

NOVEMBER / 09

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IN THIS ISSUE

MEASURE THE **RIGHT METRICS** / 13



BEST ADDRESS:
SHAKING UP
DESIGN IN
CALIFORNIA / 22

FIREPLACES
KEEP IT
HOT / 39



**BUILDER OF THE YEAR:
IDEAL HOMES**

Strength in Discipline

The three owners of Ideal Homes (left to right),
Gene McKown, president of development;
Todd Booze, president of construction; and
Vernon McKown, president of sales
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november

Professional Builder Volume 74, No. 11



11 runit

[FEATURE]

14 2010 BUILDER OF THE YEAR

Editorial Director Paul Deffenbaugh shares the story of Ideal Homes and why this year's achievements lead the *Professional Builder* staff to name it Builder of the Year.

[COLUMNIST]

13 JOHN RYMER

Don't just preach good sales; measure your success, Rymer writes.

21 designit

[FEATURE]

22 BEST ADDRESS

Flexible floor plans and winning design capture all types of buyers in Clovis, Calif. Mark Jarasek, senior editor, electronic media, reports on a community inspired by a grandmother.

35 buildit

[PRODUCTS]

37 Appliances that work

39 Fireplaces to pack in the heat

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Turn the page for highlights of recent features on HousingZone.com/PB.

Also in this issue

9 EDITORIAL

Editorial Director Paul Deffenbaugh spotlights Ideal Homes's leadership in energy efficiency, one of the reasons it earns recognition as the 2010 Builder of the Year.

46 NUMBER CRUNCH

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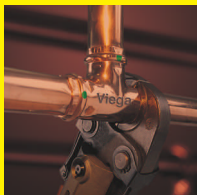
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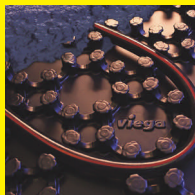
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1 - 8 7 7 - 8 4 3 - 4 2 6 2
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As our senior editor of design, Susan Bady is privy to a host of design news, ideas and inspiration, and she backs it up with a burst of passion regularly on her blog, My Two Cents. Check out her latest observations at www.HousingZone.com/blogs and leave a comment as well.

Video: Behind the Scenes on an Energy Audit

Ever wonder what goes on during an energy audit? Products Editor Nick Bajzek joined an expert in the field and recorded it all on video. Find it on his blog, The Product Guy.

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Wily Pilgrims

Ideal Homes shows leadership role in the energy-efficient housing frontier, and for that they get our nod as Builder of the Year.

There is a scene in the eminently forgettable Robert Redford movie, “Jeremiah Johnson,” that is imminently memorable. When Johnson moves to the Rockies to escape memories of the Mexican-American War, he encounters a wily old mountain man who takes him under his wing. In this scene, the mountain man presses Johnson on his wilderness abilities by asking him, “You know how to skin griz?” Johnson assures him he can handle the job. Moments later, after much yellin’ and whoopin,’ the wily Mountain Man delivers to the snow-bound log cabin a very live, angry Grizzly bear. Jumping out the window, he yells at Johnson who is still in the cabin, “Skin that one, pilgrim, and I’ll get you another.” Ah, the wacky fun of Mountain Man humor.

What’s this got to do with home building? When the sales staff starts selling energy efficiency, they are delivering a live, angry bear to the production staff to skin. Energy efficient homes require so much tighter control over the production process that just handing off the requirements of the construction to the production staff will not get the job done. There need to be other controls in place, such as training and strong relations with the trades.

The *Professional Builder* Builder of the Year, Ideal Homes of Norman, Okla., has been constructing energy efficient homes for nearly two decades. What began as a simple differentiator of putting in SEER 10 systems against the competition’s SEER 8, has grown into a sophisticated construction process that includes clear scopes of work, and strong support and communication for the trades doing the work. The insulation contractor knows exactly what and how to insulate the home according to Ideal Homes standards. They have spent countless resources and hours over many years to get to the point where the building envelopes are tight and tidy.

What I see happening in the industry today is that the demand for energy efficiency is increasing and home builders who have been delivering the goods for years, such as Ideal Homes, have a huge competitive advantage. That edge comes at a time when builders are desperate for any bit of sparkle to catch a buyer’s eye. The

sparkle of energy-efficient housing though, doesn’t just fall out of the sky over night.

Developing the systems, writing the detailed scopes of work, learning how to sell the product, all require years of development to ensure success. At a time when we desperately need to enact these changes in our industry, we need leading companies such as the wily Mountain Men of Ideal Homes to help show the way.

Home builders who can deliver **energy-efficient homes** have a huge competitive advantage.

Paul Deffenbaugh, *Editorial Director*
paul.deffenbaugh@reedbusiness.com

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Your clients are looking for transparency and clarity in the home lending process. Bank of America Home Loans has built its brand promise to meet that need by committing to always be a responsible lender and to help create successful homeowners.

They also continue to demonstrate customer commitment by actively lending in this challenging economic environment. In the first nine months of 2009, Bank of America Home Loans generated more than \$290 billion in first mortgage production — helping more than 1.3 million Americans purchase a home or save money on a home they already own.

Bank of America has also leveraged the power of their balance sheet to meet customer needs in areas where the market has seized up. For example, they have increased limits on jumbo loans from \$1 million to \$1.5

million at a time when others have reduced their limits or exited the market entirely. As a result, they have led the industry in jumbo loan originations since the fourth quarter of 2008.

Bank of America Home Loans is committed to helping Americans




realize the goal of homeownership — responsible and sustainable homeownership — and are here to support you in your work to make that goal a reality for your clients. Check the sidebar at right for several tips to help your clients move more smoothly through the lending process:

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Tips for Helping Your Clients Prepare for the Home Loan Process

Online Resources

To understand lending criteria and how a home loan fits into an individual borrower's overall financial picture, have your clients visit Bank of America's Home Loans Guide, part of their interactive Web site at bankofamerica.com/homeloans.

The interactive guide walks customers through the entire home loan process — from understanding affordability through loan options to the loan process itself. Designed to demystify the lending process, this tool educates consumers about the true costs of becoming a homeowner so that customers can better determine how much home they can reasonably afford.

Credit

A higher credit score increases a lender's confidence in the borrower's ability to pay back a loan and make payments on time. Paying bills on time and keeping debt low helps achieve a strong credit score. It's a good idea to keep your credit card and other loan payments — not including rent or mortgage — at less than 20 percent of your net monthly income. Your clients can request a free credit report each year from the reporting agencies.

Savings

How much savings one has also plays a key role in determining the loan amount for which your client may qualify. Tightening budgets and saving wherever possible will help prepare for the costs associated with buying a home, such as the down payment. A higher down payment shows the lender greater commitment to the home, and your client will borrow less, and therefore pay less interest over the life of the loan.

