

HB09-1212 Presentation

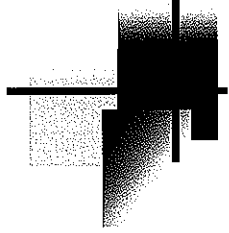
(Temporary Income Tax Credit for New Home Buyers)

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Colorado Springs, Colorado
February 10, 2009



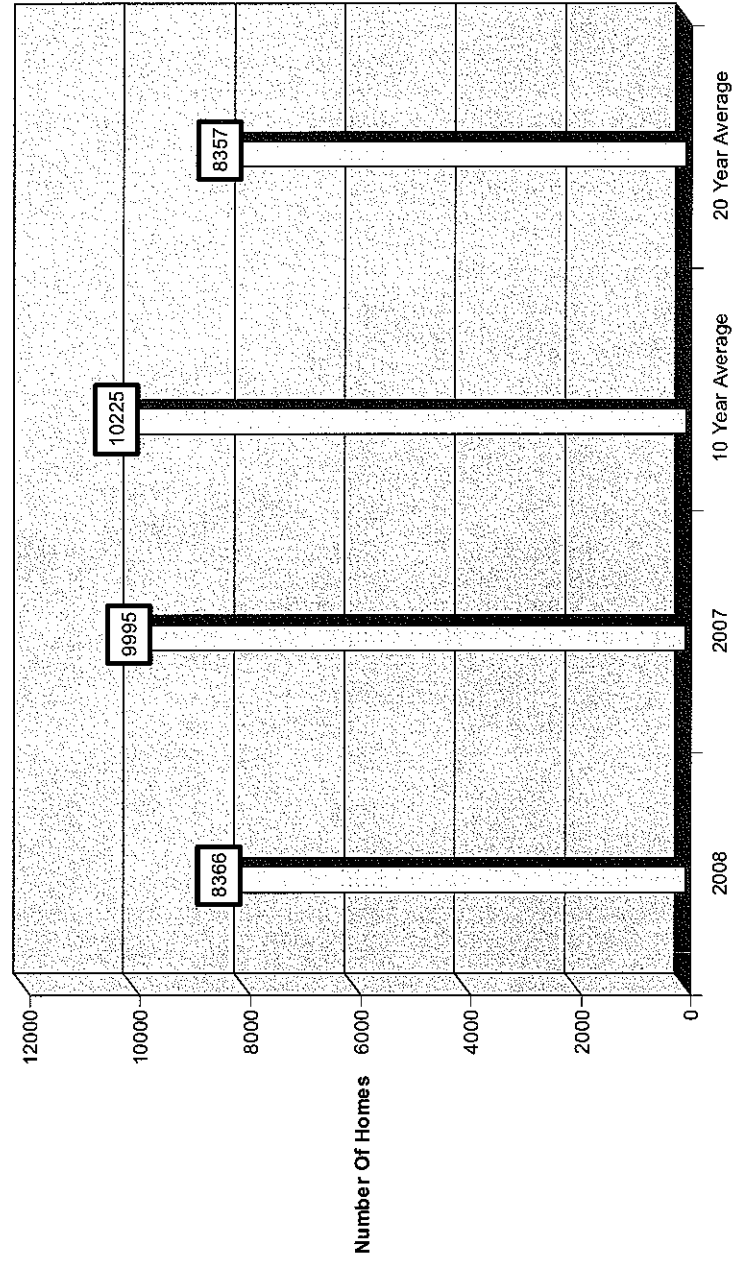
Introduction

- **Credentials**
- **Suggested Revisions to the Fiscal Impact Study (Brief Overview)**
- **New Home v. Existing Home Market**
- **A Tax Credit That Acts Like a Job Stimulus Package.**
- **Just In Time for the “Green” Revolution**

