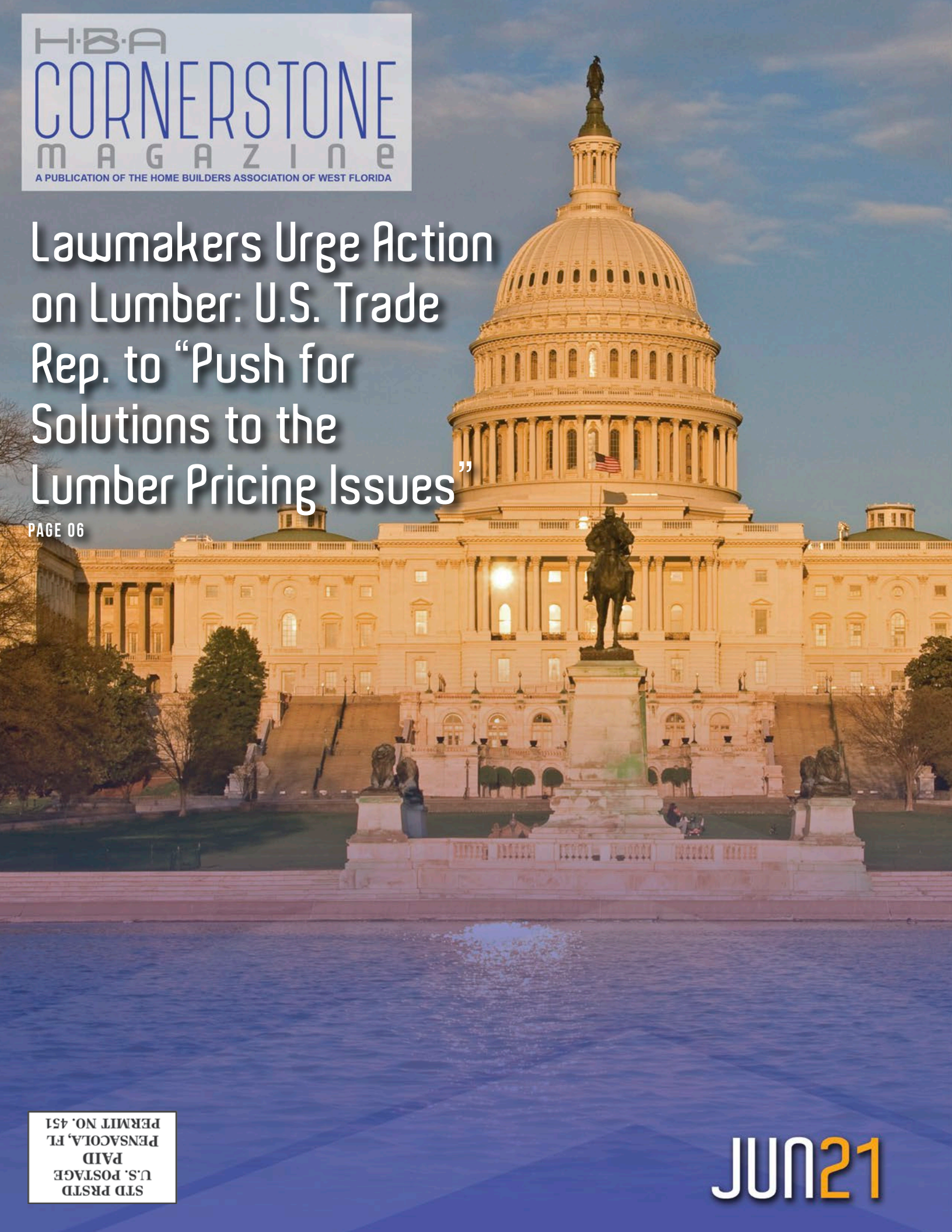


Lawmakers Urge Action on Lumber: U.S. Trade Rep. to “Push for Solutions to the Lumber Pricing Issues”

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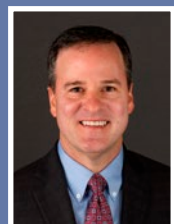
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Next Issue:
July
2021

Edit: June 7, 2021
Space: June 15, 2021
Materials: June 21, 2021

Magazine Design & Layout by
warren wight - graphic designer
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Cover Story