Purchasing a home is one of the biggest decisions an individual makes. By working with a responsible lender and helping your clients better understand their finances they will thank you, knowing the home they buy is one they can responsibly afford and enjoy with confidence.

Visitors to the Solar Village on Washington, D.C.'s, National Mall learned that homes powered entirely by the sun can be livable, buildable and marketable. The U.S. Department of Energy's 2009 Solar Decathlon featured 20 houses designed, built and operated by students from colleges and universities around the world. With new DOE funding to speed delivery of solar technology to market, its future looks sunny.

Photo: Stefano Paltera/U.S. Department of Energy Solar Decathlon

runit

IT TAKES A VILLAGE



II

INSIDE

John Rymer on measuring sales success
[page 13]
Why Ideal Homes is the 2010 Builder
of the Year [page 14]

NATURAL ALLIES



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[DATA TRACKING]

Measure Sales Success the **Right Way**



A breakdown of what to focus on

By John Rymer, New Home Knowledge

Do you have a process to measure the success of your sales team? If your answer is actual sales versus budget, that's certainly an important starting point. But in an environment where budgets are often obsolete before the ink is dry, measuring sales performance may be better served by a more sophisticated approach.

Don't over-stress about the validity of data; focus on the trend. While no one wants to rely on questionable traffic levels or misleading sales comparisons, too often the meaningful answer can be

misrepresentation but rather fuzzy definitions of what you think you are reviewing. How do you count "be-backs?" If the same customer comes back to your sales office three times in a week, is that counted as three "be-backs" or one? It often depends on who you ask. Are your competitor's year-to-date sales based on gross or net of cancellations?

Slice and dice the sales process and look for measurements of each segment. While traffic-to-sales ratio is the base line measurement of the new home sales industry, in today's more sophisticated environment, it doesn't

doesn't understand the importance of these actions to gaining a sale.

Analyze total traffic-to-"be-back"-traffic ratio. It's one of the most important and yet least analyzed ratios. Too few "be-backs" means you're not making the first cut with visiting prospects. Lots of "be-backs" with fewer sales means you've either got the wrong sales professionals or you haven't given them the necessary closing tools.

Track sales-to-cancellation ratio (sub-set out mortgage related cancellations). A low ratio may indicate a sales team that is too timid to ask for the order. A high ratio is often indicative of pushy sales professionals who fail to provide full details of the transaction or are less than empathic to the underlying needs of the buyer. **PB**

In an **environment** where budgets are often obsolete before the ink is dry, **measuring sales performance** may be better served by a more sophisticated approach.

found in the trend rather than the absolute numbers. If traffic-to-sales ratio is declining, it's more than likely that any underestimating of traffic was also present when ratios were higher.

Define statistics clearly. A lot of bad sales data is really not the result of outright

provide enough insight on the entire sales process.

Begin with customer actions that occur before a prospect walks in the door. Measure the ratio of Internet leads, phone calls and on-site visits. A sales team that doesn't count leads and phone calls most likely

Track this

'BE-BACKS'-TO-SALES RATIO

If you are seeing returning visitors without seeing sales, your sales team might not be up to the task or perhaps lacks the proper closing tools.

BROCHURES USED VERSUS RECORDED SALES TRAFFIC

Yes, sales traffic can be prone to manipulation. A good check is to monitor sales brochures distributed to a community and compare it to recorded sales traffic over an extended period of time.

PRIOR PROSPECT FOLLOW-UP SURVEYS

A simple phone survey can determine if your sales agents are following-up with prior customers. Specify the type of follow-up, too.

John Rymer is the founder of New Home Knowledge, which offers sales training for home builders and real-estate professionals. You can reach him at john@newhome-knowledge.com.



To read more, visit us at www.HousingZone.com/PB

Energetic Discipline

By Paul Deffenbaugh, Editorial Director

Ideal Homes, our 2010 Builder of the Year, offers lessons in energy efficiency, finances and quality control.

Talk with Gene McKown and your conversation will be spiked with terms such as leverage ratio and non-recourse financing. These are surprising terms for a self-described “poor country boy” who is a charity auctioneer, graduated with a degree in agriculture and was raised on a dairy farm in Oklahoma. But they’re also the language of one of the three owners of Ideal Homes, *Professional Builder’s* 2010 Builder of the Year. In partnership with his son Vernon McKown and Todd Booze — Vernon’s best friend from college — the three men have built a quiet dynamo in Norman, Okla., serving the entry-level market and first move-ups with a smart blend of quality assurance, customer satisfaction and energy efficient housing.

There’s a reason McKown speaks so comfortably in such language. He has served on the board of directors of a bank, owned in his younger years a huge real-estate brokerage firm and was commissioner of the Oklahoma Department of Commerce. Financial terms are his language of choice. But for Ideal Homes the words of finance are writ deeper than that, and they represent the discipline that underpins the company. Let McKown explain why. “I had saved \$10 million by the time I was 40,” he says, “and between age 40 and 44 I lost it all, and lost my home and went through bankruptcy.”



Photo: David McNeese/Getty Images

AN IDEAL MANAGEMENT TEAM Vernon McKown (left to right), president of sales; Brian Rice, vice president of operations; JaRee Stambeck, CFO; Russ Gammill, vice president of purchasing; Gene McKown, president of development; Todd Booze, president of construction

An event like that will change a man. In this case, an event like that will be the reason Ideal Homes is surviving this recession and earning our top honors. Here's how.

Financial foundation

As Gene emerged from bankruptcy (within 5 years, he had settled all his debts), he went into partnership with Vernon and Todd, who were just emerging from college. The two young men had built two houses in their senior year, Vernon held his Realtor license and the three of them became equal partners in Ideal Homes.

At the outset, there were some unique elements to the company designed to prevent the kind of mishap that had befallen Gene previously. The partners agreed to a covenant that none of them could hold any personal debt. No credit card debt. No car loans. No mortgages.

Among other constraints are keeping leverage ratios for the home building company at 2:1 and for the land company at 1:2. They have almost no debt on land and their goal is to have no debt on specs. In today's market, part of the reason for those low ratios is the lack of capital. Banks just don't want to lend — or can't — and Ideal Homes has always grown from reinvestment of capital into the company.

Having Gene sit in the office is also a visible reminder to the younger men that home building entails plenty of downside. "We feel like we have enough at risk from stuff we're partners in," Gene says, "that we don't need to be out here borrowing money and doing foolish things on our own."

In its first year, 1991, Ideal Homes sold 27 houses. In its

second year, they sold 97, and in the third 115. From the beginning, duties were divided among the three owners in the same way they are today. Gene McKown is president of development; Vernon McKown, president of sales; and Todd Booze, president of construction.

