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## **LIABILITY INSURANCE**

New rules  
equal new  
concerns.

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## **ON THE FRONT LINE**

The Super:  
Your first line  
of defense.

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NHQ award  
winners share  
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## **SPECIAL ISSUE: RISK MANAGEMENT**



# Defuse Your Risk

Risk management strategies  
to help protect your business

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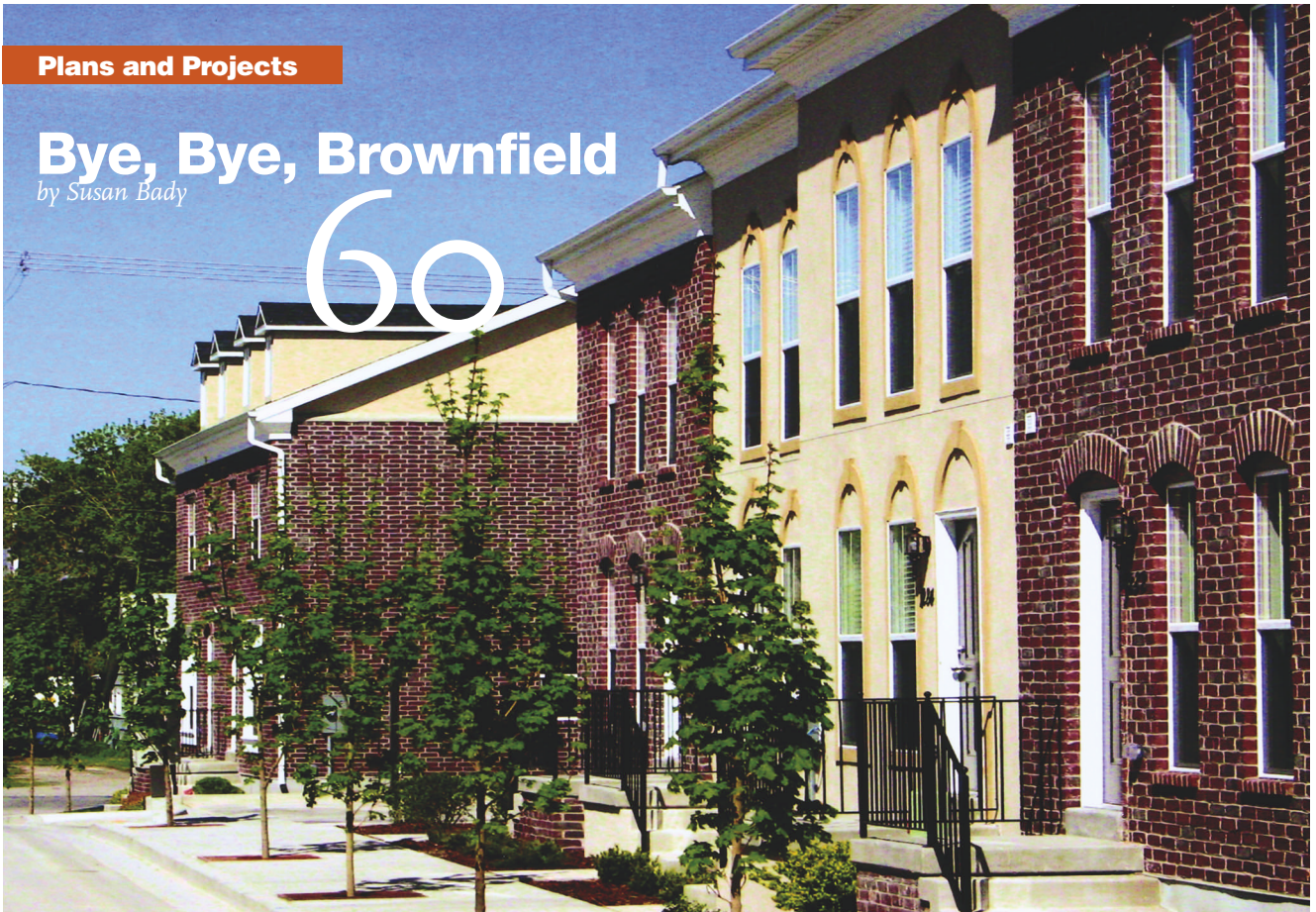
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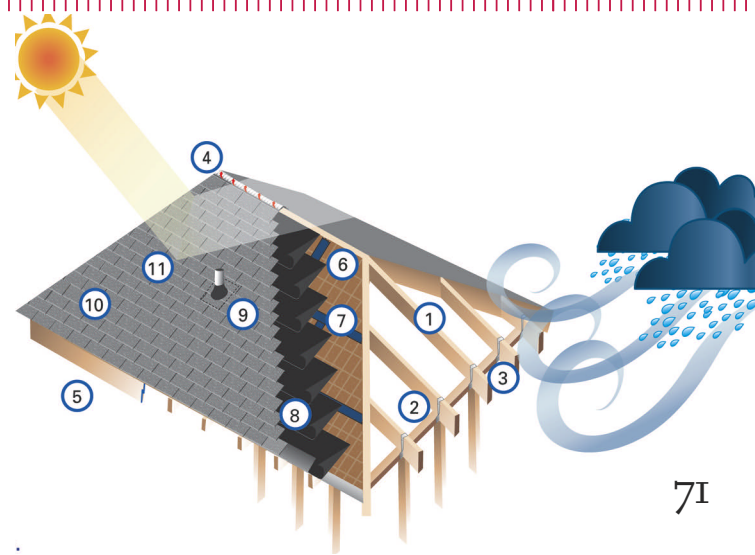
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# Reason and Passion

**On the inside of my wife's wedding ring,** I had inscribed the phrase, "With Reason and Passion." That intimate revelation is necessary to explain how fundamental I believe these two attributes are to our lives. We can't live without both, and they often reside in conflict and in support. Passion can supplant reason and bolster it.

I use this to explain why we have chosen the theme — "Passion for Excellence" — for this year's *Professional Builder* Benchmark Conference. We live in a time in this industry when we need to rely on fundamental truths. We need passion to revitalize us and carry us through. And we need reason, thoughtfulness and care to make smart decisions to mitigate risk and improve our position. We need both reason and passion.

Our tendency is to lose sight of such important issues during tough times. We cut back on training, we entrench, we bunker down. To combat that, we have devised a program that will allow you and your staff to find the fuel you need to continue and the ideas you crave to succeed.

## Day One — Strategy

Our first day is set up to provoke thoughts about your strategic position. Let's not stop thinking big because it is big thoughts and long vision that inspire us. Our keynote speaker, Jason Jennings, has built a career giving businesses the information and skills they need to achieve their maximum potential. His research can help clarify your thoughts about choices you need to make within your company.

Our following speakers, J. Walker Smith and James Haughey, will provide the context for making those decisions. Smith is president of the well-know marketing consultancy, Yankelovich Partners, and will help you understand the driving demo-

graphic forces shaping our businesses. Haughey, chief economist at Reed Construction Data, has been tracking the economics of the housing industry his entire career and can provide rare insight to what's happening now.

The National Housing Quality Award winners will discuss the best of what works in today's environment. This level of sharing and information is unprecedented in the industry. We also have panels set up to address specific issues you're facing, such as adopting new technologies, managing the supply chain and executing green building strategies.

## Day Two — Sales

Day two is the passion behind the strategy of day one. It is all about sales. If there is any issue we face right now, it is our ability to drive sales. Robert Kriegel, author of "Sacred Cows Make the Best Burgers: Developing Change-Ready People and Organizations," is going to challenge us to break our patterns and investigate new ideas. His dynamic and passionate approach will inspire you to change.

John Rymer and Rick Heaston, two leading sales consultants, will present



*Passion for Excellence* Professional Builder Benchmark Conference. Chateau Elan Winery and Resort, Braselton, Ga. September 25 – 28. For more information, go to [www.probuilder.com/benchmark](http://www.probuilder.com/benchmark)

techniques to help you improve sales and moderate panels including sales people who are using these techniques. You will learn exactly how you can implement them. It's information sharing that will be essential to create the change you want for your sales staff.

A major element of the sales message is customer satisfaction, and we're proud to provide a panel with the winners of the AVID Ratings Award



presented by *Professional Builder*. These companies exhibit the very best of customer satisfaction, and their techniques can help bolster the confidence of your salespeople and define new ways to execute quality improvements.

As with all good conferences, sometimes the very best education occurs in the hallways and during networking opportunities. Benchmark attendees are known for their devotion to continuous improvement and willingness to share ideas. Many National Housing Quality Award winners, AVID Ratings Award winners, and *Professional*

*Builder's* Builder of the Year winner will be on-hand. Reason enough to attend.

Bring your passion. **PB**

*Paul Deffenbaugh*

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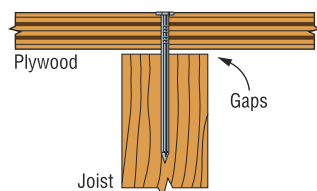
## Building Tip

## The Holding Power of Screws

Nothing is more noticeable or annoying than a squeaky floor. Homeowners perceive these squeaks as a quality issue, which casts a negative light on the builder. It's no surprise that floor squeaks rank among the top reasons for a callback or warranty claim.

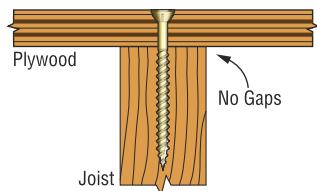
## Problem

When used to install sub-flooring, nails do not have enough hold to create a tight fit between the sheathing and the joist. When gaps are present, sub-flooring may shift under the weight of foot traffic resulting in a squeak.



## Solution

Fastening sub-flooring with screws rather than nails provides the power necessary to pull together the sheathing and the joist, eliminating any gaps and holding the materials firm. Callbacks for squeaks on floors installed with screws are rare.



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## LETTERS

## Thanks

I appreciate the article you have written pertaining to the building divide (March 2007), although there is some truth, especially from Jay Shackford of the NAHB.

I have been in the home building business for over 25 years. I have learned through the school of hard knocks. There is a good old boys network no matter what that individual says. I agree with the Latinos and Hispanics leading the race. We have a long way to go yet in the year 2007.

We haven't been wrong about the problem. My organization is trying to do something about this by training and helping people help themselves.

I would also like to commend Mr. Shackford and Mr. Ruiz for being honest. We have this same problem in St. Louis. I have been working in the construction business as a first-line generation, and believe you me, there are plenty of horror stories.

I agree with Mr. Ruiz and Mr. Shackford because the others are fooling themselves. We are the only people to have free enterprise. Believe it or not, I will not be building the Caucasian middle class homes and having an all African-American crew working. This just isn't happening in their communities, only the African-American communities, and we're always saying it doesn't make a difference.

SAMELLA HENDERSON  
St. Louis

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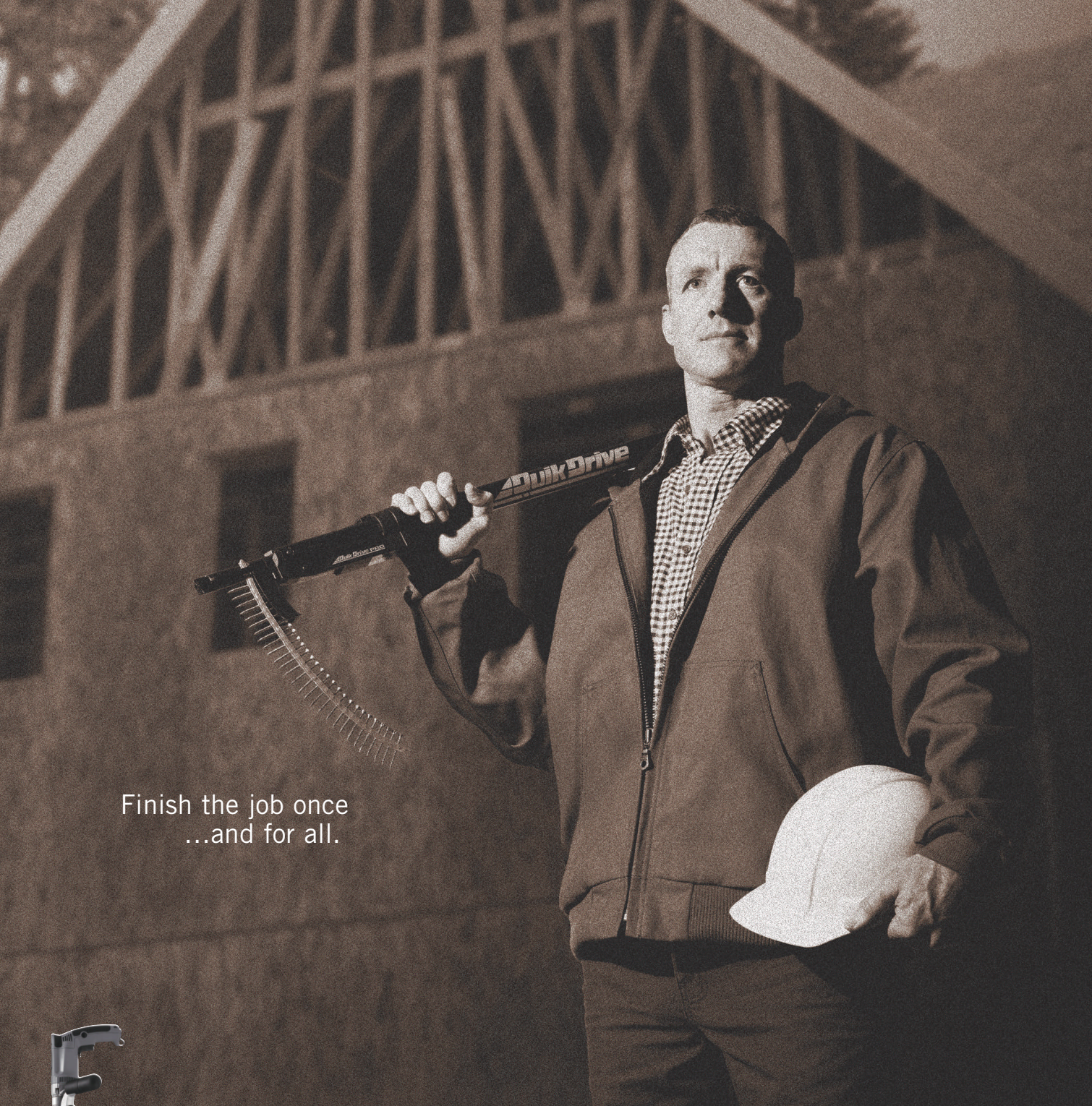
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## CUSTOMER SATISFACTION

# Curb Your Cancellations

Reduce your rising number of cancelled purchase agreements with these 5 tips.

**Cancellations not only wreak havoc on a home builder's cash flow,** they also distort the overall health of the housing market's inventory and new home sales figures.

Commissioned reps are pushing harder to close sales quickly, leading more customers to have second thoughts and back out of sales. In fact, The McKinsey Group and Avid Ratings research has shown the quickest to contract results in lower customer satisfaction ratings and less loyalty.

Prospects are losing confidence in the housing market and rethinking whether now is the best time to buy from an investment standpoint. Hope is not lost, however. Builders can take steps to combat the media's bleak spin.

■ **Educate customers.** Point out that much of the talk in the media about the housing industry focuses on resale homes and not new construction. Drive them through your communities and let them see that houses aren't boarded up and falling into ruins. Build up their confidence by pointing out how rare it is for a new home to foreclose in one of your communities.

■ **Coach prospects on selling.** Some home buyers are backing out of sales when they discover they can't sell

their current house for as much as they thought they could. Some builders are offering to buy prospects' existing homes, although it is not a smart solution for most home builders. Instead, coach prospects on savvy ways to sell their homes.

■ **Sell it right.** Home builders have been able to reduce cancellations by reviewing each home buyer's ability to obtain mortgage financing early in the sales process and by closely monitoring the mortgage approval process prior to signing the agreement.