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Cornerstone, the monthly publication of the Home Builders Association of West Florida serving Escambia and Santa Rosa Counties, is published monthly, twelve (12x) per year. Send address changes to HBA of West Florida, 4400 Bayou Boulevard, Suite 45, Pensacola, Florida 32503-1910. Cornerstone is published in the interests of all segments of the home building industry and is distributed to its members and others associated with the HBA of West Florida. HBA of West Florida and Richard K. Nicholson Pub., Inc. does not accept responsibility for, or endorse any statement or claims made by advertisers or authors of any articles. Every effort has been made to assure accuracy of information, but authenticity cannot be guaranteed. No part of this publication may be reproduced without the written consent of Home Builders Association of West Florida. Copyright ©, 4400 Bayou Boulevard, Suite 45, Pensacola, Florida 32503-1910, 850.476.0318. Advertisers and advertorials in Cornerstone do not constitute an offer for sale in states where prohibited by law.

Land Development Code Changes Coming to Santa Rosa County

The Santa Rosa County Land Development Code (LDC) is being rewritten. The HBA as well as a coalition of Santa Rosa Chamber Coalition and others have been working on this for over two years.

Over the past month, the Santa Rosa County Commission hosted two LCD workshops. The first one started at 1:00 p.m. and ended at 7:00 p.m. The second one started at 1:00 p.m. and ended the next day at 12:45 a.m.! Yes, it was a marathon meeting but thanks to longtime HBA member, HBA Past President, Florida Home Builders Association Past President and Florida Housing Hall of Famer Edwin Henry, of Henry Company Homes, who spoke on behalf of the coalition, the new LDC will be cost-effective, user friendly, and save each home buyer over \$28,000 per lot in additional costs. Edwin went over 130 LCD changes and argued as to why the change made sense or why it did not. I can think of no other person who is more knowledgeable about land development than Edwin. He knows the code better than anyone and donated his time to work on behalf of the business community. Codes are important for the overall health, safety and welfare of the public. But Codes should not be implemented if it adds additional costs and do not make sense.

As you may know the LDC was first adopted in Santa Rosa County in 1991, and many of its provisions are out of date with the way business has changed. For example, many retailers today are out of compliance with the LDC simply because of the way they display their outdoor products. It was also noted during our meetings with members that there is a severe lack of standardization and consistency in reviews by County staff. The Coalition believes this occurs because of "policy or procedure changes" within the LDC that are being made without following the proper process as laid out in the Comprehensive Plan, and approval by the BCC. The ability of County departments to make changes to the LDC creates an unpredictable review process and compounds the lack of standardization and consistency. Many times, engineers who have submitted plans have been asked to provide items that are not in the LDC. This causes confusion, slows the process and costs time and money. Comprehensive Plan Policy 3.1.A.2 specifically restricts this from happening, as well as Florida Statue 163.3174. This was discussed during the workshops and the commissioners have directed staff to stop making policy changes without board approval.

The draft LDC will be heard by the Planning Board and then the county commission will hold two public hearings for final adoption. A lot of time and effort has been put into this re-write and I am hopeful you will be a part of the final process at the upcoming meetings. The HBA will send out meeting notices.

Again, thank you to Edwin Henry for the time and effort you have put into this. You are a fighter for this industry, and I'm grateful for your passion and energy for the home building industry.



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"Codes are important for the overall health, safety and welfare of the public. But Codes should not be implemented if it adds additional costs and do not make sense."



Lawmakers Urge Action on Lumber:

U.S. Trade Rep. to “Push for Solutions to the Lumber Pricing Issues”

Members of Congress and the Biden administration are heeding the concerns of NAHB and its grassroots on the need to take action to resolve soaring lumber prices, supply shortages and tariffs that are hurting home builders, home buyers, the housing sector and the economy.

U.S. Trade Representative Katherine Tai told Senate lawmakers that she would “push for solutions to the lumber pricing issues” and address the issue of tariffs on Canadian softwood lumber imports into the United States during a May 12 Senate Finance Committee hearing on President Biden’s 2021 trade policy agenda.

Tai reiterated her willingness to act on this issue 24 hours later during a House hearing

in which four bipartisan lawmakers spoke about the need to seek remedies for rising lumber prices by boosting production and ending tariffs on Canadian lumber imports into the United States.

During the House hearing, Rep. Kevin Hern (R-Okla.) submitted a statement of record from NAHB where we stated that “resolving the long-running dispute with Canada over the trade in softwood lumber and addressing the steel and aluminum tariffs must be a top priority of Congress and the Administration. Building safe, decent and affordable housing depends in large part upon a stable and affordable supply of building materials.”

