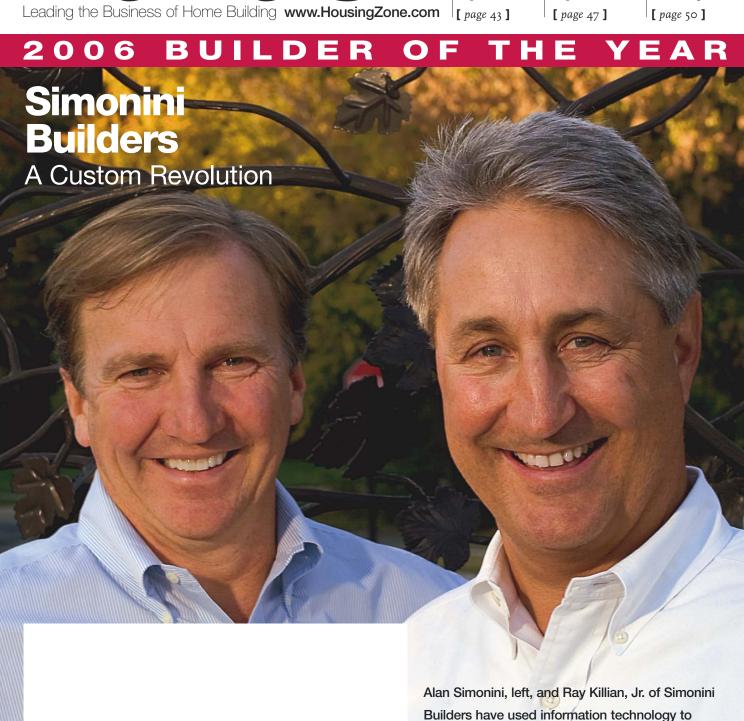
Reed Business Information Profession. 12.2005 Profession. 12.2005 Customer Satisfaction A second chance to make a good impression. 12.2005 CHANGE ORDER PATH offers its top 10 techniques for 2006. PATH offers its top 10 techniques for 2006. Representation of the second chance to make a good impression. 12.2005

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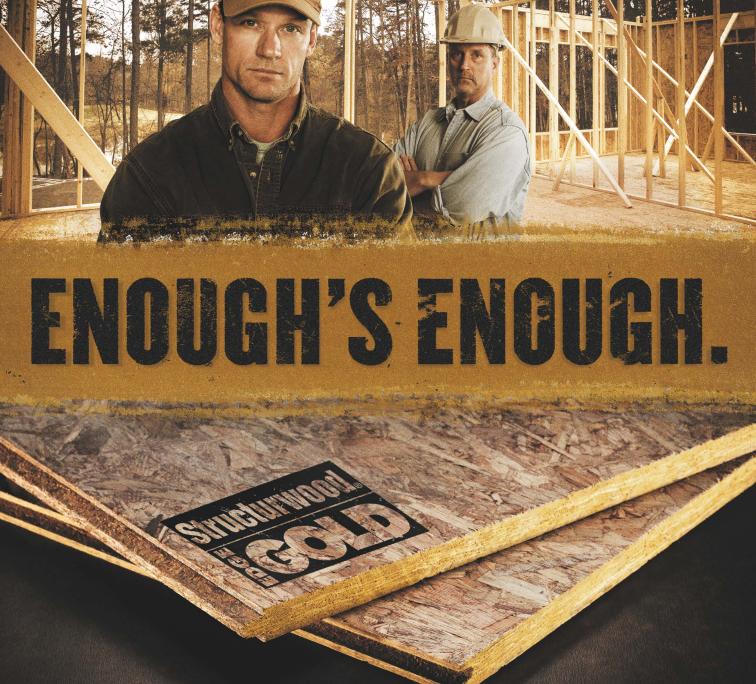


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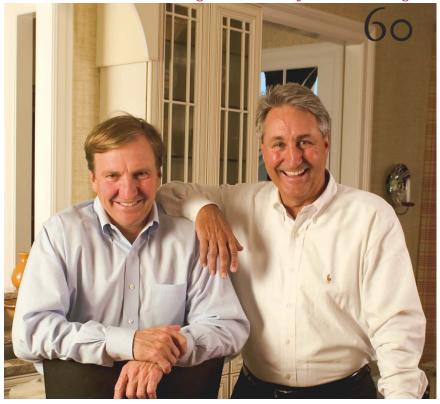


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by Matthew Power, Senior Contributing Editor





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You're looking to make a change to your technology system. Where do you start? In her report, *PB* Senior Editor Laura Butalla supplies you with information you'll need to make the change to a new integrated system. Information such as how to research a new system, how to form a technology change team and how to narrow down choices are supported with tips from technology experts and other home builders just like yourself. *by Laura Butalla*

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>> THE BLOG FILES

Senior Contributing Editor Matt Power recently visited hurricane-torn New Orleans. Find out what he saw.

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>> GIANTS SURVEY ONLINE COMING JANUARY 2006

Professional Builder's Giants 400 survey will go live in January 2006. Participants will receive e-mails in December regarding log on and password information. If you have any questions, contact us at

GIANTS400@reedbusiness.com

Read these articles and more at www.HousingZone.com



3I Learn: Land Development and Acquisition Financing, Part 5

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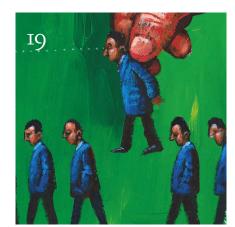
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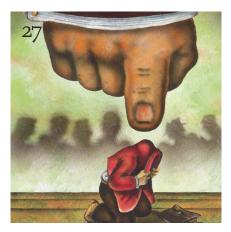
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What it's all about

Concrete heads south

I have just read with interest the article "Shelter from the Storm" in the October issue of *Professional Builder*.

Apparently Floridians are finally waking up to reality and have decided to build hurricane resistant homes. In Puerto Rico we have been building ALL hurricane CONCRETE resistant homes(roof included) for well over 60 years. Hurricanes come and go and our homes stand fast, safe and unharmed. Our concrete homes also offer the advantage of virtually zero incidence of fires. Folks living in tornado prone areas could also well benefit from this type of construction. There are now numerous methods for providing insulation where cold weather is an issue so that concrete homes need not be limited to the southern States.

With the proper forming system and equipment plus properly trained concrete crews we can maintain a production of three to five houses per week, depending upon size and complexity of the unit. Come on down to our beautiful Island and see for yourself.

Our Company has built close to 30,000 all concrete homes on the Island, of which for the past 30 years all have been two story houses with poured in place intermediate structural slabs, and of course, concrete roof.

I really can't understand why, after the damage caused by the high incidence of intense hurricanes, it has taken the people of the Southern States so long to realize the benefits of all concrete homes.

> RAFAEL A TORRENS, JR. Levitt Homes Corporation San Juan, Puerto Rico

What it's sprawl about

I really appreciated Scott Sedam's article "It's Sprawl or Nothing" in the November 2005 issue of *Professional Builder*. I need to remember some of what he wrote in the future whenever I'm presenting some of my designs and proposals to town boards, zoning

boards, the general public — and environmental activists!
Thank you again,

Andrew Terragnoli Lauer-Manguso & Associates

Relationship building

I loved your article 'It's about People."

This article hit home with me. I too feel strongly in creating relationships with my peers, contractors, vendors and customers. It builds trust and team work and patience. Most, if not all, of my success in this industry has come from building teams and creating strong relationships. One of my favorite comments to make in the field is "I am only as good as you guys are." I just lead them. They create the home or live in the home. This is a very rewarding industry we are in and there is no reason not to have fun with the people who are involved with it. I have worked with a few builders in my career who have not promoted relationships or have just cared about how to beat the contractor down with pricing.

It is nice to be with a builder who truly values the relationship between employees, trade contractors, vendors, community leaders, and most important our customers.

I am currently with Garbett Homes of Utah. They are about people.

Keep up the great work guys. Your magazine is great. I have learn so much about leadership from Scott Sedam and many others.

MERLIN HUFF Garbett Homes Sandy, Utah

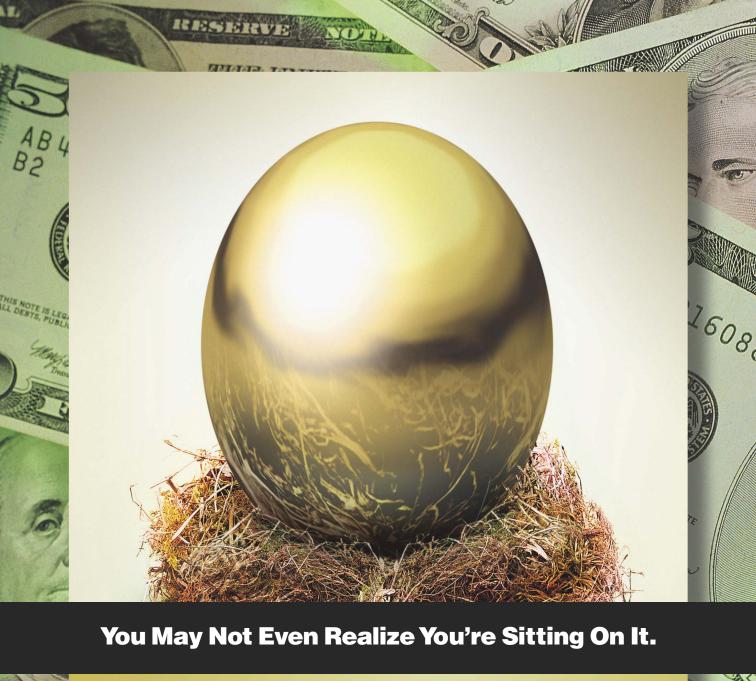
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Robert E. Rubin Secretary of the Treasury.



3 H

This Land is Your Land

Thomas Jefferson died with such considerable debt that Monticello had to be sold to settle his accounts. We are fond, in an odd way, of denigrating him for his profligate spending, his conspicuous lifestyle. But Jefferson inherited quite a bit of debt, and in Virginia at that time, such a debt situation was not uncommon. Large plantation owners were almost always land rich and cash poor.

Land rich could be a defining characteristic of America. It is certainly one of the biggest differences between us and Europe. We have always had an abundance of land. The result is a very unique relationship to home ownership that differs considerably with the European model.

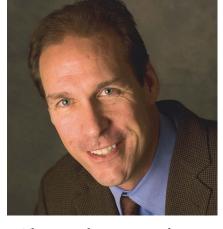
That relationship begins on the economic side. In Britain, homeowners spend, on average, seven times their annual income to purchase a home. In the United States, homeowners spend three times their annual income.

ics, rising land costs must point to a shortage of land, increased demand or both.

Well, there certainly is increased demand. We've added more than 12 million households in the last 10 years. And the Joint Center for Housing Studies' *State of the Nation's Housing* report predicts that in the next 10 years we'll add even more households.

But, has our supply of land decreased? Has the United States become a land poor nation? No. We are not land poor. We are, though, land poorer, but we still have a long way to go to reach European standards. Britain has a population density of 244 people per square kilometer. France slightly more than 100. Germany approximately 234. In contrast, the U.S. population density is only about 30 people per square kilometer.

So, with so much usable land, why are we becoming land poorer? Two reasons. First, we have more competing



The second reason speaks more closely to our attitudes about housing. Americans don't want just a house; they want a house and some land. But in terms of historic change, this is where we're seeing real evolution. Houses may be getting larger, but density is increasing also. Smaller lots, bigger houses. At the same time, we're becoming land poorer, our attitudes are more accepting of less land.

That's good for the housing industry. Ask yourself this question. Would you rather be building with greater density or have housing costs at seven times income? If Americans are more accepting of greater density, we are less likely to see European levels of housing prices. In terms of historic change, density is the fight we want.

Paul Defful aux

Paul Deffenbaugh

Editorial Director

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Land rich could be a defining characteristic of America. It is certainly one of the biggest differences between us and Europe. We have always had an abundance of land."

Recently, many housing experts have been pointing to Britain and Europe and saying that we should not be surprised to see our housing costs become more in line with the seven times figure they have. Such an event would be a historic change.

The housing market is undergoing historic change. According to Susan M. Wachter, a professor of Real Estate at the Wharton School of Business, the increase in housing prices has outstripped inflation for the last 10 years, which is the first time that has happened in history.

There are a lot of reasons for such an occurrence, but one of the most important reasons has to be the rising cost of land. And if you believe the well-tested theory of supply and demand econom-

demands for our land. The United States has one of the highest percentages of arable land per person in the world. Only countries such as Canada, Russia, and Australia have more. Switzerland and Austria have less than enough arable land to feed their own people. We use that land to grow crops, not houses. And agriculture is just one of the competing demands. We also have commercial, recreational and preservation demands.

GIANTS 400 ONLINE SURVEY

Every year, *Professional Builder* publishes the Giants 400 survey, the listing of the 400 largest home builders in the country. This year, the survey will move online. Now, to complete the survey, builders only need to go HousingZone.com to fill out the information. The survey will be available starting January 2006.



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Curb Appeal

Recognizing your hot buttons is paramount to objectivity.

Just as a good builder would never think of inspecting homes from the cab of his truck, a good hiring manager should avoid curb-qualifying candidates. This occurs more often than we care to admit and in a variety of manifestations.

As a hiring manager, it is important to assess your hiring criteria. Do you tend to feel more positive about candidates who:

- have a firm handshake
- dress in a certain manner
- are attractive
- are extroverted
- come from a top performing company
- attended a certain type of school
- have a military officer background
- played sports in college

All of these qualities might be desirable, but don't let them skew your objectivity. Depending on the position, most of these attributes have absolutely nothing to do with whether the candidate can succeed in the job.

Over the past 20 years we've seen numerous instances of companies curb qualify-

ing candidates.

The following represents how *not*

The following represents how *not* to judge an employee by his or her qualities:

■ The CEO with a preference for tall candidates because they had a more "commanding" presence and therefore were better leaders (his opinion).

ILLUSTRATION: GETTY IMAGES

■ The hiring manager who watched as candidates drove into the parking lot and made a character assumption based on the vehicle they drove.



- The builder who ruled out candidates from certain companies because of their business model or reputation. "XYZ Development is a lousy organization. I'm not interested in anyone from that company."
- The CEO who ruled out a candidate who did not carry herself well and wasn't a sharp dresser. This initial impression overshadowed her stellar experience and skill set as a controller.
- The client who ruled out candidates who graduated from a specific

top-shelf university. This client felt top-shelf graduates expected to ascend the career ladder too quickly and were impatient.

These examples demonstrate how our subconscious preferences come into play during the hiring process. The opposite reaction can occur when a candidate has one or more of your hot buttons. If left unchecked, you might make a decision before gathering all of the facts.

Caution Signs

If you find yourself talking more than listening during the interview, then the candidate might have triggered your hot buttons.

Post-interview comments such as "my gut tells me" or "I liked her immediately" can be false indicators.

Focus instead on whether the candidate has succeeded in the past and the likelihood that he or she can replicate that success in the job you need filled.

By taking the time to recognize your hot buttons, you'll be less likely to hire someone for the wrong reasons or prematurely pass on a great candidate. **PB**



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Internet Customers

Interviews with America's best new home sales professionals.

