

TENNESSEE HomeBuilder

March/April 2009

Official Magazine of the Home Builders Association of Tennessee

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Congressman Lincoln Davis**

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TENNESSEE HomeBuilder



March/April
2009



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 5,000 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, read about the broad financial influence of home building, and learn more about important builder news and legislative issues.

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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

Mid-South Advertising
(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

TN HomeBuilder is published bi-monthly by Woods & Associates, P.O. Box 1916, Columbia, TN 38402. All rights reserved. All editorial/advertising submissions are used at the discretion of the publisher and may be edited for purposes of clarity and space. Although all efforts have been made to ensure accuracy of content submitted by advertisers and writers, TN HomeBuilder, its principals and associates are not held liable for errors or omissions. Reproduction in whole or part prohibited without written consent. ©2009 by Woods & Associates.

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2009



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President's Perspective

Ed Zarb, HBAT President



PERSEVERANCE

A Lesson from History

During a harsh winter storm on December 16, 1944, Adolf Hitler caught everyone by surprise by launching an armored blitzkrieg through the Ardennes forest into Belgium. Over the next several days the Germans threw everything they could at a group of American soldiers in the town of Bastogne.

The conditions inside the town deteriorated quickly, and the Germans carried an ultimatum from their commander in the sector. It insisted that there "was only one possibility to save the encircled U.S.A. troops from total annihilation: that is, the honorable surrender of the encircled town." An American officer delivered the note to General Anthony McAuliffe, acting Commander of Division Artillery of the 101st Airborne Division. His words have since become legendary, it exclaimed: "To the German Commander: NUTS! From the American Commander."

Ultimately, the battered soldiers of Bastogne held the line. As the weather cleared, the Americans launched a major counteroffensive. By the end of January, 1945 it was obvious that Hitler had lost his last throw of the dice. (Information Source: "NationalReview online – by Joseph Morrison Skelly)

of our mission and simply hold the line. Since history has proven that our economy runs in cycles, and better days are sure to come, I believe that it is time to remember that the Home Builders Association of Tennessee must focus on persevering proactively through difficult times. There have actually been 32 recorded recessions in our history, and we have survived each and every one of them.

First, allow me to point out that our mission statement says that we serve as the "Voice of the Housing Industry." So far this year, I believe we have certainly been doing a good job making our voice heard from Tennessee to Washington, D.C. On January 29, we coordinated with the NAHB and sent a call to action. Members from across the state visited with U.S. Senate and House members making them aware of our concerns about an economic stimulus bill that did practically nothing for homebuilders or homebuyers. Showing the true strength of organization and numbers, we took our message to our representatives with a powerful, unified voice. The message was simple—we are far too important to the economic revitalization of our country to be ignored. I believe we must continue this call to action throughout the rest of the year with the federal, state and local levels of government. With a determination and sense of unity, I guarantee you

that we will not be ignored.

A strong and growing membership will give us the resilient voice we need to accomplish our mission. I realize that in difficult times, many members will make a decision to drop out of our association. However, it is our duty to explain why that is the worst idea possible. I believe that there has never been a more important time to support the Home Builders Association of Tennessee with relentless determination. Even in a defensive economic position, we can be proactive in educating our current members about our benefits and services. Now is the time to reach out to non-members and explain why they need to join our association and fight with us in the battle to revitalize the entire building industry throughout the country. As we accomplish these goals, we can also continue our efforts in communications and education to build a better and more professional industry for homebuyers.

I know our members are firmly committed to our industry and the association and are ready to ride out this storm. That spirit does not surprise me—we are a committed bunch. This is a tough business made up of tough people. And as a final note, to those individuals in the media who continue to bring discouraging messages about our economic future, I would like to say, "Aw Nuts!" ❖

Many times when we are faced with overwhelming odds, we must get back to the basics

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It is my greatest hope that the Bolster Our Builders program will help create a stronger bond between builders and allied professionals all over the country, helping to ensure future success for our businesses, our families and our country.

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A Deal at Just 68 Cents a Day

VALUE—with membership dues now taking lower priorities for business owners, it's the hot topic of almost every association across the entire nation. So what is the value of the State and National Association?

Allow me to point out that at a whopping 68 cents per day, which won't even buy a cup of coffee at a truck stop, a member's investment into the HBAT and NAHB, darn sure gets a wealth of "real" benefits.

The HBAT is constantly working with legislation that will benefit the building industry. This includes monitoring bills and regulations that would have a negative impact on home builders and homebuyers. Here are just a few examples of recent legislative efforts that benefit members in Tennessee:

- The Scrap Metal bill required all scrap metal dealers to register with the Department of Commerce and Insurance by October 1, 2008. It prohibits dealers from purchasing scrap metal from a person unless the individual provides a state or federal issued photo identification card. It requires the dealer to record this information and get a thumbprint of the seller before the transaction is complete.

This bill establishes all jobsite theft as an Aggravated Criminal Trespass offense, a Class A misdemeanor. This offense is punishable by imprisonment for up to one year and a \$2,500 fine.

- The HBAT worked to pass a bill concerning the *water quality complaint process*, which requires that any complaint regarding groundwater be based on a factual and scientific basis and the paperwork/documents of the complaint must promptly be made available to the individual targeted in the complaint.

Our efforts on regulatory bills like this one saves time and money by making sure environmental complaints are relevant, clear and fair to all Tennessee builders.

- The Energy and Lighting Efficiency Building Standards bill originally attempted to make compliance with 2006 energy conservation standards a requirement. As a result of HBAT efforts this bill now requires the minimum energy conservation standard for any new residential construction to be consistent with international conservation standards of 2003, while encouraging compliance with 2006 standards.

Efforts on this legislation saved builders approximately \$6,000-\$8,000 per home.

- The HBAT defeated a noise study bill that would have required residential development within 500 feet of the nearest travel lane of a limited access highway to conduct a noise study and mitigation before a building permit was issued by a county or municipality.

