

4 Steps

to Getting an Accurate Appraisal Value for Your High-Performance Home

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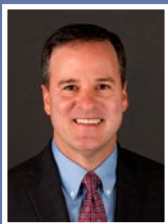
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New Homes Are a Benefit,
Not a Burden, to Santa Rosa
County Finances

The statement by Santa Rosa County Administrator Dan Schebler in a recent Pensacola News Journal Guestview that “Growth does not pay for itself” cannot go unchallenged.

While we applaud the Santa Rosa County Commission’s desire to improve and expand infrastructure, we simply can’t buy into the argument that new homes are not generating enough revenue to cover the costs of services they receive.

Let’s start with the basis for calculating property taxes. We know that because Florida voters incorporated the Save Our Homes amendment into the state constitution in 1995, the assessed value of homesteaded properties cannot increase year-over-year by more than 3 percent or the Consumer Price Index (CPI), whichever is less. In 2020, the CPI was 1.4 percent.

The reason this matters is that new homes typically go on the tax rolls at a higher assessed value than existing homes whose assessed value has been capped by Save Our Homes. The reality is that new homes are “paying their own way” much more so than existing homes. Mr. Schebler inadvertently proves my point on this when he stated, “Santa Rosa County has reduced the millage rate twice in 30 years - from 6.972 to 6.6175 in 2001 and to 6.0953 in 2008.” Without the new growth, this would not have been remotely possible.

The other glaring fallacy in the “growth doesn’t pay” argument is the lack of understanding of the true economic impact of the new homes being built. When Mr. Schebler states that new homes generate \$1.4 million in property taxes each year, he fails to account for the many additional ways new home construction increases local government revenue.

In 2020, for example, there were roughly 1,500 new homes built in Santa Rosa County. Studies of housing’s economic impact project those homes generate over \$288 million in local income along with \$25.8 million in taxes and other revenues to local governments.

When it comes to the overall economy of Santa Rosa County, those housing starts have a ripple effect, leading to growth in the retail, wholesale, financial and services sectors of the economy, all of which generate various forms of tax revenues to local government.

New home building is also a boon to employment with housing starts creating more than 5,000 net new jobs in the local economy. Having been declared an “essential industry” in the face of the pandemic, housing contributed to Santa Rosa County’s unemployment rate dropping from 10.5 percent in April, 2020, to 4.0 percent in December, 2020. It’s obvious that home building filled the void (in jobs and revenue) when so many other sectors of the economy, such as tourism, restaurants, and airlines, were suffering.

Finally, consider this: with the inventory of existing homes in Santa Rosa County near all-time lows, the new homes bridged the gap and pushed the county’s homeownership rate to 75.4 percent, well above the national average of 63.9 percent.

As builders, we truly look forward to an ongoing dialogue with Santa Rosa County officials and we think it’s important that affordable housing always be top of mind. When we fall into the trap of believing that growth does not pay for itself, we sometimes default to measures to stop or slow growth.

Such measures are not only inadvisable, they are counterproductive. They diminish the power of new homes to boost tax revenues and they push the price of home ownership beyond the means of many of our citizens.

Armed with the facts, we are hopeful that our elected officials will make wise decisions in the best interest of Santa Rosa County.



BLAIN FLYNN

“While we applaud the Santa Rosa County Commission’s desire to improve and expand infrastructure, we simply can’t buy into the argument that new homes are not generating enough revenue to cover the costs of services they receive.”

4 Steps to Getting an Accurate Appraisal Value for Your High-Performance Home

Are appraisals for your newly constructed high-performance homes consistently coming in lower than your contract prices, despite being above code? How can you get appraisals to accurately reflect the additional value on a high-performance home? There's not always a simple answer, but there are several steps builders and your customers can take to educate local appraisers, lenders and the general public about what makes your durable, energy-efficient, healthier home stand out from the competition.

Unlike high-end finishes they can feel and touch, buyers and appraisers can't see what's behind the walls. The four steps below can help you highlight these hidden benefits to achieve an accurate appraisal value for your build.

