3/22/18 MI Merit Curriculum Subcommittee
Dawn Crandall

Housing Challenges Threaten Our Economic Growth

Where Will Ten Million Michiganders Live?

Report & Recommendations from the

Home Builders Association of Michigan

June 2017

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Special Thank You

A special thank you to our 24 affiliated local home builder associations and our collective 4,800 members across the state, many of whom either participated or provided input into this report. The state's largest construction trade association, the Home Builders Association of Michigan works to positively promote the residential building industry and impact legislative, regulatory and legal issues affecting housing affordability. Learn more about us at HBAofMichigan.com

Additionally, we greatly appreciated the participation of nearly two dozen members of the state legislature in our fact finding and listening tour around the state with our members. Their contributions to this report were invaluable.

Thank You to:

Senator Ken Horn
Senator Rick Jones
Senator Mike Kowall
Senator Arlan Meekhof
Senator Margaret O'Brien
Senator John Proos
Senator Dave Robertson
Representative Tom Cochran
Representative Scott Dianda
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Representative Jon Hoadley
Representative Holly Hughes
Representative Brandt Iden
Representative Tim Kelly
Representative John Kivela
Representative Jim Lilly
Representative Daire Rendon
Representative Roger Victory
Representative Michael Webber

L/R: Senator Horn, Representatives Rendon, Hauck, Kelly

Executive Summary— *Housing investment must now be looked at like any other type of economic development investment a community may need or desire.*

Earlier this year the HBA of Michigan hosted eight housing summits across the state to hear directly about the challenges facing its members. Some 250 participants attended and reinforced the fact that the building industry has changed dramatically since its pre-recession era, as has how, and where, housing investment occurs.

There is very limited bank lending available for housing inventory development today. There are increasing regulatory and building material costs. There is a shortage of workers and lots. At the same time, there is growing demand for larger homes that provide higher returns on investment.

We are seeing more and more hard-working middle-class families being pushed out of the new construction housing marketplace because they cannot afford the cost of a newly constructed home in their community.

With these challenges and dynamics in the marketplace, very few new homes are being built at starter home or mid-level price points (what we define as "obtainable housing" in this report). At the same time, many new jobs are being created across the state, driving up demand for all types of housing. Supply is not meeting demand and Realtors® report record low inventory of homes for sale in a growing number of markets. An MRG/HBA of Michigan poll of statewide voters showed that nearly 1/3 of respondents felt their communities had too few housing options for people wanting to locate in their towns.

Because of economic forces and the aforementioned challenges, the building industry in Michigan cannot respond to demand in the same way it could in pre-recession years. As a result, we are seeing more and more hard-working middle-class families being pushed out of the new construction housing marketplace because they cannot afford the cost of a newly constructed home in their community.

To kick-start more building activity at all price points and to develop a more sustainable housing environment well into the future for our state, the HBA of Michigan believes three cornerstone principles must be addressed by policy makers and community leaders to better encourage investment, eliminate costly delays and help shape the industry's future workforce:

I. Local Government Policies & Processes that Impact Housing Investment Must be Spotlighted, Identifying Impediments and Adopting Best Practices.

II. State Authority to Enforce Code & Land Development Laws Must Be Clear & Unwavering.

III. Efforts to Train and Attract Individuals to the Skilled Trades Must be Dramatically Increased and Sustained over the Long-Term.

The HBA of Michigan and its members believe the recommendations linked to these three cornerstones in the following pages of this report are crucial. But, first and foremost, we need local community leaders and elected officials to hear and understand that the world has changed for our industry. Housing investment must now be looked at like any other type of economic development investment a community may need or desire. It won't just happen.

If communities want to attract jobs to their region and have those employees live in their towns, they need to think about their housing stock and the review and approval systems they have in place for land development, new home construction and the renovation of existing homes. If they have a shortage of housing, they need to look at how their systems may be impeding such development and determine what they might be able to do to attract such investment in the future.

Lengthy and complicated review processes represent an especially difficult challenge for obtainable (quality housing options at low and moderate price points) housing development. With a lower return on investment, obtainable housing projects suffer disproportionately from costs associated with regulatory processes and delay. Not surprisingly, fewer obtainable housing units are being built. According to the National Association of Home Builders (NAHB), an ever-increasing portion of the cost of a new home is attributable to the cumulative effect of these types of costs. On average, nationally, 25% of the cost of a typical home can now be attributed to these costs—everything from mandated studies to multiple site reviews, delays, permit and other fees, code requirements, etc.

Regions that develop the most efficient practices and court investment will gain housing options for their citizens and grow. Those that maintain the status quo or actually increase burdens will lose out and see their communities passed by.

In this landscape, communities that can distinguish themselves by streamlining these processes and removing barriers to investment will benefit now, more than ever. An efficient review and approval process will benefit not only the builder/developer, but the government and taxpayers of communities across the state by keeping housing affordable and expanding the local population and tax base. More families, more children and more homes equal more money for schools and local government.

Regions that develop the most efficient practices designed to attract investment will gain housing options for their citizens and grow. Those that maintain the status quo, or actually increase burdens, will lose out and see their communities passed by.

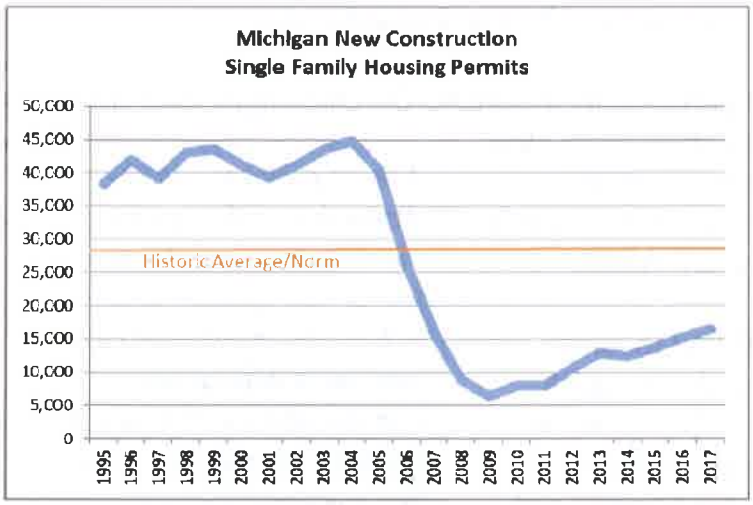
At its height in 2005, Michigan's residential building industry contributed more than $3.3 billion is local and state taxes, generated nearly $10 billion in income and helped generate and sustain more than 153,000 jobs. Today the industry is less than half this size even though demand for housing and renovation services continues to grow.

Each new home built equates to 3.4 full time jobs over a 12-month period and 1.2 permanent jobs. This multiplier effect stems from all the home furnishings and other products and services purchased by home buyers. Expanding Michigan's building industry has numerous positive impacts and is necessary to expand job creation and our population base. This report's recommendations are rooted in this belief.

Report Introduction

Over the past decade the number of new single family residential homes built in Michigan fell to historically low production levels (in excess of 170,000 units below normal during this timeframe). Today, production levels remain stagnant. From a low production point of just over 6,000 homes built in 2009, the HBA of Michigan estimates that more than 16,000 new single family homes will be constructed in 2017 (just a 4% increase over 2016). While significantly higher than our low point, this still remains well below normal.

Each and every year during the past 50 years Michigan has built an average of 28,000 homes. Economists suggest that a state our size should build somewhere between 25,000 and 30,000 new single family homes each year to keep up with normal life cycles of aged housing and the changing demographics and population shifts in our communities. It has been nearly ten years since this type of production level was achieved.



Absent a change in the dynamics of the current marketplace, production levels will remain well below this norm and more and more Michigan communities will experience housing shortages at all price points. Our housing stock is old and getting older. The average age of a home in our state is now approaching 50 years.

This situation is already presenting unique challenges for communities. We found that hospitality workers in some Northern Michigan towns face extra-ordinarily long commutes (averaging 45 minutes each way in one Northwest Michigan community) because they can't find obtainable housing near their jobs. Shortfalls have arisen in other areas around the state as well, particularly in areas that have attracted new job producing investments. Most recently we've seen these challenges in Branch County and Grayling. However, these challenges also exist in more urban areas where growth and pent-up demand for housing is causing dramatic shortages and price escalation. An MRG/HBA of Michigan poll of statewide voters conducted in May showed that nearly 1/3 of respondents felt their communities had too few housing options for people wanting to locate in their towns.

