INTEGRITY
ASHTABULA COUNTY BUILDERS ASSOCIATION

BUILDERS PLAN

April 2011

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ASHTABULA COUNTY BUILDERS

"The Voice of the Industry in Ashtabula County"

NEWSLETTER ARTICLES

If you have any suggestions
for an article or changes to the newsletter
please call Michelle at (440) 997-1866
or ashtabulacountybuilders@windstream.net

PRESIDENT'S COMMENTARY

Hello Members and Friends,

Well another month has come and gone and I'm not sure if it's spring or still winter. I sure hope that we have seen the last of this nasty white stuff until next winter but I am not betting on it yet. Our meeting this month is on a very important subject for renovators, contractors, or for that matter anyone that gets involved with older buildings that might contain lead paint. Your board has secured Peter Dell from The Dell Group as our speaker, as you can see from his attached biography, he is well versed on the topic of lead abatement to mention just one of his expertise. I think this new building practice is here to stay whether we like it or not, and it will be a concern on every job that we might happen upon. Please take the time to come to our April meeting and become more educated on this timely topic from a well educated speaker. Don't forget that we are still offering to pay for the dinner of your guest if they are a potential new member. Are numbers are growing slowly but we can use your help to grow our membership more, remember strength is in numbers and in quality education and networking which we are all about. We hope to see you all at the April meeting.

Your President,

Joe Oros

MARK YOUR CALENDAR

April 14th	Lead Peter M. Dell The Dell Group Casa Capelli
May 12th	Ashtabula County Joint Vocational School at ACJVS
June 9th	Steak Fry
July 14th	Golf Outing
August 11th	Summer Social

Happy Hour is 6:00pm - 7:00pm
Dinner 7:00pm
RSVP by Sunday prior to meeting date and if you need to cancel please call by Monday evening.

MEMBERSHIP DRIVE

Bring a Potential Member to a General Meeting on the Builders Association. Just call in their reservation with yours! (440) 997-1866

BOARD OF TRUSTEES
2011

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Joe Oros, President
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PETER M. DELL - BIOSKETCH
SPEAKER
APRIL 14TH MEETING

Occupation:

Executive Vice-President, The Dell Group, Inc. - founded in 1988. *Creative Solutions* - Consulting and training for occupational safety, health, and environmental compliance issues. *Environmental Response Systems* - Training institute for asbestos hazard abatement, HazMat remediation/emergency response, and ISO 14000 environmental management systems. *Lead Experts* - A state and EPA approved lead hazard abatement training provider.

Education:

- Associate in Loss Control Management, Insurance Institute of America, 1985
- Associate in Premium Auditing, Insurance Institute of America, 1986
- Certified Environmental Trainer, National Environmental Training Association, 1996
- Certified Hazardous Material Management Manager, Institute of Hazardous Material Management, 1994

Points of Contact:

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Summary for Conference Speaker Bio

Pete has logged over 18,000 hours of safety, health and environmental training to over 1200 clients. He is a Certified Environmental Trainer specializing in Occupational Safety, and OSHA/EPA/DOT compliance. Mr. Dell has been a Certified Hazardous Materials Manager, and holds an Associate Degree in Loss Control Management form The Insurance Institute of America, Malvern, PA.

He has been an Ohio Department of Health approved Asbestos Abatement trainer and is currently an approved Lead Paint Abatement Licensing trainer. He is an Ohio licensed Lead Paint Risk Assessor, and is an ANSI-RAB & IEMA accredited ISO14001 trainer. Mr. Dell has taught for the University of Cincinnati, the University of Findlay, and Kent State University.

He has founded and operates three companies in the field of safety and environmental consulting and training. Several of his books have been published, and are currently offered in several catalogs. His Laboratory Chemical Hygiene Plan book was recently translated into Japanese for distribution in that country.

NATION'S BUILDING NEWS

The Official Online Weekly Newspaper of NAHB

Sponsored by McGraw-Hill Construction and Freddie Mae

Builders Urge Congress to Restore the Flow of Credit to Housing

Some 500 builders converged on Capitol Hill last week for meetings with their senators and representatives during the annual NAHB Legislative Conference. *Photos: Herman Farrer*

At a crucial juncture for the nation's emerging housing recovery, restoring the flow of acquisition, development and construction (AD&C) lending to sustain new housing activity took center stage on March 16 as 500 builders from across the country converged on Capitol Hill for the annual NAHB Legislative Conference.

"Our message to Congress is simple and straightforward," said NAHB Chairman Bob Nielsen. "Unless we resolve the ongoing credit problems for home builders — the vast majority of whom are small business owners who employ less than 10 workers — the industry will lose even more jobs, resulting in longer-term economic damage."

NAHB members who were unable to attend the day-long conference participated by calling the Capitol Hill offices of their representatives and senators to deliver the same message.