The fiscally conservative management has probably constrained Ideal Homes' growth a bit, but it has delivered other benefits. Says Gene: "We have been really fortunate for 20 consecutive years to take our 10 percent discounts every month without fail."

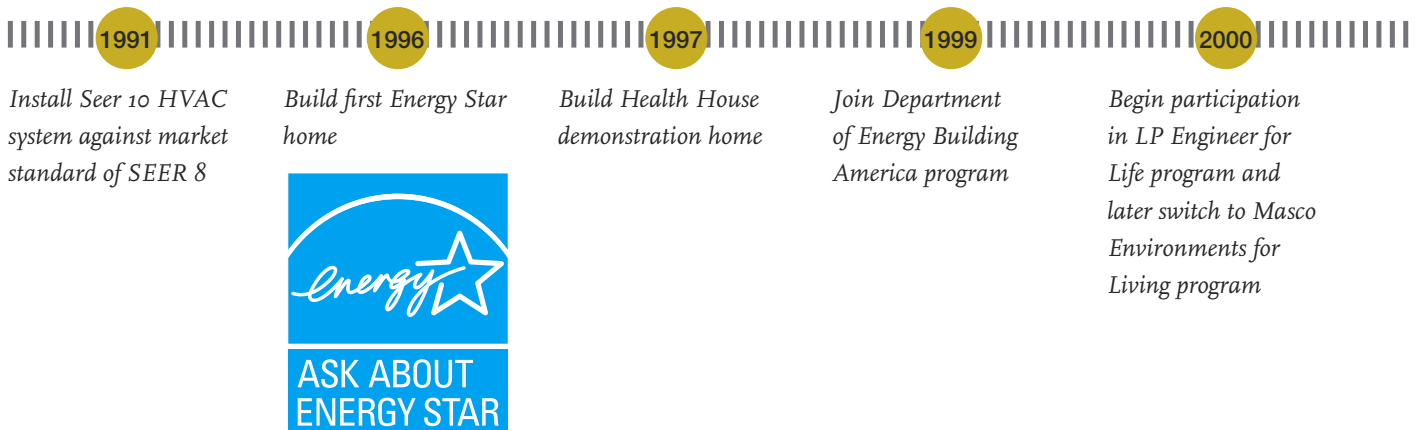
Culture of discipline

Building a company on the rock-solid foundation of financial control while helping to stave off failure does not guarantee success.

Success requires a company culture that is devoted to improvement. At Ideal Homes, that quest is more mundane than quixotic. "I think everybody looks for the silver bullet in design or whatever's fancy — how they can set themselves apart from other people," Todd Booze says. "Yeah, you've got to do some of that, but it really comes back to the basic fundamentals of building houses. You just keep trying to get better. It's an attitude of trying to help everyone around you get better — our trades and our vendors and our customers. We're building quality of life for all these people and helping their businesses grow. If we're doing that, we're going to get where we want to be."

Any conversation with the owners and managers invariably leads to discussions of luck. "A rising tide raises all boats," says Vernon. And the culture of the company fits that modesty, where employees are sought out and encouraged to just keep their heads down and do the work. A lot of people talk about how their most important asset is their people. The Ideal

Ideal Homes' Path to Energy Efficient Homes



IN THEIR OWN WORDS

HEAD ONLINE TO WWW.HOUSINGZONE.COM/PB TO LISTEN TO GENE MCKOWN'S THOUGHTS ON THE RELATIONSHIP BETWEEN ENERGY EFFICIENCY AND CUSTOMER SATISFACTION AND TODD BOOZE DISCUSS FOCUSING ON THE FUNDAMENTALS.

Homes owners and managers put the truth to that statement.

After their initial growth period, the owners and managers of Ideal Homes recognized they were doing okay, but not doing as well as they should. So, in 1997, when they were building about 200 houses a year, they brought in Chuck and Emma Shinn of Shinn Consulting of Littleton, Colo., for a two-day audit. "We're expecting this glowing report card. 'Aren't you guys a bright shiny penny?'" says Vernon. "Chuck starts off nice and sweet, and then says, 'I'm really glad I got to come down to meet you guys. You're a bunch of really nice guys, and I'm glad I got a chance to meet you before you go broke.'"

To this day, Ideal Homes has the 32-point performance benchmarks Shinn laid out for them still posted on the board of their conference room — laminated. And they began working on improving their performance in each of those 32 areas.

Turning to outside experts for help didn't start with Shinn, and it certainly didn't end there. (See sidebar, "The Outsiders.") They have hired a Boy Scout troop's worth of consultants to help them improve and refine every process, from building healthy houses to tightening sales procedures to establishing improved trade relations. The concept is simple. Why invent something that is already invented.

Probably the best example of a discrete process within Ideal Homes that uses this idea is the hiring process. Vernon reports that turnover was higher than they wanted, and they recognized that they needed to address the hiring process. In 2000, the company began a new hiring process based on the book, "Topgrading: How Leading Companies

Win by Hiring, Coaching and Keeping the Best People," by Bradford D. Smart. Every hire is an 11-step process that begins with the hiring manager's completing a requisition form and ends with the New Hire Orientation. Under each step are bullet points, describing who is responsible for which action.

Most notable, though, is the interview process, Step No. 5. It is further broken down into four steps: pre-screen interview, work history interview, competency-focused question interview and in-depth reference check interview. Just one of those steps — the competency focused question interview — involves a series of five people interviewing every candidate for every position from truck driver to vice president. "We'll spend five hours with them," says Booze, "literally interviewing them on certain competencies that we've identified as being important."

The result of this effort is not a Stepford-type team that marches in identical lock step. A key component for Ideal Homes is to identify varied personalities and viewpoints to make a more complete team.

Once on board, team members find considerable benefit through the company profit sharing plan. "We dole out a

2000

Start guaranteeing utility bills for heating and air conditioning

2000

Vernon McKown is Board President for the Energy and Environment Building Association for two years



2005

Build Zero Energy demonstration home



2008

Adopt Department of Energy Builders Challenge

point and half to two points of our net profit out in the form of profit sharing,” says Vernon.

That wherewithal comes from efficiencies gained from implementing systems and process that moved the bottom line a couple of points and the top gross margin several points as well.

Leadership in energy efficiency

All of the Ideal Homes people talk about how what they do is basic block and tackling. They look outside their company for people who do things better, and then they use their ideas. It is a modesty that should be admired. But in one area, they are at the forefront. In terms of building energy efficient houses, Ideal Homes is setting industry standards. Current Ideal homes deliver 36 percent below the code-built house on ener-

gy performance, which is at a level twice as efficient as Energy Star standards. Vernon believes 50 percent below code is just around the corner. “We’re not spending a ton of money. Every year we ask ourselves, ‘What would it cost us to strip all the energy performance out of the house?’ You’re talking \$3,000. What customer in his right mind wouldn’t spend \$3,000 to save \$1,000 a year?”

