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Why Warren Buffett Wants You to Use BIM

PLUS, 5 TIPS FOR IMPLEMENTING BUILDING INFORMATION MODELING

RBI.

ALSO IN THIS ISSUE

7 QUESTIONS FOR YOUR BANKER / 9
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Professional Builder Volume 75, No. 3









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ON THE COVER: Warren Buffett thinks 3D-CAD and building information modeling (BIM) are the wave of the future for the home-building industry. Photo: Daniel Acker/Bloomberg via Getty Images

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Additional staff and contributors, including National Housing Quality Executive Council members, are listed on page 65.

Correction: The Contemporary Home featured on page S5 of the Custom Builder insert in the November 2009 issue of Professional Builder was designed by architect Richard Landry, Landry Design Group. The interior designer was Michael J. Skelton, MJS Interiors. We apologize for the error.

perspective

Why is **Warren Buffett** on the Cover of *PB*?



ou may have asked yourself that question after glancing at the cover of this month's *Professional Builder*. Before you write us off as sensationalists, let me explain our reasons for playing up the Oracle of Omaha in such a way.

As we all know, Buffett has had close ties with the U.S. home-building industry for nearly a decade. His behemoth conglomerate holding company, Berkshire Hathaway, owns half a dozen housing-related manufacturing companies, including Shaw, Acme Brick, Benjamin Moore, Johns Manville, MiTek and modular home builder Clayton Homes. Berkshire Hathaway also has a sizable stake in USG and Wells Fargo.

But it's one of Buffett's less-publicized investments that piqued our interest. About a year and a half ago, Berkshire Hathaway's

MiTek made a huge play in the CAD software/services market by acquiring Simpad, a plan-services company that offers outsourced, optimized plans to home builders with the help of tools like 3D-CAD and building information modeling software.

Why the investment in BIM and 3D modeling services? One of Buffett's long-time creeds is to keep things simple, and he sees these tools and services as a way to auto-



mate what has traditionally been an inefficient, time-consuming, wasteful process. Simply put, Buffett views the automating of home building as one of the best bets going forward.

"The home-building industry, like others, will find ways to reduce costs through technology," wrote Buffett in a book on Simpad that was distributed to CEOs of the top 50 U.S. home builders late last year. "I also see the current environment as an important opportunity for leading builders to retool their businesses and to prepare for the up-cycle ahead."

The housing industry may still be in the tank, but Buffett has stated publicly that it's merely in a correction period following the recent boom. He's a long-term strategist who sees an inevitable demand for new housing. Let's not forget that the U.S. population is expected to grow by 100 million in the next 40 years. These people will need some place to live.

David Barista, *Editor-in-Chief*, dbarista@reedbusiness.com

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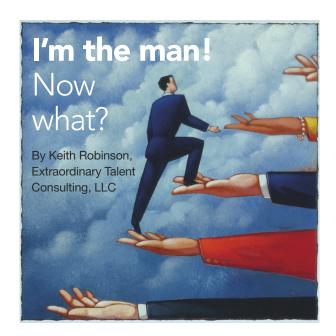


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o you've reached a position of leader-ship. Good for you. The view can be good from the top, but now you're working without a safety net.

Why do some leaders continue to ascend while others plateau or fail? People driven to succeed often move into roles that require them to lead others. There are those who take to this role like a duck to water. We shower them with platitudes like: "He has charisma," "She really gets it" or "I would walk through a wall for him." There are those who attain leadership roles as a consequence of their skills and abilities as a technician in their field. We follow them because we respect the fact that they have figured something out the rest of us haven't. Some simply fall into leadership roles because when the organization asked for volunteers and everyone lined up, the rest of the group stepped back and they were busy checking their Blackberrys. For as many leaders

there are in the world, there are different paths to the top. The point being, leadership is personal.

Why is it that some continue to rise and some don't? Those who top out have probably fallen into one of the key traps of leadership. Their ego has outpaced their intellect. When ego outpaces intellect a leader has begun to believe the platitudes and all else be damned. They have missed a key to continued leadership success: self-awareness. They have forgotten about the others that propel the business forward by executing the plan, building customer relationships, selling the product and "hammering the nails."

The result of this phenomenon is leadership stagnation, frustration and, in some cases, outright failure. How do you know if you're in this situation? Here are some questions you should ask:

1. Reflection. Look back on recent discussions you've

had with your managers and employees. When you met with them was the discussion focused? Was it all about your ideas or did you focus on them, their ideas and their development? In every meeting with members of your team did you try to make them better?

