



Housing Market Index (HMI)

Special Questions on Dealing with ordinances that
micro-manage architectural details of new homes

August 2019

Economics & Housing Policy Group



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Introduction:

For more than 25 years, the National Association of Home Builders (NAHB) has conducted a monthly survey of its builder members that is used to generate the NAHB/Wells Fargo Housing Market Index (HMI). The main section of the HMI survey asks builders to rate market conditions for the sale of new homes at the present time and expected over the next 6 months, as well as the traffic of prospective buyers. The results are combined into a single composite index that measures the overall strength of the market for new single-family housing.

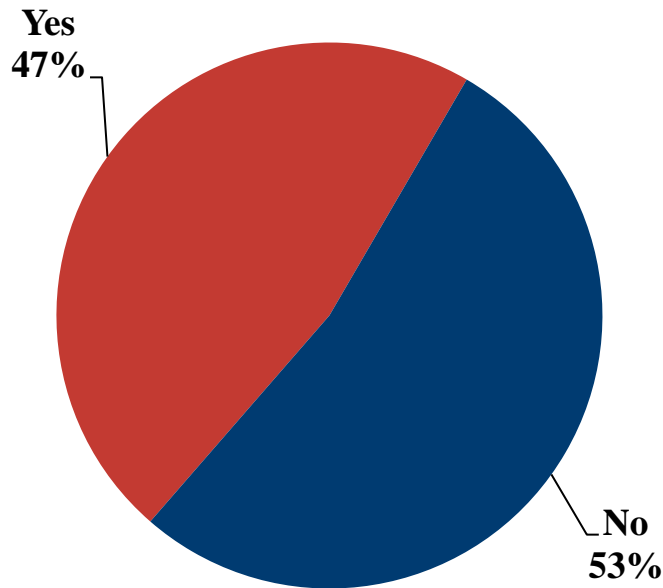
Throughout its history, the HMI has generally performed well as a leading indicator of single-family housing starts and is widely reported in business media and used by government and Wall Street analysts. This month survey was sent electronically to a panel of roughly 2,800 builder members. Results are broken down by the four census regions and by total number of units started in 2018. The survey sample is refreshed annually to keep the panel consistent overtime.

In addition to the questions that provide the data needed to compute the HMI, the survey often also includes a set of “special” questions on a topic of current interest to the housing industry. The special questions cover issues relating to dealing with ordinances that micro-manage architectural details of new homes. The results in this report are based on 376 responses to these special questions.