It was that sense of what the customer wanted that started Ideal Homes down the road to energy efficiency. It began innocently enough, when their HVAC contractor approached them about installing SEER 10 systems when most of the competition was using SEER 8. That simple change allowed Ideal Homes to market their homes as more energy-efficient, which became a differentiator. “We started telling customers our houses come with a SEER 10 air conditioner that operates for 25 percent less,” says Vernon. “We told somebody to pay me an extra \$250 and save 25 percent on your air conditioning bill, and they all bought it. And we were kicking the other guy in the pants.”

The Outsiders

One of the great things about quality organizations is that they don’t pretend to know everything. They also engage in active learning. Owners and managers of Ideal Homes read one management book every quarter, and the company has made a habit of turning to people who are experts in their areas. Any conversation with an owner, manager, or employee will scare up a reference to a book or an outside expert.

These are just some of the books and names we heard during the course of our interviews.

Books

“Master the Rockefeller Habits: What You Must Do to Increase the Value of Your Growing Firm” — Verne Harnish

“The Great Game of Business” — Jack Stack

“Good to Great: Why Some Companies Make the Leap ... and Others Don’t” — Jim Collins

“Topgrading: How Leading Companies Win by Hiring, Coaching and Keeping the Best People” — Bradford D. Smart

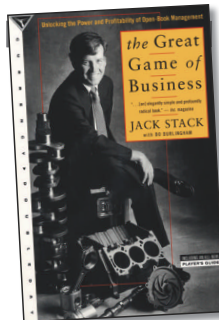


Photo: GreatGame.com

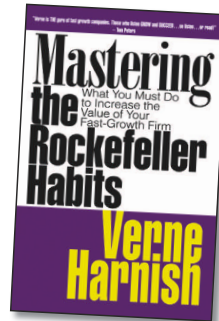


Photo: Select Books

Consultants

Chuck and Emma Shinn, Shinn Consulting Group — performance management

Steve McGee, Unify International — trade relations

Carol Smith — customer satisfaction

Woodland, O’Brien, Scott — customer satisfaction

Paul Cardis, Avid Ratings — customer satisfaction

Troy Schrock, Gazelle Group — strategic planning
Kelly Parker, Guaranteed Watt Savers — energy efficiency

Sam Rashkin, National Director of Energy Star — energy efficiency

Kathleen Guidera, Health House Advantage, now Executive Director of EEBA — healthy houses

Mark LaLiberte and Building Better Homes

— building sciences

Joe Lstiburek — building sciences

Bartell & Bartell — personality testing

That lasted for most of the '90s, until they learned about Energy Star in 1996, when they began adding other elements of energy efficiency such as tightening the envelope. From then on, every home they built met Energy Star standards. Further refinements followed, including building a Healthy House demonstration home, but the competition was following hard on Ideal Homes' heels. In fact, today more than 60 percent of the permits in the Oklahoma City market are for Energy Star homes. "We have a huge penetration here," says Vernon. "And I'd like to think that Ideal Homes has a lot to do with that, because we were the first adopters out there in Oklahoma and we pushed the message so hard that all the other builders had to introduce Energy Star in their products just to compete with us." That is the effect of an industry leader. They create competition and help build new markets and new demands among consumers.

To differentiate further, Ideal Homes moved toward guaranteed utility bills. Delivering on such a promise requires a company to have the kinds of quality control processes in place that Ideal Homes does. Without the great relations with the trades and clear communication, delivering on such a guarantee can only lead to broken promises. "It's just a son-of-a-gun to execute," Vernon says. "If you don't have a company that's systems-driven on your execution in the field, your processes on how you build your houses, you cannot build performance."

Since then, Ideal Homes has taken on the Department of Energy Builders Challenge and constructed one of the first Zero Energy Homes by a production builder for the entry-level market. That house, featured in the May 2006 *Professional Builder*, sold for \$195,000.

It's not coincidence that it is the president of sales who is one of the main drivers behind the push for energy efficiency in Ideal Homes. In fact, Vernon served as president of the Energy and Environment Building Association (EEBA) for two years. Todd Booze is also on the board of

COMPANY PROFILE

IDEAL HOMES

NORMAN, OKLA.

An entry-level and first-move-up builder serving the Oklahoma City metro area with 15 communities and five product lines ranging from 1,000 square feet to 3,250 square feet and priced between \$110,000 and \$320,000

FOUNDED: 1990

2009 PROJECTED CLOSINGS: 300

2009 PROJECTED REVENUE:

\$50 million

CUSTOMER SATISFACTION RATE: 95%

the association. This two-pronged attack, a drive to differentiate in the market based on energy efficiency and an ability to control production to such tight degree that the company can deliver on promises is what sets Ideal Homes apart and brings in buyers. As Vernon says, "In housing, the only metric we've given customers is price per square foot. ... But when you introduce this energy piece into the equation, you begin to give them a [new] alternative. It just goes to show you how smart customers are. When you give them another valuable metric to evaluate something with they'll use it. ... What I tell everyone who comes here is, 'We use energy efficiency to give customers a logical reason to make

an emotional decision.'"

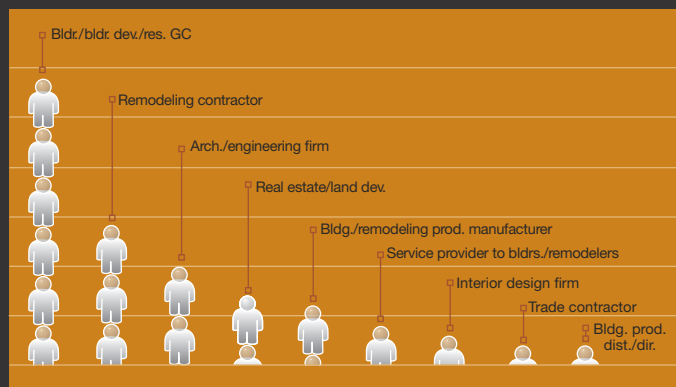
Market performance

In spite of all the great things Ideal Homes does, there is a final arbiter in their ability as a home building company. Do they sell homes? The answer is yes, but it is a muted response as is appropriate for the current market. At their peak, the company closed 525 homes in 2006. In 2009, they project to close 300 homes, which is about even with 2008 closings. Twenty-five percent of their sales are to buyers who qualify for the first-time home buyer tax credit.

