



BUILDER REALTY COUNCIL OF METROPOLITAN DENVER GENERAL BOARD MEETING MINUTES

Date of Meeting:	Tues. April 20, 2021
Location:	Zoom Virtual Meeting
Meeting Facilitator:	Troy Warrick, President, and Susan Sechrist, Treasurer & Acting Secretary
Attendance:	43 People in Attendance; 84 People Pre-Registered;
Start and End Time:	9:05a.m. to 9:52a.m.

Troy Warrick facilitated the meeting.

Troy introduced the Guest Speaker. The Guest Speaker- Ted Leighty, CEO, Colo. Assn. of Home Builders and HBA of Metro Denver, Topic Title- Putting Hammer to Nail: An Overview of Residential Building in Metro Denver.

Announcements

- BRC is looking at a venue to nail down the in-person BRC Happy Hour event in May 2021. BRC plans to host more in-person events.
- BRC to have the annual Builder Breakfast in June 2021.
- New builds are the way to go these days and let the equity rise in ownership of a new home. Go to BRC Denver and join.

Presentation- Putting Hammer to Nail: An Overview of Residential Building in Metro Denver

- Susan Sechrist to post the presentation slide deck from Mr. Ted Leighty, on the BRC website for access by BRC members only. This is a benefit of BRC membership.
- Mr. Leighty walked through and spoke to the slide deck.
- There is still a lot of economic uncertainty. However the sales have been good. We have seen price appreciation.
- We have a stable rental market.
- New communities continue to open and offer affordable pricing.
- We have found that in working from home, owners want more space inside and outside the home.

Problems Faced in 2019 – 2020 and Problems into 2021

- Per NAHB HMI Special Survey, there are 10 major problems NAHB faced in **2019**.
 - Top was cost/availability of labor, next was building material prices.
 - Mid way problems were both gridlock/uncertainty in Washington making buyers cautious, and, development standards around parking, setbacks and more.
 - Last problems are both local/state environmental regulations and policies, and, negative media reports making buyers cautious.
-

- Per NAHB HMI Special Survey, there are 10 major problems NAHB faced in **2020**.
 - Top was building material prices, and, availability/time it takes to obtain building materials.
 - Mid way problems are both cost/availability of developed lots, and, inaccurate appraisals.
 - Last problems are both gridlock/uncertainty in Washington making buyers cautious, and, difficulty obtaining zoning/permit approval.

- Per NAHB HMI Special Survey, the 10 major problems NAHB expects to be experienced in **2021**.
 - The anticipated top problems are building material prices, and, availability/time it takes to obtain building. materials.
 - The anticipated mid-level problems are cost/availability of developed lots, and, inaccurate appraisals.
 - Lastly, the anticipated bottom-level problems are COVID-19 making buyers reluctant to shop for a home, and, gridlock/uncertainty in Washington making buyers cautious.

Cost Drivers

- Lumber/Materials
 - Lumber prices increase over 180% since spring of 2020.
 - As a result, lumber prices increase the average price of new SFH.
- Labor
 - 21% of construction costs of new SFH
 - Colorado shows low unemployment, low population growth rate, and low availability of skilled construction labor. Colorado lacks skilled construction workers which impact the number of new homes being built.
 - The Denver Post reports a labor shortage resulting in 96,000 vacant construction jobs by 2025.
 - The NAHB Index survey shows that the Mt. West Region 76% of builders believe the cost and availability of labor to be significant in 2021. This results in longer build times, increased delays, higher worker & subcontractor rates.
- Loans-Capital
 - Construction financing still available. Smaller builders report problems with capital from institutional lenders.
- Regulations
 - Land use/zoning, Entitlements, Permits, Tap and impact fees.
- NAHB estimates that on average, regulations imposed by govt. at all levels account for 24.3% of the final price of a new single-family home. For multi-family the regulations account for 32%.

Denver Metro 4Q Starts YOY by County

- The county with the greatest 4Q YOY starts is Douglas county. A close second is Adams county.
- Elbert county comes in last.

Denver Metro Annual Starts Trend & Market Share by County

- In 2020, Douglas county at 32,000 comes in first with Adams close behind at 29,000.
- Last in 2020 is Broomfield at 3,100 and Elbert county at just 1,900.

Denver Metro Annual Starts Market Share by Price-All Product

- \$600K and greater, accounted for 16% of starts, down from 19% in 2019.
- \$400K to \$449K experienced the largest YOY growth.
- Under \$400K accounted for 27% of starts vs 29% in 2019.