Step 1: Assess and potentially change how

you market your homes and their high-performance features. Consider the following tactics to make the features and systems in your build stand out:

- Advertise features that make the home more comfortable, energy efficient and water efficient, and how



these aspects help to lower utility bills. Need ideas? Check out the translator tool at Home Performance Counts – an initiative between the National Association of REALTORS' and NAHB – which parses out language choices that are relatable to buyers;

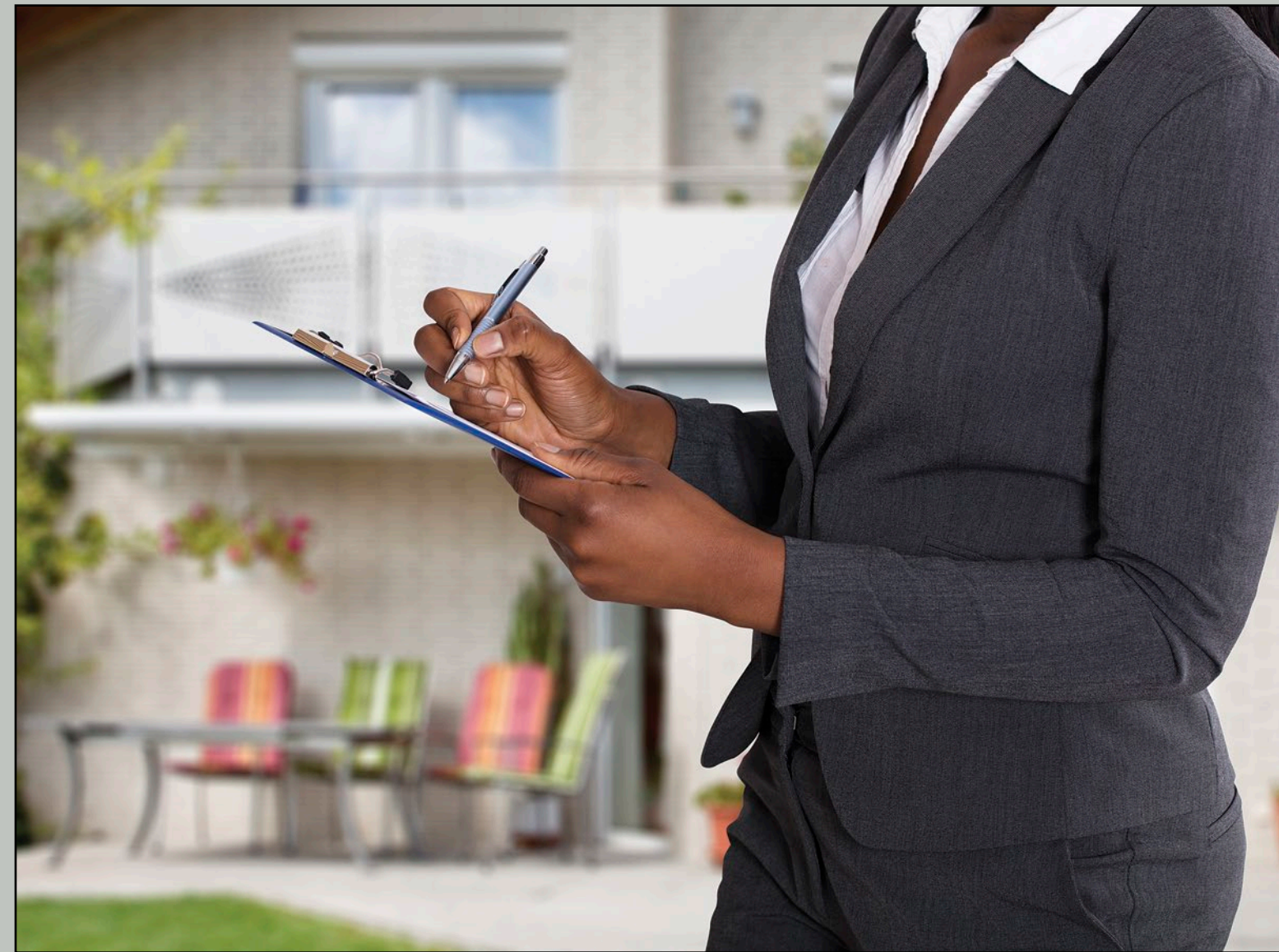
- Educate the selling agent about the results of an Energy Rating Index (ERI), the Home Energy Rating System (HERS) score or Home Energy Score (HES);

