

TENNESSEE Home Builder

July/August 2007

Official Magazine

Builders Association

United States Senator

Bob Corker

**Former Mayor and Native
of Chattanooga**

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TENNESSEE HomeBuilder

July/August 2007



WHO WE ARE

The Home Builders Association of Tennessee (HBAT) is a not-for-profit trade association comprised of professional builders, developers and associated firms engaged directly or indirectly in home building, remodeling and light commercial construction.

MISSION STATEMENT

The Home Builders Association of Tennessee represents over 6,500 member firms as the Voice of the Housing Industry. We advocate housing affordability and availability through:

- Legislation
- Communication
- Education



In this edition of the Tennessee Home Builder, we introduce you to U.S. Senator Bob Corker, graduate of the University of Tennessee, former contractor and developer and former mayor of Chattanooga, Tennessee.

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TN HomeBuilder is the official publication for the Home Builders Association of Tennessee.

Annual subscription rate for members of the association is included in the association dues.

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Send address changes to:

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213 Fifth Avenue North, St. 200
Nashville, TN 37219

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ADVERTISING SALES

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(931) 379-0814

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-InDesign

-Photoshop

-Quark Express

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May be sent to—

tnbuilder@comcast.net or

TN HOME BUILDER

P.O. Box 1916

Columbia, TN 38402

www.tnhomebuilder.com

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MID-YEAR REVIEW

President's Perspective

When I became president of the Home Builders Association of Tennessee, I wanted to bring about a unified effort among our 18 local associations. I believe we are steadily progressing toward this goal, and our accomplishments in 2007 are evidence of what we do when everyone works together.

The recent effort regarding the changes to the International Residential Code was a major victory for our association and builders across our Nation. I would like to salute everyone who assisted in defeating the "fire sprinkler" legislation. The repercussions could have been devastating. A recent brochure put out by the National Association of Homebuilders pointed out that for each additional \$1,000 added to the price of a home, 250,000 potential home buyers are priced out of the market. Using a very conservative estimate of \$3,000 for a fire sprinkler system in the average home, 750,000 home buyers would not have been able to purchase a home if the recent fire sprinkler legislation had passed.

Proponents of mandating fire sprinklers were unable to muster the two-thirds majority vote they needed. The May 22 vote was 476 to 375. Contained in the code's appendix, fire sprinkler requirements will remain a local jurisdictional choice, which is exactly as it should be according to representatives from NAHB, state and local home builders associations who spoke at the code hearings.

The victory we have won is incredible, but victory on such a narrow margin is a wake up call to everyone involved in this association. We must all be on a constant mission to recruit members, retain our current numbers and ultimately build a stronger voice in the legislative arena. We have won a battle, but you can be sure that the war is not over.

Another issue we are concentrating on is the ongoing debate over immigra-

tion policy. The National Association of Home Builders restated its position that it supports legislation that would achieve comprehensive immigration reform, but it remains opposed to legislation that would hurt America's small businesses. Lawmakers are expected to continue their focus on areas of key concerns to NAHB, including issues dealing with employment verification provisions, whether contractors will be responsible for the legal status of their subcontractors' employees and inadequate safe harbor protections. Once again, on every level of government we must all unify in our efforts to produce a reasonable compromise on the immigration issue.

Environmental Issues are another hot topic that we all need to be aware of throughout the building industry. When the papers are full of stories about global warming and rising energy prices, green building stands out as a great solution for politicians too. That opens up the door to advocates who are stepping up their efforts to get cities and even states to legislate the practice among home builders. It is our position that Green Building needs to stay voluntary. We discourage efforts to dictate and legislate what constitutes acceptable green building practices because the building science in this area is relatively new. It's another issue that will need a unified voice throughout the building industry. Otherwise, this emotionally charged issue could be legislated into a strangle hold on both homebuyers and homebuilders.

Storm water runoff on construction sites also play into the environmental challenges. The U.S. Environmental Protection Agency (EPA) regulates storm water runoff from construction sites greater than one acre in size, or less than one acre if part of a common plan of sale or development. The requirements are so inclusive that almost every builder in the country is required to obtain a storm water discharge



HBAT President David Parsons

permit for each construction/development site. These regulations are costly (adding approximately \$3,000 to the cost of each finished lot) and result in conflicting local government interpretations of permit conditions. NAHB's multifaceted advocacy approach is focused on reducing the regulatory burden while maintaining efforts to keep silt out of the nation's waters. The ultimate goal of our association is a more streamlined, efficient and fair regulatory process which would make it easier, quicker and less costly for our members to obtain and remain in compliance with storm water permits.

Finally, in June many of our HBAT leaders made the yearly pilgrimage to Washington, D.C. to meet with their representatives and express their concerns. The issues mentioned in this article were discussed at length with lawmakers who will ultimately cast votes that will either pass or deny the regulations affecting the overall health of the Tennessee homebuilding industry. Let's all remember that a united voice and the combined efforts of our national, state and local associations can really make a difference for everyone. ♦

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NAHB and the HBAT

Partnership with a Common Goal

Did you know that joining a local home builders association makes you part of a group of more than 235,000 members strong? The state of Tennessee can boast of 18 local HBA's and approximately 6,500 members. But on a national level, our association reaches across the boundaries of this great Nation with a mission to support the home building industry throughout the United States. With a team mentality, we can all work to accomplish our goals at local, state and national levels.