- 2. Feedback. Do you seek feedback from those you lead? If so, what do you do with it? If you act on it and adjust your approach then you may be okay. If you hear it and trash it, watch out. Ask someone you trust for their perspective, and listen to what they say.
- **3. Change.** Ask others their view of how you handle change. A key trait of successful leaders is adaptability. Are you Gumby or a Pet Rock?
- 4. Disclosure. Do those who follow you know you? I mean *really* know you? The most successful leaders are authentic. They build trust by sharing aspects the good, the bad and the ugly about themselves with their team. Do you?
- 5. Diversity. Take inventory of your team. What do you see? If your team is filled with yes-people, look out. Perennially successful leaders surround themselves with people who think differently, approach problems differently, have complementary skills and see the world from a different perspective.

These are simple questions with complex answers designed to see if your ego is outpacing your intellect. Give them a try.

Read more posts by Keith Robinson at www.Housing-Zone.com/Blogs.

7 Questions to Ask Your Banker

By Douglas Shipman, Developer's Financial Solutions

he failures and funding stoppages in the middle of projects seems to be primarily (but not exclusively) with the small-town banks or state-to-state syndicated banks. If you are currently working with a small, community-type bank and everything is going well, I



recommend that you have a heartto-heart with your banker to better understand why they are (or appear to be) so strong and can

sidestep the pitfalls and FDIC takeovers that are happening all over the U.S. Here are some questions to ask:

- 1. Can you tell me about your bank's ability to continue servicing the development loans you currently have?
- 2. Can you tell me about your bank's ability to fund new development and home building projects?
- 3. Are you currently being regulated by the FDIC, OTC or any government entity?
- 4. What percentage of your home loans are delinquent?
 5. What percentage of your
- home loans are foreclosures?
 6. How many REOs (real estate owned) are you trying to get off your balance sheet?
- 7. Would you be able to fund a new project for me next month?

Even if the answers to these questions are positive, keep a close eye on your banker's forehead for sweat, the edge of his lips for a downward curl, or his arms to see if they're folded. If you see any of these signs, look for new financing.

Read more posts by Douglas Shipman at www.HousingZone. com/Blogs.

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Customer Service: the Great Differentiator

By Chip Pennington, Shea Homes

hat's the most important role in your organization? President/CEO, the one who makes the tough decisions? Maybe. In this economy, perhaps it's accounting. Or land acquisition, or construction. It has to be sales, right? I may be a bit biased, but I believe the most important role is customer service.

Customer service is the easiest way for home builders to differentiate their company from the competition. Everything we produce can be replicated by our competition. There's no secret ingredient. Heck, there are hardly any secrets. Our production plant, the jobsite, is wide open for review by

the competition. Floor plans are open for replication. Our architects work for our competitors, as do our trades. We buy concrete and lumber from the same plants and mills. Our communities are across the street from other communities. And many of our employees came from or went to other builders.

How can we be different? We are different in how we treat our customers. We are a service organization that produces communities. Particularly in our industry, customer service is the great differentiator. You can't purchase or subcontract the service culture.

Also, note that I didn't ask for the most important department. Customer



service is a role that every department should share. Customer service is the most important role in your organization, and everyone in your organization should wear that hat, from the president/CEO to accounting to land acquisition to construction and sales. Maybe even the warranty department. Of course, I may be a little biased.

Read more posts by Chip Pennington at www.HousingZone.com/Blogs.

11 Ways Manufacturer Web sites Can Cater to Builders' Needs

By Glenn J. Singer, Builder Partnerships, LLC

ecently, I've been reviewing building product manufacturer Web sites and have concluded that the vast majority of these sites are too product-oriented.



Most sites do a great job of conveying product and technical information, but they're

not builder-friendly. I urge manufacturers to cater to builders' needs by offering the following information on their Web sites:

- Product information geared toward builders' needs and wants
- 2. Installation instructions, including videos of installation training for products
- 3. Detailed warranty information
- 4. Scopes of work that pertain to the products
- **5.** Up-to-date marketing support/materials
- **6.** Training for builders' sales professionals
- 7. Details of rebate programs
- 8. A geographical list of distributors
- 9. Code compliance information
- 10. Continuing education courses
- 11. Market research findings Read more posts by Glenn Singer at www.HousingZone. com/Blogs.