■ **Provide credit counseling assistance.** With lenders tightening up, even good credit customers might face challenges. **Bowen Family Homes** — which builds homes in Texas, Georgia and Florida — has implemented a process to help its customers reach their highest possible credit score. You should also advise buyers to avoid exotic loans. If you don't, your foreclosure rate could rise.

■ **Promote your customer delight.** Nothing sells like a happy customer, and the more you allow happy buy-



Did you know?

The U.S. Census Bureau does not return a unit to inventory and deduct it from sales if a contract is cancelled. That means a reported month's supply figures are understated when cancellations are high.

ers to communicate with your prospects, the greater the customer confidence. Just ask Orlando, Fla.-based **Engle Homes**, a Technical Olympic USA builder and which closed more than 200 homes in February by using its satisfaction levels to convert buyers.

If you have been a good builder, you most likely have good customer ratings — and now you are in a great position to combat these market forces. If not, use this downtime to rebuild your service delivery so you never get caught like this again. Meanwhile, make sure your sales staff emphasizes quality construction and personal service when they talk with prospects.

Now is not the time to skip key elements in a race to the keep the deals flowing. As always, build relationships with customers and individualize the selling process to garner deals that stay closed. **PB**

*Paul Cardis is CEO of AVID Ratings Co., providing full-service research, consulting and employee training. He can be reached at paul.cardis@avidratings.com.*



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H.R. DEPT.

# HR Hazards to Avoid

Advice on how to steer clear of two big HR risks

**This month we surveyed hiring managers and HR experts** on what they do to minimize risk in the human resources arena. My group of usual suspects included three corporate-level vice presidents for major home builders or developers; two regional HR managers with experience inside and outside our industry; an industry HR consultant; and an industrial psychologist with 20-plus years of testing candidates for a Top 10 home builder. Here's what they had to say about common challenges in HR.

## Recruitment and Selection

"More fully define the role you need to fill by including successful outcomes desired. It helps align your objectives with a candidate's experience but can be a tool in performance management and reviews later on. The more specific the examples, the better." — *Industry HR consultant*

"For growth-oriented companies, don't make a hiring decision based purely on immediate position needs but also the long-term business strategy. This means determining the upside potential of a candidate. Besides the immediate opportunity, does he/she have the potential to grow beyond it? How fast is his/her learning curve? All these things play a critical role in your succession planning." — *Vice president of human resources for a national builder*

"Recognizing personal hot buttons ... the characteristics you like to see in candidates: could be an engaging communication style, academic pedigrees from top schools, military experience or experience with a name brand competitor. [They're] all worthy considerations, but don't let them sway your objectivity. Let each stand on its own merit as a singular point." — *Industrial psychologist*

## Management

"As an industry, we need to change our mindset as it relates to environmental, safety and health issues, whether it pertains to the trades, customers or employees. We cannot continue to run our business without addressing those issues. We employ and work with many people. We must recognize how these issues affect them. This trickles down to job descriptions;



scopes of work; expressed or inferred expectations; and genuine compassion for their well-being." — *Vice president of human resources for a national real-estate development firm*

"Most of the difficulties we face consist of someone who feels wronged (either intentionally or unintentionally), twisting words and deeds to their favor. We tell our leaders to bring a second management representative into every risk-associated situation ... then clarify often and document the discussion in writing." — *Regional HR manager for a national builder*

"Companies need to maintain an organizational template, which dictates how many people (by function and type) they need to sustain operations under various conditions, whether it be unit

volume, revenue, new market expansions, shutdowns, etc. Although this will always be a 'work in progress,' it provides a logical, non-emotional approach to managing human capital." — *Industrial consultant*

"No matter how well-documented or how valid, when we terminate, we will often offer a severance package to help the person transition out of the organization. They are not entitled to the extra pay, so we ask for a signed release from any kind of legal entanglement, as a quid pro quo." — *Regional HR manager for a national builder*

"We strive to exercise the same people skills with our employees as we did when we first recruited them. All too often, companies (as do candidates) show one face when they're interviewing and another once they're hired. Consistent authenticity is a key factor in retention." — *HR manager for a regional builder PB*

Rodney Hall is a senior partner with The Talon Group, a leading executive search firm specializing in the real-estate development and home building industries.



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## NEW HOME KNOWLEDGE

# The Risk of a Lie

Sales agents who misrepresent your product put you at risk.

**Misrepresentations by sales associates** are the bane of poor customer satisfaction, potential liability and risk management issues for home builders.

By my count, there are three types of misrepresentation. The first type is overt misrepresentation. It is the least pervasive but does happen from time to time, typically by sales associates who are new to the industry. For example, a sales representative might say, "Don't worry, we promise to have your home complete and have you moved in by the beginning of school" without so much as contacting anyone else in the company to get an accurate read on the situation.

And before you can say "90 days of hotel bills and storage costs," you've got an unhappy customer and a good deal of your management time and money undoing the commitment. This kind of misrepresentation rarely happens twice by the same sales associate, because the sales individual has most likely been shown the door by management after the initial screw-up.

The second type of misrepresentation happens through omission. This is more pervasive and more difficult to get to the bottom of the facts in each case. For example, cus-

tomers might complain no one told them about a chicken processing plant two miles down the road. Or they might say, "We told the sales associate how much we loved the big tree in the middle of the lot, and they never mentioned that it would be cut down as part of the clearing process." Was it intentional misrepresentation, a miscommunication or simply an oversight? It's often tough to know. No matter what the intent, these issues become just as big of a time drain and cost concern as the first category of issues.

The third type haunts almost every builder and sales team. It is misrepresentation due to flaws in internal communication. These issues are both big and small but typically fall into three areas: (1) design changes between model home and current production; (2) changes in subcontractors and/or materials; and (3) changes due to non-standard customer requests. Minimizing exposure requires vigilance by the management team and excellence in internal communication skills.

The key to reducing



**The key to reducing exposure in all three versions of sales misrepresentations is to set expectations with your sales team.**

exposure in all three versions of sales misrepresentations is to set expectations with your sales team and deal with the potential issues proactively rather than reactively. Begin by making it clear that dealing and disclosing potential customer concerns early in the process is a far better solution than waiting and hoping that the customer doesn't notice or won't make a big

deal about it. Next, document everything you can in the way of the changes that may affect the customer experience and final product. This eliminates the ammunition from customers who claim they were never told of a change.

Most importantly, the management team needs to be proactive and timely in responding to its sales teams on specifics of products and features. Poor product information often leads to sales assumptions.

Managers need to provide timely answers to tough customer questions and should expect nothing less from the sales team. Management's failure to respond decisively to sales concerns will create an environment where getting by is good enough until a crisis erupts. By then it's too late.

By setting the example, you create the environment. It's your choice. **PB**

*John Rymer is the founder of New Home Knowledge, which offers sales training for new home builders and real-estate professionals. He can be reached at [john@newhomeknowledge.com](mailto:john@newhomeknowledge.com).*



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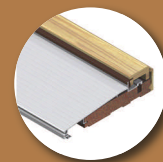
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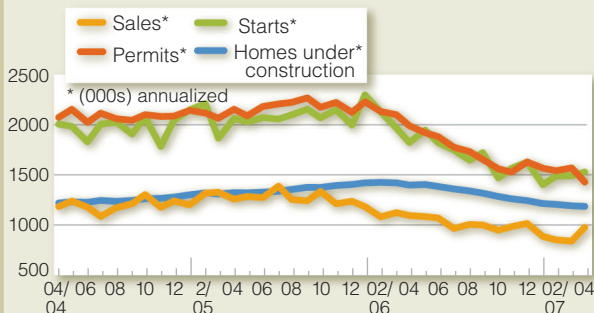
# Industry Analysis

>> BY JAMES HAUGHEY, CHIEF ECONOMIST FOR REED CONSTRUCTION DATA

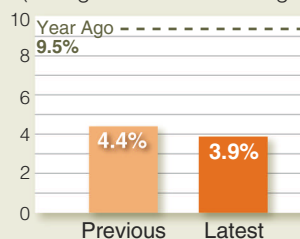
## Affordability and Confidence Slip

**Household income growth** slips lower and high gasoline prices sap buyer confidence.

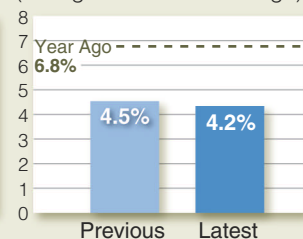
### New-home construction



### Residential materials cost (change from 12 months ago)

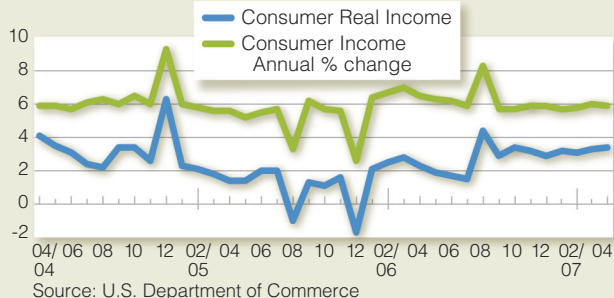
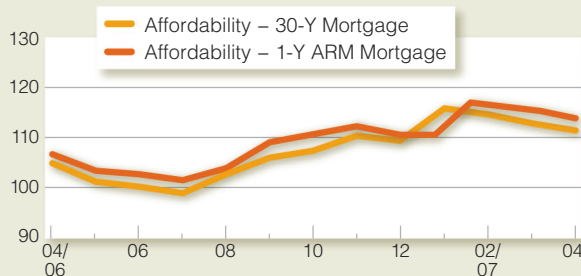


### Residential contractor wage (change from 12 months ago)



			Latest	Previous	Year Ago
Total new-home inventory (month supply)	U.S. Census Bureau	April	6.5	8.1	6.2
Speculative new-home inventory	U.S. Census Bureau	April	532,000	540,000	558,000
Home price (median)	U.S. Census Bureau	April	\$244,833	\$254,000	\$257,000
Housing market index	NAHB	May	30	33	46

### Consumer buying power



			Latest	Previous	Year Ago
Employment (000s jobs per month)	U.S. Department of Labor	May	157	80	103
Household net worth growth (annual)	Federal Reserve Board	4th Q	10.5%	6.4%	11.9%
30-Y fixed mortgage rate	Freddie Mac	May	6.25	6.18	6.6
1-Y ARM	Freddie Mac	May	5.55	5.45	5.63
Consumer Confidence Index	Conference Board	May	108	106.3	104.7



# Industry Analysis

## New-housing outlook

### Starts (000s, annualized)



### Sales (000s, annualized)



### Inventory (months supply)



### Residential materials cost (change from 12 months ago)



### Home Price



## Existing-home competition

		Latest	Previous	Year Ago
Home inventory (months supply)	April	8.4	7.4	6.1
Home sales (000's annualized)	April	5,990	6,150	6,710
Home prices	April	\$222,700	\$224,200	\$222,600

Source: National Association of Realtors

## Economic outlook

### Affordability Index (fixed)



### 30-Y fixed-rate mortgage



### Consumer income growth



### Consumer confidence Index (Conference Board)



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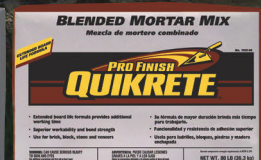
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# Overzealous Claims Lead to Liability Woes

>> BY **DON NEFF**, CONTRIBUTOR

Home  
builders  
should  
carefully  
consider their  
promises to  
clients and  
make sure  
they can  
deliver.

## Home builders have learned

much over the 15-year-plus evolution of construction defect litigation — primarily that it stems from mismatched expectations versus actual performance of residential properties.

While the specter of lawsuits has led to far higher construction quality standards in the residential sector, today's home buyers and consumers have more sophisticated product and service quality expectations. In striving to meet them and create satisfied buyers — and potential referrals — home builders must differentiate themselves by offering high-performance features and exceptional customer service. But one must ensure that what's promised to home buy-

ers is ultimately delivered; fire-resistant and acoustical assemblies; and deferred maintenance of common-area amenities.

In today's higher performance buildings, this list expands to include HVAC system efficiency; adequacy of insulation and energy consumption; and chemical emissions of building products. By definition, these buildings are commonly known to be sustainable, "green" buildings and expected to be healthy to live in and healthy for the environment. These industry standards are not yet well-defined, and several trade associations, utilities and independent entities are jockeying for position to assume a leadership role.

How builders deal with these rapidly evolving products, technologies and standards will determine their long-term liability exposure.

## High-performance buildings and the green trend

Peer review oversight of the design details and product selection process helps high-performance buildings comply with green principles. This serves in the all-important first step toward avoiding potential "green washing": substituting lower-quality or inferior products.

"We've learned that today's home buyers are more sophisticated than they were five or 10 years ago," says Greg Dillion, attorney and co-founding partner in Newmeyer & Dillion of Newport Beach, Calif. Dillion adds that buyers are paying more attention to marketing materials and remember everything they were told during the sales process "and sometimes a few things that they were not." Corporate green washing has received a fair amount of press recently.

ers is ultimately delivered — or face the potential risk of litigation.

Traditional litigation-generating assemblies include flawed weatherproofing; framing and





Developers should be very careful both pre- and post-construction not to overstate how green a project is or imply utility savings or health benefits that cannot be proven.

## Proper preparation and oversight of execution

Clearly, design and construction documents need linking with construction observations in real time to assure

its homes, there may be additional high-performance products such as photovoltaics, more efficient water heaters, passive space heating, formaldehyde-free insulation, electric vehicle outlets for short distance errands, etc. These important green assemblies and products require inspections in the field to ensure proper installation and to achieve the promised long-term performance. This is especially important with systems that

have not enjoyed the test of time.

As a company that has implemented many of these technologies, Medanich says McStain builds

“research homes” allowing the company the opportunity to try new materials and techniques and evaluate them prior to using them in production homes. “These test homes coupled with third-party inspections are most impactful to ensure we are meeting our buyers’ expectations,” Medanich says.

## Post-construction

One of the last steps in this construction quality journey involves commissioning/testing and maintenance of the improvements constructed. The process ties together design parameters, construction integrity and maintenance obligations of the end users.

Commissioning has long been standard in commercial building practices. Residential home builders will find similar benefits by ensuring correct assembly installation, operation and enhanced longevity of the structure. Performance testing of the HVAC systems, for example, will not only assure correct installation and function but also raise end-user confidence and acquaint them with maintenance requirements. Documenting this entire process is important. Similarly, maintenance manuals will ensure that your home buyers are equipped to maintain those assemblies properly.

The more knowledge builders can instill in their home buyers the greater

chance of shaping their expectations.

Final walkthrough and homeowner orientations serve two purposes: to acquaint a new home buyer with the intricacies of the home and develop those all-important customer relations. Continuing these relationships with targeted communications throughout the first few years and backing those up with exceptional customer service can produce lifetime customers and referrals — and lessen of the sort of discontent that can lead to lawsuits.

## Commit to higher standards now to reduce liability later

Recognizing the long-term benefits of demanding and delivering higher standards, a few select customer-centric home building companies have achieved high marks for satisfaction among their buyers relative to product quality and warranty service. These builders strive to “delight” their customers and recognize the necessity of maintaining these relations.

“We know this is a long-term relationship and we act in alignment with that, says Robin Lienhardt, director of HOA/DRE for Shea Homes in Brea, Calif. “Life after close of escrow must meet the buyers’ expectations. We set those expectations every step of the way. If there is a ‘miss’ somewhere, we have the channels to know it and address it in a timely manner.”