Working as an affiliate of the National Association of Home Builders, your state HBA is capable of accomplishing multi-level legislative goals. Communication between the NAHB and the HBAT is vital in our quest to create the most favorable environment for Tennessee homebuilders and their associates.

The NAHB is headquartered in Washington, D.C. It is the arm of our trade association whose mission is to enhance the climate for housing and the building industry on the national level. Founded in 1942, NAHB is a federation of more than 800 state and local associations. About one-third of NAHB's 235,000 members are home builders and/or remodelers. The remaining members are associates working in closely related fields within the housing industry, such as mortgage finance and building products and services.

NAHB's various groups analyze policy issues, take the industry's story to the public through the media and other outlets, monitor and work toward improving the housing finance system, analyze and forecast economic and consumer trends, and educate, train and disseminate information to members. The association



*Susan Ritter, HBAT
Executive Vice President*

also represents the industry's interests on Capitol Hill and strives to ensure that housing remains a national priority when laws are made and policies are established. NAHB also works with federal agencies on regulations affecting the housing industry in areas such as mortgage finance, codes, energy and the environment. Finally, the association strives to shape decisions of the courts, by becoming involved in litigation on land development, environmental, and construction liability matters, so that laws and regulations may be interpreted favorably for the housing industry. NAHB's builder members will construct about 80 percent of the more than 1.56 million new housing units projected for 2007.

The Home Builders Association of Tennessee strengthens the Tennessee building industry with legislative, regulatory, educational, networking and public relations programs throughout our State. By working with the National Association of Home Builders, we create a partnership of coordinated efforts which gives us a much better chance of success at every level of government.

Together, as a team, we all build a stronger industry and more prosperous overall economy throughout our country.

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A musical score in 2/4 time with a key signature of one sharp (F#) is overlaid on the background. The notes are in a blue color and flow across the top and middle of the image. The title is written in a blue, stylized font.

Pardon Me Boys, *is that the* Chattanooga Choo Choo



SENATOR BOB CORKER

Pardon me boys, is that the Chattanooga Choo Choo rolling into Washington, DC?



Bob and his wife, Elizabeth, just celebrated their 20th wedding anniversary and have two college age daughters, Julia and Emily. The Corker family lives in Chattanooga and attends North Shore Fellowship.

In 1838, a southern Tennessee city officially took the name of Chattanooga, meaning “rock rising to a point,” a fitting description of Lookout Mountain. But the Glenn Miller Orchestra made Chattanooga a world famous landmark in the 1940’s with a catchy song titled, “Chattanooga Choo Choo.”

The train was not just a creative invention for a popular song. The first Chattanooga Choo Choo was Cincinnati Southern Railroad’s small, wood-burning steam locomotive that started its journey through history from Cincinnati, Ohio on March 5, 1880. Nearly all trains traveling to the South passed through Chattanooga. The wood-burning “Choo Choo” was the first to provide non-stop service. The famous Chattanooga Choo Choo Terminal Station was built in 1908 and stands as a testament of the golden age of railroads.



Famous Chattanooga train station.

Today, Chattanooga is the 4th largest city in Tennessee and has received national recognition for the renaissance of its downtown and redevelopment of its riverfront. The city also boasts the most productive, affordable housing program in the nation.

It would be safe to say that much of the recent success of the Chattanooga area can be attributed to the efforts of Senator Bob Corker. Corker is a native of Chattanooga, Tennessee and was elected Mayor of the city in 2001.

On November 7, 2006, Bob Corker was elected to serve the people of Tennessee in the United States Senate. He is a member of the Senate Committees on Foreign Relations; Energy and Natural Resources; Small Business and Entrepreneurship; and the Special Committee on Aging.

We caught up with Senator Bob Corker, and asked him the following questions:

Senator Corker, you were a licensed general contractor in Tennessee. How did you begin your career in the building industry?

I began working as a construction laborer in high school. I loved the physical aspect of construction and being able to work outside everyday. After graduating from the University of Tennessee in 1974 with a degree in Industrial Management, I worked for four years as a construction superintendent. When I was 25, I started my own construction company with \$8,000. I started out doing very small projects because of the limited amount of capital. The company eventually grew to operate in 18 states building mostly shopping centers.

In many ways, the building industry is what led to my interest and involvement in public policy and eventually public service. In my late twenties, I read in my church bulletin that they needed someone with experience in construction to lead a mission trip to Haiti. The trip was an incredibly moving experience for me, and I began to take a closer look at needs in my own community. I realized that many people in Chattanooga didn’t have decent housing and that homeownership could be a real turning point for lots of families. I led the creation of a non-profit organization that today has helped over 10,000 families secure decent, fit and affordable housing through low-interest loans and personal training in home maintenance. I was asked to give speeches from time to time and to serve on the governor’s task force for low-income housing. That experience is what started my involvement in public policy.