The Spread Between Median NEW & RESALE Home Prices Narrows

- Resale home price is \$491K, where NEW home prices is \$551K plus. Therefore the spread between Resale and NEW homes closes.

Three Denver Metro Scenarios

- 2021 Scenario 1-3 analyzed these data points: Health, Government, Economy, and Housing.
- The hope is the lockdowns cease thereby giving the city a return to restaurants opening to 50% and greater.
- A scenario is that the economy and business returns to full functionality. Housing remains open. Mortgage rates remain below low.
- If Denver Metro Scenario 2020-2022 Housing Start Forecast occurs then:
 - Strong backlog carries into 2021 but the pace of recent growth, the 2nd half of 2020, slows due to pricing, lots, economic uncertainty. It is anticipated a 0 – 10% increase.
 - Anticipate a steadier year in 2022 as lot availability widens, the economy grows, and COVID fears diminish. Here anticipate a 5 – 8% increase.
 - If, then back to 14,500+ starts at the end of 2022. Anticipate only appx. 75% return to the peak in 2005.

Public Policy Challenges

- Construction litigation reform. Arbitration policy changes.
- Immigration, workforce development, metro district policy changes, impact fees, inclusionary zoning, water resources/availability, and limitations on housing growth.
- A challenge is that both construction and agriculture are competing for immigration labor.
- Metro District Policy changes- builders want to socialize costs to the homeowners.
- Water resources always a challenge.
- Housing growth in Lakewood enacted their growth limitations. May be a state ballot to limit growth in 2022.

Policy Solutions

- Possibly continue construction litigation reform. Defend against attempts to undo litigation reform via arbitration 'reform'.
- Pass meaningful immigration reform.
- Fund, and partner with industry on workforce development programs in High Schools with U.S. citizens.
- Promote the sound use of metro districts as a way to build more affordable product.
- Avoid the increase impact fees and ensure a clear nexus between fee and service.

Questions from Affiliates and Builders

- What is an anticipated time line for costs of building to be lower?
 - Labor is a long term issue and immigration too and the United States does not have domestic labor to fill the demand for labor. We continue to have talks with policy makers.
- What is NAHB doing in the talk with city of Denver about zoning changes related to down zoning?
 - We need more land and a shorter title time. We have talked to city councils. We need our plats approved and approved faster as delays here can add carrying costs that are passed on to consumer.
- What does HVA do to limit costs?
 - There are many battles to fight. Here, we fight battles in front of us like tap fees. We talk to the policy makers and try to do a lot of education on an ongoing basis like with the city council and staff. We tell the city of our challenges with the current increases in the costs of housing. This was due to the Covid lockdown. City staff now works from home and this causes delayed inspections thereby increasing the times, hence the costs of housing. There is no silver bullet. From national to local associations we constantly talk to government. We educate the new policy makers.
- What do you recommend to an individual wanting to navigate through policies?
 - If you are a realtor we suggest you use part of your realtor associations Website for information. Otherwise organize yourselves as realtors in order to approach and help talk to policy makers. With both realtors and builders do talk to city councils. Tell of your expertise in order to impact policies. This helps to bring more housing supply online.
- The tap fees in Englewood are now increased making it so that builders will not build in Englewood anymore. What can you do?
 - Be involved with your realtor association. We find that in the Metro area it is a daily drive of what agenda and policies are. Study the sessions with city staff in making policies. Watch the city council.

Debriefing by Affiliate Members & Builder Reps

- We heard from a new member, Koala Insulation, Sean Ring at koalainsulation.com. We are an insulation company locally owned with great pricing and good brand. Koala serves residential and commercial for remodeling. Today most homes are under insulated since it was not required to insulate homes. Inspection shows lower R values for homes. We work with homeowners. We undertake residential, commercial and industrial work. Counties Served are Denver County, Jefferson County, Arapahoe County, and Douglas County.
- Neneh Biffinger partners with residential housing developers and builders to create and promote Broker Programs. She raises awareness and drives business to builder's developments.
 - Ms. Biffinger provides Consulting and Business Development services to streamline focus on goals, implement plans to achieve goals, and successfully delivers results.
 - Moreover, she is a builder representative. She drives traffic to new builders where she announced that the next phases are coming soon. Join us at night-outs by contacting her at Neneh@GMeansGo.com.

Respectfully submitted,
C.J. Wells
Secretary