

## 2010 Fall NAHB Board Report

Eddie Martin, Texas State Representative

The stage was set for the 2010 Fall Board of Directors meeting to begin. In the center and overhanging the stage was our brand new NAHB logo, with two speaker stands on either side of the stage. The meeting began with the always interesting and sometimes entertaining Charlie Cook of the Cook Report, considered one of the best political forecaster in Washington. He is also a former NAHB lobbyist. It is his forecast that the Republicans will take the majority of the House of Representatives and pickup 6 or 7 Senate seats in the November elections. While Charlie was talking the blue "NA" of the NAHB logo in the center of the stage fell from its height but was left barely hanging to the red "HB". Some believed it was a symbolic act that Charlie arranged to dramatically punctuate his forecast. However, I am pretty sure it was just faulty work by the stage crew.

At this meeting the Senior Officers wisely choose to move some of the more substantive issues to the front of the agenda. Chairman Jones began the meeting by stating that it is the mission of the NAHB to protect and promote members issues. After his remarks, Chairman Jones introduced Second Vice Chairman, Barry Rutenberg to present the 2011-2012 budget. During the 2010 IBS board meeting, the board voted to created a two year budget cycle.

Before the presentation, a motion was made for a "special order of the day." The purpose of the motion was to ensure an efficient and orderly discussion of the NAHB budgets. The Senior Officers asked the Board to adopt a "special order of the day" that stipulated the "rules of debate while considering the budget proposals. Specifically, under the "rules of debate," first, an approval was requested as to the maximum amount of reserves that can be accessed as partial funding the proposed 2011 budget deficit to be \$3.4 million and \$4 million in the 2012 budget year, and second, any motion to amend the proposed budgets may not increase the net amounts to be drawn from the Association's reserves. The "special order of the day" was passed by the Board." There is no dues increase in the proposed 2011-2012 budgets, however there were proposed increases in the dues of the NAHB councils; Remodelers, Commercial Builders, Multifamily, 50+ Housing, and Sales and Marketing.

Barry began his presentation by commending the extensive work and procedures that the Senior Officers, Budget Committee and staff engaged in to produce the two year budget. By way of background, in 2009, NAHB had net operating revenue of \$2.3 million. At this point NAHB is projecting a 2010 year end operation deficit of \$10.9 million. In 2008, NAHB had 401 employees. That number was decreased in 2009 to 341 employees. At this time, there are approximately 298 employees. The proposed 2011-2012 budget reduces the number of employees to 275.

After Barry's presentation, there were a number of recommendations dealing with the budget. A number of them call for no dues increases in the 2011-2012 budget. One called for establishing caps on NAHB deficit spending, which failed. There were a couple that called for membership dues reduction, which failed. There was one that called for no cuts made to legal, legislative or regulatory affairs services in the 2011 and 2012 budget, it failed.

After finishing with the budget related recommendations, a motion from the floor was made to not increase the dues for the Remodelers Council. The maker of the motion explained that by leaving the dues the same, more members would join the Remodelers Council and thereby make up the additional revenue from a dues increase by having more members. The board passed the motion. A second motion was made from the floor to not increase dues of any of the councils. That motion also passed. The 2011-2012 Budget, as amended by the two previous motions was adopted.

NAHB hired relocation specialist West, Lane & Schlager to conduct a preliminary feasibility study into moving the NAHB staff, other the advocacy group, outside of Washington D.C.. Two members of the firm gave a presentation of their findings to the Board. After being presented with the cost saving of moving outside Washington D.C. , they also stated that in their experience with associations moving outside the Washington D.C. area, 85% of the staff would not move. After the report, a motion was made to stay in Washington D.C. at the National Housing Center. The motion passed almost unanimously.

