

The Builder



January 2018

Builder Confidence Hits 18-Year High

Builder confidence in the market for newly built single-family homes increased five points to 74 in December's NAHB/Wells Fargo [Housing Market Index](#) (HMI). This was the highest report since July 1999, over 18 years ago.

"Housing market conditions are improving in part because of new policies aimed at providing regulatory relief to the business community," said NAHB Chairman Granger MacDonald, a home builder and developer from Kerrville, Texas.

"The HMI measure of home buyer traffic rose eight points, showing that demand for housing is on the rise," said NAHB Chief Economist

Robert Dietz. "With low unemployment rates, favorable demographics and a tight supply of existing home inventory, we can expect continued upward movement of the single-family construction sector next year."

Derived from a monthly survey that NAHB has been conducting for three decades, the HMI gauges builder perceptions of current single-family home sales and sales expectations for the next six months as "good," "fair" or "poor." Any number over 50 on the HMI indicates that more builders view conditions as good than view them as poor.

INSIDE

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HOME CONSTRUCTION: What makes up the builder portion of a new home's final cost - page 2.

TAX REFORM BILL: Are you a winner or loser with the new changes - page 5.

THE BUILDER ADS: It can be a new marketing tool for members - page 6 and page 7.

HBACV LEADERSHIP: The executive committee and board of directors - page 3.

News From the NAHB

The Cost of Constructing a Home

Construction costs account for 55.6% of the final sales price of the average new home, while the cost of the lot represents 21.5% of the total sales price, according to a recent [NAHB survey of home builders](#). Overhead and general expenses (5.1%), sales commissions (4.1%) and financing costs (1.8%) are among the other factors contributing to the final sales price.

Of the eight major stages of construction, interior finishes, at 28.6%, account for the largest share of construction costs, followed by framing (17.3%), exterior finishes (13.9%), major system rough-ins (13.8%), foundations (10.8%), final steps (7.0%), site work (6.7%), and other costs (2%).

Rising materials prices and limited labor have been primary concerns for builders throughout 2017, and those issues are expected to continue into next year as well.

NAHB Chief Economist Robert Dietz notes that recent figures for starts and sales [suggest continued growth](#) moving forward.

Homeownership Rate Slowly Recovering

The homeownership rate fell for all race and ethnic groups from 2004 to 2016, but has rebounded in recent years, according to the Census Bureau's [Housing Vacancy and Homeownership survey](#).

Looking at just the last year, the overall U.S. homeownership rate increased to 63.9% in the third quarter of 2017, up 0.4 percentage points from the third quarter of 2016.

Interior Reverses Migratory Bird Rule

The Interior Department has reversed an Obama-era decision that subjected private landowners, including home builders, to federal prosecution under the [Migratory Bird Treaty Act](#).

The decision nullifies the previous interpretation of the act that included civil and criminal penalties for unintentional "incidental takings," or killing or injuring endangered species.

NLRB Overturns 2015 Joint Employer Ruling

In a victory for small business, the National Labor Relations Board (NLRB) voted recently to overturn its 2015 ruling in the case of [Browning-Ferris Industries](#).

NLRB's ruling restores the

traditional definition of joint employment in which a company must exercise "direct and immediate control" over a worker in a business-to-business relationship.

Start Planning Now for Bringing Housing Home

NAHB this year will conduct Bringing Housing Home™ featuring in-district meetings with members of Congress to discuss critical issues affecting the home building industry.

Bringing Housing Home™ is scheduled for April 30 to May 5, 2018.

For more information, contact Karl Eckhart, NAHB's vice president for intergovernmental affairs, at 202-266-8319, or keckhart@nahb.org.

The Builder: Your association's newest communication tool

Welcome to "The Builder", the new monthly newsletter of the Home Builders Association of Central Virginia. One of many exciting changes and additions in 2018, the newsletter will include local content along with information and articles from the National Association of Home Builders and the Homes Builders Association of Virginia.

The e-newsletter format allows us to publish and deliver to you a reader-friendly product that also provides "clickable" resources - like web links and emails contacts - that do not necessarily fit within the structure of a printed newsletter. The e-format also helps the HBACV manage costs.

The Builder will have standing features highlighting builder and associate members, news on housing trends, information about education programs and HBACV events. As a member this is your newsletter so contact me to learn about promoting your company's services and products, completed and announced building projects and developments as well as additions to your staff and team.

We also hope to give readers access to what your HBACV leadership team has been researching, designing, building and thinking. We hope this will be a welcome addition to your inbox and we encourage you to share this newsletter with your team and your clients.

We all receive large amounts of email and I don't want to contribute to the noise. Our goal is to provide something candid, genuine and beneficial. We chose a monthly schedule to ensure content is relevant and timely.