While there are some near-term positive results of this shortage (regained equity in the homes people own), the long-term impact will mean constrained economic growth and a shortfall in resources needed to support job creation, schools and local governments. Even with a major portion of school funding tied to student enrollment, more families with school-aged children

equates to more students and more funding for schools. However, the availability of entry-level or moderate-priced homes for young families is quickly dissipating.

This winter the HBA of Michigan hosted eight regional housing summits with its members to better identify the issues impacting housing across the state. Members of the Michigan Legislature were also invited to listen in and participate in these discussions. These summits highlighted the dynamics of each regional housing market along with in-depth discussions of the industry's challenges, such as workforce shortages, limited capital availability for development, the lack of available lots to build upon and a wide spectrum of local, state and federal regulatory challenges that slowed development, lowered property values and raised costs.

L/R: Sen. O'Brien, Sen. Proos, Rep. Griffin, Rep. Hoadley

Several dozen ideas were raised by summit participants to address the challenges they are facing. Our report and recommendations are derived from these ideas, as well as other identified best practices from around the nation and recommendations from the Governor's Inspections and Permitting Advisory Rules Committee (I&P ARC).

Absent a change in the dynamics of the current marketplace, production levels will remain well below this norm and more and more Michigan communities will experience housing shortages at all price points.

At its height in 2004-05, our residential building industry contributed more than $3.3 billion in local and state taxes, generated nearly $10 billion in income and helped generate and sustain more than 153,000 jobs. Today the industry is less than half this size even though demand for housing and renovation services continues to grow. Each new home built equates to 3.4 full time jobs over a 12-month period and 1.2 permanent jobs. This multiplier stems from all the home furnishings and other products and services purchased by home buyers.

HBA's Bob Filka, Senator Jones, Rep. Frederick, Rep. Cochran

Expanding Michigan's building industry has numerous positive impacts and is necessary to expand job creation and our population base. How can such an expansion be facilitated and sustained? As is noted in our following recommendations, it will take a changed attitude toward builders and developers and a concerted effort from leaders across the state.

Attracting Housing Investment

Local Government Policies & Processes that Impact Housing Investment must be Spotlighted—Identifying impediments and adopting best practices.

Our Recommendations:

1. **The Michigan State Housing Development Authority (MSHDA), in partnership with economic development organizations, should conduct a study analyzing how local municipalities manage land development, housing and renovation approval processes—this analysis should include recommendations on best practices that encourage housing investment, reduce costs and delays and greatly increase predictability and certainty.**

2. **Local business and government leaders should be encouraged to collaborate on strategies to address obtainable housing shortages (e.g., expedited review combined with other voluntary incentives such as fee reductions or waivers to increase the stock of obtainable housing).**

3. **The Legislature should pass housing impact statement legislation requiring communities to assess the impact of any new ordinance on housing before adoption.**

4. **The Legislature should extend inventory tax reform to land/lots to lower the financial risk of lengthy development processes.**

The above recommendations help address what we believe is necessary to attract greater housing investment. The most important of the above is for communities to examine their own processes for land development and permitting in a new way. All too often we found that local communities were looking at these processes in the short-term, increasing fees, requirements and costs even though such actions might (over the long-term) dissuade investment. Instead, we are suggesting that leaders look at how they can create a bigger and stronger tax base over the long-term by streamlining these processes.

As we traveled the state, we heard many stories about local communities raising permit fees and creating additional obstacles to new development and too few stories about local leaders innovating to attract needed housing.

More and more Michiganders are being priced out of the market for decent housing in their communities. These dollars add up and price people out of housing.

The most resounding message underscored when each of the above ideas came up during our housing summits was this: If communities want

to attract jobs to their region and have employees live in their towns, they need to think about their housing stock and the review and approval systems they have in place for land development, new home construction and the renovation of existing homes. If they have a shortage of housing, they need to look at how their systems may be impeding such development and determine what they might be able to do to attract such investment in the future.

L/R: Senator Meekhof, Rep.'s Garcia, Hughes, Lilly & Victory

Lengthy and complicated review processes represent an especially difficult challenge for obtainable housing development. With a lower return on investment, obtainable housing projects suffer disproportionately. As a result fewer obtainable housing units are built. According to the National Association of Home Builders (NAHB), an ever-increasing portion of the cost of a new home is attributable to the cumulative effect of these types of costs. On average, nationally, 25% of the cost of a typical home can now be attributed to these costs—everything from duplicative studies to multiple site reviews, delays, permit and other fees, code requirements, etc. In this landscape, communities that can distinguish themselves by streamlining these processes and removing barriers to investment will benefit now, more than ever. More families, more children, more homes equal more money for schools and local government.

This echoes the findings of the Governor's Inspection & Permitting Advisory Rules Committee: *"A major source of cost in any system is unpredictability, which leads to an inability to adequately match supply to demand. Whether it's the auto industry, the fashion industry, or the construction industry, accurate forecasting is essential to keep the overall costs of the supply chain down. Unpredictability at the front end of the supply chain can have a bull-whip effect throughout the supply chain magnifying costs. The government plays a role in the construction supply chain, as it "supplies" permits to successful applicants. The time it takes to conduct inspections and issue permits directly affects each player in the supply chain. If a developer is forced to delay construction because of an unforeseen delay in the permitting process, that not only affects the developer's subsequent projects' timetables, but also affects inventory costs for every other player down the chain. Now, more than ever, an efficient review and approval process will benefit not only the builder/developer, but the government and taxpayers of communities across the state. Regions that develop the most efficient practices and court investment will gain housing options for their citizens and grow their tax base. Those that maintain the status quo or actually increase burdens will lose out and see their communities passed by. A predictable environment is a low cost environment. Michigan should seek to create a system that is as predictable as possible in order to limit the cost of the system as a whole."*

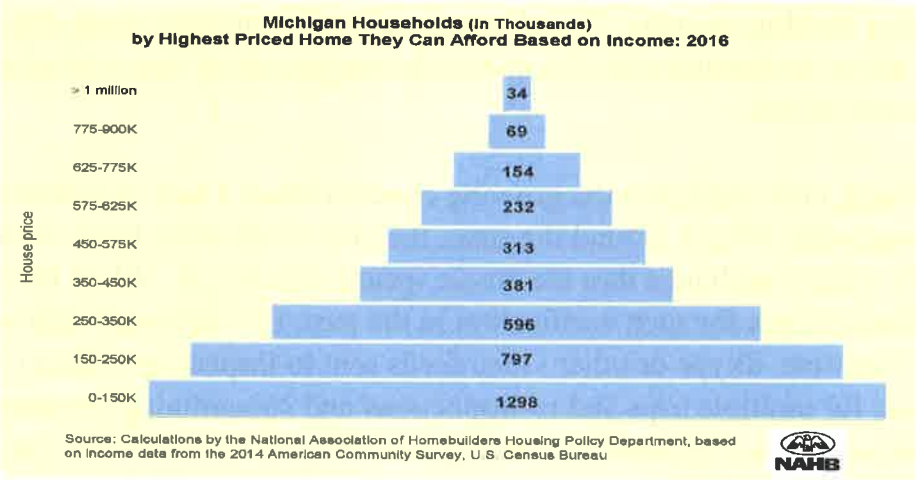
A number of other ideas were identified. It was suggested, for example, that local governments should process soil erosion permits in a timely fashion, under the same timelines as currently exist for processing building permits. To address local land shortages, some recommended that the State should allow the limited sale of non-contiguous parcels of state-owned property for housing development needs.

On a forward looking note and given the growing concern about a lack of workers for permitting and inspection offices around the state, the idea of allowing local communities and builders to certify code compliance thru electronic means was raised. While the State has rejected using photo images for such verification in the past, the suggested idea was to use real time feeds (thru Facetime, Skype or other video feeds sent to inspection offices), reducing timelines and costs for multiple trips and re-inspections and streamlining the overall planning and approval process. These types of innovations can serve as an important strategy to keep housing prices affordable for Michigan's citizens.

