



# New Construction – Tax Credit

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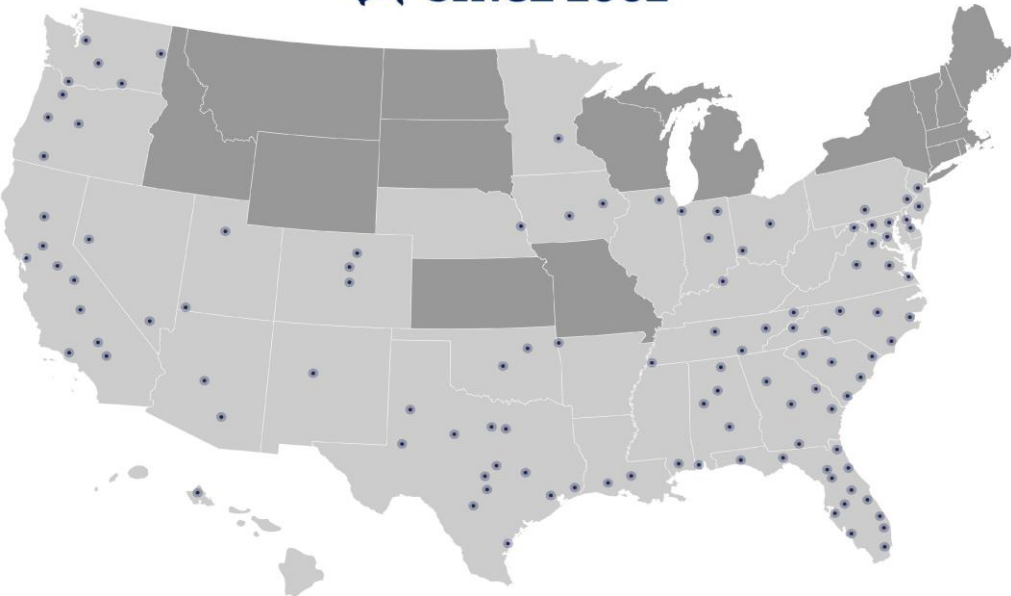
D.R. HORTON - LAND  
ACQUISITION

# About D.R. Horton



**D·R·HORTON**  
*America's Builder*

**#1** AMERICA'S #1 HOMEBUILDER  
**SINCE 2002**



- **Nation's largest Homebuilder by volume**
  - Will close ~100,000 homes this year; 1,000 in Maryland
- **Homes for every stage in life; entry-level, move-up, active adult and luxury buyers**
  - ~66% of homes closed are below \$400k
- **Pride ourselves on customer care & providing an essential need for all people - housing**
- **Goal: to build and sell more houses priced to appeal first-time buyers (55% today)**

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# Objectives

- New Construction Tax Credit
- Challenges of building in the City
- Ideas to drive new construction
- Q & A

# New Construction Tax Credit

- **Does not currently impact developer/homebuilders' decision to build**
  - No impact on underwriting when evaluating the deal since it happens after the sale
- **Allows for lower income residents to afford 'more'**
  - Concern: buyer can afford the home based on monthly payment today but may not in 5 years (i.e. no increase in salary)
- **Buyer typically does not know about the credit until after they have stepped into the model home**
  - Once salesperson shows them the monthly payment it can impact their choice of buying new construction
- **Lenders consider the reduced tax burden when calculating the buyer's affordability, assuming it is documented**
  - This is only after the lender is told by the buyer they are in the market for new construction
- **Current tax credit helps in the near term – not long term**
- **Does not significantly tighten the gap in taxes between city and nearby counties, where they are less than half the amount**



# Challenges of Building in Baltimore City

- **Highest Property Tax Rate out of all jurisdictions – 2.248%**
- **High Architectural Requirements – high % of brick, flat roofs/roof decks, Hardi Plank, etc.**
  - These requirements can add ~\$25,000-30,000 to house cost
  - Ex. Hardi Plank adds ~\$7,500
  - Ex. Flat roof is ~\$15,000 more than gable roof
- **Areas that require economic inclusion policy**
  - Increase in costs; can be +\$10,000-\$15,000
  - Leads to difficulty in operations/management of site
- **Lack of cash reserves for many people**

\*disclaimer– not D.R. Hortons rendering



# Ideas for future development

- **Lower architectural requirements** - gable roofs, siding, less brick etc.
  - **Provide better security and protection of materials**
  - **Allow builders to use preferred vendors to drive better value on materials**
  - **Subsidies** – directly helps with infrastructure and overall costs, drives businesses to the community
  - **Closing Cost Help** – cash directly to buyer to help with large up front cash burden (can be around \$20,000)
  - ***Mortgage-rate buydown*** – *decreases monthly payment for the life of the mortgage*
- Or issue a credit for the buydown to the builder



## ➤ Q & A

# Thank you!



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