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# FOIA MARKER

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**Collection/Office of Origin:** Speechwriting, White House Office of  
**Series:** Speech File Backup Files  
**Subseries:** Chron File, 1989-1993

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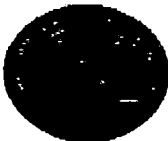
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**Folder Title:**  
NAHB [National Association of Home Builders] 50th Anniversary 5/18/92 [OA 7574] [1]

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# National Association of Home Builders

1201 15th Street, N.W., Washington, D.C. 20005-2800

(202) 822-0401 Fax No: (202) 822-0374

Kent W. Colton, Ph.D.  
Executive Vice President &  
Chief Executive Officer

May 12, 1992

Ms. Molly Osborne  
Office of Public Liaison  
The White House  
Washington, D.C. 20500

Dear Ms. Osborne:

In the draft remarks for the President we submitted to you last week, we inadvertently omitted one of the Senior Officers, Jim Irvine, Vice President/Secretary, from the listing of the NAHB Leadership Team. On page 1, paragraph 2 under Suggested Speaking Points, please list the leadership team as follows:

- Roger Glunt, Tommy Thompson, Jim Irvine, Mark Tipton and Kent Colton

I am sure you understand the importance of this correction and we would appreciate it if you would get this to the speech writer as quickly as possible. Thanks for all your help, Molly. We're looking forward to this event very much.

Best regards,

Kent W. Colton

KWC/mls

**Suggested Speaking Points  
President George Bush  
Before the NAHB Board of Directors  
Signing of a Proclamation Honoring the 50th Anniversary Of the  
National Association of Home Builders  
"50 Years of Housing America"  
South Lawn of the White House  
May 18, 1992**

**Introduction**

As discussed previously, we recommend that Jay Buchert introduce President Bush. Naturally, we will work with you on the appropriate introductory comments.

**Audience**

The audience will be composed of approximately 2,000 people, including NAHB's National Directors and their spouses. There likely will be people from every state in the Union. Not only are they home builders, they are community leaders and people who are well involved in the political process in their states and towns.

**Suggested Speaking Points**

Welcome to the White House. This is a truly momentous occasion for your industry and I welcome the opportunity to join you in celebrating the National Association of Home Builders' 50th Anniversary.

I also want to recognize your president -- Jay Buchert (Bue - kirt) -- and the other officers of your leadership team -- Roger Glunt, Tommy Thompson, Mark Tipton and Kent Colton -- who have worked very closely with my Administration during the past four years.

*Jim Irvine*

Anniversaries are a time to reflect on your past accomplishments. And the achievements of your association and your industry are unprecedented.

When NAHB was founded 50 years ago, one third of the nation lived in substandard housing. Only about 4 in 10 of the nation's families owned their own homes. The nation's housing finance system was still in its infancy. And America faced a housing shortage of untold dimensions.

Kids names

Murnia

Charlease

Gerald

Latoya

Housing equals jobs.

~~XXXXXXXXXX~~  
~~XXXXXXXXXX~~

4-27-41  
250-62-4991  
Jimmy Lee McLeod

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202 483-3300  
NHTB hotel staff etc  
797-4534

Want to send someone in  
his place - substitution.  
NHTB is giving them trouble.

Call Molly Osborne  
~~Mr. Semple~~  
tell her we've covered  
4 me.  
emergency.

797 4534

(Smith/Aarhus)  
Draft Three  
May 13, 1992  
HOME

PRESIDENTIAL REMARKS: NATIONAL ASSOCIATION OF HOME BUILDERS  
50TH ANNIVERSARY  
SOUTH LAWN  
MONDAY, MAY 18, 1992

Acknowledgements; Members, National Directors, and friends of the National Association of Home Builders. Secretary of Housing and Urban Development Jack Kemp. ((As someone who lives in public housing, I'm glad to see the HUD Secretary here -- and let me tell you: He's doing a terrific job.)) // Ladies and gentlemen, fellow business men and women. /

Molly

Welcome to the White House -- which I often call the People's House. ((For the record: With all these appliances out here, I just want to head off any rumor that the White House is having a yard sale.)) //

Instead, we are here to mark a special birthday: The 50th anniversary of the NAHB. / And to salute a special team. First, your President -- Jay Buchert [BUE-kirt]. / Next, the other members of your leadership -- Roger Glent, Tommy Thompson, Jim Irvine, Mark Tipton, and of course, Kent Colton. //

with whom I just met inside.

Bob Bannister

I want to thank you for your support. Even more, we Bushes are grateful for your friendship. // ((It's true: Millie was disappointed when I broke the news to her that the structure behind me is not her new doghouse.)) / But Barbara and our kids believe in the same things as you do: Community and country -- respect and responsibility -- family, jobs, and peace. / We know we put America first when we put America's families first. /



For fifty years, that's what you've done -- helped to fulfill the American Dream -- and enlarge the American Pie. When the National Association of Home Builders was founded, only 4 in 10 Americans owned their own homes. One third of the nation Three in 10 lived in substandard housing. and Today -- more than 70 million new homes and apartment units later -- 2 in 3 households own their home. You don't hear that old joke anymore: "Builders sleep like babies -- they wake up every hour and cry." //

Kent C. NAHB draft

For that, I salute you. Once again you're helping our economy work -- so that America can get back to work. / Yes, we've had tough times. But consider this: 264,000 housing starts since January 1. A 2 percent GNP growth in the first quarter -- more than a quarter of that caused by residential construction. / The old adage is coming true: As housing goes, so goes the economy. Your members employ more than 7 million Americans. More and more they're helping other Americans turn recession into recovery. //

David Crow  
 Kent C. draft  
 Kent C. draft

I speak here as a participant -- not bystander. From my Texas business days, I know what it means to meet a payroll, balance a budget, and help people put food on the table. / Like you, I know that strong housing can help a strong economy help Americans worried about providing for their families -- meeting the challenges of paying the bills, buying that home, and setting aside for retirement. //

That's why in my State of the Union Address I announced a program for economic growth -- ~~to say, like Jackie Gleason,~~ "U.S.

~~housing, and away we go.~~ / I called for penalty-free withdrawals from IRAs for the purchase of a first home. Changes in the passive loss tax rules to spur real estate and housing development / an extension of mortgage revenue bonds and ~~the low income tax credit~~ / and, yes, I called for a job-generating cut in the tax on capital gains. //

Then, there's the proposal I'm especially proud of: A \$5,000 tax credit for first-time homebuyers. *these housing incentives* According to your own figures, ~~this credit~~ would mean 415,000 new construction industry jobs -- and \$20 billion in new economic activity. // We need this \$5,000 tax credit proposal to keep the housing market on the mend -- helping people like you sell and build homes -- and here's why: Five thousand dollars could pay seven months of mortgage payments on the average American home. /

Sadly, some in Congress don't get the message. They seem to care more about the spending they do in the Congressional House -- than making it easier for average Americans to spend on their house. / ((I only wish they were as enthusiastic about the first-time homebuyer as they are about the first-time taxpayer.)

~~XX weeks ago,~~ the NAHB ran an ad in the Washington Post. The headline read: "Earth to Congress: Enough is Enough." / I couldn't have said it better myself. And believe me, the voters will have the last word on this when they go the polls in November.

You've heard the definition of a contractor: "A gambler who never gets to shuffle, cut, or deal." / We have to make it

easier to deal, sell, hire, and invest. / So I will continue to sound the message that sound banks should make sound loans. When builders can't get construction loans on pre-sold homes, I say the pendulum has swung too far in the wrong direction. //

Next, I will push hard for our HOPE Initiative -- requesting \$1 billion in funding for FY '93 -- a key part of my plan for a new America to bring opportunity to our inner cities. / Jack Kemp knows how HOPE can give poor families a stake in their communities. Bottom line: HOPE will turn housing into homes. /

HUD  
TSC

And, yes, I will continue to push for regulatory reform -- because I want government to help -- not hurt -- the ability of private enterprise to expand and create jobs. / So I have extended for another 120 days the blanket moratorium on any new Federal regulation. / Jay Buchert says: "Let builders build."

