



**Testimony of Granger MacDonald
Chief Executive Officer, MacDonald Companies
On Behalf of the
National Association of Home Builders**

**Before the
House Natural Resources Committee
Subcommittee on Federal Lands**

**Hearing on
H.R. ____ (Westerman), the “Resilient Federal Forests Act of 2017”
Thursday, June 15, 2017**

Introduction

On behalf of the more than 140,000 members of the National Association of Home Builders (NAHB), I appreciate the opportunity to testify today. My name is Granger MacDonald, and I am Chief Executive Officer of the MacDonald Companies in Kerrville, Texas.

The MacDonald Companies have developed over 50 multifamily apartment communities and scores of workforce housing units in my time at the helm. On average, we spend about \$2 million annually on lumber, and we have found lumber prices to be much more volatile than the cost of other products used in construction. . We can see wide price swings over a short period of time, which has a direct effect on the affordability of our developments.

The price of lumber has soared as the housing recovery gains momentum. For example, softwood lumber prices are up nearly 25 percent¹ since January of 2016; most of this increase is directly attributable to the ongoing trade dispute between the U.S. and Canada over softwood lumber.

The rising cost of this critical component drives up the cost of construction and the price of a new home. The impact is of particular concern in the affordable housing sector, where I do my building. Relatively small price increases can have an immediate impact on low- to moderate-income renters and home buyers who are more susceptible to being priced out of the market.

It is no secret that we have a rental affordability crisis in this country, and that there is an acute need for additional affordable rental options. Over 40 percent of renters are cost-burdened, which the Department of Housing and Urban Development defines as paying more than 30 percent of income for rent.

According to a 2011 study by Harvard's Joint Center for Housing studies, to develop new apartments with rents affordable to households with incomes equivalent to the full-time minimum wage, construction costs would have to be only 28 percent of the current average.²

Clearly, the solution to the rental housing crisis involves more than reducing building material prices, and requires the support of programs like the Low Income Housing Tax Credit. But the effect of lumber prices on affordability must not be ignored.

NAHB believes increasing domestic lumber production from federal lands, both as a means to improve housing affordability and address the resilience of our national forests, must be a top priority of Congress and the Administration. Specifically, NAHB strongly supports Representative Westerman's *Resilient Federal Forests Act of 2017*, which significantly reduces red tape that prevents the U.S. Forest Service from better managing its timber lands and increases the delivery of domestic timber products into the market.

¹ Random Lengths, NAHB calculations

² America's Rental Housing: Meeting Challenges, Building on Opportunities. Joint Center for Housing Studies of Harvard University, 2011. Page 24

Win-Win-Win

Over the course of three decades there has been a dramatic decline in timber production from our federally-owned forests. The result of this decline is fewer jobs and productivity in the forestry sector, fewer board feet of domestically produced lumber entering the market, and a marked increase in acreage ravaged by insects, disease, and fire.

We must strike a more appropriate balance in how we manage our national forests system. Doing so will restore the health of one of our great natural resources and, offers the potential to reinvigorate the forestry industry while improving housing affordability. That's the true definition of a win-win-win.

From the mid 1950s to the mid 1990s, timber harvests from the National Forest System averaged between 10 and 12 billion board feet (bbf) per year.³ That number plunged to an average of between 1.5 and 3.3 bbf per year in the mid 1990s and has remained artificially low ever since.

So what happened? The unfortunate reality is that bureaucratic red tape and litigation have conspired to cripple the once-thriving timber industry that relies on harvesting logs from federal lands.

Equally troubling, decades of poor land management have led to declining health in our national forests. Evidence of this is seen in the substantial acreage under threat from insects and disease as well as devastating fires that have laid waste to millions of acres of forestland. The United States Forest Service 2013-2027 National Forest Disease and Insect Risk Map calculates 81.3 million acres of national forestland are at risk from insects and diseases.⁴ And since the mid-1990s, an additional six million acres per year, on average, have been lost to catastrophic wildfires.⁵

Restoring the health of our national forests depends critically on the ability of foresters to actively manage these invaluable resources. To untie the hands of our foresters, Congress must act in concert with the Administration to reduce regulatory and legal burdens. Expedited environmental analysis review for certain forest management projects, as well as arbitration in lieu of litigation, are positive steps toward putting responsible forest management decisions back in the hands of professionals and preventing them from being tied up on some bureaucrat's desk or worse still, in a courtroom.