More and more Michiganders are being priced out of the market for decent housing in their communities. These dollars add up and price people out of housing. The first chart below shows how many people get pushed out of a market for every $1,000 in additional costs for a home *(e.g., each $1,000 increase in the median price point in the Lansing area pushes 264 more households out of the market)*. The second pyramid chart shows how many households can afford homes in each price range *(e.g., it shows that roughly 1.3 million household can't afford a home priced any higher than $150,000)*:

New Home Prices and Households Priced Out of the Market by a $1,000 Price Increase, 2016

Area	Median New Home Price	Income Needed to Qualify	Households		
			All	Percent that Can Afford	Priced Out
Ann Arbor, MI MSA	295,743	84,838	136,269	40%	164
Battle Creek, MI MSA	182,246	58,278	51,215	38%	173
Bay City, MI MSA	232,843	70,830	38,603	26%	71
Detroit-Dearborn-Livonia, MI MSA	306,619	93,296	1,647,604	26%	2,449
Flint, MI MSA	240,639	75,667	174,016	24%	229
Grand Rapids-Wyoming, MI MSA	286,087	79,957	385,605	32%	559
Holland, MI MSA	278,514	77,530	43,051	36%	83
Jackson, MI MSA	236,541	68,755	62,598	32%	133
Kalamazoo-Portage, MI MSA	289,282	83,912	126,153	26%	150
Lansing-East Lansing, MI MSA	270,613	81,198	183,802	28%	264
Midland, MI MSA	204,865	58,740	33,028	46%	60
Monroe, MI MSA	213,556	59,743	56,697	47%	125
Muskegon, MI MSA	210,582	61,851	62,858	32%	132
Niles-Benton Harbor, MI MSA	350,162	96,541	71,199	19%	95
Saginaw, MI MSA	227,959	68,331	78,973	30%	169
Upper Peninsula, MI	186,175	40,797	11,025	50%	288
Greater Grand Traverse Area, MI	437,180	116,620	68,759	10%	31



Reducing Regulatory Delays

State Authority to Interpret and Enforce Code & Land Development Laws Must Be Clear and Unwavering.

Our Recommendations:

1. **The Legislature should clarify and enhance the powers of the State to remedy violations of state law by local units of government.**

2. **The Michigan Economic Development Corporation, in partnership with MSHDA and other state government agencies should work with local authorities to create baseline criteria for local communities that will help define a builder/developers expected level of service from local governments. The criteria will provide anticipated response times and explain other services available to the customer to expedite development and allow better planning. New development customers could use this information in their site selection evaluation.**

3. **The Michigan Department of Licensing and Regulatory Affairs (LARA) should be given the authority to develop an expedited interpretation review panel at the state construction code commission level that would provide code interpretations within no more than 14 days of receiving the code interpretation application. LARA management should seek to provide the fastest turnaround possible and**

work to actively reduce the amount of time it takes to provide an expedited interpretation review.

The ideas above stem from numerous comments indicating that local jurisdictions disregarded (or simply weren't aware of state law) rules and limitations related to housing development.

We heard stories of some communities requiring 24-hour a day observations of development sites that posed no environmental or safety threat yet cost a developer thousands of dollars in unnecessary costs for his site. We heard that one builder/developer in Washtenaw County had waited nearly 3 years for approval of their development and still hadn't received any permits or broken ground on the property they owned and wanted to build houses upon. In other instances we heard of unanswered code interpretation questions and much confusion that delayed building and inspection activities. We believe that answering citizen's questions about licensing, building codes and other laws intended to provide uniformity and predictability to our industry are essential.

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Building the Workforce of the Future

Efforts to Train and Attract Individuals to the Skilled Trades Must be Dramatically Increased and Sustained over the Long-Term.

Our Recommendations:

1. **The Michigan Department of Education should develop a career pathway curriculum for K-12 students that more seamlessly blends with Merit Curriculum requirements.**
2. **The Legislature should amend child labor laws to allow non CTE students under the age of 18 to work on construction sites with reasonable safety and age restrictions.**
3. **The Legislature should modify counselor professional development requirements to include hours dedicated to learning about skilled trade career pathways.**
4. **The State, through its Department of Talent and other agencies, should help facilitate the creation of more public awareness campaigns highlighting the immediate career opportunities in skilled trades and the construction sector.**
5. **Michigan Works should create a grant program that enables small business associations to retain HR coordinators to facilitate the placement, training and hiring of unemployed individuals, veterans, returning citizens, and others with their member companies. Most small builders and contractors don't have the resources and staffing ability to leverage existing training and placement programs.**

6. **Go-Pro funding should be allowed for a one time use by a building trades CTE program for the purchase of land to build a home upon, seeding a self-funding mechanism (upon the sale of the home) for such education programs.**

To understand the scale and depth of the workforce problems these recommendations attempt to address, it must be noted that the residential building and remodeling industry experienced what some might describe as a "perfect storm" over the past decade. From the year 2000 through 2009, our state lost 43% of its workforce in residential construction. By state estimates some 60,000 workers left the industry. They found other employment, moved out-of-state and/or retired. During this same period, an "every student should go to college" movement was at its height. And, also during this timeframe, new curriculum requirements and the state's extended recession shuttered most construction training programs. This created a vacuum that has yet to be filled.

To understand the scale and depth of the workforce problems these recommendations attempt to address, it must be noted that the residential building and remodeling industry experienced what some might describe as a "perfect storm" over the past decade.

Perhaps more than any other issue, the concern about the aging demographics of workers in the construction industry came up again and again at our summits. Who is going to fill the jobs the industry needs as it continues to expand or even maintain current production levels? In every single region of the state, we found that our members are having a hard time finding skilled workers. As small business owners, many simply do not have the time to spend looking for skilled workers. The result is they are unable to grow their businesses and accept new build/remodel contracts.

Solving this dilemma for the construction sector (and other business sectors needing skilled-trades people) is going to take a multifaceted approach, and new age thinking. In the short-term, it is about connecting with schools, counselors, and parents. As an industry we must create the awareness of the immediate and long term opportunities of the good paying careers in residential construction. We also need to build coalitions with those in a position to reach those entering the workforce, making them aware of the immediate great paying opportunities in the building and renovation sectors. Over the long-term, we have to work to change the culture and perception of construction-related jobs. This means education and awareness building at multiple levels (parents, students, counselors, teachers, etc.). The ideas above target a wide variety of topics that, overtime, we believe will help spotlight and strengthen the career pathway for individuals who want to enter the construction industry.

There has been some positive change already. According to a statewide poll of 600 active voters commissioned by HBAM, some 70 percent of Michigan citizens would support the idea of their child pursuing a career in construction-related or other skilled trades. The poll, conducted by Marketing Resource Group (MRG), also showed that 82.4% of voters say they

would support a special millage or other public funding to create and maintain vocation programs that attract and train more students in skilled trades.

Based on data provided by the State of Michigan (DTMB LMISI), as of March of 2017, in a couple dozen key residential construction trades, there were 4,448 job openings statewide. The data below is based on known job postings. It does NOT include the several thousand positions that many companies are simply no longer trying to fill. When companies stop looking to hire, their only alternative is to constrain the amount of new business they accept. We heard this over and over during each summit across the state.

Current Residential Construction Related Job Postings across the State:

Construction Laborers	809	Plumbers, Pipefitters and Steamfitters	319
Carpenters	771	Cost Estimators	266
Electricians	562	Painters, Const. & Maintenance	234
HVAC	456	Roofers	200
Construction Managers	364	Const. & Bldg. Inspectors	126
Architects	70	Masons & Concrete Finishers	80
Helpers	51	Drywall & Ceiling Installers	61
Carpet Installers	37	Excavating & Loading Machine Operators	10
Glaziers	16	Insulation Workers	16

Job Growth Forecast

Trade	2016 Median Pay	Job Growth Increases through 2022
Architect	$70,137	17.1%
Cement Mason/Finisher	$40,428	21.6%
Excavating	$41,267	8.6%
Const. Laborer	$35,713	19.2%
Const. Manager	$84,697	13.1%
Glaziers	$46,675	11.2%
Carpenter	$43,076	16.7%
Drywall	$40,684	9.6%
Insulation	$33,384	16.7%
HVAC	$46,467	17.20%
Plumber	$63,606	15%
Roofer	$38,209	6.6%
Carpet Installer	$33,987	4.3%
Electrician	$58,073	13.3%
Cost Estimator	$59,217	19.5%
Painter	$38,480	10.6%
Building Inspector	$56,035	7%

Next Steps

It is fundamental that communities recognize the changed industry dynamics in housing. Those that do and make the connection that housing is an economic development issue (that review and align their land development policies, fees, and ordinances to become examples of best practices) will have a distinct competitive advantage over other communities in the future. Those that don't will find themselves stagnant or in economic decline, and experience fewer and fewer housing opportunities for their residents.