Kent's  
draft

I know he agrees: We need policies that also let buyers buy. //

~~I wish everyone understood this concept. / ((When I look at these stoves out here, it reminds me how some liberal policies could cook the housing industry's goose.)) /~~ On the other hand,

you know that it takes more than bricks, lumber, and mortar to build a home. It takes heart and skill -- it takes dreams. You know that owning a home helps America -- makes it better, more caring. You show this in your "Homes Across America" program -- where NAHB members build and renovate homes for the needy. //

Kent's  
draft

So far, this program has housed more than 600 families. With us today is one of them -- Gerald and Angela Williams and their four children -- Munnis, Charlease, Gerald, and Letoya, who

la

KENT  
TSC  
names  
w/ Molly

*Kent.* { moved into their new home in Jacksonville, Florida, on Mother's Day. / The Williams' home was built by the builders of the Jacksonville Association of NAHB and Habitat for Humanity. I salute them -- and also the Williams family. / Won't you please stand up: You show how the dream of home ownership keeps the American Dream alive. //

That dream seemed elusive half-a-century ago -- but you have aided it / nurtured it / as a parent does a child. For that, I thank you -- and salute you on behalf of each American. May God bless you all and this great country -- the United States of America.

# # # #

To: Joe  
Duggan

## National Association of Home Builders

1201 15th Street, N.W., Washington, D.C. 20005-2800

(202) 822-0401

Fax No: (202) 822-0374

Kent W. Colton, Ph.D.  
Executive Vice President &  
Chief Executive Officer

May 4, 1992

Ms. Molly Osborne  
Office of Public Liaison  
The White House  
Washington, D.C. 20500

Dear Ms. Osborne:

As you requested when we met last week, we have identified a family who will be a recipient of a home from the builders in their Jacksonville, Florida community, whom the President could mention in his remarks and recognize in the audience on Monday, May 18. Attached is a copy of the article from the Builder News dated April, 1992.

I think you will agree after reading this article that this is a wonderful family to recognize! We would propose to fly them to Washington, D.C. on Sunday, May 17, invite them to the event and provide them with special guest seating. Please let me know as quickly as possible whether you want to proceed with this idea. We will not confirm any details with the family until we have your approval. Obviously, we need to know whether the President will mention them specifically in his remarks and then we can explain the event in more detail to them.

Thanks for all your help. I will be in touch with you early this week.

Best regards,



Kent W. Colton

KWC/mls  
Attachment

Just in time for Mother's Day

# Their American Dream will come true

A very happy mother and her family will soon realize the great American Dream - their very own home. And, if all goes well, it will be ready for occupancy by Mother's Day.

Angela and Gerald Williams will realize their dream next month, thanks to the Northeast Florida Builders Association, builder Glen Reynolds, and many other volunteers in the organization.

The project is being coordinated by Habitat for Humanity of Jacksonville, better known as HabiJax.

The Association will present the family with a four-bedroom, two-bath home in the McCoys Creek area.

"I am so thankful to get a home," said Angela, a 21-year-old mother of four. "We were living in a project on Gregory Drive, and my kids were scared because the drug problem was so bad in our neighborhood. We tried to get help in the project, but the police weren't really effec-

tive.

She has been very involved in planning her new home. She's a member of the H a b i J a x homeowners committee and has attended workshops on how to care for a home.

"I've learned how to change air conditioning filters, how to save energy in the winter and summer, and how to form a plan in case of fire," Mrs. Williams said. "We are grateful for all of this. It is a wonderful program, and I wish more people would have the opportunity we have."

Getting a home through



THEY'RE NOT DAYDREAMING ANYMORE - For helping to make their dream come true, Glen Reynolds is very happy about the home that he, the Association, and HabiJax will provide for Gerald And Angela Williams and their children, Murrie, Charlease, Gerald and Latoya.

the HabiJax program requires the soon-to-be owners to contribute 400 hours of "sweat equity" to their own home,

would never be able to buy a home if not for our program," said Frank Barker, former president and now a board

another home, or combination of the two. Mrs. Williams said she thinks the requirement is well worth the experience.

"I have done everything from digging footers to hammering. Since dropping out of school, I have earned my GED and I plan to return to FCCJ to study nursing. Getting this home is a blessing we're very thankful for.

"This family, like many, many others, is in a situation where they

member of HabiJax. "By providing this family with a home, they are going to move into a new environment where they can raise their children should be raised."

Since the program began in 1988, 30 houses around the city have been built and 25 new homes are scheduled for this year.

Amazingly, 19 of those homes went up in what the organization calls a "brainstorming week". Volunteers actually put up many of the houses within 24 to 48 hours.

"More than 100 volunteers will be involved in building the Williams' home," Barker said. "It will be completed within weeks."

"We got involved in this project through the Northeast Florida Builders Association because we wanted to assist in building low-income housing," said Dan West, director of sales and marketing for Custom Homes by Glen T. Reynolds, which is the general contractor for the Association home.

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SENT BY: NAHB EXECUTIVE OFFICE ; 12-1-80 ; 5:36 ; 2028220374 ; 12024561647# 4

It is very difficult for a first-time homebuyer to acquire a house anymore, especially low-income families. This is simply a program that allows folks like Glen and other builders to assist people who have not been as fortunate as them.

"It is helping them spread some of their good fortune around, and that is always nice to do in your own hometown."

To qualify for a HabiJax home, a family must be living in substandard housing, have lived in Duval County for three years, have good credit, have no criminal record, and make a \$500 down payment. The 15- and 20-year mortgages on the homes are interest-free and based on the family's income. Payments from the mortgages are used to cover the costs of materials for other homes.

"By helping these families, we are changing their standard of living, and that will not only help them today, but it will help them as long as they live." Barker said.

Barker praised NEFBA for their involvement and commitment to community service projects.

# NATION'S BUILDING NEWS

THE NATIONAL ASSOCIATION OF HOME BUILDERS  
THE VOICE OF AMERICA'S HOUSING INDUSTRY

MAY 4, 1992

VOLUME 8, NUMBER 6



**HABITAT HOUSING IN THE SUNSHINE STATE**—Vice President Dan Quayle and officers of the Northeast Florida Builders Association during a recent fund-raising luncheon for the association's "Homes Across America" program. The event raised \$1,000 towards building a Habitat for Humanity house in Jacksonville. The HBA's program is called HabiJax. From left: Rita William, Quayle, Chris Gases and Frank Barker. More than 125 builders associations have agreed to take part in the voluntary effort to help celebrate NAHB's 50th anniversary by building affordable housing for people in need. National promotional activities will be held in Washington on June 14-21.

# NATION'S BUILDING NEWS

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THE VOICE OF AMERICA'S HOUSING INDUSTRY

MAY 4, 1992

VOLUME 8, NUMBER 6

*Thanks* **REALTORS and BUILDERS**  
**For a "GRAND" (\$1,000) EVENT**  
**HabiJax**

**HABITAT HOUSING IN THE SUNSHINE STATE**—Vice President Dan Quayle and officers of the Northeast Florida Builders Association during a recent fund-raising luncheon for the association's "Homes Across America" program. The event raised \$1,000 towards building a Habitat for Humanity house in Jacksonville. The HBA's program is called HabiJax. From left: Rita William, Quayle, Chris Gases and Frank Barker. More than 125 builders associations have agreed to take part in the voluntary effort to help celebrate NAHB's 50th anniversary by building affordable housing for people in need. National promotional activities will be held in Washington on June 14-21.

upto  
600 homes built & donated  
-giving back to community

housing = jobs

To Joe  
Dugan  
FBI  
Molly



# National Association of Home Builders

1201 15th Street, N.W., Washington, D.C. 20005-2800

(202) 822-0401 Fax No: (202) 822-0374

Kent W. Colton, Ph.D.  
Executive Vice President &  
Chief Executive Officer

15<sup>th</sup> & M St.  
5<sup>th</sup> Floor.

DATE 5-7-92

## FAX TRANSMITTAL COVER SHEET

TO: Molly Osborne

FAX #: 456-1047

SENDER: KENT W. COLTON, EXECUTIVE VICE PRESIDENT

SENDER'S PHONE NUMBER: (202) 822-0401

NUMBER OF PAGES TO FOLLOW COVER SHEET: 7

COMMENTS: Please deliver ASAP.

Thanks

THE FAX NUMBER FOR THE NAHB EXECUTIVE OFFICE IS (202) 822-0374.