Efforts on regulatory bills such as this saved builders thousands of dollars in unnecessary specialty noise studies and mitigation expenses.

- The Tennessee Department of Environment and Conservation (TDEC) would have been able to issue stop work orders for violations of the Water Quality Control Act or for activities perceived to threaten public safety.

The defeat of this bill halted the possibility of stop work orders in relation to this issue, saving builders time, money and civil penalties.

- New Adequate Facilities Tax bills have been successfully defeated since passage of the 2006 "County Powers Relief Act," which will be reviewed in 2010.

The HBAT is continually working to keep taxes low for home builders and home owners in Tennessee, while educating lawmakers on the tax base and financial advantages brought to every community by providing quality housing for new residents.

Executive Officer Outlook

Susan Ritter
HBAT Executive
Vice President



- Removed from consideration, was a bill that required 25 percent of private dwellings and 100 percent of rental dwellings built for residents 55 and older to be ANSI housing compliant.

In lieu of this legislation, a voluntary, market-driven program is being established throughout Tennessee, saving thousands of dollars in mandatory code requirements.

These are just a few of the recent accomplishments that save members thousands of dollars each year. Beyond our legislative efforts, members enjoy benefits such as a member rebate program, which on average, pays out more than \$770 per participating member. Current efforts and negotiations will hopefully provide another valuable rebate program in the very near future.

As for the NAHB, members are always one free phone call away from more than 300 experts, including economists, attorneys and legal researchers. There is also access to specialists in the areas of finance, regulatory issues and technical support. Those same pennies deliver an association currently ranked number eleven on *Fortune* magazine's "Power 25" advocates, one that consistently defeats excessive regulations and defends affordable housing initiatives. AND—this does not even touch the many rebate and savings programs offered through the NAHB.

The bottom line is this: **It is membership that will determine the sustainability of the Home Builders Association of Tennessee in years to come.** Our leadership is committed to a constant awareness of the overall health of the Tennessee building industry, the economic environment that builders and associates are surviving in, and providing a vision as the Voice of the Housing Industry.

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Legislative Review

*Davis Lamb III,
Chair—
Government Affairs
Committee*

These are all terms that are beat into our psyche daily. As much of our time is being spent trying to be economist and financial gurus as it is being builders and developers. On both the national and state legislative levels we are facing programs and legislative initiatives that can often keep us up at night. But there's hope!

On the national level we have been working with the NAHB legislative staff since last fall on input to the American Recovery and Reinvestment Act of 2009. On February 17th, an economic stimulus package with a new first-time home buyer tax credit was signed into law. While we did not achieve all that we felt was necessary to jump start the housing market, we did improve it over the previous legislation. We continue to work to be part of the solution to this monumental problem and are encouraged that more action will be taken over the next few months to better resolve the current situation that faces our industry.

Here is the new \$8,000 Home Buyer Tax Credit at a Glance:

- The tax credit is for first-time home buyers only.
- The law defines “first-time home buyer” as a buyer who has not owned a principal residence during the three-year period prior to the purchase. For married taxpayers, the law tests the homeownership history of both the home buyer and his/her spouse.
- The tax credit does not have to be repaid.
- The tax credit is equal to 10 percent of the home’s purchase price up to a maximum of \$8,000.
- The credit is available for homes purchased on or after January 1, 2009 and before December 1, 2009.
- Single taxpayers with incomes up to \$75,000 and married couples with incomes up to \$150,000 qualify for the full tax credit.

For more information on the new Tax Credit, you can visit a very informative NAHB website: www.federalhousing-taxcredit.com.

On the state level, we have finalized our legislative package as directed by our Board of Directors and are ready to address the issues before us in the 106th Tennessee General Assembly. We are working with our sponsors and supporters to move our concerns through the legislature. Your help in meeting with your legislators during our Day-on-the-Hill, which coincided with our Legislative Conference, was

invaluable. While our governmental affairs staff works daily at the legislature to carry your message to our Senators and Representatives, it is most important that our legislators hear from you regarding the needs of our industry and the effect that a strong housing market has on a robust and vibrant economy in Tennessee.

As we proceed through the next few months during this session of the General Assembly, we will be calling upon you to assist us in sharing our message with your legislators and to allow them to see the contribution of our industry to this great state.

Finally, I would just like to echo a few thoughts from my predecessor, Steve Cates. Last year Steve challenged members to “participate in town meetings, mingle with local, state and federal politicians and to stay in touch with issues facing their community.” I believe it is also imperative for members to step up to the plate and run for political offices as they become available. Of course, another extremely important way for you to be involved is to participate in HIPAC and BUILD PAC. Through our political action committees, we can help to influence important legislation that will impact our industry.

The key word for 2009 is “**involve-ment**.” Let’s all get involved and remember that even in tough economic times, it is imperative to create a positive legislative environment for home builders and homebuyers across Tennessee. ❖

RITTER INSTALLED AS PRESIDENT

of the National Executive Officer's Council during the 2009 IBS



In January, more than 60,000 attendees took advantage of more than 250 educational sessions and exhibits showcasing products and services during the 2009 NAHB International Builders' Show held in Las Vegas, Nevada.

But the pride of the Home Builders Association of Tennessee was shining brighter than the Las Vegas strip as Susan Ritter, Executive Vice President of the Home Builders Association of Tennessee, was installed as the President of the Executive Officers Council (EOC) for the National Association of Home Builders (NAHB).

Susan has served as the Executive Vice-President of the Home Builders Association of Tennessee since 2000. She is originally from Michigan and has worked in the home building industry for more than 20

years. The President of the EOC is an elected position and makes this honor even more prestigious since Susan was chosen from among her peers.

The EOC was established in 1950 exclusively to serve the needs of the National Association of Home Builders 800-plus, state and local executive officers throughout the country. The EOC is governed by a 24 member Board of Directors, including four Senior Officers – President, Vice President, Secretary/Treasurer, and Immediate Past President.

The Home Builders Association of Tennessee congratulates Susan on her accomplishment at the national level and would like to take this opportunity express our gratitude for her dedication and leadership throughout her many years of service.