When I got into this business, there was an assumption that visitors knew very little about the community when they walked into the sales office. Yet today, almost 50 percent of new home customers first learn about us on the Web site before they walk into the sales office.

Is it important to find out if customers have been to your Web site? Do you deal with customers who have already visited your Web site differently from those who were just "driving by?"

We've asked new home sales professionals Dawn Davis, Fernando Moreno and Melissa Williams their take on the matter.

Dawn Davis:

Annual Sales — 35 Units Annual \$ Value — \$8 million

When I'm building rapport with a customer I ask: "So how much do you know about our community?" That is when they will typically tell me, "I was at your Web site and that's why I'm here." You can treat Web site visitors as "be back" customers because they are already educated on items such as the community and its floor plans.

One thing customers might not find on the Web site is whether a particular lot has a lot premium. Drive them out, walk a lot, walk the community with them. Walk that particular model if you have it and then talk about the features and benefits of the community and home they have selected.

Fernando Moreno:

Annual Sales — 28 Units Annual \$ Value — \$12 million You need to treat Internet

customers like a "be back" or repeat visitor to your community. They've already been to our virtual sales center, and they've already started the discovery process with you. They usually know which three floor plans they like the best. They already know what your community specifics

They've already started to do all that research ahead of time, so you really do treat them like a "be back."

Melissa Williams:

Annual Sales — 66 Units Annual \$ Value — 50 million

The Internet customer tends to be knowledgeable of the other communities in the area — your competition, where all the builders build, what their price ranges are in the different communities. So you really have to be up-todate not only on your community, but also on the competition.

I have had several customers that have purchased based on what they saw from the Web site. With paper in



When I'm building rapport with a customer I ask: "So how much do you know about our community?" That is when they will typically tell me, "I was at your Web site and that's why I'm here."

hand, they tell me "This is what I want to buy."

I've even had phone calls where they never even come to the community and they can purchase right off the Internet.

Because Web sites have become more prevalent, we need to make sure our Web site is current. If there is an error on the site, we should know it before a customer has a chance to see it. **PB**

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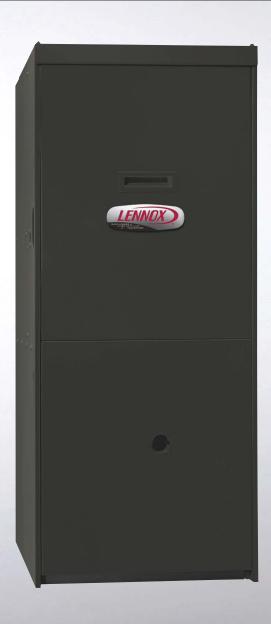


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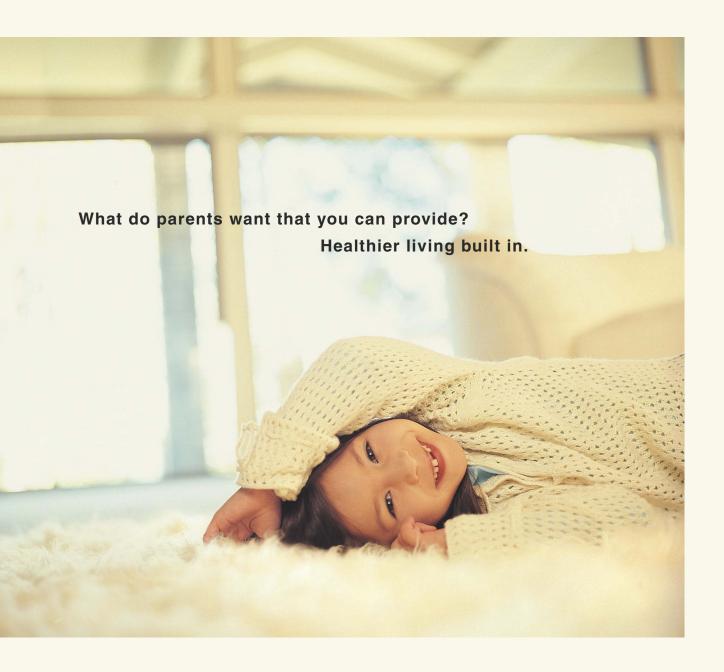








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LESSONS LEARNED

The J.D. Power Juggernaut

Caring is no longer an option.

Imagine setting out to deliberately design

one of the nation's largest home building companies with a primary goal to never please your customers. You might think you would be some kind of industry pioneer with this strategy. But it has already been done — and by more than one builder. If you spend some time studying the nationwide results of the *J.D. Power and Associates New-Home Builder Customer Satisfaction Study* for the last four years, you will find several large builders who have virtually never had a single one of their operations finish above the mean.

That is not merely incredible and hard to imagine. Statistically, it is near impossible. To achieve this dubious distinction, low customer satisfaction has to be a strategic goal and an operational imperative. Perhaps they just didn't realize what their strategies, policies and practices really meant — or perhaps they did. Now here's the scary part. If you and I can go to J.D. Power and figure this out, then so can prospective homebuyers.

Should you really care about these rankings? Yes. At *Professional Builder*'s recent Benchmark Conference, Paul Cardis, president of NRS — one of the industry's top customer satisfaction research firms — presented the results of his most recent national customer survey. One of the

key findings indicated that 95 percent of homebuyers planned to seek out builders' customer satisfaction scores to help them make a purchase decision. So you have to care. There is no longer an option.

More than five years ago, I wrote a column about the decision of J.D. Power to measure customer satisfaction in home building and publicize the results. I predicted it would forever change our industry.

No one paid any attention the first two years and my prediction looked premature at best. But as J.D. Power extends the survey to more markets, builders' interest, and uneasiness, has grown.

Now, with the J.D. Power in 30 U.S. markets as well as Toronto, the level of interest and concern over customer



Now, with the J.D. Power in 30 U.S. markets as well as Toronto, the level of interest and concern over customer satisfaction scores approaches paranoia.

satisfaction scores approaches paranoia.

J.D. Power does not publish an overall U.S. ranking and for good reason. It is almost impossible to calculate meaningful national scores directly from the builders' individual scores in each market. For example, if you gain a #I award in City A with a score of 125 and a #3 score in City B with a score of 140, how do these compare? Which one is better? How do you compare a builder who operates in two markets to a builder who operates in 50? What about builders who do business under multiple names in a single market?

· der naut

a massive inexorable force, campaign,

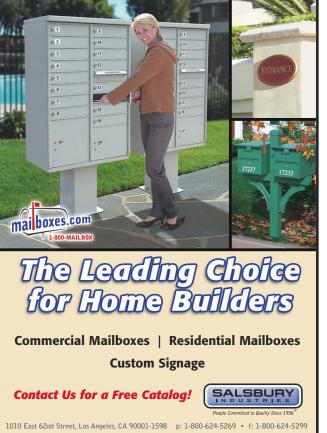
movement, or object that crushes

whatever is in its path

Source: www.m-w.com

Two years ago I thought I'd give it a try. I wrote a column wherein I took the J.D. Power scores from all U.S. builders showing up in five or more locations. I calculated a rank using a very simple system that I described in detail. It was generous to firms with operations finishing below the mean because I simply gave them no score instead of the negative numbers they deserved.

That column brought me nothing but grief. Unless they finished first, builders did not want to be listed at all. One CEO yelled at me about how my article was going to tank his stock price. I explained that there has not been any evidence Wall Street cares how well builders are regarded by customers. (I would love to be proven wrong about that, but I have yet to see an analyst report stating customer standing is just as important in their evaluation as signups, closings, backlog, assets, turns, gross margin, etc.)





I offer to you one of the most profound quotes of all time, this one courtesy of **Deming Disciple Brian** Joiner: "Every system, and every company, is perfectly designed, to produce the results it is getting."

My angry CEO's big point was that he was convinced the J.D. Power survey is rigged because he had many divisions showing top customer satisfaction on their internal customer satisfaction survey that scored poorly on J.D. Power. I soon discovered that the CEO had tied huge financial incentives to field managers to get high marks on his firm's own customer satisfaction survey. He began to wonder if perhaps some of his guys were manipulating the results. I told him that he didn't have to wonder — I could guarantee it.

Writer and researcher Jim Collins writes eloquently about the reluctance of firms to "face the brutal facts." But as much as they are reluctant to do it internally, they loathe doing so in public. When the latest J.D. Power results were published in September, I told myself the industry needed to take Collins's advice, and this year I would do the analysis again and write it up. After spending a few hours scanning by both city and company, it appeared that not much had changed in terms of who was doing well and who was faltering. My staff crunched the numbers a little more aggressively this time and assigned negative numbers to below average scores.

The results are volatile and as an industry we may not be ready to discuss them objectively. For example, several large builders who tout their high customer satisfaction didn't just score low, but in some cases pulled negative scores.

I am not going to include the entire list. As fortune, and the numbers, would have it, there is a statistical break in the data that separates the top five from the rest. No matter how you calculate it, you will come up with the same top five as we did. Next month, I will name those companies and describe what they do that sets them apart. Meanwhile, to those who are under-performing, I offer to you one of the most profound quotes of all time, this one courtesy of Deming Disciple Brian Joiner: "Every system, and every company, is perfectly designed, to produce the results it is getting." PB

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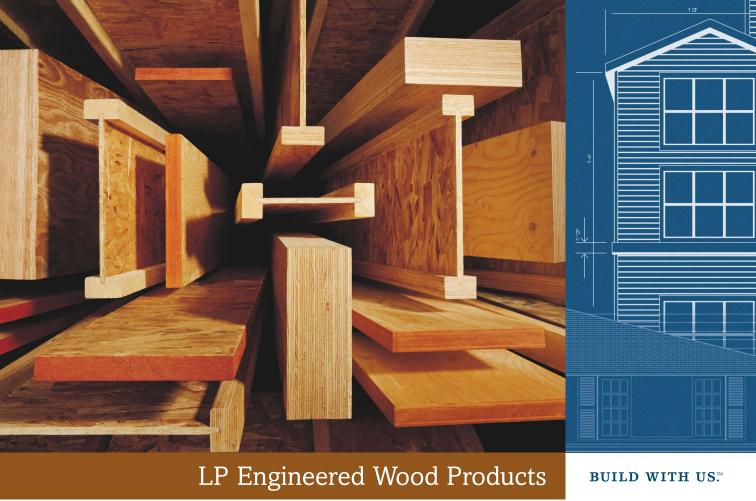
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LEARN

Land Acquisition and Development Finance — Part V

Business structures and financing round out the final steps for finding and developing land.

In this article, we will discuss organization business structures and selecting a lender.

Business Structures

After determining the goals of the project and the approximate amount of financing needed, you must decide on the legal structure of your business. You should make your decision based on the impact of the legal structure on your liability, initial cost, government control, impact on income taxes, and the management process desired.

There are several types of business structures, each with unique legal liabilities, risks, tax liabilities and benefits. Each business structure will be discussed in the following pages.

Sole Proprietorship

A sole proprietorship is a business owned and operated by one person.

While there are some minor costs of doing business, they are typically less than under other structures. The owner files a single, personal tax return and is allowed to deduct losses from personal income. The owner of a sole proprietorship has personal liability for any legal or financial problems in the business. For example, if the business earns taxable income, tax may have to be paid with the owner's tax return even if no cash is drawn out of the business.

Partnerships

A partnership is a business formed by two or more people joining as co-owners. It involves both shared risk and reward as all co-owners are liable for company debts to the full extent of their personal assets. Advantages to a general partnership structure include informality and flexibility. Business practices in the general partnership are usually simplified to include straightforward rules for organization and liquidation, arrangements for capitalization, profit and loss allocation, and voting rights. Tax benefits flow through to the individual partners, and the partnership itself is not taxed. Each partner is an agent and a principal, thereby making him or her liable for the acts of all other partners.

Within the classification of general partnership there are two common types of partnership formed:

■ Joint Ventures. A joint venture is a commercial understanding by two or more persons or entities organized to accomplish a single purpose. It differs from a partnership because its

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This will be the last article of the Learn series.





existence continues only as long as its specific purpose continues. It requires a common interest in that purpose, and the parties must have some right to direct and govern the conduct of each other in all aspects relating to the project. The expectation of a profit and the sharing of that profit are indispensable elements. If there is not any express agreement about sharing profits, an agreement for the equal sharing is implied.

- **Limited Partnerships.** In a limited partnership, certain partners are designated general partners and some are designated limited partners. The potential liability for limited partners is limited if certain legal requirements are met. Some limited partners have no control over the business and only take a limited profit/loss. The limited partnership used to be the most common form of partnership for real estate development. Tax benefits pass through to all partners (including limited), and the partnership itself is not taxed. More recently, other structures, such as the Limited Liability Company (LLC), and S Corporation have gained in popularity over the limited partnership due to their advantageous features related to owner liability and taxation.
- C Corporation. A corporation is a business treated as a single legal entity and is owned by its stockholders whose liability is generally limited to the extent of their investment. The ownership of a corporation is represented by shares of stock issued to people or to other companies in exchange for cash, physical assets, services, and goodwill. The stockholders elect a board of directors, which appoint officers that then direct the management of the corporation's affairs.

A corporation offers stockholders insulation from personal liability, thus it allows the conduct of business free of risk while at the same time enjoying full participation in the rewards. Generally, stockholders can transfer their stock interest freely. However, the incorporators are subject to more state and local regulatory control than business owners organized using other business structures. The state in which the corpora-

tion is registered, and any other state in which they do business, has the right to levy initial and annual incorporation fees and franchise taxes. Additionally, the profit is taxed twice—first the corporation pays tax on it; second the shareholders pay tax on dividends they receive.

- Subchapter S Corporation. A subchapter S Corporation is a corporation that elects to be treated as a partnership for income tax purposes. Income and losses are passed through to the stockholders up to the amount invested. Net income is then declared by and taxed to the stockholders. To be eligible for this election, a corporation must meet certain requirements as to the kind and number of shareholders, classes of stock, and sources of income. The S Corp structure is attractive for spouses or other small groups of investors involved in one project. It eliminates C corporation problem of double taxation (taxes on profits and dividend) and permits pass through of losses only to the extent of the investment.
- Limited Liability Company. LLCs are business entities created under state statute and owned by investors, called members. The LLC allows other corporations to be owners (members) and does not limit the total number of owners. The ultimate legal control of an LLC rests with its members. They outline the powers delegated to others in an Operating Agreement.

The LLC is the relatively newer business structure. It has advantages because investors are attracted to the limited liability and member control characteristics. Along with the liability protection, it also offers members the tax advantages of a partnership or proprietorship. Additionally, unlike the S Corp, other corporations can be members, which open up additional revenue sources. One of the greatest advantages of an LLC is that profit and loss can be allocated among the members in a variety of ways.

Selecting A Lender

Your success in selecting lenders can increase if you look at the loan process

from the lenders' point of view. Their restrictions include regulatory influences, expectations of income from certain types of loans and geographic diversificatio requirements. Additionally, each lender establishes unique goals and criteria to drive its loan portfolio. Lenders in the same area may have different targets, criteria and loan type preferences. When looking for a loan it is important to remember the following steps presented in the next few pages.

