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The News of the Home Builders Association of West Florida

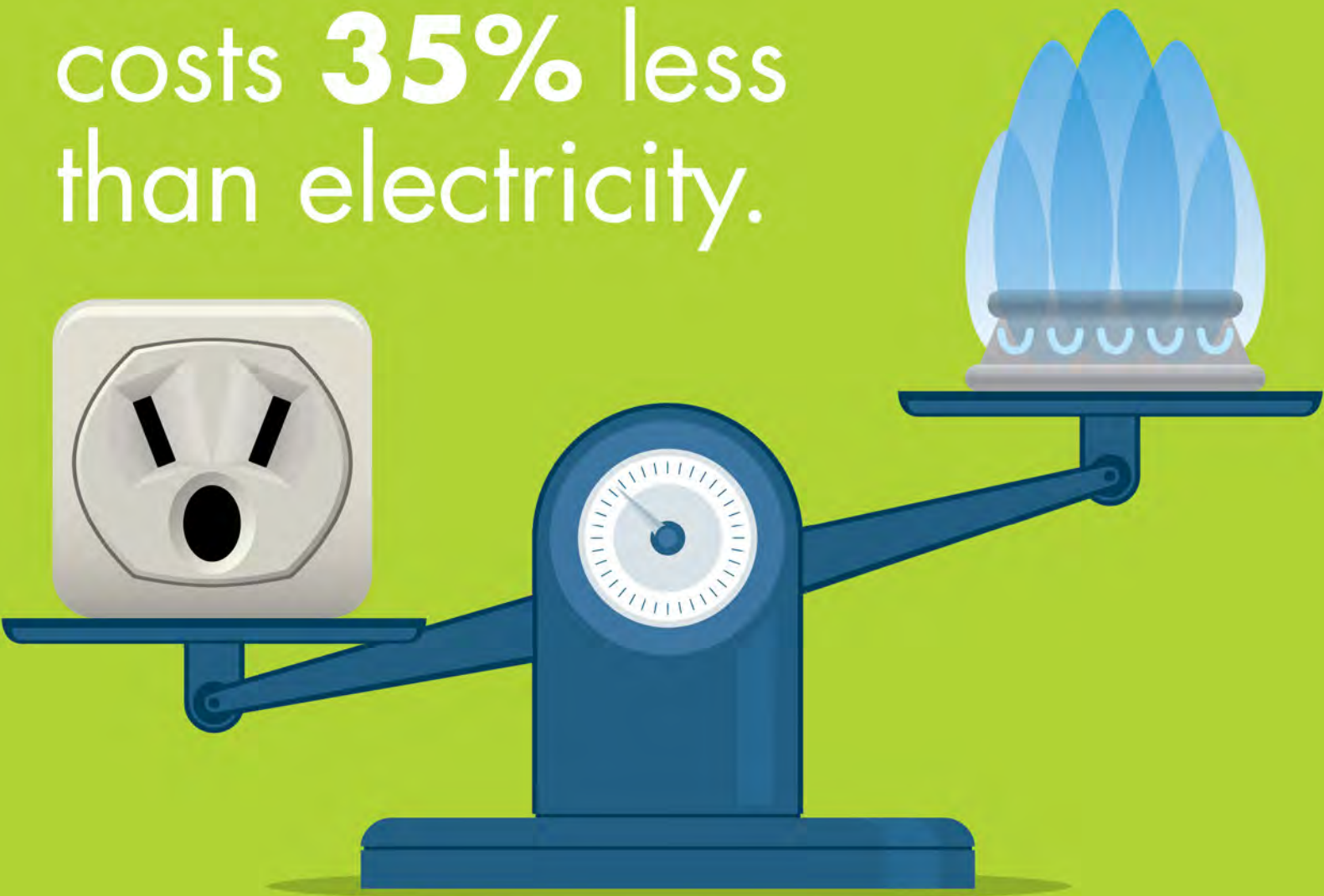
July 2017

## HBA Delivers Santa Rosa County State of Housing Report

Impactful Study Sheds Light on the  
Economies of Housing and Its Impact

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## Cornerstone

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# In This Issue

## Cornerstone



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# Cover Story

HBA Delivers Santa Rosa County State of Housing Report - Impact Study Sheds Light on the Economies of Housing and Its Impact ..... 6-10

## CORNERSTONE COLUMNS

President's Message: Santa Rosa County State of Housing Report ..... 5

## FEATURE STORIES

Feature Story: Architects and Blower Door Testing ..... 17

Feature Story: Prices of Softwood Lumber And OSB Keep Climbing ..... 18-19

NAHB News: NAHB Opposes Flood Insurance Bill That Clears House Panel ..... 20  
NAHB News: NAHB Keeps the Wheels Turning ..... 23

## ASSOCIATION NEWS

American Dream Home Photos, Westerheim Properties ..... 11  
Thank You to Our 2017 Parade of Home Sponsors ..... 12  
HBA 2017 Home and Product Expo August 19-20 ..... 14  
2017 American Dream Home Appreciates Its Donors ..... 15-16  
Top 10 Reasons to Do Business With HBA Members ..... 17  
Membership News: New Members, Thanks for Renewing, & More ..... 21  
For Upcoming Events call HBA Office at 850-476-00318 ..... 15  
Spike Club Update ..... 22

## DEPARTMENTS INDEX

Next Issue Deadlines ..... 4, 20 & 21  
Advertisers Index, Web, & Email Addresses ..... 22

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# SANTA ROSA COUNTY STATE OF HOUSING REPORT

**Santa Rosa County has had a Comprehensive Plan in place since 1990, but in 2013 began to prepare the second major revision to the Plan.** The Home Builders Association of West Florida (HBA) was involved in the process as well as other community stakeholders. The revisions that were passed by the county commission in 2016 are intended to take the planning horizon out to the year 2040.

As part of the new document, the Santa Rosa County included housing goals as part of its comprehensive plan. Goal 3.1 is to “Ensure the provision of safe, affordable and adequate housing for the current and future residents of Santa Rosa County,” while Objective 3.1.A is to “provide a regulatory environment that encourages a competitive housing market between private sector housing providers and encourages the provision of housing for all present and future residents, including workforce, college graduate, and low income households.

In order to help define and meet the County’s housing goals and objectives, the Home Builders Association of West Florida agreed to prepare and present the “State of Housing Report” annually to the Santa Rosa County Board of County Commissioners (BOCC).