We also see the creation of the HBACV newsletter as an opportunity to experiment; hence the name - the Builder. Like a blueprint, it is a guide we will follow to build but it also leaves room for change and innovation. Our association is moving forward and evolving into a more member-driven, member-essential and member-participatory organization. The Builder will reflect this each month. - **Bob Morgan**

Our association is moving forward ... The Builder will reflect this each month.

2018 HBACV LEADERSHIP

Executive Committee:

Jeff Wieczorek - President
Brent Lilly - 1st VP
Joe Hepler - 2nd VP
Jim Minear - Sec/Trea
Chris Hargis - Assoc. VP
Chris Mowry - Past Pres.

Board of Directors

Gordon Cudd
Allen Dukes
Mike Forren*
Matt Holley
Paul Kluender
Barry Layne
Steve Mays
Tammy Mikkelson*
Terry Morcom
Rosalie Richman
Sandy Speck*
Matt Yeatman

* new to board in 2018

HBACV BUILD-PAC:

Chris Mowry, trustee

HBACV Legislative:

Chris Hargis, HBACV rep

NAHB National Director:

Jeff Wieczorek

HBACV Executive Officer:

Bob Morgan

CONTACT THE HBACV:

Office: (434) 385-6018
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New HBACV Website and Newsletter offer advertising opportunities



The HBACV is growing its membership and we are making upgrades to reflect the changes. Our new HBACV website launches in late February. It will reflect improved graphics and interfaces that make it more member and user friendly. It will also better connect to our Facebook page and member Internet sites. The website and newsletter offer members opportunities to market themselves and their products through targeted advertising. Ad and sponsor space for the newsletter and website will become available in February. The introductory rates are low and the messaging will be effective with value-added placement and mentions on social media and on event materials. Contact executive director **Bob Morgan** to learn more about these opportunities.

HBAV preparing for strong effort to support builders at General Assembly

The Virginia General Assembly Session begins Wednesday, Jan.10. The Home Builders Association of Virginia is working diligently to communicate our message. The HBAV's 2018 Virginia General Assembly Legislative Priorities were crafted by the HBAV Legislative Committee consisting of representatives from Virginia's 15 local associations (our rep is Chris Hargis). The HBAV agenda items include:

- Working with the new administration
- Partnering with local government on SB 549
- Opposing amendments to SB 549
- Protecting Virginia's Building Code Adoption Process
- Improving Workforce Development
- Promoting housing's influence on the Virginia Economy

[Click HERE to see the complete 2018 HBAV Legislative Agenda](#)

HBACV CALENDAR OF EVENTS

• **Jan. 9: Executive Committee and Board of Directors: Strategic plan for 2018 sessions. At HBACV Building. (EC meets 4 pm; Board 5 pm.)**

• **Jan. 18: HBAV & HBACV Legislative Lobby Day in Richmond. (Open to membership; contact Bob Morgan)**

• **Feb. 20: Hammer Time - The 2017 Superlatives of the Year. Hosted at Craftsman Custom Home Builders. (EC meets at 3 pm; Board 4 pm; Hammer Time 5 pm)**

• **Mar. 20: Hammer Time - program is yet to be determined. Hosted at Ferguson Enterprises) (EC meets at 3 pm; Board 4 pm; Hammer Time 5 pm)**

• **March Education Seminar: site, date and builder/trade program to be determined.**

• **April 17: Hammer Time - program to be determined. Hosted at Assurance Financial. (EC meets at 3 pm; Board 4 pm; Hammer Time 5 pm)**

COMING SOON: The annual HBACV Raffle Scholarship Fundraiser

Overall, Tax Reform Benefits Builders, Small Businesses

The tax reform bill signed into law on Dec. 22 can provide tax relief and more favorable tax climate for small business if properly applied. The NAHB lobbying effort achieved some victories in the bill, such as the real estate exception to the business interest deduction, second homes, private activity bonds, the capital gains exclusion, and many other provisions. Changes within the Tax Cuts and Jobs Act take effect for the tax year starting Jan. 1, 2018. Major provisions of the law include:

Mortgage interest deduction. Retains the mortgage interest deduction and the deduction for second homes, but reduces the mortgage interest cap from \$1 million to \$750,000.

State and local property taxes. Allows taxpayers to deduct up to \$10,000 of state and local taxes, including property taxes and the choice of income or sales taxes.

Capital gains exclusion. Maintains existing law that allows home owners to exclude up to \$250,000 (or \$500,000 for married couples) in capital gains on the profit from the sale of a home if they have lived in the house for two of the last five years.

HELOC. Eliminates the deduction for interest on home equity loans.

Private activity bonds. Retains private activity bonds (PABs), which will enable the Low Income Housing Tax Credit to maintain its effectiveness as the most indispensable tool for the production of affordable housing. Without PABs, we would face the loss of more than 788,000 affordable rental units over the next decade.