Love Reed  
 Call Boston newspaper station as on trip - 965-1111  
 W. Shepard  
 Baltasli -

# National Association of Home Builders

1201 15th Street, N.W., Washington, D.C. 20005-2800

(202) 822-0401 Fax No: (202) 822-0374

Kent W. Colton, Ph.D.  
Executive Vice President &  
Chief Executive Officer

May 7, 1992

## MEMORANDUM

TO: Molly Osborne

FROM: Kent W. Colton 

SUBJECT: Suggested Talking Points for President Bush's Speech

Attached are the suggested talking points for President Bush's speech. As you can see--and as I discussed with Jeff--we are suggesting that NAHB's President, Jay Buchert, give a brief introduction for President Bush. I realize the event is at the President's "house," but I think a brief introduction by Jay would help to set the stage and "warm-up" the crowd.

Reference is also made in the talking points to the signing of a Presidential proclamation. I have enclosed another copy of the draft proclamation for your information.

Also attached is a statement the President made on March 5. We have used this in the talking points, and I thought you might want a specific reference.

We look forward to seeing you next week.

KWC/di

Enclosure

cc: Jeff Vogt

**Suggested Speaking Points**  
**President George Bush**  
**Before the NAHB Board of Directors**  
**Signing of a Proclamation Honoring the 50th Anniversary Of the**  
**National Association of Home Builders**  
**"50 Years of Housing America"**  
**South Lawn of the White House**  
**May 18, 1992**

**Introduction**

As discussed previously, we recommend that Jay Buchert introduce President Bush. Naturally, we will work with you on the appropriate introductory comments.

**Audience**

The audience will be composed of approximately 2,000 people, including NAHB's National Directors and their spouses. There likely will be people from every state in the Union. Not only are they home builders, they are community leaders and people who are well involved in the political process in their states and towns.

**Suggested Speaking Points**

Welcome to the White House. This is a truly momentous occasion for your industry and I welcome the opportunity to join you in celebrating the National Association of Home Builders' 50th Anniversary.

I also want to recognize your president -- Jay Buchert (Bue - kirt) -- and the other officers of your leadership team -- Roger Glunt, Tommy Thompson, Mark Tipton and Kent Colton -- who have worked very closely with my Administration during the past four years.

Anniversaries are a time to reflect on your past accomplishments. And the achievements of your association and your industry are unprecedented.

When NAHB was founded 50 years ago, one third of the nation lived in substandard housing. Only about 4 in 10 of the nation's families owned their own homes. The nation's housing finance system was still in its infancy. And America faced a housing shortage of untold dimensions.

When World War II ended, your association helped give rise to, train and support a new merchant industry of entrepreneurs. This new generation of risk-taking builders bought and subdivided land and built affordable housing in record numbers for the nation's growing number of home owners.

During the next 50 years, the landscape of America's neighborhoods was permanently changed. America's builders constructed and remodeled more than 70 million new homes and apartment units, virtually replacing the nation's aging and substandard housing stock. And America was transformed into a nation of home owners. Today nearly two of every three households owns their home.

And your industry has become a powerful force in the world's most powerful economy. Your members employ more than 7 million Americans, and residential construction accounts for about 5 percent of the nation's domestic economy. In other words, as housing goes, so goes the economy. And that's particularly important today as housing helps lift the U.S. economy to higher ground from the recession.

I am well aware of recent economic statistics -- many of the numbers related to housing have been positive over the last three months, but I realize that the future of housing production is at an important juncture. I am also acutely aware that without a strong rebound in housing production, there can be no overall economic recovery. That is why I proposed, and continue to push for, the adoption of a tax credit for first-time home buyers and other changes to stimulate housing and real estate.

Stimulating the housing market was a central theme of my State of the Union Message and it was a key component of the economic recovery program that I sent to the Congress. My plan was simple: Put people back to work building affordable housing and stimulate housing demand by helping families buy their first homes. To do this, among other things, I called for a \$5,000 tax credit for first-time home buyers, penalty free withdrawals from IRAs for the purchase of a first home, changes in the passive loss tax rules to encourage development of real estate and affordable housing, extension of mortgage revenue bonds and the low income tax credit, and a capital gains tax cut.

But this common sense plan designed to create jobs and make housing more affordable never even made it out of committee. Instead, the Congress dropped the first-time buyer tax credit and sent me a package that would have raised taxes and done more harm than good to the nation's economic recovery. I vetoed that bill as soon as it was delivered to the White House.

On the day that the House fell short of getting even a simple majority in its futile attempt to override my veto, your association ran an eye-catching ad in the Washington Post which summed up our feelings about Congress pretty well. The headline read: "Earth to Congress: Enough is Enough." I couldn't have said it better myself. And believe me, the American people will have the last word on this when they go to the polls in November.

Despite the failings of Congress, the economy is on the rebound. It grew by about 2 percent in the first quarter of this year, and about one quarter of that increase was linked to the upturn in single-family housing construction. So home builders are playing a vital role in our nation's economic recovery. And I pledge to do my part as well by taking full advantage of any opportunity that will help speed and sustain the recovery over the long-term.

For example, more than two months ago I said -- and I will repeat now -- if Congress doesn't do anything else this year, I wish they would lay aside the politics of "tax and spend" and give one break to the American economy -- a tax break for first-time home buyers -- and watch home building lead the economy out of these slow economic times.

In addition, I will continue to push hard for the regulatory reform that was the goal of the Commission on Regulatory Barriers to Affordable Housing which I created and put under the direction of HUD Secretary Jack Kemp. Whether the regulations deal with wetlands, OSHA, endangered species or any of a hundred other issues, the bottom line is that overregulation chokes the life out of America's small business community, reduces competition and, in the case of home building, increases housing costs for American consumers.

*Private Use - have many letters - see 5-14-80 to HUD USA see Su. 10/28/80*

Therefore, I have extended for another 120 days the blanket moratorium on the issuance of any new federal regulation. We can live with this moratorium without jeopardizing the health and safety of American workers and without harming the environment. In this time of economic uncertainty, government should help -- not hurt -- the ability of private enterprise to expand and create new jobs. We should, in the words of your president, Jay Buchert, (Bue-kirt), "Let Builders Build."

On the credit crunch front, my Administration has been working hard to get the message out to lending institutions and the banking regulators that sound banks should make sound loans. Credit is the lifeblood of your industry. When builders can't get construction loans on pre-sold homes, then I say the pendulum has swung too far in the wrong direction. And my Administration is committed to ending the credit crunch and strengthening and stabilizing our nation's banking system.

Today is a very special day for your industry and your association. When you build a home, it takes much more than just bricks, lumber and mortar. Home building is an honorable profession. It requires skill and takes nerve to succeed in today's highly competitive business environment. And when you finish your job and go to the settlement table with your customer, you have built much more than just another house -- you have built a very special place called home; you have built the American dream.

To marry and have children, to earn a good living, to live in a free and peaceful society -- and, of course, to own a home: those have long been the traditional aspirations of all Americans.

Well, thanks in part to your efforts, the United States is today the best housed nation on the face of the earth, and the opportunity to own a home has become a cornerstone of the American dream and our democratic society.

As an outspoken proponent of self-help and volunteer work, and the many thousand points of light that are found in this country, I want to commend NAHB for its "Homes Across America" program in which your members across the country are building and renovating more than 600 homes for America's needy. As one illustration, with us today are Gerald and Angela Williams and their four children, who moved into their new home in Jacksonville, Florida on Mother's Day. Their home was built by the builders of the Jacksonville association of NAHB and Habitat for Humanity. Will the Williams family please stand up. This is a wonderful demonstration of the generosity of your industry and the charitable spirit of the American entrepreneur.

As America's builders -- and you, the leaders of your great industry here today - look ahead to the next 50 years, you should be proud of the accomplishments of the past 50 years. Your association has grown tremendously -- from a small band of several hundred builders in 1942 to 155,000 member firms today. Your industry has become a vital part of our country's economy, providing not only millions of good-paying jobs but building and remodeling the highest quality homes and apartments in the world.

Looking ahead to the next 50 years, I challenge all of you to rededicate yourselves to the task of housing America ... to open the door of homeownership and affordable rental housing to millions of additional U.S. households and to keep the dream alive.

### Proclamation Signing

Now in conclusion, I want to sign a special Presidential Proclamation on 50 years of housing America.