The HBA engaged the services of Dr. Rick Harper, Associate Professor, University of West Florida with the task of completing the mission of the County Comprehensive Plan Policy Document, the report must:

*...quantify the number of housing units provided in the previous year by area, type, and price; it will evaluate the supply and demand for housing by standard income ranges; evaluate the availability of affordable housing for special income groups such as college graduates, service industries, and public sector employees; measure the change in homeownership rates; and project housing needs for the next year. The report will also identify factors with the potential impact the housing market such as development regulations, the availability of infrastructure, and market forces and make recommendations as appropriate.*

In assessing the economic drivers underlying housing market needs and performance, the study identifies the geographies where people work, where they have their leisure activities, and where they shop and play. For Santa Rosa, these activities occur not only within Santa Rosa County, but also in Escambia to the west, and Okaloosa to the east. There is no other county in Northwest Florida that sends a higher number of people to work, generally at high-wage jobs, in other counties every day. These families will have looked at many other neighborhoods in other counties where they could have located, but they chose Santa Rosa because it best meets their needs in terms of value and lifestyle. The continued reputation of Santa Rosa as the county of choice in Northwest Florida requires planning that identifies and provides a path forward in terms of infrastructure, zoning, and services that will support Santa Rosans today and in the future.

You may not realize it, but this is a big deal for a local government to make housing a priority. I am proud of the work of our governmental affairs team, and I am pleased with the outstanding report. You will find that in assessing the Santa Rosa County housing market, the study presents county-wide information as well as drill-downs, primarily via mapping and price and quantity data, for the urbanized areas of Milton, Pace, Gulf Breeze, Navarre, and Jay. While information on the areas of Navarre Beach, Holt, and other named areas is also available from data sources, the volume of transactions that occur in those areas are not sufficient to draw inferences about price and quantity, and other trends. I encourage you to go to the HBA website and view the Santa Rosa County Housing Report: [www.WestFloridaBuilders.com](http://www.WestFloridaBuilders.com)

## President's Message



*“...this is a big deal for a local government to make housing a priority.”*



**Dr. Rick Harper gives a presentation on the “State of Housing” to the Santa Rosa County Commissioners.**

# HBA Delivers Santa Rosa County State of Housing Report

## Impactful Study Sheds Light on the Economies of Housing and Its Impact

By Dr. Rick Harper

**Santa Rosa County has long been one of the fastest growing counties in one of the fastest growing states in the nation. Regional job creation and a swelling number of retirees have combined to create a dynamic environment where developers, builders, realtors, and other businesses help the County meet its commitment to provide a high-quality home for all new Santa Rosa residents.**

As part of the collaboration between County government and the businesses that meet the needs of residents, the Board of County Commissioners agreed to solicit input from community business leaders into the comprehensive planning process. The following report, commissioned by the Home Builders Association of West Florida provides detailed information about the Santa Rosa housing market.

*Among the key findings that emerge from the research are:*

★ The estimated annual economic impact of production of 1,500 new homes per year, at the current median price per new home, is \$288 million in local income, along with \$25.8 million in taxes and other revenues to local governments. This creates 5,327 net new jobs in the local economy.

★ Inventories of homes for sale were down by 53 percent in February 2017 relative to 2010, with declines from July 2015 onward picking up pace. Of significant impact on inventory levels is a significant decrease in the number of lots available for new home construction.

★ As with housing markets nationwide, affordability in Santa Rosa will be challenged by expectations of increases in mortgage interest rates, a scarcity of inventory and a financial regulatory environment not as conducive to real estate lending as it once was.

★ The Santa Rosa residential real estate market is currently

healthy, with a rising number of transactions in both the new and existing home markets. Price increases have been strongest in the existing home market, with prices rising to more closely match new home prices.

★ Concentration is increasing in the home-building market over time, possibly reducing competition. The number of builders delivering new homes to customers is lower than it was a generation ago, in 1991. However, surviving builders are larger, with the average number of homes delivered per active builder per year being triple what it was a generation ago.

★ Higher required capital levels for so-called high-volatility commercial real estate (HVCRE) assets such as undeveloped land are the law of the land for lenders today. This has stymied financing for the flow of new land projects through the pipeline that would have kept the supply of buildable lots high.

★ Local job growth, with the ongoing shift into services targeted at the growing retiree and the tourism sectors, will not be sufficient to support neighborhood development similar to that of the last decade. Santa Rosa will need to continue to attract higher-income regional commuters.

Santa Rosa has traditionally been among the fastest growing counties in Florida. Its success in attracting residents has been due to strong schools, affordable and newer homes, low taxes, safe streets, and a great quality of life, among other things. These are the factors that have led people to vote with their feet and their wallets and become Santa Rosa residents. They are the factors that will continue to draw new residents in years to come.





Because it is not yet a high-wage employment hub, the growth of the County has been, and will be, tied to the economic successes of its neighbors. These successes are increasing and Santa Rosa will benefit in the same way that it always has. Due to the quality of amenities that attract well-educated, high-earning residents, the most recent data show that Santa Rosa has the highest median household income of any Florida county west of Jacksonville and the fourth highest among Florida's 67 counties.

However, there are worries that the County risks becoming a victim of its own success. Many neighborhoods in desirable areas are largely built out. Builders report that increases in buildable lot prices have led them to hold back on other amenities, including square footage, as they attempt to match home prices to available household income.

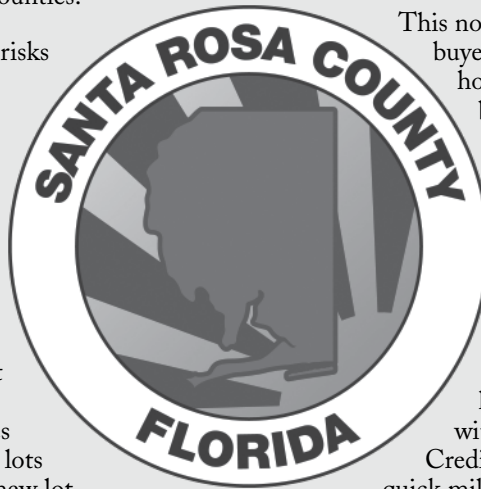
Given the regional job growth that is to come, and Santa Rosa's role as the preferred home for the families that fill the best jobs, potential new residents will soon face price increases and or home amenity declines unless developers are able to bring buildable lots to the market at a greater rate. The rates of new lot creation and sales of the last decade will not be sufficient to meet anticipated housing demand at affordable prices. While Santa Rosa's population density might not appear to be large relative to other parts of the State, the large amount of land tied up in parks (Blackwater River State Park, Gulf Islands National Seashore), and military installations (Eglin AFB, Whiting Field) means that scarcity constraints are real.

