

May 2024

Key NAHB Housing Issues

1. NAHB has developed a 10-point housing plan to keep housing front and center during this election season. Our message is strong and concise: The only way to tame shelter inflation (homeownership and rental costs) and to ease the housing affordability crisis is to build more homes.
2. The Federal Reserve is likely to hold interest rates higher for longer because of disappointing progress for inflation data and solid labor market reports. With higher-than-expected interest rates on deck for 2024 and stubbornly low levels of existing inventory, housing affordability will continue to be challenged.
3. In a key victory for NAHB and the housing community, the Supreme Court on April 12 issued a unanimous decision on impact fees. The decision provides an avenue for home owners, builders and developers to invoke the Takings Clause in challenges to impact fees in states where the fees are authorized by legislation.
4. In a huge win for NAHB, the Department of Energy (DOE) has issued a final energy efficiency rule for distribution transformers that explicitly heeded our call to ensure that it would not impede the production of badly needed transformers.
5. The U.S. Department of Housing and Urban Development (HUD) and U.S. Department of Agriculture (USDA) have issued a final rule that requires all HUD- and USDA-financed new single-family construction housing to be built to the 2021 International Energy Conservation Code (IECC) and HUD-financed multifamily housing be built to 2021 IECC or ASHRAE 90.1-2019. While the phase in dates will be between one and two years, this mandate will curb new construction and harm housing affordability nationwide.
6. HUD and USDA's new minimum energy standard will be among the top issues at the upcoming NAHB Legislative Conference in Washington, D.C. on June 12. NAHB's premier grassroots event offers a unique opportunity to

speak one-on-one with your elected representatives on Capitol Hill and to push for housing policies that will help your business and our industry.

7. The Department of Labor has issued a final rule significantly increasing the salary level for determining overtime pay requirements for certain salaried employees. Effective July 1, 2024, the salary threshold will increase the annual salary level from \$35,568 to \$43,888, and then to \$58,656 on Jan. 1, 2025, marking a nearly 65% increase from the current salary threshold.
8. Housing market snapshot: Single-family and multifamily starts fell in March, along with existing home sales. New home sales posted an unexpected solid gain and builder confidence held steady in April.

NAHB Housing Plan

- In this election season, [NAHB is working to keep housing at the forefront of the political agenda.](#)
- Our message is strong and concise: The only way to tame shelter inflation (homeownership and rental costs) and to ease the housing affordability crisis is to build more homes.
- This is a message we will be hammering home to Congress, the news media, social media, state and local elected officials, and other interested stakeholders who can influence the political debate.
- We kicked off this program by sending out our own housing platform to the national media and striking when the iron is hot.
- This is the first election season in years when many policymakers at all levels of government have acknowledged that action must be taken to provide more affordable homeownership and rental housing opportunities for all Americans.

- NAHB’s 10-point blueprint builds on this momentum and calls for concrete steps at the local, state and federal levels to address the root of the problem – the impediments to increasing the nation’s housing supply.
- Our [10-point plan](#) consists of the following:
 1. Eliminate excessive regulations.
 2. Promote careers in the skilled trades.
 3. Fix building material supply chains and ease costs.
 4. Pass federal tax legislation to expand the production of affordable and attainable housing.
 5. Overturn inefficient local zoning rules.
 6. Alleviate permitting roadblocks.
 7. Adopt reasonable and cost-effective building codes.
 8. Reduce local impact fees and other upfront taxes associated with housing construction.
 9. Make it easier for developers to finance new housing.
 10. Update employment policies to promote flexibility and opportunity.
- Over the course of the election season, we will be looking to keep these issues front and center.
- The objective is to keep housing in the national spotlight and promote common-sense solutions that will help the housing community to successfully tackle the housing shortfall in America, bend the housing costs curve, and provide all Americans with better homeownership and rental housing opportunities.
- Learn more at nahb.org/plan.

Interest Rates to Remain Higher for Longer

- Interest rates moved higher in recent weeks because of disappointing progress for inflation data and solid labor market reports.

- In late April, the 30-year fixed-rate mortgage averaged 7.17%, the first time this key rate was above 7% since November of last year.
- Meanwhile, the latest Federal Reserve monetary meeting concluded on May 1, and with inflation progress stalling in recent quarters, the Fed elected to hold rates at their current, restrictive levels until further progress is made with key price metrics.
- Despite elevated interest rates, new home sales remained solid in March, helped by builder incentives including mortgage rate buydowns.
- Although consumer demand has been somewhat dampened by higher interest rates, builders continue to supply new homes to the market to lift inventory and compensate for the low resale supply.
- In March, there was a 3.2-month supply of existing homes. A 5- to 6-month supply is considered balance.
- With higher-than-expected interest rates on deck for 2024 and stubbornly low levels of supply, housing affordability will continue to be challenged.