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The Broad Scope of Home Building

on the Economy

By Brad Cartner



Imagine

for just a moment that you just walked into your home and turned on the news. From a very serious business commentator, you hear the following announcement: "Another casualty of the economic downturn, Memphis based FedEx held a press conference today announcing that it would be permanently shutting its doors. FedEx was ranked #58 among the Fortune 500 companies in the United States. Job losses for the once globally successful brain-child of Tennessee native, Fred Smith, will be more than 290,000. Job losses in the Greater Memphis area alone will be over 30,000."

Thank goodness FedEx will be continuing its service throughout the world; so no one needs to panic. But can you imagine what the response would be if you actually heard that FedEx was going under? What type of bail-out would the federal government offer? How many Congressmen and Senators would be screaming for an economic lifeline for such an important part of our economy?

Yet—it seems that the government is not willing to sincerely look at the importance of the building industry. The fact is that new home construction and remodeling provide **millions of jobs and generate billions of dollars in wages and tax revenues** each year. Furthermore, homeownership is a strategic key to building personal wealth and financial security.

It is estimated that the decline in home building from 2005 to the end of 2008 roughly amounts to the loss of three million jobs and \$145 billion in lost wages. In a three year period, single family housing starts plummeted from 1.7 million to a forecast of just under 700,000 for 2008.

Unfortunately, since we are not a well organized corporation that builds homes throughout the country, the overall affect of job and revenue losses does not seem to have the same, overwhelming economic shock factor as a struggling business entity such as General Motors or a major banking institution such as Bank of America. But it should!

Let's think for a brief moment about

how many industries are directly connected to housing. Below is a list of items that normally go into building an average size home:

- 3,103 square feet of roofing material such as asphalt shingles
- 3,061 square feet of insulation
- 226 linear feet of ducting
- 13,118 square feet of sheathing
- 6 closet doors
- 3,206 square feet of exterior siding
- OR - around 13,000 bricks for a decent sized home with garage
- 3 exterior doors and 1 patio door
- 2,269 square feet of flooring – wood, carpet, tile, etc.
- 19 tons of concrete
- 19 windows
- 15 kitchen cabinets—5 other cabinets
- 2 garage doors
- 6,050 square feet of interior wall finish
- 3 toilets, 2 bathtubs and 1 shower stall
- 3 bathroom sinks
- 13,837 board feet of framing lumber
- 2,335 square feet of interior ceiling material, such as drywall
- 1 fireplace

(Information provided by the National Association of Home Builders.)

Plus, this does not even take into account the number of Realtors, closing attorneys, banks, mortgage lenders, architects, warranty companies and insurance companies that depend on builders and their products for a business catalyst. And let's think for just a moment—draperies, furniture, electronics, water heaters, electrical wiring, washers, dryers, and even down to new satellite and cable TV services. Just how far does our industry reach into the finances of this entire economy? The numbers are staggering!

The National Association of Home Builders put out a report at the end of 2008 that gave specific information about home building's broad economic effects: This study revealed that when 1 million fewer families move into new homes, spending on appliances, furnishings, and property alterations create a total spending loss of \$4.9 billion. For those who make a living

with home building products such as lumber, concrete, windows, doors, plumbing, flooring and appliances, the loss translates into a loss of over 560,000 jobs and \$25 billion in wages. In the areas of lenders, architects, real estate agents, support staff and others who provide services to home builders, it means a loss of over 580,000 jobs and \$32 billion in wages.

But in the current economy, do you really think individuals are still thinking about buying homes? I'm glad you asked! The National Association of Home Builders reported on March 9, 2009, that a record 844,000 prospective home buyers visited NAHB's **FederalHousingTaxCredit.com** web site in February to learn about the new \$8,000 tax credit for first-time home buyers that was enacted as part of the landmark \$787 billion economic stimulus package. You have to wonder what would have happened if the government had given our industry the \$15,000 incentive we originally asked for—talk about stimulating the economy. Just look back again at all the different items and resources that go into an average home, and think about what kind of impact that \$15,000 would have had on an extremely broad spectrum of goods and services.

Now let's add insult to injury. The current administration recently made a proposal to reduce the value of the mortgage interest and real estate tax deductions for home buyers and home owners in order to pay for an expanded health care initiative. With this proposal came a statement on February 26, 2009, from NAHB Chairman, Joe Robson:

"With the housing market still reeling from its worst downturn since the Great Depression, this is not the time to talk about raising taxes on home buyers and home owners. This proposal will increase the cost of housing for many middle-class families...and exert more downward pressure on home values and work against the President's efforts to stabilize housing and turn this economy around."

—Continued on page 23

Does Your Fall Protection, Fall Short?

When it comes to fall protection, you can't drill it down more candidly, "Do not wait until you need it to use it." Leave it to **Sean Purcell, risk management regional manager** for Builders Mutual to shoot it straight.

No alarm sounds before you lose your balance and reach for a handrail that's never been constructed. No flashing lights announce that you need to wear your harness the day that loose shingles cause you to slip off the roof. Even so, countless contractors take their chances.

Looking for a lengthy lecture from **Builders Mutual senior risk management consultant, Brenda Moore**? Not from her. She'll break it down for you in one breath, "Use it! No harness lying unused in a bag or container in your trailer is going to prevent a fall or save a serious injury."

Sure, half the battle is buying the fall protection kit, but the other critical half is actually using it...properly. That begins with training. Identify the competent person on your jobsite. Is he or she training workers on fall protection, reviewing how workers use it, and assisting with PPE inspections? Imagine how difficult that must be without you sending the message that fall protection is not optional, it's mandatory. Your endorsement is key to getting the buy-in of your workers. If they're not convinced it's to their advantage to use fall protection, the kits serve no purpose.

Admittedly, harnesses can cause some mild discomfort. When you want to frame out a house on a hot day, the fit of a harness might feel constricting. Right now, however, the only alternative to having your fall broken by something other than the ground is the fall protection kit, so given the options, it's a small price to pay.