- Teach your sales staff how to articulate what an ERI, HERS and/or HES rating is and what it means;

- Display the ERI, HERS or HES rating and potential expected energy savings at open houses. Include an infographic to demonstrate the anticipated energy-use breakdown (e.g., 40% space heating, 10 % space cooling, 15% water heating, etc.). Use handouts to explain how the home brings in fresh air, why specific materials were chosen to eliminate harmful sources of particulate matter, and what mold-prevention techniques were used; and

- Highlight any independently verified green home certification, such as the National Green Building Standard, prominently in your marketing materials by adding the badge to flyers and webpages, and explaining what the certification means in terms of better indoor air quality, lower toxin levels in the home, and an overall quieter and more comfortable living experience. Display and discuss the certification plaque during open houses as well.

Step 2: Educate your buyers on the importance of choosing a lender who is familiar with sustainably built homes. Local mortgage lenders who have a separate appraisal panel of trained professionals with experience valuing high-performance homes are critical to get the value your above-code home deserves. Your prospective buyers can encourage the lender to use



an appraiser on the Appraisal Institute's green registry. If the lender is familiar with efficient homes, he or she is more likely to wrap the slightly higher cost of the home into the mortgage, allowing your customer to realize monthly energy savings that make any potentially higher upfront cost work out financially.

Step 3: Include the Residential Green and Energy Efficient Addendum in your sales contract to document the high-performance features behind the walls throughout the sales process. Fully documenting the systems you put in is imperative to help the appraiser understand the value inherent in your above-code home. Additionally, consider adding a paragraph in your sales contract to clearly outline that

hiring a qualified appraisal is a requirement for buying your home.

Step 4: Interview the appraiser before making an appointment. Ask him or her about their appraisal experience, what ERI Scores and HERS ratings he or she has seen in the area, and what professional development courses he or she has taken on high-performance valuation. The Federal Housing Administration, the U.S. Department of Veterans Affairs, Fannie Mae and Freddie Mac all require that the appraiser has requisite knowledge prior to accepting the assignment, and the only way to enforce that is to ask about their knowledge and experience upfront.

A combination of the above steps can help

you better educate your market. It won't happen overnight, but putting in the effort upfront to educate your prospective buyers with new marketing materials, clearly document the high-performance features you've included, work with local lenders, and require qualified appraisers as a part of your sales contract are all immediate actionable steps to properly inform all involved parties about the value of your green home.

Courtesy of NAHBnow.com





Supreme Court Rejects Manufacturer's Attempt to Limit State Court Liability

In a case with implications for the home building industry, the U.S. Supreme Court last week affirmed the judgments of the Montana and Minnesota Supreme Courts in a pair of cases in which Ford Motor Company argued that plaintiffs should not be allowed to bring defect suits in states where Ford said it did not have a sufficient connection. NAHB filed an amicus brief in support of the plaintiffs in the underlying lawsuits.

The question presented to the Supreme Court was whether a state court may exercise specific personal jurisdiction over the manufacturer of a defective product when the manufacturer: (1) placed the product into the stream of commerce intentionally; (2) the product caused the plaintiff's injury in the forum state; and (3) the manufacturer, through its actions, indicated an expectation that the product at issue be purchased or used in the forum state.

In an 8-0 vote (Justice Barrett did not participate), the Supreme Court held, in an opinion written by Justice Kagan, that, "When a company like Ford serves a market for a product

in a State and that product causes injury in the State to one of its residents, the State's courts may entertain the resulting suit." Both cases involved residents who were injured (one fatally) in vehicles that were initially bought out of state.

