



**HOME BUILDERS & REMODELERS ASSOCIATION
OF CONNECTICUT, INC.**

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*Your Home
Is Our
Business*

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March 12, 2013

To: Senator Gary LeBeau, Co-Chairman
Representative Chris Perone, Co-Chairman
Members of the Commerce Committee

From: Bill Ethier, CAE, Chief Executive Officer

Re: **SB 5019, AA Establishing a Tax Credit for First-Time Home Buyers**

The HBRA of Connecticut is a professional trade association with about nine hundred (900) member firms statewide employing tens of thousands of CT's citizens. Our members, all small businesses, are residential and commercial builders, land developers, remodelers, general contractors, subcontractors, suppliers and those businesses and professionals that provide services to our diverse industry and to consumers. While our membership has declined over the course of our seven-year Great Recession from its high of 1,500 members, we build between 70% to 80% of all new homes and apartments in the state each year and engage in countless home remodeling projects.

We strongly support HB 5019 as a needed incentive to help jump start Connecticut's housing recovery and to help our industry rebuild Connecticut's economy.

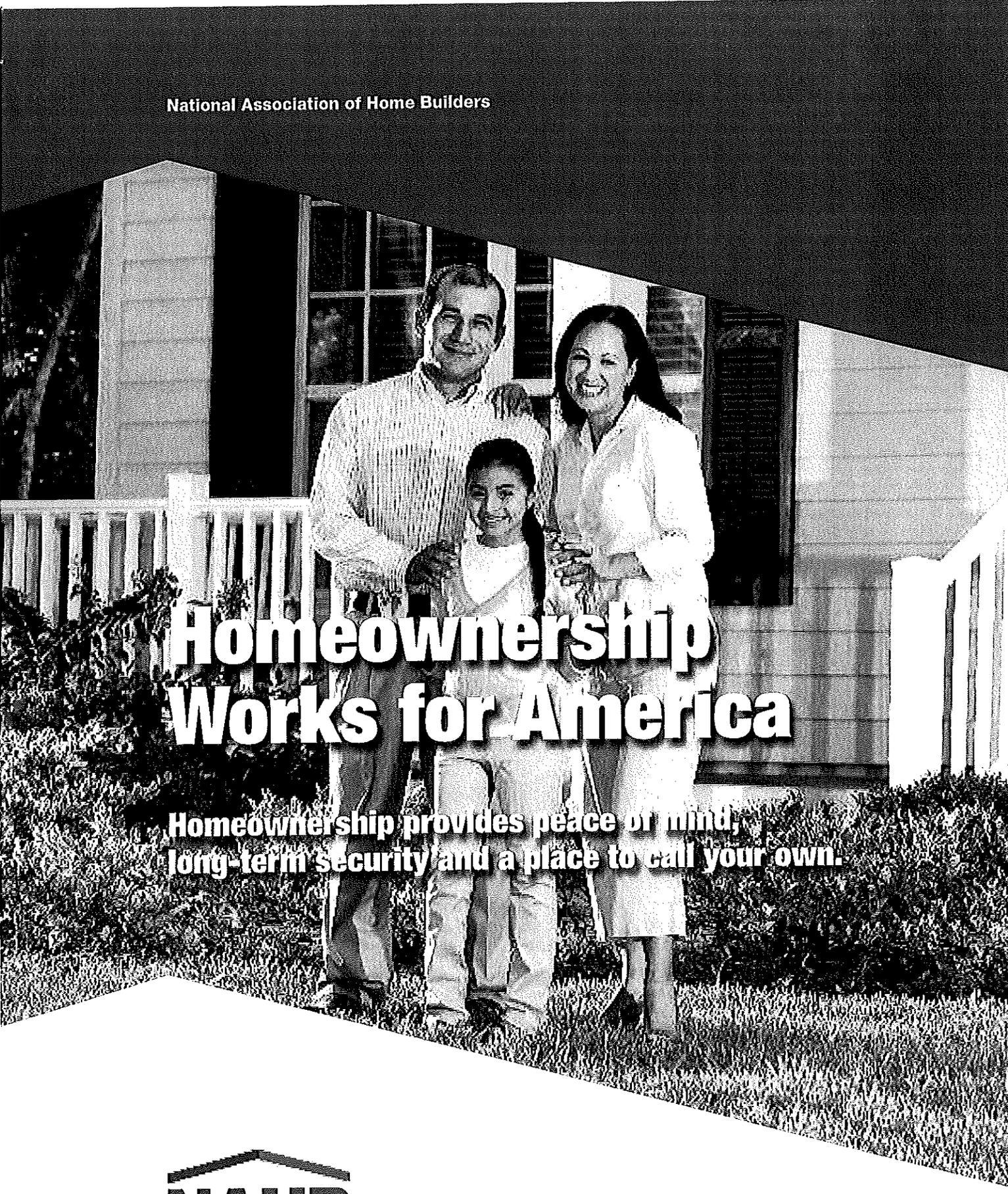
Tax credits can be a powerful incentive for potential qualified home buyers to "pull the trigger" on a home purchase. Supporting home ownership is a great way to restore our communities to fiscal health, as well as in many other ways. See the attached documents, "Homeownership Works for America" and "Home Building's Economic Impact in Connecticut."