A Key Supreme Court Victory on Impact Fees

- Following a unanimous decision handed down by the U.S. Supreme Court on April 12, [California home owners, builders and developers may now challenge improper local impact fees for housing development](#) even if the fees are authorized by legislation.
- The decision is a major victory for the home owner involved in the case as well as home builders and developers, especially in California. NAHB and the California Building Industry Association (CBIA) submitted two amicus briefs in the case supporting the home owner.
- The case, [Sheetz v. El Dorado County](#), involved George Sheetz, a California resident who in 2016 applied for a permit to build an 1,800-square-foot

manufactured home on a residential-zoned lot he owned. The county imposed a \$23,420 “traffic mitigation fee” on the permit.

- Sheetz protested the fee but ultimately paid it, and then immediately sued the county, arguing the fee was unconstitutional under the Constitution’s Takings Clause.
- At a California state court, Sheetz argued that the fee was not closely connected to or proportional to the actual impact his new residence would have on roads.
- The county countered the impact fee was legal and did not violate the Takings Clause because the impact fee was authorized by legislation.
- Sheetz lost his decision before California state courts and appealed up to the Supreme Court.
- In writing the unanimous opinion, Supreme Court Justice Amy Coney Barrett said: “There is no basis for affording property rights less protection in the hands of legislators than administrators. The Takings Clause applies equally to both — which means that it prohibits legislatures and agencies alike from imposing unconstitutional conditions on land-use permits.”
- The ruling kicked the case back down to lower courts to decide if Sheetz’s \$23,420 fee was a taking, and thus, improper.
- It did not resolve larger questions about the way permitting and impact fees are calculated and structured.
- It did, however, provide an avenue for home owners, builders and developers to invoke the Takings Clause in challenges to impact fees in states where the fees are authorized by legislation.

DOE Heeds NAHB Concerns on Transformer Rule

- [In a huge win for NAHB](#), the Department of Energy (DOE) has issued a final energy efficiency rule for distribution transformers that explicitly

heeded our call to ensure that it would not impede the production of badly needed transformers.

- The final rule represents a major improvement over what was initially proposed and should deliver practical efficiency gains without further exacerbating ongoing supply challenges in the distribution transformer marketplace.
- NAHB was sharply critical of DOE's original rule proposal because it effectively required all distribution transformers to shift from the industry standard grain-oriented electrical steel (GOES) cores to amorphous steel cores and marginally increased energy efficiency standards for transformers.
- GOES currently accounts for more than 95% of the domestic distribution transformer market, and manufacturers' production lines are tooled for designs that use GOES.
- If this plan had been enacted, it would have further curtailed the production of transformers at a time when they are needed now, more than ever.
- DOE significantly amended the final rule to ensure that 75% of transformers, including those used for housing developments, can continue to use the industry's standard GOES cores.
- NAHB is now urging the administration and Congress to shift their focus toward addressing ongoing distribution transformer supply shortages that are hampering the ability of builders to bring much needed housing to the market.

New Energy Codes Mandate a Blow to Housing Affordability

- The U.S. Department of Housing and Urban Development (HUD) and U.S. Department of Agriculture (USDA) have issued a [final rule that will curb new construction and harm housing affordability nationwide](#).

- The rule requires all HUD- and USDA-financed new single-family construction housing to be built to the 2021 International Energy Conservation Code (IECC) and HUD-financed multifamily housing be built to 2021 IECC or ASHRAE 90.1-2019.
- HUD and USDA have rammed through a mandate that will do little to curb overall energy use but will hurt the nation’s most vulnerable house hunters and renters.
- The Wall Street Journal agrees with NAHB. On April 30, the paper’s editorial board published an [op-ed titled “Biden’s Plan for Unaffordable Housing.”](#)
- The Journal said the “new HUD energy rule will raise the cost of home construction when homes are already out of reach for many Americans” and specifically cited NAHB studies which show that [building to the 2021 IECC can add up to \\$31,000 to the price of a new home](#) and take up [to 90 years for a home buyer to realize a payback](#) on the added cost of the home.
- This unreasonable trade-off for a new home buyer will do little to offer meaningful energy savings for residential homes and apartments and in fact, will make older, less efficient homes more attractive.