Much of the disruption of the housing boom/bust cycle that consumed 2003 - 2013 is behind us. Both the number sold and the median sale price of new homes in the County bottomed in 2009, at 482 and \$189,350, respectively. In 2016, those numbers had increased to 999, and \$220,900. The number of existing homes sold in the County in 2016 was up 90 percent from its 2011 trough of 2,127 homes, and the 2016 median existing home sale price was up 31 percent from its 2013 trough. Sales of existing homes in 2016, at 4,037 units, were only slightly below the boom-induced high of 4,143 reached in 2005. Looking forward, the challenges for Santa Rosa will center around availability and affordability. These concerns are moving to the fore as inventories of homes for sale have declined and prices for existing homes have risen.

Affordability improves when family incomes rise faster than house prices, and when interest rates fall. House prices can stay low as long as builders have access to affordable inputs, including labor, materials, and land. Good job creation in the two-county metro area over the next several years will let wages grow and will keep inbound migration from other counties and states at healthy rates. A healthy national economy means that the traditional retiree dynamic that lets new households move south to adopt the Florida lifestyle and Northwest Florida affordability, is in place. However, the strong increase in the sales price for existing homes in recent months is consistent with declining inventories, and erode affordability. The more modest increase in new home prices helps affordability, but rising buildable lot, materials, and labor prices will force prices up over time.

Mortgage interest rates are poised to rise. Financial markets expect the Fed to raise interest rates gradually, which will keep monthly payments affordable. Conventional wisdom holds that some potential home buyers will "get off the fence" and try to buy

before prices rise more and before interest rates rise, so it will be a "seller's market" for the next several quarters and perhaps beyond. However, as both home prices and interest rates move up later this year and in 2018, fewer buyers will qualify for the mortgage loans they need, putting a slowdown on sales and price growth at that point. It is too early to say with confidence when we will hit that point.



This not only hurts affordability for new home buyers, but it also stifles mobility of existing homeowners in the region, as more of them become locked in place. This is because a new mortgage for purchase of a new or existing home will come with a higher interest rate that raises the monthly payment, even when the different home being considered comes with a purchase price no higher than their existing home.

Among the factors that argue for continued robust growth in the demand for homes is the ongoing hiring associated with the multiyear expansion of Navy Federal Credit Union (NFCU) facilities, located some 17 quick miles west of Avalon Boulevard. Analysis done in 2015 by the UWF Haas Center calculated that NFCU hiring would increase job growth rates for the two-county metro area by 78 percent relative to their long run average. Additionally, the growth in military budgets under discussion in early 2017 in Washington will undoubtedly bring increased spending to Santa Rosa and its neighbors, particularly to the south end of the County. The continued growth in tourism spending for the local area and the revitalization of the Pensacola urban core will also bring growth. No county will benefit more than Santa Rosa from each of these trends.

The March 24, 2017 U.S. Bureau of Labor Statistics release of benchmark revisions for the last three years of local area employment data shows 2016 job growth for Escambia and Santa Rosa to have been larger than had previously been reported. Further, hiring commitments by major businesses in the region, particularly in NFCU, but also elsewhere, along with good levels of capital investment in the region, suggest that growth will continue. Given that both 2015 and 2016 saw decent inbound migration and wage growth, current forecasts for local housing market demand, and thus units sold and median price, will likely need to be revised upward, particularly if the unusually high job growth is sustained over several years. The signs are that it will.

The presence of the above factors leads us to view the slowdown of 2008 - 2013 as transitory in the Escambia-Santa Rosa-Okaloosa labor market. Risks to existing growth forecasts are to the upside, and the most likely pattern for Santa Rosa in coming years will be to continue to attract a disproportionate share of higher-income purchasers employed across the region. Sales of new homes will be able to expand at rates previously associated with the 2003 - 2005 housing boom, if capacity allows.

Historically, sales of new homes in Santa Rosa County averaged 654 per year for the 10 years from 2007 to 2016, which included the housing bust. 2015 and 2016 new home sales averaged 920, showing recovery from the depths of the Great Recession. However, new home sales had averaged 1,115 per year for the

# HBA Delivers Santa Rosa County State of Housing Report *from page 7*

10 years from 1997 to 2006, which included the housing boom. Population growth forecasts based on continued strong job growth, when combined with typical new home purchase rates per new resident, indicate that 1,379 to 1,623 new homes per year from now until 2025 will be needed if projected demand is to be met. Thus, while housing growth will be slightly less than it was during the peak of the boom, the County must be ready, with sufficient lots in the pipeline for builders to buy, for construction rates well above the average of the last 10 years.

From today until 2025, it is clear that almost all population growth will be due to two demographic groups. One is individuals born in 1964 or earlier (primarily Baby Boomers) seeking housing appropriate for a household with no children, and the other will be young (adults aged 30 – 45) families with children. That component of the population made up of adults aged 20 – 29 and 45 – 59 will actually decline over this time. Thus, the forecasts indicate that a significant part of new housing demand will come from Baby Boomers, including a large group of those aging in place and seeking something different from their long-time family home, as well as from inbound new residents who fit Florida's traditional retiree profile. It appears that there is relatively little product currently on the market designed for specific appeal to this cohort. The other large demographic is the one that has propelled Santa Rosa growth over the last several decades, which is adults aged 30 – 45 with children in the home.

With average household income growth likely to be in the 3 to 3.5 percent range from now until 2025, housing would become less affordable if home price growth were to be in excess of growth in purchasing power of households. Tightening supply in neighborhoods served by the best schools and with the best commutes, will keep house price growth in those areas above County-wide average household income growth.

As in the recent past, the majority of the new full-time resident population that works will have jobs outside Santa Rosa County. If job growth and commuting patterns of the recent past hold in the near future, then for every new resident living and working in Santa Rosa, there will be roughly 7 new residents who choose to live in Santa Rosa while working elsewhere. This points to the desirability of Santa Rosa homes, schools, affordability, and quality of life to families across Northwest Florida and beyond. It also means that there is no county in Northwest Florida that has a bigger stake in the economic health of the region than Santa Rosa. Further, it means that Santa Rosa growth is not guaranteed. If the County does not continue to invest in the schools, infrastructure, and services that have made it attractive, those potential new residents will settle elsewhere.