It is fundamental that communities recognize the changed industry dynamics in housing.

While the Home Builders Association of Michigan will diligently advocate for the implementation of the recommendations outlined in this report, the issues identified herein illustrate that there is no easy fix that will, in the short term, stimulate housing investment broadly across the state. However, as more and more local officials, elected leaders, economic developers, educators and the citizens of our state recognize the growing housing challenges their communities face, we believe this report will serve as an important resource for discussions and actions they can take and support to bring about much needed change.

APPENDIX A – Summation of Residential Housing Activity & Impact

Economic Impact Potential:

Home builders contribute a sizable amount to Michigan's economy when they are able to build and remodel homes. A 2005 study conducted by the National Association of Home Builders (NAHB) shows in 2005 the Michigan economy benefited greatly from the housing industry. According to the National Association of Home Builders (NAHB), the estimated one year impact of building new homes in Michigan during the 2005 calendar year include the following dollars being contributed to Michigan's economy:

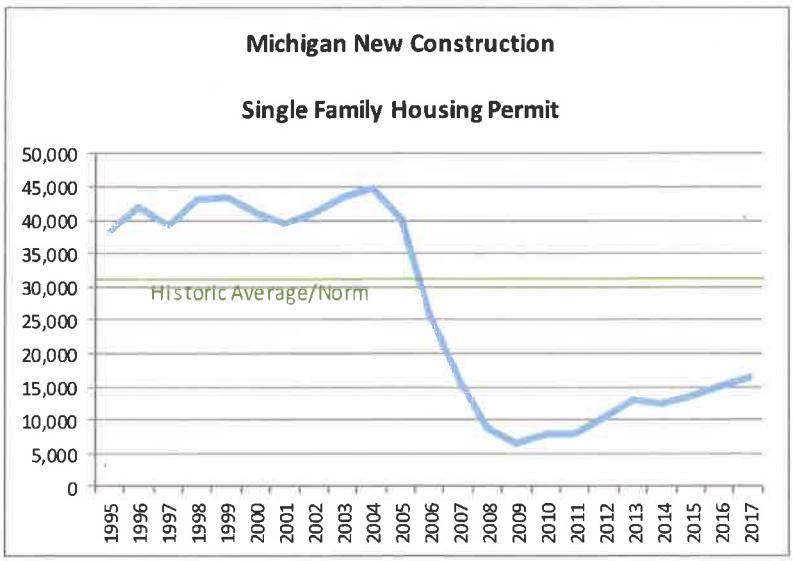
- $9.9 billion in income,
- $3.3 billion in taxes for state and local governments and,
- 153,541 jobs.

These are local benefits that all residential jurisdictions realized across the state. In addition, the recurring impact of building in 2005 included the following subsequent annual impact:

- $1.9 billion in income,
- $1.1 billion in taxes for the state and local governments and
- 31,221 jobs.

This is the type of economic impact housing has the capability of providing when running on all cylinders. In normal economic recoveries, we would see this type of boost. In our current recovery, however, housing has been stuck in neutral.

The following chart provides an illustration of the decline in single family residential building.



There are ongoing, annual local impacts that are a direct result of the new homes being occupied, and the occupants paying taxes and otherwise participating in Michigan's economy year after year. In order to fully

understand the impact residential construction has on a state, it's important to consider the ongoing benefits as well as the one-time effects. New residential builds contribute to the tax base by paying the sales tax on every item that goes into the construction of a new home. Everything in the home, from the nails, wood, shingles, siding, windows and doors, etc., is taxed at the 6 percent sales tax. Economists who track the building industry use the following multipliers to illustrate a new home's overall impact on the economy: Each new home built equates to 3.4 full time jobs over a 12-month period and 1.2 permanent jobs.

A Look Into the Future—The Home Builders Association of Michigan is projecting a 4.2% increase in single family permits over 2016, which would equate to building 16,515 new single family homes in 2017. This number is still well below Michigan's historic average annual production levels. Most economists would contend that a state our size should average between 25,000 and 30,000 new homes a year to keep up with demographic shifts, aging housing stock and economic growth. If nothing is done to change the current projection of our industry, it could be another decade before production levels rise to normal levels. In the interim, cost increases stemming from lack of production will push more and more people into older and older housing. The following charts show how many people are pushed out of the market for every $1,000 increase in the cost of a home.

New Home Prices and Households Priced Out of the Market by a $1,000 Price Increase, 2016

Area	Median New Home Price	Income Needed to Qualify	Households		
			All	Percent that Can Afford	Priced Out
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Midland, MI MSA	204,865	58,740	33,028	46%	60
Monroe, MI MSA	213,556	59,743	56,697	47%	125
Muskegon, MI MSA	210,582	61,851	62,858	32%	132
Niles-Benton Harbor, MI MSA	350,162	96,541	71,199	19%	95
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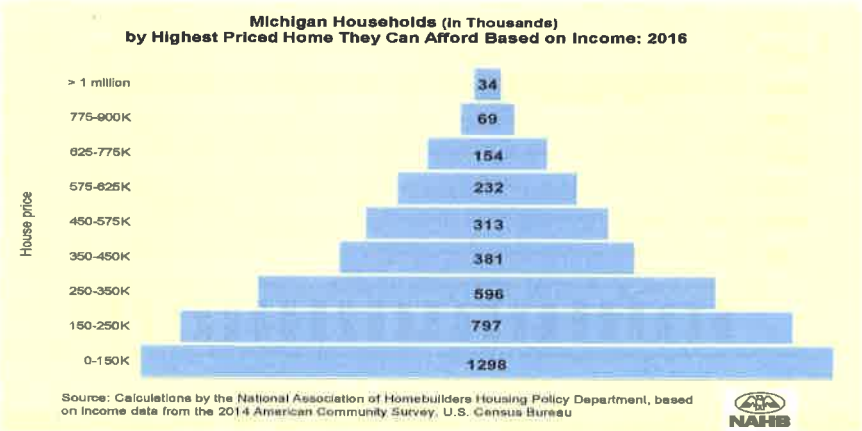
Upper Peninsula, MI	186,175	40,797	11,025	50%	288
Greater Grand Traverse Area, MI	437,180	116,620	68,759	10%	31



APPENDIX B – Minutes/Notes from Housing Summits

Purpose: Given the flat growth and other challenges facing the industry, the Home Builders Association of Michigan (HBAM) decided it was vitally important to step out from the shadow of the Capitol and travel around the state to hear directly from its 4,800 members and 24 local HBAs—to validate and expand its understanding of the issues impacting each region of the state. Members of the Legislature were also invited to listen in and participate in these discussions.

Meeting Locations:

January 26, 2017
HBA Region II
Midland, MI

February 20, 2017
HBA Region I
Walloon Lake, MI

February 27, 2017
HBA Region I
Marquette, MI

March 6, 2017
HBA Region III
Hudsonville, MI

February 10, 2017
HBA Region V
Okemos, MI

February 22, 2017
HBA Region VI
Flint, MI

March 3, 2017
HBA Region IV
Kalamazoo, MI

March 10, 2017
HBA Region VII
Waterford Township, MI

Total Number of Participants: 247

Each Housing Summit included an initial overview of the industry (with information from Appendix A highlighted). Time was then given to any state legislator or their staff representative for opening remarks. The following provides a combined list of issues and comments offered by our members and others in attendance. Statements that were factually inaccurate have clarified information (in red) as noted. We chose not to edit any comment made and recorded, nor have we rearranged the order in which they were made.

