

**Statement of Pamela Volm
President, Annapolis Contracting**

**U.S. House of Representatives
Committee on Small Business**

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Chairwoman Velazquez, Ranking Member Graves, and Members of the Committee, thank you for the opportunity to appear before you today. It is a privilege to help provide you with a first-hand perspective on the housing market that goes beyond the statistics, as we as a nation struggle to recover from the worst economic crisis since the Great Depression.

My name is Pamela Volm and I am the President of Annapolis Contracting, based just up the road in Annapolis. I have been in the construction business since 1992. I founded my company in 2003, and we specialized in the framing of multi-family housing in the Maryland area until the downturn.

Our small company started out with 31 employees and grew to 37 at our peak. We all worked together on numerous jobsites each year. Approximately 95% of our workload was residential construction; the remaining consisted of light commercial. Our employees included foremen, carpenters, carpenter helpers, laborers, an estimator, a safety director, and office manager. We also employed numerous framing crews.

When the bottom fell out of the housing market in 2006, Annapolis Contracting went into survival mode. The multi-family work that had grown the company was hardly available. We began to build single family homes. We reached out to the commercial general contractors we were currently working for in search of replacement work. In 2007 our residential framing as a percentage of our business had dropped to 85%; by 2008, it was 73; and now we are at 68%.

Our jobs dried up in the residential market, we dropped to 20 employees, the framing crews we had employed went from 12 to 16 men crews were down to four to five. Clients cancelled jobs, condensed their subcontractor base, banks pulled funding, and the small – but successful – firm we had built over the past six years faced the critical question of whether we could even survive. We were forced to lay off 17 of our employees, and by the time 2008 came to a close, many small businesses like mine were fearful that they would not make it through 2009.

While we started this year fearing for our livelihoods, in March, the first-time homebuyer tax credit gave oxygen to our ailing residential marketplace. The passage of the tax credit represented the proverbial light in the darkness, as it jump-started the market, pulling buyers off of the sidelines and getting capital flowing in this critical segment of our economy. We started to see more housing starts from our homebuilders, a welcome sign.

It's by no means a full recovery for our company, but it is a sign that things are starting to turn around. I feel; my employees feel; even our customers feel; a certain momentum driving us back to a more stable economic footing.

As of today, it seems like the worst may be behind us, but as those of us that work in the construction business know, winter is the toughest of times. I cannot imagine worse timing for the end of the \$8,000 tax credit.

We are rebuilding and the growth of our small company does look possible again. My story is not unique. There are thousands of small businesses all over the country – from builders, to retailers, to manufacturers, to landscapers – who are finally starting to feel that same momentum, as the wheels of their companies start turning again.

We know we're not out of the woods, but the first-time homebuyer tax credit gave all of us a glimpse of a return to economic security.

We hope that anecdotal stories like mine help you to see beyond the facts and figures, but it should also be noted that our anecdotal experience is supported by those same studies and reports released about the housing market, that will likely provide you evidence for the path ahead.

Last week, Dr. Kenneth Rosen of the Haas School of Business at Berkeley, released a study proving quantifiably that the tax credit was effective in jump-starting the housing market.

He found that the tax credit has accomplished one of the most important tasks in getting the market moving again – reducing the supply of homes for sale.

The inventory of for-sale homes priced less than \$300,000 has decreased by 25.9% - meaning not only is the supply finally moving again, but given the price of the homes that are being sold, America's working families – using the tax credit – are able to recognize the dream of homeownership.

This reduction in housing inventories is also helping to stabilize home prices which will, over the long-term, increase consumer confidence and bring more buyers back into the market.

But Dr. Rosen also found that the momentum in the market that he quantified – and the momentum that my employees and I feel – could quickly go away if the first-time homebuyer tax credit is not temporarily extended.

In the next 12 to 24 months, the housing market will likely continue to be challenged by more foreclosures, continued unemployment, and weak consumer confidence.

In fact, recently consumer concern over the tax credit's expiration has already begun to slow momentum, as first-time buyers fear their home purchases might not be complete by the November 30 deadline, causing home sales to start to drop yet again.

As a hard-working member of this very fragile industry, I am here to make clear that letting the first-time homebuyer tax credit expire would be disastrous.

The market is by no means recovered yet, and in fact, it is the first-time homebuyer tax credit that is the only thing driving us all towards stabilization. We also know that a healthy housing industry drives our

economy. The homebuilding industry had been in park and has finally started to move forward, what a shame it would be to put the brakes on now.

Critics of the tax credit have tried to say that the people who took advantage of this opportunity would have purchased a home anyway. In my first-hand experience, that is absolutely not the case. Most of the buyers with whom we interact talk about how they were nervous and apprehensive about getting into the housing market, and how the credit made it feel safe and possible. I have a niece that purchased her first home this year and was able to take advantage of this credit as well as a nephew who will settle on his home this week.

I am also a proud member of the Fix Housing First Coalition – a group of over 25,000 housing stakeholders – builders, retailers, homebuyers, manufacturers, designers, etc... - dedicated to getting the housing market back on its feet, to lead our economy back into recovery.

The Coalition hears everyday from people around the country who would have stayed out of the housing market, were it not for the credit.

Unlike any other major purchase, buying a home triggers significant and ongoing spending activity for the maintenance, upkeep and design of that home, virtually from the moment you sign the papers.

New buyers purchasing homes would mean millions upon millions of dollars injected into local businesses and the communities in which they are located. That means more jobs, more economic stability, and even more tax revenue for local governments to get back on healthy financial footing.

I'm not an economist – but as a hard-working small business person – that sounds like exactly the kind of economic stimulus our country sorely needs right now.

However, without that temporary extension, small businesses like mine and the communities we serve could face a devastating backslide – halting the momentum of our housing recovery and limiting the economy's recovery overall.

I hope to never have to live through another time like the past couple of years.

But without a temporary extension of the tax credit, we could easily face more layoffs and more construction companies going out of business.

And in fact, now that we have begun to see signs of recovery and felt that possible stability coming back into our grasp, a slide back into that same economically devastating situation could have even worse effects on our long-term ability to recover.

On behalf of the millions of businesses all around our nation just beginning to feel the momentum towards a stabilized housing market and a secure economy, I urge this Committee and Congress to extend the tax credit rather than risk undoing all the good it has achieved.

I am happy to answer any questions the Committee may have.