percent let the financial reasons influence their home choice.

Millennial home buyers are also more likely to pick a particular unit because they like the size, room layout and design, and because it is located in the neighborhood they like. Even though these three reasons are cited less frequently by older home buyers they are the most common, with the right size being the dominant reason for picking a particular unit by older home buyers.

When it comes to a nice yard or a beautiful view, older home buyers are more likely to let these features influence their decision to buy a particular unit. More than half of older home buyers, 55 percent, but only 51 percent of millennial home buyers cite a yard, trees, or a view as reasons for picking their new home.

Financing Home Purchases

The AHS also collects data on how home purchases are financed. The 2013 data show that in comparison with older home buyers millennials are more likely to rely on mortgage financing. Among millennials who purchased homes over the last two years, 82 percent had to take out a mortgage and only 18 percent reported having no regular mortgages. In comparison, among older home buyers less than 69 percent reported taking out a mortgage to finance a home purchase.

Looking at home buyers with a mortgage, millennials are more likely to use their savings or cash on hand as a main source of down payment. 61 percent of millennial home buyers and only 51 percent of older home buyers with a mortgage reported savings as a major source of down payment. Another 12 percent of millennial home buyers with a mortgage had no funds for a down payment and took out an unconventional zero-down mortgage. The older generations are less likely to rely on zero-down mortgages as only 8.5 percent reported making no down payments when taking out a mortgage.

Older generations of home buyers that are often in the market to trade up and come with built home equity are more likely to use the sale of a previous home as a main source of down payment. Close to a quarter of older home buyers with a mortgage used accumulated home equity to make a down payment on their next home. In comparison, only 7 percent of millennial home buyers reported the sale of previous homes as a main source of down payment.

Other sources of down payment, such as inheritance, non mortgage borrowing, and sale of other investment play a much lesser role across generations.

The analysis highlights that being the youngest and largely first-time home buyers in the market place today, millennials are more likely to finance their home purchases out of current income rather than out of accumulated wealth and rely more heavily on mortgage credit. Consequently, availability of mortgage credit and the stringency of lending standards are more likely to affect home buying activity of millennial rather than older home buyers.



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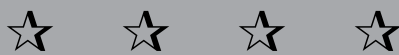
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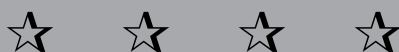
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