Housing Summit Comments/Discussion:

- Trying to hire skilled workers is a big issue in Michigan. With the lack of available labor, builders are seeing an increase in pay to those laborers so they will stay, which is an increase in cost to the consumer, which may prevent a customer from building.
- The question was asked of the legislators, "What do you see happening at the state level to create awareness of skilled trades?" *Legislators said: "You will see more CTE and skilled trades in terms of policy and funding from the state of Michigan. The Governor is bringing more attention to CTE. The pendulum is swinging to reflect the real needs of the people of the state. K-12 needs to help build the pipeline for skilled trades."*
- One member of the HBA made the following statement, "It's not the kids fault, it is ours. We've made our kids soft." We need to look at other resources to hire. Members need to reach out to their college campuses and look for returning veterans. They have the skills and know how to work.

- Regulation in regards to bringing 16 & 17 year olds to a job site is hurting the industry. Based on what they can/can't do, a builder can't keep them busy all day. Need some softening of the rules, and allow kids to take risk, with supervision.
- One builder mentioned he survived the '80's when interest rates were at 17%. MIOSHA came out strong last year. They wield a lot of power to fine, but not protect.
- Again the issue of young people being on a job site is a good idea.
- Regulation from the EPA is a big issue with lead abatement and lead rules. One of our members won't even take a contract that involves older home – unless it is gutted.
- Dodd Frank (Federal issue) needs to be reworked so younger builders can get a loan.
- The Affordable Health Care Act (Federal) needs to be redone so it is actually affordable for small businesses and individuals
- Assessing Issue – Property taxes shouldn't be imposed until the home is sold.

Staff Note: Under current law, a builder can file a waiver to exempt an inventory home from the additional 18 mils. This needs to be filed prior to going on the tax rolls, and continue to receive the exemption for up to three years or until the home is sold.

- Appraisals are more of a federal issue, but construction loans need to be market based.
- New construction utility hook up was a big topic of discussion. There are issues in Midland and Saginaw Twp. with the amount of time it takes Consumers Energy to hook up a new construction site.
- Government needs an all hands on deck approach to keeping manufacturing plants here.
- Builders need to be mentors in schools – lead by example.
- Can the inventory tax legislation be extended to lots?
- Appraisals are an issue in the area of high performance homes. The MLS doesn't track homes that are built to higher efficiency standards and banks can't lend. There are no comps available.
- Building trades programs need to stay in schools as opposed to training or vocational training off site. Part of the problem in having the training off site, is the school loses its funding.
- The conversation touched on licensing, General Contractor license vs Mechanical and Alteration license. "Why does a painter need a license when there aren't any questions on the test specific to painters?"
- Personal Property Tax was an issue. Some of our members still have large PPT bills.
- MDOT access points to state highways were mentioned and the lack of cooperation from the department.
- Other discussion themes discussed throughout the meeting (that have put the brakes on the residential construction industry from continuing to recover) included: Consumers Energy (hook-up delays/headaches); Lack of Workforce; Regulations on the Industry
- Lending has tightened for development specs and there aren't large credit lines available. This is a bigger problem for smaller builders.
- Appraisals continue to be an issue. Loans don't equal what the appraisal is and the cost of materials are not being considered, or included.
- One member felt appraisals have been better with consistent home prices, but what do you do when you receive a bad appraisal?
- Part of the appraisal issue is the lack of comparables and market values have dropped. It is getting better with higher demand and increased sales.
- One large piece of the puzzle is labor shortage.
- One reason for the labor shortage is that schools are eliminating programs. Jackson Community College eliminated their HVAC program.
- Funding for those programs was eliminated from the state.

- The younger generation is worried about the long term – their future. They saw that their relatives were left without a job when the industry saw a downturn.
- One of our locals has found success with visiting the local schools and has been making in-roads with the school counselors. We need to create the awareness with the counselors and get them on board.
- There used to be a design program at Lansing Community College, but it went by the wayside. That is where one small business used to find employees. Leslie High School has a program, but what the employee is doing is providing their own training.
- Schools need to have an office in the building that students can go to get information on skilled trades. One office with a full time counselor.

Staff Note: In the report "The Best Education System for Michigan's Success," one of their recommendations is to: Support all students with counselors skilled in career guidance and postsecondary access. Michigan should ensure that every high school student has the support of a counselor skilled in career guidance and postsecondary learning opportunities. The HBA of Michigan, recently testified in support of HB 4181, which would change a counselors professional development hours over a five year period to include 25 hours of career training and 25 years of college training.

- One of our builders asked the attendees, "how many of you worked construction under the age of 18?" Part of the issue is the child labor law and that residential construction site is considered dangerous.
- Regulation costs are also an issue. Part of the problem is the "layering" of regulations. Municipal governments are implementing regulations that are driving up the cost of obtainable housing. Larger lot sizes are an example. The problem with larger lot sizes is they increase the cost of the home and decrease obtainable housing for Michigan's workforce.
- One builder designed an affordable home community with a price point of 175K. As a lower price point for the area, it was seen as a downgrade. There is no incentive for home rule to listen.
- A builder from another area stated that density is the best practice a municipal could offer. The Ingham County Land Preservation program was mentioned. It is a voluntary program. What if the farmers could buy farm credits and the municipality could then offer amenities? In order to protect farm land, you could move to areas that would allow density to where infrastructure already exists.

Staff Note: Public Act 226 of 2003, the Joint Municipal Planning Act, allows any combination of township, village and city governments to form a joint planning commission for a portion or all of their respective jurisdictions. Public Acts 227, 228 and 229 of 2003 amended the state's zoning acts to allow "non-contiguous" open space, open space located outside the boundaries of a development, to be part of a planned unit development agreement.

Public Acts 577, 578 and 579 of 2004 allow for contract zoning between developers and local units of government. These contracts can also contain requirement for preserving open space both within the project and outside its boundaries.

Taken together these seven acts fulfill the Council's recommendation for the establishment of "market-driven density enhancement programs involving the preservation of land in one part of a community by means of a density transfer to another part of the same community or to a different community via the terms of a coordinated agreement."

- The issue of bonding was brought up. Some municipalities are requiring a 100% performance bond which is based on the townships engineering cost (250%)
- The bond market is going away, yet you are unable to receive your permit without a bond.

- The township is requiring the standards for what will be required for a land use permit – which is unregulated. The builder is required to pay for an engineer to be on-site, yet after all of this, the engineer isn't required to sign off. Question? What can be done legislatively to get this under control?
- Appraisers don't understand the difference in cost – i.e. materials. Appraisals have hit a ceiling with increased labor and materials, which equals a decrease in profit margins.
- The industry has changed, yet municipalities are going back to pre-recession practices. We need to generate awareness in communities and municipalities. We need to be in contact with economic developers.
- Zoning is also an issue. One member had to rezone a cul-de-sac. It started out a 100x100 box, was moved to radius. He had to resubmit his application because there was a new municipal employee who had ordered a new computer program. It had previously been approved.
- Lansing changed their set back variances. The board didn't have a quorum in December, so there was no approval. This only adds time and cost to the project, which has an effect on the cost of housing.
- In Oakland County, a member had 12 lots he wanted to develop. He went through the process. First he went to the planning commission, where he had received his first approval. Then he moved to the board where they brought out 6 pages of additional conditions surrounding wetlands. They insisted he put in a culvert for turtles to cross safely – he also had to put in bat houses.
- It was mentioned that since municipalities are running out of tax dollars, so they are increasing fees.
- On the issue of soil erosion, municipalities are creating additional bureaucracy. Ingham County originally had oversight, but then Meridian Township took it over, which created increased fees, extensions and additional inspections. It was pointed out that Meridian Twp. is the only municipality in Ingham County that does this.
- One builder talked about how in Ingham County it took him one week to get a building permit, but one month to get his soil erosion permit.
- Another builder mentioned that farmers spill more soil than builders.
- A custom builder gave an example about the difference between a single price permit vs a materials cost permit. Valuation permits take into consideration labor/materials and labor/materials/profit. There is a difference in the permit fee between a builder pulling the permit vs the home owner who pulls the permit.