Connecticut is far behind the national housing recovery. While we experienced a significant statewide percentage increase in building permits in 2012 over 2011, it comes off the lowest base on record, half of all permits in 2012 were multifamily units and the increases were concentrated in a handful of municipalities. Most municipalities in CT experienced little to no growth in housing in 2012 or over the last seven (7) years. New home construction in CT relies heavily on sales in the existing home market. That is, most buyers of new homes need to sell their existing home in order to make the move. A first-time home buyer tax credit is critically important as an incentive for first-time buyers and it will also then facilitate the move-up market that will then benefit new home construction that will produce new jobs and tax revenues for state and municipal governments. **This tax credit will more than pay for itself through the economic activity it will generate.**

Please support HB 5019. We urge a unanimous joint favorable report and we also urge you to speak with your colleagues on the Finance Committee and with the administration to make this important incentive happen. Thank you for the opportunity to comment on this important issue.



National Association of Home Builders



Homeownership Works for America

Homeownership provides peace of mind,
long-term security and a place to call your own.



www.nahb.org/homeownership



The home is central to American life.

It is where dreams thrive and the future takes shape. It is where families make lifelong memories, and children are nurtured so they can build a better tomorrow.

Owning the home that plays such an important role in their lives is a cherished ideal for most families. They know that homeownership promotes social stability and is critical in creating wealth and providing financial security.

Housing and homeownership are also critical to a strong and prosperous nation. New home construction spurs productivity, creates jobs for millions of Americans and generates revenues for all levels of government.

For almost a century, national policy has acknowledged the importance of the home in American family life. Today, however, homeownership is under attack. Legislative and regulatory proposals now under consideration would greatly harm home owners, home buyers, the housing market and the nation's economy.

There's no question that the business practices and excesses that contributed to the housing market crisis must be corrected. Prudent underwriting and other safeguards are essential.

But some proposed measures would reverse the housing policies that created a thriving middle class and contributed to a century of economic progress. They would change the rules for millions who have sacrificed to get where they are, and they would penalize responsible, hard-working families for others' mistakes.

If enacted, these proposals would harm the homeownership prospects for Americans now and for years to come.

Homeownership has always been – and continues to be – the single best long-term investment for most Americans. It is a primary source of wealth and financial security for many households, helping to provide for education, retirement and more.

Despite the housing market crisis and economic uncertainties, Americans continue to value homeownership. That's a lesson that elected officials would do well to remember.

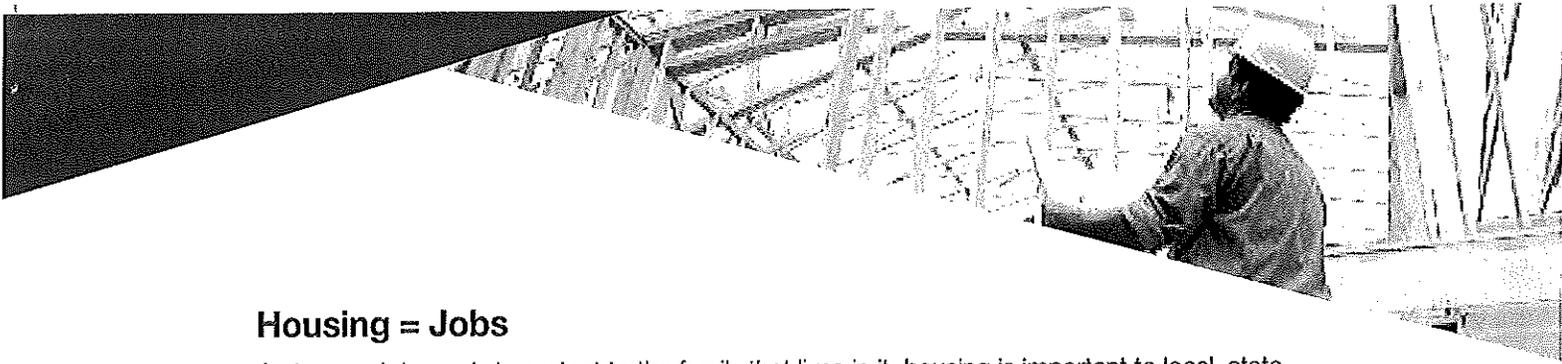
As the debate over housing policy unfolds, it is crucial to ensure that homeownership remains attainable and that access to safe, decent and affordable housing remains a national priority.