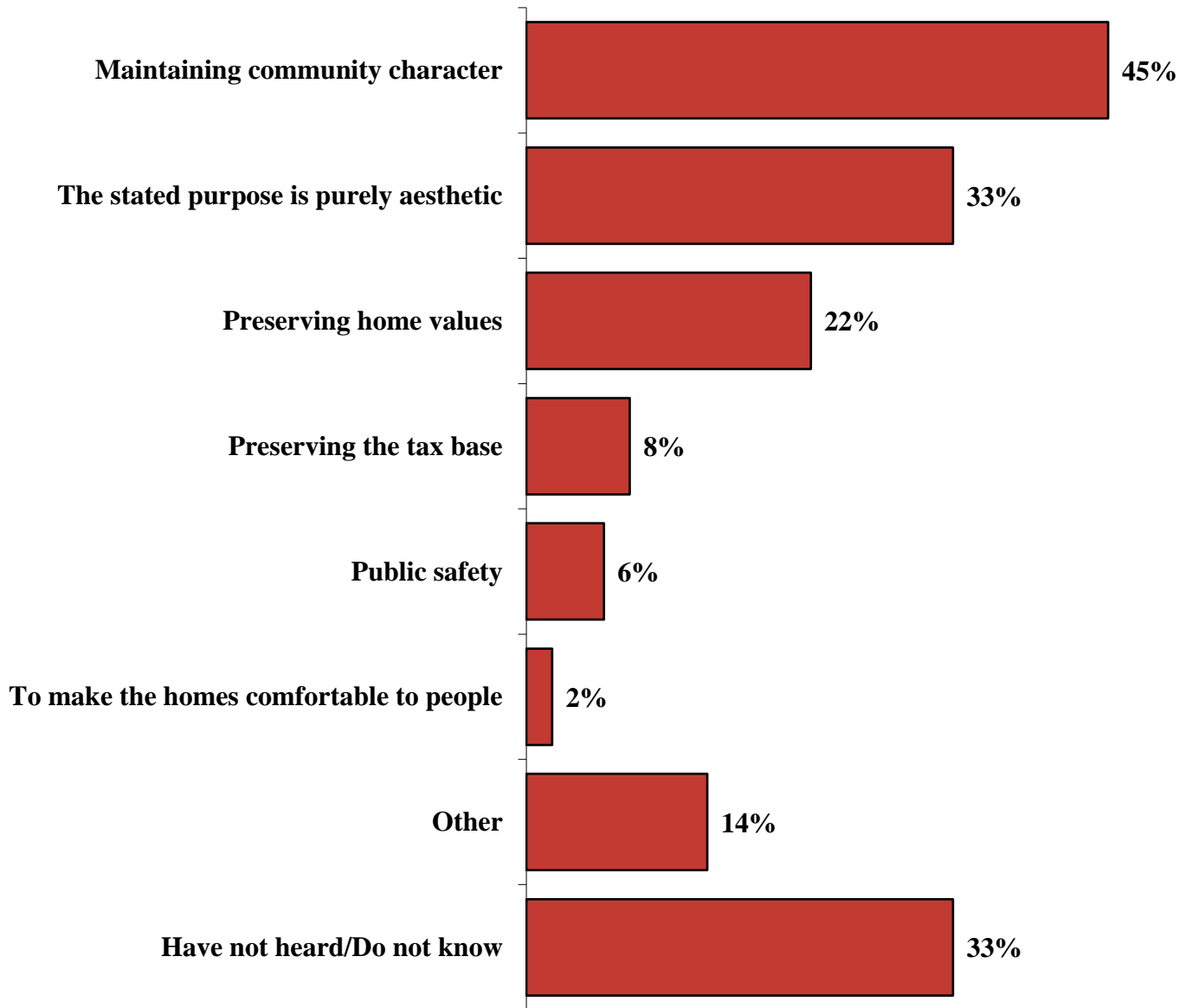
A number of jurisdictions are adopting ordinances that seek to micro-manage home construction by specifying various architectural features in great detail. These ordinances often include, but can go well beyond, outlawing vinyl siding, requiring specific and often expensive materials for siding and fences, the amount of relief and surface area dedicated to windows on exterior walls, number of architectural details on the roof, etc. Sometimes the ordinances specify dimensions of a home very precisely—e.g., down to the quarter inch.

Q1. Have you encountered any ordinances like these, that go well beyond normal building codes and require specific architectural details, in the jurisdictions where you build?

(Percent of Respondents)



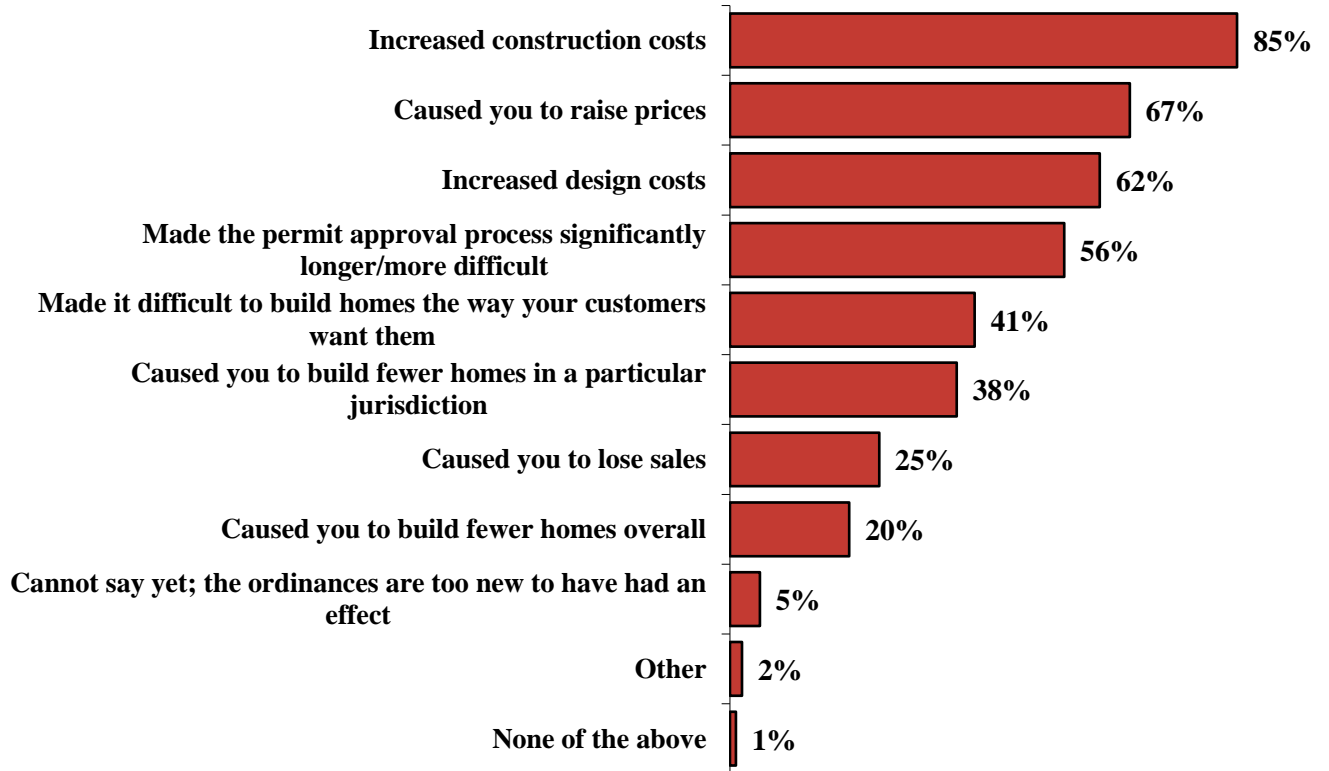
Q2. If any such ordinances exist where you build, or have been proposed, what is the local government's stated purpose for enacting the standards (Check all that apply)?
(Percent of Respondents)