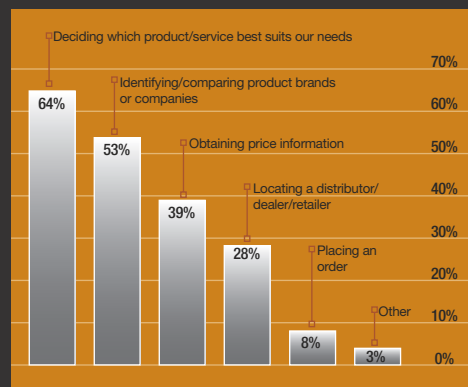
The company did have to do a reduction in force in the fourth quarter of 2008, the first ever in company history, and meager by current industry standards. But even that awkward moment is perhaps the most telling indication of the quality of the company. Every year, the owners and managers engage in a very detailed strategic planning process that includes identifying worst-case scenarios. Last year, they benchmarked 60 home sales in a quarter as an acid test. In the fourth quarter, when Ideal Homes only closed 47 homes, the owners and managers recognized that to keep the company viable, they needed to cut costs. The hard decision? Reduce the work force by 20 percent.

We recognize Ideal Homes for their ability to deal with the hard realities of a unique market; their ability to project, benchmark and execute the right decisions; their ability to create a business model that protects them from the worst the market has to offer; and their ability to lead the industry in an absolutely crucial area of energy efficiency. We're proud to proclaim it the 2010 *Professional Builder* Builder of the Year. **PB**

▶ WHO IS VISITING?



Source: HousingZone Visitor Research Study, October 2008



▶ WHY THEY ARE VISITING?

- ▶ Industry news/key issues
- ▶ Design ideas/concepts
- ▶ Products
- ▶ Best practices/case studies
- ▶ Economic outlook & insights
- ▶ Research
- ▶ Online Education
- ▶ Projects & industry developments
- ▶ Peer opinions & experiences
- ▶ Industry event information
- ▶ Subscription services: magazine & newsletters
- ▶ Employment opportunities
- ▶ Industry trade association links
- ▶ Award programs
- ▶ Advertising information

▶ FEATURED THIS MONTH:

- ▶ Stimulus
- ▶ Green
- ▶ High Performance Homes

The Amish tradition of building by hand is alive and well in this custom home by OakBridge Timber Framing of Howard, Ohio. Each oak timber was shaped with hand tools and fastened with mortise-and-tenon joints, and the frame was raised by hand. Joining four intersecting roof valleys in the great room was a challenge, but the end result is perfection.

HANDS-ON APPROACH

21

Photo: Roger Wade

INSIDE

Best Address in Clovis, Calif., wows.
[page 22]

[BEST ADDRESS]

WINNING

McCaffrey Homes wanted to raise the design standard in its market. This award-winning Genoa Plan raises the bar.

By Mark Jarasek. Senior Editor, Electronic Media



A CARRIAGE-STYLE garage door and stone exterior boost curb appeal, a major focus of the builder. Photo: Christopher Mayer Photography

FLEXIBILITY



THE GREAT ROOM serves as the centerpiece of the home, with a strong connection to the kitchen.

Photo: Christopher Mayer Photography



In Clovis, Calif., McCaffrey Homes is building out its community called Palmina in the 3,307-acre Loma-Vista master planned urban village, and the homes are turning heads for their flexible floor plans, energy efficiency and ability to capture entry-level, move-up and move-down buyers alike. The collection of designs yields not only industry accolades but also steady sales.

The Clovis housing market was ripe for something different that would capture the imagination of home buyers. McCaffrey Homes recognized the opportunity.

"To McCaffrey's credit, they sought to get something stylized that sets them apart from anything else that has ever been built in that market," says architect Kevin L. Crook, adding that the majority of homes found in Clovis tend to be "very generic." Crook's firm, Kevin L. Crook Architect, was the creator of the Palmina in Clovis collection.

The Genoa plan is among five designs found at Palmina. Its floor plan can be flexed in a surprising variety of ways, and the exterior design is offered in options of either Tuscan, French or traditional elevations. Depending upon the floor plan configuration,

this home's size can range anywhere from 2,053 square feet up to 2,422.

Capturing attention from the curb

"We were looking to create something with strong curb appeal," says Lauren Knowlton, vice president of marketing for McCaffrey Homes. All of the plans offered at Palmina feature either brick or stone exteriors. Attractive carriage-style garage doors are included to provide an additional touch of elegance and distinction, Knowlton says.

The curb appeal captured the attention of the Pacific Coast Builders Conference (PCBC) Gold Nugget judges this year, who gave the Genoa model a Grand Award in the category of Outstanding Single Family Detached Home under 2,500 square feet. Award judges noted it as "a well-crafted plan that lives larger than its square footage." They were also impressed with how the home was "engaged with the outdoors from the entry and throughout the house."

Home buyers are embracing the Palmina design collection as well. Knowlton says that

SPREADING THE WORD

MCCAFFREY MARKETS their homes largely through traditional methods: in local newspapers, with signage, on billboards and with e-mail blasts to their database of prospects.

Being a part of the Loma-Vista urban village also serves as a positive selling point as it offers amenities including 22 miles of tree-lined trails that link parks, open spaces and community centers.

the 165-home community, which opened January 2008 on the cusp of a crashing housing market, is currently two-thirds sold.

"We've been reaching our sales goals," Knowlton says, even though they've been competing with their fair share of foreclosures in that market. "Our homes are cutting-edge, sustainable and boast energy-efficiency, and it sets us apart," she says.

Crook designed the Palmina Collection of homes to be flexible enough to attract move-up, first-time and even move-down buyers. "It can morph into different ways you can live," he says. This concept is best illustrated on Genoa's interactive floor plan found on McCaffrey's Web site.

Thus far, 48 percent of buyers have fallen into the first-time category, 47 percent in the move-up category with the 5 percent balance being move-down. Its price ranges \$313,990 to \$342,990, placing it in the middle price range among the other models offered at Palmina.

"It tends to be a move-up market here, but our plan was to create something that would have a broad appeal," Knowlton says.

Buyers have tended to be mostly young business professionals with many in the medical field along with those working in government positions. The Clovis Community Hospital is very close by and has recently embarked on a

THE STORY BEHIND PALMINA

PALMINA is actually named after Palmina "Pauline" Bonadelle, an Italian immigrant matriarch who settled in California's Central Joaquin Valley where she has nurtured three generations of home builders. Palmina translated from Italian means "little palm." And Palmina was the inspiration for the design.