The bottom line is that Santa Rosa must work to provide high quality of life without compromising the traditional affordability of new homes. If it is able to do so, it will continue to be the county of choice for potential new residents.

## Key Findings

★ Population growth in Santa Rosa County is projected to average 1.9 percent per year over the 2017 – 2025 period. This growth will be concentrated in two cohorts. One is the retiree age cohort, primarily due to the size of the Baby Boomer population, and the other is the dual-earner with school-age children cohort, which has been a traditional source of Santa Rosa growth.

★ After accounting for multifamily demand and replacement of aging housing stock, Santa Rosa home builders will need to provide an average of 1,498 new single family homes per year from 2017 to 2025 in order to meet the demand generated by projected population growth. This will require more new homes per year than have been built and sold in Santa Rosa in any years except 2003 – 2005.

★ There will be sufficient demand for new single family homes to support absorption of up to 760 net new units per year that meet the lifestyle needs of the age 65+ population. These might be age-restricted or age-targeted communities and might include a clubhouse, walking trails, hobby centers and recreational space. Other needs would likely include smaller lot size, outdoor maintenance, and they would perhaps be gated. This will be the fastest growing segment of the population, both in percentage terms and in absolute numbers, over the next 10 years. However, while the senior cohort is already substantial in Santa Rosa, as of yet there seem to be relatively few neighborhoods that provide these amenities.

★ Due to the size of the millennial generation, and the traditional attractiveness of the Santa Rosa community, there will be sufficient demand to support the purchase of up to 352 homes per year that meet the needs of younger families, including availability in good school districts and with a comfortable commute and safe streets. This is Santa Rosa's traditional sweet spot in the regional housing market.

★ The estimated annual economic impact of production of 1,500 new homes per year at the current median price per new home is \$288 million in local income, along with \$25.8 million in taxes and other revenues to local governments, and 5,327 net new jobs in the local economy. To put this in perspective, total earnings from jobs located in Santa Rosa in 2016 were about \$2.16 billion.

★ Santa Rosa is primarily a single family residence market, high on neighborhood quality of life and low on urban amenities, and this will only change slowly. U.S. Census data indicate that the share of multifamily structure building permits issued over the 2001 – 2106 period was only 4.2 percent of total permits issued, versus 26.8 percent in Escambia County, and 28.7 percent in Okaloosa.

★ Santa Rosa's strong appeal can be seen in its commuter balance. U.S. Census data show that the 21,795 Santa Rosans who leave home every day to work in other counties is a larger number than the commuting outflows of the other 12 Northwest Florida counties combined.

★ The Santa Rosa residential real estate market is currently healthy, with a rising number of transactions in both the new and

*“The bottom line is that Santa Rosa must work to provide high quality of life without compromising the traditional affordability of new homes.”*



existing home markets. Price increases have been strongest in the existing home market, as competition has let prices rise to more closely match new home prices.

★ Inventories of homes for sale were down by 53 percent in February 2017 relative to 2010, with declines from July 2015 onward picking up pace.

★ While price growth in upper tier homes dominated the real estate boom, bottom tier homes have experienced a faster value growth rate since the trough. There are market opportunities at both the high and low ends of the spectrum.

★ As with housing markets nationwide, affordability in Santa Rosa will be challenged by expectations of increases in mortgage interest rates, a scarcity of inventory and a financial regulatory environment not as conducive to real estate lending as it once was.

★ Affordability will be challenged by local factors including rising costs attributable both to the cost of bringing buildable lots to market, and to higher materials, subcontractor, and labor costs. The ongoing recovery of construction volume and new home, as well as existing home sales, points to a pending scarcity of inventory.

★ Concentration is increasing in the home-building market over time. The number of builders delivering new homes to customers is actually lower than it was a generation ago, in 1991. However, surviving builders are larger, with the average number of homes delivered per active builder per year being triple what it was a generation ago.

★ Higher required capital levels for so-called high-volatility commercial real estate (HVCRE) assets such as undeveloped land are the law of the land for lenders today. This has stymied financing for the flow of new land projects through the pipeline that would have kept the supply of buildable lots high.

★ It is estimated that recent moves taking the mortgage interest rates from 3.5 to 4.5 percent would eliminate about 4.1 percent, or more than 2,600, households from qualifying for that loan. An increase to 5.5 percent would keep an additional 3,000 households from qualifying to purchase the late-2016 median priced home.

★ No other county in Northwest Florida is as connected to neighboring counties as Santa Rosa. More Santa Rosans get up and go to work outside Santa Rosa than inside the County, and this trend has grown over time. U.S. Census data tell us that from 2002 to 2014, the number of Santa Rosans working in Santa Rosa increased by 1,075, or 6.2 percent, but the number of Santa Rosans working outside Santa Rosa increased by 7,473, or 22.4 percent, over the 12-year period. This means that for every 1 new job located in Santa Rosa and held by a Santa Rosa resident over the 2002 – 2014 period, there were 7 new jobs located outside Santa Rosa and held by a Santa Rosa resident.

★ Continued prosperity of the County, including eventual development of additional high-wage local businesses, will rely on the ability of the County to continue to meet the housing needs of commuting, dual-income, middle-class and upper-middle-class families with children, and of retirees.

★ Local job growth, with the ongoing shift into services targeted at the growing retiree and the tourism sectors, will not be sufficient to support neighborhood development similar to that of the last decade. Santa Rosa will need to continue to attract higher-income regional commuters.

★ Families with children need high quality public schools that serve neighborhoods with a reasonable commute time to high-wage employment centers. New schools must be planned and built with this in mind, as schools around desirable existing neighborhoods with these characteristics are at enrollment capacity.

★ While Okaloosa is where Florida's military works, Santa Rosa is where Florida's military chooses to live. The value of Santa Rosa's deployed service member property tax exemption as a share of assessed value is 26 times the state average and is 24 percent higher than the share in neighboring Okaloosa, the second highest county in the state. Military households are particularly concentrated in Navarre, with 72 percent of mortgage loans for new home purchase being VA loans in 2015/2016.

★ Because its rapid growth has been focused on the housing needs of commuting workers, Santa Rosa does not yet have a long history of meeting the real estate needs of seniors. While the current senior population is substantial, there is much untapped market potential remaining, given the projected growth in this cohort. These residents do not place demands on the school system.