Alternative Minimum Tax. Eliminates the Alternative Minimum Tax (AMT) for corporations and increases the AMT exemption amounts and phase-out thresholds for individuals.

Individual tax brackets. Retains seven tax brackets, with rates ranging from 10% to 37%. This will provide tax relief for individuals and small businesses and represents a tax cut for most taxpayers.

Estate tax. Doubles the estate tax exemption.

Carried interest. Retains existing carried interest rules, but assets must be held for three years.

Pass-through deduction. Allows most taxpayers with pass-through income to deduct 20% of that income based on wages or on wages plus a capital element.

Business interest deduction. Provides the taxpayer a choice of making a one-time election for a deduction limited to 30% of adjusted gross income; or for real estate, a 100% deduction for business interest, but with certain trade-offs.

Like-kind exchanges. Preserves the benefit for real estate investors to make tax-free exchanges of property, commonly referred to as "like-kind" exchanges.

Multifamily depreciation. Gives the taxpayer the choice of taking 27.5- or 30-year depreciation, depending on how they elect to treat their business interest.

Individual tax provision sunsets. Almost all individual tax elements – mortgage interest, state and local property taxes, individual brackets, etc. – expire at the end of 2025.

Develop your plan to maximize member-to-member relationships

Member to member sales and service is a hallmark for the Home Builders Association of Central Virginia but only if you create a plan and make the effort to do this. Educate yourself about the services and products our members offer.

The HBACV provides full contact information for all members to all other members. This allows you to provide members with service and resource information aligned with their needs and your products. In addition, because you are a member of the local, state and national associations, you can get access to membership lists in adjacent territories..

- *Access and promote by utilizing HBACV membership directories and lists.*
- *Get to know the “players.” All member contacts are on the HBACV website or available through your executive director.*
- *Access to member websites.*
- *Access to member cellphone information (when provided).*
- *Hammer Time networking conversation and presentations.*
- *Product and sales announcements on HBACV websites and Social Media sites.*
- *Create brand awareness for your company through HBACV sponsorships. Including website, newsletter and events.*

Virginia Housing Economic Impact Study Released

The housing industry in Virginia supports more than 314,000 jobs paying more than \$14 billion in annual wages, salaries and benefits making it one the largest contributors to the Virginia economy. Using only direct output as a measure of industry performance, our industry is the sixth largest private sector industry and provides 8 percent of all jobs, including agricultural and government employment.

[Click Here to read the full economic report](#)

Affiliate option new choice for Realtor member's agents

A new membership option that allows more professionals connected to the local housing and building industry to join the Home Builders Association of Central Virginia is now available. Affiliate members have the full benefits as Builder and Associate members but can do so at a fraction of the cost. However affiliate members must work for a company that is a full HBACV member in good standing. Contact a board member or [Executive Officer Bob Morgan](#) to learn more about the option.

- *Independent contractors (example: real estate agents) associated specifically and directly with a current member are eligible.*
- *Affiliate members also get HBAV and NAHB membership and are eligible for all NAHB and HBAV discount programs.*
- *Affiliate members can serve on most HBACV event and standing committees.*
- *Affiliate members pay annual dues of only \$55. (Full company membership is \$475).*

Get your message in front of hundreds and also support the HBACV

How?

Advertise in The Builder

The Builder is the official publication of the Home Builders Association of Central Virginia and is delivered monthly to current and past members of the association as well as targeted non-members. The newsletter is delivered via email, web and social media placement and as a print product upon request. This allows you to get your message consistently before the most influential decision-making professionals in the building, remodeling and housing industry in Central Virginia.

The Builder is produced monthly and includes 8 to 16 pages per issue.

The Builder's introductory rates provide prices significantly lower than any other marketing avenue available to you in the greater Lynchburg area.

Get a great deal

Newsletter Sponsorship - two available. This provides a full-page ad in each issue and banner mention on the front page. Cost is \$1,250 a year.

Sponsors also receives a monthly post on the HBACV Facebook Page.

Newsletter ads (sizes and rates).

- **Full Page** - \$125 per issue. (8 x 10.5 inches)
- **Half Page** - \$75 per issue. (4 x 10.5 inches or 8 x 5.25 inches)
- **Quarter Page** - \$50 per issue. (4 x 5.25 or 2.5 x 10.5 inches)
- **Eighth of a Page** - \$25 per issue (2.5 x 2.5 inches)

All ads are discounted 10% when purchasing three months or more in a single buy.

The Small Print

Ads need to be provided to the HBACV in a digital format (300 dpi) in either PDF or JPEG format. Ads can be color or black and white. Ad deadline is the the first day of each month. (Example: An ad in the Feb. 12th newsletter is due no later than Feb. 1). Ads that are an incorrect size will be adjusted to fit the purchased space. Advertising charge will be invoiced and payment must be made within 30 days.