Research the Lender

Research the lender to understand their business focus and strategies and apply first to lenders that have a preference for the type of loan you seek. It is common practice to check references before deciding.

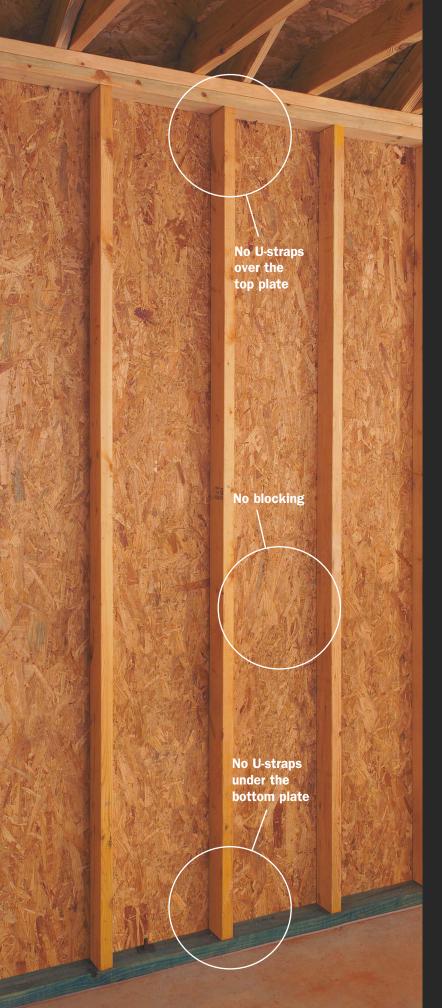
Plan Your Approach

Your relationship with a lender takes a thoughtful approach, including good communication. Poor communication, stemming from misunderstandings or the lack of communication, can usually be blamed for the failure of the financing deal. An opportunity to improve communication comes with status reporting.

Whether you are actively seeking financing or not, supply the lenders you work with, or would like to do business with, status reports regarding your business on a monthly, quarterly and annual basis. These reports should provide details of all relevant projects, not only those the lender is financing.

By supplying first-hand details about your projects, you increase the lender's comfort level and reduce the possibility of rumors and misinformation about your performance as a developer. Be sure to supply the right kind of information, as well.

The margins banks make on loans are comparatively low compared to those of equity investors. Consequently, the banks cannot afford many losses. They are primarily concerned with loan repayment and interested in information that demonstrates repayment assurances.





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Christi, Texas says, "The horizontal joints with 4 x 8' panels must be blocked and flashed, adding labor, and conflict with electrical and plumbing lines. Stud straps and clips take added time to install. Installed vertically, the Windstorm panels save on material, labor, and reduce job build time and eliminate horizontally blocked joints and strapping studs to plates. We use the Windstorm 971/8" and 1091/8" panels nailed for shear and uplift to comply with IRC 2003..."

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Prepare the Loan Package

Loan application package requirements vary from lender to lender. As a first step, ask your lender what he or she wants to see in your loan proposal. The insight you gain can help you prepare a complete package and avoid spending unnecessary time and money on providing extraneous information. The key is to make it complete and to the point.

If you provide inadequate or inaccurate information, a banker or broker may be unable to rewrite the loan submission in the format the lender demands and jeopardize your chances of obtaining financing for an otherwise viable development. Remember that you must first gain the lender's confidence. Providing all of the required information is an important part of that task. Walk the lender through your development on paper, and back up your statements with facts, site plans, credit history, photographs, etc.

There is no magic format for a loan package, because each must be custom-designed for the borrower, the project, and the lender. A description of the elements of a typical submission package follows:

- Cover Letter. The cover letter explains your purpose for submitting the package and summarizes its contents. It also summarizes your project and the financial need. Brevity and a positive tone are the keys to a good cover letter. If the cover letter does not provide a good impression and generate interest, the lender may never move beyond it to review the details of your request
- Loan Summary. A loan summary describes the requested transaction in a concise manner. It enables the lender to decide quickly if your loan package fits within their business parameters. Include the loan amount needed; rate desired; terms (length time, collateral, etc.); and borrowing entity (individual, company).
- Borrower's Resume. Regardless of how well you know the loan officer, provide your professional resume. The loan officer is often not the only person involved in the loan decision. The resume is your chance to convince the decision makers that you are capable of successfully completing this job.
- Project Team Profile. Include a brief biography on each member of the development team—architects, land planners, engineers, general contractors, public relations agent, sales personnel, etc.
- Market Data. Summarize your conclusions gathered through market research and analysis. Describe the





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scope and location of your project, the targeted customer, and market absorption projections. If the project is large and complex, then have a professional report prepared to include in the package.

■ Project Data. State the project goals and highlight development's features and benefits. Summarize information regarding the project and include actual documentation in an appendix, such as a map of the project, detailed plans and specifications for the units, a site plan, a project cost statement, a schedule of development activities, soil conditions report, zoning approval documentation, and written assurance of utility availability.

Financial Pro forma

A financial pro forma is an analysis of the expected cash requirements and profits of the project. It projects the disbursements and revenues based on anticipated sales rates and costs over the life of the

project. It can be the key to the loan approval. If the numbers won't work, the lender may be reluctant to loan you the necessary funds. It is a good idea to prepare a realistic and conservative pro forma because it is a big factor in negotiations with the lender.

Loan Guarantees, Bonds and Appraisals

You may be asked to provide a personal guarantee. This is a written pledge to make good on a loan. Guarantees are usually required if you have set up a corporation specifically for the project — the lender may want your personal guarantee that you will pay the loan even if your corporation defaults. Additionally, if you are a first-time developer, you may have to obtain a performance bond and/or labor and materials bond. You purchase these as to insure the project completion in accordance with the plans and specifi-

cations. Following completion, you may have to produce a property appraisal to verify that the project complies with plans and specifications.

The lender uses the information you provide in the loan package to confirm your creditworthiness, assess the financial feasibility of your project, and evaluate your ability to perform in a competent manner. A professional look and presentation of the application package supports a positive perception on these matters. Make sure the package is well organized, clean, legible, and appealing to the eyes. When you meet in person with the lender, remember always make sure that your appearance and personality reinforces your image as a competent businessperson. **PB**

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PATIO DOOR SYSTEMS

LAND ACQUISITION AND DEVELOPMENT FINANCE TEST

For each question, select only ONE CORRECT ANSWER based on the information in the Land Acquisition and Development Finance course materials.

1. A builder asks you to explain the major steps of the land development process. Which of the following lists would you provide to answer the question:

List A	List B	List C
Market analysis	Market analysis	Market analysis
Finding Land	Finding land	Finding land
Preliminary	Preliminary	Environmental
investigation	Investigation	study
Tying up land	Tying up land	Tying up land
Financial analysis	Due diligence	Due diligence
Land development	Site planning	Site planning
Government	Government	Community
approval	approval	relations
Site improvements	Site improvements	Site improvements
Financing	Financing	Financing

2. Which one of the following purposes can be accomplished through market research and analysis?

c. c

d. None of the above

- **a.** Determine project feasibility and forecast sales rates (market absorption)
- b. Identify the designs and features of product to be built
- $\boldsymbol{c}.$ Provide the basis for a marketing plan and support for zoning or annexation permit request
- **d.** All of the above

a. a

- **3.** Which one of the following options lists all of the research areas of a market analysis?
 - **a.** Loan rates, geographic boundaries, home sales
 - **b.** Economic base, supply and demand, buyer profiles
 - **c.** Home prices, product features, lot sizes

b. b

- **d.** None of the above
- **4.** Which one of the following sources can help you locate land for your new development projects?
 - a. Advertised and vacant parcels or failed development projects
 - b. Real estate brokers and government officials
 - c. Your personal and professional network
 - **d.** All of the above
- 5. You meet with a landowner to discuss previous uses of a parcel of land. Together you walk the land as you share your plans for development and listen to the owner's hopes for the property. Back in your truck you make a note to contact engineers, land planners, municipal planning and zoning officials, grading, and utility contractors to get their thoughts about the parcel. You have specific questions about the land's status as a flood plain, the soil conditions, water, utilities and waste water disposal services availability. As you drive away you note the surrounding uses and consider their compatibility with your development plans. In sum, which one of the following tasks are you doing?
 - a. A preliminary investigation for due diligence
 - b. A formal due diligence study
 - c. A market analysis
 - d. A land acquisition

- **6.** Which one of the following statements is true regarding due diligence?
- **a.** Due diligence typically involves three phases: market analysis, preliminary investigation, formal due diligence.
- **b.** Your initial contact with the landowner is the lease important element of due diligence.
- **c.** The due diligence for a parcel should explore three major areas: physical, political and financial feasibility.
- **d.** None of the above
- **7.** Which of the following items should be factored into a financial feasibility analysis of a parcel?
 - a. Profit margin
 - **b.** Indirect soft costs
 - c. Infrastructure costs
 - **d.** All of the above
- **8.** Which one of the following statements accurately defines a purchase contract used to tie up land?
 - **a.** It is a nonbonding agreement that describes a buyer's interest in a parcel of property and the terms and conditions under which he or she will purchase it from a seller.
- **b.** It is a document that outlines the terms and condition under which you will purchase and a landowner will sell their property.
- **c.** It is a secure agreement that clearly states the conditions of the sale and allows the buyer to remain unbound to satisfying the contract until all contingencies have been met.
- **d.** It is an agreement that specifies the length of time a buyer has to purchase a given piece of land for a certain price and the amount the buyer will pay for tying up the land during that period.
- **9.** Which one of the following types of option agreement do developers use to gain control of a large piece of property as it is needed for development?
 - a. Interest option
 - **b.** Letter of credit option
 - c. Rolling option
 - **d.** Straight option
- **IO.** Which one of the following types of considerations are not commonly addressed in purchase contracts?
 - **a.** Any terms and conditions, called contingencies, set forth by the buyer and/or seller that must be met prior to purchase as well as the outcome in the event the buyer is unable to complete the purchase
 - b. Agreements on timeframes and automatic extension on the feasibility period of approvals that are pending when the agreement expires
 c. Agreements on the profit margins and pricing of homes and developments that ensure a rate of return for the landowner and buyer
 - **d.** Provision to allow a buyer to assign closing rights on the property to another individual or entity without amending the original terms and conditions of the contract
- II. Your business is structured in a way that protects each member from liability beyond the amount invested. In compliance with your Articles of Organization, company decisions are made according to majority vote. Also, should any member withdraw from the company, it continues as a viable business entity. It offers the members the tax advantages of a partnership or proprietorship. Which one of the following options presents the name of the business structure your company uses?
 - **a.** Sole proprietorship

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- b. Limited Liability Corporation
- **c.** Corporation
- d. General partnership

12. Which one of the following financing types is not a major source of land acquisition financing?

- a. Construction financing
- b. Personal equity/builder retained earnings
- c. Lender financing
- d. Private and public financing

13. Which one of the following financing types is a developer's first source of funds for land acquisition?

- a. Construction financing
- b. Personal equity/builder retained earnings
- c. Lender financing
- d. Private and public financing

14. Which one of the following statements is not characteristic of land development lenders?

- **a.** They carefully scrutinize the credit worthiness and project potential.
- **b.** They offer loans used to secure the purchase of raw land.
- **c.** They package each parcel's development loan separately from the original construction loan.
- **d.** They recapture the bulk of the loan before project close-out through a release price procedure.

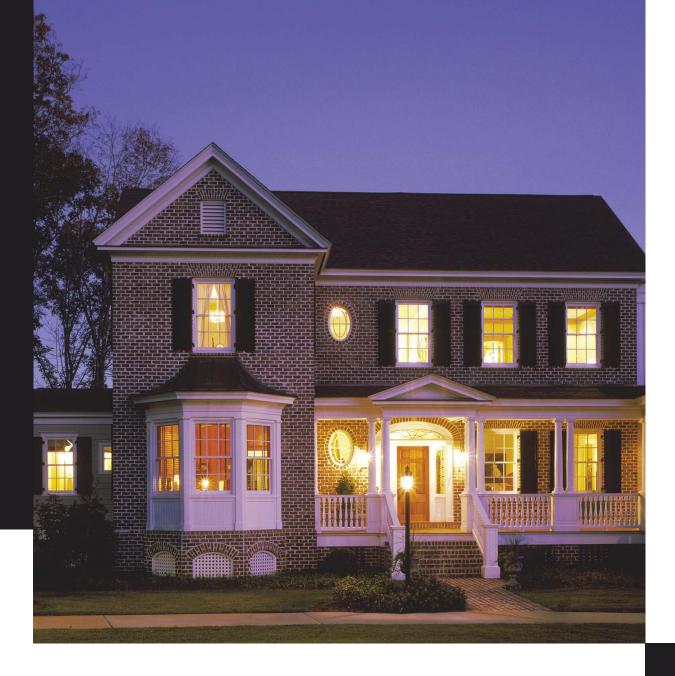
15. Which one of the following loans is not classified as seller-financing?

- a. Subordinated or Purchase Money mortgages
- **b.** Installment contracts
- c. Seller's mortgage
- d. Syndications
- **16.** A developer seeks a loan with no amortization from a lender and then asks the seller to agree to subordinate the first mortgage on the land to a subsequent construction financing lender. What type of loan is this?
 - a. 1031 exchange
 - **b.** Installment contract
 - c. Purchase money mortgage
 - d. Seller's mortgage
- 17. Which one of the following statements describes a seller's mortgage?
 a. The seller retains title (and possibly possession and use) of the land until the purchase price is fully paid however possession of the property is given to the buyer.
- **b.** The seller grants and mortgage to the buyer and retains a note due from the buyer as part of the sale.
- **c.** The landowner contributes land to the project in return for a proportionate ownership interest in the project.
- **d.** The purchaser makes periodic payments to the seller with interest on the unpaid portion of the purchase price until the purchase price is entirely paid and the deed is delivered to the buyer.
- **18.** Which one of the following statements is not true regarding land installment contracts?
- **a.** The owner retains title of the land until the purchase price is fully paid however possession of the property is given to the purchaser.
- **b.** Some contracts arrange a phased release of land portions, with 20 percent of the land held by the seller until full payment of a three or four-year contract.
- **c.** They often offer the seller security and enable the buyer to obtain release of at least a majority of the land.
- **d.** The seller usually has the right to force the buyer to purchase the remainder of the land at any time during the contract.