OSHA standard or not, a worker can always make the choice not to use fall

protection. Yes, it may be your safety policy, but it's more personal than that. Construction workers aren't just employees. They're neighbors. They're friends. In this business, we look out for one another. Don't let a preventable accident, like a fall that could cause paralysis or worse, take a friend's livelihood.

Make no mistake, enforcing basic fall protection safety practices saves lives. Of course, every contractor's management strategy is different. Maybe all you talk about lately is the profit margin. How could fall protection radically impact a company's bottom line?

Al Sartain, senior risk management consultant for Builders Mutual, simplifies it, "The more secure workers feel working at heights, the less hesitant they'll be." That productivity translates to profitability. Adjust the harness, secure yourself properly to the attachment point, and get the job done.

Just as easily as fall protection can put money in your pocket, omitting it can destroy your bottom line. Sartain explains, "The loss of an experienced employee due to an accident for any period of time will have a direct impact on your completion schedule and profit margin. You'll undergo additional expenses due to hiring, screening and training of a replacement." Needless to say, morale takes a hit that is even harder to quantify.

The effect on the bottom line doesn't end there. Your safety strategy directly links to your insurance costs, too. When your experience mod, a factor which contributes to the overall price of your workers' compensation premium, goes up, so does your insurance premium. On the bright side, minimizing your losses can trend your experience mod down and help decrease your premium.

Even better, Sartain continues, "Keeping your loss history clean helps

you create a situation where insurance companies compete for your business. That drives your rates down."

Ever wonder if there's more to fall protection than a simple fall protection kit? Just ask **Ron Adams, senior manager of risk management at Builders Mutual**. "Fall protection is more than a harness." Sure, that's often the first piece of PPE that comes to mind. Don't forget that falls can happen anywhere on the jobsite, not just from a roof or top plate.

When Adams consults with contractors, he asks them to think about fall protection much more broadly. Fall protection includes ladder safety, both usage and maintenance. Fall protection involves mitigating the hazards of unguarded openings, whether from windows, doors, or the floor. Fall protection even incorporates proper scaffolds and scaffold erection.

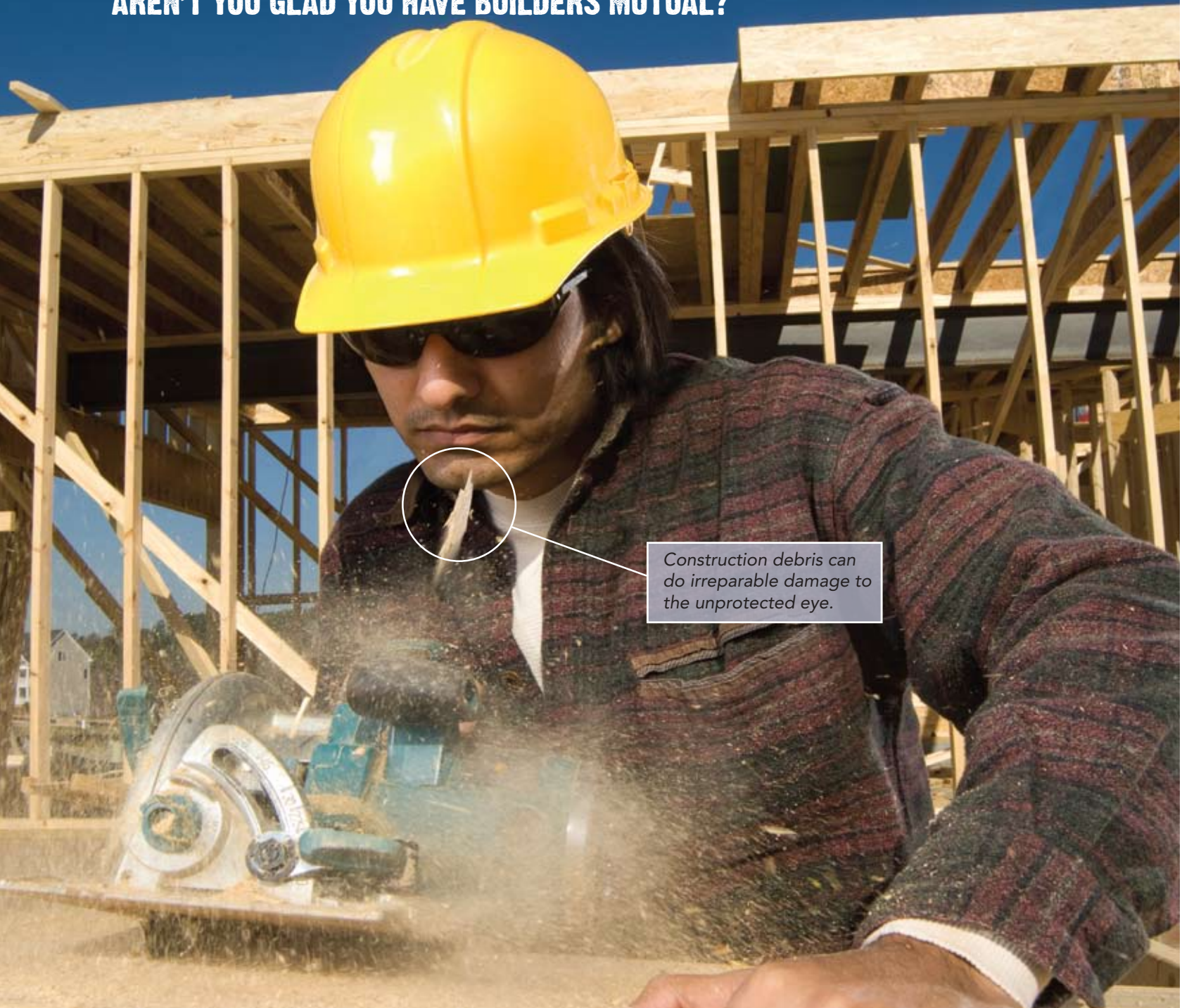
In fact, fall protection continues long beyond the time when the last worker leaves the jobsite for the day. Third party jobsite visitors, welcome or unwelcome, have an increased risk of even simple slip and trip hazards that contractors easily avoid by experience.