Separately, Sen. Jerry Moran (R-Kan.) delivered a Senate floor statement on lumber on May 11 where he cited NAHB statistics on how rising lumber prices have added nearly \$36,000 to the price of a new home and a \$13,000 increase in the market value

of a multifamily unit. Moran called for the elimination of lumber tariffs and to “boost the domestic types of the types of lumber used in home construction.”

Finally, Sens. Moran and Jeanne Shaheen (D-N.H.) sent a joint letter to Tai this week stating that “the complete elimination of these [lumber] tariffs is necessary to provide relief from rising lumber prices. American home buyers, not Canadian lumber producers, are the ones who end up paying the cost of these trade restrictions.”

SENATE HEARING HIGHLIGHTS

Sen. Charles Grassley (R-Iowa): Yesterday I met with the Iowa Association of Home Builders. They told me that lumber prices had skyrocketed tremendously. They gave me a figure of 300% since April 2020. Have you had conversations within the administration on what can be done to lower the 9% tariff on Canadian lumber?

U.S. Trade Representative Tai: This is not just something we’ve been talking about within the administration but something that I’ve raised directly with my Canadian counterpart and I’ve certainly heard a lot from members of Congress about this as well. I want to assure that I will be raising this again with my Canadian counterpart at the free trade commission meeting of the USMCA and I will continue to push for solutions to the lumber pricing issues that we are experiencing.

Sen. Bob Menendez (D-N.J.): I’ll submit a question to you [Tai] about whether you are working on a new softwood lumber agreement with Canada. I keep hearing from housing people that it is incredibly challenging.

Sen. John Thune (R-S.D.): The home builders, the realtors, everybody in my state is talking about the cost of lumber and how that’s driving up housing costs in this country and really curtailing new construction because just pricing homes in a way that is outside the reach of a lot of families in this country. One of the issues they consistently raise are the tariffs on lumber coming in from Canada. Can you speak to that issue and what’s being done to address that and the impact that those tariffs have on the cost of lumber in this country and ultimately on the cost of housing?

U.S. Trade Representative Tai: The free trade commission that is required to meet within the first year of the USMCA is meeting next week and I will be raising our concerns with the Canadians. But obviously I look forward to continuing this conversation with you and the many other members of Congress who have raised concerns about this on both sides of the issue.

HOUSE HEARING HIGHLIGHTS

Rep. Mike Thompson (D-Calif.): I appreciate how the pandemic has exacerbated trade issues and disrupted supply chains. This has a real life impact on my district where we just lost thousands of homes because of the deadly fires that we experienced. The surge in lumber prices is making it harder to rebuild. This is hurting real people already reeling from these fires. One way that we can help address this is by doing away with the tariffs on Canadian softwood lumber.

REP. STEVEN HORSFORD (D-NEV.): I know earlier Mr. Pascrell [Democratic congress-

man from New Jersey] raised the issue around the lumber issue. I joined in that letter to you and would just ask that we receive a follow up. I am particularly concerned in Nevada with the rising housing costs and how its impacting people who are able to access affordable or attainable or workforce housing particularly as those costs escalate.

Rep. Kevin Hern (R-Okla.): At present, the U.S. and Canada lack an agreement governing the trade of softwood lumber. U.S. home buyers, home builders and everyone who participates in the supply chain is suffering due to these unnecessary cost increases. Last week, you in your response to Sen. Moran inquiring about the rising cost of lumber. You stated quote: “This will always be important to U.S.-Canadian relations. We have raised these issues with my counterpart already. Softwood lumber will always be in my sights. We have a lot of tools and plans to use them robustly and raise the concerns we have and engage our Canadian counterparts on how to manage longstanding differences and think outside the box.” Ambassador, can you clarify what specific tools you plan to use?

U.S. Trade Representative Kai: We have a lot of tools. There’s a NAFTA chapter that’s been brought into USMCA. Those are trade remedies that written into our trade agreement. We have our trade remedy provisions here in U.S. law. I’d be willing to sit down with my Canadian counterpart and think, “Hey, is there anything else that hasn’t been tried before that we could try?”

The reality is that record high lumber prices are putting the American dream of a home of homeownership out of reach for hundreds of

thousands of potential home buyers and disproportionately harming middle- and low-income families across our nation. At a time when residential home building is booming, it is essential that home builders and consumers have access to the materials they need at competitive prices.