"Palmina is my grandmother," says Lauren Knowlton, who represents the third generation at McCaffrey Homes and currently serves as the firm's vice president of marketing. "Grandma loved the outdoors and outdoor entertaining. We worked her love of the outdoors in the floor plan design. ... We tried to design homes that would reflect my grandmother's values, which we think are worth preserving."

An extensive essay on the McCaffrey Homes Web site goes into greater detail about how the Palmina collection reflects her lifelong dedication to family, friends and home.

The team worked to convey her generous spirit by using expansive great rooms that invite family and friends to gather and linger around.

And the story does help in their marketing efforts.

"We've found that people are indeed moved by the story," Knowlton says.



OUTDOOR LIVING is emphasized. An expanse of windows allows views and daylight.

Photo: Christopher Mayer Photography

\$285 million expansion. "There's a shortage of lab technicians and nurses," Knowlton says, which in part should serve to fuel future market growth and demand.

Viva la vista

An important design element of the Genoa plan is its orientation to the outdoors.

"Outdoor living is popular in the area, which is why we wanted to incorporate courtyards with porches and patios," Knowlton says. "It's very unique for this sub-market," she adds.

Crook says a holistic interaction with the outdoors was a main focus of the design concept. He noted that space in both the front and back of the home was purposely carved out to allow unobstructed views from room to room as well as to an expanse of

PALMINA FLOOR PLANS ONLINE

MCCAFFREY HOMES OFFERS AN ONLINE TOOL TO DEMONSTRATE THE FLOOR PLAN CONFIGURATIONS THAT ARE POSSIBLE. CHECK IT OUT AT WWW.HOUSINGZONE.COM/PB, AND WHILE YOU'RE THERE, READ HOW MCCAFFREY MARKETS THE STORY ABOUT THE INSPIRATION BEHIND THE COLLECTION.

windows to the outside.

"The main focus was what was done at the center of the plan," he says. "Our goal was to create a home with vistas that didn't have any black space. We wanted to create a spacious feeling that allowed vistas across the room to the outdoors."

The open plan design features a great room that serves as a centerpiece with a strong connection to the kitchen. Knowlton says the configuration has been "very well-received" among home buyers. **PB**

THE ISLAND KITCHEN offers a large eating and serving area. It's a favorite among home buyers.

Photo: Christopher Mayer Photography

GENOA MODEL AMENITIES AND ENERGY-SAVING FEATURES

THE HOMES AT PALMINA ARE ALL ENERGY STAR CERTIFIED as well as GreenPoint Rated from California's Build it Green organization, which certifies to a home buyer that a home has been third-party verified to meet an array of green practices.

"Our homes exceed the California energy code by 35 percent," Knowlton says, adding that a host of energy-efficient features are included.

"These are truly dream homes," says Knowlton. "Our amenities package is so complete that buyers don't have to add any upgrades to create designer-perfect residences."

Among the amenities and energy-saving features included in the Genoa:

- Maple cabinets with concealed hinges, melamine interiors and oil rubbed bronze knobs
- Ceramic tile floors
- Concrete tile roof with limited lifetime manufacturer's warranty
- Carriage style roll-up garage door
- Front yard landscaping with automatic sprinkler system
- Large covered back patio
- 10-foot ceilings on first floor and volume ceilings on second floor
- Gas fireplace with precast hearth, face and mantle
- Granite countertops with full height granite backsplash
- Stainless steel GE appliances
- Kohler dual compartment cast-iron white kitchen sink with pullout faucet
- Granite kitchen island
- Ceramic tile vanity with Kohler plumbing fixtures with oil rubbed bronze finish



- Tankless water heater
- 14.5-SEER ground mounted HVAC system
- Dual-paned, Low-E vinyl framed windows by Ply Gem
- Pre-foundation pest treatment
- Zoned central heating and air conditioning
- Energy recovery ventilation system

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Moving the Bar Up



While America's housing industry is in recession, winning customer satisfaction ratings — surveyed from 14,624 customers — are still rising in the annual AVID Award for the Best Customer Experience in the U.S.

This year's winners chart a path for builders to follow, leading to higher referral sales. While some operational areas where winners post their highest scores are surprising, others hit foundational principles of customer coddling.

The Surprises:

- All three AVID Award winners list “reasonable costs for options and upgrades” in their Top Five scores. This area began showing up as important several years ago, even though no winners say they price upgrades exceptionally low.
- Landscaping makes the Top Five for two of the three winners, a surprise because it's a difficult area in which to score well. Landscape may be important now because densities are rising and greenery protects privacy.

The Solid Rocks:

- Correcting walk-through items fast is a Top Five score for all three winners and No. 1 for winners of the Diamond Award (top score in the competition) and the big-builder category (300 closings a year). It's almost impossible to build a zero-defect house. The next best thing is to clear up issues faster than customers expect.
 - Clean and ready at closing hits the Top Five for two of three winners. Being complete is a universal expectation. Cleanliness is next to Godliness.
- Read on to see how this sample of this year's AVID Award winners stacks up.

By Paul Cardis and Bill Lurz, AVID Ratings

ABOUT THE AWARDS Candidates included client builders who were surveyed by AVID Ratings in 2008 and 2009. The awards include the AVID Diamond Award, which recognizes the No. 1 builder in the U.S.; and the AVID Awards, which recognize the top builders with more than 300 closings and less than 49 closings. AVID Award Top Five Results are tabulated by taking each question and subtracting it from the industry average, then ranking the final question set, placing the largest difference on top.

South Texas Diamond

Jesus Ruiz is fighting to stay afloat on the Rio Grande. His small, entry-level home building firm in Laredo, Texas, was hit hard by the demise of subprime mortgages and new lending rules that disqualified 80 percent of his prospects. But his AVID Award score of 284.495 is among the highest ever recorded. Ruiz Homes is the winner in the category of builders or divisions with 50 to 299 closings and the Diamond Award winner as the builder with the highest customer satisfaction score in the U.S.

"Everybody went to subprime mortgages because it was so easy," Ruiz says. "Now, if prospects don't have a credit score of 620, they're out of luck — and Laredo's average score is 580. So when we find somebody who can qualify, we're going to take care of that customer."

Ruiz Homes peaked in 2006 with 212 closings for \$30 million in revenue. This year, it will be lucky to close 70 houses for \$9 million. The firm is down to 10 full-time employees, including four sales people and two supers. "We're doing well in customer satisfaction because we measure it and because the employees we have left are good," Ruiz says.

Don't Fumble Handoffs

"We don't deliver unfinished homes," says Ruiz. "Warranty has to 'buy' the



Photo: Alicia Calzada Wagner/Getty Images

Jesus Ruiz's Ruiz Homes nails an AVID Award score that ranks one of the highest ever recorded. Part of his winning customer satisfaction strategy: don't cut corners on quality just because you cut price.

home from the super before the customer does the final walk. He has a 100-point checklist to go through before he'll take that handoff. And he's going to make sure it's complete and clean because the warranty rep does the final walk with the customer a few days later."