Ford contended that it could only be sued in a state if the original sale of the specific item at issue in the case occurred in the state where the case was brought. NAHB filed its brief out of concern that if Ford's argument was accepted, then out-of-state manufacturers of building products, especially foreign manufacturers, could escape responsibility for damage caused by their defective product if they were not subject to the courts' jurisdiction in the particular state where the injured home owner brought suit.

NAHB argued that those who manufacture products and bring them to market expecting that they will be sold all over the United States — including those who do so from abroad — can be asked to answer claims arising from those products wherever they cause injury in the country, even if the particular item involved first entered the stream of commerce somewhere else.

The ruling will relieve intermediate businesses (like home builders) of the need to maintain pointless paper trails tracing, for example, a particular pipe in a particular house back to a particular sale delivered in a particular state. And it will provide those businesses with some certainty that, when asked to answer for the products or services they sell in a particular forum, the upstream manufacturers or sellers that are intentionally supplying that market with defective products can be asked to answer in the same forum as well.

The cases, consolidated in the Supreme Court opinion, are *Ford Motor Company v. Montana Eight Judicial District Court et al*, and *Ford Motor Company v. Adam Bandemer*.

Courtesy of NAHBnow.com

4 Ways to Create Communities That Work

The past year has provided the home-building industry with ample ideas to help create housing that meets multiple needs, from working from home to providing a safe connection to the outdoors and creating a livable community that can adapt to changing interests and uses. As home buyers continue to embrace these trends, builders and developers will need to plan communities and housing options to address them.

Top design professionals have addressed many of these growing trends as part of the ongoing Design Bites series. Use the following tips to help create an eye-catching community that lives as well as it looks:

Offer a mix of housing choices. This includes not only a mix of housing types, densities and price points, but also creating elevations and streetscapes that catch prospective home buyers' attention.

"When you're talking about grabbing somebody's attention within 10 seconds, a colorful, bright, bold streetscape is one of the ways we do that, with bright doors," shared Alaina Money-Garman, founder and CEO of Garman Homes and Fresh Paint by Garman Homes. "We're looking to capture people's personalities and separate us from the sea of sameness — or the sea of beige-ness, as it usually is."

As with any project, make sure you do your research as well — not just on buyer preferences, but what you're able to develop as well.

"As you begin your project, ensure that there's flexibility in zoning to respond to changing market conditions," added Chris Grady, principal and director of land planning at Kephart.

Consider your indoor and outdoor connections. "In higher density neighborhoods, the relationship with indoor and outdoor space is critical," Grady stated, whether through walkability, gathering spaces or parks.

Indoor and outdoor connections are important for the design of the home as well. Front porches are becoming increasingly popular in the wake of COVID-19 as not only a place to enjoy the outdoors, but also as "the new kind of public living area of your house," noted Donald Ruthroff, principal at Dahlin Group Architecture Planning.

"It gives you the opportunity to meet those public people coming to your home without them coming into the home," he added. "If it's furnishable, you can create kind of that outdoor living room right at the front of your house."

Design special spaces. "Think about how we live," Grady noted. "That's the way to create meaningful and memorable places — and it's how we provide awesome amenities that residents can really enjoy."

These can range from clubhouses and pools to community farms, depending on the appetite of the market. An example shared by Jared Carlon, principal at Norris Design, included a community in Colorado in which a community farm was not only an important amenity, but also interwoven into the community through an agriculture-themed pool design and streets named for growing seasons.

"Keep in mind the importance of being outside, especially right now, and connecting with nature with everything that's

going on in the world and programming those activities in neighborhoods," Carlon added.

Apply flex spaces to outdoor design, too. COVID-19 has changed not only the way that people live in their homes, but also how they utilize the spaces around them. This includes walkways and streets throughout their area.

"One of the interesting things that happened last year — if you want to call it interesting — was that we started to see 'flexible' streets," noted Chris Moore, CEO and director of planning for DTJ. "If you went out to a restaurant or a bistro or a coffee shop, that coffee shop spilled out into the sidewalk. It spilled out into the parking lot."

"We learned how to flex that space," he added. "And I think we can learn a lesson from that."

Such flex spaces offer relief, especially as builders and developers look to increase the density of projects to meet increased housing demand. They can be used as gathering spaces, playgrounds or places to walk pets, Moore shared, or anything to help give residents a break from their homes and get a breath of fresh air.