What's something that experience tells a Builders Mutual risk manager? Conventional fall protection requirements don't always lend themselves to unique construction jobs. Always keep the ultimate objective in mind; manage the risk of fall hazards, which may mean you need to improvise accordingly.

Just remember, no red alerts broadcast across the airwaves prior to an accident. So, keep sound fall protection in place at all times, and you'll turn a "close call" into "no problem at all."

Look for "Knowledge Builder," compliments of Builders Mutual Insurance Company, in each issue of Tennessee HomeBuilder. More risk management resources are available on www.buildersmutual.com.

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2009

Board of Directors Meeting & Legislative Conference



More than 130 HBAT members gathered in Nashville in March to discuss the priorities and goals of 2009 committees, strategic plans, and legislative issues on the local, state and national levels. Builders and Associates expressed concerns about a distressed economy and what the association could do to continue to educate legislators and take actions to revitalize the building industry throughout Tennessee and the entire country.

United States Congressman, Lincoln Davis, (4th District) made a surprise appearance and discussed his concerns about the current recession and his support for the Tennessee homebuilding industry. Davis also took time out for a question and answer session.

Another special guest, Commissioner Matt Kisber of the Tennessee Department of Economic and Community Development, spoke to members about new business developments and investments in the Tennessee economy, which should bring new jobs and opportunities in the near future. Kisber pointed out that in the last year, Tennessee has been called the nation's most competitive state for business, the second-best for business climate and the most improved state for development. From July 2008 – February 2009 alone, Tennessee landed more than \$3 billion dollars in new investments from Volkswagen Group of America, Hemlock Semiconductor and Wacker Chemical, creating more than 3,000 new jobs.

During a lunch presentation, keynote speaker Edsel Charles, the founder and Chairman of the MarketGraphics Research Group, Inc., spoke to members about the current market downturn of

housing and the potential for growth in the future.

In the afternoon, members attended a "Hill Briefing" to prepare for the next day's "Hill Visits" in Nashville. A very successful legislative reception was held at the HBAT offices on Monday evening where many members had the privilege of meeting with their legislators in a casual, relaxed environment that everyone enjoyed.

On Tuesday, the Board of Directors Meeting was held, and Mayor Bill Haslam of Knoxville made a guest appearance. He discussed his plans to run for Governor of Tennessee in 2010. Prior to becoming Mayor of Knoxville, Haslam was a vice-president of Pilot Corporation, a petroleum company founded by his father Jim Haslam which runs a nationwide chain of travel centers.

The Board of Directors meeting continued with various committees reporting on their plans for 2009. When the meeting was adjourned, members went to Capitol Hill and spent the afternoon speaking with Legislators about home builder issues. Builders Mutual Insurance Company presented a 2008 dividend check representing more than \$183,000 paid to members. Also, it was announced that the Self-Insured Trust would soon release \$2 million in dividends to members. The Self-Insured Trust dividend covers a number of years that the Department of Commerce and Insurance has held until now.

The 2009 Board of Directors meeting and Spring Legislative Conference was a huge success, and a special thanks goes out to all the members and special guests who participated in the event. ❖



IRS



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First-Time Homebuyers Have Several Options to Maximize New Tax Credit

(IR-2009-27, March 18, 2009)

WASHINGTON – As part of the Treasury Department's consumer outreach effort and with the April 15 individual tax filing deadline approaching, the Internal Revenue Service today began a concerted effort to educate taxpayers about additional options at their disposal to claim the new \$8,000 first-time homebuyer credit for 2009 home purchases. For people who recently purchased a home or are considering buying in the next few months, there are several different ways that they can get this tax credit even if they've already filed their tax return.

The Treasury Department encourages taxpayers to explore these options to maximize their credit and get their money back as fast as possible.

"The new credit can get money in the pockets of first-time homebuyers quickly," said IRS Commissioner Doug Shulman. "For people who recently purchased a home or are considering buying in the next few months, there are several different ways that they can get this tax credit even if they've already filed their tax return."

First-time homebuyers represent a significant portion of existing single-family home sales. The expansion in the first-time homebuyer credit will make it easier for first-time homebuyers to enter the housing market this year.

Under the American Recovery and Reinvestment Act of 2009, qualifying taxpayers who purchase a home before Dec. 1 receive up to \$8,000, or \$4,000 for married individuals filing separately. People can claim the credit either on their 2008 tax returns due April 15 or on their 2009 tax returns next year.

The filing options to consider are:

- **File an extension.** Taxpayers who haven't yet filed their 2008 returns but are buying a home soon can request a six-month extension to October 15. This step would be faster than waiting until next year to claim it on the 2009 tax return. Even with an extension, taxpayers could still file electronically, receiving their refund in as few as 10 days with direct deposit.
- **File now, amend later.** Taxpayers due a sizable refund for their 2008 tax return but who also are consider-

ing buying a house in the next few months can file their return now and claim the credit later. Taxpayers would file their 2008 tax forms as usual, then follow up with an amended return later this year to claim the homebuyer credit.

- **Amend the 2008 tax return.** Taxpayers buying a home in the near future who have already filed their 2008 tax return can consider filing an amended tax return. The amended tax return will allow them to claim the homebuyer credit on the 2008 return without waiting until next year to claim it on the 2009 return.
- **Claim the credit in 2009 rather than 2008.** For some taxpayers, it may make more financial sense to wait and claim the homebuyer credit next year when they file the 2009 tax return rather than claiming it now on the 2008 tax return. This could benefit taxpayers who might qualify for a higher credit on the 2009 tax return. This could include people who have less income in 2009 than 2008 because of factors such as a job loss or drop in investment income.