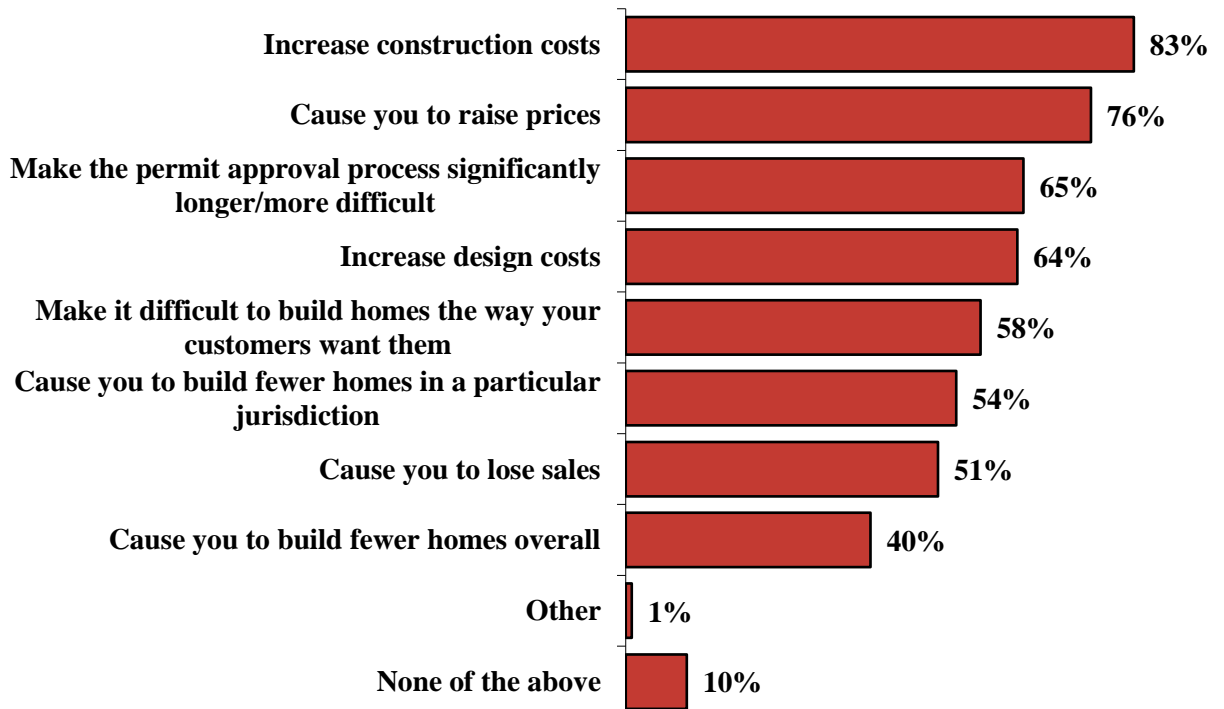
Comment: If “Other” in *question 4* i.e., ordinances exist where you build, or have been proposed, what is the local government’s stated purpose for enacting the standards:

- * A building official once told me after he left a community that any time they need more revenue they enact a new ordinance because it raised permit fees.
- * Arrogance.
- * We’ve had these ordinances for a long times. Primary reason in the beginning it was for design review requirements for apartments and townhomes and to deemphasize garages and discourage vehicle ownership on SF Homes. Try to force all to bikes or transit.
- * Control.
- * Deed restrictions became City Ordinance.
- * Energy efficiency.
- * Environmental.
- * Having homes in a neighborhood compatible with each other.
- * Historic district.
- * Historic preservation.
- * Homeowner bylaws.
- * In an effort to make homes more affordable, the city is now drafting legislation to control the size of home that can be built. They hope to stop large homes on small lots.
- * In order to educate the people entering the 'Trade' and bring them into compliance with the other builders.
- * Increase tax base.
- * Keep homes expensive and maintain the classy reputation the community has. Keeps crime out, no bus routes, and only attracts people with families and good paying jobs looking for a nice safe place to live.
- * Maintain quality.
- * Not to impede adjacent owner's view.
- * Our issue has been more landscaping and driveway requirements and then changes in what they require from permit (budgeting) to install which has increased cost.
- * Reduce 'reliance' on automobiles.
- * They have tired and so far, been stopped.
- * They just require it to obtain the rezoning because they can via proffers.
- * To discourage new construction.
- * Most are designed to exclude certain people.
- * Unofficially they are just trying to restrict so only expensive homes will be built.

Q3. If any such ordinances exist where you build, what effect have they had on your business (Check all that apply)?
(Percent of Respondents)



Q4. If such ordinances do not exist (or are too new to have had an impact yet) where you build, what effect do you think they would have if put in place (Check all that apply)?
(Percent of Respondents)



Comment: If “Other” in *question 3* i.e. If any such ordinances exist where you build, what effect have they had on your business:

- * Restrictions have cost me contracts.
- * Needed to create new plans that comply with policy.
- * Caused me not to develop in those areas.
- * Our houses don't have issues, but other builders have had problems with planning department approving their plans.
- * The owner chooses to build elsewhere or not at all.
- * Projects become more profitable.
- * More time in front of city architectural board. Delaying project start/completion

Comment: If “Other” in *question 4* i.e. If such ordinances do not exist (or are too new to have had an impact yet) where you build, what effect do you think they would have if put in place:

- * Allow our homes to have like character for a neighborhood.
- * Cause the buyer to accept sub-standard housing, but tract builders constantly build houses that are sub-standard because they use two thirds of the materials to achieve a lower retail and the buyers flock to them.
- * Cause us to layoff employees.
- * The turn-around time from request to approved will take longer.

Q5. COMMENT: Tell us if there's anything else we should know about dealing with ordinances that micro-manage architectural details of new homes.

- * A big one we have is a 'Sidewalk' ordinance. It is designed to provide safe walking surfaces (which is understandable), but it requires many very unreasonable and really difficult things to occur. You are required to have 4' of grass (from the curb) and then a 5' wide sidewalk. We have a job now, in a historic part of town, that the entire block has 2' of grass, then a 4' sidewalk and then a 3 to 6 foot tall stone retaining wall because it's on a hill. We would have had to have torn down the wall and re-construct it 3' further back to fulfill this ordinance. Fortunately, our permit clerk knew us and realized the farce of it and just overlooked it, but it could have been a major cost and problem and could have derailed a \$500K remodeling project. You are allowed to pay \$ 152 per running foot of sidewalk (into a 'sidewalk fund') to not redo the walks. There are many other bad ramifications of this ordinance
- * A lot of subdivisions have CCRs (Covenants, Conditions, and Restrictions) that have the same effect, but they are not Governmental Ordinances.
- * A percent of impermeable surface area has caused the most problems. That is a condition of the municipality. There needs to be language and methods approved which would allow you alternate ways to control water, and still have enough space left on the lot to make sure driveways, sidewalks and decks can be built. Much of this could be controlled with rain gardens or downspout barrels.
- * Although these extra details come at a cost, I haven't perceived that it has hurt us - if anything it seems to help attract a higher caliber of client to those areas which helps our bottom line in the end.
- * One jurisdiction has banned vinyl siding, required all garage be set back 5' from the front corners of the house and required at least 5 different roof plains. They say this is for the public's safety, but they have been unable to prove this. We know that this is about slowing construction down and raising the prices of houses but that is a hard thing to prove. We do believe that affordability of houses is a major issue in today's market and obviously these ordinances makes it almost impossible to deliver an affordable house.
- * Burdensome. The ordinances do not reflect market demands. Over reaching by local government. The local governments complain about affordable housing and instead of addressing the issue, they raise fees and impose arbitrary architectural details.
- * One jurisdiction does not like vinyl siding and is requiring cement siding or brick. It also does not like front load garages, wants more variation in elevations, requires landscape plans etc.
- * Codes and ordinances have become so complex a builder never gets the same answer in certain identical situations twice, especially if it involves framing.
- * Considering sprinkling systems in the area.
- * Electrical outlets for car chargers on every single-family home. Installing sidewalks in the City ROW or paying for them into a fund when picking up building permit. Garage facing home and the location from the street and plane of the home.
- * HOA's have done this for years.