You have moved from the Tennessee municipal and state political arena to the national political scene. What are some of the challenges you have faced?

As a mayor, you have an incredible ability to interact with your constituents on a daily basis. It’s a little more difficult

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2007 NAHB Legislative Conference

Legislative Review
by Doug Collins

Sometimes, your timing is just right – approximately 35 HBAT members were part of the 1,257 NAHB members who descended upon Capitol Hill in Washington during the NAHB Annual Legislative Conference. We had the opportunity to visit with members of the Tennessee Congressional Delegation to share our viewpoints about current legislation moving through the legislative process. Most important of these issues continues to be the struggle over what to do with what some consider to be an immigration crisis that our country is facing. Our visits could not have been more timely, since they were made one day before the Senate voted to defeat the Immigration Bill that was before it. This legislation would have placed an undue burden on builders and would not have addressed specific points that are most important to our industry.

Since our meetings in Washington, a strong effort by the administration has brought the matter back before the Senate for reconsideration.

As we go to press, there is an amendment being proposed by Senators Grassley, Baucus and Obama that is supported by NAHB. We feel this best addresses the matters with which we are most concerned.

- ✦ The responsibility for verifying a worker's immigration status is placed where it really belongs – with the employer who hires and pays them.
- ✦ It makes it possible for employers to act in good faith and to follow the new rules for determining whether a person is in the country legally.
- ✦ Would simplify the new federal verification system by giving the employers the option of calling a national data base to determine a person's legal status at the time they are being hired

Please continue to watch the NAHB and HBAT websites for the outcome of the new debate on this issue. Also, continue

to watch for any **Calls to Action** through our BuilderExpress website, so you can contact your senators and express your views.

While immigration reform continues to be at the top of our concerns, we shared our thoughts with our delegation on others matters including:

✦ **FHA Modernization.** Seeking viable alternatives to the volatile subprime market, builders called on Congress to reform the Federal Housing Administration's single-family mortgage insurance programs. FHA could potentially assist tens of thousands more borrowers who need an exit strategy from their subprime mortgage by insuring fixed-rate, adjustable-rate and hybrid adjustable-rate mortgage loans to borrowers with limited cash reserves and/or slightly tarnished credit.

NAHB championed several recommendations in H.R. 1852, which is expected to go to the House floor in coming weeks. The bill would grant FHA greater flexibility in setting downpayment requirements for its single-family programs and establish a risk-based mortgage insurance premium pricing structure that rewards higher-risk borrowers who establish a track record of timely payments. It would also revise FHA requirements for condominium loans, permit FHA to extend the maximum loan maturity to 40 years to enable borrowers to reduce their monthly mortgage payments and increase the current limit for FHA-insured mortgages to enable deserving potential home buyers to buy homes in high-cost areas. Our members called on their representatives to support H.R. 1852 when it goes to the House floor and urged their senators to support FHA revitalization legislation that addresses NAHB policy issues.

✦ **Housing's Impact on the Economy.** Noting that housing accounts for more than 16 percent of gross domestic product, lawmakers were urged to support efforts to keep housing on track as the nation's most



*Doug Collins, Chair
Governmental Affairs Committee*

important economic engine and wealth builder. Members of Congress were also asked to support legislation that removes regulatory barriers that make home building more difficult and tend to curtail housing production, such as wetlands permitting, climate change legislation and federal storm water permitting program reform.

✦ **Government Sponsored Enterprises (GSE) Reform.** Legislation reforming the regulatory oversight of the government sponsored enterprises (GSEs) — Fannie Mae, Freddie Mac and the Federal Home Loan Banks — was approved by the House on May 22. H.R. 1427, the Federal Housing Finance Reform Act of 2007, would establish a strong, regulatory framework for the GSEs and safeguard and strengthen their financial health while also supporting their ability to fulfill their housing-related activities. In the Senate, Banking Committee Chairman Christopher Dodd (D-Conn.) has yet to introduce a companion bill. Builders urged their senators to ensure that NAHB policy concerns are addressed prior to passage of any GSE reform bill in the Senate, and called on their House mem-



Jerry Howard

*Executive Vice President and CEO
National Association of Home Builders*

Jerry Howard, Executive Vice President and Chief Executive Officer of the National Association of Home Builders, has over 20 years of association experience and a lifetime in the housing industry. Jerry began his association career at the National Association of Realtors, where he served as a Legislative Analyst for tax issues. Prior to joining NAHB, Jerry served as the chief lobbyist for

the National Council of State Housing Agencies where he was instrumental in the development of the low-income housing tax credit as part of the Tax Reform Act of 1986.

Jerry came to NAHB as tax counsel in 1988 and served in a variety of roles, including Chief Lobbyist. Jerry was promoted to Executive Vice President & Chief Executive Officer in February 2001.

Before embarking on his association career, Jerry practiced real estate law in his home state of South Carolina. His exposure to the housing industry has literally encompassed a lifetime; Jerry grew up working in a variety of roles for his father, a developer.