- **19.** Which one of the following options accurately completes this statement? Joint ventures, builders cooperative agreements, and syndications are forms of ______.
 - a. Seller financing
 - b. Equity financing
 - c. Public financing
 - **d.** All of the above
- **20.** Which one of the following options accurately completes this statement? When a developer and one or more outside parties including a debt partner join forces to provide capital and/or expertise for a project, it is called a ______.
 - a. Builder's coop
 - **b.** Joint venture
 - c. Mezzanine loan
 - d. Syndication
- **2I.** Which one of the following options accurately completes this statement? When builders share the risk and combine their equity and borrowing power to acquire and develop a larger project than they could take on individually, it is called a ______.
- a. Builder's coop
- **b.** Joint venture
- c. Mezzanine loan
- d. Syndication
- **22.** Which of the following options is not a form of public financing?
 - a. Syndications
 - **b.** Revenue bonds and housing finance agency programs
 - c. Tax increment and abatement financing
 - **d.** Special service district assessments
- **23.** Which one of the following statements is not true regarding debt and equity financing?
 - a. Lender financing has the lowest cost, but the highest risk
 - b. Equity financing has a much higher cost, bur a lower risk
 - **c.** Replace lender financing with equity financing as quickly as possible to maximize your return
 - **d.** Use equity financing to cover the difference between what you can borrow and the total amount you require to do the project.
- **24.** Select the option that lists the terms or phrases which best complete the following statements regarding finding a lender.
 - When looking for a loan always _______ the area lenders to understand their business focus and strategies. Once you have selected a list of potential lenders, request a sample ______ from each to determine if any have _____ with which you cannot or do not want to comply. When working with a lender, take care to _____ effectively to avoid misunderstandings. To allow the lender to accurately assess the success-rate of your

To allow the lender to accurately assess the success-rate of you venture, always provide a thorough _____

- a. Interview, loan, rules, communicate. project description
- ${\bf b.}$ Research, loan application, procedures, communicate, loan application package
- c. Consider, rate sheet, loan types, apply, proforma
- d. Study, policy manual, regulations, budget, company overview
- **25.** Which one of the following items is not typically included in a loan application package?
- **a.** Borrower's resume and project team profile
- **b.** Mortgage revenue bond application
- **c.** Market and project data including a proforma
- **d.** Cover letter and loan request summary



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PROFESSIONAL BUILDER 12.2005 WWW.HOUSINGZONE.COM

Do you see what I see?

First impressions matter... So do second, third and fourth!

You never get a second chance to make a **first impression**. While this adage may be true, when it comes to home building, first impressions count, but so do second, third and even fourth impressions.

Many new homes have been sold based on a positive first impression between prospective buyers and the sales staff. Too often, however, home builders place so much emphasis on winning over new customers that they forget to continue to impress homebuyers once they've signed on the dotted line.

Satisfaction Decay

Industry observers have assumed for years that as time passes, homebuyers will become steadily less satisfied with both their purchasing experience and their builder's performance. This is called satisfaction decay.

Most observers believe the decay is an incremental decline that happens one gradual step at a time. To test the decay theory, NRS Corp. surveyed 59,684 homebuyers who closed in 2004. The focus of the survey was to evaluate the homebuyers' overall satisfaction with their particular builder at five specific points in time:

- **I.** At the time the contract was signed
- 2. One month before clos-
 - **3.** At closing
 - 4. Thirty days after closing

Buyers were asked to reflect on their experience and rate each particular point in the process. The findings (shown on page 44) show the vast majority of home builders do a good job satisfying customers during the sales process. What happens during the design, production, loan and closing phases is a different story, particularly when you compare builders ranking high in overall customers satisfaction to those with lower scores.

According to the study, homebuyers that went with builders ranking in the top 2.5 percent for overall customer satisfaction had little satisfaction decay compared to homebuyers who bought from builders ranking in the bottom 2.5 percent for overall customer satisfaction. The Table on page 44 graphically depicts the differences in the rate of satisfaction decay between these two groups of homebuyers. The performance values displayed are the median scores for each group, based on a scale of I to IO, with 10 being the best score possible.

Homebuyers who bought from builders in the top 2.5 percent experienced satisfaction decay of 4 percent, from



While most builders are excelling at customer satisfaction during the sales process, something appears to happen during the design stage that sends customer satisfaction plummeting."

9.06 when the sales contract was signed to 8.704 today.

Those who purchased from builders in the bottom 2.5 percent, however, experienced a 46 percent satisfaction decay, from 8.426 to 4.517.

Conclusions

The study reveals significant conclusions about buyer satisfaction. While most builders are excelling at customer satisfaction during the sales process, something appears to happen during the design stage that sends customer satisfaction plummeting. There's a disconnect causing many homebuyers to become dissatisfied with their home builder.

The data shows that a builder's ability to influence

PHOTOGRAPH: GETTY IMAGES

customer satisfaction is strongest at the point of initial contact (see figure on right). As time passes, it becomes increasingly difficult to affect the satisfaction experience because the homebuyer's impression of the builder is more solidified.

What does that mean for builders? Any customer satisfaction or service recovery efforts you make will have a higher return on investment the earlier they're conducted in the building process.

What's not clear from the data is whether a builder is given a second, third or even a fourth chance to win back a dissatisfied customer.

Smooth Transitions

Ideally, every department should work together for the best interest of the homebuyer. There should not be any lags in service. Transition points are critical to make sure customer expectations are realistic and satisfaction remains high. Industry leaders focus heavily on smooth transitions from one department to the next.

The following list highlights how some builders have maintained high levels of customer satisfaction during transition points:

■ Assign individual employees to each homebuyer or set of homebuyers as a continuous point of contact throughout the process, from contract signing and design to construction and closing.



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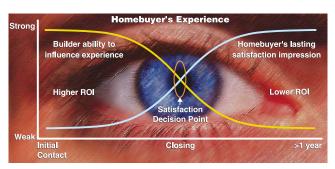






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RATE OF SATISFACTION DECAY		
	TOP 2.5% OF BUILDERS	BOTTOM 2.5% OF BUILDERS
Contract 1 month before closing	9.06 8.90	8.43 5.37
At closing 30 days after closing Today	8.89 8.82 8.70	5.14 4.62 4.52
Main drop after contract	0.36	3.91

- Provide a single number homebuyers can call whenever they have questions at anytime throughout the building process.
- Involve representatives from each department in the process of other departments. For example, a project supervisor might be involved in the sales meetings. This ensures that information is clearly communicated and understood from department to department
- Establish a project management system, whereby the project manager is, in effect, the builder for a particular community. With this system, homebuyers deal with one senior level management person. Smooth transitions are more likely with fewer people communicating with the homebuyers.

Though high levels of customer service should be provided throughout the sales, construction, closing and warranty periods, it is at these transitional points where home builders can really make a difference and impact their customers' long-term satisfaction and eagerness to make referrals.

To create smooth transitions, there must be seamless hand-offs between departments and staff. It means you have to have good organizational systems to know where homebuyers are in the construction process and what their needs are at any given time. It means having a steady and reliable workflow so that logjams — which exacerbate customer dissatisfaction — are kept to a minimum. It also means having excellent employees who are trained extensively in customer service and know how to handle a variety of customer types. **PB**



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• PATH

The PATH Top 10

PARTHERSHIP FOR ADVANCING TECHNOLOGY IN HOUSING

Building a quality home is a great idea, but where do you begin?

The Partnership for Advancing Technology in Housing (PATH) recommends that you start with the following techniques to improve a home's quality, durability, energy efficiency, environmental performance and affordability. PATH selected these techniques because they can dramatically boost a builder's ability to achieve these goals.

Use Optimum Value Engineering/Advanced Framing (OVE). OVE results in lower material and labor costs, less construction waste and improved energy performance for the home. While an advanced framing system can be applied as a whole package, many of its components can be used independently, depending on the specific needs of the project.

Use Prefabricated Components. A wide variety of prefabricated panels can be used in place of conventional framing. Prefabricated panels are produced in the factory, often using computer-controlled equipment that transfers panel-cutting instructions from digital CAD drawings. These panels can be assembled rapidly onsite, cutting cycle time significantly. They provide insulation and are often lightweight, making installation easier. Further, they can be designed to resist earthquakes, high winds, debris impact moisture and insect infestation.

Build Overhangs. Roof overhangs keep summer sun from overheating a home and help protect the home from rain. The

larger the overhang for windows or doors, the less frequently moisture problems will occur on exterior and foundation walls.

The local climate will determine

The local climate will determine the minimum size of overhangs. As a general rule, the wetter the climate, the larger the overhangs you'll need to install. Use 12-inch eaves and rakes in moderately dry climates, 18-inch eaves and 12-inch rakes in moderately moist climates, and a minimum of 24-inch eaves and 12-inch rakes in very wet climates.

Properly sized roof overhangs over south-facing windows will also block unwanted summer sunlight but allow heat gain from sunlight in winter.

Size HVAC Correctly.
Use the Air Conditioning Contractors of America (ACCA) guidelines for sizing HVAC equipment. Benefits include more satisfied customers and thus fewer callbacks, lower initial and operating costs, longer equipment run times and less cycling and proper dehumidification during the cooling season.

Use Manual J to estimate heating and air conditioning loads. This will be far more accurate than rules of thumb.

Use Manual S to select the proper equipment.

Install HVAC and Ducts in Conditioned Spaces. Improve energy efficiency, comfort, and health by placing HVAC equipment and ductwork inside the insulated, air-sealed shell of the house.

You can cut heating and cooling costs by as much as \$200 for the average home because between 20 and 35 percent of the energy supplied to ductwork outside the conditioned space is lost through air leakage and conduction. Initial equipment costs also may be reduced because system heating and/or cooling capacity, and ducts themselves, can be downsized. By placing your HVAC and ducts in a conditioned space, you will also avoid drawing dirty or mold-laden air from the attic or crawl space. Use ACCA's Manual D to design ducts to ensure proper air distribution rather than relying on rules of thumb.

Install Housewrap
Properly. Housewrap is
often viewed solely as an
air barrier, but properly
installed housewrap also
blocks, collects and channels water that gets past the siding.
Improperly installed housewrap,
however, is a problem waiting to happen. If housewrap is not lapped correctly, water may drain behind windows.

Because housewraps are designed to allow water vapor to diffuse through them, they are best used in mixed and cold climates.

For hot and humid climates, 15# felt paper, which limits water vapor transmission through walls in both directions, is a good choice.

Flash Windows Properly.
Failure to flash correctly is a leading cause of roof and window leaks and callbacks so be sure to give windows and skylights the time they're due.



Use Appropriate Air Sealing Details. Air infiltration may contribute to as much as 30 percent of a home's heating and cooling costs.

Perform air sealing before adding insulation. Use caulk for sealing gaps of less than half an inch. Spray foam can fill small holes, as well as large cracks. Expanding foam will work around windows if the product was designed for this purpose. Use weatherstripping to seal areas with moveable components, such as windows and doors. For larger areas, use housewrap or 15# felt paper to form an airtight seal over the exterior sheathing, and polyethylene plastic to seal complicated leakage areas that may be of irregular shape.

9

Insulate to Energy Star Standards. Insulate your homes to Energy Star standards to increase occupant comfort, reduce indoor and outdoor noise, and lower energy bills.

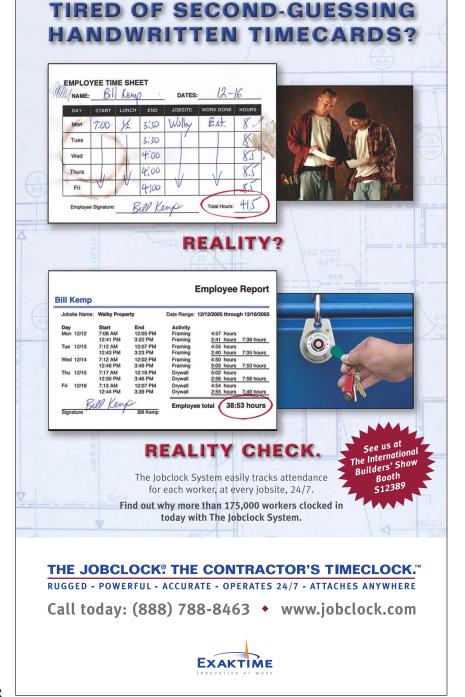
10

Use Xeriscaping Techniques. Traditional landscaping techniques include the widespread use of lushlooking Kentucky

Bluegrass lawns dressed with ornamental shrubs, flowers and trees.

You can reduce your landscaping time and your customers' water bills through xeriscaping. Disturb as little existing vegetation as practical and choose drought-tolerant native plants. Once established, native plants are very low maintenance, require few if any fertilizers or pesticides, and demand little additional water.

In conjunction with drought-tolerant trees and bushes, rock garden arrangements with creeping groundcovers and succulents can provide height, texture, color and seasonal variety equivalent to conventional ornamentals. Builders and developers can use xeriscaping in conjunction with other low impact development techniques to minimize irrigation and landscape-maintenance costs in new subdivisions. **PB**



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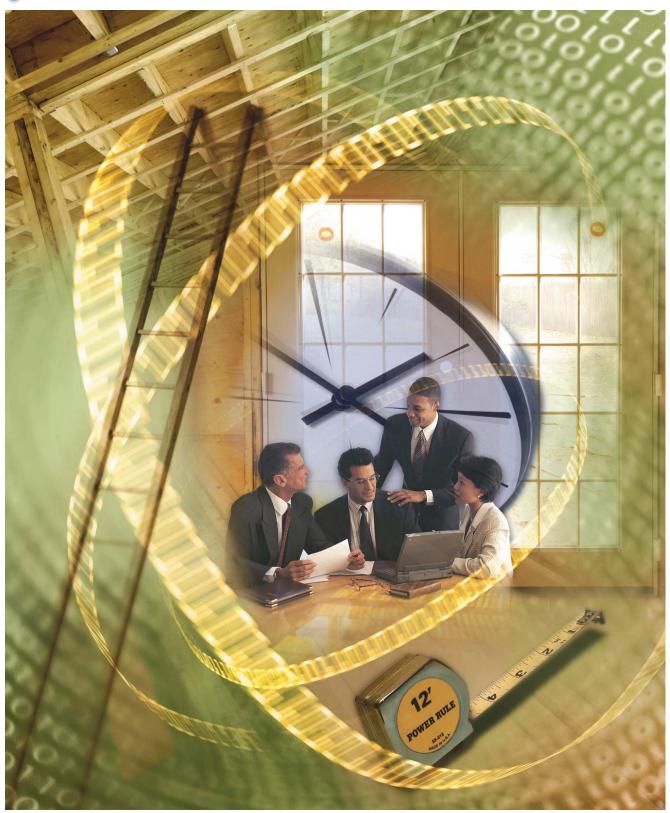
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\odot I.T. ESSENTIALS



Change Order

Successful implementation of integrated technology systems requires a team effort.

Change. It's the only constant in life. In technology, the only constant is rapid, frustrating, expensive, maddening change. And if a builder really wants to make life difficult, he should change his integrated technology system.

Adding a new system or updating an existing system can seem more like guess work than management. Experts, though, point out there are certain steps builders can follow to reduce the risk of this time-consuming process.

What is an integrated technology system? Sometimes called integrated software systems, integrated technology is a system that interlinks all software programs within an organization and can be accessed by everyone within that organization. For a builder, interlinking accounting, sales, scheduling and change order programs makes sense. Accounting folks need to know sales projections and change order revenue and expenses, all which tie back to scheduling, thus allowing the processes to flow on time.

IT-driven implementation.

For most organizations adding new technology is a cultural change, too. New technology brings on new responsibilities and new processes. Consequently, training is the key to the implementation process of any integrated system.

Planning Phase

Begin with research. Integrated technology systems aren't cheap and the costs can escalate quickly so hard research must be done from the start. Of course, any major purchase requires research but an integrated system demands even more.