As progressive builders lead by example, the home building industry is striving to incorporate systematic organizational processes, continuous incremental improvements, and responsive customer service to meet and exceed customer expectations while limiting liability. **PB**

*Don Neff is president and founder of La Jolla Pacific, a real-estate consultancy in development, construction, project management and forensics investigation-related services. He has written numerous articles on construction quality and risk management issues.*

**LOG ON** To read ‘Risk Management: Overzealous customers can wreak havoc for homebuilders’ on [www.ProBuilder.com](http://www.ProBuilder.com)

“If there is a ‘miss’ somewhere, we have the channels to know it and address it in a timely manner.” — Robin Lienhardt



compliance is achieved. An important interim step encompasses trade scopes of work reviews because it is the trade contractors who carry the burden of implementing the design intent of the plans. McStain Neighborhoods in Louisville, Colo., has successfully implemented high-performance systems in its homes. Jeff Medanich, manager of building sciences, says McStain’s First Time Quality program ensures all trade partners are trained and included in the McStain approach to home building.

“We don’t just give directives on what we want; we explain why it is important and how it will add to the comfort, sustainability and efficiency of the homes they are building.”

The next logical step is to ensure these proper specifications and scopes of work are executed. Observation items and specific risks for litigation will vary with the complexity of construction. Type I/II construction (high rise, concrete/steel condominium towers) and Type V, one-hour construction (wood-framed podium projects) will very likely encompass more intricate assemblies than a Type V, non-rated product. A comprehensive quality assurance program should encompass third-party inspection services throughout the entire construction process.

Should a home builder decide to incorporate green building principles in





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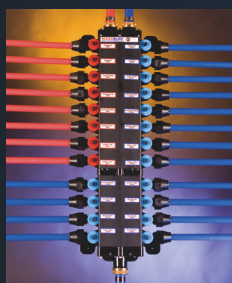
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# Liability Insurance

>> BY JEFFREY D. MASTERS, CONTRIBUTOR

Home  
Builders  
Learn to Play  
by New Rules.

**Five years ago**, home builders confronted a liability insurance crisis. A worldwide hard insurance market and massive construction defect losses forced many underwriters to exit the home building sector. Liability insurance became hard to find, more expensive and more restrictive than ever.

Home builders remain among the toughest classes of business to insure, but the insurance market has begun to soften for them. Large builders in particular are seeing increased competition among insurers; better terms and conditions; and even better pricing.

However, to qualify for the best coverage at competitive rates, builders must keep insurance at the top of their corporate priorities and invest the human

and financial resources it requires.

Here, an overview of some of the most-used insurance structures and strategies, as well as a specific program builders must implement to thrive in the ever-challenging insurance environment.

## Insurance Structures and Strategies

Now that insurers have returned to the residential marketplace and new players have emerged, builders have better liability insurance options. Selecting the right alternative requires a deep understanding of each individual builder's risk tolerance, the quality of the builder's operational risk management practices and the economics of the various insurance alternatives.

## Wrap-Ups

As the quality of subcontractor liability insurance coverage and additional insured endorsements continues to erode, owner-controlled insurance programs (OCIPs, or wrap-ups) have become a predominant liability insurance structure for builders. OCIPs can be written on a project-specific basis or on a rolling basis to cover all of the builder's projects.

Well-structured OCIPs offer advantages in terms of builder control of the insurance, broader coverage and, in many cases, lower insurance rates. But OCIPs come with many pitfalls and practical challenges, such as calculating and collecting insurance credits from subcontractors; allocating responsibility for deductibles and self-insured retentions (SIRs); and handling of coverage issues if claims arise. Experienced risk management and insurance resources are essential to implement a successful OCIP.

## Captive Insurance Companies

Many large builders and virtually all housing giants employ captive insurance companies to cover general liability and other insurance risks. A captive insurance company offers the home





builder an opportunity to efficiently finance its risks up to the level dictated by the builder's risk appetite, then access to conventional excess and/or reinsurance markets for high limits to protect against catastrophic losses.

Captives offer financial flexibility (including potential tax benefits); the ability to retain risk on a broader and more economical basis than traditional insurance; and an opportunity for savings if the builder's loss control and risk management initiatives are successful. As with OCIPs, captives require a high level of care in design, implementation and administration to achieve optimal financial and operational performance.

### Combined Warranty/ General Liability Insurance Program

Traditional general liability insurance policies require a formal lawsuit to trigger the insurer's duty to defend and indemnify. Moreover, such policies prohibit the builder from making "voluntary payments" without the insurer's consent.

These structural limitations can leave the builder without liability coverage in pre-lawsuit scenarios where the builder wishes to proactively address construction issues before they reach the litigation point of no return.

Zurich Insurance addresses these critical issues in its innovative Home Builders Protective (HBP) insurance program. The HBP is written on a special policy form that provides liability insurance coverage for certain builder's warranty and customer service expenses without the need for a suit. If the claim ultimately goes to litigation, the HBP policy provides enhanced liability insurance protection without most of the typical policy exclusions that restrict coverage for construction defect claims.

The HBP is available to builders with annual revenues of \$100 million or more. It is subject to strict and extensive underwriting. For large builders who can qualify because of their proven risk management and customer service programs, the HBP is an attractive alterna-

tive to conventional liability insurance policies.

### The New Rules of Insurance

To succeed in the new insurance environment, sophisticated builders should implement a five-part program:

- Start earlier. Thanks to the proliferation of non-standard insurance policy forms and the increase in insurance options, many large builders find three to six months of lead time is necessary to plan for and execute an effective insurance placement. If the builder has staggered renewal dates for different lines of its coverages, the renewal process becomes a year-round focus.

- Apply specialized expertise. Because access to insurance is relationship-based, successful builders work with insurance brokers who specialize in the residential construction industry and know the underwriters. The new risk management team also includes insurance coverage counsel knowledgeable about the builder's operations and exposures and about the intricacies of current insurance policy forms and structures.

- Create persuasive submissions. The builder's submission (the application and extensive supporting documentation) is a critical element of a successful insurance placement. Home builders are now evaluated according to "the new underwriting," which focuses not only on financial information but also on the nature and performance of the builder's operational risk management practices. These include construction quality assurance; safety and loss control; contractual risk transfer; and highly responsive customer service programs.

- Beware non-standard policy forms. One of the most difficult challenges the new underwriting climate creates is insurers who use non-standard policy forms and endorsements.

Virtually every underwriter has a unique suite of policy forms and endorsements. Each requires careful review and comparison. Subtle changes in wording can have major coverage implications. Implement a Comprehensive, Integrated Risk Management Plan. Large builders are retaining much more risk than ever before. This results not only from higher deductibles and SIRs but also from coverage restrictions, such as exclusions for prior work.

- To minimize uninsured costs within the retentions and to preserve their policy limits, builders must implement a comprehensive, integrated non-insurance risk management program. Such a program identifies and manages risks at each stage of the development process, from entity structuring and land acquisition to construction operations, sales and market-



Home builders remain among the toughest classes of business to insure, but the insurance market has begun to soften for them.

ing, and long-term customer service.

By helping builders more effectively tell their risk management story to the underwriters, this five-part plan can yield immediate results. For the longer term, implementing a non-insurance risk management program will result in fewer and less severe claims. Builders then will be free to focus their energies on the business of building.

*Jeffrey D. Masters is a litigation partner and co-chair of the Development Risk Management Practice Group at Cox, Castle & Nicholson, a Los Angeles-based real-estate and construction specialty law firm. Masters has extensive experience structuring and implementing risk management and insurance programs for builders nationally. Visit the company's site at [www.coxcastle.com](http://www.coxcastle.com).*

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## Emerging Issues

Builders  
scramble  
to catch up  
with other  
industries  
by adopting  
quality-  
and risk-  
management  
techniques.



# Your Construction Manager: Your First Line of Defense

>> BY **STAN LUHR**, CONTRIBUTOR

**As energy efficiency obligations** force home building to become more complex, home builders are quickly evaluating their construction operations to stay competitive.

Talk these days involves risk management and how builders can deliver a safe, durable and comfortable home in deference to labor talent and building product shortfalls. This task is being relegated to the front lines of construction, requiring the construction manager to adapt to this new burden.

### **Multi-faceted Risk Management**

Risk management involves the process of

reducing risk or transferring it to others. Quality is about the customer experience and how home builders can deliver a product or service that meets their mutual expectations of safety, durability, comfort and value. Home builders have traditionally favored risk transfer methods, including obligating trade contractors to indemnification agreements and additional-insured endorsements. Now that insurance costs have escalated and some states prohibit express indemnities, it's time to focus on delivering even greater quality. But who will take on this task?

The construction manager is seen as the



**RISK AUDITS CAN TIP BUILDERS OFF** to high-risk issues while evaluating built-in quality.

most likely candidate. If construction managers are to become our front-line quality gatekeepers, home builders need to eliminate much of their paperwork burden, simplify schedule tasks and eliminate time-consuming chores that do not directly add value to the product.

The superintendent fits into other scenarios, too. Today's job sites waste or spoil five to 10 tons of once-useful

raw materials. Yet few builders pay attention to their trades' physical waste and rarely consider the labor waste of inefficient job access, lack of power and lighting, dirty work sites and poorly maintained equipment. How we investigate and eliminate this waste depends on the quality processes we put in place and how we encourage our team to spot and challenge waste so it can be converted into profit.

## **The Subcontractor Disconnect**

In a factory, workers are employed by the company. The company trains them, supervises them, provides them with tools and maintains their environment. This helps to deliver consistency. Job sites, in contrast, are the epitome of controlled chaotic disconnects. We struggle to communicate a timetable for their work, battle the

### **FRESNO, CALIF.-BASED GRANVILLE HOMES'**

**EMPLOYEES** take builder training seriously; the entire staff participates in technical training sessions. Pictured from left are Stan Luhr, CEO of Quality Built; Michele Brunn, sales manager; Todd Conte, assistant superintendent; Tony Seaton, quality control manager; and president, Darius Assemi.





environment to protect their materials and, once their work is installed, we fight to keep others from damaging it.

Home builders are learning they — not the trade contractors — run the factory. The tradespeople may not be the builder's direct employees, but they are arguably responsible for the work. Newer insurance products such as Wrap or Owner Controlled Insurance Programs (OCIPs) provide a more generic no-fault coverage yet come with much higher builder financial involvement. In light of this, builders are learning they must play a greater role in exactly how homes get built, what products get used, and how workers must install products to meet the growing legal risks.

## The Cost of Failure

Many builders recognize the direct costs being sucked out of customer ser-

vice budgets, but few appreciate the real cost of quality failures. A leaky window requires a visit from the builder, the window company (who in turn blames the cladding contractor), the cladding contractor (who blames the window installer, who blames the window manufacturer) and the drywall and painter. Assuming the window is repaired the first time, it may take 2-3 weeks of homeowner inconvenience and frustration. It is estimated that the cost of a single failure is \$3,500, with indirect costs such as lost loyalty, employ-

If construction managers are to become our front line quality gatekeepers, home builders need to eliminate much of their paperwork burden, simplify schedule tasks and eliminate time-consuming chores that do not directly add value to the product.



ee morale and negativity being incalculable. Yet window leaks remain the top residential risk for home builders.

According to Quality Built's 2006 survey of 75,342 completed homes, single-family homes averaged \$6,124 of corrected defects, while multi-family homes averaged \$7,125. This was the average

## BUILDER INSURERS GET INTO THE ACT

**SOME HOME BUILDERS have been reluctant** to move away from the old business as usual models, so insurance companies such as Arch, AIG, Lexington, Gemini and Zurich give them a little push.

Ken Maskell, vice president of Arch's west coast insurance division, requires all builders on his program to have third-party inspections and training. Maskell says both the insurer and the builder reap benefits from this requirement. "Builders would not be getting this insurance without the third-party consultants, and we know from experience that this relationship results in better quality."

Some insurers such as AIG and Gemini provide incentives for builders who can prove they are a better risk by demonstrating a defined quality assurance system. Zurich North American has a team of 19 field risk auditors trained by Zurich who visit all of its insured projects to conduct physical audits of the quality. Mike Hopson, vice president of Zurich's Home Builder Practice program, believes the audits are a great learning tool.

"We share our findings with each builder to give them our perspective of

where we see areas of excellence and where to improve. It gives the builder an outside source they might not otherwise get from anyone else," says Hopson.

### Insurance Rates Affected

As home builders embrace quality systems and third-party inspection involvement, more pressure will be placed on their insurers to provide rewards, rebates or incentives. In light of the recent construction turnaround, insurance rates have softened but are holding close to near-record levels.

After 10 years of encouraging or mandating quality incentives, the property/casualty sector reported record underwriting profits in 2006 of \$31.2 billion, according to the Insurance Information Institute. This marks only the second time since 1975 where a profit was made, but insurers are quick to point out that it would take many profitable years to wipe out the \$419 billion in cumulative losses over that same period.

Yet builders are optimistic that insurers will soon notice their quality practices over other builders and earn the lowest

premium rates due to solid quality efforts. "Our philosophy is that it is really hard to sue a friend, and we do everything we can to maintain that friendship long after we have moved our customers in," says Darius Assemi, president of Fresno-based Granville Homes, which completed more than 300 homes in 2006.

Assemi remembers how difficult it was for his company to attract a decent insurance rate, recalling that one insurer demanded \$1.2 million for only \$1 million in coverage. Now underwritten by Zurich's HBP program, Assemi feels his insurance premiums are still high but hopes to push for more reductions due to all the quality inspections, training and customer support he offers in contrast to his competitors. "This is my town. I know these people, and I know the market. We have seen the national builders come and go, but after 20 years we are still doing well here," Assemi says as he points to a house in production. "Our homes are energy-efficient, with wall-spray insulation and tankless heaters. There's a lot of hidden quality in our homes that the buyer never sees."





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of high-risk defects discovered during brief site observations during construction that were corrected by the builder. It does not include costs for low-risk issues such as paint, fit and finish, and any cosmetic issues. This \$11 billion effect on our housing base reveals there is much we can do to eliminate these defects during the process and construction of our homes instead of relying solely on inspectors to catch them.

Although the nation's largest builders and insurers have endorsed third-party inspections to identify defects, quality experts agree that inspection alone cannot be relied upon to improve quality. Absent a robust quality management system with internal audit and external verifications, third-party inspections are likely to be encouraged in the industry because they have proven to significantly reduce risk over other builder methods. Builders who embrace quality assurance, encourage process development, create feedback loops to evaluate failure and take responsibility for design will eventually lessen the need for external inspections and move toward a more efficient auditing process.

## Next Steps

Builders are becoming comfortable with third-party inspections, forensic plan reviews and insurance audits. Information from these external sources can help augment builders' internal processes and justify their quality initiatives. Quality Built has recently completed its certification and became the first such firm to achieve ISO 9001:2000 registration (ISO is the International Organization for Standards, a worldwide standards setting organization that is recognized in 158 countries). While only four builders out of 230,000 in the U.S. are ISO registered, the number is expected to dramatically rise.

And while right-to-repair legislation is expanding across the country, most agree that building a quality product is the most significant factor in reducing problems later. Some builders continue to push for liability reform, yet Darius Assemi, president of Fresno, Calif.-

# What's the Risk?

## Experts weigh in on 5 common legal risks.

**IT'S A CLICHÉ, BUT IT'S TRUE:** running a home building company is risky business. From mold problems to injuries insurance to assurance, home builders — and their legal departments — constantly run into risk management issues.

So what are those problems? We asked home builders and risk management experts throughout the country what risk management issues they deal with. They are listed here in no particular order.

**INSURANCE.** From site injuries to angry customers, home builders are subject to an enormous amount liability. "How much do I offer?" "What is the scope of coverage?" and "What do I do with faulty subs?" are just a few unanswered questions. Read "Liability Insurance" on page 39 to better understand how insurance is affecting home builders and their legal teams.

**NATURAL DISASTERS.** Your buyer may love his new five bedroom, 4 ½ bath McMansion, but Mother Nature has other plans. Hurricanes, tornadoes, floods and earthquakes don't just affect home buyers anymore; home builders can lose precious product if a hurricane blows into town mid-build. How do you head that off at the pass? Make sure your buyer contracts have "In the event of Mother Nature" clauses. Have legal check it out to make sure it could stand up in court if necessary.