Jerry earned a Bachelor of Arts from the University of Vermont and received his Juris Doctorate from the University of South Carolina. He, his wife Christina and their children Eirann, Meaghan and Sean live in Virginia, just outside of Washington, D.C.

We asked Jerry to give us his thoughts on the current issue of housing affordability. Here is what he had to say:

America is experiencing a serious housing affordability crisis that affects the quality of life of millions of families by locking them out of homeownership or forcing them to make significant financial and personal tradeoffs to buy or rent a home.

Just how serious is the problem? The Housing Opportunity Index (HOI), which is prepared quarterly by NAHB and is sponsored by Wells Fargo, measures the percentage of new and existing homes sold nationwide in that quarter that would be affordable to families earning the national median income. For example, the national Housing Opportunity Index was 44 in the first quarter of 2007, meaning that 44 percent of the homes sold nationwide were affordable to families earning the national median income, which is determined by the Department of Housing and Urban Development.

Between the first quarter of 1992 and the last quarter of 2004, the national index ranged from a low of just over 50 to a high of almost 70. Most often,

2007 NAHB Legislative Conference

—Continued from page 14

bers to ensure that any final compromise with the Senate does not weaken House-passed bill H.R. 1427.

✦ Continued concern over the interpretation of the Federal Storm Water Permit Program and the Clean Water Act.

Having this forum to share our thoughts and concerns directly with our Senators and Representatives is always a great opportunity for our membership to express the needs and desires of small business and the home buying consumer in a way that puts a face on the complex issues that our delegation is dealing with. ♦

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Meet 2007 NAHB State Representative Charles Morgan



NAHB State Representatives serve as the primary representatives from each state to NAHB's Executive Board. They provide service and information on issues of NAHB policy to the affiliated

associations within their respective states and represent the views of those associations on the NAHB Executive Board.

Charles Morgan has been involved in the Home Builders Association since 1974. He is a past local and state president, and is a member of the Memphis Area HBA. Charles is 56 years old, is married and has three children and one grandchild. His son is currently serving in Iraq.

Charles currently serves as the 2007 NAHB State Representative for Tennessee. We asked him a few questions about his involvement:

Charles, could you tell us a little about how you became the NAHB State Representative?

I've always wanted to contribute and give back to our industry, and this position was primarily the next logical step in my involvement with the Home Builders Association. It's an elected position with a two year term. It is really similar to state level positions, but you're involved with more issues. There's a lot to learn and it takes a while to get your feet wet.

Tell us what issues you have been involved with and some of the accomplishments you have seen as Tennessee's NAHB representative.

Last year we were able to assist with issues such as getting Wilson County involved with the Middle Tennessee HBA. Then, there was the huge, combined effort

on every level of our association to defeat the fire sprinkler issue in Rochester, NY. There are many of my colleagues that worked very hard to help defeat this issue. I've been involved with the "Buy Now" campaign which allocated \$3 million from NAHB. Several of our locals have taken advantage of this program. I've also had the privilege to work with a grassroots campaign which involves calling presidents of local HBAs to get an overview of local concerns. I think that is one of the things I really enjoy about this position. You really get to stay in touch with every level of the Home Builders Association.

Is there anything else you would like your fellow HBAT members to know about your NAHB involvement?

I just want everyone to know that there are a tremendous amount of resources at this level has allowed me to make so many contacts and friends. It's a great way to learn what other associations across the country are facing and how they are responding to issues that we deal with in Tennessee. I've always believed it's a good idea to learn from the experience of others.

The NAHB does a great job of working for our industry across the entire country, and it's a real honor to represent Tennessee at this level of involvement.

NOTE: 2007 National Vice Presidents
NAHB's National Vice Presidents are elected by the board of directors to represent the interests and concerns of members from their area and the interests of Associate members. They work closely with the Senior Officers, forming a vital communications link between NAHB and the leaders and members in each area as well as Associate members. ♦

Our National Vice President is:
Sonny Richardson Area 7
Alabama, Tennessee

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it was in the mid-60s. However, since the beginning of 2005, the index has consistently ranged below 50 on a nationwide basis despite near-record low mortgage interest rates.

The result is that millions of families – including crucial public servants such as police officers, firefighters, school teachers and nurses – are priced out of homeownership. Millions more pay too large a share of their income for housing and are forced to live in housing that does not meet their needs or must make significant personal trade-offs, such as living far from their jobs, in order to afford housing.

Due largely to relatively low median home prices, Tennessee markets fare better than much of the country where the HOI is concerned. In the first quarter of 2007, Knoxville recorded an HOI of 74.6 and Chattanooga's was 77.4. In the Memphis metro area, the first quarter HOI was 69.6. Although these are relatively strong numbers, they also indicate that approximately 23 to 30 percent of the people in those areas – a sizeable portion of the population – cannot afford median priced homes ranging from just \$124,000 to \$132,000.

Finding solutions to the affordability

problem is a priority for NAHB, and that's why we joined with the NAACP earlier this year to co-host a roundtable discussion on housing affordability among the nation's major housing organizations.