★ The reentry of the publicly-traded national builders into the Santa Rosa market provides a large volume builder with access to lower cost capital to purchase buildable lots from subdivision developers. They have brought financial expertise and a scale of operations in construction that allows volume discounts in purchase of construction materials. This has put competitive price pressures and buildable lot availability pressures onto other builders in the new home market.

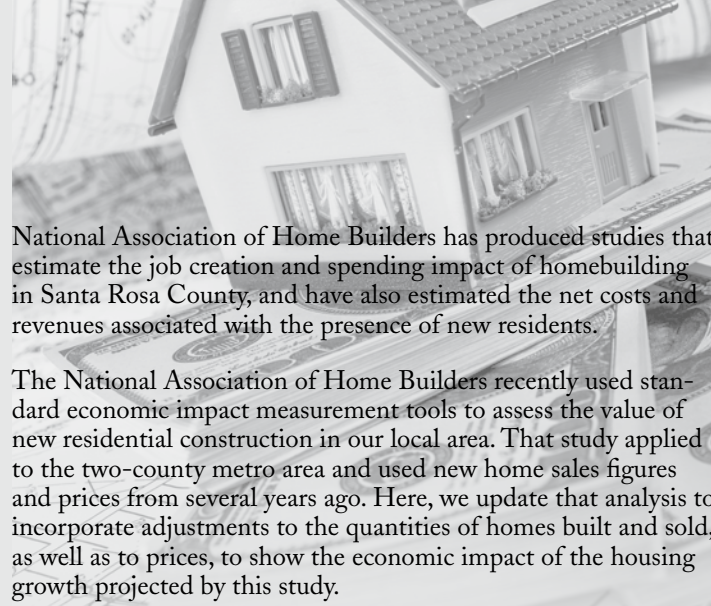
## How Can County Government Address Housing Issues?

Competition is important in homebuilding to encourage the choice and price competition that ensures affordability, particularly in the entry level market. However, concentration in Santa Rosa has increased over time. The average number of homes sold during a year by a builder increased from 3.6 per year in 1991 to 11.1 per year in 2016, at the same time as the number of builders active in the market during any given year fell to 79 percent of its 1991 level. In 2016, fewer than a dozen of the 90 active builders sold more than 20 homes. Only three sold more than 100, and 51 of the 90 sold two or fewer.

The County can encourage competition and affordability by striking the best balance between public interests and developer and builder interests. Because delay is costly to developers and builders, this would include reductions in regulations that might be duplicative of state or federal rules. The reputation enjoyed by the Santa Rosa subdivision development and permitting process, of being able to get the job done more quickly and with less hassle than surrounding counties, has to be guarded zealously.

Further, some subdivision regulations are tough to implement if the cost can only be spread across a small number of buildable lots. If changes in subdivision regulations can be made that encourage the smaller subdivisions that are not financially attractive to the larger builders, this will help keep smaller builders in the market. Given the buildout of some areas that are highly desirable to customers, smaller-scale developments will increasingly become necessary for the County to continue healthy growth in population and income.

# HBA Delivers Santa Rosa County State of Housing Report *from page 9*



National Association of Home Builders has produced studies that estimate the job creation and spending impact of homebuilding in Santa Rosa County, and have also estimated the net costs and revenues associated with the presence of new residents.

The National Association of Home Builders recently used standard economic impact measurement tools to assess the value of new residential construction in our local area. That study applied to the two-county metro area and used new home sales figures and prices from several years ago. Here, we update that analysis to incorporate adjustments to the quantities of homes built and sold, as well as to prices, to show the economic impact of the housing growth projected by this study.

The estimated annual economic impact of production of 1,500 new homes per year projected by this study, using the current median price per new home, is \$288 million in net new local income, along with \$25.8 million in taxes and other revenues to local governments, and 5,327 net new jobs in the local economy. This is separate and apart from the continuing impact of having homeowners in newer, higher value, and thus higher property tax-paying, properties to support County revenue requirements. To put this in perspective, total earnings from jobs located in Santa Rosa in 2016 were about \$2.16 billion.

## Concluding Remarks

Santa Rosa's unique position as the community of choice for high-earning families has led it to a position of fourth highest median household income among the 67 counties of Florida. Because income is so highly correlated with education, health, longevity, and other socio-demographic metrics, Santa Rosa consistently performs well relative to its peers. Given the low cost of living in Northwest Florida generally, and in Santa Rosa specifically, this high ranking in median household income is all the more impressive. A dollar goes farther here, and combined with high incomes, yields one of the very best price-level-adjusted average standards of living in the state and the region.

Preserving and growing this status will require renewed attention to the availability of the high-quality and low-cost combination that has led so many people to call Santa Rosa their home.

Little can be done locally about southeastern and national factors that will influence affordability, such as mortgage rates, bank lending standards, and the cost of building materials. However, local government has a large role to play in striking the right balance between infrastructure and affordability, and in the distribution of financial burden between new and existing residents.

As one political pundit put it as we began the recovery from the housing bust: "Florida used to be big on growth management, but now we just wish we had some growth to manage!" The regional population growth that would support healthy growth for Santa Rosa is available, as long as there are good schools and good and safe streets for all. If not, those potential new residents, and their spending, have other options. This is not to say that growth comes with no cost. However, it is the view of many that the problems that come with growth are preferable to the problems that come with stagnation. Santa Rosa has choices to make.

*To see the full report, go to the Home Builders Association of West Florida website: [www.WestFloridaBuilders.com](http://www.WestFloridaBuilders.com)*

Subdivision development is costly. Installation of streets, utilities, and needed infrastructure can easily run in the \$15,000 - \$25,000 range per lot, even before considering the cost of the underlying land. The burden of infrastructure development cost will inevitably affect affordability and must therefore be evaluated carefully. It is clear from the data that the supply of easily buildable lots has diminished with the growth of the housing stock. Measures that the County could take to encourage bringing lots to market will improve affordability. This is particularly important given that federal measures have been put in place to limit the bank lending was formerly available to develop buildable lots.

Santa Rosa and its neighbors have been at the forefront of Florida's movement to implement the career academies that build workforce credentials. In an economy where technology and globalization limit job options in many traditional occupations, construction trades remain a viable high-wage option that can't be outsourced to other nations. Housing affordability will be helped by an adequate supply of skilled tradesmen and women, and by ready availability of skilled subcontractors.

