

INDIANA BUILDERS ASSOCIATION
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HIGHLIGHTS/NEWS

NEW-HOME SALES RISE 4.8 PERCENT IN SEPTEMBER

Sales of new single-family homes rose 4.8% in September, recovering a portion of the substantial ground they lost in the previous month, according to data released by the U.S. Commerce Department. Sales reached a seasonally adjusted annual rate of 770,000 units following major downward revisions to figures for the previous three months.

HOUSING SHOULD BEGIN TO TURN AROUND IN 2008

Speaking at the Construction forecast last week, NAHB Chief Economist David Seiders gave several reasons that the housing recovery should begin in the coming year. First, the overall economy and job growth continue to move ahead at a decent pace. Meanwhile, core inflation is under control and the late-summer credit crunch in mortgage markets is showing signs of easing since the Federal Reserve cut short-term interest rates on Sept. 18. Finally, the supply-demand equation should come into better balance as builders begin to whittle down their excess inventories.

REPORT ESTIMATES 2 MILLION HOMES COULD BE LOST TO SUBPRIME FORECLOSURES

A new report issued this week by the Joint Economic Committee predicts that as many as 2 million subprime mortgage foreclosures could occur by 2009, resulting in approximately \$71 billion in loss of housing wealth. The JEC report, entitled "The Subprime Lending Crisis: The Economic Impact on Wealth, Property Values and Tax Revenues, and How We Got There," also says that more than \$32 billion in housing wealth will be indirectly destroyed "by the spillover effect of foreclosures, which reduce the value of neighboring properties." The study also says that states could lose more than \$917 million in property tax revenue as a result of subprime foreclosures.

IEDC: COMPANIES COMMIT TO MORE THAN 16,000 JOBS IN INDIANA

The Indiana Economic Development Corporation has announced that since January, 118 businesses have committed to create 16,429 new jobs and invest more than \$2.78 billion

in their Indiana operations. Cumulatively since its inception in 2005, the IEDC has completed 436 competitive projects with businesses that have committed to create 52,605 new jobs and invest more than \$13.76 billion in their Indiana operations.

LEGISLATIVE

GOV. DANIELS RELEASES PROPERTY TAX PROPOSAL

Last week Governor Mitch Daniels unveiled his property tax proposal aimed at providing long-term, permanent relief. Details of the plan are below.

1. Property Tax Relief

- Permanent limits on property taxes:
 - Cap homeowner property taxes at 1% of assessed value
 - Cap residential rental property taxes at 2% of assessed value
 - Cap business property taxes at 3% of assessed value
 - Assess agricultural land according to current formula
 - Seek constitutional amendment to ensure these caps are permanent
- Property tax relief funding:
 - One penny increase in state sales tax (\$928 million)*
 - Wagering taxes on new slot machines at horse tracks (\$100 million)*
 - Redeploying state Property Tax Replacement Credits subsidies to local government (\$2.028 billion)*
 - Prudent amount of revenue from state surplus (\$80 million)*
 - Use state combined balance to increase “Rainy Day Fund” (\$50 million)*

**Estimates are for calendar year 2009*

2. Limit future increases in local spending:

- The Tax Board in each county must review and approve spending plans of all taxing units
- Total local spending cannot grow faster than a county’s average personal income growth over a six-year period, unless approved by taxpayer’s in a referendum
- All significant local construction projects must be approved by a public referenda

3. Elected assessors will be replaced by a single professional assessor in each county appointed by the county council.

INTERIM STUDY COMMITTEE ON ANNEXATION DOES NOT PRODUCE RECOMMENDATIONS

The interim study committee on annexation met last week but failed to reach consensus among committee members on recommendations for legislation to be considered next session. IBA will continue to closely monitor the issues discussed in committee as legislation will likely be introduced next session.

ENVIRONMENTAL QUALITY SERVICE COUNCIL MAKES RECOMMENDATIONS

The Environmental Quality Service Council met this week to outline recommendations for next session. The committee recommends that the General Assembly require two jurisdictions proposing to implement storm water fees in the same geographic area must negotiate to adopt a memorandum of understanding (MOU) that gives only one of the jurisdictions authority to impose fees and manage storm water. If they fail to produce a MOU within six months, neither jurisdiction should be permitted to impose storm water fees in the area until they agree on a MOU.

The Council also recommends that the General Assembly adopt the Great Lakes –St. Lawrence River Basin Water Resources Compact, and should work toward adoption of implementation languages that sustains current and future development and provides a strong state role in implementation.

INTERIM STUDY COMMITTEE ON MORTGAGE LENDING PRACTICES AND HOME LOAN FORECLOSURES PRODUCES RECOMMENDATIONS

The committee met this week and set forth a number of recommendations to be introduced in the 2008 session. The committee is interested in exploring legislation for a variety of issues such as: increasing the amount of bond a licensed loan broker must maintain with the Securities Commissioner; enhance penalties that may be imposed by the Attorney General for violations of the Home Loan Practices; and including a one-page in the mortgage closing documents with information on the homestead and mortgage property tax exemptions.

NATURAL RESOURCES STUDY COMMITTEE DISCUSSES ARCHEOLOGY

IBA has been working with committee members and Department of Natural Resources in developing changes to the current statute governing archeology finds and burial grounds. An agreement has been reached in principle and will be working with interested parties on the issue next session

IBA has been working with the Airport Authority and Representative Dan Leonard on zoning regulations around airports. IBA has reached an agreement with the parties to require a disclosure statement when development occurs in close proximity to an airport.