The Lumber Market, the Housing Industry, and Unlocking Economic Growth

Among building materials, lumber accounts for the largest share of the cost of a new home. It is used for wood-frame residential construction and is common for interior and finishing purposes, such as windows and doors. NAHB research shows that, at current prices, lumber accounts for

³ USDA Forest Service, FY 1905-2015 National Summary Cut and Sold Data and Graphs, January 20, 2016

⁴ USFS, National Disease and Insect Risk Maps, <https://www.fs.fed.us/foresthealth/technology/nidrm.shtml>

⁵ National Interagency Fire Center, Total Wildland Fires and Acres (1960-2015), https://www.nifc.gov/fireInfo/fireInfo_stats_totalFires.html

approximately \$18,000 of the cost of constructing a typical single-family home. As such, lumber price increases have severe effects on our nation's housing market.

Even modest price increases in the cost of lumber can deny many American families an opportunity to achieve homeownership. Congress and the Administration can take positive steps to reduce the cost of housing by increasing the supply of domestically produced lumber from federal lands. Reducing the price of the average single-family home would help unlock pent-up housing demand and add fuel to the economy.

Unlocking the pent-up demand for housing has the potential to significantly grow the economy. Home construction is on the rise after many years of stagnation, and demand for lumber is increasing accordingly. For example, NAHB forecasts that single-family housing starts for 2017 will rise to 855,000, an increase of about nine percent over 2016.

However, this level of production is only about 65 percent of the 1.3 million new units needed each year to meet the needs of our growing population and replace homes that are taken out of service. For the economy as a whole, Residential Fixed Investment comprised 3.5 percent of Gross Domestic Product in the fourth-quarter of 2016, but over the past 35 years, that number has averaged closer to five percent of GDP. While housing has recovered significantly from the downturn, there is significant potential for additional growth that has not been realized. In particular, the first-time home buyer market continues to lag.

Affordability remains a real challenge for first-time buyers. A 2016 analysis by NAHB shows that nationwide, an increase of just \$1,000 in the median new home price will leave 152,903 households priced out of the market.⁶

Likewise, reducing the price of the average new single-family home by \$1,000 would have a significant positive effect on economic growth. NAHB estimates that such a reduction would generate \$719.9 million in additional single-family construction, \$363.4 million in wages and salaries, 6,313 full-time-equivalent (FTE) jobs,⁷ and an additional \$243.9 million in taxes and fees for federal, state and local government.

If the \$1,000 reduction (indexed to inflation) remains in effect for five years, the impact is even greater: \$4.457 billion in single-family construction, \$2.250 billion in wages and salaries, 39,082 FTE jobs, and \$1.510 billion in taxes and fees for various levels of government.⁸

Any efforts to ease escalating price pressures, help rebuild the supply chain, and support a continuing housing recovery are smart economic policy. For these reasons, NAHB fully supports multi-use forest management practices for national forests and an increase in the supply of federal timber products and strongly recommends that the Committee support the *Resilient Federal Forests Act of 2017*.

⁶ http://www.nahb.org/en/research/housing-economics/housings-economic-impact/households-priced-out-by-higher-house-prices-and-interest-rates.aspx?_ga=1.28211193.437440231.1491967805

⁷ Full-time equivalents represent enough work to keep one worker employed for a full year based on average hours worked per week in the relevant industry

⁸ Measured in 2017 dollars

Conclusion

According to the American Forest & Paper Association, one-third of the United States, or approximately 751 million acres of land, is forested. Privately-owned forests supply 91 percent of the wood harvested in the United States, and U.S. state and tribal forests supply another six percent. Federal forests supply a mere two percent of the wood used by the forest products industry.

As the U.S. housing market continues to improve, demand for lumber and other building materials will increase. Moreover, global demand for lumber is also increasing, especially in China. Unless additional supply can be brought into the market, there will be ongoing upward pressure on prices.

We have the opportunity to take a small step in addressing housing affordability as well as to grow our economy by increasing domestic lumber supplies. Representative Westerman's *Resilient Federal Forests Act of 2017* encourages better management of our federal timber lands.

At the same time, it is attentive of important environmental considerations. This legislation will go a long way toward better managing our federal forest natural resources while also ensuring the continued recovery of the housing industry.

I commend Chairman McClintock for holding this hearing today and taking steps to discover what barriers the Administration is facing in its pursuit of active forest management plans. It is important for Congress to take a deep look at these issues and determine what actions can be taken in an environmentally-friendly way.