## Proclamation on NAHB's 50th Anniversary

**WHEREAS**, the National Association of Home Builders, founded in 1942, is committed to the idea that the opportunity to own a home should be within the reach of all working Americans;

**WHEREAS**, since NAHB's inception in 1942, America's home builders have built nearly 70 million new homes and apartments and have renovated and rehabilitated millions more, making the United States the best housed nation in the world;

**WHEREAS**, housing construction is a powerful force in the world's most powerful economy, creating millions of good paying jobs and generating billions of dollars worth of demand for goods and services throughout the economy;

**WHEREAS**, rebounds in housing construction have led the country out of recession in the eight previous business cycles;

**WHEREAS**, since 1942, America's home builders have helped to transform America into a nation of home owners, steadily improving the nation's housing stock, bringing homeownership to nearly two-thirds of all households, and providing Americans with more than \$1.3 trillion in equity in the homes they own;

**WHEREAS**, homeownership reinforces traditional American values of family, hard work, good citizenship and participation in a free and democratic society;

**WHEREAS**, every Administration and every Congress in the post-World War II period has recognized the social, political and economic benefits of a well-housed nation and has embraced policies that would move the nation closer to the goal first adopted by Congress in the Housing Act of 1949 to "provide a decent home and a suitable living environment for every American family;"

**WHEREAS**, over the past 50 years the commitment of the federal government, combined with the strength and ingenuity of a private building industry, has produced the greatest and most successful effort by any country to house its people;

**WHEREAS**, NAHB is recognized as the "voice of America's housing industry" and has been at the forefront of efforts to formulate national housing policies and to promote innovations in housing finance, construction, land use, technology and home design;

**WHEREAS**, on the eve of NAHB's 50th anniversary, America's home builders once again stand ready to lead the American economy out of troubled times;

**NOW, THEREFORE, BE IT RESOLVED** that the President of the United States recognize and salute the National Association of Home Builders for 50 years of service and leadership that have helped make the "American Dream" of homeownership a reality for millions of Americans and have helped make the United States the best housed nation on earth;

**BE IT FURTHER RESOLVED** that the President of the United States join NAHB in reaffirming its commitment to policies and efforts that would continue to provide housing opportunities for the American people during the next 50 years.

3-8-92 (DTR)

## TAXATION, BUDGET AND ACCOUNTING

(No. 45) G-7

aimed at spurring economic growth will no longer be needed, Dole said. The Republican leader added that he believes many members from both sides of the aisle feel the economy would be better off without enactment of a tax bill. "If you have a secret vote in here, I think that attitude would prevail," he said.

If the two sides would decide to compromise, Dole said that he believes Democrats and Republicans can find common ground on a number of initiatives to promote economic growth.

Asked if it would be politically risky for the president to veto the Democratic tax package, which will include a tax break for middle-income families, Dole said that it would be risky for him not to veto it, since it will also include higher rates.

*President Calls For Action*

President Bush called on Congress March 5 to pass his proposal for a \$5,000 tax credit for first-time home buyers if it does nothing else this year. "If they don't do anything else, I wish they would lay aside the politics of tax and spend and give that one break to the American economy and watch homebuilding out of this slow economic time," Bush told the Greater Columbia (S.C.) Home Builders Association during a campaign appearance.

Bush continued to present the economic stimulus legislation approved by the House as a 25-cent per day, two-year tax break, billed to taxpayers on a permanent basis and said the legislation being considered in the Senate is "not much better."

Both bills would raise the top tax rate on the wealthiest taxpayers to finance tax breaks for the middle class a five-year period.

The text of a revised version of revenues estimates by Joint Committee on Taxation staff on the package reported out of Finance (JCX-9-92) is in Section L. □

*Comment Letters***IRS RELEASES SIX COMMENT LETTERS ON A VARIETY OF PROPOSED REGULATIONS**

The Internal Revenue Service March 5 released six comment letters on proposed regulations.

Following are summaries of the letters:

• **Regulation About The UBI Taxation Of Investment Income (EE-070-91):** Jones, Day, Reavis & Pogue, Washington, D.C., on behalf of Bear Stearns recommended that income from short sales of securities be included in the final ruling.

• **Allocation And Accounting Rules On Tax Exempt Bonds For Arbitrage Rebate Purposes (FI-068-89):** Franklin Group of Funds, San Mateo, Calif., suggested that IRS revise the definition of commingled fund.

• **The North Carolina State Treasurer, Raleigh, N.C.,** said it disagreed with the proposed ceilings on administrative costs and other expenses on commingled investment pools.

• **Amortization Of Policy Acquisition Expenses Of Insurance Companies (FI-003-91):** Balboa Life & Casualty, Irvine, Calif., was concerned about the proposed regulation's disregard for long-standing group under-

writing practices and rules for defining group life insurance contracts, the distinction between group term life insurance contracts without cash surrender values and other classes of group life insurance contracts as to what evidence of insurability is acceptable along with six other specific issues.

• **Transferred Proceeds Allocations (FI-090-91):** Katten Muchin & Zavis, Chicago, Ill., sent six specific technical comments on the proposed regulations.

• **Debt-Financed Real Estate Investments By Tax Exempt Organizations (PS-056-90):** The New York State Bar Association Tax Section, New York, N.Y., suggested that a comprehensive review be undertaken of Section 514(c)(9) as the current statute is overly formalistic and complex. Its comments also urged Treasury to provide rules that operate fairly and reasonably.

Copies of comment letters are available from BNA PLUS for a fee. Call toll-free (800) 452-7773 nationwide; (202) 452-4323 in Washington, D.C. □

*Pensions***IRS SEEKS TO IMPROVE PENSION RULES, SIMPLIFY DATA COLLECTION, PETSCHKE SAYS**

The Treasury Department and the Internal Revenue Service are actively considering ways to improve compliance and simplify and reduce the burdens of data collection in the pension plan non-discrimination regulations, Evelyn Petschek, benefits tax counsel at Treasury, said March 5.

Petschek discarded as a rumor any statement that Treasury is considering withdrawing the regulations, she said at a Federal Bar Association tax law conference.

It has become apparent that practitioners are focusing on the final regulations in a different way than they did on the proposed regulations, Petschek said. The focus of comments has been on areas that received little or no attention during the comment period for the proposed regulations, she said.

Some areas have been the subject of significant and recurrent comments, Nancy Marks, acting assistant chief counsel in the Employee Benefits/Exempt Organization Division, IRS, told the conference.

Thus, the problems that Treasury and IRS will focus on in improving the regulations include the uniformity rules for qualifying for the regulations' safe harbors and the data collection burdens inherent in the general testing regime included in the final regulations that were issued Sept. 12. Marks said (178 DTR G-7, SpSupp. 9/13/91; 179 DTR SpSupp. 9/16/91).

*Uniformity Rules*

In order to qualify for the safe harbors that have been provided for in the final regulations, a plan needs to demonstrate that it provides a uniform benefit formula and that certain other features of the plan are uniform. Marks said there have been a number of comments pointing out problems with the uniformity rules in the final regulations, especially when they apply to transfers of employees between companies

# DOUG GAMBLE

May 12/92

424 - 36th Place  
Manhattan Beach, CA 90266  
(310) 546-6409

TO: CHRISTINA MARTIN

NATIONAL ASSOC. OF HOME BUILDERS (Curt Smith)

AS SOMEONE WHO LIVES IN PUBLIC HOUSING, I'M GLAD TO SEE THE HUD SECRETARY HERE.

MILLIE WAS PRETTY DISAPPOINTED WHEN I BROKE THE NEWS TO HER THAT THE STRUCTURE BEHIND ME IS NOT HER NEW DOGHOUSE.

WITH THESE APPLIANCES OUT HERE, I JUST WANT TO HEAD OFF ANY RUMOR THAT THE WHITE HOUSE IS HAVING A LAWN SALE.

WHEN I LOOK AT THESE STOVES, IT REMINDS ME THAT DEMOCRATIC POLICIES WOULD COOK THE HOUSING INDUSTRY'S GOOSE.

WHEN I HEARD THIS WAS A 50TH ANNIVERSARY, I WASN'T SURE IF IT WAS YOUR'S OR THE 50TH ANNIVERSARY OF THE LAST TIME THE DEMOCRATS HAD AN IDEA HOW TO HELP THE HOUSING INDUSTRY.

I WISH THE OTHER PARTY WAS AS ENTHUSIASTIC ABOUT THE FIRST-TIME HOMEBUYER AS THEY ARE ABOUT THE FIRST-TIME TAXPAYER.