Builders who have been through this process recommend forming a team to do the research. Whether it's employees within the company or an outside consultant team, it could be one of the most important parts of the project. "If you try to evaluate new software with a couple people in the room that you think know the business, you'll miss things," says Ed Bobrin, director of corporate and home systems for DeLuca Homes.

Research begins with understanding the environment. Why does the company need to change its system? "You need

PROCESS DEFINITION CHECKLIST

The number one step to evaluating and implementing a new integrated system is defining the business processes. Below is a process definition checklist covering basic builder processes. Within each process, be sure to outline what it means for the company and how integrating a new system will change these processes.

- 1. Corporate level strategic planning
- 2. Land development and project planning
- 3. Product definition
- 4. Vendor selection and bidding
- 5. Prospect management
- 6. Contract approval and ratification
- 7. Change request/change orders
- 8. Production job start and scheduling
- 9. Purchase orders, payment approval, and variances
- 10. Closing and post closing

Source: William A. Allen Consulting

ware, but at your company's processes. Make sure every element of sales, production, marketing, accounting, etc. is documented (see Process Definition Checklist above). "You'll be able to quickly find gaps in software that you're evaluating when you have documented your business processes on paper," Bobrin says. "Sometimes you get caught up in the bells and whistles the software offers and you need to focus on what you need."

During this evaluation, the technology change team should also look at where the company plans to go within the next five years. "Think to the future," says Dan Smoulder, estimating/administrator coordinator for Petros Homes "What your needs are right now may not be your needs in five years or even three years from now."



"Sometimes you get caught up in the bells and whistles the software offers and you need to focus on what you need."

Because integrated systems work in every area of a business, implementing one can be as disruptive to operations as having the entire staff take sick leave. The most important element of implementing new technologies, however, isn't the process, but who does the work and how it affects the organization. Experts agree that teams are the solution to making the transition run more smoothly than a traditional one-person,

to have business managers understand why the business is changing and support you on it," says Ken Knorr, vice president of quality assurance and business solutions for Pringle Development. "You can't have people within your organization that are fighting the change."

Form a technology change team. Each department should assign one person to become part of the team. Once the team is formed, look not at the new soft-

Selection Phase

After documenting the processes, the technology change team can start the selection phase. Gather information by attending trade shows, reading technical magazines and talking to other IT directors.

Beware of biased opinions, though.

"Don't always believe what you see at the trade shows," says Robert Kohl, IT director for Monte Hewett Homes. "Of course they have all the glitz and glamour, but there are so many other products out there than what you see. What you really need to do is get into a company where the software is being used."

Knowing what other builders use is very important, but don't base a final decision strictly on that basis. Remember the company's best practices may not match the processes of the other builder currently using the system under consideration.

Because each company has slightly different wants and needs when it comes to an integrated system, it's important for the technology change team to weigh all of its options. Keep in mind, the software or system doesn't play the major role, the business and its processes do. "The most common mistake I have observed is the assumption that new software alone will bring about the improvements for which a company is looking," Eric de Jager, director of Microsoft Dynamics SL (formerly Solomon), Microsoft Corporation says. "The "magic of software" can help bring about amazing results, but the solution is owned by the customer [builder]."

Once the research is complete and options are chosen, the technology change team should narrow down the finalists by using several techniques. The simplest technique is to make a list to compare the different systems. "We had an importance level rating I through Io that told us how important that feature was," Knorr says. "We figured out what each had or didn't have and multiplied that by the importance level and gave a score to each system, then we were able to narrow it down with their scores."

Another evaluation process is to walk

WHY USE A CONSULTANT?



For some builders, it makes sense to bring in a consultant who can help figure out the best integrated system. The integration process may be too overwhelming for smaller companies who may not have the manpower to make the changes necessary. Other builders may just be uncomfortable dealing with technology and want to rely on an expert who knows the ins and outs of integrated systems. No matter what the scenario, a consultant helps to ease the process.

For John Fink, chief financial officer of ILEX Construction, it made sense to have an outside consultant help with the company's selection. "Unless you're extremely knowledgeable of the IT department, you turn to an outside person and their expertise," Fink says.

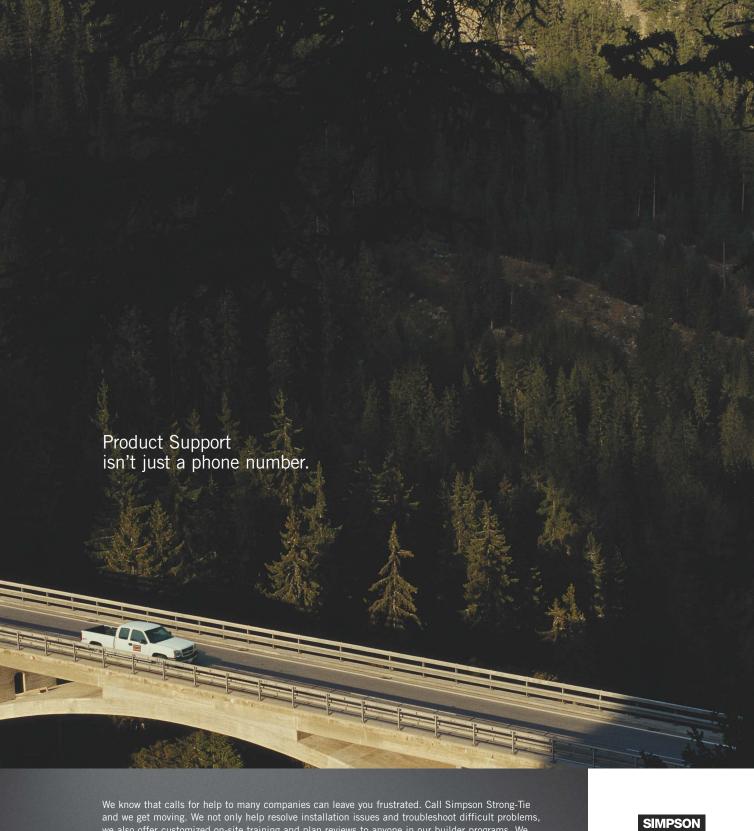
Consultants have specific methodologies, which are based on the three-step process of planning, selection and implementation. They learn about the business and its processes. They want to investigate the type of system the company is using and how it's using it. "The primary thing you want to do is understand how their business operation flows," says Chris Donnelly, IT implementer with C5 Communications and consultant for ILEX Construction. "What's also more important is can they use what they have now to help them accomplish some of the things they're trying to do."

"We hired a very knowledgeable consultant that knew this area extremely well," Fink says. "I didn't get really technical with him. I basically said I want to get out of my chair and be able to walk across the street, get on that computer and get into our system as if I never left my desk."

C5 Communications determined what expectations for the integrated system ILEX had before recommending vendors. "Look at the big picture," Donnelly says. "We often say, 'where do you want to be?' and that leads to a whole list of other questions as they start to go down that path of where they want to be."

ILEX approached the final stage training portion through their own way. "We did it a couple of different ways," Fink says. "We basically determined the type of employee and the level they needed to understand in order to use the system.

"Then we pulled them all together and did an initial type of training on here's what you can do," Fink says. "When they had specific questions over time they could go to their trainer to help them." Time was critical for ILEX, as it is for most builders, so hiring a consultant helped get the project done in a timely manner. Having the expert knowledge made a world of difference too.



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TOP 10 FALLACIES OF SELECTION PHASE

- 1. The software must take care of "all our needs"
- 2. I don't want to upgrade the system for the next five years
- 3. Other builders use this system so that's what we're doing
- **4.** We know what we need to be successful we don't need some software product telling us how to run our business
- 5. We can't live without our management reports
- **6.** The old system data and logic is essential we must be able to convert and use the data
- Our people are too busy we'll just hire some temporary help to get the conversion done
- 8. I want the newest and most technologically advanced system
- 9. We'll hire a consultant to steer us in the right direction
- 10. We're not in a position to make a change

Source: William A. Allen Consulting

through the company processes with the software vendors. Find out what exists within the new software that can be implemented with current software the company is already using. Will all the company processes be able to implement into this new system? "Check through the processes and get the details because you'll really need them and have problems during the implementation if you don't," says Ty Roden, director of IT for Pringle Development. Another important feature of integrated packages is reporting; it is essential to determine the type of reports the company needs. "Define and determine the reports you want on the backend before signing a final contract to buy the system on the front end," Stuart Siegel, consultant for G2 Technology says. "When all is said and done, everyone is going to judge the reports from the system. If those reports aren't out there on day one, everyone thinks the system isn't really working."

Smoulder took an innovative approach to his evaluation process. He used a group of graduate students to narrow down his search. The group mapped out the company's software processes already in place to match up

with its business practices. "They also went and looked at the three software companies we were considering," Smoulder says. "We even had them demo the software."

Finally, be aware of the reputation of the software provider. While the days of fly-by-night providers seems to be a thing of the past, new software packages and short-tenured businesses could be less reliable. "It's important where they came from and have they been around for a long time," Smoulder says.

Implementation Phase

After purchase comes the real expense and time drain — implementation.

The technology change team should begin by gathering all company data that will be implemented into the new system. "It's hard to prepare your company for something like this," Smoulder says. "No matter what system you go with, it's very painful to implement a new system into your company." Training is key. "Training is the most important element to your success," Knorr says. "Invest in the training. We spent more money on training than on the system itself."

As a rule of thumb, include training within the overall cost for the implementation project. "I use a rule of .05 percent of annual sales as a technology budget," Allen says. "If you have a company that's doing 10 million a year, then that's \$50,000. This is everything — technology consultants, working help, equipment, support fees, licenses and training."

Most vendors offer training, but it's not free. The cost should be budgeted into the overall expenses of the implementation project. "You really have to make sure you don't fall short on the implementation plan and how it's going to affect people," Bobrin says.

There are two types of training — implementation training of the new system and training of the entire business process realignment. When a new system is added to the mix, each business process — sales, scheduling, change orders, accounting — may need to change the way it was originally processing its work. The new system will "change the way you do your business for your entire company and each position within the company changes," Knorr says.

Because implementation is a major



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culture change, it makes sense for the technology change team to walk through a pilot test of the new system. Knowing what the company should expect in specific situations with the new system is helpful. "We did a conference room pilot," Knorr says. "We brought all our data and information into the system. We pretended with the system through every major discipline within our organization. We built houses in the system as though we were building them for real.

"Every 20 or 30 minutes we made it a new day and advanced forward," Knorr says. "We would run numerous scenarios so we could understand how we were going to provide training to our people." The pilot program provided the information Knorr needed to develop an effective training program for implementation.

Of course, anticipating every worst case scenario is impossible, but you can prepare for the unforeseen. Create a team to pinpoint future system issues.

"Our implementation committee represents every department in the company," Knorr says. "The committee meets every week to discuss issues with the system, and we can discuss interrelated issues that are cross departmental."

The vendor is also an option for technical support. When selecting the system, make sure "you can get application assistance," says consultant Bill Allen of William A. Allen Consulting. "It may involve having some kind of network resource that you can call on the phone or have on call to be there to answer questions."

One of the major mistakes builders make is fast-tracking implementation. Each phase must be taken at a deliberate pace. Zipping through the process may only lead to problems later. Complete each phase before moving to the next.

Change, especially change in technology, can be frightening. But implementing an integrated software system should be good for everyone in the company if it's done properly. The result will reflect positively on the business image. The key is technology change teams. **PB**



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PAPERLESS OFFICE

After integration, the options are endless. DeLuca Homes Corporate Center in Yardley, Pa., expanded on its options by going paperless. "We made a concerted effort to really try to automate our business more and eliminate paper out of the construction process," says Ed Bobrin, director of corporate and home systems for DeLuca Homes. "Everything from construction drawings to work order, and service orders and scheduling to get rid of paper in any manual management of any of those processes."

DeLuca added on to its existing system by installing an Internet tool kit from Mark Systems' Integrated Homebuilder Management System, a high-end enterprise management systems company that offers solutions to residential builders and developers. This Internet tool kit is a web-based scheduling management tool that allows DeLuca to tie house scheduling to the cost side of the business. "It not only delivers the task to the subcontractor, but delivers the work order and the payment information when it's complete at the same time," Bobrin says.

"That's a big upside for us as a builder, but it's good for the subcontractor too," Bobrin says. "They can get everything in one spot when they need it and print it out if they need a hard copy, but they don't need one delivered to them from Deluca."

Switching to paperless sounds like a major challenge, but it doesn't have to be. If it's done right, it can be a smooth transition. "We invited all of our subcontractors to a giant meeting to talk about what we were going to do," Bobrin says. "We surveyed all of them at the meeting to see what level of Internet access they had as well as other questions about programs they were accustomed to using to give us a profile of how technically savvy they were."

Out of 100 subcontractors only one didn't have Internet access, so DeLuca went forward with the project to incorporate paperless. "There's a lot of subcontractors out there craving technology as much as DeLuca was craving it," Bobrin says. "They were thrilled to start to see it coming down the pike."

According to Bobrin, the transition went relatively smooth. DeLuca gathered everyone together, DeLuca employees and subcontractors, to discuss the change along with a demonstration of the new process. "At the same time, we had them all sign up for a time slot for training," Bobrin says. "We set up classes over a week's period, morning and afternoon, and gave them the opportunity to come into a class that works better for them."

The transition has been a success. "You have to be flexible and offer as much training as you think they need," Bobrin says. "Kill them with training, kill them with support, and make sure they're not just handed something and say figure it out."