Even though his houses run from just 800 to 1,400 square feet priced from below \$100,000, Ruiz won't cut corners on quality and workmanship. "We don't compete on price per square foot," he says, adding that even in an 800 square foot house, his base standards include ceramic tile in wet areas. "We

compete on perceived value, not price," he says.

Ruiz used to have an extra handoff. A structural builder took construction from foundation to drywall, then "sold" the house to a finish super, who turned it over to warranty. "We'll go back to that again when we can put a full team back in the field," he says, adding that quality workmanship is enhanced by limiting the number of trades a superintendent manages.

It's hard to score high in customer satisfaction without quality workmanship as a priority. Four of Ruiz's Top Five scores revolve around that goal:

- (1) Time to correct walk-through items (a staggering 24.88 points above average)
- (2) Cost of upgrades reasonable (17.42 above)
- (3) Quality of workmanship (14.74 above)
- (4) Quality of walls (13.78 points up)
- (5) Clean and ready at closing (up 13.21)

It's difficult to achieve top-tier customer satisfaction without having a low number of items on the final customer walk and having quick response to any items that do pop up. Ruiz sets benchmarks on both counts. This company is a diamond in the South Texas dust.

Family Ties Bind

Quinn Mortensen and Kristen Nilssen are brother and sister but also partners in Gold Medallion Homes, which builds on the Wasatch Front near Salt Lake City. It's an unusual partnership that pulled a never-before-seen combination of top scores to win the AVID Award for customer satisfaction in the small-builder category (below 50 closings).

This is the first winner ever to chalk up its two top scores from the "options, upgrades and colors" category, then follow that up with landscaping/grading, before finishing off with two more conventional attributes:

- (1) Reasonable cost of upgrades
- (2) Presented wide selection (options and upgrades)
- (3) Landscaping/grading
- (4) Perception of walk-through items
- (5) Value of home

The partners specialize in what they call "not-so-big" houses — 1,100 to 1,700 square feet — on high-density lots of 50 feet or less in width. Their smallest model is 850 square feet; the largest, 1,800 square feet. Prices range from the high \$100,000s to mid-\$200,000s. The firm has closed 38 homes this year, with 12 more under construction. "We hope to hit \$12 million in revenue," Mortensen says.

That's a far cry from the



Photo: Lance W Clayton/Getty Images

Brother and sister business partners Quinn Mortensen and Kristen Nilssen pride themselves on making the selection process fun, even for first-time buyers of their "not-so-big" homes.

firm's peak of \$34 million in 2006 on 120 closings.

Our analysis of Gold Medallion's ability to keep its head above water in Salt Lake centers on the combination of customer satisfaction leadership and design leadership.

Design Mavens

This company is delivering what it calls "micro-lot prod-

uct:" two-story, detached homes with very traditional exteriors and open, light-filled interiors. They're on rear-loaded, 35- by 75-foot lots in a traditional neighborhood community — and all at entry pricing for the Salt Lake City market.

Called the "Charleston Collection," the entry-priced homes have windows on three sides to enhance light

penetration. But yards are so small that landscaping and fencing become a high priority. "We use a lot of rose-covered, white picket fencing to soften the density," says Nilssen, who also designs the homes. That explains why Gold Medallion scores well for landscaping, and delivering detached homes at town-house pricing may explain why it scores well on value. But what about those top two scores: cost of upgrades and selection of options?

The firm has a "selection gallery" of 1,200 square feet where a specialist meets with buyers to present options and upgrades as well as select colors. "We have interactive displays that allow customers to pull together floors, countertops and cabinets," Nilssen explains. "We make selections fun, which is important with first-time buyers."

She adds that the selection specialist is a salesman, not an interior designer. "He does a great job of explaining the value of the various choices," she says. "He loves to sell, and he's good at it."

The partners also point to well-oiled production building processes that minimize the number of items at walk-through, and customers seem to agree.

Gold Medallion's success in customer satisfaction proves there's more than one formula for getting to the top.

AVID AWARD WINNER TAYLOR MORRISON WEST FLORIDA DIVISION

Mr. Clean

Steve Kempton, Taylor Morrison Homes' West Florida division president, doesn't look the part, but he has the same attitude toward dirt as the whirling dervish on TV. His campaign for cleanliness — from sales office to job site — is a factor in his division taking the AVID Award for building divisions that close 300 or more homes a year.

"If you see five people a week in the sales office, instead of the 25 that used to come, you can't afford to give them a reason not to buy," says Kempton at his Sarasota, Fla., headquarters. "If there's a cobweb in a model home or 2 by 4s scattered around a job site, that could be a reason not to buy."

Day and Night

Taylor Morrison doesn't just enforce the rule for cleanliness at the end of the workday. Builders are driven to keep sites clean at all times of the day and night. "We want our job sites to reflect the same cleanliness visitors see in our completed neighborhoods — real pride of ownership on our part, matching that of our customers," Kempton says.

"Clean and ready at closing" is No. 5 on Taylor Morrison's list of top customer experience scores, but three of the other four are clearly affected by the emphasis on detail that the cleanliness focus imparts:

(1) Time to correct walk-



Photo: Matt May/Getty Images

There's no messing around on job sites; Taylor Morrison West Florida Division President Steve Kempton stresses the importance of a spotless job site for great customer satisfaction.

through items

(2) Cost of upgrades reasonable

(3) Landscaping/grading

(4) Builder's level of caring

(5) Clean and ready at closing

"Cleanliness is part of our corporate strategy," says Taylor Morrison President and CEO Sheryl Palmer. "Our

emphasis is on the customers' experience whenever and wherever they arrive. It's about the feeling you get wherever you come in contact with our people or product."

The West Florida division builds in 25 locations from the north suburbs of Tampa to Naples. It builds product ranging from condominiums

and townhouses for first-time buyers to detached homes for well-heeled snowbirds. Since 2005, prices have crashed as much as 60 percent in these markets.

Taylor Morrison moved into more attached product, which is now a third of production, much of it targeted to entry-level buyers. And the firm is now putting money behind its emphasis on customer satisfaction. "When we have a house ready to close, we wait up to 10 days," notes Kempton, "so our quality assurance people can walk the house."

They are trained to look at it with the critical eye of a consumer. "We measure builders on completeness at the QA walk, then the builder gets five days to complete any outstanding items before the customer walks the house for the final time," says Kempton. "It costs us to put off closing by a week, but it's worth it in customer satisfaction and referral sales."