**WATER INTRUSION.** In most cases, water intrusion is the result of a poorly built product, including defaults such as faulty wall systems; improper window installation or flashing; or an incorrectly insulated or ventilated roofing system. If water is seeping into your homes, home buyers will likely seep into your offices — with a lawyer. Vigilant quality control with trades is the key to heading off a legal nightmare. Keep in mind, however, water intrusion as a result of Mother Nature carries a different set of legal circumstances.

**MOLD.** While water intrusion can be pesky, mold is downright nasty. The product of trapped-in water, mold can become a toxic, legal nightmare. For 10 years, mold has enjoyed the spotlight as a media-encouraged litigation nightmare. Moves to improve better construction techniques and materials, however, are slowly drying out the problem.

**CONSTRUCTION DEFECTS.** One of the biggies, construction defects can range from faulty framing to inadequate energy consumption. What makes construction defects such a difficult risk to manage is that the defect is in the eye of the beholder. What one home buyer might let slide — say a crack in the drywall — will make another wreak havoc. To read more about mitigating construction defect risk, read "Overzealous Claims Lead to Liability Woes" on page 35.

— Erin Hallstrom-Erickson, Group Managing Editor

based Granville Homes, which completed more than 300 homes in 2006, holds little stock in legislation reform because he feels it only slows down the process of getting a homeowner's real problems resolved. He reminds builders to focus instead on doing it right. "I cannot even remember the last time we had to fix a leaky window, so I know our system is working. He smiles, "I can tell you I sleep very well at night." **PB**

Stan Luhr is the founder and CEO of Quality Built, a national risk management firm serving more than 2,000 building projects in 28 states.

**LOG ON** Read "Risk Management: Quality-focused superintendents ensure homebuilders construction quality" at [www.ProBuilder.com/emergingissues](http://www.ProBuilder.com/emergingissues)





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# Risk Management

## How to Deal with Difficult Customers

>> BY ANN MATESI, SENIOR CONTRIBUTING EDITOR

Communication  
is the key  
to settling  
differences  
when builders  
and buyers  
face off.

### Every home builder has stories about clients

who make the home building process much more complicated with their demanding personality or with their personal demands. When conflicts arise, finding a resolution can be smooth and speedy — or result in headaches all around, depending on how well the builder and his team are prepared to respond.

Contentious customers are a fact of life for all businesses owners. Nowhere is that more evident than in the complicated process of constructing a home. With its countless material, mechanical and human components, the opportunity for mistakes, miscommunication and misunderstandings is always just around the next stud wall.

The reality is that the builder/client relationship is a long-term one, often lasting for a year or more. Getting along on a personal level will make the process work more smoothly. But, like building the home itself, laying a good foundation for the builder/client relationship takes work as well.

“You have to remember that building a home is a huge personal investment on the part of the buyer,” says Tony Perry, president of Oakwood Homes in Woodstock, Ga., who has nearly two decades of experience building production and semi-custom courtyard homes throughout metropolitan Atlanta. “Most of the time this is the

biggest purchase of their lives, so their tendency to be more reactive in a situation that they feel is out of their control is understandable. This is particularly true when they don’t have a clear understanding of what goes into building a home.”

Jeff Ainslie agrees. He’s president of Ainslie-Widener, a Virginia Beach, Va.-based residential construction firm with projects that range from semi-custom and custom homes to condominiums and apartments. “Buyers don’t always understand the complicated processes involved and the multitudes of trade contractors necessary to complete their home.”

Building homes that range from \$250,000 to \$2 million, Ainslie’s firm features five separate divisions, each which handles a different customer profile. The company offers buyers levels of customization that range from homes that have less than 50 options to design/build projects that may require more than a year in the planning and design stage alone.

### Recognize Risks and Opportunities

The sales adage, “Make your customer happy, and they’ll tell a friend; make your customer unhappy, and they’ll tell 10 who will each tell 10 more” rings particularly true in the business of building homes.

“When a customer is unhappy with their



builder or there is a problem with their home,” says 30-year home building veteran, Matt Swyt, president of Alluring Homes in Charlotte, N.C., “the news spreads throughout the rest of the neighborhood. People pick up on the negatives very quickly. And this negative publicity can really take a bite out of the builder’s profits. Often these costs are intangible, but they are hidden everywhere in the home building process.

“The bottom line is that valuable time that could be spent making money is lost when a builder has to manage the damage that can be caused by a disappointed customer.”

Can there be a silver lining to the cloud that a difficult customer brings to a residential construction project? “Definitely yes,” says Perry. “A challenging customer can actually be a huge service for your company by providing you with an opportunity to learn something new or improve on some element of

attention they are receiving or they may just not understand the process of how a home is built,” says Perry. “And there are certain periods during the construction process where you can just expect them to become more challenging, including around loan approval time and just before closing.”

“Sometimes we recognize challenges during a customer’s meeting with our design team,” says Ainslie, “when getting all parties to agree on selections can be rather exciting. Other times, all may go well until the pre-construction meeting, where the buyer’s expectations have not been translated properly to the plans for their specific home.”

Buyers who are new to the home buying market do not always know the right questions to ask, but often get lots of advice from others, says Perry. Seasoned buyers, who have already owned a home or two, come to the sale with a whole set of predispositions and opinions in hand.

“The builder can use both situations as an opportunity to create a foundation for educating the buyer,” he continues. “Overall, I feel that most buyers are realistic and fair. They

tion or problem arises. Also, offer customers a way to track the progress on their home’s construction. All of these things go a long way toward making a buyer more relaxed and less confrontational.

A well-informed client can be a big asset, say the experts. Welcome them into the home building process by providing them with a format for asking questions and getting answers. The better they understand how things work, the more likely they are to understand where their own responsibilities lie.

Oakwood Homes allows its buyers to get involved as much as they want, says Perry, who estimates that nearly 95 percent come out periodically to the job site.

“If you bring them in during the early stages, the chances are better that you will have a satisfied customer in the end. The benefit of them watching over our shoulder is that they can catch things that we may not.

“I don’t consider an involved buyer a nuisance. In the end, their scrutiny helps us do our job better — and their extra set of eyes is free.”

Perry says quick and clear communication gets problems resolved and leaves a buyer more likely to recommend you.

And, keep in mind, when customers have a question, they really want to hear the answer from the person who makes the decisions rather than have it relayed to them via a third party.

## Today’s Buyers Demand High Quality

Improved production techniques for products and materials resulting in extended warranties from manufacturers have raised the bar for what is acceptable, and home buyers’ expectations for quality, durability and energy efficiency have soared because of this. That has prompted Perry’s company to set the bar equally high.

“Buyers may be downsizing,” says Perry, “but they still expect top quality

“A challenging customer can actually be a huge service for your company by providing you with an opportunity to learn something new or improve on some element of your business.” — Tony Perry, Oakwood Homes



your business by turning a negative into a positive.”

## Identify Causes of Conflict

Because many factors can lead to a customer’s being difficult, it is important that the builder understand the motivation behind customer actions. They may be angry, frustrated, disappointed, uninformed or simply have a challenging disposition.

“Buyers may have complaints about the construction of the home itself, about the products being used, the amount of

recognize that we, as the builder, are bringing together the pieces of a very complex puzzle.”

## Communication is Key

Managing customer expectations by spelling out the details from the outset of a project through its completion is critical.

Make sure that the sales contract is thorough and understandable; products and materials use and warranty information is clearly defined; and that the buyer always knows who to go to when a ques-



in their homes. This makes them more demanding than ever in some ways because they recognize quality as a value to them in market perception and appreciation.”

“It is very important to maintain the highest level of quality control throughout a project,” agrees Swyt.

“Fix things that are wrong even when someone does not complain. It is much more expensive to do repairs once the customer is living in the home.”

Ainsle’s firm has honed its quality-management skills to the point that it does not have a separate warranty department. The goal: prevent defects rather than leave them to inspectors to find.

“We have discovered over the years that you can’t add quality on; it must be engineered into the design and product selections prior to actual construction. This, along with constant oversight and inspections, can ensure a near ‘perfect’ home.”

## Value Your Team

Perry knows employees serve as a key component to a builder’s success, as

cises that will improve their interpersonal skills.”

“It is also important that your employees don’t burn out on these kinds of issues,” says Swyt. “Also, keeping them up-to-date on current materials and con-

“It is very important to maintain the highest level of quality control throughout a project. Fix things that are wrong even when someone does not complain. It is much more expensive to do repairs once the customer is living in the home.”  
— Matt Swyt, Alluring Homes



well as how critical it is employees understand their role in the building process. His No. 1 recommendation for developing an effective residential construction team is to make sure each staff member receives professional training in customer service issues.

“Never permit your employees to be abused or berated by demanding customers,” Perry continues. “Teach them how to handle difficult situations through training and role-playing exer-

struction methods ensures that they will have solid, reliable answers to customers when they ask.”

Internally, it is important a builder backs up his or her employees so they work as a team and present a united front to the customer.

“This makes it much less likely for misunderstandings to occur and results in a more timely resolution to problems or answers to questions,” says Swyt.

## TIPS FOR COPING WITH DIFFICULT CUSTOMERS

THE RIGHT APPROACH CAN GO A LONG WAY to diffusing a volatile situation. Across the industry, experts have advocated builders:

- Maintain self-control at all times, even in the face of their anger.
- Listen to the customers’ complaint and acknowledge their right to make it.
- Avoid emotional reactions or phrases. Keep the focus of the conversation on the actual problem.
- Ask customers what type of resolution they want.
- Avoid negative responses. Rather, tell customers what the building team can do for them, or provide a number of solutions they can choose from.
- Always provide honest answers to their questions, never just what builders think they want to hear.
- Never make promises that can not be fulfilled.
- Respond to customer complaints as a member of a united team.
- Be willing to include customers in the home building process by taking the time to educate them when they have questions.
- Follow up after the job is done to make sure the customers’ complaint has been resolved to their satisfaction.


## Don’t Take the Money and Run

“Never leave buyers empty-handed once the project is completed,” advises Perry. “Make sure that they receive — and clearly understand — their warranty package.”

Another way to generate good will and recommendations from past customers, he adds, is to provide them with the benefit of your access to the trades. “They will appreciate the fact that you are still willing to give them your time and attention, sometimes years later, even when they are paying the costs.”

Ainslie’s buyers often contact the company long after the sale regarding non-warranty issues or repairs. “Our project managers understand that their ongoing compassion for those buyers and their homes, along with any assistance they provide necessary to make that buyer happy, is what sets us apart from many other companies,” he says.

Remember, when the job is finished, your opportunity to generate positive referrals continues. **PB**

 **LOG ON** Read “Risk Management: Tips for Dealing with Difficult Customers” on [www.ProBuilder.com/emergingissues](http://www.ProBuilder.com/emergingissues)





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# Risk Aversion

>> BY **SERGE OGRANOVITCH**, CONTRIBUTOR

5 NHQ Award winners talk about how they handle risk.

**Imagine you've been working for hours on the description of an important new project**

and someone down the street hits a power pole. All the electricity in your area goes out. How would you feel if your document was not saved? All that work and time were wasted and you need the project description tomorrow for a bank presentation.

Fortunately, most of us have already managed that risk by having auto save or backup systems for our computers. That protection is "risk management." Risk management may not be sexy, but it sure saves money and time.

The same principle of planning for "What if" or risks applies to how we run our business. In some areas of the country with earthquakes or

hurricanes, businesses have learned that good risk management is not only a way of life but is also smart for business.

Risk management is also continuously looking at opportunities to improve a business or prevent risky situations by taking measure before the crisis occurs — not after.

For the past several years, I have been privileged to work with some of the best-managed home builders in the country both within the National Housing Quality certification program and as a judge in the NHQ Awards.

I asked some of the recent NHQ Award winners to share some insight into how they avoid risks. Here are some excellent examples, in their own words, of how they avoid risks while incorporating different aspects of risk management.

## Strategic Planning

Well-managed businesses are continually planning and adjusting strategic plans and goals. All of the NHQ Award winners are effective planners and use a variety of ways to plan and minimize risk.

**Jo Anne Estes, Estes Homes, Squim, Wash.** "We spend a lot of time evaluating the market locally, regionally and nationally. Kevin (president of Estes Homes) looks at interest rates every day. He also looks at economic indicators. What is the overall economy like? We spend a lot of time deciding on the number of unsold homes we are willing to start, given the market conditions at the time of start. We always contemplate what number of homes we are willing to have at risk based on current market conditions. We have shelved a planned start based on traffic alone."

**Ron Swecker, Grayson Homes, Ellicott City, Md.** "We set up all of our communities as sepa-





rate LLCs to help reduce overall risk to the company.”

**Todd Booze, Ideal Homes, Norman, Okla.** “We have semi-annual banking meetings to go over everything from strategic planning initiatives and performance; market conditions to include new home spec inventory; and existing market listing numbers. We have several report mechanisms that we use to keep a pulse on our local market. The banks are not accustomed to seeing this level of sophistication, and it has made them comfortable with us and our knowledge of the marketplace. It also gives them information that they are unaware of in the marketplace and helps them manage their other builder clients.”

**Alan Parrow, Pringle Homes, Eustis, Fla.** “Strategic planning is used by Pringle Development to determine the overall direction of the company and its ultimate viability in light of the predictable, as well as the simply possible

**Denis Leonard, Veridian Homes, Madison, Wis.:** “Using annual self-assessments geared toward the National Housing Quality Award criteria allows us to evaluate our strengths and opportunities for improvement (OFI) on a company wide basis. This becomes part of our corporate SWOT analysis. The OFI’s are prioritized and teams are assigned with deadlines to address these issues.”

## Human Resources

High turnover and poorly trained or unqualified people can be costly in many ways.

Todd Booze notes **Ideal Homes** implements recruiting practices and trains its people to be their greatest asset. “It is often said, but not practiced, that our people are our No. 1 asset,” Booze says.

“We have developed great processes to recruit and train our people. No growth initiative can be carried out unless you have trained people in place.

Too many times in our industry builders plan for growth, acquire new property then try to fill in the people after the fact. They are in a crunch

and many settle for inexperienced staff. Once you get them you must have a great process to train them and give them feedback on their performance.

“Many times builders hire “experienced people,” but they are not experienced in the company-specific systems and processes and are still thrown out in the field to perform. This can be very dangerous. Staff must be ingrained into your culture so they understand how to represent your company with customers, trade contractors, vendors, etc. One bad or untrained hire can do tremendous damage to the relationships you have worked so hard to establish.”

**Pringle Homes’ Parrow:** “Because these are litigious times, we attempt to protect against lawsuits regarding wrongful termination, harassment, discrimination, promotion or salary actions, etc. by

two major means: ongoing training by our human resources director and constant visibility of human resource and safety policies on our company intranet.

“Background screening, drug testing, safety programs, etc., are also ways Pringle seeks to reduce various potential risks involved in the workforce and the workplace. Finally, to protect the company in the event of loss of personnel, Pringle created a program of cross-training with the goal that each key role in the company has a ‘back up’ for performance of that role. We also use job descriptions and a succession planning program that reaches down to mid-level management to accomplish this.”

**Veridian Homes’ Leonard:** “A motivated and satisfied team is crucial to a successful organization. A strong emphasis is placed on training and empowerment to reduce turnover and avoid the costs of rehiring and retraining. Using Caliper evaluations and detailed structured interviews we determine who the best fit for the company is. This is followed by an introduction to quality, the vision and the mission of the company by the president of operations, David Simon.”

## Construction Quality

Having no defects at closing can save money for both builders and trades. Zero defects can also increase customer satisfaction, which results in improved referrals to other potential buyers.