Let your elected representatives know that you value policies that will encourage homeownership and keep the dream alive for future generations.

PROFILE OF A FIRST-TIME HOME BUYER

Median Age	31
Median Household Income	\$60,000
Median Price of Home	\$150,000

Source: NAHB tabulation of data from the 2009 American Housing Survey, HUD and the U.S. Census Bureau.



Housing = Jobs

Just as each home is important to the family that lives in it, housing is important to local, state and national economies and accounts for about 15 percent of the nation's gross domestic product. Included in that total are new construction of single-family and multifamily homes, remodeling, and the value existing homes provide to owners.

NAHB analysis of the broad impact of new construction shows that building 100 average single-family homes generates:

- 305 jobs
- \$23.1 million in wage and business income
- \$8.9 million in taxes and revenue for state, local and federal governments

Moreover, the employment effects of new home construction and remodeling extend far beyond the physical structure. About half of the jobs created by building new homes are in construction. They include framers, electricians, plumbers, finish carpenters and all of the other workers who contribute to preparing the land and building the home. The rest are in housing-related industries that produce building materials and provide services to both home builders and home buyers.

These include: furniture and appliance industries; metals and plastics; architecture and engineering; real estate agents, brokers, finance and insurance; wood products, concrete and gypsum; construction equipment and other products; selling, moving and storing products; and management, administration, government and legal services.

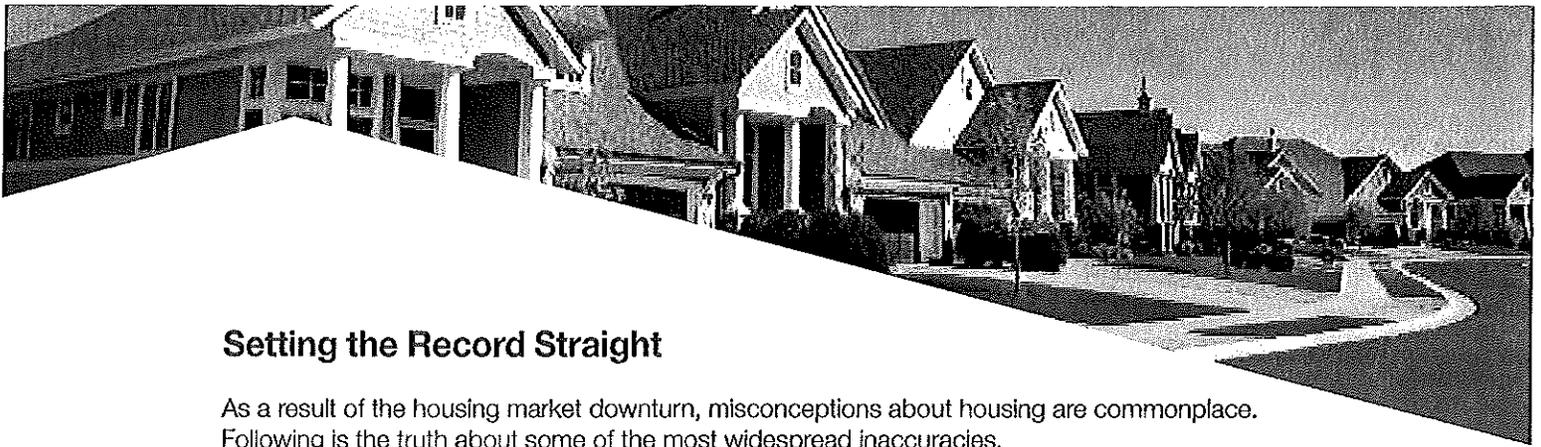
The Threat to Homeownership

Washington policymakers are threatening to eliminate our nation's long-standing commitment to homeownership, which would have repercussions for generations to come. This broad-based attack on homeownership is being waged in the tax, legislative and regulatory arenas. Such a radical policy shift would negatively affect every family in every community across the land. Policy changes under consideration include:

- Eliminating or reducing the mortgage interest deduction that has been in the nation's tax code for almost 100 years.
- Excessively stringent credit standards that would keep millions of families from homeownership.
- Curtailing the low income housing tax credit that is the most successful rental housing program in America and generates roughly 90,000 jobs each year.
- Ending federal support for the housing finance system that is the backbone of the 30-year fixed rate mortgage.