In April 2017, the US Department of Commerce announced countervailing duties averaging 20 percent on softwood lumber products from certain Canadian producers. In December of 2020, the average tariff was reduced to 9 percent.

While a reduction in tariffs for some Canadian producers is a step in the right direction, the complete elimination of these tariffs is necessary to provide additional relief for rising lumber prices.

In addition to working to resolve this trade dispute, we should also work to boost the domestic production of the types of lumber used in home construction. Additional lumber can and should be sustainably harvested from public lands managed by the U.S. Forest Service and the Bureau of Land Management. Adding to the existing lumber supply and ensuring that domestic sawmills are operating at full capacity will help soften lumber prices.



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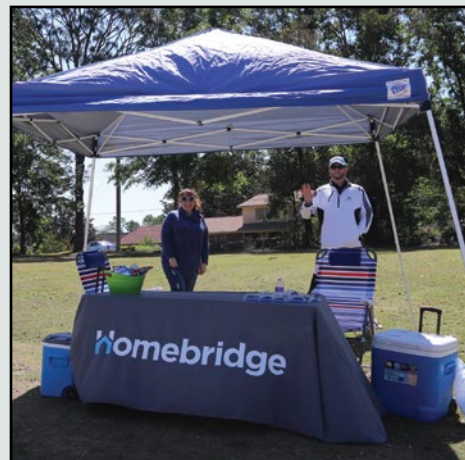
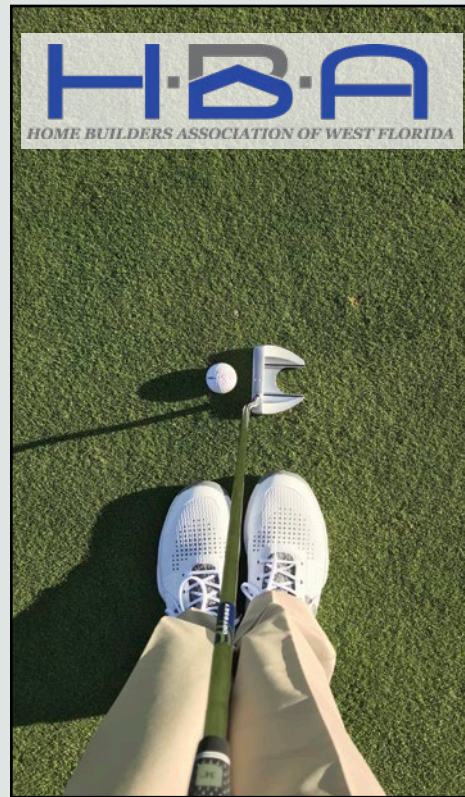
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HBAWF Spring Golf Tournament 2021

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Construction Cools as Costs Climb

Housing production fell in April due to the increased costs of building materials that have priced out potential home buyers. Overall housing starts decreased 9.5% to a seasonally adjusted annual rate of 1.57 million units, according to a report from the U.S. Department of Housing and Urban Development and the U.S. Census Bureau.

The April reading of 1.57 million starts is the number of housing units builders would begin if development kept this pace for the next 12 months. Within this overall number, single-family starts decreased 13.4% to a 1.09 million seasonally adjusted annual rate. The multifamily sector, which includes apartment buildings and condos, increased 0.8% to a 482,000 pace.

“Housing starts and permits posted a monthly decline in April, as escalating prices for lumber and other building materials price out some home buyers from an otherwise hot housing market,” said NAHB Chairman Chuck Fowke. “Policymakers need to prioritize the U.S. supply chain for items like building materials to ensure builders can add the additional inventory the housing market desperately needs.”

“The decline in single-family permits indicates that builders are slowing construction activity as costs rise,” said NAHB Chief Economist Robert Dietz. “While housing starts were strong at the beginning of the year, due to home builders constructing homes



that were sold pre-construction, higher costs and limited availability of building materials have now paused some projects.”



Overall permits increased 0.3% to a 1.76 million unit annualized rate in April. Single-family permits decreased 3.8% to a 1.15 million unit rate. Multifamily permits increased 8.9% to a 611,000 pace.

Looking at regional permit data compared to the previous month, permits are 8.4% higher in the Northeast, 9.9% lower in the Midwest, 3.9% higher in the South and 4.1% lower in the West.

The number of single-family homes permitted but not started construction continued to increase in April, rising to 131,000 units. This is 47% higher than a year ago, as building material cost increases and delays slow some home building.