Staff Note: The issue of what constitutes a reasonable fee, how they are calculated and what they can be used for is currently being litigated by the association.

- In Livingston County, the county issues the building permits, but there is a township looking to start its own building department, is there anything that can be done at the state level?
- A builder in Ingham County took industrial arts in school. He said everyone isn't college bound, but we always want better for our kids. His company has 20 employees. He offers a 401K, health insurance, 40 hours of sick and 40 hours of vacation time. "We need to do a better job of promoting the industry."
- We also need to educate parents and counselors.
- How do we make government more efficient? It takes a business time to go through the process, rules and regulations.
- If the state of Michigan has a rule or regulation, why does the Home Builders Association of Michigan have to be the enforcer? The Attorney General should be the enforcing agency.
- The Bureau of Construction Codes adopted the 2015 code in a rush, which created two sets of rules dealing with stair geometry.

Staff Note: Stair Geometry in the Michigan Residential Code Section R311.7.4.1 Riser height and Section R311.7.4.2 Tread depth are the correct requirements for stair geometry and they are the

promulgated state rules consistent with MCL 125.1513d. These provisions shall replace the provisions in Sections R311.7.5.1 and R311.7.5.2 respectively; however the exceptions in R311.7.5.1 are still valid.

- Wetlands at the state level is fine, it is an issue locally with setbacks.
- Unemployment – currently, Michigan is at 52 weeks, we should move to 30 weeks.
- How are we reaching out to veterans?
- Tourism in the northern part of the state is driving up the cost of housing. This is forcing the workforce to drive 45 minutes to and from work. Workforce housing is difficult to find across the board.
- Retirees are buying up the homes, which then sit empty part of the year, which is increasing the prices of available homes.
- We need to look at housing as an economic issue. Builders are building bigger homes because that is where they see a larger rate of return.
- People are talking about this issue in pockets. We need to look at this regionally, and bring all of the conversations to one table.
- Networking Northwest out of Traverse City is bringing people together.
- Mapping of flood plains are not accurate. Builders end up having their own survey done, to the cost of $7,500 to $10K. This cost burdens clients, holds up projects. Sometimes you see conflicting data. You usually find better data in denser populated areas, but in the rural areas not as much.
- The ISD has four trades programs, and the students either build a house on site, or build something and move it.
- How do you encourage those kids to move into the trades post school?
- We need to bring back co-ops and look at competitions like MITES.
- Margins are pinched as it is and have a difficult time absorbing the cost of youth labor experience. We need to support programs that train employees.
- We need to look at the skill level of students. They aren't seeing the trades as a long term career. We need to recreate the importance of trades.
- Schools need to look at creating CAREER PATHS. We need to educate teachers and counselors of the opportunities in skilled trades.
- Student debt is keeping young people from purchasing a home.
- We need to include parents as we look at messaging, they will need a different message.
- How do we reach students in middle school?
- Vocational education programs need to follow MMC. If they don't follow it they lose funding.
- MSHDA needs to look at their rules and figure out how to include workforce housing – they need to be more flexible.

Staff Note: Since this housing summit, the HBA of Michigan has engaged in conversation with the director of MSHDA on this very topic.

- Federal Regulations (DOE and EPA) are adding thousands of dollars to the cost of a new home - through the code process.
- The average age of a home in Michigan is nearly 50 years, a sign of lack of new production
- Could state land be turned into development property for workforce housing? Make the lots affordable – look at smaller, non-contiguous lots owned by the state of Michigan.
- Auto Insurance Reform would free up dollars for working people to keep in their pocket. (No Fault Auto Reform)
- How do we incentivize infill development?
- Comparables aren't available for assessing properties.

- We need to encourage HBA members to get involved with local government by either serving or running for local office.
- Northern Michigan isn't seeing spec or track building taking place.
- Barriers, as a municipality who has water capacity, they need a mechanism to extend those services. There isn't money to make it work as a municipal.
- Septic Systems – there is an impact due to the aging systems and lack of inspections. Not enough haulers to handle the capacity.
- Vacation properties are limiting options for workforce housing (the missing middle).
- How do we reach middle schoolers?
- There once was program called Youth Build – it was for kids 16-20 who found themselves in the court system.
- How do we work on branding skilled trades to young students?
- Internet and Rural Broadband is an issue and sometimes keeps people from purchasing a home.

Staff Note: According to the 21st Century Infrastructure Commission report, nearly half a million households are without advanced broadband.

- Cell phone access is also an issue.
- Lead abatement is an issue. Most homes in Petoskey are 65 years of age. So each potentially has a lead issue. The quote for the proper removal is sometimes a barrier for people to purchase or remodel.
- Students need to have skin in the game.
- Tax Credit for the purchase of homes that have been properly abated for lead.
- Access to Broadband in rural areas
- One member spoke about how he has made a living building in a small area. Inspections cost money and there is no consistency with code enforcement. "Common sense needs to be applied."
- Let the state do all inspections; that would give the industry the consistency it needs.
- Local municipalities are all about the money, so they want to take over inspections.
- What can be done to release money – Dodd Frank, what is going on at the Federal level? If it is repealed, will it affect residential that much?
- Appraisals are an issue, values are increasing, that should help free up dollars.
- There is still a labor shortage, so even if money is freed up, there isn't the labor available.
- One company in attendance benefits from regulation. He does street sweeping from soil erosion. There isn't consistency in the inspections (Oakland Twp.). Oakland Twp. won't do inspections if soil erosion isn't in place.
- An architect out of southern Genessee brought up he can't get all of the departments he is dealing with on the same page. This has almost bankrupted the project.
- The current unemployment issue (UIA) is a huge problem that needs to be fixed. This employer has an employee accused of defrauding the system to the tune of 14K. This employer offers profit sharing, and when the check hits, the employee gets hit. The profit sharing check has nothing to do with his employee's unemployment benefits.
- The Michigan Department of Transportation (MDOT) is out of control with permits. This applies more to suppliers. One attendee needs a permit to run a snow blower, or plow, down the street. He has a 10 foot snow plow and he needs a permit from every municipality he uses his plow. Some municipalities say he can only run his plow during daylight. He should have the same exemptions as the utilities. MDOT has said he can use his equipment 24 hours a day, but he must have an escort with lights and a wide load sign.
- Homeowners who build their own homes needs to be addressed. People doing building on the side aren't being held to the same standards as licensed builders.

- Data from the state of Michigan shows that 8-10 years ago 86% of the complaints could be tracked back to homeowners who built their own home, or to an unlicensed builder.
- Is there any way to put experience behind a builder's license? Apprenticeship?
- Maybe we need to re-evaluate the license process and examine the idea of apprentice and journeyman.
- As a flooring company, they need to have their builder's license.
- There is an inconsistency with prosecutors and their desire to go after unlicensed activity.
- Workforce, is it an issue? Is it a focus at schools? Yes, it is and also at the state level.
- Builders will continue to build where they are, they can't be outsourced.
- Genesee Intermediate School District has taken over the CTE program. It is a better program is you can keep it all on one campus.
- Teachers need to be educated on the importance of trades, and the career opportunities.
- We need to amend the Youth Labor Law so we can expose students earlier to the industry.
- MIOSHA goes crazy on the backside, they should be pro-active before they start writing violations.
- What kind of training do counselors have to educate students on the availability of careers in trades?

  Staff Note: The HBA of Michigan recently testified in support HB 4181 includes 25 hours of career training and 25 hours of college training to the 150 hours a counselor needs in their professional development over a five year period.

- Why aren't people in the state of Michigan on welfare drug tested? Employer's drug test potential employees.
- How do we keep millennials (future homebuyers) in the state? How do we "Retain the Brain?"
- The Department of Corrections (DOC) is 2 billion dollars of the general fund budget. What holds people from hiring a returning citizen?
- When you employ a student, you give them a job AND a work ethic.
- One member went to renew the license on his company's autos, it was a $2,000 increase.

  Staff Note: This increase was a result of the road funding package going into effect on Jan. 1, 2017.