Joe - MM



## National Association of Home Builders

15th and M Streets, N.W., Washington, D.C. 20005

(202) 822-0401 Fax No: (202) 822-0374

Kent W. Colton, Ph.D.  
Executive Vice President &  
Chief Executive Officer

May 6, 1992

Ms. Cecile B. Kremer  
Director  
Office of Public Liaison  
The White House  
Washington, D.C. 20500

Dear CeCe,

As we discussed when we met at the White House recently, we are pleased to provide you with some material that could be used by President Bush in his speech on May 18. We have some "horror stories", as well as some success stories that may be useful to you. Many of these items are included in the attached statement delivered last week by NAHB First Vice-President Roger Glunt before the House Republican Research Committee Task Force on Small Business. Please feel free to use the examples presented in this statement as well as the additional examples set forth below.

We would like to begin by pointing out the positive effects resulting from the President's Regulatory Review Initiative. This process has been beneficial in that agencies are now closely reviewing proposed regulations to determine what the true costs and benefits of a particular rule will be. In some cases, agency's have redrafted proposed rules in light of the considerations raised in the President's January memo. This is a positive approach and should be continued.

One illustration has been EPA's willingness to discuss with NAHB the issue of radon guidelines for new residential construction. Unlike the area of wetlands where we continue to have major differences with EPA's positions, we have closely collaborated with EPA since last Fall on developing reasonable guidelines. Before the Fall we had major disagreements with EPA over many radon issues; however that is no longer the case. The spirit of their approach is consistent with the President's Initiative, and their intention now to resubmit to OMB proposed radon guidelines is a direct consequence of the President's Initiative.

Ms. Cecile B. Kremer

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May 6, 1992

Despite the President's positive step, we are aware that builders continue to face regulatory hurdles at every turn. For example, in a matter relating to the OSHA, we have recently learned of a builder who was fined \$2,250 for failing to keep a work area free of scrap lumber, and another \$2,250 for not having an "approved" first aid kit on the site. In another OSHA matter, a builder has just been notified that the original bid submitted by a drywall contractor had to be increased by 15% due to the cost of complying with OSHA scaffolding regulations.

On a larger scale, the recent decision of Hoffman Homes v. EPA, No. 90-3810 (7th Cir., 4-20-92) illustrates the problem of federal regulation of wetlands. In this case, a builder in Illinois who intended to develop a subdivision in the Chicago suburbs was fined \$50,000 by EPA for filling and grading less than one acre of a 48 acre site because EPA determined that this tiny parcel was a "wetland" that could be regulated by the federal government. It did not matter that the area had no surface or ground-water connection to any other body of water. EPA maintained that it had jurisdiction simply because a bird flying in from another state might land on the area in question. However, there was absolutely no evidence that migratory birds or any other wildlife actually used the area for any purpose. It took six years and thousands of dollars in legal fees to resolve this issue. The federal Court of Appeals for the Seventh Circuit has just concluded that the area in question is not subject to EPA regulation since it has no connection to any other body of water. This case is significant because EPA has consistently maintained that it has jurisdiction over areas such as this one, commonly known as "isolated wetlands". The Hoffman case is a sound decision that clarifies that Congress did not intend to protect isolated wetlands when it adopted the Clean Water Act.

It is also worth noting that we have been encouraged by the positive role played by the White House in several significant areas. The following areas deserve to be highlighted:

**1. Fair housing accessibility guidelines.** OMB and the Council on Competitiveness played a significant role in shaping the final Fair Housing Accessibility Guidelines issued by the Department of Housing and Urban Development in March, 1991. The proposed guidelines issued by the Department presented serious technical and cost issues. As a result of OMB and Council oversight, the final guidelines present builders with design options, and are significantly less expensive than the original guidelines proposed by the Department.

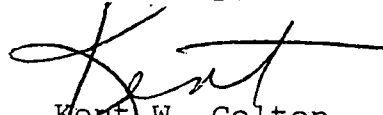
**2. Energy Provisions of Minimum Property Standards.** In 1990, HUD proposed incorporating the 1989 CABO Model Energy Code (MEC) into the energy provisions of its Minimum Property Standards. However, HUD has not demonstrated that the CABO MEC is both cost effective and affordable. As a result of the Council's intervention, the Department has delayed adoption of these expensive requirements until an appropriate analysis of their cost-effectiveness is performed.

Ms. Cecile B. Kremer  
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3. **Wetlands Delineation Manual.** The Council negotiated favorable revisions to the Wetlands Delineation Manual. Thousands of acres of land that were incorrectly classified as "wetlands" under the 1989 Delineation Manual are once again available for development. In addition, the Council played a vital role in forcing the agencies to solicit and consider the public's input in the regulatory process.

I hope these examples are helpful to you and to others in the White House. Please let me know if you need additional background information on these or any other issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Kent", with a long horizontal stroke extending to the right.

Kent W. Colton  
Executive Vice President

Attachment

cc: Jeffrey W. Vogt

STATEMENT OF  
**THE NATIONAL ASSOCIATION OF HOME BUILDERS**  
ON  
**THE IMPACT OF REGULATIONS ON SMALL BUSINESSES**  
BEFORE THE  
**TASK FORCE ON SMALL BUSINESS**  
**HOUSE REPUBLICAN RESEARCH COMMITTEE**  
**U.S. HOUSE OF REPRESENTATIVES**  
**MAY 1, 1992**

On behalf of the 151,000 member firms of the National Association of Home Builders (NAHB), I am pleased to have the opportunity this morning to address the issue of government regulation and its impact on our nation's small businesses. My name is Roger Glunt, and my family and I own and operate Glunt Building Co., Inc. in Turtle Creek, Pennsylvania. I come before you today in my capacity as First Vice-President of NAHB.

First, I would like to thank Congressman Ireland, in his dual capacity as Chairman of the House Republican Research Committee's Task Force on Small Business and Ranking Member of the House Small Business Committee, and Congresswoman Molinari, as Co-Chair of the Task Force, for their dedication to the country's small business people and their leadership in organizing this hearing on federal regulatory policy. Clearly, the scope and measure of current government regulation too frequently impedes healthy economic development, the delivery of affordable housing, and most importantly, the creation of housing-related jobs throughout communities across America.

**OVERVIEW**

As Benjamin Franklin told us in 1789, nothing is certain in life, but death and taxes. I would submit, however, that if you're a builder today, Franklin's phrase needs to be amended to also include government regulation. Actually, with a good accountant, taxes can be deferred and with modern medical science, even death can be held back for a time. Only compliance with government regulations can't be postponed - that is, if you want to stay in business for any length of time.

Too often, the common notion of a home builder tends to be that of a "high-volume" constructor, someone with the perceived ability to spread production and regulatory costs across many projects. In contrast, the majority of NAHB member firms are truly small businesses, primarily engaged in home-remodeling and the construction of single family homes. To a lesser extent, NAHB members are engaged in light commercial projects and the erection of multi-family residential structures. Indeed, over half of our members build fewer than 10 homes per year and close to 75 percent of our members build 25 or fewer homes.

Sadly, the cumulative effect of overly burdensome regulations is creating significant problems for these small business people and adds considerably to the cost of goods and services nationwide. As Congressman Ireland recently noted, talking about his colleagues, "It's easy to say you're all for small business, but it's how you vote that really counts...It's also easy to forget the cumulative effect of mandatory health benefits, OSHA regulations, payroll taxes -- and other demands that Congress continues to heap on small enterprises every year -- are killing small business." I agree. Congress must be aware of the synergistic impact of its actions. When Congress considers or passes such laws as Parental Leave, or Civil Rights, or OSHA Reform, each law by itself, no matter how well-meaning, may not have a significant impact on small business...but, taken collectively, they can drive small businessmen and women out of business.

As citizens, home builders all recognize the responsibility they bear to make sure that taxpayer dollars aren't needlessly squandered to prop up unfit lenders, or that our nation's legitimate wetlands aren't defiled, or that a building worksite is as safe and healthy as possible, but where do you draw the line? And shouldn't the punishment for regulatory violations more properly "fit the crime"? This morning, I'd like to outline the major areas of regulatory influence currently affecting the housing industry and, along the way, detail just a few of the many first-hand regulatory "horror stories" NAHB members have recently experienced.