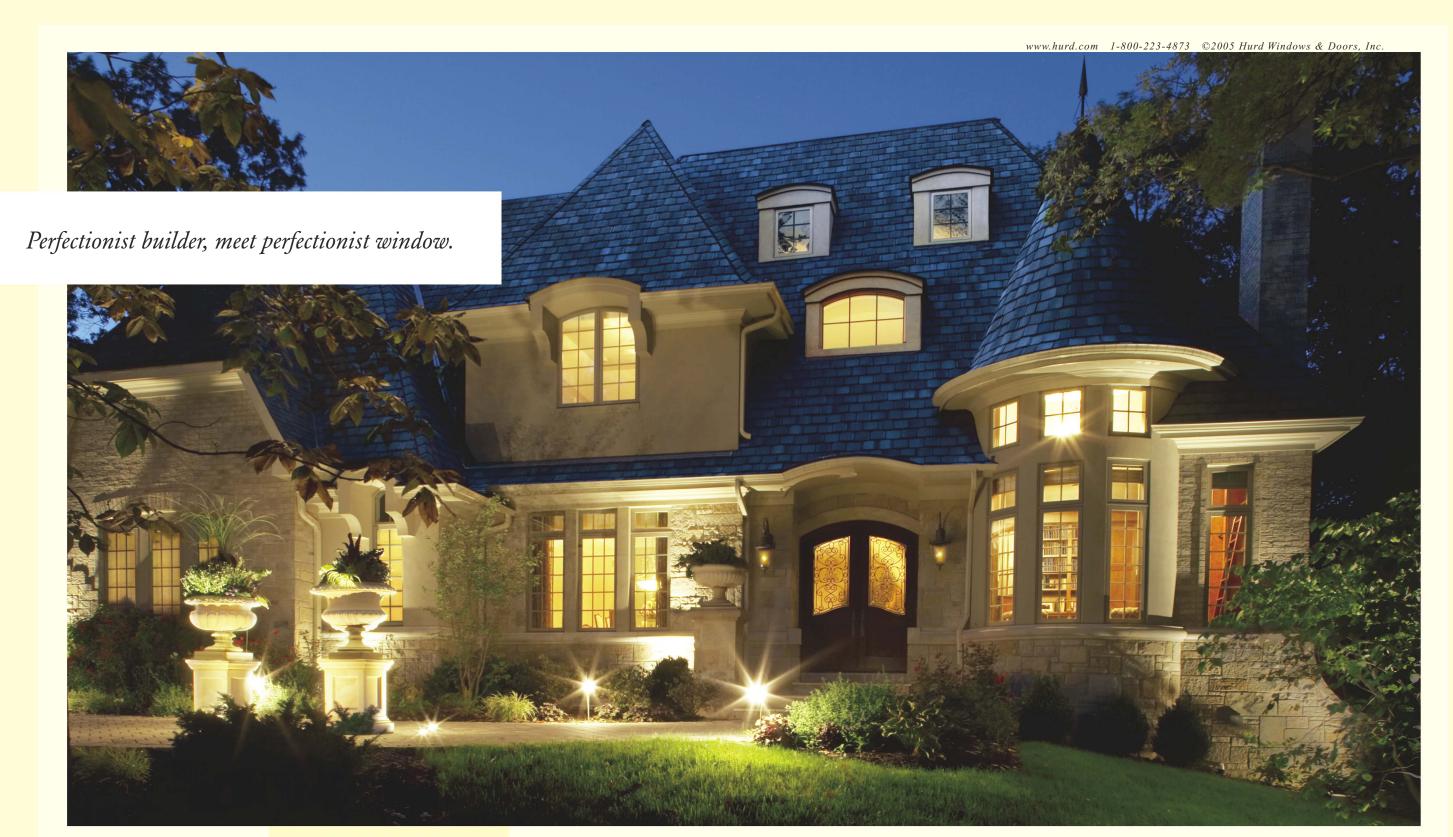


Last year's SHOW VILLAGE was a resounding success. Thousands of visitors attended the four-day event, and we know that this year's SHOW VILLAGE will be even better! And, if that weren't enough of a reason to visit, you just might win a high tech souvenir to carry home!

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To get your PASSPORT, just visit any one of the SHOW VILLAGE sponsor booths or stop by SHOW VILLAGE and see any *Professional Builder* or Reed Business Information representative.

Professional Builder





You have dozens of satisfactory wood windows to choose from. But not many of them are custom made in the exact size and shape you want. Very few have the glazing options to match every location and every angle of the sun. Even fewer are available in nine species of wood and unlimited colors of cladding. And only one brand, Hurd Windows and Doors, gives you all of it while sharing your total commitment to a single ideal: **Perfection.**





>> BY MATTHEW POWER, SENIOR CONTRIBUTING EDITOR

A Custom Revolution

Careful hiring, an obsession with quality and deep integration of systems have made this North Carolina custom builder a world-class innovator.

Remember when chess champion Gary Kasparov went up against Deep Blue, the supercomputer? Kasparov won the first time. But the second time, Deep Blue's programming included almost every possible combination of moves. As a result, a shaken Kasparov conceded defeat.

Simonini Builders, Inc. (SBI) has done to custom building what Deep Blue did to chess. This North Carolina-based firm has used information technology to change the definition of "custom." Home building may never be the same.

KEY FACTS ABOUT SIMONINI BUILDERS

Proj. Price Range (Homes): \$500,000 to \$4 million Renovations: \$125,000 and up

Avg. Sales Price: \$900,000

Building Area: Charlotte, NC; Charleston, SC; Hilton Head, SC

Spec Homes: 60 percent of New Home Sales

New Homes: 98 Closings (2004)

Total Projects: 120 (2004)

Employees: 10
Total Annual Revenues (2004)

Home Building: \$85,270,000

Renovation: \$2,747,000





PROFESSIONAL BUILDER 12.2005 WWW.HOUSINGZONE.COM

But that's just one of the reasons *Professional Builder* chose Simonini Builders as the 2006 Builder of the Year — the first ever custom builder to be recognized as the fairest construction firm in all the land.

The other reasons? How about fierce employee loyalty, sales volume rivaling a mid-sized production builder and customer satisfaction ratings 13 percent higher than FedEx? Here's a glimpse inside SBI's world-class operation.

Quantum Shift

"We had reached the point in our business evolution that we needed to more clearly define our brand, reputation and market position," says Ray Killian, Jr., co-owner and chief executive officer of SBI. "A few years ago, we had an outside firm conduct a brand evaluation of SBI. They



Brooks Henderson, Builder

Hails From: Atlanta, Ga. Experience: Henderson worked as a site superintendent for seven years in Charlotte, plus one year as a director of purchasing and estimating before joining SBI Years with SBI: 2

Off-Duty Interests:

Wakeboarding, snowskiing and whitewater rafting. "SOME HOMEOWNERS YOU SEE THREE TIMES A WEEK; SOME YOU TALK TO THREE TIMES A DAY. YOU HAVE TO REMAIN FLEXIBLE, BECAUSE IN THE SPACE OF AN HOUR YOU MAY BE GOING FROM EXPLAINING SOMETHING TO A HISPANIC WORKER WHO SPEAKS NO ENGLISH, TO WALKING A CUSTOMER THROUGH A ONE AND A HALF MILLION DOLLAR HOUSE."

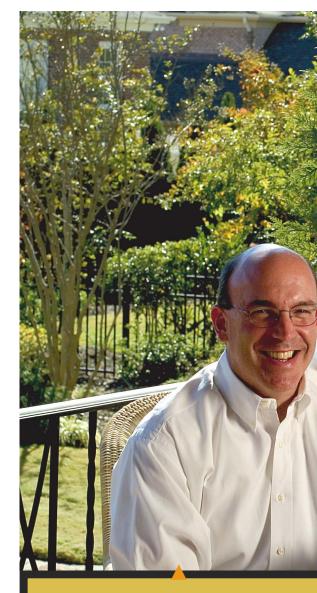
met with bankers, brokers, agents, politicians, customers, lawyers and other influencers and asked the [influencers] many questions about impressions of SBI.

"One of the questions was 'If you were to compare SBI to a movie star or a car, what would the image be?' The answer was Paul Newman (as a movie star) and Lexus (as a car)."

That information, Killian says, convinced him and company co-owner Alan Simonini to apply the tools and marketing methods of the luxury auto industry to custom home building.

"When you buy a Mercedes, you have thousands of options to choose from," Killian explains, "but that doesn't mean you're getting any less of a product. We call [this strategy] our Hedgehog (referring to the book, "From Good to Great," by Jim Collins). We want consumers to feel passionately that they have received a custom home, even though it's a portfolio home."

That goal led SBI's dynamic duo to aim higher for their company on every level. They began by cherrypicking key employees, often spotting talented people among the overworked ranks of public builders. For example, new chief financial



Bill Saint, CPA

Simonini Builders

Chief Financial Officer, Director

BILL EARNED HIS STRIPES in the home building business as a division controller for Centex. During his time there in the early 1990s, he managed operations for the construction of more than 300 homes per year. That experience, along with an accounting degree, led him to join SBI in 1994. Bill has implemented systems to organize, track and control the operations and activities of SBI on all levels — with an eye toward eliminating redundancy and waste. Bill also oversees neighborhood building activities as well as the marketing and advertising programs.



Ray A. Killian, Jr.

Simonini Builders

Chief Executive Officer, Owner-Director

SINCE 1994, when Ray bought half ownership of Simonini Builders, he has acted as a prudent, patient steward of the company's growth. An experienced developer and real estate broker, Ray knows when to take risks, and when to sit tight. During his 11-year partnership with Alan Simonini, SBI's scope and volume have risen dramatically. Ray has steered that hugely successful transformation, converting a family-run organization with \$15 million in business into a nationally recognized company, generating revenues in excess of \$100 million annually.

Phil Hughes

Simonini Builders

Chief Operating Officer, Director

ANOTHER HARDENED construction veteran, Phil Hughes left his job as a vice president of construction after 10 years with Centex to join SBI in 1997. His role now: directing mid-level project managers. Hughes also oversees the company's building materials company: Southeast Builder Supply. The company has recently divided management duties among the four top executives, and Phil now oversees the Charleston Division, Lowcountry Division, Renovations, Custom Homes and Southeast Builder Supply.

Alan C. Simonini

Simonini Builders

Chief Creative Officer, Owner-Director

ALAN SIMONINI HAS A PASSION — some might say an obsession— with quality and customer satisfaction. Those traits have guided his hand as SBI's CCO and half owner. Under his watch, SBI has grown eightfold since 1994, now building between 75 and 100 homes per year. Along with his direction of construction quality and management, Alan also acts as the creative force behind SBI's complex home designs. He has kept quality and customer satisfaction at the forefront of every decision. As a result, SBI has won dozens of regional and national awards for design, planning, innovation and ethics.

officer Bill Saint, a former Centex division controller, took the lead in setting up SBI's "Structure" management software (see "Super Structure" on page 74). And veteran builder Bob Pugh joined the SBI team to head a new Renovations Division, aimed at high-end clientele (see "The Sweet Spot" on page 70). The company also diversified into the window and building material business, opening Southeast Builder Supply in Charlotte.

Through the whole re-layering process, however, Alan Simonini, whose father Al founded the original company back in 1973, zealously defended the company's core values — insisting that good people and construction quality remain at the center of every move forward.

"A lot of builders expect the client to accept all kinds of defects," Simonini says, "but we wouldn't accept a dent in our new car or any other products, so why accept it in our homes? There's no such thing as too picky. If it's wrong, it's wrong."

That zero tolerance standard sometimes puts a strain on SBI's management in the field, but it also earns their respect.

"Alan will go to the end of the universe to satisfy people," Bob Pugh says, "sometimes to the point where it may hurt [financially]. But Simonini's reputation is untouchable."

What does quality mean in a Simonini home? How much time have you got? From throughwall copper flashing to ensuring that the screws in the light switch covers are vertical, no detail escapes notice.

Expanding Universe

Simonini is keenly aware of the narrow, affluent niche it serves. To expand that base, the firm has been expanding into promising new regions. These include several parts of South Carolina, including Charleston, the Hilton Head area and wealthy enclaves such as Daniel Island.

How did a relatively small custom building company create field teams in these remote areas? By making nice with the locals.

"We had to export our brand, not our crews," notes Saint. "We found that if local subs don't know you, they won't work for you. So what we did was hire a well-respected superintendent

SIMONINI **BUILDERS:**

RETROSPECTIVE

Single-handed.

Al Simonini (Alan Simonini's father) forms Simonini Builders, Inc. (SBI). His first projects: two homes in River Hills, N.C., a lakefront golf community on



Fast forward.



Now an experienced custom builder, Al Simonini and SBI average about 20 homes annually. SBI has earned a solid reputation for quality. They break ground at The Peninsula, an exclusive Crescent Resources Community.

Perfect union.

Alan Simonini

joins his father's building company, Simonini Builders, purchasing 50 percent of the firm's shares. Ray Killian purchases the other 50 percent, and the two begin a close business partnership. As a first move, the two implement testing to find exactly the right employees to fit the company culture.



Doubling up. The company's production reaches about 40 homes per year, twice what it was in 1993. Killian and Simonini begin to retool their company systems to meet demand. SBI makes headlines for building the first spec home in Charlotte priced at more than \$3 million.

Building castles for kingpins High-end housing is Simonini's niche



1994 | 1995 | 1996 | 1998 | 1999

Creating Communities. SBI moves into planning and building complete communities, starting with Connor Quay, a collection of 24 waterfront and waterview lots on Lake Norman. Next, they break ground on Myers Park City Homes, a national award winning community of 34 attached custom homes on Kings Drive in Charlotte.

who lived locally, and set up a satellite operation.

In addition, the company now plans and builds complete neighborhoods, not just the "one-off" homes typical of many custom firms. And when SBI builds a community — whether close to their home office in Charlotte or far afield they often include several spec homes.

Hey, isn't that called production building? Well, yes and no. It's not that simple. These are not what most people think of as spec homes floor plans pulled out of a book and plopped on a vacant lot.

In Heydon Hall, SBI's upscale community in Charlotte, Killian notes that "one architect designed all of the homes, after taking 300 or 400 pictures of older homes in the area. These are basically custom homes."

The custom-production distinction gets even more blurred when clients enter the picture. They can choose from a few layout options in floor plans, but as many as 10,000 surfacing, cabinet, flooring and other options. Which begs the question: How many options separate a custom home from a production home? Is 10,000



"I WAS WORKING FOR TOLL BROTHERS, MANAGING 35 PRODUCTION HOMES AT A TIME, AND IT WAS JUST BURN-ING ME OUT. NOW, I'M MAN-AGING EIGHT HOMES, AND I CAN WALK RIGHT UP TO THE COMPANY PRESIDENT ANY TIME AND TALK TO HIM. AND I CAN SEE MY FAMILY AGAIN."

Graydon Jackson, Builder Hails From: Sumter, SC

Experience: A graduate of Clemson University with a degree in Construction Science and Management, Jackson started building homes in Charlotte, NC in 1999, working for Toll Brothers and MR Homes before joining SBI this year.

Years with SBI: First Year

Off-Duty Interests: Woodworking, fishing and basketball.

2001 2002

Labors of love.

As the company's production tops 70 projects companywide. Simonini Builders

ranks among the "101 Companies to Work for in the Residential Construction Industry" as chosen by tious community **Professional** Builder magazine.



Overdrive. This

year, SBI's com-

ects, a new high.

also wins several

local and region-

business ethics

and customer

satisfaction.

al awards for

pletes 90 proj-

The company

2003 2004 2005

High Times.

Once more, SBI's growth reaches a new benchmark, at

115 projects. with an average price of \$906,000. Also

this year, the company once more ranks among the "50 **Best Companies**

to Work For." according to April 2005 Professional

Builder.

Builders of the Year

Fine Tuning. This year, SBI expands into the Hilton Head,

SC area. Their Heydon Hall community is named one of the Top 5 Single Family Communities in the Nation at the National Sales & Marketing Awards. And of course, SBI wins the mother of all home building

awards -Professional Builder's 2006 Builder of the Year Award.

Golden Times.

SBI begins operations in Charleston, building four homes there. The company also enters the upscale renovation market. Overall, SBI completes 50 homes, averaging \$845,000 in price. Also this year, SBI becomes the first custom builder in the nation to win the National Housing Quality Award from the NAHB.

Raking it in.

Simonini continues to grow steadily each year, up to 60 projects per year, including about 12 major renovation jobs. They break ground on Heydon Hall, their most ambi-

yet, which will

include more

than 125 homes



WWW.HOUSINGZONE



"I THINK THE REASON SIMONINI IS SO SUCCESSFUL IS BECAUSE THEY HIRE TOP NOTCH PEOPLE AND ALLOW THEM TO PERFORM THEIR JOBS WITHOUT A LOT OF INTERFERENCE — BUT WITH SUPPORT WHEN NEEDED. THEIR SCREENING/HIRING PROCESS IS STRINGENT, BUT EFFECTIVE."