**Grayson Homes’ Swecker:** “We contract with a third-party safety inspection firm to visit three communities every month and document any potential safety violations. These reports include photographs to help the trade contractors understand exactly what the violation is and how to avoid it in the future. We require our trades to respond in writing specifying their actions to eliminate the violation in the future.”

**Veridian Homes’ Leonard:** “There are several key initiatives at Veridian that contribute to lowering the risk of our operations:

- Kaizen Redline Reviews of home plans by a cross-functional team and key trade partners allows us to ensure our

Businesses have learned that good risk management is not only a way of life but is also smart for business.



changes that may occur in our operating environment. It shapes not only goals but also helps delineate the broad limits within which the company operates. Strategic planning also dictates both the resources we likely will have accessible to achieve our goals and the principle patterns in which these resources will be allocated.

“We begin by imagining the desired future state of the company. With that vision, we then analyze the present state and its strengths, weaknesses, opportunities and threats (or risks). Then, we compare the present with the desired future to identify gaps and start drawing a road map for closing those gaps. Project prioritization, risk analysis and an analysis of the likelihood of changes in the industry are all well-established basics in the Pringle strategic-planning process.”



“These two outside inspections are conducted on every home. We are also very involved in training our trades and giving them feedback on their nonconforming scope issues. Construction quality is one of the largest risk areas for builders, and there is never enough



Estes Homes' Jo Anne Estes: "Land purchases tend to put builders at risk if

"This has been the No. 1 reason builders have gone broke; slowing markets and rising interest rates make builders not being able to meet interest obligations. Our approach is obviously a very

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conservative approach, but we are trying to grow the right way that takes us out of risking everything.”

**Grayson Homes’ Swecker:** “We hold weekly land development meetings to review every new community and discuss possible risks associated with each

community. During these meetings we discuss market issues as well as possible jurisdictional issues.

“During a recent meeting, we developed a strategy to allow Grayson to do some additional clearing in a critical area on the waterfront in a new community.

We were able to clear an area around the community clubhouse to enhance the water views while allowing the county to do some additional reforestation in the community.”

## Trade Relations

In most cases, trades build all of the homes builders sell, so it is here that builders take risk of delivering poor quality and overrun of cost.

**Ideal Homes’ Booze:** “Have a solid trade contract agreement with all contractors that establishes responsibility. We require the trade contract to carry certain limits depending on the size of their organization and require them to list us as ‘additional insured’ on their policies. We also require them to indemnify and hold harmless as to any issue that may arise.

“It is critical that builders have and understand their agreements with their TC/vendors so that a lot of potential liability can be avoided at a later time.”

**Pringle Homes’ Parrow:** “Pringle always seeks to contract with insured trade partners. Pringle has tried to handle this in several ways:

1. We maintain current certificates of insurance on all subcontractors.
2. We stick with the guys that “brought you to the dance” and who you can implicitly trust.
3. We form a Trade Partners Council and encourage these key players to get NHQ-certified.”

**Veridian Homes’ Leonard:** “We use detailed contracts, scopes of work, and training and trade certifications to create a clear understanding of work and requirements with our trade partners. This ensures that communication is strong and clear regarding what is required for each home.

“Weekly BUILD meetings with our partners allow us to ensure that we have a close relationship and that our Evenflow scheduling, which ensures consistent production, is on track. These approaches have helped drive a mind set of process and continuous improvement.”

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Total hours: Concrete Work

**93:49**

Total hours: Framing

**566:05**

Total hours to date: Crestview Residence

**WEEKLY TIMECARD**

NAME: Bill Owen DATES: 12-17

	START	LUNCH	END	JOB CODES	JOBSITE/PROJECT	HOURS
Mon.	7:00	12	3:30		Brentwood	8
Tues.			3:30			8
Wed.			4:00			8 1/2
Thurs.			4:00		Crestview	8 1/2
Fri.			4:00			8 1/2
TOTAL HOURS:						41 1/2

SIGNATURE: Bill Owen

**Employee Report**

Owen, Bill Date Range: 8/13/2007 through 8/17/2007

Day	Date	Jobsite	Start	Stop	Cost Code	Hours	Total
Mon	8/13	Brentwood	7:08 AM	12:05 PM	Concrete Work	4:57	
			12:41 PM	3:22 PM	Concrete Work	2:41	7:38 hours
Tue	8/14	Brentwood	7:12 AM	12:07 PM	Concrete Work	4:55	
			12:43 PM	3:23 PM	Concrete Work	2:40	7:35 hours
Wed	8/15	Brentwood	7:12 AM	12:02 PM	Concrete Work	4:50	
			12:46 PM	3:49 PM	Concrete Work	3:03	7:53 hours
Thu	8/16	Crestview	7:17 AM	12:19 PM	Framing	5:02	
			12:50 PM	3:46 PM	Framing	2:56	7:58 hours
Fri	8/17	Crestview	7:13 AM	12:07 PM	Framing	4:54	
			12:44 PM	3:39 PM	Framing	2:55	7:49 hours
<b>Total</b>						<b>38:53 hours</b>	

SIGNATURE: Bill Owen Owen, Bill

**GUESSWORK**

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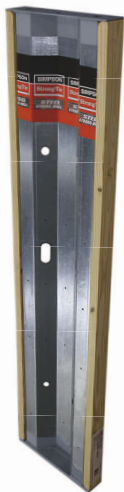
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"Based on the hurricane activity here in Florida, we learned the difficulty of keeping servers up and running so that we could at least maintain skeleton level crews and response capabilities in times of such crises. Working with the safety officer, our IT Department has purchased a full generator system (just put in place a month or so ago) to cover the entire headquarters facility. All servers are kept in operation, and the A/C systems are kept operational — a crucial point to make for any long term emergency."

**Grayson Homes' Swecker:** "We post all selection sheets and information necessary for home construction on a Web site so our trades can access and retrieve the most current selections for the home. In the past, we were mailing or faxing this information, and we were responsible for making sure that everyone received what we sent. Now we post

the information as soon as we have it, and the trades are responsible for checking it every day and making sure they have the latest information before starting work.

"We use a quality management system based on a Blackberry platform for our supervisors to document any incomplete or defective work. The information is then sent via e-mail at the end of the day directly to every trade listed. The e-mail sent to the trades tell them exactly what we need to have them do and when we expect it to be done. This infor-

"A motivated and satisfied team is crucial to a successful organization."  
— Denis Leonard



mation is sent to them every day until the supervisor marks the work as being complete. This system makes it nearly impossible for things to be forgotten about once they have been entered into our system."

**Veridian Homes' Leonard:** "Our Home Tracker quality and customer relations system allows us to enter issues into palm pilots in the field. This information is automatically updated to our databases and scorecards and then we can email a PDF of required work to key trade partners. As a result we reduced defects in 2006 by more than 50 percent while reducing inspection by 50 percent." **PB**

*Serge Ogranovitch is a senior partner and founder of The Potomack Group, an international management consultant firm. For the past several years he has been involved with the housing industry as a judge for the National Housing Quality Award and has worked closely with the NAHB-Research Center for the development and implementation of the NHQ quality management systems.*

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# From Brownfields to Brick and Mortar

A former industrial site in Utah becomes an attractive residential neighborhood close to urban amenities.

**In Murray, Utah**, where smokestacks once dotted the horizon, a new residential community has set the bar higher in the city's downtown revitalization campaign. Inverness Square, a 119-unit townhouse development by Murray-based Hamlet Homes, employs New Urbanist principles. It's pedestrian-friendly, located near such amenities as a commuter light-rail station, the city's historic district, parks, schools, shopping, biking/walking trails and a new hospital; features attractive elevations and streetscapes; and offers cutting-edge, broadband fiber-optic technology to provide television, phone and Internet services to residents.

Part of the Salt Lake City metropolitan area, Murray is like many small cities in that it has a scarcity of undeveloped land — though unlike most, it also has stunning views of the Wasatch Range of the Rocky Mountains. More than 100 years old, Murray was once home to steel smelters and brick foundries. The abandoned industrial buildings have created an urban blight that city officials wish to eradicate, as set forth in their 2003 General Plan. Michael Brodsky, CEO of Hamlet Homes, and his team met several times with city planners to help formulate their vision for new housing, which incorporated elements of New Urbanism.

In addition to its proximity to the TRAX light-rail station, the community is a short drive from Interstate 15 and two blocks from the new Intermountain



**AN AERIAL VIEW OF MURRAY, UTAH**, shows the proximity of Inverness Square to mass transit, shopping, golf and a new medical facility.

## VITAL STATS

### Inverness Square

**Location:** Murray, Utah  
**Builder/Developer:** Hamlet Homes  
**Architect:** D.W. Taylor, Ellicott City, Md.  
**Model:** The Turnberry  
**Home type:** Townhouse  
**Square footage:** 1,720  
**Market:** Salt Lake City area  
**Base price:** \$179,990  
**Community size:** 119 units  
**Buyer profile:** First-time buyers and single parents  
**Model open:** April 2006  
**Sales to date (entire community):** Sold out





## FIRST IN LINE FOR UTOPIA

**Inverness Square in Murray, Utah**, is the first new-home community in the state to offer UTOPIA Community MetroNet, a broadband fiber-optic network providing TV, Internet and phone service. UTOPIA, an acronym for Utah Technology Open Infrastructure Agency, was established by 14 Utah cities between 2003 and 2004. Each city agreed to build its own fiber-optic network, with multiple service providers paying the city a fee to use it.

The timing was favorable for bringing this state-of-the-art service to Inverness Square, says Hamlet Homes' David Irwin. "We were ready to open homes at the same time [the providers] were ready to turn their lines on," Irwin says. Not only is UTOPIA fast and reliable, it also has the highest capability of any existing broadband fiber-optic network, he says. It's direct connect, meaning that the fiber runs directly into the home; there's no "last mile" of copper wire from the curb to the house.

Services can be bundled, too. Choices are plentiful, including Internet-based telephone service; movies on-demand; high-definition TV; video conferencing; telecommuting; home security and utility management; and, of course, ultra-high-speed Internet access. Irwin says the huge amount of bandwidth is especially attractive for people in the medical profession, who can download and view large, high-resolution files at home.

**THE COUNTRY KITCHEN OF THE TURNBERRY** has an optional breakfast bar. This plan has been the most popular with buyers, who include single professionals as well as single parents and a smattering of empty nesters.

Medical Center, a flagship hospital that is establishing a sizable employment base in Murray, says David Irwin, vice president of sales and marketing for Hamlet Homes.

Buyers and city planners have given Inverness Square a warm reception. Sales started in fall 2005 and models opened in April 2006. The development is now sold out at 119 units.

"Hamlet Homes has built probably four multifamily housing projects in Murray, and they've gained the respect of our city council," says Keith Snarr, the city's economic development director.

## Cleanup Time

Most of the land for Inverness Square was a former brownfield occupied by a trucking and construction equipment operation. Once that site was under contract, Hamlet assembled several adjacent parcels and worked with the city to modify its den-





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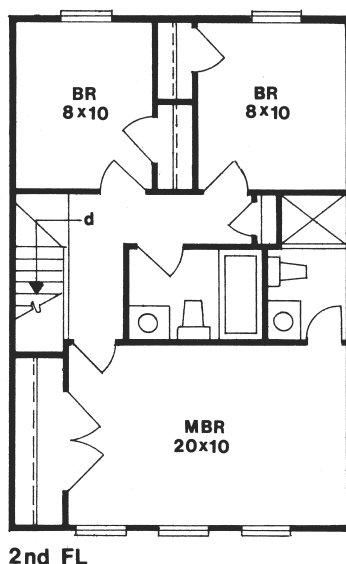
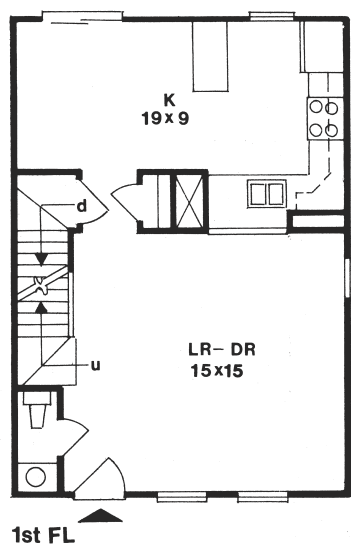
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#### THE TURNBERRY'S UNFINISHED

**BASEMENT** can be upgraded to a family room with bathroom, fireplace and built-in bookshelves.

sity requirements "and do a little bit higher density than their normal zoning," Irwin says.

Hamlet cleaned up the site under the Utah Department of Environmental Quality's (UDEQ) voluntary cleanup program, a streamlined, regulatory-friendly process that encourages redevelopment of brownfields and other impacted sites. Any contaminants not removed from the site were bur-

ied beneath the road base and capped with asphalt. "The cleanup was regulated, approved and certified by UDEQ," says Irwin. "It was a process that consumers could understand and feel safe and comfortable with."

Architect Don Taylor of D.W. Taylor in Ellicott City, Md., created three-story, Federal-style townhomes with brick and stucco facades, modeled after the brownstones in older Eastern cities such as Baltimore and Boston. To give the community a cohesive, downtown look, Taylor used various architectural touches including wrought-iron fencing and railings bordering front stoops; brick cornerstones over each front door; fascia trim; and faux-gas carriage lamps. There are wide, tree-lined sidewalks, gardens and a central commons that serve as gathering places for residents.

Hamlet Homes targeted first-time buyers and affluent singles with Inverness Square, and these have turned out to be the predominant buyer profiles. But the community has also attracted single parents and some empty nesters.

Two 1,720-square-foot floor plans are offered: the Turnberry and the Aberdeen. Irwin says the Turnberry accounts for approximately 60 percent of the sales, noting that even though they're the same size, the Turnberry is perceived as a larger, more comfortable home. One of this model's sell-



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Inverness Square are reminiscent of rowhomes in Baltimore and Boston. Wide sidewalks and tree-lined streets help foster a sense of community.

ing points is the 19-by-8-foot country kitchen at the rear of the first floor. The room can be bumped out 3 feet and has an optional breakfast bar.

In either plan, the second floor can be configured as two bedrooms and two bathrooms (ideal for two singles living together) or three bedrooms and 1½ baths. The full, unfinished basement can be turned into a family room with optional fireplace and bookshelves or finished as a bedroom and bathroom. Other options include a powder room off the entry and a living-room fireplace. Residents can have open or covered parking adjacent to their home (there are no garages).

Prices range from the \$140,000s to the \$170,000s, which Snarr says is a good deal for that market. "You'd have to go to the next county to find affordable housing," he says. "There's a lot of development going on in the western fringe of Salt Lake Valley, but the homes they're building out

there have three-car garages. Some are well over \$250,000 and even \$500,000."

Having been successful with urban renewal on a small scale, Hamlet is forging ahead with a new pedestrian-friendly, mixed-use community and has purchased one-third of the 97 acres designated by the city for future redevelopment.

"Inverness Square has given us an opportunity to learn about paying attention to detail," says Irwin. "A theme runs throughout the neighborhood, right down to the iron grates around the tree bases, the lampposts, the signage and the font style of the house numbers. It's very important to have consistency."