In the current economic climate, lenders have basically stopped making AD&C loans and many are calling existing loans, even when the borrower's payments are current. Financial institutions are also requiring additional equity for existing loans, and are refusing to modify loans to give borrowers an opportunity to regroup.

Overly conservative appraisals are presenting further challenges by limiting home sales and refinancing opportunities and exacerbating pressure on outstanding mortgage and housing production loans. Lenders are often citing regulatory requirements or pressure from bank examiners to reduce AD&C loan exposure as the rationale for their actions.

"As a result of this regulatory pressure, the home building industry is having extreme difficulty in obtaining credit for viable projects," said Nielsen. "In short, the credit window seems to have been slammed shut for builders all over the country."

Starting off the day, Reps. Brad Miller (D-N.C.) and Patrick Tiberi (R-Ohio) addressed the builder delegation at the National Housing Center and pledged to work with NAHB to help restore credit for housing production and get the industry back on track. (For a related story in this issue of NBN, click here.)

During the day-long conference, builders met with key leaders from both sides of the aisle in the House and Senate, including:

- Senate Majority Leader • Harry Reid (D-Nev.)
- Senate Minority Leader • Mitch McConnell (R-Ky.)
- House Financial Services Committee Chairman • Spencer Bachus (R-Ala.)
- House Ways and Means Committee Chairman • Dave Camp (R-Mich.)
- Rep. • Sandy Levin (D-Mich.), ranking member of the House Ways and Means Committee
- Senate Banking Committee Chairman • Tim Johnson (D-S.D.)
- Sen. • Richard Shelby (R-Ala.), ranking member of the Senate Banking Committee
- Senate Minority Whip • Jon Kyl (R-Ariz.)
- Senate Republican Policy Chair • John Thune (R-S.D.)
- House Assistant Democratic Leader • James Clyburn (D-S.C.)
- House Democratic Caucus Chair • John Larson (D-Conn.)

In 250 individual meetings with their representatives and senators, builders urged their members of Congress to become an original cosponsor of legislation by Rep. Gary Miller (R-Calif.) designed to end the lending crisis.

The measure proposes a legislative fix to specific instances of regulatory excess to allow the banking industry to restore lending for viable home building projects and discourage lenders from curtailing or calling construction loans where payments are current.

As the nation's housing finance system undergoes comprehensive reform in the aftermath of the collapse of government sponsored enterprises Fannie Mae and Freddie Mac, builders also called on Congress to ensure that the federal government continues to provide a backstop for a reliable and adequate flow of affordably priced housing credit under all economic and financial conditions.

On the issue of tax reform, NAHB urged lawmakers to oppose any changes to the tax code that would increase taxes on home owners, renters or home builders.

Curtailing or eliminating the mortgage interest deduction, the capital gains exclusion, the deduction for property taxes, the Low Income Housing Tax Credit and other housing tax incentives would further depress home prices, leaving countless more home owners owing more than their homes are worth and triggering a new wave of foreclosures, they said.

Cost Pressures Building on Builders

Even though hard construction costs have fallen during the housing recession, they now account for nearly three-fifths of the price of the home, according to the latest NAHB survey. That's a big shift from nine years ago, when construction costs accounted for just half the price of a new home. With the exception of construction materials, every cost component of building a house — the finished lot, financing, marketing, sales commissions, overhead and even profits — has gone down since 2002, NAHB says. Nine years ago, builders' profits were roughly 12% of the sales price on average. In 2009, the last year for which NAHB has figures, the typical profit on a new house was 8.9%. And given the state of the market last year, it's probably safe to say profits are still falling. London Bay Homes, a builder of semi-custom and custom homes in southwestern Florida, is already feeling the pinch. "We're working on pretty tight margins now," says Stephen Wilson, the Naples-based company's chief financial officer. "If we don't raise our prices soon, they could be completely eroded." Wilson's best guess as to when London Bay's prices might start rising: "It might be another three or four months, but it could be two or it could be six." According to Ed Nolan, London Bay's director of purchasing, "Declines in material and product costs as well as labor have created a buyer's market for builders." For home owners, too. But all that is about to change, owing in large part to the cost of energy and worldwide demand. Manufacturers continue to report a "troubling headwind" in the cost of their raw materials, according to the most recent monthly survey of building-product producers by Selman & Associates, a New York financial analyst. When asked to specify in which areas the cost pressure is being felt, one maker told Zelman researchers, "Everything. The global economic recovery has driven almost every raw material higher." (www.chicagotribune.com)