Fist Vice Chairman Bob Nielsen gave the Advocacy/Policy Issues Report. NAHB has been focused on the crisis in lending on Acquisition, Development and Construction loans ("AD&C"). NAHB continues to pursue intensive efforts to improve the availability of credit for home builders through ongoing meetings with federal banking regulators and the Federal Reserve Bank. In addition, NAHB has been working with members of Congress to raise awareness about the problem and have helped to introduce legislation (H.R. 5297, H.R. 5409, and H.R. 6191) to establish programs to increase the flow of AD&C credit. NAHB is also providing information and assistance to NAHB members on dealing with AD&C problems, including devoting a web page to the problem: **[www.nahb.org/adcreources](http://www.nahb.org/adcreources)**. NAHB continues to work with the FDIC on behalf of builders with loans caught in bank receiverships.

Appraisal issues remain a major impediment to the housing recovery, and finding solutions to these problems is a major priority for NAHB. In June, Fannie Mae released new policies and guidance that address many of NAHB concerns. The policy requires the lender to only use appraisers who have the appropriate knowledge and experience for an appraisal assignment, including an understanding of the specific geographic market and property type. Fannie also confirmed that builder sales are acceptable as comparable properties, and that an appraiser may view the HUD-1 for a newly constructed home to verify a recent sale. Fannie has clarified that the Home Valuation Code of Conduct (HVCC) allows for appropriate communication with appraisers and for authorized third parties – including builders – to provide information about the basis for a valuation or about factual errors in an appraisal report. For more information what NAHB is doing on the appraisal issue go to [www.nahb.org/appraisalsprogram](http://www.nahb.org/appraisalsprogram).

Congress is expected to address housing finance system reform next year. In addition, NAHB expects that many of the housing tax incentives contained in the tax code -- in particular the mortgage interest deduction, the state and local property tax deduction, the capital gains exclusion, and the Low Income Housing Tax Credit -- will come under attack. There have already been numerous media stories focusing on eliminating or reducing the mortgage interest deduction. In August, the President's Economic Recovery Board released a report suggesting eliminating the Low Income Housing Tax Credit and limiting itemized deductions, which is an indirect way of cutting the housing incentives. The report also recommended repeal of the safe harbor for independent contractor status and limitations on interest deductions for business debt.

To be prepared for the fight against these harmful policy changes, the Budget Committee recommended to fund up to \$4,485,000 from net assets to defend the mortgage interest deduction and to address housing finance system reform. A motion was made to that effect, it was seconded and the motion was passed by the Board.

After the Advocacy Report, the non-budget related NAHB recommendations were put before the Board. The Texas recommendation to make AD&C financing the number one advocacy priority was passed with one word added to read: "to currently make AD&C financing the number one advocacy priority." Other notable recommendations that passed were: having the National Associate Chairman attend all meetings between the Senior Officers and the National Area Chairmen; urge regulators to strengthen regulation and licensing of appraisal management companies as required by the Dodd-Frank Act; urge that Fannie Mae, Freddie Mac or the Federal Home Loan Bank not be prohibited from dealing with mortgages with voluntarily established private transfer fees where the fee is for the benefit of the community; urge Congress to reduce or eliminate the estate tax; and urge Congress to extend or make permanent the 2001 and 2003 Bush tax cuts. There were 26 total recommendations, but the above were most notable to me.

Third Vice Chairman Rick Judson introduced a by-laws amendment which requires that the Board adopt a process for removal of an Officer and the process start in Association Planning Committee. The by-law amendment passed.

Kevin Kelly addressed the Board as the only candidate for 2011 Third Vice Chairman. He stated "we are in critical times; each of us as builders and associates face the challenge of keeping our business viable, of surviving in order to revive. Our Federation at all levels has to struggle with increasingly limited resources while continuing with its unwavering commitment to the mission of providing strong and effective advocacy, education, and networking services essential to the members." In addition, he committed and "pledged that if elected he will serve tirelessly as a Senior Officer." Finally he stated that he would "be unabashed, unapologetic, and unwavering in [his] advocacy for our great industry, NAHB, the Federation, and you, the members."