Santa Rosa needs to put new schools where people want to live. Infrastructure will be needed and per person infrastructure costs are lessened with density. Attempts to drive development to outlying Santa Rosa areas will send potential residents to other counties.

## The Job Creation impact of Homebuilding in Santa Rosa County

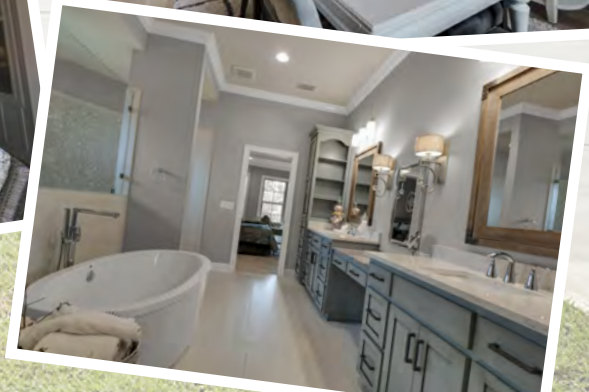
Inbound migration is particularly important in determining population growth rates in Santa Rosa, as it is for other fast-growth counties throughout Florida. If these new residents had not arrived, the need for new schools would not be as great, and the need to expand roads, water, sewer and other infrastructure would be less. However, there would also be fewer residents over which to spread the funding burden. The question of whether new housing development pays for itself is hotly debated. There are clearly both costs and benefits to the larger community of constructing new homes and neighborhoods. While a complete treatment of the economic and fiscal impact of growth to the County, its established residents, and its newcomers is beyond the scope of this report, we outline here the economic impact of new home construction.

Homebuilding has a somewhat unique capability to drive local economic impact. It calls for skilled workers who command a living wage that will mostly be spent locally. Much of the spending done to build a \$230,000 house is done on locally produced goods and services. This means that unlike other types of goods production (i.e., manufacturing), the supply chain for developers and builders often has an extensive local component. This characteristic gives homebuilding a relatively large multiplier, or spin-off spending, effect in the local economy per dollar spent.

This report forecasts that there will be sufficient regional population growth to enable absorption of about 1,500 new homes per year in the County until at least 2025. It is important to break the economic effect out into one-time and continuing effect. The



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from page 15

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# Architects and Blower Door Testing

By BRAD SHIFFER OF TAXIS ARCHITECTS, NAPLES, FL

MEMBER: FLORIDA BUILDING COMMISSION

*Brad Schiffer AIA with help from Andy Ask PE, Neil Moyer, Robin Viera FSEC and Arlene Stewart*

**You might find yourself wondering why the local Building Official may require the Building Volume on residential plans after July 1, 2017. Here's what's going on.**

The July 1, 2016, revision of the Florida Building Code, Residential included the amended Code Sections.

**R101.4.9 Blower door testing.** *The mandatory blower door testing for residential buildings or dwelling units as contained in Section R402.4.1.2 of the Florida Building Code, 5th Edition (2014) Energy Conservation, shall not take effect until July 1, 2017, and shall not apply to construction permitted before July 1, 2017.*

So for residential projects permitted just a few weeks from now, after July 1st, a Blower Door Test will be mandatory. This

is important due to the two companion requirements.

**R402.4.1.2 Testing.** *The building or dwelling unit shall be tested and verified as having an air leakage rate of not exceeding 7 air changes per hour in Climate Zones 1 and 2, and 3 air changes per hour in Climate Zones 3 through 8. Testing shall be conducted with a blower door at a pressure of 0.2 inches w.g. (50 Pascals). Testing shall be conducted by either individuals as defined in Section 553.993(5) or (7), Florida Statutes or individuals licensed as set forth in Section 489.105(3)(f), (g), or (i) or an approved third party. A written report of the results of the test shall be signed by the party conducting the test and provided to the code official. Testing shall be performed at any time after creation of all penetrations of the building thermal envelope.*

**Mechanical R303.4 ventilation.** *Where the air infiltration rate of a dwelling unit is less than 3 air changes per hour when tested with a blower door at a pressure of 0.2 inch w.c (50 Pa) in accordance with Section R402.4.1.2 of the Florida Building Code, Energy Conservation the dwelling unit shall be provided with whole-house mechanical ventilation in accordance with Section M1507.3.*

At the last Andy Ask Building Science Seminar, there was a demonstration of the Blower Door testing process. The tester remarked that a hard part of the process is establishing the building volume used in the calculation. With the modeling tools Architects use we could provide the most accurate volume data.

During the panel discussion, the presenters gave differing opinions on what is the outermost limits of the volume.

After reviewing the status of Volume definitions, it appears that ANSI/RESNET/ICC 380-2016 is the best standard we currently have to follow. It is currently in a review cycle, and the linked version below is useful to us for it shows the different volume definitions and the new proposed "Informative Annex A" (at the end) - see web address below.

For the required Florida Blower Door Test the volume should meet the definition of Infiltration Volume.

For inclusion the standard uses the term "cavity" to describe the volume of floors, walls, ceilings and roofs. Robin Viera verified that that means the whole wall/floor assembly. A typical exterior CMU wall would have the volume measured from stucco face to drywall face. Stud-frame from exterior sheathing/insulation to drywall face. Attics insulated at the roof deck would be from the top of roof sheathing to interior face of insulation.

I recommend you refer to the right hand column in Annex A, Infiltration Volume for purposes of defining building volume. After modeling the volume object your software will provide the numerical volume.

I would not be surprised if Building Officials will soon require the Building Volume noted on the plans and you should identify it as "Infiltration Volume."