NEWS FOR MEMBERS

Lynchburg Assessors Office has made changes to the Residential Rehabilitation Code:

Residential assessment exemption period from 15 to 10 yrs

Multi-Family assessment exemption period from 15 to 8 yrs

Commercial and Industrial assessment exemption period from 5 to 10 yrs

New construction now only allowed in Revitalization Zones as a replacement for a functionally obsolete building.

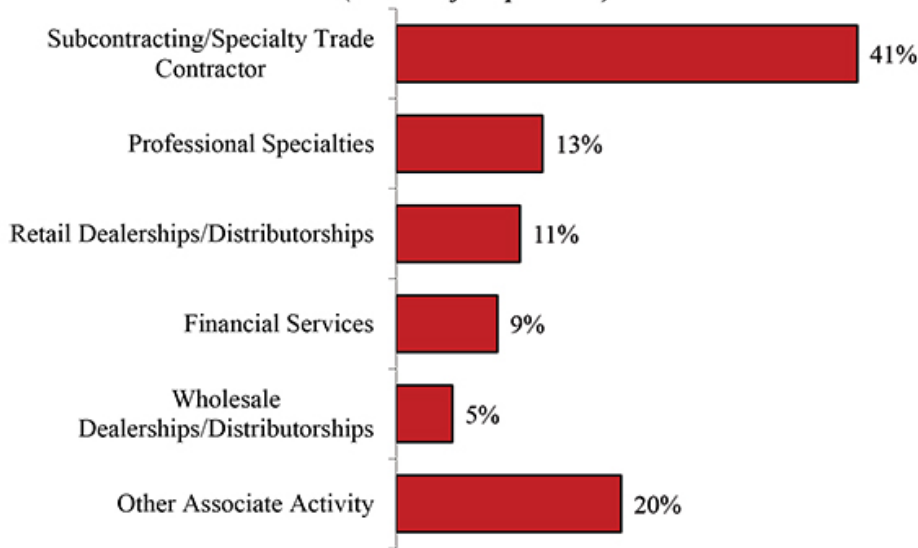
New construction is still allowed for replacement of Damaged/Destroyed buildings.

All new construction (assessment) exemption based on 50% cost/value of new building.

Additional in-fill City Code changes that would allow new construction exemptions on vacant lots in what is now declared as the Revitalization zone.

More more information about the changes contact City Assessor [Jeff Brandy](#).

Exhibit 1. Share of Associate Members by Primary Business Activity - 2016
(Percent of Respondents)



HBACV's and NAHB's Associate Membership

The number of Associate Members in the Home Builders Association of Central Virginia reflects very closely to the makeup of the Associate membership of the National Association of Home Builders. Associate members make up 68% of NAHB's membership, while builder members make up the rest, according to NAHB's [latest member census](#). For the HBACV, Associate members make up 71% of our membership.

The NAHB groups associates into six broad categories. Below are the NAHB and HBACV makeup per category:

Subcontractor and specialty trade contractors (41% of NAHB; 14% of HBACV). This includes carpentry, electrical and masonry, among others.

Professional Specialty (13% of NAHB; 3% of HBACV). This includes legal services, accounting, architecture, engineering and marketing.

Did you know 2018 President Jeff Wieczorek is only the second Associate Member to lead the HBACV.

Retail dealerships (11% of NAHB; 26% of HBACV). This category includes retailers that sell building supplies and lumber, as well as flooring and appliances.

Financial services (9% of NAHB; 24% of HBACV). This includes banks, mortgage lenders and insurance companies.

Wholesale distributorships (5% of NAHB; 3% of HBACV). This includes building supply and floor covering wholesalers, among others.

Other categories (20% of NAHB; 31% of HBACV). This includes manufacturing, real estate, waste management, property management and energy & utilities, among others.

HBACV committee assignments to be announced soon

In 2018 the HBACV will resume fielding full committees and task forces to organize and conduct events and programs.

Membership Development:

To guide and coach ongoing membership initiatives.

Finance: Provide direction and oversight to the financial activities of the association.

Nominating: Solicit and develop a slate of candidates annually for leadership roles in the association.

Home Show/Parade of Homes Task Force: Develop strategy and tactics to evaluate value and revive these events.

Raffle: Plan and conduct annual spring fund-raising event.

Scholarship: Evaluate applications and select scholarship winners.

Golf: Plan and conduct annual summer fund-raising/social event.

Touch A Truck: Plan and conduct annual fall fund-raising event.

Christmas Gala: Plan and conduct annual winter fund-raising event.

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We are still seeking members to participate on committees. Please contact Executive Officer Bob Morgan to learn how you can become a more active member.