- A habitat home used to be built for $45K, it has increased to $75K. They used to be able to wire and plumb, they can't do that anymore.
- Sprinklers would cost $15K per home. The code book has increased to 900 pages. All of the regulations are piling on costs and builders aren't seeing it being reduced.
- A high percentage of code changes are introduced by manufacturers looking to get their product in the code.
- How do you get certified as an inspector? It is too difficult to find people.
- The UP doesn't have a separate millage for their CTE programs like other parts of the state do. The governor has included 20M in his budget for CTE equipment. In the UP there are 6 high school construction programs.
- Buildings being rehabilitated is great business for builders.
- With more construction and more growth in the UP, and more people working, it requires more need for housing.
- Where do we go to have the state of Michigan enforce laws that are passed?
- Municipalities have indemnification. So if you sue and win, you are still out the money.
- Jurisdictional boundaries are missing.
- We need to get students into the trades.

- There are fewer and fewer lots to build on in the UP. That means buyers are purchasing pre-existing and remodeling.
- The appraisal Process for new homes is broken. New homes cost more than older homes and yet the benefits of new construction built to today's energy standards are not reflected in comps with older homes. No incentive for buyers, in fact they are penalized because of sales comparison with older homes. Often requires more equity to fund the loan.
- The appraisals that are available are high in the UP on pre-existing homes. It costs way more to remodel and the appraisals don't match.
- Individuals would be further ahead to build, but there are no lots.
- The biggest issue is 20% down required for a mortgage.
- There is still a lack of jobs, and a lack of individuals who can afford a 400K home.
- Regulations can be defended on their own. But when they become cumulative it becomes an issue. The barriers become steeper. Most of the regulations are on the local level.
- Locals need to be accountable to someone.
- We need a grassroots movement, we need to get the local members to go to municipals.
- We fight one issue at a time. It is important for members to meet with local officials to education them. We need to bring awareness to those in charge, and then we need to follow up. The discussion needs to be constructive.
- We seem to always be on the defense
    - Our issues are government overreach
    - Lack of clarity on our issues coming from Bureau of Construction Codes
    - Skilled Trades
- The Marquette Land Bank is working with the local CTE programs to renovate homes and develop lots.
- How do we get summer help? It is difficult to get younger people on a job site (16 year olds).
- Every industry has risk involved. As an industry, we need to:
    - Mitigate the risk
    - Get to students before they graduate
    - Incorporate more programs in schools
    - Laws need to be written so we can hire them over summer break and weekends. Even if builders are able to use them for clean-up, they are at least exposed to the industry.
- As an industry, we need to erase the stigma that is attached with skilled trades.
- How much pressure is being applied to schools for good test scores? What are we doing to fix this? Where are students learning real life skills? For example in math.
- On regulatory reform, the question was asked if the Legislature has carte blanche in changing regulations. "No, however the Legislature can change them by statute."
- In some areas, the rules and regulations come from the federal government (MIOSHA enforces OSHA).
- Small builders can't find land or subdivisions to build in. This builder is running out of land. There is raw land available on county roads, can that be broken up?
- Industrial classes in schools have been looked down on.
- Kids are being steered towards college = debt.
- While we need students to go into skilled trades, our industry does understand the need for higher education.
- Townships that put up hurdles are doing so to end development.
- One builder spoke of a situation where it took a builder 18 months to get the property ready to go. He couldn't get the approval of the municipality due to regulations. (Font size)
- In Oshtemo Township they are renewing their land use ordinances. One developer met everything and he was still denied.

- In one situation, the owner of the property took down the trees on his property. The neighbors went crazy, and that municipality created a tree ordinance.
- We are starting to see land use issues crop up to stop growth.
- In Texas Twp. they are requiring one acre lot sizes.
- Builders are the face between their customers and everything else, costs of materials, code issues and product manufacturers.
- Builders are required to put child proof outlets in homes, even if they are building for seniors.
- The issue of double licensing came up. The need for a builders license AND a qualified officers license.

  Staff Note: This change, signed into law in 2008, was intended to solve the problem posed by contractors who would "rip-off" consumers by using one corporation and, when that corporation was shut down by the Bureau of Commercial Services for fraud, would almost immediately open a new corporation and proceed to "cheat" homeowners under the new name. Because a corporation's qualifying officer was not required by law to have a license, the Bureau of Commercial Services had great difficulty in tracking and stopping this practice.

  The solution approved by the Legislature was to change the law to require qualifying officers to have an individual license which would be tied to the corporate license. The intent of this change was to make it easier for the Bureau and the attorney general's office to prevent dishonest individuals from playing the "corporate merry-go-round" game by subjecting the individual license of the qualifying officer to penalties for actions taken by the corporation.

- Some of our members would like to see stricter enforcement.
- Some would like to see a good, better, best option for codes. Government wants to help (protect) everyone, but does every consumer want that level of protection? People will take risk to save money.
- One member feels builders have a small voice in codes. They keep escalating. Where will our children live? In some instances you can buy existing homes cheaper because of the codes required for new builds.
- Home builders in Michigan have, through years of participation at both the federal and state level as well as through legislative changes to the code promulgation process, one of the strongest voices in the country in the content of the codes used in Michigan. We have the only requirement in the nation for a cost-effective energy code; led the way nationally in keeping mandatory sprinklers out of the residential code and are one of only two states which have successfully removed the requirement for unnecessary and costly arc-fault circuit interrupters from the state's residential code.
- The problem with tiered codes is everyone wants it, but nobody wants to pay for it. What happens if the first person who builds the home choses the lowest level of code requirement – every homeowner following has to live with their decision?

  Staff Note: There are no "tiered" codes. Michigan has a Single State Construction Code uniform in application throughout the state.

- On the labor issue, it was discussion how our children are lazy and have been coddled. Kids can't think for themselves.
- If we get rid of immigrant workers, builders might as well close their doors.
- One member has twin boys. The one twin wants to go into carpentry, but there is no place to send him for education.
- Counselors need to offer all types of options. Career and College.

Staff Note: HBAM recently supported HB 4181 which would have 25 hours in career counseling and 25 hours of college counseling included in the 150 hours a counselor needs to complete in their 150 hours of professional development over a five year time frame.

- Test scores are pushing college due to the demands that need to be met.
- Counselors these days do so much more than counsel. They make sure kids are getting meals, and showing up at school.
- How do we get information on skilled trades into the hands of students?
- Affordability, and availability of lots, is an issue. Builders and developers have built on every bad lot since 2007. For new housing, lots have doubled in price. A house can't be built for under $200K and it will reach 300K before we know it. We are selling homes to millennials and those coming back to the Grand Rapids area.
- One builder spoke about the development he does on Lake Michigan. A township in his area has passed a regulation that is stiffer than the DEQ. It is a new ordinance with the slope in high risk erosion areas.
- On the area of labor shortage, as an industry, we need to start reaching out to 8th graders to raise the awareness of careers available, our schools need to do that too. Tied to the issue, is immigration. While some members believe something needs to be done, they also believe that those who are working and not involved in criminal activity, need to be allowed to stay.
- The issue of frost laws came up and the impact those laws have on residential construction. In that conversation, it was mentioned that we need to build better roads.

Staff Note: As an example, listed is the Ingham County rule for 2017 on weight restrictions. February 13, 2017 - The Ingham County Road Department (ICRD) announced today that spring truck weight limits on county roads will take effect at 6:00 a.m., on Friday, February 17, 2017. The temporary weight restrictions help to reduce road damage caused by winter thaw and heavy vehicles. In general, the maximum allowed weight on county roads is reduced by 25% on Class A roads, and 35% on Class B roads while the frost comes out of the roadbed. Single axles with normal axle weights of 18,000 pounds are reduced to 13,500 on Class A roads, and to 11,700 pounds on Class B roads. Tandem-axles carrying a standard axle weight of 16,000 pounds are restricted to 12,000 pounds on Class A roads, and from 13,000 pounds to 8,450 on Class B roads.