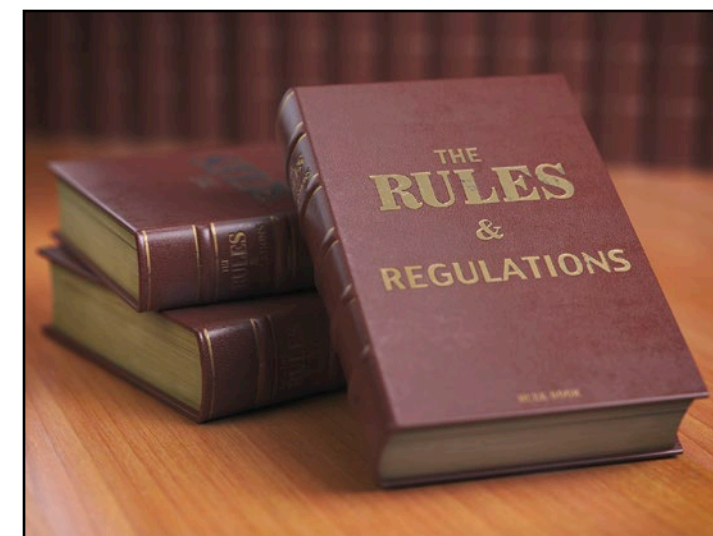
REGULATORY COSTS ADD A WHOPPING \$93,870 TO NEW HOME PRICES

Regulations imposed by all levels of government account for \$93,870, or 23.8% of the current average sales price (\$397,300) of a new single-family home, according to a new study by NAHB.

Of the \$93,870 figure, \$41,330 is attributable to regulation during development, and \$52,540 is due to regulation during construction.

“This study illustrates how overregulation is exacerbating the nation’s housing affordability crisis and that policymakers need to take bold steps to reduce or eliminate unnecessary regulations that will help builders increase the production of quality, affordable housing to meet growing market demand,” said NAHB Chairman Chuck Fowke.

Of note, the study on the cost of regulation does not take into effect how rising lumber and other material prices over the past



12 months have raised housing costs. NAHB completed another report last month that shows rising lumber prices, which have soared more than 250% since April 2020, have added \$35,872 to the price of a typical new home. This figure is on top of the \$93,870 cost due solely to regulation.

While NAHB’s previous regulatory estimates in a 2016 study were fairly similar, the price of new homes increased substantially in the interim. When applying these percentages to Census data on new home prices, the data show an estimate that regulatory costs in an average home built for sale went from \$84,671 to \$93,879 — a 10.9% increase during the five-year span between NAHB’s 2016 and 2021 estimates.

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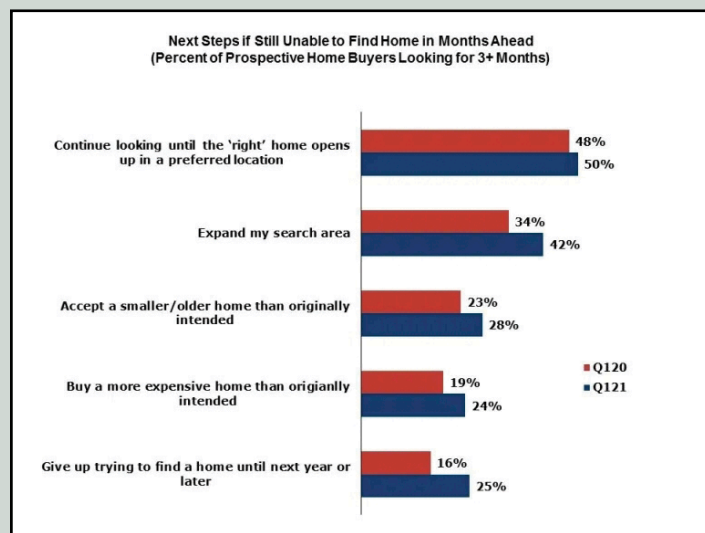
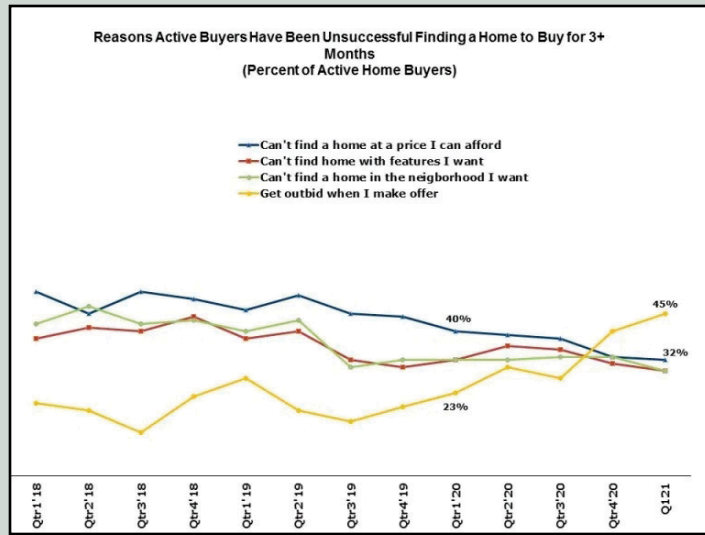
A recent Eye on Housing blog post revealed that 64% of buyers who were actively engaged in the process of finding home in the first quarter of 2021 have spent upwards of three months searching for a home without success.