"So create something quirky," he advised. "Think about that odd little place that happens within your neighborhood."



Thank you to all of our partners for the HBA's Corn Hole Tournament. Thank you Mary Jordan, of Gulf Coast Insurance, for leading the HBA's Tradesmen Education Council that will provide scholarships to high school students who choose careers in the construction industry. Thank you to Suzanne Pollard Spann, of Legacy Insurance Brokers, and the HBA's Vicki Pelletier for leading the HBA's Membership Committee and putting this awesome event together. It was a great day!



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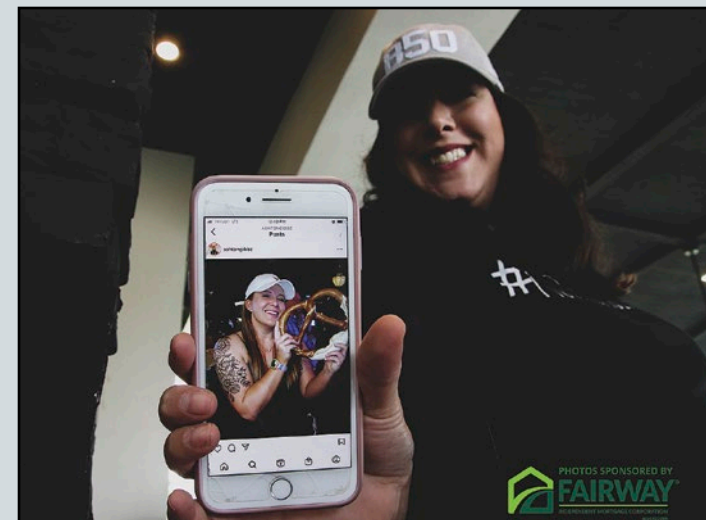
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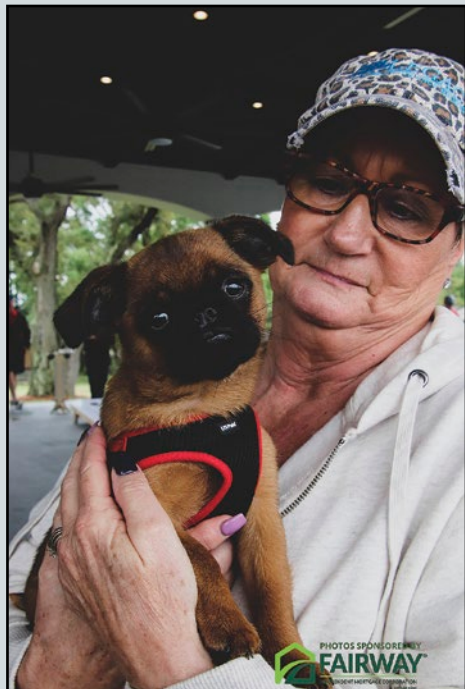
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INFLATIONARY PRESSURE INCREASES AS ECONOMY PICKS UP SPEED

The rising costs of building materials are top of mind for most builders and other stakeholders throughout the industry. Lumber prices are up approximately 200% from a year ago, adding about \$24,000 to the price of a new single-family home and \$9,000 to a new apartment.

And as buyer traffic remains strong, additional costs and delays for other building materials are further challenging the sector, including appraisals. On an aggregate basis, residential construction costs are up almost 10% over the last year — rising five times faster than the recent measures of inflation.

However, as these supply-chain issues affect other parts of the economy, which progressively continues to reopen, the pace of economic growth will increase inflationary pressure. The Consumer Price

Index, a broad inflation proxy, increased at a 2.6% rate over the last year. And more is coming in 2021.

The economic policy question is whether an uptick in inflationary costs will be temporary or permanent. The Federal Reserve believes these forces will be temporary,

and that as supply-chains unwind, inflationary forces will be dampened.

This would be the favorable outcome for the building industry because it would mean the Fed could continue its “lower for longer” policy of accommodative strategy for monetary policy and interest rates. Doing so would help further heal the labor market, and provide additional support for multifamily and single-family housing demand.