NAHB and the NAACP are working together on this issue because members of both organizations understand the importance of housing in families' lives. And now we've broadened the scope of our partnership to include state and local housing authority officials, lenders, real estate professionals, non-profit housing advocates and others.

We brought these groups together to figure out how to move housing affordability from a high-elevation policy discussion to an on-the-ground initiative that makes a difference in people's lives.

We looked at credit issues, land availability, zoning practices, consumer education, the role of federal, state and local government and many other issues during the day-long meeting.

The discussion generated many sound ideas regarding ways we can respond effectively to this challenge. The participants did not see eye-to-eye on every issue, but we found a great deal of common ground,

and there was broad agreement that we must act collectively to make a meaningful difference.

These housing groups, along with the NAACP, have agreed to conduct a symposium on housing affordability in the fall that will bring even more voices to the table.

The goal, and the reason we seek to find consensus among a broad range of housing and social justice organizations, is to develop a set of clear, concise policy recommendations that have deep support from a wide range of interests.

Ultimately, the participating groups would deliver them as policy recommendations to the major political parties as they prepare for the 2008 presidential campaign.

We want to make sure that policy makers at all levels of government are aware of the depth of the housing affordability challenge, and put them on notice that the American people expect government to be part of the solution, not part of the problem. ♦

For more information about the Housing Opportunity Index, go to www.NAHB.org/HOI.

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BUILDERLINK



Connects Builders with Members of Congress

BuilderLink, an updated national grassroots program that will provide opportunities for NAHB members to connect more frequently with their members of Congress, was launched on Wednesday, June 6 at the 2007 Legislative Conference in Washington, D.C.

By developing local grassroots activities that bring NAHB members and their members of Congress together throughout the year, BuilderLink will build on the momentum generated by the annual NAHB conference, which drew more than 1,200 builders to Capitol Hill to share their concerns on housing-related issues with their representatives and senators.

BuilderLink will pinpoint members of Congress who have the most influence over priority housing issues and link them to the NAHB members living in the areas they represent. As constituents, NAHB members are in a unique position to directly communicate with their federal lawmakers on the impact of their decisions on housing.

Whether conducting a local visit, writing a letter or making a phone call to a member of Congress, BuilderLink will provide the resources NAHB members need to advocate a pro-housing message.

For more information on BuilderLink, e-mail Molly Murray at NAHB, or call her at 800-368-5242 x8470. ♦

Direct Drive—363 New Members



Cumberland County HBA HBA of Greater Kingsport HBA of Southern Tennessee Johnson City HBA

A special thanks goes out to all the Local Associations who participated in the 2007 Direct Drive. This year's drive brought in 364 new members, bringing our total percentage increase to almost 12 percent.

Top Numerical Increase:

Johnson City HBA – 83
HBA of Southern TN – 61
HBA of Greater Kingsport – 60

Top Percentage Increase:

Cumberland County HBA – 55%
HBA of Greater Kingsport – 33%
Johnson City HBA – 32%

Participating in the NAHB Membership Drive, Middle Tennessee brought in 103 new members!

Let's "Keep the Drive Alive!"

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Corker Visits Spring Hill GM Plant

Senator Corker, a member of the Energy Committee, discusses advances in fuel injection technology that improve vehicle performance and emissions without sacrificing fuel efficiency on a tour of the General Motors Spring Hill Powertrain Plant.

Senator Bob Corker
Continued from page 13—

to have that same level of interaction as a senator, but I'm trying to. I believe that I need to be grounded in the issues by seeing and talking to the people affected or involved.

I'm also finding that if you're not careful, it's easy to get caught up in the pace of scheduling in the Senate and get swept away by it. With practically every minute of the day booked solid, you have to organize your office and your staff with a commitment toward making a difference and digging into the issues. As senators, we have tremendous access to information to help us address the problems facing our country. We're continually bringing in the leading minds on critical issues so our decisions will be thoughtful and informed, and so we can help create legislation that will actually work on the ground.

When I started my own construction business, I had been a laborer, rough carpenter, superintendent, and project manager, so I had experienced firsthand the challenges that are dealt with out on jobsites. In the same way, I think one of the benefits of serving as Tennessee's

finance commissioner and Chattanooga's mayor prior to coming to the Senate is that I bring to Washington a firsthand perspective of how things really work at the state and local levels.

As a member of the Senate Small Business and Entrepreneurship Committee, you know that home builders as small business people face mounting governmental regulatory pressures. What do you see as the principal challenge regarding the immigration issue and its' impact on the home building industry?

It is essential that we get control of our borders and patrol our points of entry. In order to achieve this goal, additional resources - both personnel and technology - must be employed along our borders to provide an effective deterrent against illegal entrants. We need a reliable, efficient instant employee verification system that doesn't create needless red tape, causing prohibitive time delays and imposing new costs on homeowners. We also need to take a serious look at our country's work force and consider adjusting our immigration levels to respond to the need.

With your background in construction, you know the many challenges that contractors can face on their projects. What approach can you take to remove regulatory barriers that make home building more difficult and tend to curtail housing production?