### HOUSING

In community after community across the country, local governments employ zoning and subdivision ordinances, building codes, and permitting procedures to prevent the development of affordable housing. For much of the past two years, I had the privilege of serving as one of twenty-two members of a Presidential Advisory Commission whose task was to examine regulatory barriers to affordable housing. The Commission's July 1991 report, entitled "Not In My Back Yard (NIMBY)", sought to identify the fundamental institutional, political, and structural reasons why regulatory barriers are so pervasive and so resistant to reform.

Based on this analysis, the Commission proposed 31 recommendations for Federal, State, and local government and private action. Although some Federal responsibility and actions are recommended, the thrust of the report, as evidenced in the very title, is resolving the local pressures that restrict development and construction of affordable homes, i.e. homes that low- and moderate-income families can afford to rent or buy.

The most important recommendations from the standpoint of providing incentives are the recommendations to condition federal housing assistance to state and local governments upon their barrier removal strategies. Since the ultimate responsibility for developing a more hospitable environment rests with state and local government and the power of the Federal government to influence the actions of fifty states and countless local governments is limited, the key recommendations are to condition programs of the NAHA and allocations for low-income housing tax credits and mortgage revenue bonds on barrier removal strategies. Conditioning federal housing assistance requires legislation and NAHB urges Congress to do so in order to accomplish this goal.

However, I must be clear that NAHB does not support the denial of federal funds to communities that choose to take no action in this area. Rather, we do support efforts by Congress and the Administration to set-aside a separate pool of funds to reward those communities that do take action.

## BANKING & MORTGAGE FINANCE

### "CREDIT CRUNCH"

For over fifty years, the heart and soul of America's housing policy has been a community-based credit policy. This, of course, started with the creation of a savings and loan (S&L) system to supply credit for building and buying homes. In recent years, however, many S&L's deserted these principles of community-based lending and bid-up the cost of savings dollars using brokered deposits.

To cover the rising costs of savings dollars, S&L's put their money in increasingly risky investments. By the end of the decade, the S&L industry was in serious trouble and only a federal bailout saved it from ruin. Fearing a similar catastrophe, federal banking regulators overreacted and commercial banks retreated from the real estate market, calling even performing loans and denying credit to builders seeking loans to develop subdivisions and build homes and apartments. As this devastating credit squeeze tightened, the recession deepened and last year housing starts dropped to their lowest level since 1946 and multifamily starts fell to the lowest level on record.

Last fall, the Administration announced a package of initiatives designed to ease this "credit crunch." The steps were taken in response to the continuing concerns of the housing industry that banks were complicating the credit process by calling performing loans and not extending new credit to creditworthy borrowers. Such actions are not unknown. But they were put into effect on a such a wide scale by so many banks under so many different circumstances that they have permeated the entire housing production industry. Since early 1990, NAHB members have been experiencing major problems. For example, our members have consistently reported that:

- \* outstanding-loan terms have been changed to require more collateral or equity, often forcing borrowers to default when they cannot meet the higher demands;
- \* existing loans have been required to comply with the new underwriting requirements that banks have established for prospective loans, resulting in additional equity and accelerated principal payments;
- \* workout options for borrowers are not even being discussed in many appropriate situations, and foreclosures often appear to be indiscriminate and premature;
- \* automatic or standard renewals and extensions of loans are being called on demand, even when the loans are performing and the projects are selling, forcing borrowers to default; and,

- \* performing loans being taken over by the FDIC and the RTC are not being refinanced by other banks.

One bank was simple and direct in a letter to a customer of five years who never missed a payment: "In preparation for a visit from the federal regulators, [we] request security for your unsecured line with either cash collateral of equal amount or real-estate properties showing equities of at least [133 percent of the loan amount]." Quite simply, residential housing production lending has always been a sound and profitable business for banks. That business is being harmed by regulatory measures taken primarily to deal with the problems of commercial real-estate loans.

NAHB has worked closely with the Administration and the banking regulators to address these types of problems. Many of them have been productively dealt with through a series of policy clarifications issued jointly by the regulators. In addition to setting forth specific procedures for banks and examiners in dealing with real estate loans, these policies have attempted to encourage banks to take reasonable approaches toward dealing with creditworthy borrowers whose loans are experiencing problems. Nevertheless, it would be premature to end an emphasis in this area. There is still considerable question as to how consistently these policy initiatives are being implemented at the field level. Frankly, a real problem seems to be that bank examiners continue to be subjected to contradictory messages from Congressional responses that are critical of the regulators' policy implementation.

#### FEDERAL HOUSING ADMINISTRATION (FHA)

One need not examine current housing policy for long to discover the direct regulatory cost also being borne by American consumers, namely the American family. For instance, the National Affordable Housing Act of 1990 (NAHA) and the ensuing HUD regulations increased the required up-front cash for purchasing a home with an FHA mortgage and increased the premiums for mortgage insurance from FHA. These changes were introduced because of the deteriorating condition of the FHA fund as discovered in an actuarial analysis released by Price Waterhouse in June 1990. The impact of these changes has meant fewer families are able to afford to purchase a home, especially young, first time buyers.

NAHA placed the burden of correcting past problems in FHA solely and completely upon home buyers who use FHA hence forth. According to the figures in the latest Price Waterhouse report, each yearly group of FHA borrowers will be charged an extra \$400 million dollars in premiums over what Price Waterhouse now estimates as the necessary earnings to maintain actuarial soundness. This means FHA business in 1992 is charging nearly \$600 million in extra premiums.

Not only is this unfair to new borrowers, but it comes at a time when home ownership is slipping away from many young couples. The rate of home ownership for married couples under 35 has fallen five percentage points in 10 years, from 61 percent in 1981 to 56 percent in 1990. Households that are not traditionally owners, like singles and single parents, have done even worse. This philosophy -- that future business must pay for past errors -- means that new buyers will be less likely to find FHA the best option, especially those buyers with sufficient cash to use private mortgage insurance. Evidence of this trend has already surfaced in at least two studies conducted by the Mortgage Bankers Association and the National Association of Realtors. The fall in business will only mean that an even higher premium will be needed to continue to feed the failing old business. And if the smaller volume of business is also riskier, the failure will be even larger.

The diminishment of FHA availability to cash-short buyers affects first time home buyers the most. Families with small savings are finding it increasingly difficult to accumulate sufficient down payment for the first home. The Joint Center for Housing Studies at Harvard reports that 77.7 percent of all renters did not have the wealth to meet the up-front cash required to purchase a starter home. The Census Bureau reported in "Who Can Afford to Buy A House?" that 91 percent of all renters cannot afford to buy for several reasons, but again primarily because of insufficient up-front cash.

Interest rates and home prices have both moved in a direction that should have improved the affordability for first time purchasers. However, down payment requirements remain the barrier that prevents first time home buyers from taking advantage of the favorable trends. NAHB offered a number of economic stimulus proposals that address first time home buyers' barriers. Specifically, we have proposed a tax credit for first time home buyers that would not only put more families in their first home, but would also provide an economic stimulus to all regions of the country. We have also proposed allowing the down payment on a first home to be an eligible investment for first time home buyers' and their parents' tax deferred retirement programs.

## ENVIRONMENT & ENERGY

### WETLANDS

The rising price that working Americans pay for housing is directly related to the increasing cost of government regulations for impact fees, zoning permits, hook-up charges, and a host of federal, state, and local government permits, including federal wetlands permits. Unquestionably, the burdensome federal regulation of wetlands has created significant problems for home builders and property owners. Some builders have faced waits of two to three years to obtain a federal wetlands permit to build on their land. Others end up spending hundreds or even thousands of dollars in legal and engineering fees to clear the permit hurdles to build on "dry wetlands."

The history of wetland protection has a rocky past. When the Clean Water Act was first passed in 1972 and amended in 1977, the statute did not mention the word "wetlands." Only later did the Federal agencies of jurisdiction interpret statutory references to the "waters of the United States" to include wetlands. Second, the Act gave oversight of its Section 404 to two agencies, the Army Corps of Engineers (the Corps) and the Environmental Protection Agency (EPA). Rather than taking advantage of the best the two agencies had to offer, the bifurcated administrative structure of the Section 404 program has fostered 18 years of controversy, excessive permit processing times, and probably little actual protection of wetlands.