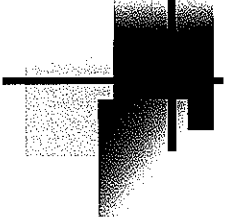


New Home Sales in Colorado

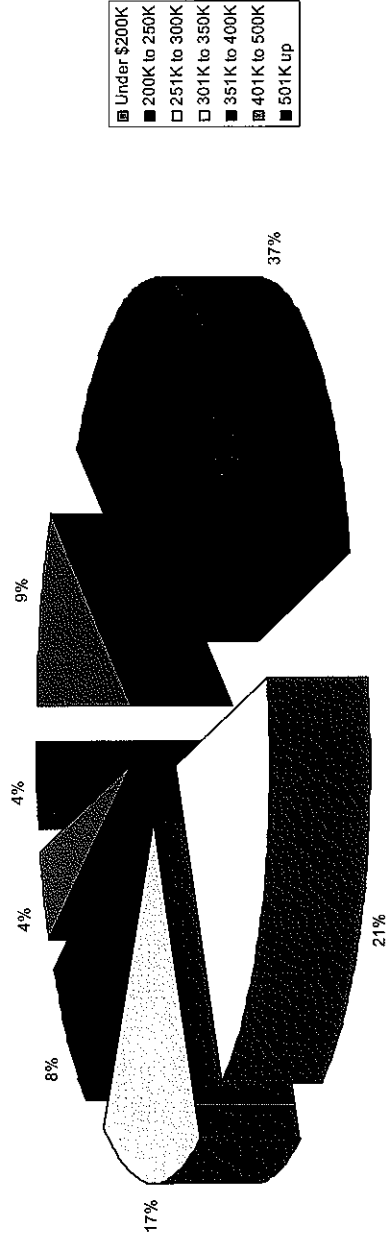
New Home Sales in Colorado



Sales Price Distribution



Net Sales by Price Distribution - El Paso County



Current Fiscal Impact Study

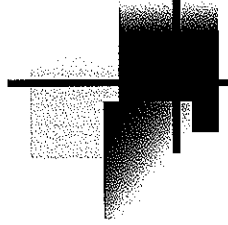
(Based on Fiscal Analysis Dated Feb. 9, 2009)

\$ Range of Homes	\$ Range as a % of Distribution	# of Homes Purchased	Median \$ of Homes	3% of Purchase Price up to \$10,000	Tax Credits	Estimated Material Costs (Assumed 50% of Median \$)	State Sales Tax Generated On Material Purchases (Per Home)	State Sales Tax Generated On Material Purchases (Per \$ Range)
Under \$200K	8%	714	\$150,000	\$4,500	\$3,213,000	\$75,000	\$2,175	\$1,552,950
200K to 250K	19%	1750	\$225,000	\$6,750	\$11,812,500	\$112,500	\$3,263	\$5,709,375
251K to 300K	19%	1755	\$275,000	\$8,250	\$14,478,750	\$137,500	\$3,988	\$6,998,063
301K to 350K	16%	1522	\$325,000	\$9,750	\$14,839,500	\$162,500	\$4,713	\$7,172,425
351K to 400K	13%	1183	\$375,000	\$10,000	\$11,830,000	\$187,500	\$5,438	\$6,432,563
401K to 500K	12%	1143	\$450,000	\$10,000	\$11,430,000	\$225,000	\$6,525	\$7,458,075
501K up	15%	1383	\$500,000	\$10,000	\$13,830,000	\$250,000	\$7,250	\$10,026,750
Total		9450			\$81,433,750			\$45,350,200

Revised Fiscal Impact

(By Marc Towne)

\$ Range of Homes	\$ Range as a % of Distribution	# of Homes Purchased	Median \$ of Homes	3% of Purchase Price up to \$10,000	Tax Credits	Estimated Material Costs (Assumed 50% of Median \$)	State Sales Tax Generated On Material Purchases (Per Home)	State Sales Tax Generated On Material Purchases (Per \$ Range)
Under \$200K	9%	765	\$150,000	\$4,500	\$3,442,500	\$75,000	\$2,175	\$1,663,875
200K to 250K	37%	3145	\$225,000	\$6,750	\$21,228,750	\$112,500	\$3,263	\$10,260,563
251K to 300K	21%	1785	\$275,000	\$8,250	\$14,726,250	\$137,500	\$3,988	\$7,117,688
301K to 350K	17%	1445	\$325,000	\$9,750	\$14,088,750	\$162,500	\$4,713	\$6,809,563
351K to 400K	8%	680	\$375,000	\$10,000	\$6,800,000	\$187,500	\$5,438	\$3,697,500
401K to 500K	4%	340	\$450,000	\$10,000	\$3,400,000	\$225,000	\$6,525	\$2,218,500
501K up	4%	340	\$500,000	\$10,000	\$3,400,000	\$250,000	\$7,250	\$2,465,000
Total		8500			\$67,086,250			\$34,232,688



Sample Overview

The following three (3) samples are based on actual home plans that I build in Colorado Springs. I am providing you with figures based on State Sales Tax being calculated with a "building valuation", as determined by the ICC Valuation Method [i] (a/k/a nationally recognized method). I am also showing an estimated Tax Credit based on the calculations stated in HB09-1212.