The IRS reminds taxpayers the amount of the credit begins to phase out for taxpayers whose modified adjusted gross income is more than \$75,000, or \$150,000 for joint filers. Taxpayers can claim 10 percent of the purchase price up to \$8,000, or \$4,000 for married individuals filing separately.

For more information, including guidance for people who bought their first homes in 2008, visit IRS.gov. To learn more about the overall implementation of the Recovery Act, visit <http://www.recovery.gov/>.

Did you know that you receive the Tennessee HomeBuilder magazine as a benefit of membership?

When you join your local HBA, you also become a member of the Home Builders Association of Tennessee and the National Association of Home Builders. Membership really does pay!"



Use the new tax credit to help spur home sales.

First-time home buyers who buy between Jan. 1 and Nov. 30, 2009, may qualify for up to an \$8,000 tax credit — and even better, unlike last year's credit, they don't have to pay it back.

Find the resources you need to get the word out to consumers and your sales team at:
www.nahb.org/taxcreditmaterials

Learn more about the credit at:
www.FederalHousingTaxCredit.com



NAHB

NATIONAL ASSOCIATION
OF HOME BUILDERS

IN THEIR OWN WORDS

Throughout the year, the legislative staff of the Home Builders Association of Tennessee tries to provide legislative perspectives that are of significant interest to the more than 5,000 members of the association. In this issue, we asked Representative Beth Harwell address the following question:

As Chairman of the Commerce Committee in the Tennessee legislature, what action can the State take that will help promote the homebuilding and real estate industries in Tennessee, thus helping expand the overall state's economy?

REPRESENTATIVE BETH HARWELL

(R - Nashville) Commerce Committee Chairman



First and foremost, I want the Home Builders Association to know how much I appreciate the work that you do, and the positive services your industry provides for the state of Tennessee. I have been very fortunate in my years at the legislature to have had a spectacular relationship with you. It is particularly exciting for me to be more involved than ever before as Chairman of the House Commerce

Committee, which will have a distinctive effect on your industry.

Having been a Nashvillian for many years, I have a unique perspective of your organization and what it can do for a community. Nashville and its suburbs have, in the last several years, experienced a growth that has placed Middle Tennessee on the map as far as population boom. In the last decade, Tennessee was ranked number 14 in population growth for the entire country. Rutherford County alone experienced phenomenal growth—in just six years, the county saw a 25 percent increase in population!

This is important because throughout the surge in population, the Home Builders Association has been there every step of the way providing quality housing that has secured Middle Tennessee's economy, and made it an enjoyable place for families to settle. One goal of mine is to continue that great tradition we are building together, by ensuring that your industry can maintain this important role unencumbered.

In the legislature, we often see bills before us that are certainly well-intentioned, but occasionally harmful to a particular industry. All too often this comes from over-regulation, undue burdens, and restrictive requirements.

The homebuilding industry is facing particularly challenging times. As the economy struggles, so too does your industry. Home building is extremely important to the economy as a whole—it is literally the bedrock—and we see evidence of this as economists always cite homebuilding and new home sales as an indicator.

As I said before, home building is quite literally the foundation upon which much of our economic well-being sits. When your industry is excelling, the state's economic situation improves. I look forward to working hand-in-hand with you as your House Commerce Committee Chairman to accomplish these positive things that will improve the quality of life for each and every Tennessean.



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The Broad Scope of Home Building

Continued from page 15—

The proposed budget would also tax a 'carried interest' as ordinary income, which could significantly impact the multifamily and commercial real estate sectors at a time when they are already experiencing a severe downswing. At this critical point in the recession, we should be doing everything we can to stimulate demand in housing and avoid proposals that would reduce housing affordability and further destabilize prices. Financing health care reforms by chipping away at the mortgage interest and real estate tax deductions is certainly not the answer. This will only hurt the ailing housing market and U.S. economy."

As disturbing as all of this sounds, there is cause for hope and a reason to believe that some potential home buyers may have purposely delayed their purchases in January as they waited to see how details of the President's economic stimulus plan could affect a home purchase.

"Clearly, the downward pressures that have been exerting themselves on the housing market remain in place, including the weakened economy, ongoing job losses and very low consumer confidence," said NAHB Chief Economist David Crowe. "But as more home buyers find out about the newly enhanced tax credit, and other parts of the economic stimulus package start kicking in, we expect to see some firming effect on home sales. The hope is that a certain amount of pent-up demand will be released as those who were in a 'wait-and-see' mode decide they now have the information they need to proceed."

It's still a simple supply and demand problem, and the fact is that **our** industry is not asking for a "bail-out." What we are asking is that the government place finances in the hands of American citizens and let the free-market economy work. Give them a "real" incentive program, and the housing industry will be glad to supply the products demanded by consumers. We are an industry with far reaching economic impact, both in our nation and our state. It is time for representatives at every level of government to consider this broad scope of financial influence and act in accordance with the best interests of the citizens that placed them in office. ❖

Permit Reports Paint a Revealing Picture of Home Building Industry in Tennessee

The keynote speaker at the recent HBAT 2009 Legislative Conference was Mr. Edsel Charles, the founder and Chairman of the Board for MarketGraphics Research Group, Inc. Mr. Charles pointed out that he had forecasted the current downturn in the building industry in May of 2000, showing a decline starting around 2006 and then hitting its lowest point in 2009. His predictions also show a steady recovery beginning somewhere around 2010, which is extremely hopeful news for our industry.

However, we all know that predicting business trends is a little like predicting the weather. Economic storms can be very unpredictable and just as devastating as natural ones. But MarketGraphics has done an extraordinary job so far, with an uncanny accuracy that cannot be ignored.