Q5. COMMENT: Tell us if there's anything else we should know about dealing with ordinances that micro-manage architectural details of new homes. – *continued*

- * I think it is important to put some ownership on the architects to define and design the structures. Too often details are not defined and we as the builders are left finishing the design or specifications, but the architects did not do their job. This adds cost to our management team, time and effort that we have trouble billing for. Architects need to do their job and stop leaving the builders holding the bag.
- * It varies from different permitting agencies. Some have unwritten 'rules' as to how they want new homes design style to blend in with older homes.
- * It's not just design elements, size, and features, but also drainage and elevation requirements decided by amateurs causing worse drainage problems and higher costs.
- * Local Historic Preservation is a big problem to home owner rites in our town.
- * Lot coverage is another issue. This jurisdiction does not differentiate between 2 story, 1\2 story and ranch style homes.
- * Many of our local jurisdictions are attempting to enact similar ordinances and have publicity stated that they do not care this hurts home affordability.
- * Most of our challenges come from the Architect Review Boards for the Master Planned Communities we build in.
- * Most of the boards really do not have enough construction background and are not very rational.
- * Most of the Jurisdictions in our area add on to County requirements and require 2 separate permits.
- * Most of the ordinances are environmental, low impact development or density focused. A few jurisdictions dictate things like no garages facing the street (alley loaded) or 1 car garages. One jurisdiction is likely to begin requiring what is basically a storm water pond in everyone's front yard. Some jurisdictions have architectural requirements but other than being a hassle, they're not as onerous as described in this survey.
- * New ordinances are not well defined. Each authority having jurisdiction seems to interpret the new ordinance to its liking.
- * The problems are with HOA's. They can just say no and there is nothing that can be done. Period.
- * These are often proposed to protect the 'historical' nature of neighborhoods. The process is completely arbitrary and takes months to negotiate. There are no specific standards. The end result can be a mixture of 'new' and historic materials and design -- down to the exterior paint colors. For example, a recent project required the use of aluminum clad windows (presumably to match the turn of the century houses on the same street.) To respond to staff requests, this process can add as much as \$30,000 to the permitting costs.

Q5. COMMENT: Tell us if there's anything else we should know about dealing with ordinances that micro-manage architectural details of new homes. – *continued*

- * One issue is staffing of inspectors. There are not enough inspectors to micro-manage these details, so when they do call you down on an issue, it may be so long after the fact that it is costly to modify or change the detail in question.
- * One of the communities that I am building in has continued to restrict the footprint and height requirements for new homes. This issue causes designs to be less aesthetically pleasing and at the same time less desirable for the buyers. The community is passing this legislation because they want to see more remodeling instead of complete tear-downs and new building. Very foolish and short-sighted.
- * Only ordinance I have heard of is no vinyl siding. And so much of the house has to be brick or stone veneer. Wood siding is ok, but you're only allowed a certain wood to brick or stone ratio. And you cannot build anything smaller than 2,200 sq. feet. Other than that, you can do whatever you want. Those are the only restrictions I know of. The community and area is very nice. And I believe it's because of this. It's a growing community off to a good start.
- * Ordinances should be fair and equitable not merely something that caters to a special interest group. Citizens should be aware before they elect someone as to what their agenda is. I have seen restrictive ordinances enacted and then the Builders and/or Architects design features to bypass the new ordinance. Quite often these new features are worse than if they would have let things go before the original ordinance was enacted. Any knee jerk reaction to an issue is fraught with danger. Too often what they create is worse than what they had.
- * Ordinances, codes and regulation in general add to the cost of housing and hurt the consumer.
- * Our city process has no flow chart. Public works is too involved in the private sector. Fire department rules on construction access are getting prohibited. Landscape regulations are extremely complicated and wide open to interpretation.
- * Our local municipality recently forced us to use wood windows and pour concrete for driveways. This is in addition to their already extensive 'Design Guidelines.' The windows and driveways added \$10k before we even got started. I truly believe they are trying to attract certain types of buyers with money to keep their community more affluent. I do not know how this is not illegal, but it seems to be happening more and more across the country and throughout our local communities.
- * Our local seems to have a surge of consultants that come from outside the area and tell us how we should be doing things. We don't need those people telling us what we need to do. Also, people in government seem to have never held a private sector job and don't want or care to understand the economics of the industry. They come right out of colleges with left-wing indoctrination and are very bad for business.
- * Our time from application to permit has increased by 60 days from the normal time. A new rule is making us wait 5 days from final inspection before the city will issue a certificate of occupancy.
- * A policy that requires the maximum width of the garage door as a percentage of the width of the home makes it difficult to build the "missing middle" housing that the jurisdiction is complaining about.
- * Someone should review what jurisdictions can and cannot impose legally.
- * One jurisdiction allows rod iron fences only.