Courtesy of NAHBnow.com





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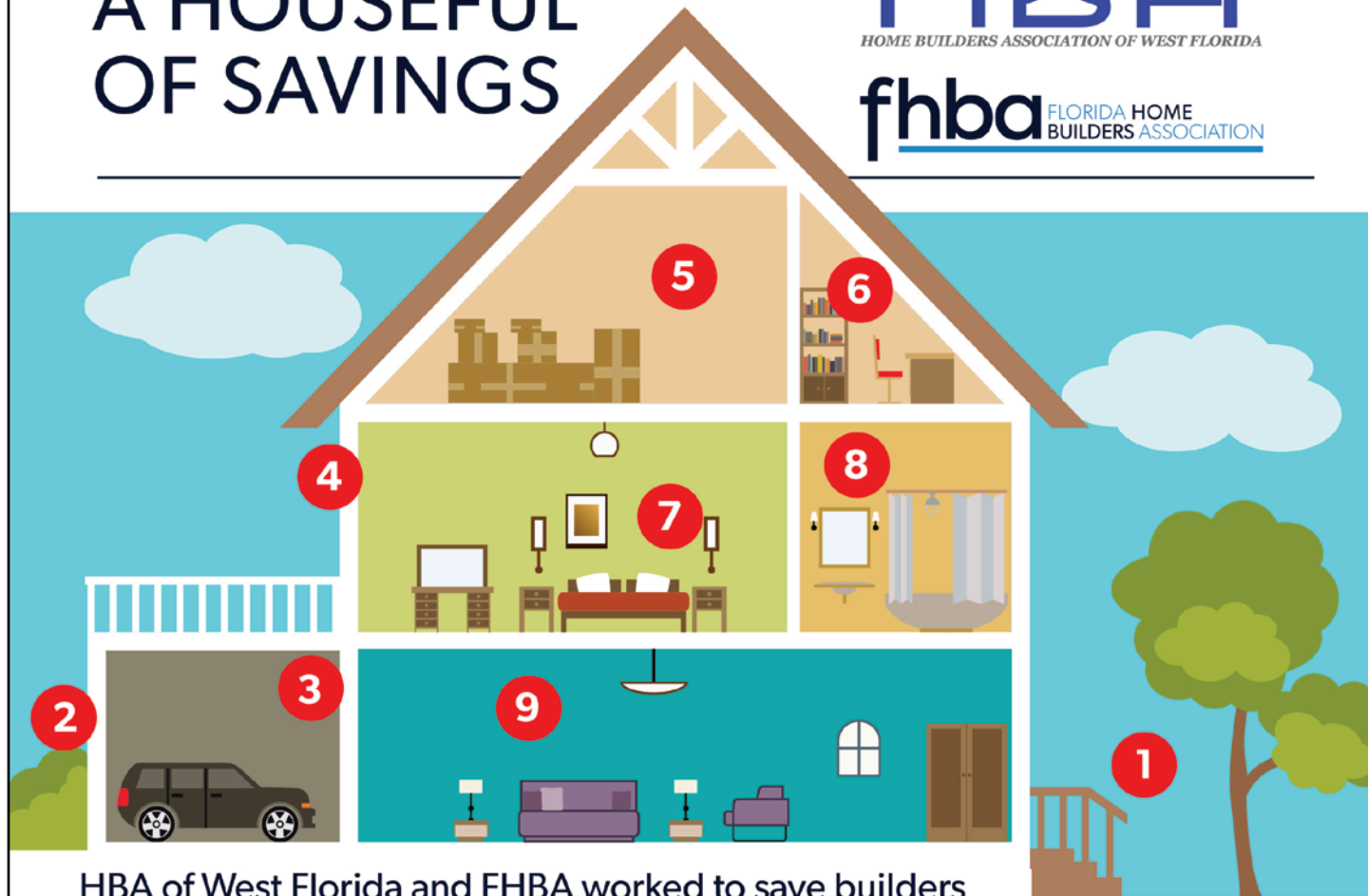
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Median Age of Housing Stock by State Varies by More Than 35 Years

The median age of owner-occupied homes in the United States is 39 years, but this figure varies dramatically when broken down state-by-state. On the farthest ends of the spectrum, New York has the oldest owner-occupied homes with a median age of 60 years while Nevada leads the newer owner-occupied housing stock at only 23 years.