- On the issue of skilled trades, students need to know they have options, and don't need to be college bound. Taking place on April 13, 2017 at DeVos Place will be Career Quest – for 8th graders on up.
- Building inspectors in Grand Rapids are saying building permits are being pulled by Spanish speaking only builders. They are being trained in Spanish for their 60 hours of pre-licensed training but they are unable to take the test in Spanish.
- Education of skilled trades is an issue. Students believe they can make more if they go to college. We also need to be teaching students financing issue, it will help them in the long run on reality, and how to budget properly.
- Immigration is an issue. members are hearing about those who are here illegally, but they aren't necessarily criminals.
- There needs to be an appeals process for code official decisions. These can stretch out to a month. Local and State, this member would like to see a statewide committee to tackle the issue.
- One builder was unable to receive his certificate of occupancy because the lawn wasn't in – it was the middle of winter.

- Locals have a unique set of ordinance rules and the local agencies interpret them differently. It is a challenge to get them on the same page.
    - Set backs
    - Open Spaces
    - Green Ordinances
- If a local supports the project, it is easy to get the approval.
- One builder has paid $75,000 for a building permit for a high-end home.

Staff Note: The issue of what constitutes a reasonable fee, how they are calculated and what they can be sued for is currently being litigated by the association.

- Septic fees in Ottawa County went from $250.00 to $1,000.00.

Staff Note: There is a belief that a disparity in fees charged between the municipalities or a dramatic increase in fees means the fees are illegal. Unfortunately it is not so simple. There is no "one size fits all" template that will provide the answer to that question. Local government utility connection fees (sometimes called "tap" or "tap-in" fees) are limited by Michigan law, but not in simple mathematical terms. They are permitted if the charge is not a disguised tax and is reasonably related to the service for which it is paid. The association's general counsel is preparing a manual for local home builders associations to provide them with guidance on the fee issue.

- How do we get to the younger students to get them interested in the trades? Being in the skilled trades is the quickest way to becoming your own boss. People between the ages of 27-35 in the trades are becoming entrepreneurs.
- Infrastructure – we all know the need to repair our roads and the cost, we could bring the cost down by the repeal of prevailing wage.
- People need to realize housing is a key essential, like air, water and food. All of the issues speak about our road blocks, but without our basic needs met, we have nothing.
- Unnecessary regulation is a concern. A large number of codes (wind bracing) create extra expense. This builder had to remove windows and reinstall them to comply. Builders are required to insulate to the point where a home is built too tight. Blower door tests are unnecessary.
- Permit fees continue to increase.
- A builder had plans for 18 units, but had to include a retention pond, which then only allowed for 14 units to be completed. It cost the builder 70K in drawings before a shovel was even put in the ground. The city ended up losing $2 million in taxable property when the retention pond had to be added.
- Product driven costs increase building costs
- In the Oakland County area everything pertaining to water permits is tripled:
    - City of Detroit permit
    - Oakland County permit
    - Rochester Hills permit
- Many of our builder's issues are local, however, the MDEQ and MDNR have gone overboard on wetlands.
- Some larger builders were able to pick up lots at good prices, but they have sky rocketed. Soon builders won't be able to build a 200K or 300K home due to the cost of the lot increasing. In Pontiac, a builder was able to pick up 100 lots at 10K each. Those lots no longer exist.
- Can the state put the clamp down on locals?
- Inspections have become a cash cow for local municipalities. In one area you can't sell a home (pre-owned) unless you bring that home up to code when you sell.
- Can there be help from the state? We don't need another layer of bureaucracy.

- Could a uniform land development code be created?

  Staff Note: The Land Division Act and Condo Act already provide the basic framework for the division of lots and the creation of subdivisions in Michigan. However, without eliminating local zoning and other local environmental laws and regulations, including water and sewage disposal, there can be no "uniform" land development code.

- Bonds for creation of a project are required. In good communities a builder is able to negotiate. They are already paying for sewer, water and roads = $50K per site. The builder needs to carry a bond in the amount of $50K for two years. This inhibits small builders from doing small projects. Bond is seen as a loan in the banks eyes.
- We won't be able to grow as a state if we can't house people.
- In Genesee County the road commission won't approve plats, so it has forced everyone to move to site condos.
- Michigan is the only state to have site condos, and in their rawest form, they are no different than development. You have to have everything locked down before approval prior to the start of building (from the actual plans to the aesthetics of the individual condos).
- For attached condos and planned unit developments, that all makes sense.
- Where does the money go when a builder pays for water and sewer? Isn't it supposed to go into an account for upgrades and repairs?
- When are municipalities going to be held responsible for dollars?
- On the issue of workforce, one member brought up the difficulty of getting students to a CTE program if there isn't transportation available.
- Oakland County Schools has four CTE programs in the county. It costs a school money if a student elects to go to a CTE program – can we put a bounty on those kids who attend CTE?
- One builder spoke of a company that moved their location to mid-town, they can't find people who can read, so how can they hire?
- Is there anything being done to reach the kids who dropped out of school? Is there a tracking system?
- Transportation money is being spent wrong. It would be cheaper to spend the money on an Uber like program.
- Our labor force left, but they might return if they knew what was going on here. We need to advertise as a state – that would be a short term solution. Pure MI ads, Hiring and Recruiting.
- Could we create a state tax credit for businesses that provide training, maybe a grant?
- Our industry is seeing fees increasing and the services provided by those fees decreasing.

APPENDIX C – Statewide HBA/MRG Public Opinion Poll Data

In mid-May the HBA of Michigan commissioned the Marketing Research Group (MRG) to include a handful of key housing industry questions in a statewide public opinion poll of 600 registered voters they were conducting. The results, as the survey relates to our questions, were as follows:

Question: Whether or not you currently have children, if you were the parent of a school-aged child today, would you want your child to pursue a career in construction or another skilled trade? Would you say you would definitely, probably, probably not, or definitely not want your child to pursue a career in construction or skilled trades?

Definitely.....	41.6%
Probably.....	28.1%
Neither / Depends.....	14.4%
Probably Not.....	9.9%
Definitely Not.....	3.6%
Don't Know.....	2.4%
Refused.....	-

Question: The Lack of available workers in construction and other skilled trades has slowed growth in our state. Would you support or oppose a special millage or other public funding to create and maintain vocational programs that attract and train more students for careers in skilled trades? (If support/oppose ask: would that be strongly or just somewhat?)

Strongly Support.....	63.6%
Somewhat Support.....	18.8%
Neither support/oppose.....	2.9%
Somewhat Oppose.....	5.5%
Strongly Oppose.....	7.2%
Don't Know.....	1.9%
Refused.....	0.2%

Question: Thinking about your community, do you feel there are too many, too few or about the right number of available and adequate housing options for people who may want to relocate to your community?

Too Many.....	4.3%
Just Right.....	54.2%
Too Few.....	31.7%
Don't Know.....	9.5%
Refused.....	0.3%

APPENDIX D – Glossary of Terms

CTE—stands for Construction and Technical Education and describes an important pathway for high school students interested in skilled trades. CTE programs are offered by most intermediate school districts across the state.

DTMB/LMISI—is the Department of Management & Budget and their Bureau of Labor Market Information and Strategic Initiatives, which is the state office that monitors labor-related data among other things.

Go-PRO—is a new slogan being used by Michigan public officials and others wanting to promote the skilled trades at the K-12 level.

Governor's I&P ARC—created more than four years ago, the Governor's Inspection and Permitting Advisory Committee consisted of construction experts and public officials tasked with developing recommendations that could streamline regulatory processes.

Inventory Tax—is used as a term to describe the non-homestead taxation of property being developed for housing.

LARA—is the Michigan Department of Licensing and Regulatory Affairs which houses the Bureau of Construction Codes among other offices overseeing the construction sector.

MEDC—is the Michigan Economic Development Corporation, the organization that oversees job recruitment, industry retention services for our state.

MSA—stands for Metropolitan Statistical Area and is used by the federal government to report economic data on larger regional markets

MSHDA—stands for the Michigan State Housing Development Authority, which was created to help leverage and facilitate more private housing investment in our state.

Michigan Works—refers to the network of employment assistance offices across the state.

Obtainable Housing– This terms has often been used to describe good quality homes that are in the entry-level or mid-level price points in markets across the state. Some might refer to this as workforce or young family housing. The term was developed to make sure there wasn't confusion between this type of housing and affordable housing. Affordable housing is often used to describe subsidized housing which should not be confused with the term obtainable housing.

Skilled Trades—refers to jobs in construction and other industry sectors that require training and high skill but not a college degree.