Much of the controversy of recent years has resulted from the inability of the Corps and EPA to develop mutually agreeable policies which protect the nation's waters and wetlands. These policy disputes have left permit applicants, like homebuilders, without any meaningful guidance on key program standards for years. Then, lacking any further direction from Congress, the Corps and EPA have systematically engaged in a practice of making policy decisions behind closed doors, without the benefit of public notice and comment. These decisions have resulted in vast amounts of land being inappropriately classified as federal jurisdictional wetlands, regardless of their value or importance as ecologically sensitive areas.

When builders are denied federal wetland permits or forced to wade through needless wetland regulatory bureaucracy, a significant price is paid by the small businessperson and consumer alike. Not only do home builders suffer, but the ripple effect of these actions impact a wide array of subcontractors like electricians, plumbers, and painters. In addition, the ripple is felt by realtors and retailers on Main Street who fail to capture revenue from the sale of drapes, furniture, wallpaper, or other home essentials.

This investment in housing is important not only for the national economy, but it provides increased property tax revenues for our local communities and school systems. The impact of wetlands regulations was best stated by a New England councilman when he said (in reference to the Corps' 1989 wetlands delineation manual), "Municipalities [in our area] are going to be virtually shut down, if they are not already. It's going to put people out of business." Another local official talked about his small community losing over \$300 million in assessed value because of the same manual. He further stated that "tax revenues lost just for our small town would exceed \$9 million a year. Major projects have stopped. It's paralyzing the economy." Similar statements have been related in Virginia, Georgia, Maine, Florida, the Carolinas and across the country. An overly expansive delineation of federal jurisdictional wetlands does affect jobs, the national economy, small businesses, private property rights, and the delivery of affordable housing.

What is particularly troubling about the wetland regulations is that their scope exceeds what is truly necessary to protect actual wetlands. Let me provide a real "for instance." In 1990, a developer of a low-income housing project in Dorchester County, Maryland (a rural county along the Chesapeake Bay), was given a "cease and desist" order by the Corps for a project that was already over 50 percent complete. The developer had obtained all necessary local approvals and an environmental consultant had advised him that the site had no wetlands. The property's soils did not appear on the county's Soil Conservation Service (SCS) Hydric Soils list. In fact, the site was a soybean field that had no history of standing water, streams, creeks or wet depressions, and had been used for soybean production for many years. The Corps based its order on the fact that the SCS had recently reclassified the soils on site as hydric, although the reclassification has never been made public. The Corps investigator had, in fact, never set foot on the site prior to issuing the order.

As a result of the Corps order, the developer's bank immediately cut off his construction loan. No longer able to pay his construction contractors, the developer was immediately served notice of their intent to sue. Meanwhile, the previously-constructed housing units were sitting on pads at the building site and could not be properly placed on the completed foundation. Predictably, the developer was unable to meet his project delivery dates and, as a consequence, many families that were counting on moving into these units were denied that opportunity.

After a month of intense negotiations, intervention by the County Commissioners and the threat of many lawsuits, the Corps finally rescinded their order and the developer's bank again resumed payments on his loan. Nonetheless, the project was completed several months behind schedule and at a significant loss to the developer and added cost to the consumer. The Corps eventually dropped any demand for mitigation at the site, ruling that the property was not a wetland, but actually "drained cropland."

Another case in point involves a concrete producer from Wareham, Massachusetts (near Cape Cod). In 1986, the owner decided to expand his product line of his family business. To do so, he would need to construct additional space to use as retail supply and extra storage areas, which would require an access road between two adjacent lots. Four years and \$173,000 later, the company's owner had not yet begun construction on the building annex. Instead, he had encountered problems with the Section 404 regulatory program: in his case, coordination among local, state, and federal delineations of wetlands and agreement on the extent and method of mitigating any loss of natural wetlands.

In 1985, the owner hired an engineering firm to review the planned project and assess the extent of the wetlands on his property. That firm determined that the lot contained wetlands, and that because the wetlands were in a "mitten-like" shape, any access road constructed to reach the upland part of the property would involve disturbing wetlands. The firm further concluded that the owner would have to undertake measures to insure the base flow through an adjacent creek was unimpaired, and that mitigation (construction of replacement wetlands) could be accomplished on site.

The owner's initial vision of the project required filling in approximately 28,000 square feet of wetlands. He offered to mitigate the damage with 32,000 square feet of wetlands in an adjacent upland area hydraulically connected to the natural wetlands. In January of 1987, he applied for an Order of Conditions under the Massachusetts Wetlands Protection Act and the Wareham Protective By-Laws. His application was denied and he revised his site plan.

In April of 1987, the owner filed a Notice of Intent consistent with state requirements and an Application for a Department of the Army (Corps) Permit. In that Notice, the owner counterproposed the filling of 4,700 square feet of wetlands to build a connecting driveway between his existing manufacturing area and the proposed storage yard. He proposed creating 6,000 square feet of wetlands at another area on the site to be hydraulically connected to the existing wetlands, using a detailed mitigation plan that would take place before any filling occurred.

In May of 1987, the Wareham Conservation Commission (the Commission) granted an Order of Conditions allowing the owner to fill the wetlands, provided that the wetlands be replicated first (according to the owner's proposal). In July, the owner notified the Commission of his intent to proceed. But four months later, a representative from the EPA visited the site. By letter that was dated November 30, 1987, but postmarked December 10, 1987, the Corps notified the owner of the need for a Corps permit. This letter failed to reach the Commission, though it was named as a recipient of a copy. The EPA representative visited the site for a second time in December and notified the owner that he was in violation of the Clean Water Act. The owner spent the next few months corresponding with town, county, state, and federal officials.

Faced with conflicting requirements, and saddled with engineers, lawyers and consultants with varying levels of expertise regarding the local, state and federal standards, the owner spent the next two years attempting full compliance. He eventually spent a total of \$173,100 in this effort: \$86,000 on environmental consultants, \$42,000 in attorney's fees, and \$45,100 in nursery and planting expenses. And all the owner wanted to do was create more storage area, in order to allow the company to expand its product line, create a safer working environment for its employees, provide additional parking for customers and employees and eventually hire six more workers.

This type of bureaucratic "red tape" and unnecessary, duplicative overregulation is inappropriate and unacceptable. Accordingly, NAHB is urging Congress to pass H.R. 1330 which would eliminate excessive delays and costs related to Section 404 and wetlands. The enactment of H.R. 1330 would provide the needed balance between protection for true wetlands without unnecessary regulatory costs, burdensome delays and overlapping regulatory jurisdictions.

## ENDANGERED SPECIES ACT

In 1973, Congress passed the Endangered Species Act (ESA) making it a federal offense to buy, sell, possess, export, or import any species listed as endangered or threatened or any product made from such a species. The law also directed federal agencies to ensure that their actions, including the granting of construction permits to private companies, did not jeopardize listed species. Economic impact was prohibited from being considered when making these determinations. In 1989, Congress reauthorized the Act for an additional five years. The Secretaries of Interior and Commerce have principal responsibility for administering the Act (Interior is responsible for freshwater and land species). Within Interior, responsibility for implementing the Act and for making listing decisions has been delegated to the Director of the Fish and Wildlife Service (FWS).

Preservation groups and "no-growth" advocates have discovered the Act as an effective tool to halt development and home construction. Recently, a temporary restraining order by a federal judge blocked government timber sales from lands involved in the much-publicized spotted owl dispute. The result -- a corresponding spike in lumber prices. In fact, the past few months timber prices have increased by about 30 percent, which in turn will have the eventual effect of damaging housing affordability. But beyond being used as a "surrogate" to achieve environmental objectives other than the protection of endangered species, ESA listings have also had a major cost impact on municipalities and private builders.

For example, the city of Austin, Texas has recently been beset by the ESA listing of the black-capped vireo and the golden cheeked warbler. The FWS has listed both birds as endangered, with the Texas "Hill Country" surrounding Austin the primary center of their habitat. Because there are less than 1,000 birds nationwide, the FWS has taken an especially strong stand. So Austin city officials, in conjunction with the private sector, have devised a conservation plan that sets aside large tracts of land as a protective preserve, with more than 200,000 total acres being required for their protection.