Chicago Tribune (3/11/11); Lew Sichelman, United Feature Syndicate

Home Prices Have Over-Corrected in Many States, Experts Say

Home prices have over-corrected in more than half of all states based on per capita income, say economists at PMI Mortgage Insurance. Using 1995 as a benchmark, PMI calculates that 35 states have home prices below what they should be (based on disposable incomes), and are very affordable. Home prices in some states, such as Michigan, outpaced incomes in the real-estate bubble, but have since significantly over-corrected, PMI says in its latest Housing Mortgage Market Review. Those states include Alabama, Georgia, Idaho, Illinois, Missouri, Montana, Nevada, New Mexico and West Virginia. That doesn't mean home values in these states will rebound immediately. Home prices in other states — namely Arkansas, Kentucky, Kansas, Indiana, Iowa, Mississippi, Nebraska, Ohio, Oklahoma, South Dakota, Texas and Wyoming — are far too low even though they had no bubble. Home prices in those areas should recover as jobs return. New York and California home prices remain too high relative to incomes. Desirable living conditions and limited space could support higher home values, or home prices could fall even more. Other states in this group include Alaska, Hawaii, Massachusetts, New Jersey, New Hampshire, Oregon and South Carolina, as well as Washington, D.C. (www.totalmortgage.com)

Total Mortgage Services (3/21/11); Michael King

Bay Area 'Vision' Plan Sees 2 Million More People, 902,000 More Homes and Fewer Cars

Under the Initial Vision Scenario for 2035 from the Metropolitan Transportation Commission and the Association of Bay Area Governments, 25 years from now the San Francisco Bay Area will have two million more people and 902,000 more apartments, condos or houses to accommodate them — and most of it will be built near rail stations, bus lines, walking paths or bike lanes. About a third — or 286,000 — of those new homes would be built in Oakland, San Jose and San Francisco as the big cities get bigger. Eighteen percent of the housing would be developed in mid-sized cities like Concord, Berkeley, Hayward, Santa Clara and Fremont, and in transit-friendly neighborhoods. "The vision scenario makes a departure from the post-World War II development trends of rapid suburban growth into undeveloped territory," said John Goodwin, a spokesperson for the Metropolitan Transportation Commission. "Under our vision scenario, 97% of the new housing through 2035 would be in the existing footprint of urbanized areas." The vision is not a forecast, but an attempt to plan sustainable growth in the nine-county region, he said. (www.mercurynews.com)

Mercury News (3/19/11); Denis Cuff

City Financially Assisting Construction of Some Houston Housing

In Houston, InTown Homes is building hundreds of houses and town homes in three subdivisions north of Interstate 10 as a result of a deal in which the city has committed to reimburse as much as $20 million in costs for putting in public water and sewer lines, storm drainage systems and parks. For the city, the subdivisions represent a new involvement in market-rate housing using economic development tools it previously had reserved largely for big employers. "I think economic development is building a community, not just building factories and strip shopping centers. We have defined economic development as growth in the community," explained Andy Icken, the city's chief development officer. By this reasoning, just as City Hall helps the local economy by offering tax breaks to a manufacturer to build a factory in Houston instead of Dallas, so does the city benefit when it can lure a developer to site a subdivision inside the city limits instead of outside them. The residents of these new homes — many of whom will move in from outside Houston, Icken believes — boost the local economy by buying furniture and cars and groceries, sending their kids to local schools that get per-pupil state funding, and paying sales and property taxes. Incentivizing market-rate home construction is highly unusual, according to economic development experts. So-called 380 agreements — named for the chapter of state law that authorizes cities to give loans and grants for economic development — are in effect throughout the state. (www.chron.com)

Houston Chronicle (3/13/11); Chris Moran

Many Still Owe Taxes on Forgiven Home-Equity Debt

With hundreds of thousands of home owners having negotiated loan modifications or short sales or been foreclosed upon during the past year, the Internal Revenue Service has issued fresh guidance on how to handle canceled mortgage debt in the coming tax season. It is a huge issue, widely misunderstood by consumers, and involves potentially billions of dollars of tax liability. When most debts are canceled by a creditor, such as unpaid balances on student loans or credit cards, the forgiven amounts are treated as ordinary, taxable income by the Internal Revenue Code. But under a special exemption adopted by Congress covering distressed home mortgages, many owners can escape the tax. In its latest guidance, to qualify for the exemption, the debt canceled by the lender must have been used by the home owner "to buy, build or substantially improve your principal residence." The house can't be a second home, an investment condominium, a weekend retreat or a seasonal home occupied for less than half the year. It can only be the primary residence, and documented as such. The unpaid mortgage balance canceled by the lender as part of the modification, short sale or foreclosure cannot have been used for non-qualifying purposes — for something other than acquiring or constructing the house or making capital improvements to it. Refinanced mortgage debt used for tuition, vacations, buying cars or paying off credit cards won't make the grade. Taxpayers who walk away from their houses may be liable for taxes, according to Greg Rosica, a tax partner with Ernst & Young, if at some point the property "no longer was their primary residence." This could happen, for example, if they rented it out for the period between their last payment and the foreclosure, effectively converting the house into rental property, not their principal home. (www.washingtonpost.com) **Washington Post (3/11/11); Kenneth R. Harney**