The mountain views don't hurt, either. **PB**

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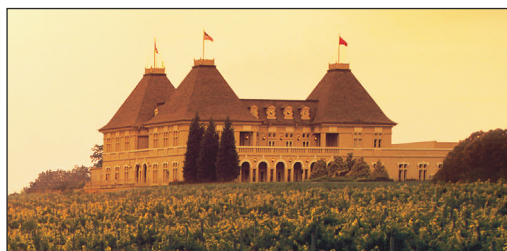
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## 2007 BENCHMARK CONFERENCE HIGHLIGHTS

### ■ TUESDAY, SEPTEMBER 25

- ▶ Housing Tour – Greater Atlanta
- ▶ Welcome cocktail reception

### ■ WEDNESDAY, SEPTEMBER 26

- ▶ Keynote – Jason Jennings, "Think Big, Act Small"
- ▶ J. Walker Smith, "Consumers Are in Control"
- ▶ James Haughey, State of the Industry Review
- ▶ Frank Alexander, NHQ Panel Discussion
- ▶ Afternoon Breakout Sessions
- ▶ **2007 Benchmark Awards Gala**, featuring the 2007 NHQ Awards, AVID Awards and the 2008 Builder of the Year presentation

### ■ THURSDAY, SEPTEMBER 27

- ▶ Keynote – Robert Kriegel, "Break It! Bringing Successful Innovation and Creativity to Your Business"
- ▶ John Rymer, "7 Things You Can Do Right Now to Improve Sales"
- ▶ Sales Professionals Panel
- ▶ Avid Ratings Awards Panel Discussion
- ▶ Rick Heaston, "Relationship Selling"
- ▶ Builder Panel Discussion
- ▶ Fun Night at the Winery

### ■ FRIDAY, SEPTEMBER 28

- ▶ Complimentary Golf Round at the Chateau Elan Chateau course (LIMITED AVAILABILITY)

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# Product News

>> BY NICK BAJZEK, PRODUCTS EDITOR

## Your Carriage Has Arrived

A new garage door can add a massive amount of curb appeal.

**Door goes up, door goes down** — that's all there was to the Plain Jane wood or steel garage door models of old. But today's doors — often made of composite materials — are much stronger, better insulated and, in many cases, a dynamic part of the exterior décor.

"The garage is often the most visible part of a home, and it is beginning to get more attention from today's home buyers," says John Monfore, product marketing manager at Jeld-Wen. According to the NAHB, Americans spent an estimated \$2.5 billion on garage doors in 2005. A study conducted by the Door & Access Systems Manufacturers Association (DASMA) in 2006 concluded 89 percent of homeowners use the garage as the primary access to their homes, highlighting what Monfore says makes it important to have an attractive but durable garage door, such as the Carriage House design.

"The garage door opening can take up to a quarter of the area in front of the home. People don't want their garage door to be an eyesore. They want to personalize and coordinate that door with the rest of the home," says Jamie

Godfrey, an assistant account executive for Jeld-Wen's marketing team. "You have a big opening right there, and many people need something more distinct. A Carriage House door just fits a lot of different architectural styles."

Carriage House and similar styles are especially popular among homeowners and go well with Craftsman as well as Mediterranean-style homes, according to Jeld-Wen.

### What's Inside

Monfore and Godfrey say the garage doors of old (and most garage doors currently installed) are made of steel backed by a rigid foam insulation with a baked-on primer and polyester for rust and UV protection. The steel introductions caused older wood doors to take a backseat to other cheaper and easier-to-maintain products. "Changes

in garage doors in the past moved very slowly. They've moved from wood to steel to raised panel-style and now onto the latest materials," says Monfore. Surprisingly, Monfore says, the Carriage House offering has actually been around for years, first appearing in the custom home market and later trickling down into the production side.

### Garages of the Future

What have been driving today's garage door market are aesthetics of the Carriage style as well as the latest composite materials, such as the non-absorbent Polystyrene core offered by Jeld-Wen. Many other manufacturers' garage door materials carry similar or superior R-values to steel. Gadco, for example, fabricates a door made from a plastic material found on pickup truck bed liners. Wayne-Dalton, in a partnership with Therma-Tru, recently released the 9700 and 9800 models, which

feature a molded fiberglass surface over a steel door. Raynor's garage door offerings also include the Carriage House, albeit in a wood door.

"This design, I think, will be around for a while at least. The garage door movement is not a fad. It's still moving along," says Monfore.

"People are deciding that it's

worth the money to invest in a garage door — and it's all because manufacturers have been providing people with more options."

## Your Client's Garage

HOMEOWNERS REALLY DO THINK about their garages. Jeld-Wen's Perfect Home Survey shows:

- Almost one quarter (23.5 percent) of those surveyed said they plan on remodeling the garage in the next year.
- 14.5 percent would use a remodeled garage for parking, while 13.4 percent would use it for storage.
- Only 43 percent believe their garage lets in enough natural light.
- When asked specifically about energy efficiency, a combined 55 percent say it is either a very important or important attribute for a garage door.





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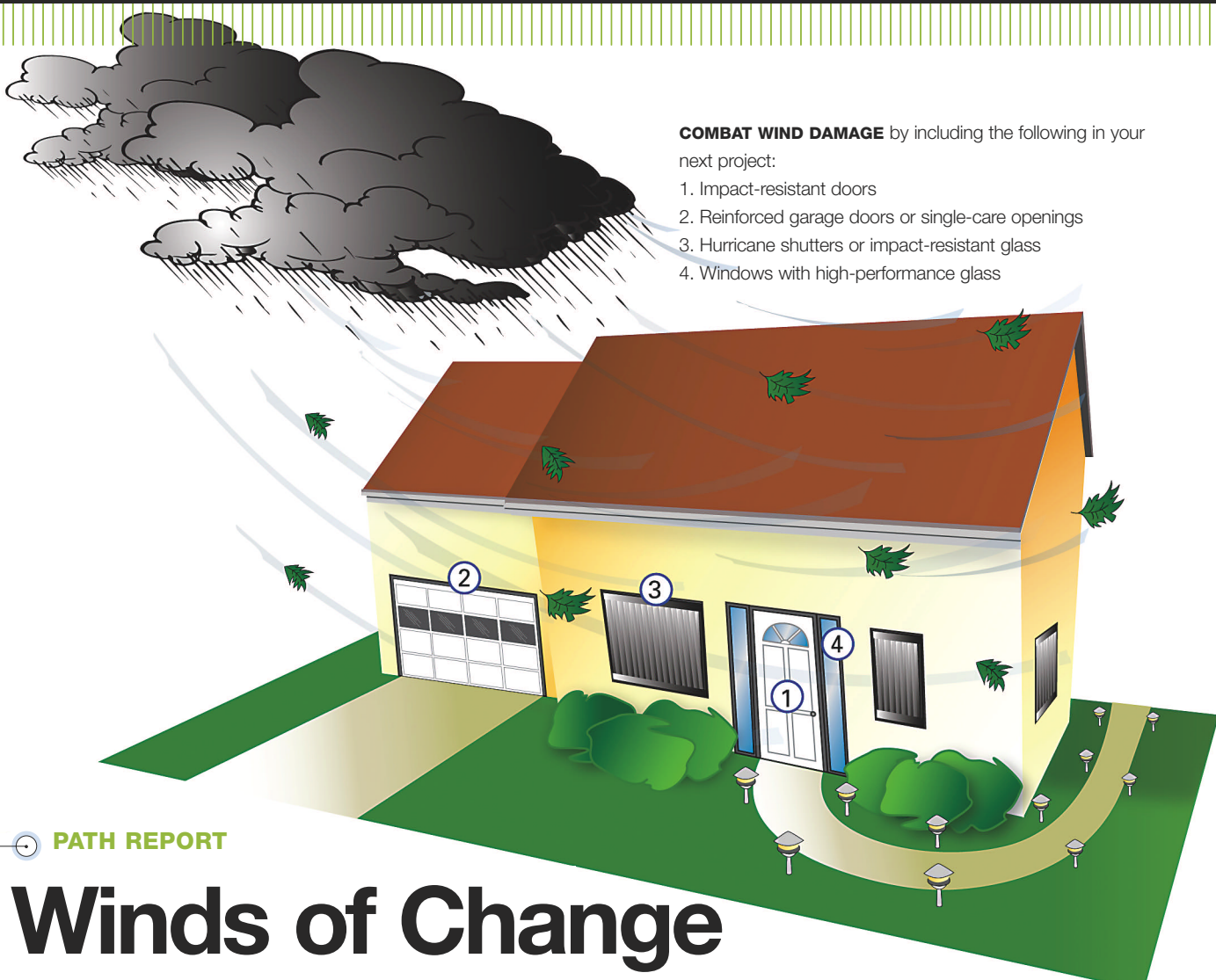


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## PATH REPORT

# Winds of Change

Put storm-resistant technologies to work.

**How do you make** your home buyers feel safe? For some customers, it might mean a good neighborhood or fire-retardant materials and smoke detectors. However, safety means something much different if you build in a region prone to hurricanes or tornadoes.

"People do think about safety a little bit more around here," says Mike Romig, president of Tarpon Coast Development in Osprey, Fla., which sits along the hurricane-prone coast of the Gulf of Mexico.

Tarpon builds homes designated as Fortified...for safer living, a program operated by the Institute for Business and Home Safety, to increase the company's homes' resistance to natural disasters.

Romig builds with several techniques recommended by the Partnership for Advancing Technology in Housing (PATH) to protect his homes.

## Mighty Wind

The 2003 International Residential Code requires houses to meet storm-resistant standards for wind speeds 110 miles-plus per hour. This typically happens along the East Coast and the Gulf of Mexico, but there are plenty of benefits to applying wind-resistant technologies in tornado-prone areas as well.

2006 brought 23 tornadoes with estimated wind speeds of more than 158 mph, according to the National Climatic

Data Center. The Midwest, South, and Southeast are the most susceptible. FEMA's Project Impact program recommends builders in high-risk areas follow many of the same guidelines as they do for hurricane-resistant construction.

PATH recommends the following for such construction. Remember to check with code officials to confirm the appropriate design decisions for your area:

**1.** A low-profile house is inherently less vulnerable, so a one-story home is less likely to experience wind damage than a two-story.

**2.** A home with a hip roof is less vulnerable than a gable roof home. Very low-sloped roofs increase uplift; steeply



sloped roofs create lateral wind loads. The ideal slope is moderately pitched below  $6/12$  and greater than  $4/12$ .

**3.** For roof sheathing installation, consider 8d nails spaced at no more than 6 inches on center. Ring shank nails improve wind resistance for a small cost. Sheathing should be a minimum thickness of  $19/32$  inch for added strength.

**4.** Use baffled ridge and soffit vents to minimize the number of roof penetrations, which are vulnerable in high winds. Baffled vents slow airflow and prevent wind-driven rain from entering the attic through the ridge vent.

**5.** Wrap hurricane straps over the top of the roof truss or rafter. Strap each part of the wall assembly together or anchor it from the foundation to the roof to provide a continuous load path, connecting the roof to the foundation for stability.

### Mighty Water

A strong, durable roof is the first line of defense against water infiltration. Water, rather than wind, is the cause of most storm-related damage. PATH's Tech Set on storm-resistant roofing highlights several ways to will keep water out:

**1.** Improve the overhang design by extending the fascia board to end below the underside of the soffit. Increasing the fascia board size from a 1 by 4 to a 1 by 6 creates a drip edge

so that buffeting winds do not drive the rain across the soffit surface and into the eaves. Limit vent perforations to the outer edge of the soffit to reduce the area where moisture can enter.

**2.** On the roof, even if coverings and underlayment blow off, decking can still act as a barrier if the seams have been taped with a self-adhering asphalt/rubber tape. An alternative is laying a peel-and-stick roof membrane over the roof deck.

**3.** Install flashing wherever there is a change in surface plane or cladding material.

**4.** When flashing roof edges, use a shingle starter strip or a self-adhering ice and water barrier membrane. Do not use an upside-down shingle as the starter strip.

**5.** Top the roof off with wind- and impact-resistant asphalt shingles. Standing-seam metal roofs are also a good choice for storm resistance. A metal roof will raise the price \$10,000–15,000, Romig says, but you can't beat the durability.

### Grand Openings

Even properly designed new homes remain susceptible to severe damage if wind and water penetrate the home. PATH's Tech Set for wind-resistant openings offers several solutions:

**1.** Impact-resistant doors withstand wind-born projectiles. Read the manufacturer's installation instructions because how you attach it is critical. Remember that outward-swinging doors reduce the likelihood of system failure in high wind.

**2.** Garage doors often fail in storms due to their large size and relatively weak materials. Some garage doors are now constructed, tested and rated for impact and wind resistance.

**3.** Storm-resistant shutters are made of wood sheathing, acrylic or steel panels and are fastened to window frames. To qualify as storm resistant, they must resist a 2 by 4 flying at 35 mph.

**4.** Impact-resistant windows work well on their own or with shutters. When struck, the glass may crack or shatter, but the fragments stay in place. **PB**

*Scott T. Shepherd writes about better building practices on behalf of the Partnership for Advancing Technology in Housing. PATH is administered by the U.S. Department of Housing and Urban Development. Learn more at [www.pathnet.org](http://www.pathnet.org)*

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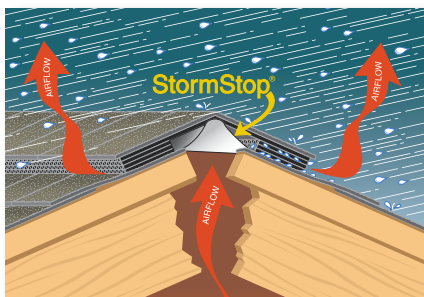
**LOG ON** To read "Building a Storm-Resistant Home," online visit [www.ProBuilder.com/innovations](http://www.ProBuilder.com/innovations)



# Trimline® Ridge Vents Lead to Profitability for Users

*Fast Installation,  
Good Looks and  
Proven Performance*

**T**rimline® Ridge Vents provide superior ventilation by creating a balanced system that continuously releases hot, moist attic air while drawing fresh air through soffit vents. Creating a balanced, continuous ventilation system increases a home's total energy-efficiency while extending the life expectancy of its roof material – a great selling point for your customers.



Engineered from a unique corrugated plastic material, Trimline vents fit a variety of roof styles including shingle, cedar, tile and metal. Designed to vent at the ridge – the hottest point of the roof – the Trimline vent system has the added benefit of creating a smooth roofline, eliminating the unsightly louver vents commonly found on many homes.



*Mike Darvishi, Noble Construction, shows a sample of the Trimline Ridge Vent that first attracted him.*

## Trimline is the first choice Ridge Vent by builders

Mike Darvishi, president of Noble Construction in Sterling, VA says Trimline's low profile and being able to use a coil nail gun originally attracted him to the ridge vent system. "Crews can finish faster with Trimline, which means more profit for us." Noble especially likes that Trimline labels have installation instructions in Spanish. They picked Trimline over the competitors because a coil nail gun can be used to install, it cuts easily with a utility knife and is rain proof if cap shingles blow off. Noble Construction considers Trimline Ridge Vent a competitive advantage over other ridge vents. Darvishi says "Trimline Ridge Vents are the newer, better shingle-over ridge vent. Just try it once and you'll be hooked."



*"Trimline Ridge Vents are the newer, better shingle-over ridge vent. Just try it once and you'll be hooked."*

*Mike Darvishi  
Noble Construction*

## Trimline Ridge Vents are the hidden upgrade for homes

The installation of proper ventilation is critical to prevent damaging moisture build-up in the attic. Trimline Ridge Vents, placed at the roof's ridgeline, help move hot, moist air out of the attic. Trimline Ridge Vents protect a homeowner's investment for years to come. Noble Construction educates homeowners by providing them literature that explains the benefits of the Trimline Ridge Vents being used on their home.

Trimline is so confident that builders everywhere will be satisfied with its ridge vents; it offers a limited lifetime warranty. Trimline is the most certified product in the industry, meeting all building code certification requirements for Miami-Dade County, ICBO, ICC, BOCA, TDI, and UL Class A or C.

For FREE info go to <http://pb.ims.ca/5334-39>

For more information call 1-800-438-2920 or visit [www.trimline-products.com](http://www.trimline-products.com).

### Location:

Sterling, VA

### Roofing Contractor:

Noble Construction

### Dealer:

Morris Ginsberg LLC Roofing  
Distribution, Herndon, VA

### Product Used:

Trimline Ridge Vent



1-800-438-2920

[www.trimline-products.com](http://www.trimline-products.com)





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Security

# Audio and Intercom Tie the Knot

GE's SmartCom marries home entertainment and communication

SmartCom™ combines amenities today's homeowners want and need.