The background I have in the construction business has instilled in me a deep respect for hard work, the desire to encourage others to take risks, and the important role employers have in creating jobs for our citizens. I lived through the impacts of legislation and regulations and understand that much of the legislation that is passed is not practical and can be very counterproductive, often creating unnecessary additional costs. We need to affect the right kind of change that truly solves problems without creating new ones.

I met with a group of Tennessee homebuilders in June, and we talked about the stress that the softening in the housing market nationwide is having on the building industry and homeowners alike. Lenders are also facing challenges due in large part to the recent collapse in the sub-prime lending market. If a family can't qualify for a mortgage, then they can't own a home



For complete explanation of photos see page 30.

- and that's a major problem for the economy. I'll continue to track legislation moving in the House and the Senate dealing with these issues, and I look forward to finding practical solutions to stimulate small businesses and expand the opportunity of homeownership to more Tennesseans.

Is there anything else you would like to say to the members of the Home Builders Association of Tennessee?

I understand the importance of the home building business not just to the national economy, but to the communities in which you live and work. I also know that home building is volatile enough without those of us in Washington creating additional burdens and obstacles.

It is a tremendous honor to serve you in the United States Senate, and I look forward to continuing to work with you during my service. I will continue to ask the kind of questions that you ask each day – questions that get to the heart of a matter, so that we focus on the real issues at hand.

Senator Corker and his wife, Elizabeth, have been married for 20 years and have two college age daughters, Julia and Emily. He is a graduate of the University of Tennessee, and in 2005 the University of Tennessee at Chattanooga named him to their "Entrepreneurial Hall of Fame."

We wish to thank Senator Bob Corker for allowing the Home Builders Association of Tennessee to feature him in the Tennessee HomeBuilder magazine. ❖

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Stop Losing Money Down the Drain



Simple Green Building Techniques Reduce Water and Energy Costs

If you're a homeowner, you probably pay too much for water. You pay for the amount of water used and, if you're like most families, between 15 and 25 percent of your energy costs also go towards heating that same water.

But, while many people are resigned to this unfortunate reality, it doesn't have to be the case. According to the U.S. Environmental Protection agency, a few simple changes – such as installing high efficiency plumbing fixtures and appliances – can reduce water use by a third while cutting energy costs by as much as six percent.

An increasing number of builders and homeowners are choosing to:

- **Reduce hot water flow.** There are four typical destination points for hot water – faucets, showers, dishwashers and washing machines – and simple measures can dramatically reduce both consumption and energy costs at each point. For example, faucet aerators, which can be easily installed, break water into droplets and reduce the amount consumed by as much as 60 percent. Add an energy efficient dishwasher and washing machine, plus low-flow showerheads, and cut your water use (and costs) even further.

- **Strategically place the water heater.** By designing a home so the kitchen, bathrooms and laundry room are as close together as possible, the water heater should then be placed in a centralized location. This reduces what's known as conductive heat

loss – which saves energy. It also eliminates the waiting period for hot water, which reduces use.

- **Insulate water lines.** Both hot and cold water lines should be insulated to increase energy efficiency as well as enhancing indoor comfort by reducing water noise and improving indoor air quality. Insulating hot water lines reduces heat loss as the water travels through the pipes, makes them quieter, and lowers energy costs. Insulating cold water lines prevents condensation and protects against mold, which can cause serious health problems.

Reducing water use and increasing energy efficiency are part of a growing construction trend called green building, which encompasses the many practices and products used to build homes that are healthier and have reduced environmental impact.

“Regulating water use with green building techniques and appliances is an easy way to cut utility costs,” said Peter Pfeiffer, an architect and green building pioneer from Austin, Texas. “There’s a whole range of cost-effective options that are simple to install and result in significant savings. But a lot of people don’t realize that little things – such as running the dishwasher only when it’s full, or turning off the faucet while brushing your teeth – also have an impact.”

The National Association of Home Builders recently partnered with the Green Building Initiative™ to develop model green home building guidelines. The program is designed to make green building more accessible to local builders and homeowners. ♦

[illegible]

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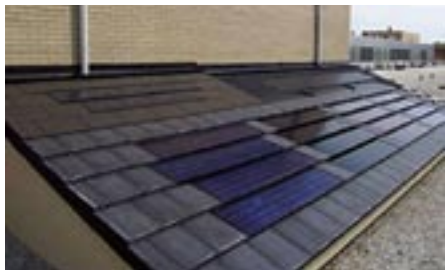




TECH TALK

Hi-Tech & Green Building Technologies of the Future

Solar Panels or Roofing Shingles?



1. Tired of your roof just soaking up rays and not pulling its load? You're not alone.

Increasing numbers of people are putting their roofs to work generating electricity. And that does not necessarily mean installing unsightly steel-and-glass solar energy modules.

Today you can get photovoltaic (or tile, or slate) that will do the job and still look like a roof.

Source: www.foxnews.com.

Wireless Electricity



2. Power cables and even batteries might become a thing of the past using a new technique that can transmit power wirelessly to cell phones, laptops, MP3 players, household robots and other electronics.

Scientists lit a 60-watt light bulb from a power source seven feet away with their new technique, with no physical connection between the source and the appliance.