[i] Building Valuation Data, International Code Council ("ICC"), Building Safety Journal, February 2007

Sample 1

\$229,350 Avg. Retail

Building Valuation Method

Main/Upper=1306 x 94.06	= 122,842.36
Unfinished Bsmt =1303 x 15	= 19,545.00
Garage = 399 x 94.06	= <u>37,529.94</u>
Building Valuation Total	179,917.30
50% of Valuation	x <u>.50</u>
Estimated Materials	89,958.65
State Sales Tax Rate	x <u>.029</u>
Estimated State Sales Tax	<u>\$2,608.80</u>

Tax Credit Given To Home Buyer

My Actual Sales Price for this plan averages \$229,350 across Colorado Springs

Estimated Tax Credit = Total Retail Price x 3% (not to exceed \$10,000)
= \$229,350 x .03

= \$6,880.50

Sample 2

\$281,833 Avg. Retail

Building Valuation Method

Main/Upper = 2302 x 94.06	= 216,526.12
Unfinished Bsmt = 1105 x 15	= 16,575.00
Garage = 430 x 94.06	= <u>40,445.80</u>
Building Valuation Total	273,546.92
50% of Valuation	x <u>.50</u>
Estimated Materials	136,773.46
State Sales Tax Rate	x <u>.029</u>
Estimated State Sales Tax	<u>\$3,966.43</u>

Tax Credit Given To Home Buyer

My Actual Sales Price for this plan averages \$281,833 across Colorado Springs

Estimated Tax Credit = Total Retail Price x 3% (not to exceed \$10,000)
= \$281,833 x .03

= \$8,455

Sample 3

\$351,500 Avg. Retail

Building Valuation Method

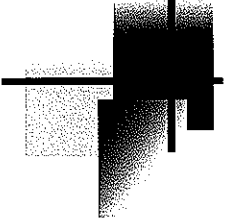
Main/Upper=2580 x 94.06	= 242,674.80
Unfinished Bsmt=1822 x 15	= 27,330.00
Garage = 475 x 94.06	= <u>44,678.50</u>
Building Valuation Total	314,683.30
50% of Valuation	x <u>.50</u>
Estimated Materials	157,341.65
State Sales Tax Rate	x <u>.029</u>
Estimated Sales Tax	<u>\$4,562.91</u>

Tax Credit Given To Home Buyer

My Actual Sales Price for this plan averages \$351,500 across Colorado Springs

Estimated Tax Credit = Total Retail Price x 3% (not to exceed \$10,000)
= \$351,500 x .03

= \$10,000 (Max Credit)



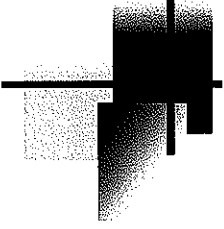
New Home Construction v. Existing Home Market

- **GOOD NEWS:** Colorado's inventory levels peaked in mid 2007 and have seen steady decline thereafter. This is a key indicator that Colorado is already in the healing stages.
- **BAD NEWS:** The lack of new home construction, combined with foreclosures, is continuing to force home values down.
- **"Nobody wants to buy a home before prices have bottomed out."**

Mark Vitner (Wachovia Corp. Economist)

A Tax Credit That Acts Like A Job Stimulus Package

- The proposed \$15,000 "National" Home Buyer Tax Credit will Create the Following*:
 - 255,000 Jobs
 - 500,000 Additional Home Sales
 - Stabilized Home Values
 - Slow the Rate of Foreclosures
 - Shore up Mortgage Portfolios Held by Financial Institutions
 - Bolster Consumer Confidence
 - Spark Additional Economic Activity
 - \$12.3 Billion in Wages and Salaries
 - \$9.7 Billion in Net Business Income
 - \$6.6 Billion in Federal Taxes
 - \$2.1 Billion in State and Local Taxes



Just in Time for the "Green" Revolution

- First-Time Buyers now make-up the largest market demographic.
- They are a fiscally conservative buyer looking for reduced energy costs and sustainable living.
- The 3rd Quarter of 2008 saw a reduction of square footage by 7.3%.
- 90% of Builders are focusing on smaller home plans for 2009 and beyond.
- More than 50% of builders are developing sustainable living options.

How did we go from Tax Credits to Green Buyers?

- The average "green" home costs an additional \$25,000.

This includes some of the following features:

- Energy Efficient Appliances
- Programmable Thermostats
- Compact Fluorescent Lights
- ENERGY STAR Accreditation
- Photovoltaic Panels
- Solar Water Heating
- Heat Pump
- Insulation Packages
- Wind Energy
- Water Saving Features
- Etc...

- HB09-1212 will help offset some of the "Green" components that today's new home buyer is looking for...and holding out for.

- HB09-1212 Will help put Colorado on the map of economic recovery, as well as becoming the leader in "green"living.



Conclusion

- Closing Statement
- Thank you to the committee.
- Questions