Q5. COMMENT: Tell us if there's anything else we should know about dealing with ordinances that micro-manage architectural details of new homes. – *continued*

- * Since most times this is area specific, it limits the purchaser's ability to build the home the way they originally desired. Although this has not prevented the contract from proceeding, it does create concern and doubt on the part of the purchaser.
- * One jurisdiction started out with the Historic Preservation ordinance to keep people from tearing down older homes and replacing them with new homes in certain urban areas. Initially, it imposed a 90 day 'cooling off period', but if after 90 days you could do what you wanted with the property. Now it takes several tries to get approval which cost time and money.
- * The city planners are subjectively interpreting code to disallow details they personally feel are not acceptable. An example: a planner required window design/installation on our new construction to match 1-2 homes within a few blocks of our project (not next door), supposedly to maintain the character of the neighborhood. All of this was subjective and caused increased costs, delays with ongoing check sheets and inferior installation methods. This detail did not add aesthetic value, nor was it even noticed in the result. The subjective interpretation of code varies from planner to planner and creates uncertainty.
- * The area we primarily build is one of the busier areas in our County, so it's not all bad to have the restrictions. Some buyers want the protection of knowing that others can't come in and build an inferior product.
- * There is lack of consistency, especially with enforcement through volunteer committees.
- * The most profound effect is making the permitting process significantly longer and more difficult. This raises costs and discourages future building in the submarket.
- * The only place we have such ordinances is in our historic district.
- * The only places I have encountered this is in high end developments where the home owners are aware and have money to deal with the extra costs. So far this has not caused an issue.
- * The ordinances go beyond architectural details. They interpret the codes very conservatively and like to add to them for 'safety'.
- * The ordinances that we are dealing with all relate to energy and water efficiencies, which have high costs, and have added additional inspections and third-party verifications.
- * The regulations at the local and county level are becoming more prevalent, and there does not seem to be a concern from the local government officials on how it impacts our business.
- * There are a handful of communities that have require approval by architectural committees at the city level. Building in these communities are always more expensive and the costs are passed on to the consumer. A couple require the same finishes on all the exterior walls, masonry fireplaces, additional windows, same grid patterns on all windows, shutters on all windows if on the front, etc.
- * There are discussions in our area about possibly introducing ordinances and standards that mandate design specifics, but so far, we have been able to avoid them. Design by political committee hardly seems like a good solution to anything. Codes and ordinances are already making affordability a significant headwind.

Q5. COMMENT: Tell us if there's anything else we should know about dealing with ordinances that micro-manage architectural details of new homes. - *continued*