Compliance Dates and Paths for Home Builders

- At the strong urging of NAHB and other commenters, HUD did extend the compliance dates for these new requirements. The effective date of the rule is May 28, 2024, but the compliance dates for the building code mandates are:
 - 18 months after the effective date for single-family homes;
 - 12 months after the effective date for multifamily projects; and
 - 24 months after the effective date for homes in “persistent poverty rural areas.”
- In addition, the rule provides other compliance paths. Homes built to above-code existing standards will satisfy the new requirement.

- Programs specifically mentioned by HUD include ICC-700 National Green Building Standard (NGBS), Energy Star Certified New Homes, and Leadership in Energy and Environmental Design (LEED), among others.
- Adoption of the prescriptive or performance paths of the 2024 IECC will also be an allowable compliance pathway.

Codes, Transformers and Labor Shortages Top Leg Con Agenda

- HUD and USDA’s new minimum energy standard will be a top issue at the upcoming [NAHB Legislative Conference](#) in Washington, D.C. on June 12.
- A strong showing can help move the needle on this vital issue as well as other top housing priorities, including the need to boost the production of transformers and ensure proper funding for workforce development to help alleviate the severe labor shortage in the construction industry.
- NAHB is calling on Congress to include a provision in the fiscal year 2025 Transportation, Housing and Urban Development, and Related Agencies Appropriations bill to prevent HUD from using any funds to implement the 2021 IECC for all HUD- and USDA-financed newly constructed housing.
- [NAHB Chairman Carl Harris and First Vice Chairman Buddy Hughes on May 1 met with several U.S. senators](#) on Capitol Hill to discuss key housing issues, and this topic was high on their list of concerns.
- The NAHB Legislative Conference offers a unique opportunity to speak one-on-one with your elected representatives on Capitol Hill and to push for housing policies that will help your business and our industry.
- It’s also a great way to demonstrate the clout of the home building industry.
- To register and to learn more, visit nahb.org/legcon.
- And to help keep members up to date on the key issues of the day, NAHB's advocacy leaders and subject matter experts have created brief [video](#)

[recordings](#) highlighting the latest initiatives. [Available on nahb.org](#), these videos are easy to download and share with local lawmakers or industry colleagues via social media.

Labor Department Finalizes New Overtime Salary Requirements

- The U.S. Department of Labor (DOL) issued a [final rule](#) significantly increasing the salary level for determining overtime pay requirements for certain salaried employees.
- Effective July 1, 2024, the salary threshold will increase the annual salary level from \$35,568 to \$43,888, and then to \$58,656 on Jan. 1, 2025, marking a nearly 65% increase from the current salary threshold.
- Additionally, beginning July 1, 2027, salary levels will update every three years using up-to-date wage data.
- NAHB [submitted comments](#) when DOL issued the [proposed rule](#) in late 2023, citing the negative impact such a significant increase would have on housing affordability, among other concerns.
- Additionally, during multiple DOL listening sessions, NAHB members questioned the timing of a salary level update, as the latest update went into effect less than five years ago.

Housing Market Snapshot

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| Housing Starts | (March 2024) |
| Total: 1.32 million↓ | Single: 1.02 million↓ Multi: 299,000↓ |
| Home Sales* | (March 2024) |
| New : 662,000↑ | Existing : 4.19 million↓ |
| Median Home Prices | (March 2024) |
| New : \$430,700↓ | Existing : SF: \$397,200↑ |

*Seasonally Adjusted Annual Rate; Arrows indicate direction from previous month for starts and sales and year for prices.

[NAHB/Wells Fargo Housing Market Index](#) – The index, which measures builder confidence in the market for newly built single-family homes, was 51 in April, unchanged from March. This breaks a four-month period of gains for the index, which nonetheless remains above the key breakeven point of 50. Any number above 50 indicates that more builders view sales conditions as good than poor.

NAHB Chief Economist Robert Dietz’s analysis: “Interest rates moved higher in recent weeks – topping 7% in late April for the first time since last November -- because of disappointing progress for inflation data and solid labor market reports. Although consumer demand has been somewhat dampened due to higher interest rates, builders continue to supply new homes to the market to lift inventory to make up for the low resale supply. And with shelter inflation being the largest, lingering obstacle to lower inflation, increasing the housing supply is the only solution to bend the rising housing cost curve. This will improve the cost of financing for land developers and home builders and enable more attainable housing supply.”