[www.resnet.us/blog/wp-content/uploads/2017/04/Draft-PDS-02-BSRRESNETICC380-2016AddendumA201x\\_v.f\\_TrkChg.pdf](http://www.resnet.us/blog/wp-content/uploads/2017/04/Draft-PDS-02-BSRRESNETICC380-2016AddendumA201x_v.f_TrkChg.pdf)

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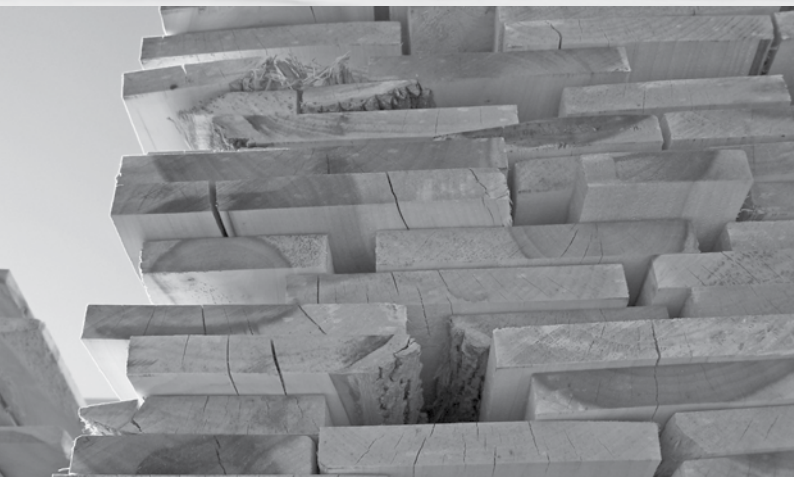
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# PRICES OF SOFTWOOD LUMBER AND OSB KEEP CLIMBING

By DAVID LOGAN ON JUNE 13, 2017

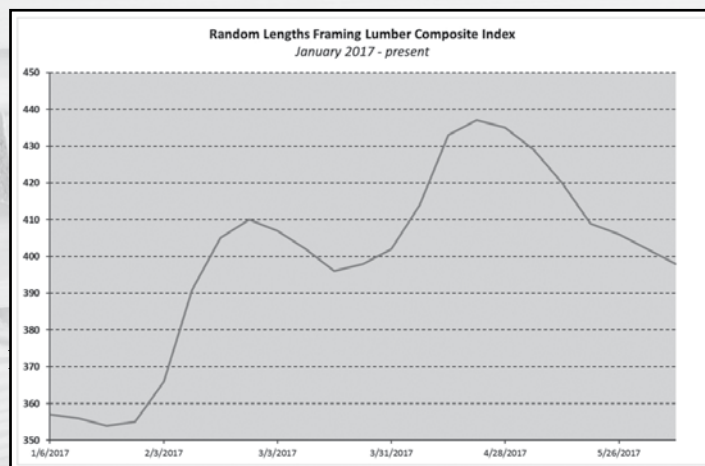


**The prices of softwood lumber and OSB increased by 2.2% and 3.3%, respectively, in May according to the latest Producer Price Index (PPI) release by the Bureau of Labor Statistics.**

The increases were a return to the 2017 norm, as softwood lumber and OSB have led building materials price gains in every month except April, when gypsum prices rose 5.1%. In contrast, prices paid for gypsum and ready-mix concrete fell for the first time since January, decreasing by 0.2% and 0.4%, respectively, in May.

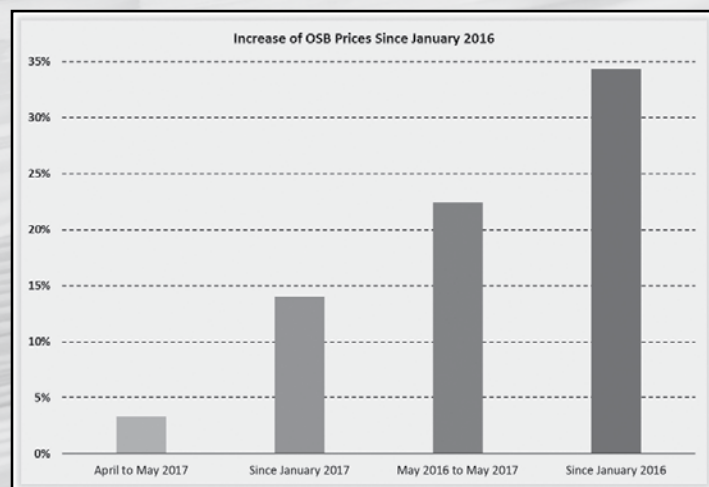
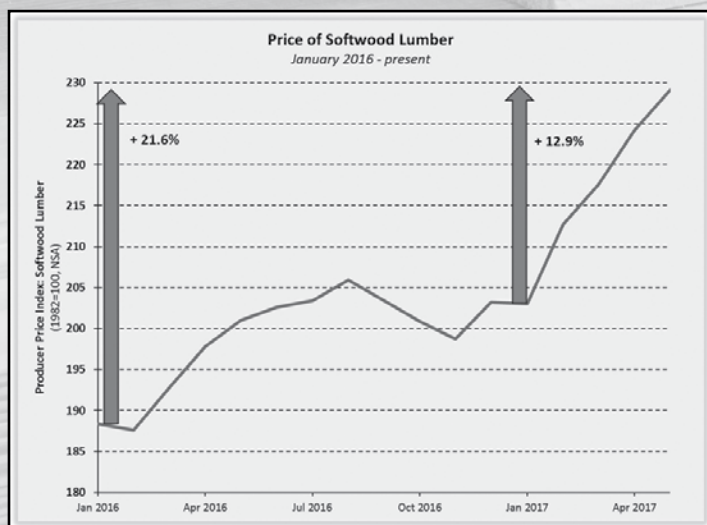
Unsurprisingly, the price of softwood lumber increased yet again in May. The increase pushed the softwood lumber price index to its highest level since September 2004. At that time, the prior U.S.-Canada softwood lumber trade dispute had been ongoing for over three years and prices had increased 38.5% since the expiration of the previous agreement in April 2001. As shown below, the price index of softwood lumber has increased 12.9% since the beginning of 2017 and is 21.6% higher than it was in January 2016.

These increases have been largely, if not completely, due to the ongoing softwood lumber trade dispute between the U.S. and Canada. Although upward pressure has abated in recent weeks, the Random Lengths Framing Lumber Composite Price (below) has still risen more than 11.5% since January.



The apparent incongruity between the May decline in Random Lengths Framing Lumber Composite Price (FLCP) and increase of PPI results from one notable difference between the measures. The FLCP includes data for framing lumber only, while the softwood lumber component of the PPI represents the price level of all softwood lumber regardless of its end-use. As the Softwood Lumber Agreement of 2006 exempted some products, the price increases in anticipation of duties have been concentrated in framing lumber.

OSB prices (below) rose 3.3% in May and have increased 22.4% over the last 12 months. The price index for OSB has risen 14.0% and 34.3% since January of 2017 and January 2016, respectively (see below).







The 0.2% decrease in prices paid for gypsum products (seasonally adjusted) was welcome—albeit modest—relief from the three consecutive monthly increases preceding it. Ready-mix concrete prices fell 0.4% on a seasonally adjusted basis in May, the first decrease since January.