The most common reason long-time searchers have come up empty-handed is not because they can't find a home at an affordable price (32%), but because they continue to lose out in bidding wars (45%), according to survey results from NAHB's most recent Housing Trends Report.

The reasons are flipped from a year earlier, when 40% cited unaffordable prices and only 23% because of better offers by other buyers.

When asked what they are most likely to do next if still unable to find a home in the next few months, 50% of active buyers searching for three-plus months will continue looking for the 'right' home in the same location – about the same percentage as a year earlier. On the other hand, 42% will expand their search area, an increase from the 34% willing to take that step a year earlier.

Difficulties finding a home to buy will likely lead 25% of active buyers to give up until next year or later, up from 16% a year earlier. Historical data show a steadily rising trend in the share of long-term searchers likely to quit looking for a home until next year or later, as the latest increase marks the fifth year-over-year rise in this metric.



Building Materials Top Housing Concerns

Builder confidence held stable in May, despite growing concerns over the price and availability of most building materials, including lumber.

The latest NAHB/Wells Fargo Housing Market Index (HMI) released today shows that builder confidence in the market for newly built single-family homes is 83 in May, unchanged from April.

“Builder confidence in the market remains strong due to a lack of resale inventory, low mortgage interest rates, and a growing demographic of prospective home buyers,” said NAHB Chairman Chuck Fowke. “However, first-time and first-generation home buyers are particularly at risk for losing a purchase due to cost hikes associated with increasingly scarce material availability. Policymakers must take note and find ways to increase production of domestic building materials, including lumber and steel, and suspend tariffs on imports of construction materials.”

“Low interest rates are supporting housing affordability in a market where the cost of most materials is rising,” said NAHB Chief Economist Robert Dietz. “In recent months, aggregate residential construction material costs were up 12% year over year, and our surveys suggest those costs are rising further. Some builders are slowing sales to manage their own supply chains, which means growing affordability challenges for a market in critical need of more inventory.”

With labor and lot availability a challenge in many markets, Dietz cautioned that “home buyers should expect rising prices throughout 2021 as the cost of materials, land and labor continue to rise.”

Derived from a monthly survey that NAHB has been conducting for 35 years, the NAHB/Wells Fargo HMI gauges builder perceptions of current single-family home sales and sales expectations for the next six months as “good,” “fair” or “poor.” The survey also asks builders to rate traffic of prospective buyers as “high to very high,” “average” or “low to very low.” Scores for each

component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor.

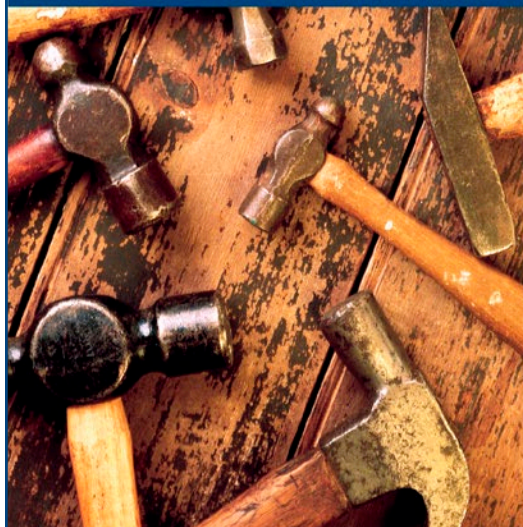
The HMI index gauging current sales conditions held steady at 88, and the gauge charting sales expectations in the next six months rose one point to 81. The component measuring traffic of prospective buyers fell one point to 73.