These figures are according to the latest data from the 2019 American Community Survey (ACS).

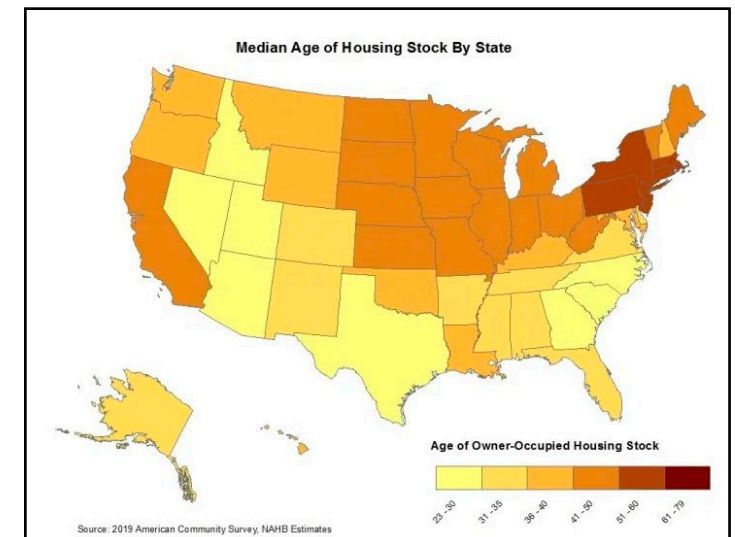
The age of the housing stock is an important remodeling market indicator. Older houses are less energy-efficient than new construction and ultimately will require remodeling and renovation in the future. Moreover, as people use their homes for more purposes and require additional space, older housing represents an investment opportunity for home owners.

While New York has the oldest owner-occupied homes, the Empire State is followed by Massachusetts (56) and Rhode Island

(55). Half of all owner-occupied houses in the District of Columbia were built more than 79 years ago. However, D.C. is generally not a representative market, as it is a smaller urban area.

Newer owner-occupied housing stock is mostly concentrated in the Sun Belt states where 14 out of 15 states, with the exception of California (43), have median owner-occupied housing stock age below the national median (39 years). While Nevada posts the youngest age of owner-occupied homes at only 23 years, it is followed by Georgia and Arizona, where half of all owner-occupied homes were built in the last 27 years.

Courtesy of NAHBnow.com



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HOUSING INDUSTRY OVERVIEW

NAHB Chief Economist Robert Dietz recently provided this housing industry overview in the bi-weekly e-newsletter Eye on the Economy.

The 10-year Treasury rate temporarily increased above 1.75% this week — reaching a 14-month high. This is well ahead of forecast and will push interest rates above 3.3% for the average 30-year fixed rate mortgage.

According to recent estimates published by NAHB, the rate increase over the last few weeks prices out approximately 1.3 million households from being able to purchase an average home. Combined with unsustainable growth in home prices (up an average of more than 11% over the last year) and rising construction costs, it is clear that housing affordability is trending lower.

Fortunately, buyer traffic remains strong, consumer confidence is at a post-reces-

sion high and prospective buyers have increasingly accumulated additional savings during 2020 due to lack of service sector purchases. Nonetheless, as economic growth expectations increase for 2021, higher rates and higher input costs should be expected over at least the next 12 months. Additionally, a proposed large tax/spend infrastructure plan is a wild card in the outlook given possible impacts on the federal deficit.

Nonetheless, home sales started the year weaker, largely because of affordability and weather-related factors. New home sales declined 17% on a monthly basis in February, but remained 8% higher than a year ago. However, pricing is headed higher — up 5% over the last 12 months — as input costs (most notably lumber) experienced gains. The February dip pushed sales down from the unsustainable surge of the second half of 2020 and back to a somewhat slower post-Great Recession growth trend.