Although the costs of these requirements are difficult to assess, the city's chief appraiser has stated that the value of the affected land would be reduced from approximately \$336 million to \$15 million, with the annual tax levy reduced from \$6.7 million to around \$300,000! Beyond the proposed set-aside, the appraised value of the average home in Austin dropped from roughly \$71,000 to \$68,000, with the city forced to deal last year with a \$1.6 million shortfall based on the current property tax rate. Officials in Riverside County, California are mindful of similar dangers in the face of an ESA listing for the Stephens' kangaroo rat (indigenous to that area). The designation slowed on-line development for more than two years and has cost builders more than \$20 million in special environmental fees to help save the rodent and its habitat.

We believe there should be a more rational approach to the protection of endangered species. Accordingly, NAHB's key ESA priorities are as follows: to seek a requirement for an economic impact statement to accompany a proposed listing for a species; to seek a determination that a species is recoverable before the final listing of a species; and, to seek an equitable financial responsibility for habitat conservation plans rather than tapping building fees the primary source of revenue.

## ENERGY

Despite the pleas from small businesses and the housing industry, Congress continues to entertain proposals which are bound to have repercussions for all homebuyers. Currently being considered by various committees in the House is H.R. 776, the Comprehensive National Energy Policy Act. Among other things, this bill would impose mandatory energy efficiency standards on all new home construction in every single state, with little regard for life cycle costing and its impact on the housing consumer.

The mandatory standards referenced in the legislation is the 1989 edition of the Council of American Building Officials (CABO) Model Energy Code (MEC). The national cost of complying with this code is \$2,340. But this amount does not represent the cost of the entire energy efficiency package in the home. Instead, it is the amount over and above the cost of meeting the 1986 edition of the CABO MEC, the edition immediately preceding the 1989 edition. This \$2,340 in additional costs will inevitably hurt small home builders, and of equal importance, the low- to moderate-income families looking for their first home. Therefore, if enacted, this bill would represent yet another federally imposed barrier to affordable housing.

## LABOR

### MANDATED BENEFITS

Lacking sufficient revenues to provide for the government delivery of new programs, elected officials have been asking more frequently for small business people to bear the cost burden. Faced with fiscal realities involving tight budgets or indeed, budget deficits, many government authorities (at all levels) have attempted to pass along the cost of "socially-conscious" legislation in the form of employer mandates.

Many states and localities have already enacted or actively considered laws mandating paid family/medical leave or health benefits for all workers and, as you well know, support for comparable federal mandates continues to run high within the current Congress. And this all on top of the newly emerging compliance costs for small businesses associated with the recently enacted Civil Rights Act of 1991 and Americans with Disabilities Act of 1990.

### SAFETY & HEALTH

Much attention in recent years has also been focused on improving safety and health conditions within the construction industry. Indeed, the 1991 federal Occupational Safety and Health Administration (OSHA) "rule book" for construction weighs in at almost 700 pages, with recent standards concerning the hazardous communication of toxic chemicals (HazCom), proper trenching, and the use of stairways and ladders having all been promulgated in the past three years. During the next year or so, OSHA is expected to publish new rules dealing with roof fall protection, scaffolds, and the wearing of seat belts while driving motor vehicles.

NAHB members fully recognize the hazards associated with the building worksite. That's why our association provides a full range of services designed to help builders comply with existing safety and health guidelines. However, as the housing industry struggles toward economic recovery, OSHA inspectors have recently begun to place a heavy new emphasis on enforcement within the residential sector, with home builders now subjected to inspections once reserved for large commercial construction firms.

Take, for example, the current situation in the state of Iowa. Iowa is one of the more than twenty states that, in accordance with current OSHA law, has opted to develop and operate its own job safety and health plan. Once a state plan is approved, federal OSHA funds up to fifty percent of the program's operating costs and continues to closely monitor the plan's operation. Since last September's tragic fire in Hamlet, North Carolina (which had an OSHA-approved state program) where 25 workers were killed at an Imperial Foods plant, approved state plans have been under intense scrutiny from the U.S. Labor Department.

This intensified federal oversight, coupled with a seven-fold increase in the maximum allowable fines for OSHA violations (as passed by Congress and the Administration as part of the 1990 Omnibus Budget Reconciliation Act), has resulted in the thirteen full-time Iowa Occupational Safety and Health Bureau (IOSH) inspectors levying record-setting fines to builders or their subcontractors for even the most minor safety violations. Roughly a month ago, an IOSH inspector visited a Des Moines building site where plumbing and electrical work was being performed by subcontractors. The inspector asked a laborer working on a ladder if he knew how high he could legally climb while working and still comply with state standards. "As high as I'd like to," replied the worker. The resulting fine assigned to the subcontractor -- \$3,000, for failure to provide proper training and violating the standard requiring fall protection for employees working over 4 feet off the ground.

Other recent IOSH assessments include a \$5,000 fine levied against a West Des Moines remodeler for violating the equivalent IOSH hazard communication standard. His offense -- an open tube of caulk lying on the ground at the worksite. The remodeler's aggregate total for all violations, including failure to properly secure electrical extension cords and improperly securing workers' ladders, was over \$27,000! A plumbing subcontractor was fined \$1500 for his failure to inform workers that a first aid kit was available at the worksite, and for failing to resupply his kit with "sanitary" gauze after his kit's gauze roll had been opened. NAHB has also received recent correspondence from Iowa builders indicating that heating and air conditioning subcontractors are informing them that their new pricing schedules, altered to accommodate the all-to-real possibility of IOSH fines, will reflect an additional \$250 to \$300 per house. And one particular drywall subcontractor in Des Moines submitted a recent bid to a builder that included an actual line-item devoted to padding the cost to accommodate possible IOSH scaffolding violations. The line-item cost -- an extra \$3500!

Such examples are not confined to "state-plan" states such as Iowa. Federal OSHA inspectors are also assessing fines that seem far to excessive to fit the accompanying citation. As a Massachusetts NAHB member recently noted in correspondence to our national office:

"It has come to my attention that OSHA is blitzing our region with a 'fine first/ask questions later' approach to the construction industry. One of our members has recently shared with me a number of citations...issued to his electrical contracting firm and other trades on a local jobsite. The nature of the infractions charged seems considerably less severe than the fines would indicate. In fact, the severity and frequency of fines being issued threatens to expose the workers in this region with a greater likelihood of job loss and starvation than to an injury on the job."

In Houston, Texas just last fall, OSHA inspectors visited a residential building site and began writing citations for, among other things, the employer's failure to provide a written safety plan and violation of the HazCom standard. Thirty minutes later, the fines totalled over \$31,000. Included among those fines were two \$900 fines for failure to provide a fire extinguisher on site and for failure to post emergency phone numbers.

To be sure, NAHB does not condone the legitimate violations which have just been referenced. We recognize our responsibility to work with our members to help them comply with existing state and federal safety and health standards. But, I again must ask, can these kinds of excessive fines really "fit the crime" or accomplish their stated purpose - the abatement of hazards? In order to have workers that require protection, there need to be viable employers. For that reason, NAHB recommends that federal OSHA and the approved state plans alter their enforcement schemes to reflect the differences between heavy commercial construction and residential building "of four stories or less."

### TAX

The Tax Reform Act of 1986 (TRA) also placed increased administrative burdens on small businesses. Significant regulations (such as Treasury Regulation Section 1.263A(f)-4(e)(2)) arising from the TRA pertain to the capitalization of construction costs. Generally, all direct and indirect construction period costs must be capitalized into the basis of the building and depreciated over the applicable recovery period. For buildings built under contract, the owner of the building is required to capitalize costs, including interest, to the extent paid to the contractor or otherwise incurred by the taxpayer.

The TRA authorized the Internal Revenue Service (IRS) to prescribe such regulations as may be necessary or appropriate. The proposed regulations are imprecise and overinclusive. NAHB has testified before the IRS on these highly technical regulations, citing a number of the administratively created problems for builders. I would be happy to supply the Task Force with a copy of our IRS testimony upon request.

Also on the tax front, NAHB would point to the lengthy and overinclusive regulations put forth regarding the passive activity loss rules enacted through the TRA. While the underlying problem with those rules is statutory, the sheer bulk of the regulations alone makes them incomprehensible even to sophisticated accountants or tax attorneys.

**CONCLUSION**

That concludes my prepared statement for the Task Force. Again, let me state my thanks for the opportunity to appear before you here today. At this time, I will be happy to provide any additional information you may request or answer any questions you might have of me.