- * There is a push by the city to stop gentrification.
- * There is constant regulation pressure piled on for little gain that causes us to pay more for land and lot in developments. The cities are too involved in offering tax abatements in areas that do not need such tax benefits, calling successful areas blighted so urban renewal policies can be used to dole out tax benefits to special interests.
- * These ordinances exist only for particular subdivisions. So far, the local government has not developed any. We bid two homes in the same subdivision and did not get either job as the prospective home buyers decided not to build when they discovered the extent to which the 'architectural committee' had a say in their final product.
- * These ordinances have been in place for years. They are general called "anti-monotony" rules. Most require a certain percentage of masonry, varied roof lines and building articulations.
- * These ordinances add to the cost and complexity of houses. One jurisdiction even has them for town homes which just drives up cost. Determining the color early on hurts the buyer's ability to choose and serves no purpose. When asked why, the jurisdictions they say it is to maintain character, even though the house next door has a blue tarp on the roof and junk cars in the drive. It does not make sense, is just politicians and city employees on a power trip, and needs to stop.
- * The ordinances are difficult to fight, primarily because they are not founded on any common sense or reason.
- * The NIMBY's were very supportive of these ordinances as it slowed down construction within existing neighborhoods. They saw that as a positive and were therefore very much behind these regulations.
- * This area is having serious issues with EPA and their unrelenting inspections. It is impossible to be compliant. I know I have one employee doing nothing but dealing with EPA inspections, issues, and re-inspections. I estimate it is costing me approximately \$7,000 per home. It is out of hand. The local inspectors have no one overseeing they can do whatever they want with no repercussions. Many of my fellow builders have received fines and have been required to appear at a state board to plead their case. The EPA has become a huge obstacle.
- * The ordinance can be a benefit to your development. It will help keep certain elements at a high standard and keep the home values strong.
- * This is a significant issue in our area and has gotten to a point where there are municipalities that we will not build in. While at the same time the municipalities complain about not having affordable housing, they enact requirements that force builders to increase prices. The municipalities are ignoring legislative attempts to fix this by 'requesting voluntary requirements' to allow you to obtain zoning. One municipality just rezoned all their land so that all new submittals would have to go through a rezoning.
- * This is driven by the public opinion and the local politician's desire to be reelected.
- * This will drive up costs to the point of non-affordability.
- * The costs increases are unnecessary.
- * We defeated attempts at such ordinances at a legislative level.

Q5. COMMENT: Tell us if there's anything else we should know about dealing with ordinances that micro-manage architectural details of new homes. - *continued*

- * Cities are not allowed to go beyond the state building code but get around this by putting requirements in the zoning code where they have more discretion.
- * We have encountered most of these ordinances at the city or county level. Some cities made it almost impossible to build there so therefore we have not built in certain areas.
- * We have not encountered this when dealing with county or city jurisdictions yet. However, HOA's cause the same or similar issues.
- * We have some success getting legislature to outlaw these practices, but the laws are new.
- * We must keep building codes out of this. Codes should not be used for political purposes.
- * We provide a high-quality home and use build cost, affordability, aesthetics as well as long term maintenance and energy use as a part of our equation when designing our homes. Thus, we do not like and will typically avoid areas where much or any of this is dictated.
- * What's the expression 'you can't legislate taste'? In today's world of custom building there are so many styles that people are building. Limiting that freedom would be very difficult. In this market HOA's set the rules and those are hard enough to enforce. It has long been thought that low pitched roofs are not attractive but with a modern style home a 4/12 pitch roof is more pleasing than a 6/12 roof.
- * When government enacts new codes that increase the cost of new construction, buyers gravitate more to used homes or remodeled houses that are grandfathered since they cost less.
- * Wind shear requirements and new updated code bracing requirements are causing plan approval slowdowns. So are some of the other requirements, but they are not as detailed.
- * Zoning management is out of control, in the sense that there is no oversight to stop local municipalities from doing whatever they want. Work force housing is going away because of this. Until the public starts really screaming about pricing and lack of housing for the average American, we will only be able to build expensive homes for those above the average median income.
- * It's killing us to comply with the plot plan and driveway requirements.
- * It has been more landscaping and driveway requirements than changes in what they require for a building permit that have increased cost.
- * HOA control is out of hand.

Detailed Tables

Q1. Have you encountered any ordinances like these, that go well beyond normal building codes and require specific architectural details, in the jurisdictions where you build?

(Percent of Respondents)

	Total	Region				Total No. of Units Started in 2018			
		NE	MW	S	W	Less than 6	6-24	25-99	100+
Yes	47	36	47	47	54	39	48	49	63
No	53	64	53	53	46	61	52	51	37
Responses	368	33	88	176	71	102	104	63	41

Q2. If any such ordinances exist where you build, or have been proposed, what is the local government's stated purpose for enacting the standards (Check all that apply)?

(Percent of Respondents)

	Total	Region				Total No. of Units Started in 2018			
		NE	MW	S	W	Less than 6	6-24	25-99	100+
The stated purpose is purely aesthetic	33	30	39	24	45	32	28	42	41
Maintaining community character	45	50	55	38	49	43	43	51	56
Preserving home values	22	5	36	21	16	17	30	26	28
Preserving the tax base	8	5	14	8	2	5	10	16	3
Public safety	6	0	5	7	8	5	7	9	6
To make the homes comfortable to people	2	0	4	1	4	3	3	2	0
Other	14	10	13	13	18	20	16	7	9
Have not heard/Do not know	33	40	30	37	24	32	30	30	19
Responses	240	20	56	115	49	60	67	43	32

Q3. If any such ordinances exist where you build, what effect have they had on your business (Check all that apply)?