The researchers have dubbed their concept "WiTricity," as in "wireless electricity."

Source: www.foxnews.com.

BioBased 501 Insulation: Sealing in Heat with Soybeans



3. THE BEST OF GREEN DESIGN: In the United States, 56 percent of single-family homes are underinsulated, resulting in 800 trillion BTU of lost energy. Plant-based products efficiently stem the flow.

Spray foam has become the insulation of choice in walls and ceilings for its ability to prevent air penetration from the outside, and retain heated or cooled air inside. Most expanding foams are petroleum-based, but BioBased 501 Insulation derives from soybean oil—a renewable resource.

Source: Jim Gorman, March 2007, Popular Mechanics.

GigaCrete's Hydraulic Cement: Better Building Panels



4. Each year, 166 million tons of plastic, metal, wood, glass, paper and other materials end up in landfills. Some of it can be put to much better use inside your home.

GigaCrete Panels are made of a lightweight hydraulic cement and a filler of 100 percent bottom ash from coal-burning power plants. The company's proprietary binder works equally well with paper mill sludge and agricultural waste. Molded into hollow-core panels, GigaCrete slides into tongue-and-groove connectors for quick assembly at job sites as walls, floors or roofing.

Source: Jim Gorman, March 2007, Popular Mechanics.

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*J&M Quality Construction Model Shown, Pembroke, VA
Martin Dailey, Co-owner, left
Jay Mandell, Co-owner, right*



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IF GM DEVELOPED TECHNOLOGY LIKE *Microsoft*

At a recent computer expo, Bill Gates reportedly compared the computer industry with the auto industry and stated: "If GM had kept up with technology like the computer industry has, we would all be driving \$25 cars that got 1,000 miles to the gallon."

In response to Bill's comments, General Motors issued a press release stating: If GM had developed technology like Microsoft, we would all be driving cars with the following characteristics:

1. For no reason whatsoever, your car would crash – twice a day.
2. Every time they repainted the lines in the road, you would have to buy a new car.
3. Occasionally your car would die on the freeway for no reason. You would have to pull to the side of the road, close all the windows, shut off the car, restart it, and reopen the windows before you could continue. For some reason, you would simply accept this.
4. Occasionally, executing a maneuver such as a left turn would cause your car to shut down and refuse to restart, in which case you would have to re-install the engine.
5. Macintosh would make a car that was powered by the sun, was reliable, five times as fast and twice as easy to drive – but would run on only five percent of the roads.
6. The oil, water temperature, and alternator warning lights would all be replaced by a single "This Car Has Performed an Illegal Operation" warning light.
7. The airbag system would ask, "Are you sure?" before deploying.
8. Occasionally, for no reason whatsoever, your car would lock you out and refuse to let you in until you simultaneously lifted the door handle, turn the key and grabbed hold of the radio antenna.
9. Every time a new car was introduced, car buyers would have to learn how
10. You'd have to press the "Start" button to turn the engine off.



to drive all over again, because none of the controls would operate in the same manner as the old car.



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Ask the CPA—

WHAT IS THE BEST CHOICE OF



Bob Bellenfant, CPA

That question should be the first one asked and answered when a business enterprise is formed. However, that is not always the case and often times a business must re-evaluate its initial decision as laws and the business operations may dictate. You typically have the choice of five entity types:

| |
|------------------------------|
| 1. PROPRIETORSHIP |
| 2. GENERAL PARTNERSHIP |
| 3. LIMITED LIABILITY COMPANY |
| 4. S CORPORATION |
| 5. C CORPORATION |

As a homebuilder, you recognize that legal liability is an important concern. To limit your liability, your choice of entity is a limited liability company or S Corporation or C Corporation. Minimizing

your exposure to legal liabilities and the accompanying rises is best addressed by your attorney.

A Certified Public Accountant can help you determine the appropriate entity for keeping your tax burden to a minimum.

Basic questions that will be addressed as you determine the best entity for your business will include the following:

1. What kind of potential liabilities are you concerned about?
2. What type of revenues (cash flow) do you expect from the business?