REGULATORY

NAHB NEWS

CALL FOR ENTRIES: NAHB NATIONAL GREEN BUILDING AWARDS

Entries are now being accepted for the 2008 NAHB National Green Building Awards. Each year NAHB recognizes individuals, companies and organizations for excellence in residential green design and construction practices and for green building program and advocacy efforts.

Applications are due January 30, 2008. Awards will be presented as part of the NAHB National Green Building Conference in New Orleans, May 11-13, 2008. For additional information, visit www.nahb.org/GreenBuildingAwards.

NAHB TO LAUNCH NATIONAL GREEN BUILDING PROGRAM AT INTERNATIONAL BUILDERS' SHOW

NAHB announced that it will launch the much-anticipated NAHB National Green Building Program February 14th at the 2008 NAHB International Builders' Show in Orlando.

The national initiative will link dozens of successful state and local green building programs with a universal online certification tool, national registry of green homes and green builders, and a wealth of educational tools and resources for home builders and home buyers. To date, 100,000 green homes have been built through programs run or supported by local building associations around the country.

ENERGY EFFICIENCY RANKS #1 IN CONSUMER GREEN BUILDING PRIORITIES

When 800 registered voters were asked how important certain items would be in their decision to either purchase a new green home or remodel their current home to be more green, nearly two-thirds (64%) of consumers polled said that "reduced energy costs: would be the most important. The second-highest scoring reason, at 55%, was "because it would be healthier." The survey was conducted during the week of October 15th by the respected national polling firm Public Opinion Strategies.

NAHB OPPOSES OFHEO PROPOSAL TO LOWER CONFORMING LOAN LIMITS

An unwelcome proposal by the Office of Federal Housing Enterprise Oversight (OFHEO) is generating substantial opposition from NAHB and other industry groups. The regulator's recently published notice in the Federal Register that would allow it to establish new guidelines that could result in future declines in the conforming loan limit. NAHB strongly opposed this guidance when OFHEO first issued it this summer, and at that time called on OFHEO to issue its proposed changes for comment in the Federal Register rather than just posting the announcement to its website. OFHEO recently announced it will not lower the current conforming loan limit of \$417,000 in 2008 but NAHB continues to oppose the proposed procedures because of their potential effect on future loan limits.

CODE PROVISION CONTESTED IN GLOBAL WARMING BILL

The Senate Environment and Public Works Committee convened a subcommittee hearing on October 24 to discuss S. 2191, America's Climate Security Act. The bipartisan legislation, introduced last week would create an economy wide cap on carbon emissions and set up a carbon trading scheme. The bill also includes a number of efficiency measures that contain provisions to increase state building codes by 30% above the 2006 International Energy Conservation Code by 2010 and 50% above code by 2020, allowing the Department of Energy to draft modified codes for states that cannot achieve these targets. NAHB has been actively lobbying against the building code mandates since the spring and is working with committee staff to highlight our concerns with this provision.

"MOTHER OF ALL TAX BILLS" TARGETS CARRIED INTEREST

House Ways and Means Committee Chairman Charles Rangel (D-N.Y.) this week released what he calls the "mother of all tax bills" –H.R. 3970, the Tax Reduction and Reform Act of 2007. The legislation is wide-ranging and includes changes to both the individual and corporate tax systems. The primary focus of the bill is the permanent repeal of the Alternative Minimum Tax (AMT), which would be paid for by replacing the AMT with a 4% surtax on individuals with adjusted gross income of more than \$150,000 and married couples earning more than \$200,000. The surcharge would rise to 4.6% for individuals with more than \$250,000 in income and married couples earning more than \$500,000. The bill would also lower the overall corporate tax rate from 35% to 30.5% and extend the deduction for Private Mortgage Insurance and a number of expiring tax incentives of importance to real estate.

Of great concern to NAHB is a portion of H.R. 3970 that taxes a carried interest at ordinary income tax rates (as high as 35%) instead of 15% capital gains rate. While this proposal has been promoted as a method for ensuring highly paid hedge fund and private equity fund managers pay their appropriate level of tax, it would disproportionately affect real estate, especially small developers.

FRANK UNVEILS BILL TO TIGHTEN MORTGAGE REGULATIONS

House Financial Services Committee Chairman Barney Frank (D-Mass) introduced legislation to tighten mortgage regulations in the subprime mortgage market. H.R. 3915, the Mortgage Reform and Anti-Predatory Lending Act of 2007, would:

- Require any mortgage lender to verify that the borrower has a "reasonable ability to repay" a loan
- Bar paying incentives to brokers who steer borrowers to more expensive mortgages
- Require mortgage originators to be licensed and registered under state or federal law
- Sharply restrict prepayment penalties
- Expand and enhance consumer protections for "high-cost loans" under the Home Ownership and Equity Protection Act

- Allow homeowners to sue brokers if they were placed into mortgages that they could not afford

NAHB policy is to support and encourage continued mortgage market innovation to improve housing affordability and expand homeownership opportunities as long as these loans are prudently underwritten to ensure that the form of financing is appropriate for the borrower and market and that consumers are fully aware of the features and risks of the loan.