Millions of first-time home buyers and middle-class households would be left out in the cold with only the faintest hope of ever owning a home, the production of affordable rental and new single-family housing would grind to a halt, and countless jobs would be lost.

In the wake of the worst financial crisis since the Great Depression, it makes sense to encourage prudent underwriting and effective consumer education to make sure that buyers select homes they can afford and mortgages they can pay over the long term. But it does not make sense to attack the mortgage interest deduction that is so important to the American middle class, or to tighten credit so much that many households that can afford homeownership simply cannot qualify for a mortgage. Such ill-advised actions would further devalue housing and prolong the nation's economic pain for years to come.



Setting the Record Straight

As a result of the housing market downturn, misconceptions about housing are commonplace. Following is the truth about some of the most widespread inaccuracies.

Misconception: Only the wealthy benefit from the mortgage interest deduction.

This pervasive fiction is often cited as a reason to eliminate the mortgage interest deduction. Income tax deductions for mortgage interest and real estate taxes primarily benefit middle-class taxpayers, especially first-time home buyers. A higher percentage of first-time buyers' mortgage payments goes to pay off interest, and those mortgage payments represent a higher proportion of monthly income for younger consumers than for more mature home owners. The median household income of first-time home buyers is \$60,000, and the median age is 31.

Misconception: Americans are disenchanted with homeownership and it is no longer a part of the American Dream.

Not so, according to polls by NAHB, the Pew Research Center and the New York Times/CBS News. In a Pew Research Center survey conducted in March 2011, 81 percent agreed that owning a home is the best long-term investment a person can make. And in a national poll of voters conducted for NAHB in May 2011 and reaffirmed in January 2012, roughly 80 percent of home owners said they would advise a family member or a close friend just starting out to buy a home in order to build long-term assets. In a New York Times/CBS News poll in June 2011, 89 percent said that homeownership is an important part of the American dream.

Misconception: Housing is not as important to the American economy as many other industries.

Actually, the housing market downturn is a major contributor to the nation's high unemployment rate. Total employment in residential construction and remodeling is down more than 1.4 million jobs from the peak employment rate of 3.45 million in April 2006. The housing downturn has also contributed to the loss of more than 1.5 million other jobs in manufacturing, transportation, retail sales, engineering and other industries that provide goods and services to the housing industry. Home building also generates significant tax revenues and income.

Misconception: Homeownership advocates say everyone should own a home.

Homeownership isn't for everyone, but everyone should be able to choose the home they want, whether they rent or buy. And government policies should not limit homeownership opportunities unnecessarily.

As the debate over housing policy unfolds, it is crucial to ensure that homeownership remains attainable and that safe, decent and affordable housing is available to families across the economic spectrum.

The actions policymakers take today will determine in large part where our children live tomorrow. Let your voice be heard. Make sure your representatives in the nation's capital know that you value homeownership.

Setting the record straight

Home Building's Economic Impact in Connecticut

Home Builders Can Help Lead CT's Economic Recovery!

100 New Single Family Homes Create:

- 334 new jobs,
- \$29.5 million in wages,
- \$5.5 million in Taxes, Fees & Charges paid to State & Local Government in the 1st Year Alone!¹

2011 was the worst year on record for new housing permits. 2009 & 2010 ranked #2 and #3 for all-time worst permit years.²

**If Government Lets Us or Helps Us,
WE CAN TURN THINGS AROUND!**

**Home building not only itself creates jobs
and leads economic trends**

but also

HOMES ARE WHERE JOBS GO AT NIGHT

Message to Gov't: Please, let us build them.

¹ 100 multi-family units create 165 jobs, \$14.5 million in wages and \$2.9 million in taxes & fees in the 1st year alone. In the 2nd year and subsequent years, on average each 100 housing units (both SF and MF) create another 52 jobs, producing annually \$4.3 million in wages and \$1.4 million in taxes & fees for state & local government, due to occupant's economic activity. For more on Homes Do Pay for Themselves, go to www.hbact.org, and click on "Housing & Economic Development" under the Knowledge Center menu.

² For all of CT, 2009 produced 3,136 new housing permits, 2010 saw 3,385 permits, and 2011 saw 3,123 permits. The average annual number of new housing permits from 2000-2006 was 10,146 (i.e., before the Great Housing Depression started in 2007). The average annual number of housing permits from 1990-1999 was 8,990 (which includes the housing recession of the early 1990s). The 1980s averaged 18,300 annual permits. While 2012 had just over 4,000 permits, a healthy percentage increase, it starts with the lowest base on record, fully half are multifamily units, and the increase was concentrated in a handful of communities, leaving the vast majority of the state with little to no growth in housing.