| Characteristics | Sole Proprietorship | General Partnership | Limited Liability Company | S Corporation | Corporation |
|------------------------------------|--|---|---|--|--|
| Formation | No state filing required. | Agreement between two or more parties. No state filing required. | State filing required. | State filing required. | State filing required. |
| Duration of Existence | Dissolved if sole proprietor ceases doing business or dies. | Dissolves upon death or withdrawal of a partner unless safeguards are in place in a partnership agreement. | Dependent on the requirements imposed by the state of formation. | Perpetual | Perpetual |
| Liability | Sole proprietor has unlimited liability. | Partners have unlimited liability. | Members not typically liable for the debts of the LLC. | Shareholders are typically not personally liable for the debts of the corporation. | Shareholders are typically not personally liable for the debts of the corporation. |
| Operational Requirements | Relatively few legal requirements. | Relatively few legal requirements. | Some formal requirements but less formal than corporations. | Board of directors, officers, annual meetings, and annual reporting required. | Board of directors, officers, annual meetings, and annual reporting required. |
| Management | Sole proprietor has full control of management and operations. | Typically each partner has an equal voice, unless otherwise arranged. | Members have an operating agreement that outlines management. | Managed by the directors, who are elected by the shareholders. | Managed by the directors, who are elected by the shareholders. |
| Taxation | Not a taxable entity. Sole proprietor pays all taxes. | Not a taxable entity. Each partner pays tax on his/her share of income and can deduct losses against other sources of income. | If properly structured there is no tax at the entity level. Income/loss is passed through to members. | No tax at the entity level. Income/loss is passed through to the shareholders. | Taxed at the entity level. Also, If dividends are distributed to shareholders, dividend income is taxed at the individual level. |
| Pass Through Income/Loss | Yes | Yes | Yes | Yes | No |
| Double Taxation | No | No | No | No | Yes, if income is distributed to shareholders in the form of dividends. |
| Cost of Creation | None | None | State filing fee required. | State filing fee required. | State filing fee required. |
| Raising Capital | Often difficult unless individual contributes funds. | Contributions can be made from partners, and more partners can be added. | Possible to sell interests, though subject to operating agreement restrictions. | Shares of stock are sold to raise capital. | Shares of stock are sold to raise capital. |
| Transferability of Interest | No | No | Possibly, depending on restrictions outlined in the operating agreement. | Yes, but must observe IRS regulations on who can own stock. | Shares of stock are easily transferred. |



ENTITY FOR MY COMPANY?

3. *How many employees will you need to conduct the business operation?*
4. *How will you determine compensation for both working and/or nonworking owners?*
5. *Will you provide medical and retirement benefits for the business owners and employees?*

The answers to each of the above questions will have to be carefully evaluated to determine the best type of entity for your business.

The chart to the left summarizes the characteristics of each of the five common types of business:

Tax consequence of operating a business is of equal importance to the owners as to limited liabilities. Tennessee does not im-

pose a tax on the income of proprietorships and partnerships. However, as noted by the chart, the business owners are subjected to unlimited exposure to liabilities. Income from Limited Liability Companies that subject self-employment tax on the federal level (which is also the situation with proprietorships and partnerships) are not subject to Tennessee excise tax. S Corporations and C Corporations are subject to excise tax and their income. The distinction of Tennessee excise tax treatment of LLC's has made them a very popular choice of entity for Tennessee businesses.

Determining the appropriate type of entity to operate your business is probably the second most important decision related to your forming your business. The most important decision would be the industry that you are entering. You undoubtedly have made that decision long before read-

ing this article. No two entities are the same and the choice should be made to last the lifetime of the business. Changing the form of entity is usually much more costly and cumbersome than making a well informed decision in the beginning. Be sure to seek professional advice from an attorney and a certified public accountant and to educate yourself on the options available. There are others that would be helpful during the process, including asking health insurance and retirement planning professionals. ❖

Bob Bellenfant is a certified public accountant with Bellenfant & Miles, P.C. CPA's in Brentwood, Tennessee. He has served homebuilders and other construction related businesses in Tennessee for over twenty years. You can reach him at (615) 370-8700, extension 12 or by e-mail at bob@bellenfantmiles.com.

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Photos continued from page 23—

1. Corker is Sworn into Office

As his wife Elizabeth holds the family bible he took on a mission trip to Haiti, Bob Corker takes the oath of office from Vice President Dick Cheney, becoming Tennessee's 67th U.S. Senator.

2. Corker Addresses Tennessee National Guard

Senator Corker greets members of the Tennessee National Guard at the National Guard Association of Tennessee General Convention in Nashville in February. "It is emotionally overwhelming to stand before so many Tennessee patriots today," Corker said at the convention. "It is a privilege to serve as your United States senator."

3. Corker Visits Tennessee Soldiers in Iraq

During the Senate's February recess, Senator Corker, a member of the Foreign Relations Committee, went to Iraq where he met with Tennessee soldiers of the 1st Cavalry Division in Baghdad.

4. Corker Welcomes Students and Teachers to the Capitol

Senator Corker welcomes students and teachers from Bradley County High School in Cleveland, TN to the Capitol. Every Tuesday that the Senate is in session, Senator Corker and Senator Alexander host "Tennessee Tuesday," a breakfast to welcome Tennesseans to Washington.

5. Corker Meets with Tennessee Homebuilders

Senator Corker meets with members of the Homebuilders Association of Tennessee in his Washington, D.C. office in June.

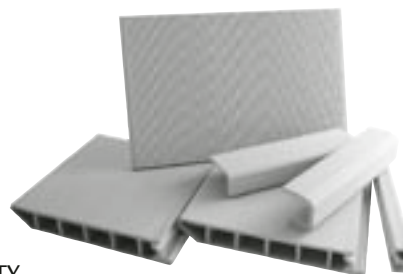
6. Corker Visits the University of Memphis

Senator Corker tours the University of Memphis Center for Earthquake Research and Information (CERI) with University of Memphis President Dr. Shirley Raines and the Director of CERI, Dr. Arch Johnston.

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