Existing home sales fell to a six-month low as incredibly tight inventory conditions frustrated buyers.

Despite rising rates and historically low inventory, geographic and market trends suggest growth for home construction. For remodeling, the aging of the existing housing stock offers significant business opportunities. The typical home in the United States is 39 years old, with older stock in the Midwest and Northeast.

The second-home housing market continues to be hot, with 15% of recent new home sales attributed to second-home buyers, according to an NAHB survey. And the suburban shift in housing preferences, with gains for the share of home buyers looking for homes in the outer suburbs, will tend to favor new construction. This will allow reductions in land costs to offset some of the gains in material pricing in lower-density markets or those with significant numbers of telecommuters.

Bipartisan Low-Income Housing Tax Credit Legislation Introduced in House and Senate

The House and Senate in April each introduced identical bipartisan bills supported by NAHB that will improve and strengthen the Low-Income Housing Tax Credit.

The Affordable Housing Credit Improvement Act was introduced in the Senate by Sens. Maria Cantwell (D-Wash.), Todd Young (R-Ind.), Ron Wyden (D-Ore.) and Rob Portman (R-Ohio). The House bill was introduced by Reps. Suzan DelBene (D-Wash.), Jackie Walorski (R-Ind.), Don Beyer (D-Va.) and Brad Wenstrup (R-Ohio).

“NAHB commends House and Senate lawmakers for introducing the Affordable Housing Credit Improvement Act, bipartisan legislation that would improve the Low-Income Housing Tax Credit and finance more than 2 million additional multifamily units over the next decade,” said NAHB Chairman Chuck Fowke. “With

nearly 11 million renter households severely cost-burdened, the Affordable Housing Credit Improvement Act would greatly enhance our ability to meet the growing demand for more affordable rental units.”

The legislation would:

- Increase 9% credit allocations, which are generally reserved for new construction, by 50%.
- Prohibit states from requiring special approvals that treat affordable rental housing differently from any other multifamily project.
- Provide a 30% basis boost for properties in rural and Native American areas.
- Lower the 50% “financed by” threshold to 25% for private activity bonds to enable more bond deals. Private activity bonds are tax-exempt bonds issued on behalf of a state or local government to provide special financing benefits for qualified projects.

The Affordable Housing Credit Improvement Act will help boost the production of sorely needed affordable rental apartment units. NAHB strongly supports this bill and will urge Congress to move quickly to pass this legislation.

For more information, contact J.P. Delmore at 800-368-5242 x8412.

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In construction, a spike is a steel object that is essential to making a building strong. As in construction, the HBA of West Florida sees a Spike as someone that works to keep our association strong. Spikes work on the recruitment and retention of members in addition to keeping members active with the association. Anyone is eligible for Spike status. On Spike credit is awarded for each new member recruited and an additional credit is awarded for that new member's renewal on or before their anniversary date. If you help to retain a member, you are eligible to receive a half point for each member.

Spike Club Levels

Spike Candidate	1-5 credits
Blue Spike	6-24
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Royal Spike	150-249
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Spike Club Members and their credits as of 03/31/2021.

Statesman Spike 500 Credits

Harold Logan	522.5
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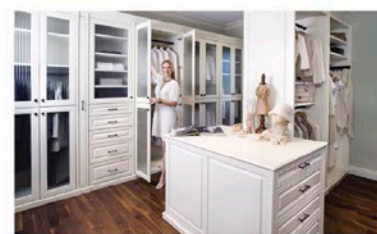
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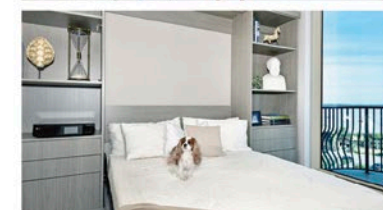
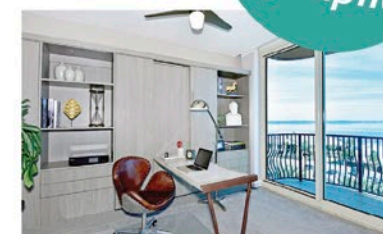
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