GE's SmartCom features:

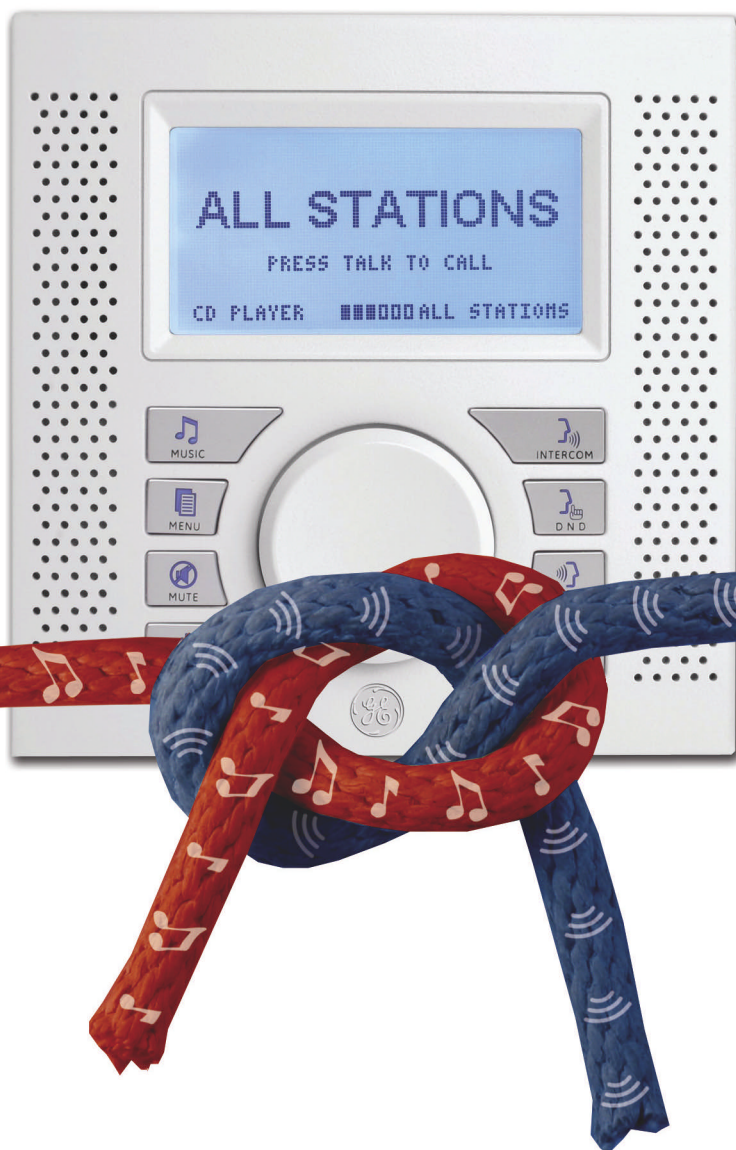
- Integrated multi-room audio and intercom system
- Programmable screen to customize audio source names and room titles
- Up to four audio sources, distributed to as many as 16 independent zones
- Audio and intercom over installed room speakers
- Room-to-room intercom with hands-free answering
- Home communication and entertainment intelligently combined

With SmartCom, audio and intercom live happily ever after.

SmartCom received a 2007 Security Industry Association's New Product Showcase Award at ISC West.

For more details about GE Security's offerings, call 888-GE-Security or visit [www.gesecurity.com/smartcom](http://www.gesecurity.com/smartcom)

GE-Security, making  
the world safer.



imagination at work

For FREE info go to <http://pb.ims.ca/5334-40>





## LeylandAlliance

### ▶ HB&G

The latest PermaWrap cellular PVC columns from HB&G are available in square plain, recessed panel, raised panel and fluted options. It is made in flat stock to wrap around an existing post; a pre-assembled and pressure-treated 4- by 4-inch post; or L-shaped halves to wrap around an existing post. **For FREE information, visit <http://pb.ims.ca/5334-125>**



### ▲ BlueLinx/Georgia-Pacific

Georgia-Pacific-produced Wood I-Beam Joists from BlueLinx are made for residential floor and roof systems. A wide selection of sizes and flange choices makes it easy to specify materials that are right for the builder. Applications include smaller tract homes or custom plans. Most pipes, ducts and wires can pass through the web of the Wood I-Beam joists. **For FREE information, visit <http://pb.ims.ca/5334-126>**

### In My Own Words

*"We work closely with BlueLinx to get the long spans we need to support our open floor plans. I-joists are an engineered product, so they are more stable than natural wood, which means less squeaks and fewer callbacks."*



**Monica Quigley**  
Vice President Sales and Marketing, Tuxedo, N.Y.

### In My Own Words

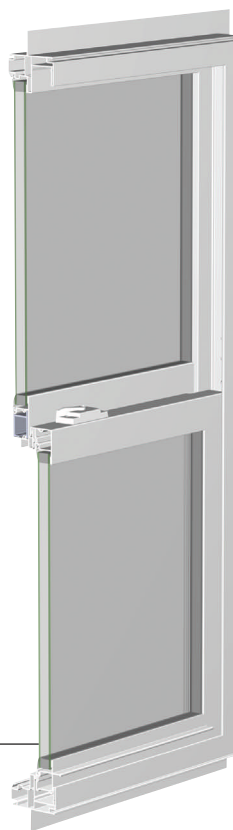
*"We work hard to get the details right, and perhaps nowhere is it more important than on the heart of the home: the front porch. This is where people gather and community is built. HB&G columns are correctly proportioned and come in a variety of architectural styles. The cellular composition can be painted for an authentic look and is long-lasting for minimal upkeep."*

### ▶ Windsor Windows & Doors

The latest windows from Windsor Windows & Doors include the cellular PVC Legend Series as well as the Next Dimension Pro. Touting it as more attractive than aluminum; easier to install and operate; low-maintenance; and more energy efficient, the Next Dimension series includes 30 new feature-clad covers. The windows have vinyl extrusions, a 2-inch frame with extruded nail fins and a fusion-welded frame to resist leaks. **For FREE information, visit <http://pb.ims.ca/5334-127>**

### In My Own Words

*"Windsor's Legend series windows come with simulated divided lites with a Low-E coating that give us the traditional look we're after along with architecturally correct PVC trim."*





## >> LeylandAlliance cont'd

### ► Carrier

A programmable digital control for Carrier's Infinity System provides longer heating and cooling cycles at lower fan speeds for energy savings and more consistent temperatures throughout the home. It measures and regulates temperature, humidity, airflow, ventilation, indoor air quality and zoning with a single control. The unit also advises when it's time for regular maintenance and filter changes. **For FREE information, visit <http://pb.ims.ca/5334-128>**



### In My Own Words

*"As green builders, we recognize that a smart and properly sized HVAC system is one of the most important ways to reduce energy use and protect the environment."*

### ► Rinnai

The R98 tankless water heater with 9.8 gallon per minute flow rate from Rinnai features a near-instant 35-degree temperature rise and 19,000 to 237,000 BTU generation. When customers open a hot water tap, the unit begins heating water in three to five seconds.

The unit shuts off automatically, and it comes with a 10-year heat exchanger warranty and 20-year life expectancy. **For FREE information, visit <http://pb.ims.ca/5334-129>**



### In My Own Words

*"Another green building product, this tankless hot water heater provides hot water on demand. This eliminates standby losses and conserves a third of the gas used by conventional water heaters. Our customers like that the hot water doesn't run out."*

# RWC...

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# JELD-WEN® Drives the Garage Door Market

JELD-WEN wood composite garage doors are the result of innovative design combined with unsurpassed technology. Each door is created to deliver peace of mind, and embody our promise of reliability for real life.



As the only manufacturer to offer wood composite garage doors, JELD-WEN provides a valuable answer for homeowners who want the look of wood without the maintenance. The strength of steel without the potential for rusting or denting. And the durability of fiberglass without the cost.

## Select JELD-WEN wood composite garage doors for:

**Strength:** The extra wide LVL laminated support rails give JELD-WEN garage doors structural reliability.

**Energy Efficiency:** Each door is packed with environmentally safe, cfc-free, polystyrene insulation that provides stability, with no loss of r-value over time.

**Durability:** Unlike standard steel garage doors that may be covered in plastic or wood, JELD-WEN® composite garage doors are made from the same durable material throughout – from the trim to the face of the door. This technology offers exceptional performance with very little maintenance, and helps prevent problems such as cracking, splitting, shrinking, expanding, rusting and denting.

**Environmental Responsibility:** JELD-WEN wood composite garage door skins and trim boards are made of 100% recycled fiber.

## Three Popular Styles with Beautiful Options

**Traditional Series:** Perfect for residences that want the classic multi-panel design. These doors are available with numerous window insert designs and configurations.

**Carriage House Series:** These doors are beautifully deceptive, replicating the traditional, swinging barn door styles, but opening overhead like any other modern garage door.

**Estate Series:** The multi-plank JELD-WEN® Estate Services gives you an “Old World” styling option for your garage with grooves closely replicating European, turn-of-the-century designed doors.



[www.JELD-WEN.com](http://www.JELD-WEN.com)

For more information, visit  
[www.JELD-WEN.com](http://www.JELD-WEN.com)  
 or call 1-800-877-9842 ext ADV150  
 For FREE info go to <http://pb.ims.ca/5334-42>

**JELD-WEN**  
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Bill Tagland, Bill Matthies and Bob Tucker  
Sarasota Signature Properties, Sarasota, Florida

Community Developments • Resorts • Urban Infill • Coastal Homes • Scattered Sites

For FREE info go to <http://pb.ims.ca/5334-43>



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# ProBuilder Product Report: New Products

## ▼ Briggs Industries

The Stylo collection from Briggs Industries adds flair to traditional wash basins with 13 geometric and organic styles, such as the wide-walled and shallow-bottom Castelli and the classically-shaped Rotondo. All are made of vitreous china that resists staining and discoloration. The company offers a limited lifetime warranty and produces the basins in white and biscuit. **For FREE information, visit <http://pb.ims.ca/5334-130>**



## ▲ Coleman Heating & Air Conditioning

The 5T 15+ SEER Echelon air conditioner by Coleman Heating & Air Conditioning features a swept-wing fan design to move air smoothly with minimal turbulence to result in uniformly cool the home. Two-speed operation minimizes energy consumption during mild weather. The unit produces 24,000 to 60,000 BTUs an hour, at a peak efficiency of 15 SEER. **For FREE information, visit <http://pb.ims.ca/5334-131>**



## ▼ Sirius Range Hoods

Fashioned out of brushed stainless steel, Sirius Range Hoods' SU207 features minimalist looks huffed into a 16-inch wide seamless welded hood that allows the chimney to reach a height of 45 inches. The hood blows 600 cubic feet per minute with its quiet-operation, four-speed motor. A 50-watt halogen lamp illuminates the cooking area. **For FREE information, visit <http://pb.ims.ca/5334-132>**

## ► Universal Forest Products/Latitudes

The Latitudes Equator hidden fastener delivers automatic, consistent alignment of deck boards. Y-shaped "gap wings" let boards expand and contract to prevent lifting. The fastener is engineered to work together with Latitudes Equator slotted composite decking to yield a blemish-free surface. The Equator decking line is available in gray, cedar, redwood and walnut. **For FREE information, visit <http://pb.ims.ca/2334-133>**





# Professional Builder BENCHMARK

The Premier Management Conference for the Housing Industry

## 2007 BENCHMARK: PASSION FOR EXCELLENCE

*Passion for Excellence*

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And **AFTER HOURS**, when you kick back and relax with the finest group of professionals you could hope to befriend, all who know exactly where you're coming from and understand where you want to go.

### 2007 BENCHMARK CONFERENCE HIGHLIGHTS

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- ▶ Welcome cocktail reception

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- ▶ J. Walker Smith, "Consumers Are in Control"
- ▶ James Haughey, State of the Industry Review
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# ProBuilder Product Report: Home Technology

## ► Vantage/Legrand

Designed with full system integration in mind, the Vantage Controls Axiom 450 series multi-room amplifier is designed to work with keypad controllers or the company's InFusion automation system. The amplifier provides four zones of independent control with seven stereo sources at 50 watts RMS per channel. **For FREE information, visit <http://pb.ims.ca/5334-134>**



## ► SpeakerCraft

Following in the footsteps of the AIM 8 series, SpeakerCraft's AIM Wide wide-dispersion speakers are built for multi-room audio installations. The speakers feature dual 1-inch tweeters and dual 2-inch midrange drivers set at a 70-degree angle for a dispersed sound field. **For FREE information, visit <http://pb.ims.ca/5334-135>**



## ► Home Automation Inc.

The HiFi 6200A by Home Automation Inc. is a whole-house audio system that features a simple volume and source control paired with a four-zone, four-source amplifier rated at 20 watts per channel. HAI offers a universal mounting plate to make the unit snap into a structured-wiring panel. The system is modular for later audio expansion. **For FREE information, visit <http://pb.ims.ca/5334-136>**



## ► JBL

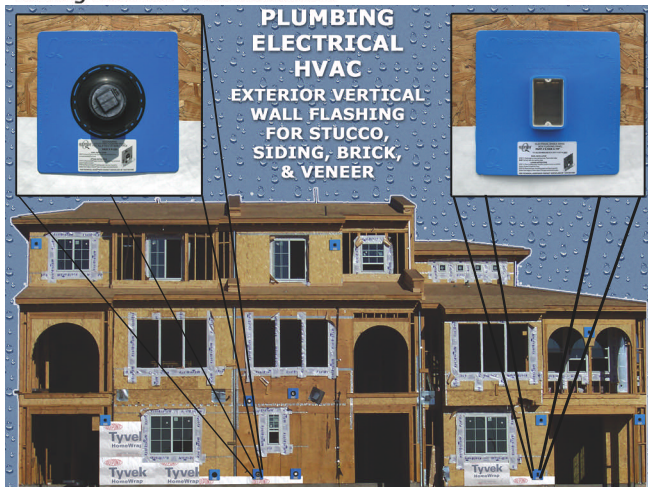
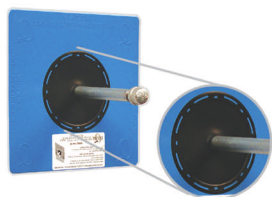
The 2.4G wireless speaker system by speaker manufacturer JBL incorporates wall-mountable speakers, wireless transceiver and amplifier along with a transmitter/receiver module. Each speaker produces 30 watts with built-in amplification for what the company calls a "natural, richly detailed sound." The speakers can also be used as part of a 2.1 channel satellite/subwoofer audio system. **For FREE information, visit <http://pb.ims.ca/5334-137>**







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## Innovations

>> [BUILDINGPRODUCTS@REEDBUSINESS.COM](mailto:BUILDINGPRODUCTS@REEDBUSINESS.COM)



### ▲ Eaton Electrical

According to Eaton Electrical's third-party research conducted by Parks Associates, structured wiring was included in about 50 percent of all new homes in 2006. Eaton's Structured Wiring Solutions wing answers the call with the Multi-Room Audio Solution, which handles four audio source inputs and up to eight zone outputs. The system runs on standard Cat-5 wiring. **For FREE information, visit <http://pb.ims.ca/5334-138>**



### ▲ Lifeware

Four new packages from Lifeware allow builders to offer complete digital entertainment and home automation upgrades. Options include Essential, Deluxe and Premium levels of equipment and sophistication. The company also offers its Lifeware 2.0 Windows Vista-capable interface that manages the home's subsystems through Vista Media Center. **For FREE information, visit <http://pb.ims.ca/5334-139>**



### ▲ Electrograph Systems/Avocent

As part of a cooperative effort with the Avocent Corporation and debuted at last year's CEDIA conference, Electrograph System's Emerge MPX 1000 is the first wireless high-definition media extender that provides both wired and wireless capabilities in one package. Also for the home theatre is the IN76 projector, which is fully HD-capable and supports gaming consoles. **For FREE information, visit <http://pb.ims.ca/5334-140>**



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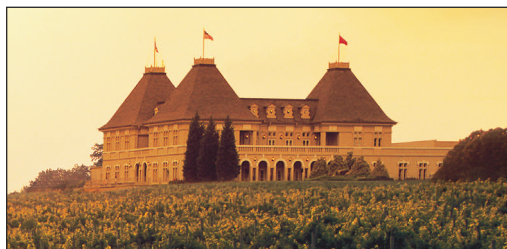
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Home of the Year







Single Family Detached



Best Kitchen



Community Design

## Submit your best designs in these categories:

- Single-Family Detached
- Single-Family Attached
- Custom Home
- Spec Home
- Affordable Housing
- HUD Secretary's Award for Excellence
- Rental Homes
- Community Design
- Smart Growth

## Interior Design

- Best Kitchen
- Best Bath
- Best Specialty Room
- Best Detail
- Best Amenity/Facility

(Some categories sub-divided according to project size. See the BALA 07 Registration Form for details)

Builders, architects, designers, developers, land planners and interior designers are invited to show off their best work in the 24<sup>th</sup> annual **Best in American Living** Award competition sponsored by **Professional Builder** magazine and the **NAHB Design Committee**.