The research group recently released "The Permit Reports" for several regions of Tennessee that tell a revealing economic story in relation to the building industry at the end of 2008. Below is a synopsis of several of those building permit reports:

Synopsis of Building Permit Reports				
AREA	2005 TOTAL	2006 TOTAL	2007 TOTAL	2008 TOTAL
Greater Nashville	16,728	17,081	13,536	7,529
Memphis Metro Area	9,137	8,299	5,581	2,080
Chattanooga Region	4,729	4,312	3,188	1,534
Greater Knoxville Area	8,287	7,406	5,675	2,880

Greater Nashville includes:

Davidson, Sumner, Williamson, Wilson, Rutherford, Cheatham, Robertson, Dickson, Maury, Marshall and Bedford.

Memphis Metro includes:

Crittendon, DeSotto, Fayette, Shelby and Tipton.

Chattanooga Region includes:

Beldsoe, Bradley, Catoosa, Hamilton, Marion, Murray, Sequatchie, Walker and Whitfield.

Greater Knoxville Area includes:

Loudon, Roane, Anderson, Knox, Sevier and Blount.

In the feature article in this edition of the Tennessee HomeBuilder, we emphasized the broad scope of influence the home building industry has on the overall economy. As you can see by the above referenced reports, there has never been a time that demands more attention to assisting the recovery of the home building industry, and there has never been a more important time to be a member of the association that works to be the voice of this industry in Tennessee. Now is the time to get involved and encourage others to join! ❖





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Heat & Glo by Hearth & Home Technologies. Part of the company's Modern Collection, the LUX60 is a 60-inch direct-vent gas fireplace for buyers who want to make a style statement. Instead of faux logs, flames originate from a sculptural burner of randomly placed stainless steel tubes, and LED lights in the refractory create yet another dramatic effect with or without the flames. A sealed combustion system keeps carbon monoxide, nitrogen dioxide, and excess moisture from entering the home. www.hearthnhome.com.



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Local, State, and National HAPPENINGS



The *Kingsport TimesNews* recently told the story of 84-year-old Virgie Bowlin's, who was living in a house that was literally, falling down. A widow since 1969, Bowlin had no running water. No bathroom. No shower. No bathtub. Her rural Hawkins County home did have an outhouse about 30 feet from the house, but it didn't have a door. Inside the house the ceiling was made from cardboard boxes, and the old sheetrock walls had swollen and deteriorated.

David Stauffer, recent Builder Hall of Fame inductee and member of the Home Builders Association of Greater Knoxville, was the HBA representative on a committee formed to secure Mrs. Bowlin's adequate housing. Initially, some of the Kingsport HBA Board of Directors contributed over \$1000 toward Mrs. Bowlin's project. Contributions have continued to come in, and presently Mrs. Bowlin has been provided with a rebuilt mobile home.

Anyone interested in making a donation for Mrs. Bowlin is asked to call "Of One Accord Ministries" at (423) 921-8044. Website: www.ofoneaccordministry.org. (Information gathered from: www.timesnews.net. Photos by Erica Yoon.)

Great News from Cumberland County

Cumberland County had great news to report for their 2009 Home Show. Held on March 13-15, the Home Builders Association of Cumberland County topped their 2008 attendance total. Last year 2,133 attended the event and there were 2,302 attendees this year. The gate admission is collected by the Cumberland County Rescue Squad; then donated back to them. The show boasted of 74 booths this year with 73 different exhibitors. It was also reported that several new members were generated from the event. Congratulations Cumberland County!



Most Creative – left to right, Kathy Henline, HomeShow Judge, K.Gay Reeves-Stewart, E.D. of HBA of Cumberland Co.,

Stephen Teeple of TLC Landscaping, Amber Adkins (HSJ) Christie Dykes (HSJ) James Wattenbarger, Secretary of HBA of Cumberland Co.



Best Design – left to right, Kathy Henline (HSJ) Christie Dykes (HSJ) Tracy Uebelacker, Bob Uebelacker, of Cambridge Cabinets, Inc. (New members!) Amber Adkins (HSJ) K.Gay Reeves-Stewart, E.D. of HBACC.



Honorable Mention – Plateau Metal, left to right, Amber (HSJ), Kathy (HSJ) Christie (HSJ) Matthew Miller,

Eli Miller, Keshia Miller, daughter of Eli, of Plateau Metals, K.Gay Reeves-Stewart.



Most Original – Amber (HSJ), Christie (HSJ) James Wattenbarger, Sec. of HBACC, owner of J&M Insulation, Nathan

Wattenbarger, holding plaque, son of James, Kathy (HSJ) and K.Gay.



Best of Show – Woody Gregory of Gardens To Go, seated Kathy, Christie, Amber (HSJ's) and K.Gay.



Honorable Mention – Budget Blind & Closet Tailors, Amber, Christie, John Stanczak with Budget Blinds/Closet Tailors, K. Gay and Kathy.

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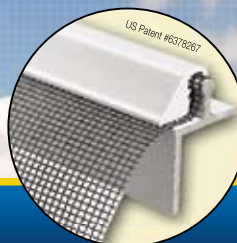
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Spirit of Membership Award

When a member of a Local Association (builder or associate), recruits their first-ever new member (builder or associate), Bonded Builder will award them a certificate and a \$35 gas gift card. Winners will need to fill out a claim form and send it to Andi Lindberg of the Bonded Builders Warranty Group.

If you have questions about the Spirit Award program, call Andi Lindberg, Bonded Builders Warranty Group, 1-800-749-0381 x3140.

HBA of Tennessee Offers Complimentary Green Building Virtual Training to Members

In the "Members Only" area of the Home Builders Association of Tennessee website (www.hbat.org), there is a new green building online training system. This program is available to all members through our partnership with the Green Building Initiative (GBI). The site features eight independent training modules developed based on the areas of assessment within the NAHB National Green Building Guidelines/Standard. This exciting tool should prove invaluable to any residential construction professional looking to build green.

Record Response to Federal Housing Tax Credit

A record 844,000 prospective home buyers visited NAHB's *FederalHousingTaxCredit.com* web site in February to learn about the new \$8,000 tax credit for first-time home buyers that was enacted as part of the landmark \$787 billion economic stimulus package. Daily site traffic at www.FederalHousingTaxCredit.com started building in the week before the economic stimulus legislation was enacted, and peaked at almost 59,000 on Feb. 18, the day after the legislation was signed.