(Percent of Respondents)

	Total	Region				Total No. of Units Started in 2018			
		NE	MW	S	W	Less than 6	6-24	25-99	100+
Cannot say yet; the ordinances are too new to have had an effect	5	0	8	8	0	3	10	0	4
Made the permit approval process significantly longer/more difficult	56	75	53	46	76	59	53	55	65
Increased design costs	62	75	73	48	76	59	61	77	69
Increased construction costs	85	83	85	85	87	92	76	94	96
Caused you to raise prices	67	58	70	68	66	67	65	77	77
Made it difficult to build homes the way your customers want them	41	50	40	41	39	44	31	65	35
Caused you to lose sales	25	50	30	20	21	23	16	35	35
Caused you to build fewer homes in a particular jurisdiction	38	58	40	32	45	31	33	65	42
Caused you to build fewer homes overall	20	42	23	15	21	10	25	26	15
Other	2	0	3	0	8	0	6	0	0
None of the above	1	0	0	1	0	0	2	0	0
Responses	169	12	40	79	38	39	49	31	26

Q4. If such ordinances do not exist (or are too new to have had an impact yet) where you build, what effect do you think they would have if put in place (*Check all that apply*)?

(Percent of Respondents)

	Total	Region				Total No. of Units Started in 2018			
		NE	MW	S	W	Less than 6	6-24	25-99	100+
Make the permit approval process significantly longer/more difficult	65	71	56	67	70	69	65	59	73
Increase design costs	64	65	63	67	52	69	61	63	64
Increase construction costs	83	82	85	81	89	93	70	78	91
Cause you to raise prices	76	82	76	72	89	86	67	67	91
Make it difficult to build homes the way your customers want them	58	82	56	55	59	69	59	48	36
Cause you to lose sales	51	65	54	50	41	53	52	48	27
Cause you to build fewer homes in a particular jurisdiction	54	71	54	55	41	60	61	41	64
Cause you to build fewer homes overall	40	59	44	40	22	43	39	41	36
Other	1	0	0	1	0	0	0	4	0
None of the above	10	12	12	10	7	7	15	19	0
Responses	173	17	41	88	27	58	46	27	11

Appendix I: Survey Questionnaire: HMI Special Questions for August 2019

A number of jurisdictions are adopting ordinances that seek to micro-manage home construction by specifying various architectural features in great detail. These ordinances often include, but can go well beyond, outlawing vinyl siding, requiring specific and often expensive materials for siding and fences, the amount of relief and surface area dedicated to windows on exterior walls, number of architectural details on the roof, etc. Sometimes the ordinances specify dimensions of a home very precisely—e.g., down to the quarter inch.

1. Have you encountered any ordinances like these, that go well beyond normal building codes and require specific architectural details, in the jurisdictions where you build? Yes No
2. If any such ordinances exist where you build, or have been proposed, what is the local government's stated purpose for enacting the standards (*Check all that apply*)?
 - The stated purpose is purely aesthetic
 - Public safety.
 - Maintaining community character.
 - To make the homes comfortable to people.
 - Preserving home values.
 - Other (*specify*): _____
 - Preserving the tax base.
 - Haven't heard/Don't know.
3. If any such ordinances exist where you build, what effect have they had on your business (*Check all that apply*)?
 - Can't say yet; the ordinances are too new to have had an effect.
 - Caused you to lose sales.
 - Made the permit approval process significantly longer/more difficult.
 - Caused you to build fewer homes in a particular jurisdiction.
 - Increased design costs.
 - Caused you to build fewer homes overall.
 - Increased construction costs.
 - Other (*specify*): _____
 - Caused you to raise prices.
 - None of the above.
 - Made it difficult to build homes the way your customers want them.
4. If such ordinances do not exist (or are too new to have had an impact yet) where you build, what effect do you think they would have if put in place (*Check all that apply*)?
 - Make the permit approval process significantly longer/more difficult.
 - Cause you to lose sales.
 - Increase design costs.
 - Cause you to build fewer homes in a particular jurisdiction.
 - Increase construction costs.
 - Cause you to build fewer homes overall.
 - Cause you to raise prices.
 - Other (*specify*): _____
 - Make it difficult to build homes the way your customers want them.
 - None of the above.
5. Please tell us if there's anything else we should know about dealing with ordinances that micro-manage architectural details of new homes.

THANK YOU