The economy-wide PPI was unchanged in May. The level reading resulted from a 0.3% increase in prices for final demand services offset by a 0.5% decrease in the index for final demand goods—the largest decrease in goods prices since February 2016. The overall PPI weights services more heavily than goods prices, as services represent a comparatively larger size of the economy.

Final demand prices for core goods (i.e. goods excluding food and energy) continued the upward trend that began in November 2016, climbing 0.1%. Prices for core goods less trade services fell 0.1%, the first decline since May 2016.

The majority of the decrease in prices paid for final demand goods was due to a 3.0% decline in prices paid for final demand energy, the largest monthly decline since February 2016. Most of the May advance in the index for final demand services resulted from a 1.1% increase in prices paid trade services, the category that represents margins received by wholesalers and retailers).

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# NAHB Opposes Flood Insurance Bill that Clears House Panel

As the House Financial Services Committee voted in mid-June to approve the 21st Century Flood Reform Act, NAHB vowed to fight the measure until a “new construction” component is dropped from the bill.

“This is a bad bill that will make flood insurance unaffordable and inaccessible to too many home owners,” said NAHB Chairman Granger MacDonald.

At issue is a provision in the bill that would place restrictions on new construction developed in the 100-year floodplain. Specifically, four years after the bill’s enactment, new construction would no longer have access to the National Flood Insurance Program (NFIP), pending the availability of private flood insurance.

In a new manager’s amendment, Housing and Insurance Subcommittee Chairman Sean Duffy (R-Wis.) put forward language that would introduce a new Federal Emergency Management Agency-contracted clearinghouse. This suggestion is based off of a state model, and NAHB has numerous concerns about how it would work on a federal level.

Additionally, if private insurance is not available in a state, NAHB warned House committee leaders in a letter that “home owners will be forced to pay a 10% surcharge on their



NFIP policy. This surcharge is a penalty for policyholders solely because they purchased a newly constructed, more resilient home and a market for private insurance has not developed in their state.”

NAHB further stated that this “new construction” provision places \$34 billion in wages and salaries, \$24 billion in taxes and revenue, and 587,000 full-time jobs annually at risk. “Instead of letting private insurance companies enter the market organically, this mandate skews the market through artificial means,” NAHB’s letter to lawmakers stated.

Reauthorizing the NFIP, which expires on Sept. 30, is a priority for the association. NAHB will work with lawmakers to ensure that any final reauthorization bill takes into account the concerns of the housing community.

For more information, contact Jessica Hall at 800-368-5242 x8253.

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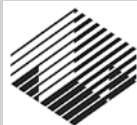
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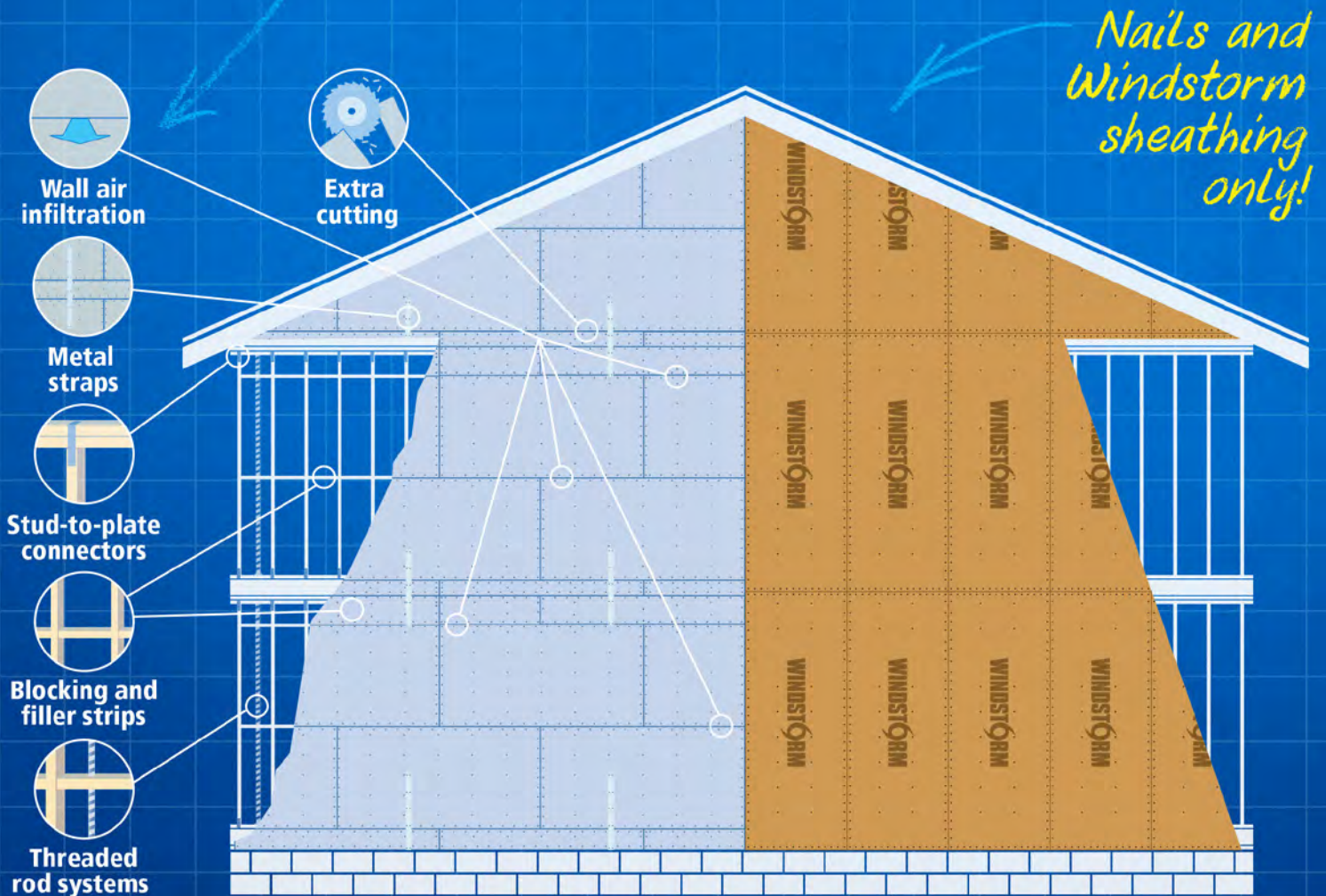
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