## DEADLINES:

BALA Registration Form and fees due:  
Monday, July 2, 2007

Official BALA Entry Notebooks due:  
Monday, July 16, 2007

For complete details, please visit [www.ProBuilder.com/BALA](http://www.ProBuilder.com/BALA) to download the entry registration form and requirements.

Return your form and fees by 7/2/07 and you'll receive an Official BALA Entry Notebook in which to submit each of your entries. Official BALA Entry notebooks must be submitted by 7/16/07.

Winners will be honored at an evening celebration at Sea World-Orlando on Tuesday, February 12, 2008.

**Achieve national recognition for YOUR outstanding work—enter BALA 07!**

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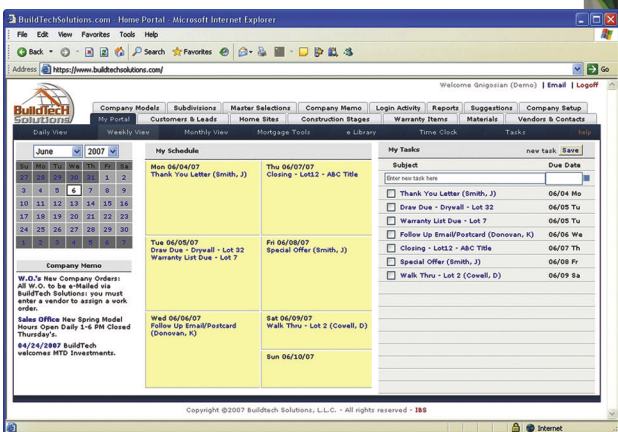
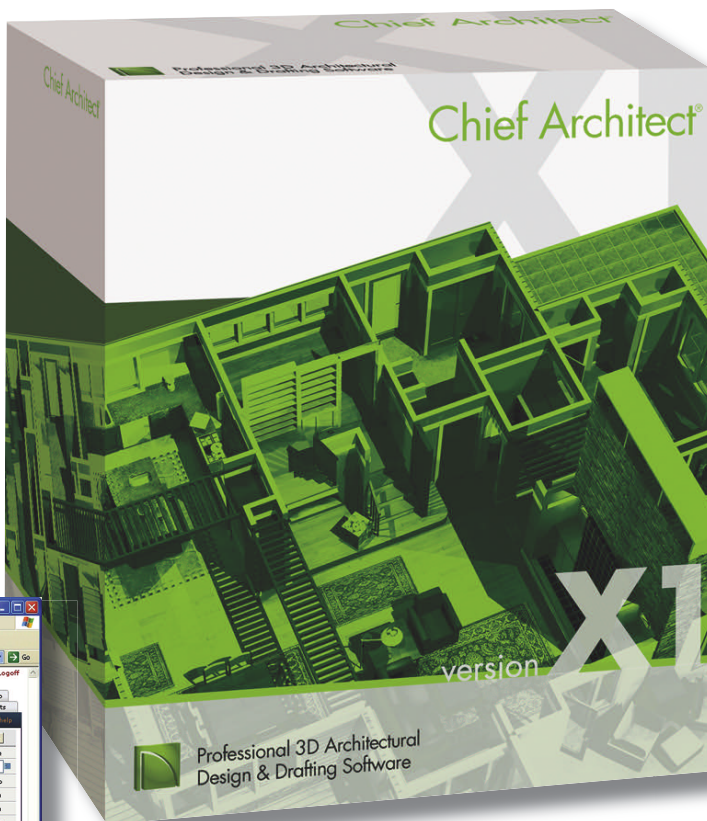
[www.ProBuilder.com/BALA](http://www.ProBuilder.com/BALA)



# ProBuilder Product Report: Business Solutions

## ► Chief Architect

In May, the company announced Chief Architect's X1, the latest version of the architectural design and drafting software. The system now features the 3D Roof Designer and 3D Wall Designer tools as well as updated modeling tools and kitchen and bath toolset configurations. **For FREE information, visit <http://pb.ims.ca/5334-141>**



## ► BuildTech Solutions

BuildTech Solutions' project management technology for builders and developers fills "a void in existing system applications," according to the company. The software provides a host of integration and management tools, including automatic PC or PDA updates via an Internet connection along with real-time information sharing. **FREE information, visit <http://pb.ims.ca/5334-143>**

# sage software

## ► Sage Software

Now featuring an Executive Dashboard that gives builders the ability to quickly check the company's health at a glance, Sage's Master Builder Version 12 also features improved licensing that maintains the benefits of concurrent use licensing, but now makes the process of adding or removing users easier. The company's software portfolio also includes Peachtree by Sage Premium Accounting for Construction. **For FREE information, visit <http://pb.ims.ca/5334-144>**

## ► HomeFront

HomeFront touts the HomeBuilder Management Tool Kit as an end-to-end sales and construction management tool that also integrates automatically with Sage's Timberline Office software. According to the company, it is aimed at builders who produce between 25 and 2,500 homes per year. **For FREE information, visit <http://pb.ims.ca/5334-142>**

Executive Dashboard C:\WB7\Sample Company\Period 6									
Last refreshed: Thursday, September 7, 2006 11:59 AM									
<b>Cash Accounts</b>					<b>Receivables</b>				
General Checking	78,520.35				Due in 7 Days		Due in 30 Days	Overdue 1-30	Overdue > 30
Payroll Checking	940.81					4,506.89	4,506.89	95,641.07	180,000.00
Field Checking	302.86				<b>Payables</b>				
Check Clearing	0.00				Due in 7 Days		Due in 30 Days	Overdue 1-30	Overdue > 30
Savings	2,113.18					48,349.25	48,349.25	0.00	1,015.00
All Other Cash Accounts	300.00				<b>Income from Operations</b>				
<b>Cash Position</b>									
Total Cash	82,177.20				This Month	This Quarter	This Year		
Receivables	596,111.32				Operating Income	312,364.47	1,404,493.52	2,253,251.32	
Total Cash + Receivables	678,288.52				Direct/Equip/Shop	384,472.24	1,112,614.96	1,810,101.05	
Less Current Liabilities	479,139.35				Overhead	24,422.54	92,503.64	183,341.62	
<b>Cash Position</b>	<b>199,149.17</b>				Administrative	5,476.59	22,201.76	46,746.00	
<b>Outstanding Change Orders</b>					Income from Operations	(102,006.90)	177,163.16	213,062.65	
Less than 30 Days	2,733.05	More than 30 Days	1,138.50		<b>Under-Billed Jobs</b>				
					222 - Big Redwood Tree Hotel		Under-Billed	21,753.00	1%
					221 - Bike Path for Rte 66			6,020.51	3%



# Interior/Exterior / Product Showcase

## Think Green

### Think SEAGULL® IV for Water Purification



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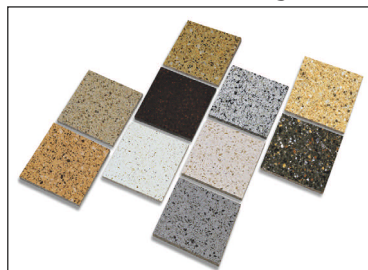


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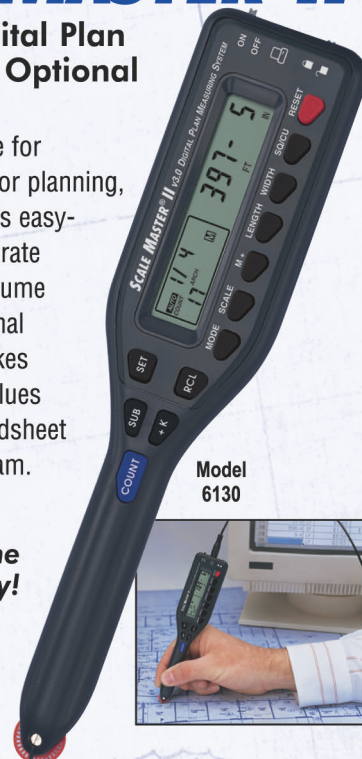
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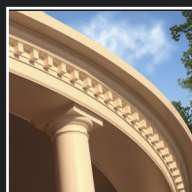
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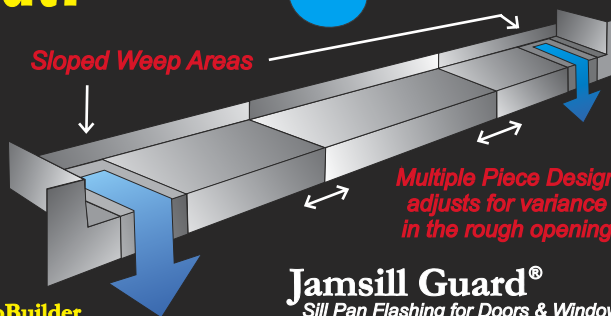
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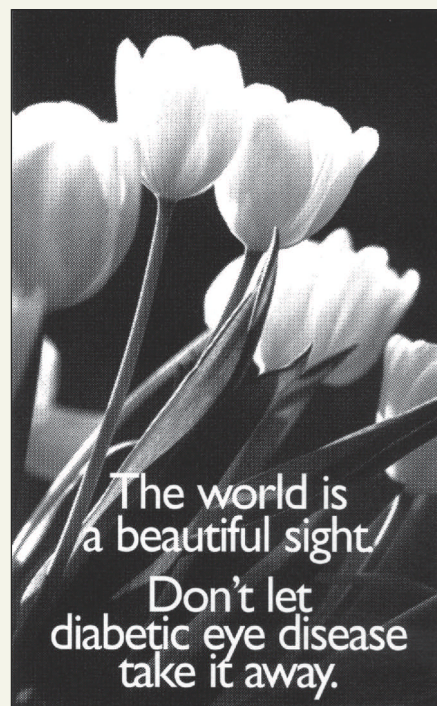
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# 10 Techniques to Reduce Land Risk

Soften your market reentry with these steps.

>> BY **CHUCK SHINN**, THE SHINN GROUP OF COMPANIES

**Land and its affiliated debt** has always been a home builder's Achilles heel, causing many builders to fail.

As the market stabilizes this year and builders begin to acquire land, they need to reestablish good land acquisition risk management techniques. Among the tips:

**1.** Don't pay too much for the land. Keep your emotions out of the land purchasing process and use an economic model: work backward from the base home selling price to the finished lot or raw land cost to determine what you can afford to pay for the land.

**2.** The earnest money deposit should be refundable, based upon the findings during the due diligence period. Once you are satisfied with the research conducted during this period, the earnest money would become non-refundable.

**3.** Make sure you negotiate an adequate due diligence period to allow enough time to conduct all the basic studies required to ensure the project's feasibility and profitability. Preliminary research should include:

- Market research
- A feasibility study
- An environmental study
- A political study
- A utility study

- A zoning and improvement study
- A preliminary land plan

**4.** The final property acquisition should be subject to obtaining the appropriate zoning and entitlements. You may pay more for the land, but it is a lot better than owning the land and not getting your zoning and entitlements.

**5.** You should negotiate a conservative land take-down schedule that matches or is a little short of the community's projected sales velocity. If you can't sell homes at the same rate as the lot take-down, you will have to inventory land to stay in the community, which will affect your cash flow.

**6.** Create a consortium of builders. A group of builders can afford to buy a larger development, spread the marketing costs amongst themselves, absorb the lots faster and create a community with more energy, excitement and vitality.

**7.** Instead of developing the site for one product line, consider designing the property for multiple product lines. This will increase the absorption, reduce your risk

and increase your return on investment.


**8.** Establish a professional development team. The land development process will rely on several people: a civil engineer, an environmental engineer, a land planner, a market researcher, an architect, marketers, merchandisers, and advertising agencies.

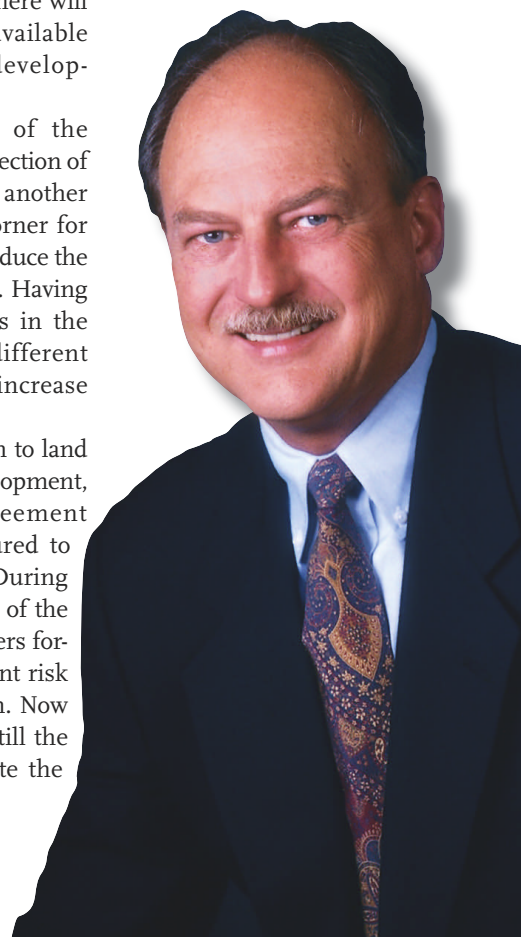
**9.** The balance of premium lots and standard lots should constantly be monitored and the lot premiums adjusted to ensure there will be premium lots available throughout the development's life.

**10.** Sell some of the development. Sell a section of the development to another builder or zone a corner for commercial use to reduce the risk and debt service. Having a couple of builders in the community with different product lines will increase the absorption rate.

As builders return to land acquisition and development, the purchase agreement needs to be structured to minimize the risk. During the last several years of the housing boom builders forgot about the inherent risk with land acquisition. Now is the time to re-instill the discipline to mitigate the risk. **PB**

*Since 1975, Chuck Shinn Jr., a consultant and industry educator with a doctorate in business management, has improved the management skills of home builders to increase their profits, quality and customer satisfaction. He can be reached at [cshinn@shinnconsulting.com](mailto:cshinn@shinnconsulting.com).*

 **LOG ON** To read "Tips to Reduce Homebuilder Land Risk" on our Web site, visit us at [www.ProBuilder.com/emergingissues](http://www.ProBuilder.com/emergingissues)





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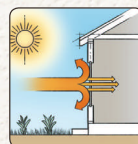




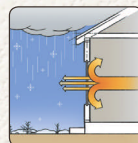


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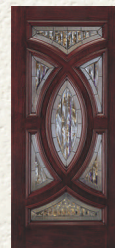
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