Looking at the three-month moving averages for regional HMI scores, the South rose one point to 84, and the West held steady at 90. The Northeast fell four points to 82, and the Midwest posted a three-point drop to 75.

HMI tables can be found at nahb.org/hmi. More information on housing statistics is also available at [Housing Economics PLUS \(formerly housingeconomics.com\)](http://HousingEconomicsPLUS.com).

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Collaboration Between Builders and Appraisers Key to Navigating Rising Lumber Prices, Freddie Mac Says

As lumber prices continue to rise, home builders face challenges selling homes that accurately reflect the increased costs of construction. This applies not only to lumber, but appliances and other key components as well due to supply constraints. Because these increased costs are not recognized during the appraisal process, the builder or home buyer is often left scrambling to secure extra funds to cover the difference between the appraised value and the actual cost of the home.

NAHB notes that home builders can mitigate this issue by preparing an "appraisal binder," which will provide a cost breakdown of the materials used to construct the home. Providing this binder to the appraiser upon his or her arrival to inspect the home will help encourage the appraiser to apply the cost-approach method during the appraisal process, thereby reflecting the cost of materials used to construct the home.

"As an appraiser, I think this approach should be applauded and encouraged," Scott Reuter, single-family chief appraisal officer at Freddie Mac, shared in a recent Freddie Mac blog post. "This information can be very helpful as an appraiser develops market support for actual costs."

Reuter shared his perspectives on the appraisal process earlier this year on NAHB's Housing Developments podcast, noting the tools available to appraisers to help indicate what's occurring in the market.

"It's really evident that while rising lumber and building materials costs are putting tremendous pressure on home builders, but by extension — and I know this group know that — it's also creating tremendous challenges for appraisers," Reuter noted to NAHB CEO Jerry Howard and Chief Lobbyist Jim Tobin. "A lot of these cost increases are likely not yet seen in closed-market transactions. So the segregated cost breakdown, the per-unit cost breakdown, some comparable sales — that's tremendously helpful."

Reuter encourages builders to share information such as:

- ★ Any market study or pre-appraisal the builder has complete
- ★ Copy of the sales contract or the custom home contract
- ★ Comprehensive list of the cost of the amenities and finishes for the home
- ★ Breakout of the monetary difference of recent major material cost increases versus their typical costs

"The best way to navigate the challenges presented by this environment is for builders and appraisers to continue to talk and collaborate — to better manage current assignments and lay the groundwork for positive relationships in the future," he concluded.

A full version of the post, and additional resources, can be found on Freddie Mac's website.

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Department of Labor Withdraws Final Independent Contractor Rule

The Department of Labor (DOL) announced in early May it is withdrawing the independent contractor rule that was finalized in January during the waning days of the Trump administration.

In doing so, it will revert to its pre-rule economic realities test where no one factor is determinative of independent contractor status.

NAHB submitted comments opposing the withdrawal and believes the final independent contractor rule represented a positive step forward that would provide more clarity for employers to determine whether a worker is an independent contractor or an employee under the Fair Labor Standards Act (FLSA).

In making the announcement to withdraw the rule, the DOL cited the reasons:

- The independent contractor rule was in tension with the FLSA's text and purpose, as well as relevant judicial precedent.
- The rule's prioritization of two "core factors" for determining employee status under the FLSA would have undermined the longstanding balancing approach of the economic realities test and court decisions requiring a review of the totality of the circumstances related to the employment relationship.
- The rule would have narrowed the facts and considerations comprising the analysis whether a worker is an employee or an independent contractor, resulting in workers losing FLSA protections.



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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.

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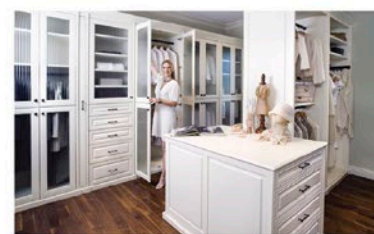
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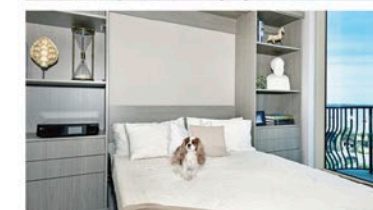
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