Alternative for the Future Status Update was given by Ken Klein. At the Summer Executive Board Meeting, members heard reports on the future of NAHB from an outside consultant and a task force consisting of members of the Association Planning Committee, other member leaders, EOs and the senior staff. Both reports examined the changing nature of the housing industry to

address how the Association should be organized to better serve its members. In connection with this, the senior officers established another Task Force.

The new Task Force is charged with fully vetting the recommendations contained within the following Reports: Positioning NAHB for the Future Task Force Report, v.14; Assessment of the Association (Andrew Lang Report); and Jurisdictional Task Force Findings. The Task Force is charged with actively obtaining input from the following NAHB stakeholder groups: NAHB Standing Committees; NAHB Councils; Executive Officers Council; NAHB Leadership Teams (Executive Board, NACs, State Representatives); NAHB Directors; and Local NAHB Members. The Task Force is anticipated to utilize the following tools in vetting these proposals throughout the Federation: Interactive Webinars; Engage the State Representatives and NACs in providing input through standard presentations and reporting tools; Presentations at Stakeholder Meetings held in conjunction with the 2010 Fall Board of Directors Meeting; Presentations at various scheduled Stakeholder Meetings outside of the Fall Board of Directors Meeting; and Electronic Survey Efforts.

It is anticipated that the task force will summarize the proposals embedded in the above Reports as gathered through the vetting process; and make a Final Task Force proposal regarding which, if any, recommendations to pursue from the above noted Reports; the Task Force will devise a integrated implementation strategy and outline any bylaw requirements, technology impacts, and, if necessary, timelines supporting phased in implementation across the Federation ; and it will draft bylaws supporting implementation efforts. Should the Task Force deem Bylaw Amendments appropriate for consideration at the 2011 IBS, these amendments must be reported to the Senior Officers in writing prior to November 16, 2010. The Final report is to be delivered to the NAHB Senior Officers meeting in conjunction with the 2011 International Builders Show. The NAHB Senior Officer Team will determine whether additional Executive Board or Board presentations are required. You can make your opinions know by email them to [boardtopics@nahb.org](mailto:boardtopics@nahb.org)

Build-Pac Report was given by Chairman Tom Woods. During the 2009/2010 cycle, Texas has only reached 46% of is Build Pac fund raising goal. We still have till the end of the year to try to raise that percentage. The club membership are still the backbone of Build Pac. We have 73 Capitol Club members, 29 Platinum Club members, 461 Gold Club members, 249 Dollar-a-Day members and 894 Century Club members.

From the membership department, we have 167,838 members. Our current national retention rate is 70.1%. The NAHB Membership Team has now rolled out the NEW subscription-based Touch System which is a local-based and highly customizable member retention communications program. The Touch System represents the next generation in membership marketing. It provides a platform for local associations to facilitate the communication of benefits and services to members in a way that is cost-effective, professional and easy to do.

The Touch System is designed to provide small and mid-sized associations with the same capabilities to “touch” their members in a way that has, until now, only been possible by the largest and most sophisticated associations. When you subscribe to the Touch System, your members will receive a variety of communications throughout the year from YOU, their local

association. All communications will be co-branded with NAHB, incorporating the value of the 3-in-1 membership and the strength of our connected federation. You can contact the NAHB membership department to find out how it works. As of August 31, 2010, the NAHB show Texas with 9,734 members (I don't think they are accounting for all the members that were recruited in our last membership drive) with a retention rate of 66.8%.

Because the hotel require the board meeting to be over at 5:00 PM, and given the time spent on the 2011-12 budget presentation and the length of the discussion on the resolutions, the board did not complete its agenda. Jerry Howard, NAHB CEO, did not give his report. Chief Economist David Crowe was able to give a short presentation of the forecast of the housing industry. He did say that Texas would be one of only seven states that by 2011 would return to 2000-2003 housing levels. After his short presentation, the Board of Directors adjourned.