Taylor Morrison vice president of marketing Graham Hughes says he's thrilled to see "builder's level of caring" in the Top Five. "The customer care culture is infused at the community level now. It's coming from the trenches up, not the top down. Our people understand this is the way for all of us to succeed," he says.

They better not leave any cobwebs. **PB**

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Environment One: Sewer

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Genova Products: Decking & Rails

Hearth 'n Home: Indoor Fireplace

Honeywell: Insulation

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Tankless Water Heater

Schlage: Schlage LiNK™ Solution

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BACK IN THE U.S.A.

Many manufacturers export the jobs and import the products. However, Hy-Lite/U.S. Block Windows is bucking the trend by shifting all of the company's Hy-Lite vinyl extrusion purchases and acrylic block manufacturing out of China and back into the U.S. The company will purchase all of its vinyl from American suppliers. Acrylic blocks will be manufactured in Florida and at a contract molding company in Ohio.

Photo: Hy-Lite

INSIDE

Must-have appliances for your homes
[page 37]

Warm and snug thanks to these
fireplaces [page 39]



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[APPLIANCES]

Make It Work



No Wrinkles Here

Energy Star is all the rage in appliances. Fagor's new washing machines boast an extra large capacity yet have a compact footprint of three cubic feet. Fagor's dryers are equipped with a reversing anti-crease system, which uses an intermittent rotation of the drum in both directions to prevent wrinkles from forming. The new line will be available in early 2010.

For more info, go to HousingZone.com/PBinfo and enter # 251

Flush Functionality

The Jenn-Air Integrated Built-In Refrigerator Collection can help builders achieve seamless design with thoughtful functionality in the kitchen. One look is all you need. The hidden articulated hinges allow for gaps no larger than that of the surrounding cabinetry, making the refrigerator virtually disappear in its environment.

Now you see it, now you don't.

For more info, go to HousingZone.com/PBinfo and enter # 252

A Star Rises

Check out these new Bluestar Gas Wall Ovens for the home. The ovens are available in 24-, 30- and 36-inch sizes and can be ordered in 190 different colors. The 24-inch oven (shown in cobalt blue) features a swing door, while the 30- and 36-inch models feature attractive French doors. Each model is available as a single oven or two single ovens double stacked.

For more info, go to HousingZone.com/PBinfo and enter # 253

Cooking with Gas (or Electricity)

Bertazzoni's new Professional Series Dual Fuel product line presents an authentic Italian range to style-conscious homeowners. Since it's a dual-fuel unit, users can bake with electricity and cook with gas. Buyers can choose between three sizes and can select up to six burners. The ranges feature an integrated griddle and an electric convection oven.

For more info, go to HousingZone.com/PBinfo and enter # 254



A man's profile is shown in a blue denim shirt, looking upwards. On top of his head is a miniature construction vehicle, specifically a skid steer loader with a bucket, which is balanced precariously. The background is white.

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[FIREPLACES]

Some Like it Hot



— Start a Revolution

Fireplace Xtordinaire has two new gas fireplace models. Building upon the success of the company's Revolution Clean Face fireplace, Fireplace Xtordinaire combined the classic fireplace with additional dimensions of two-sided glass on a See-Thru model and three-sided viewing glass on a Pier model (shown). Each model provides up to 59,000 BTUs of heat. **For more info, go to HousingZone.com/PBinfo and enter # 255**



Slick and Chic

This unique fireplace is part of the EcoSmart fireplace line. The Zeta combines timber, leather and stainless steel for a surefire (pun intended) conversation piece. The body of the fire is made from cold-pressed plywood that is shaped into an ellipse. A thin stainless steel firebox insert is molded to the internal face of the plywood, and the outer surface is upholstered in stitched leather, with the edges pressed and trimmed. **For more info, go to HousingZone.com/PBinfo and enter # 256**



A Sun in Your Living Room

Heat & Glo's Solaris 36-ST is a circular, see-through gas fireplace that sports the shallowest direct-vent design yet—its framing depth is a mere six inches. The fireplaces also feature a newly designed burner (30,000 Btus, patent pending) that is completely transparent and suspended at the center of the fireplace. **For more info, go to HousingZone.com/PBinfo and enter # 257**



— Back in Black

At 35,000 BTUs, it's hard not to notice Morso's stylish new 7642 model. Made in all-black, the 7642 wood stove is made with strong, high-grade cast iron using 98 percent recycled material. How does a six-inch flue collar size at 335 pounds sound? It stands just shy of 40 inches, and features an 18 1/4-inch width and depth. **For more info, go to HousingZone.com/PBinfo and enter # 258**

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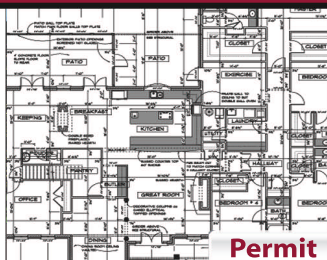
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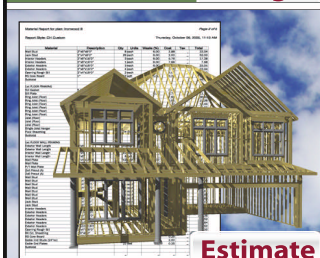
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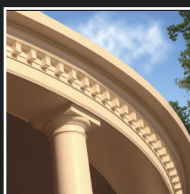
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Total Circulation		118,479	114,489

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\$3.5M The Consumer Product Safety Commission's Office of Hazard Identification and Reduction spent \$3.5 million on a study investigating the chemicals in the **controversial Chinese drywall**. **No direct connection** has been linked to any of the health or corrosion problems thousands of homeowners have reported, an agency representative told National Public Radio.

18.8M The KaBoom organization's volunteers have mixed more than 18.8 million **pounds of concrete** to build more than **1,718 playgrounds** in communities in need. They've reached 4 million kids!




908.29 Team Germany could score a maximum 1,000 points in October's Solar Decathlon in Washington, D.C., and it scored 908.29, taking first place. **The Solar Decathlon** challenged teams from around the world to create the most attractive and **efficient solar-powered home**.



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DIGEST "BEST BUY" – HALF-TON MODEL • VINCENTRIC'S BEST VALUE IN
AMERICA™¹ • BEST FUEL ECONOMY² • CHEVY.COM/THETRUCK** 

¹ Based on *Vincentric's* 2009 Model Level Analysis of full-size pickups. ² Based on Silverado Hybrid model and GM Large Pickup segment. EPA est. MPG city/hwy: Silverado Hybrid 2WD (limited availability) 21/22. Silverado XFE shown 15/21. Excludes other GM vehicles. Silverado is a registered trademark and Chevy is a trademark of the GM Corp. ©2009 GM Corp. Buckle up, America!