Steve Augustine,
Project Manager
Hails From:
Philadelphia, Pa.
Experience: BS in
business administration/marketing from
the University of
Pennsylvania, combined with 22 years in
the residential construction business.

Years with SBI: 2 plus Off-Duty Interests: Coaching youth sports

enough? Simonini's customers apparently feel it is.

Market Smarts

"If you think about it, I/Ioth of I percent of the market is who we sell to," says Saint. "We've learned that we need to reach the influencers, the people who they ask when they go to buy a home. That means politicians, attorneys and previous customers."

Scott Teel, Simonini's marketing director, has a lot of material available every time he tries to turn the heads of those "influencers." The company has garnered about 60 awards in recent years, for design, business ethics, housing quality and other areas of excellence.

"The truth is that the most effective and essential marketing tool that I employ is the simple leverage of our reputation," Teel says. "People know our name." What does he use for "levers?" Anything he and marketing coordinator Sherie Lewis can dream up, including advertising, parties and grand openings, newsletters, a fancy website, and, of course, lots and lots of award entries.

Those tactics have paid off. The SBI sales and marketing staff have shared in that shower of awards, consistently raking in national and regional awards for everything from newsletters to model homes. Suffice it to say there's almost no aspect of Simonini's business that hasn't been applauded by one awards program or another.

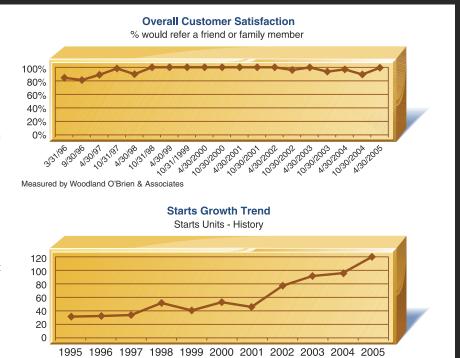
Another incidental part of SBI's marketing, is the company's outreach in the community — a generosity that extends to local causes and beyond. For example, Killian and Simonini asked employees to pitch in after Hurricane Katrina (against their matching funds). And they have set up a \$25,000 annual charity. Employees may ask that certain charities get a piece of that pie, or request their other matching donations from the top brass.

And unlike many builders, who tend to steer

THE NUMBERS DON'T LIE

On the Level. When Alan Simonini says his aim is 100 percent customer satisfaction, he's not just talking tough. The company's satisfaction surveys bear him out. "In high-end one off custom building, 100 percent is achievable," says CFO Bill Saint. "In a community, we still aim for that, but 95 percent is what you'll probably get."

Stepping Stones. Since making the decision to grow the company, Simonini and Killian have managed the company's growth in a way that is organic rather than frantic. They know what their market will sustain, and carefully avoid missteps.



Congratulations to



2006 Builder of the Year

Wachovia Real Estate Financial Services is proud to honor Simonini Builders, Inc., named *Professional Builder Magazine* 2006 Builder of the Year. For the past seven years, we have partnered with Simonini on several prominent projects in the Carolinas, including:

CHARLOTTE

Heydon Hall The Peninsula
The Point Ballantyne
Christenbury Farms

CHARLESTON

Daniel Island I'On

Simonini's commitment to quality and customer service is evident in every home they build. We are proud to be their financial partner.



behind the scenes

SBI'S OFFICE TEAM HAS ADOPTED AN ENTREPRENEURIAL SPIRIT THAT MAKES FOR CONSTANT IMPROVEMENT.

"I FIND IT'S A LOT BETTER IF I REALLY UNDERSTAND THE BUILDING PROCESS [WHEN DEVELOPING SOFTWARE] — I'LL OFTEN GO TO A TEAM MEMBER OR A PERSON WHO'S IN THE OFFICE AND FIND OUT HOW THINGS REALLY WORK."

Julie Carothers, Chief Programmer

"WE NEVER HAVE A DULL MOMENT IN THIS OFFICE. I TRY TO CREATE EYE-CATCHING AND OVER-THE-TOP MARKETING PRODUCTS THAT WILL DIFFERENTIATE SIMONINI FROM OTHER LOCAL— AND NATIONAL—BUILDERS."

Sherie Lewis, Marketing Coordinator



"MUCH OF OUR WORK HAS NOTHING TO DO WITH CLEVER MARKETING TECHNIQUES OR GIMMICKS. WE SIMPLY TELL PEOPLE THE TRUTH ABOUT HOW WE RUN OUR COMPANY, AND WHAT OUR GOALS ARE."

Scott Teel, Marketing Director



"I TRY TO RECOGNIZE INNOVATIVE WAYS THAT TECHNOLOGY CAN ASSIST OUR BUSINESS, AT THE SAME TIME CREATING A SYSTEMS ENVIRONMENT THAT IS CENTERED ON SERVING OUR CUSTOMERS' NEEDS."

Don Koster, "IT" Manager

CONGRATULATIONS TO SIMONINI BUILDERS,

2005 BUILDER OF THE YEAR.

WE KNOW A LOT GOES INTO YOUR HOMES.

BLOOD, SWEAT, AND

THANKFULLY, REALLY GOOD APPLIANCES.







"WE WANT THEM TO WORK HERE THE REST OF THEIR LIVES, SO THEY CAN ULTIMATE-LY RETIRE IN COMFORT. WE KNOW THERE ARE RISKS WE ALL HAVE TO DEAL WITH, AND WE'VE CHOSEN TO BE IN AN ENVIRONMENT THAT SUPPORTS THEM THROUGH THEIR WORKING LIVES."

charitable funds only toward conservative groups, Simonini's generosity is non-partisan. Sure, there's a fund for the Boy Scouts — a perennial builder favorite, but there's also money going to social causes and progressive groups such as the Sierra Club and the Nature Conservancy. Balance. That's a word you'll hear again.

Human Capital

A lot of companies recite the "we're only as

good as our people" jargon, but at Simonini, you actually see that philosophy in action. Every employee can voice an opinion, or make a suggestion for change.

The two guys at the top, Simonini and Killian, make no secret of their reliance on the talents of others.

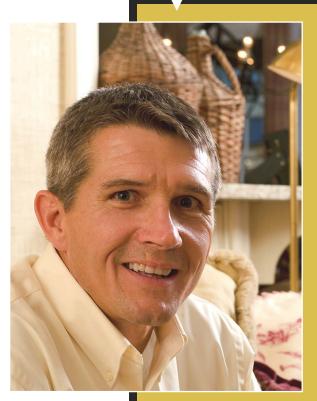
"Alan and I have made a practice of always trying to hire people who are better at what they do than we are," notes Killian.

Equally important, those people stick around. Average retention is five years and growing. It's not for nothing that this company ranked among *Professional Builder's* "Top Companies to Work for in Residential Construction," for two years in a row.

"We want them to work here the rest of their lives, so they can ultimately retire in comfort," says Killian. "We know there are risks we all have to deal with, and we've chosen to be in an environment that supports them through their working lives.

"We don't have to answer to outside stockholders," Killian continues, "and that gives us more freedom in how we run our company. If we don't compensate our people well and give them

THE SWEET SPOT



AS HEAD OF SBI'S RENOVATION DIVISION, BOB PUGH AIMS FOR ECONOMIES OF SCALE.

IN KEEPING WITH SIMONINI'S VISION of building custom homes with production-level organization, Bob Pugh aims for perfection with SBI's many renovation projects.

"One thing you realize pretty quickly is that a \$1.5 million house has less supervison than ten \$150,000 dollar jobs," Pugh notes. "The mentality of a new home supervisor and a remodeler are totally different. We're not selling a finished product. We're selling a service," Pugh notes.

Since it's creation in 2000, SBI's renovation division has between 12 and 20 jobs underway at any time. The jobs tend to be larger renovations, often on homes that were built by SBI.

"We've found that jobs that come with an architect—with detailed drawings, priced over \$500,000 is our sweet spot," Pugh says. "With our overhead, we're pretty efficient at that level, but our efficiency suffers once we drop below about \$100,000."

Because his firm is part of SBI, Pugh says, maintaining a sterling reputation is essential—that means keeping job sites clean and organized, and constant communication with clients.



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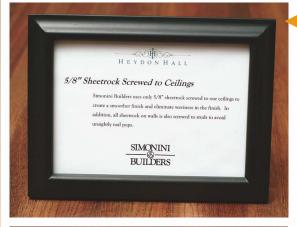
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STRATEGIC PLACEMENT OF FRAMED PLACARDS ALLOWS SIMONINI'S SALES STAFF TO TALK ABOUT THE HIDDEN FEATURES THAT ADD VALUE TO EACH HOME.







Whole-house Humidification

A COMMON COMPLAINT among new home owners are unexpected gaps — in drywall, exposed beams and hardwood floors. By installing a humidification system, Simonini gets a twofold perk. First, they reduce callbacks by mitigating the rapid drying that often causes drywall pops and cracking of hardwood. Second, they improve the home's perceived quality and actual comfort level. Ultimately, the choice results in higher customer satisfaction. BRAND: Aprilaire Model 700

Heavy Wallboard

ALTHOUGH NOT MANDATED BY

code except where fire ratings are required, SBI uses 5/8-inch drywall throughout every home. As a result, homes have fewer callbacks for nail pops and cracking, along with much better soundproofing than the more typical 1/2-inch drywall. But as Ray Killian points out, the heavier drywall also makes a home "feel" more solid — a critical detail in homes of this price range.

BRAND: USG

Monogrammed Housewrap? SIMONINI GOES TO GREAT LENGTHS

to "brand" their homes. Sometimes that branding even applies to the housewrap. They've developed good relationships with companies such as DuPont Tyvek by allowing the company to test new products on their spec homes. For example, project manager Steve Augustine is currently working the bugs out of a new radiant foil-type wrap Tyvek is developing. BRAND: DuPont Tyvek



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> HOME OF THE YEAR

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7.00PM Doors Open

8.00PM > Awards Ceremony

8.30PM > Buffet Dinner and Open Bar

10.00PM > Private After Party

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the kind of incentives that help them, they're not going to want to stay with us."

Graydon Jackson, one of the newest builders at SBI, left Toll Brothers looking for more than just a job. He wanted his life back.

"I was working 70 or 75 hours a week, overseeing 35 homes, getting home at 8 o'clock," he says. They were burning me out. I get the sense that [Simonini] really understands that people have families."

And Jackson is a perfect example of what makes a Simonini employee special. A veteran builder at age 28, he also speaks fluent Spanish. That's a priceless skill to have on the job site, when 70 percent of construction crews are Hispanic.

Along with a generous pension profit sharing program and health benefits, SBI has another strength that no public builder can boast — a small enough staff that every employee knows the boss.

"Life is a balance, it's truly a balance," says Killian, waxing philosophic. "I love my leisure life, and I love business, but I expect to have a balance. These are all the things that go into making the character of people.

"We find that within a year, if you don't fit in with our team, the problem purges itself. Everybody pulls their own load here, though we help each other. That's what makes a great company." **PB**

super "structure"

SIMONINI'S SECRET
WEAPON IS A
CUSTOMIZED
COMPUTER
MANAGEMENT
SYSTEMS THAT
VIRTUALLY ELIMINATES
PAPERWORK
REDUNDANCY.

BILL SAINT IS A TRUE BELIEVER

in the power of software to make or break a business. Since 1994, he has been massaging and tweaking Simonini's proprietary management software — which they have dubbed "Structure."

"We started it from scratch," he says, "and we kept adding modules — change orders, warranty information, loan draws. We've invested about \$200,000 in the system over the years — but we've more than reaped that in efficiency.

"We never duplicate lot numbers, or job numbers," Saint adds, "nor does accounting. Once a sales prospect's name and information is entered in the database, it never needs to be entered again—anywhere in the process."





ALL OF SIMONINI'S EMPLOYEES
CARRY BlackBerry
PDAs, primarily for communication (both voice and email) with the many far-flung operatives who work for the company. But it's Structure (left), the "back end" business management software, that gives the firm its

competitive edge.

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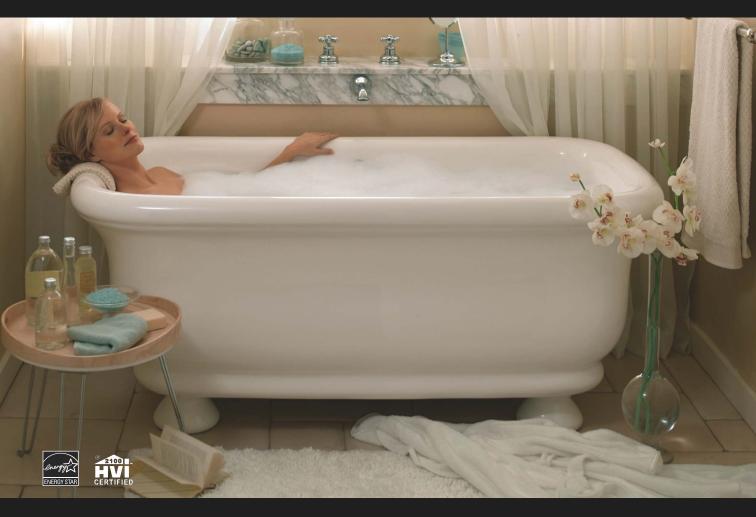
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Bryant Builders Inc.



Kent Bryant, Vice President (left) Frank Bryant, President Shawnee, OK

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In My Own Words

"Energy efficiency has always been a top priority in our homes. By using Demilec Sealection 500 low-density foam, we are able to provide homeowners with the best insulation on the market. Low-density foam allows us to seal cracks and crevices completely, eliminating any unwanted air infiltration as well as the need for traditional housewrap. Obviously, this type of insulation greatly reduces fuel bills by boosting the efficiency of our heating and air-conditioning units.

"Not only does it provide a greater R factor, but Sealection 500 is also beneficial to those with allergies by helping to create a cleaner home environment."

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sizes and a compact, low-profile appearance. The 58STA 80 percent gas furnace features Carrier's QuieTech noise reduction system for incredibly quiet, induced-draft operation. Applications are easy with four-way multipoise design, through-thefurnace down-flow venting, 13 different venting options, and a door designed for easy service access. Circle 126 on inquiry card

In My Own Words

"As a builder of custom homes, we realize that product and name association is important to homebuyers. When it comes to a home's necessities, the HVAC unit is just as important as the type of brick or insulation. When we decided to use only Carrier heating and air-conditioning units, it became apparent that the Carrier name was representative of a quality product. All builders are expected to provide an efficient and dependable HVAC product. But we feel especially secure working with Carrier, the largest maker of HVAC equipment and a company that provides us with the latest technology to best serve our homeowners."