NAHB anticipates that the tax credit will result in about 160,000 additional home sales in 2009. For additional information about housing and home buying, visit NAHB.org.

New IRS Program

You might be familiar with the IRS program called, "Taxpayer Education & Communication." This program is now called "Stakeholder Liaison."

Local Stakeholder Liaisons collaborate with tax professional organizations, small business groups and industry associations to provide tax education and information for their members. If you encounter an issue with an IRS program or policy, tell your local Stakeholder Liaison. Stakeholder Liaison uses a unique Issue Management Resolution System (IMRS) to capture, report on and respond to issues that practitioners and small business leaders bring to their attention. Visit IRS.gov, Search IMRS for hot issues and monthly overview.

For further questions contact Alison Broady, IRS Stakeholder Liaison – Communications, Liaison & Disclosure, SB/SE Mid-South Area, Nashville, TN, at (615) 250-5765.

Congratulations —

Honor Roll Designees

These professionals have made a commitment to continuing education:

Certified Aging in Place Specialist

Michael Dulin, CAPS
E. Lyndon Gallimore, CAPS
Roy Miles, CAPS

Certified Graduate Builder

Jenny Blalock, CGB

Certified Green Professional

Wayne Anglim, CGP
Steve Arnold, CGP
Cameron Austin, CGP
Peter Beasley, CGP
Tom Bindbeutel, CGP
Jenny Blalock, CGP
Dave Boender, CGP
Cary Bohannon, CGP
Mitchell Bowman, CGP
Peter Bush, CGP
Sam Carbine, CGP
Evelyn (Evie) Cartner, CGP
Kelly Costanza, CGP
Bernard Cowles, CGP
David Crane, CGP
Grant Dorris, CGP
Julie DuPree, CGP
Jay Elisar, CGP
James Faris, CGP
Mike Freeman, CGP
E. Lyndon Gallimore, CGP
Gary Gardo, CGP
Ken Garland, CGP
Earl Geary, CGP
Larry Giacomozzi, CGP
Chuck Halloran, CGP
Cathy Hardaway, CGP
Richard Hessick, CGP
Joe Hollingsworth, CGP
Gus Issa, CGP
Darryl Jenkins, CGP
Peder Jensen, CGP
Paul Jolley, CGP
Art Krebs, CGP
Paul Luehrsen, CGP
Dale Mabree, CGP
John McMillan, CGP
Jeff Middlebrooks, CGP
Dan Mitchell, CGP
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Charles Morgan, CGP
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Belle Overbey, CGP
Chad Pagels, CGP
Christopher Parker, CGP
David Penney, CGP
Perry Pratt, CGP
Tom Robinson, CGP
Jonathan Rourke, CGP
Kathryn Russell, CGP
Karrie Seaton, CGP
Gianni Shipman, CGP
Nora Shuart-Faris, CGP
Ronald Sklar, CGP
David Smith, CGP
Alan Smith, CGP
Tracy Smith, CGP
Chris Spors, CGP
Art Stinson, CGP
Joseph Sumpter, CGP
Robert Swafford, CGP
Joseph Swanson, CGP
Paul Teruya, CGP
Fred Trainer, CGP
Frank Tyree, CGP
Richard Varner, CGP
Daryl Walny, CGP

Housing Credit Certified Professional

Keith Acton, HCCP
Christal Gammage, HCCP
Bret Harris, HCCP
Rose Ann Hogue, HCCP
Sally Lee, HCCP
Merrie Long, HCCP
Mike Melton, HCCP
William Ross, HCCP
Tracy Smith, HCCP

Registered in Apartment Management

Jo Ann Hendrix, RAM
Veronica Howard, RAM
Dorothy Hudson, RAM
Lynda Massey, RAM
Jennifer Mitchell, RAM
Connee Stader, RAM
Damita Tobias, RAM
Irene Walker, RAM
Sandra Young, RAM

ASK THE ACCOUNTANT

SILVER LINING TO A DARK CLOUD?



Bob Bellenfant

Two years ago, I would not have written this article. Homebuilding activity had accelerated to its highest level ever. Homebuilders were enjoying much success. But

then a dark cloud appeared, actually many dark clouds, and we have not seen the sun peek out as yet. However, as the saying goes, there is a silver lining in the clouds. During those recent years of success, there were often times tremendous tax liabilities incurred. The losses that have occurred can be used to offset these income taxes of recent years to reap refunds. Those refunds can be used to fund new investment opportunities or to pay current operating expenses.

Typically, a loss incurred by your business, referred to as a net operating loss, can be carried back for two years and forward for up to twenty years. On February 17, 2009, *The American Recovery and Reinvestment Act of 2009* was signed into law. Within the *Recovery Act* were many changes beneficial to business. Among those changes were provisions to allow eligible small businesses to elect to increase the NOL carryback period from two years to three, four, or five years. The election is available for those small businesses whose average annual gross sales are less than \$15 million for the three year period ending in 2008.

There are deadlines to meet in making

the election to choose an alternative carryback period so you should act quickly to ensure the best outcome for your situation. The claim for refund of taxes paid during the carryback period should be made within 12 months of your business year end.

At first glance, you might think so what is the big deal? For a homebuilder, this change effectively allows you to choose the best years to carry a 2008 loss. The best years are those when you were in the highest tax brackets.

We are experiencing much interest in loss carrybacks, particularly now that we can essentially choose our best years to potentially create the highest refund.

I realize that the refunds are bitter-sweet. Most business owners would rather have enjoyed a successful year in 2008, but most of us have learned to take advantage of all that is offered even in the worst of times. You must act quickly to ensure the best result.

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 thirty years. You can reach him at (615) 370-8700, extension 12 or by e-mail at bob@bellenfantmiles.com.



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FUTURE HBAT MEETINGS

2009 — SUMMER MEETING

July 12-15, 2009
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FALL MEETING

November 12-14, 2009
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