>> Bryant Builders cont'd



▼ Tamko Heritage 30 Shingles

www.tamko.com

Heritage 30 rustic, laminated, self-sealing shingles from Tamko are an upgrade from standard, three-tab shingles. Tamko's Shadowtone granule blend adds depth of appearance. Backed by a 30-year limited warranty, these shingles also carry a five-year Full Start limited transferability and a 60-month limited warranty against damage from winds up to 70 miles per hour. *Circle 127 on inquiry card*

In My Own Words

"We have used Tamko Heritage shingles for many years. I wanted a shingle that provided more of a wood-shingle appearance, and the natural timber color and the random-cut shingle of the Tamko product line definitely accomplish this. The random cut also effectively reduces waste. In addition to a vast color selection, Tamko is continually updating its line, so it can now supply us with even an algaeresistant shingle.

ing a two-handle centerset with swivel spout, mini-widespread and widespread lavatory faucet. The series also includes matching three- and four-hole Roman tub fixtures. Tub/shower options allow for a consistent style throughout the bath, including tub-only, shower-only or combined tub/shower selections with a matching showerhead. Delta's patented Scald Guard Technology provides a high-temperature limit stop that allows the user to set a safe maximum temperature that is adjustable to sea-

In My Own Words

"From a builder's standpoint, we look for products that will minimize homeowner maintenance and reduce callbacks. Delta has always been a quality product for us, so much so that we stress to our buyers that it is the only brand we use. Delta has always accommodated us with the latest styles, and having a solid brass valve body certainly allows for a dependable faucet. *In addition, the physical vapor* deposition finish is the same application that is used on the space shuttle, which obviously makes for a durable finish.'

sonal changes. Circle 128 on inquiry card



◄ Masonite International

www.masonite.com

Masonite's new Palazzo Series interior doors, features a distinctive raised molding that is combined with a unique high-definition panel. Available in 6-foot 8-inch, 7-foot and 8-foot heights and two architectural designs, Bellagio and Capri, Palazzo is especially appealing in homes with tall ceilings. Its primed, smooth surface accepts paint beautifully, allowing each homeowner to highlight or accent the doors to fit her individual décor. Both the Bellagio and Capri are offered in 1-3/8-inch and 1-3/4-inch thicknesses, respectively. The Capri features two square panels, while the Bellagio has two arched panels. *Circle 129 on inquiry card*

In My Own Words

"We have used paneled Masonite interior doors for several years now. The doors are very lightweight, yet durable. Being able to provide the look of wood with a Masonite product has been a positive selling point for us."

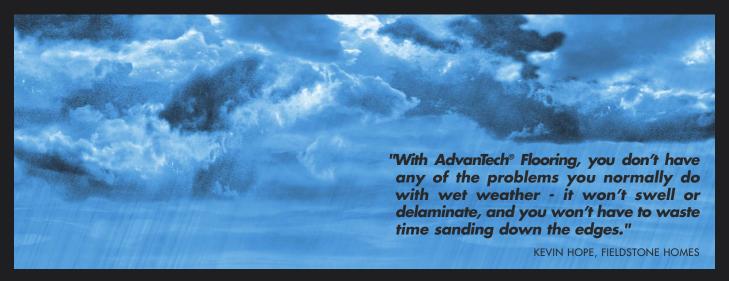


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Sprint and Motorola have partnered to offer the i930, a phone featuring the Windows Mobile Smartphone platform. The i930 has domestic and international voice, data, internet and walkietalkie capabilities. Walkie-talkie communication is available nationally from Nextel Nationwide Walkie-Talkie Services. Wireless synchronization with Microsoft Office Outlook provides access to e-mail. Windows Mobile ClearVue Suite is preloaded and allows users to open and view attachments like Microsoft Office PowerPoint presentations, Microsoft Office Excel graphs, worksheets and charts, Microsoft Office Word documents and PDFs. There is a built-in camera and camcorder. ww.sprint.com, www.motorola.com Circle 130 on inquiry card

BuildLinks

BuildLinks is a web-based, collaborative project management tool that integrates project scheduling, product selections and change order tracking into one platform. BuildLinks provides real-time information on demand for employees, subcontractors and homebuyers. Targeted for small to medium-sized home builders BuildLinks has wireless Internet capability and can be operated remotely from a laptop, PDA or cell phone. It tracks construction tasks and subcontractor schedules. Home owners can access home owner manuals, selection options and pricing and change order costs. The Schedule Wizard automates the faxing of schedule alerts, e-mails and reports to subcontractors. www.buildlinks.com

Circle 131 on inquiry card



Ford

Microsoft Corporation, Stargate Mobile and Ford Motor Company have partnered to release the mobile office system in the "General Contractor" F-250 Super Duty truck. This integrated product was created for the contractor who travels to multiple work sites. This mobile office features global positioning satellite, wireless broadband, printer, credit card scanner and a digital-camera-equipped mobile computer. The Stargate Mobile computer can bid on jobs, order and purchase parts and materials and process payments. It is mounted on the transmission tunnel hump and powered by the truck's battery. The mobile office system features Microsoft Windows XP Professional and the Microsoft Office Suite: Microsoft Office Outlook, Microsoft Office Word, Microsoft Office Excel and Microsoft Office PowerPoint. The broadband wireless cellular card can connect to the internet for Outlook email; Streets & Trips 2006 for real-time mapping; and Internet Explorer for Web browsing. The computer is designed to withstand a construction job site. The touch-screen computer is portable and visible in sunlight. Keyboards are optional. The mobile office will be offered as a dealer-installed accessory in the Genuine Ford Accessories program beginning in 2006. www.microsoft.com/automotive. Circle 132 on inquiry card

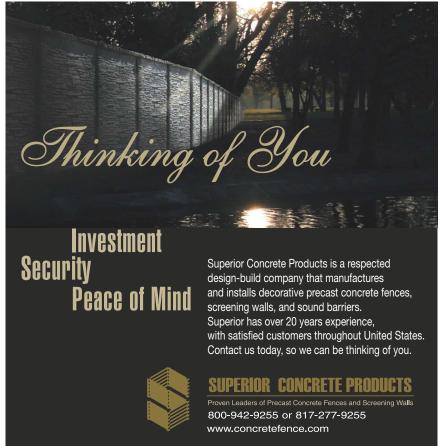
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LandVision

Digital Map Products has introduced LandVision, a subscription based mapping software. LandVision is designed for home builders involved in land acquisition, development, investment and brokering. This software combines mapping, detailed site and property information, customization and project management workflow in a webbased interface. LandVision facilitates exploration of the terrain via interactive maps. Land opportunities can be analyzed from segmentation data, including demographics, sub-market boundaries. Criteria-specific property searches can be conducted based on parcel size. location, land use and value. The ThemeActive Parcel Notes function tracks contact history with the landowners; and ThemeActive BuilderSites feature provides information on what the competition is building. Organization maps and data can be accessed from an internet or wireless connection. www.digitalmapcentral.com

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www.docusign.com Circle 134 on inquiry card

UDA

UDA is releasing Construction Office 2006. Construction Office is designed to handle estimating, scheduling, contracts, specifications and QuickBooks Integration for small to medium firms. This construction industry project management system features an improved Construction Contact Resource Management function. This upgraded feature unites all project-related information in one portal. Other new features include resource allocation, customizable cost database, industry standard AIA payment request forms and improved QuickBooks Integration. Tools for document management, financing and mobile devices are also available. www.udatechnologies.com Circle 135 on inquiry card



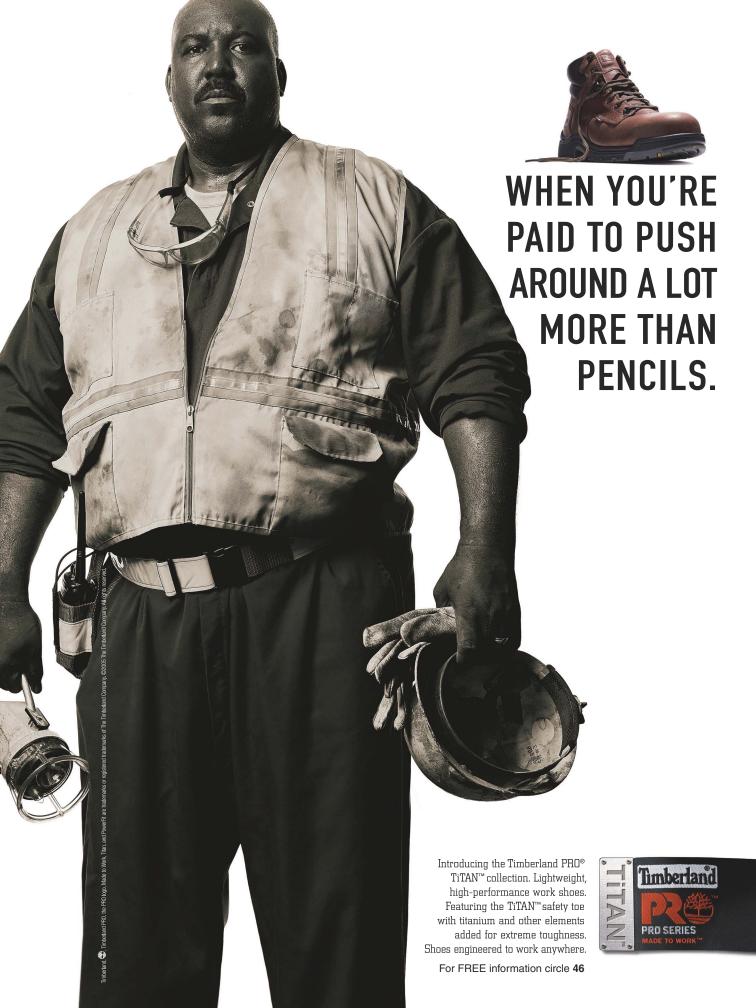
Master Builder

Master Builder, a fully-integrated business management software is offering Intuit Master Builder Version 11. This software is designed for general contractors and subcontractors for home building, electrical, plumbing/HVAC and specialty trades. Master Builder also manages the construction business profit cycle: estimating, production, accounting and reporting and analysis.

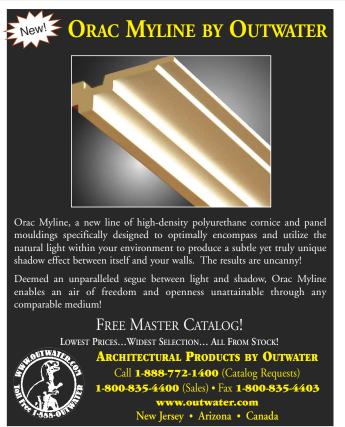
The upgrade includes a more flexible licensing model; the ability to activate and upgrade the software over the internet and manage simultaneous users; increased project management capabilities for requesting information, transmittals and submittals, plan records, punch lists; as well as the creation and tracking of responses to project documents. Additionally, there is a copy company function which allows firms to set up multiple companies for large projects. The add-on modules are offered on a per-company basis. The service receivables and inventory are combined into one module.

The Contractors' features can track payable invoices including twoparty checks; export financials to Excel; share dynamic estimation information and receive remote transmittal of reports via e-mail or fax. Master Builder can be upgraded from QuickBooks Pro and QuickBooks Premier. www.intuit.com

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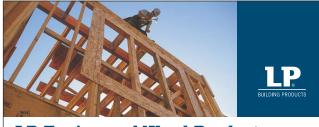


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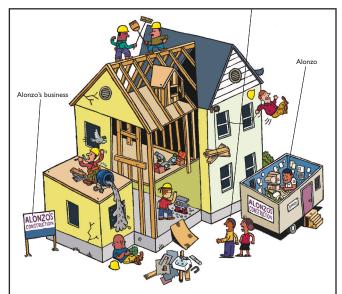
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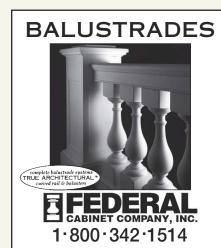
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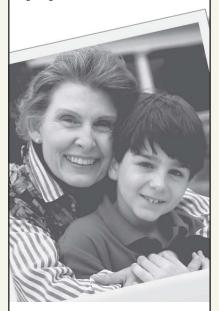


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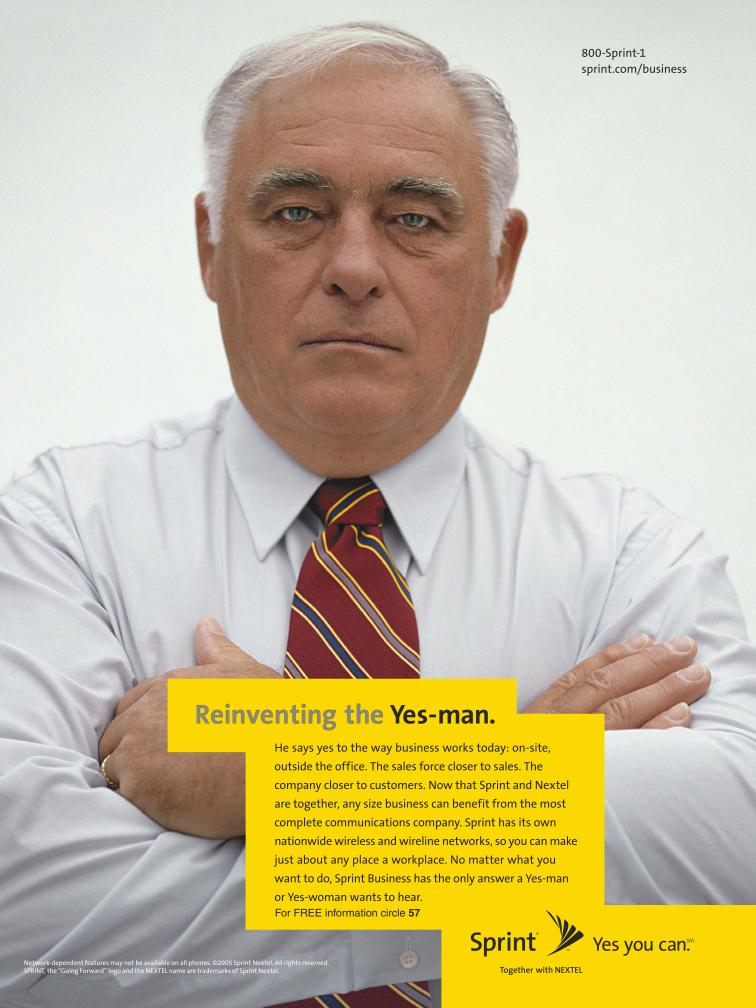
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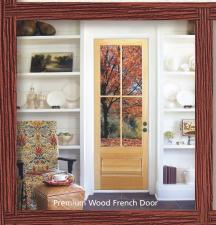


In warm weather, Low-E glass reflects the sun's energy and prevents it from entering the home.

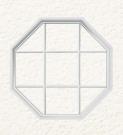


In cold weather, Low-E glass reduces the amount of heat loss by reflecting it back inside.

We were energy efficient before it was cool. Or hot.









Wood Casement Window

Vinyl Geometric Window

Courtyard Collection Steel Door

For years, homeowners have relied on JELD-WEN for energy efficient windows and doors. Now Low-E glass comes standard in our wood windows and patio doors, and in our Courtyard Collection steel doors. It's also an option in our vinyl or aluminum windows, and in our Premium Wood doors. Low-E is just one of a variety of energy-saving choices you can offer from a company that's been an ENERGY STAR® Partner since 1998. To learn more about any of our reliable windows and doors, call 1.800.877.9482 ext. 4214, or go to www.jeld-wen.com/4214.



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