Homestar Set To Make a Splash

By Duncan Prahl, IBACOS

I attended the RESNET conference in Raleigh, N.C., last month to keep up with what's going on with the trade partners that provide certification to builders for Energy Star and green programs. The place was buzzing with talk of Homestar and energy labels for homes. Here are my takeaways from the conference:

- The Homestar program could be huge, offering upwards of \$5.1 billion in rebates for energy-efficiency retrofits on homes. It seems like a great opportunity for BPI-certified remodelers and small builders to offer past customers whole-house energy upgrades. Experts estimate that there are up to 15 million "natural" replacement events each year in the U.S. stuff like failed HVAC, windows and siding.
- Raters have a big opportunity to perform QA on Homestar projects, which could lead to a shortage for the new construction market. Back of the envelope numbers are in the 300,000-400,000 range in the next 12-18 months.
- RESNET is working with DOE on a variety of labeling schemes for homes, including online and in-home surveys, HERS ratings, diagnostic surveys and audits.
- It looks like there will be two national home performance companies: Masco Home Services and Green Homes America. Both companies are looking to partner with contractors and are providing franchise opportunities. I wouldn't be surprised to see Lowe's and Home Depot jump in the game soon, as well.

Read more posts by Duncan Prahl at www.HousingZone.com/Blogs.



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[FINANCIAL CHALLENGES SURVEY]

Builders to Banks: Fund Us and We Will Build (and Sell)

The majority of builders say they would be building and selling more homes today if funding was more readily available, according to *Professional Builder*'s latest reader survey.

By David Barista, Editor-in-Chief

he housing market may still be in the doldrums, but the majority of builders believe there's demand for new homes in their markets — they just can't get financing to build them.

In a February 2010 survey of nearly 300 *Professional Builder* readers, 72 percent said their company would be building and selling more homes today if financing was more readily available (Chart 1). Moreover, 68 percent of respondents said their bank was un-

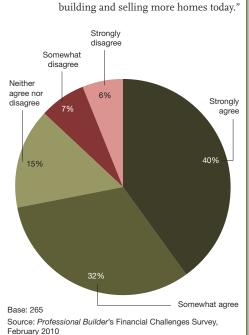
willing to fund new projects within the past 12 months. In fact, just 16 percent said they have not had any issues with their lender or bank (Chart 3).

"Banks are of no use whatsoever," said one respondent. "Even with huge cash-positive

"Banks are of no use whatsoever. I have several 'shovel-ready' projects ready to go — they don't care." — Builder respondent

Fund It and They Will Build

Please indicate the extent to which you agree or disagree with this statement: "If financing was more readily available my company would be building and selling more homes today."



equity, they cannot afford to bridge any gaps in projects. I have several 'shovel-ready' projects ready to go — they don't care."

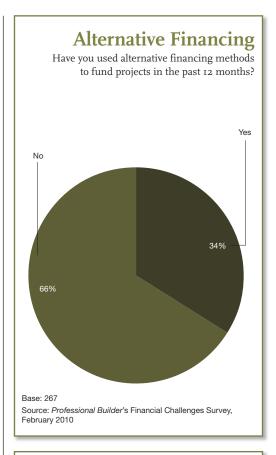
Another respondent shared this sentiment: "There is no money being loaned by banks right now. We have not been able to get money, which has affected our credit to the point where we may never dig out of this."

Naturally, some builders are turning to alternative financing sources to fund their projects — most notably private lending, private equity, equity partners and hard-money lenders. About one-third of respondents said their company employed nontraditional financing methods to fund projects in the past 12 months (Charts 2 and 4).

CHART 1: Most builders believe there is a demand for new homes in their markets. Case in point: Nearly three quarters of respondents said that if funding were more readily available their company would be building and selling more homes.

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CHART 2: Despite citing challenges securing funding from traditional sources, just one-third of respondents said they have used alternative financing methods to fund projects in the past year.



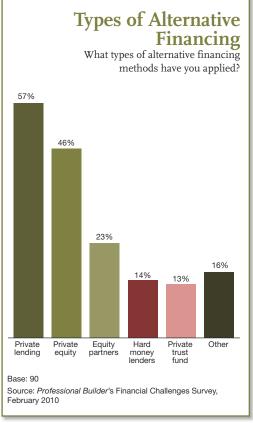


CHART 3: Just 16
percent of respondents
said they have not had
any issues with their
lender or bank. Nearly
half (41 percent) said
their lines of credit were
cut off with no warning,
and 68% said banks are
simply unwilling to fund
new projects.

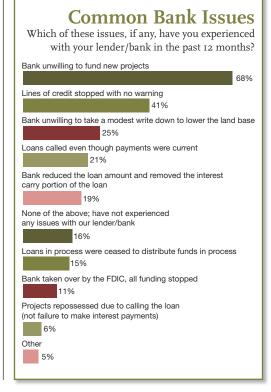


CHART 4: Of the respondents that used alternative financing during the past year, more than half said they used private lending and 46 percent said they used private equity.

But the alternative financing approach has its own set of challenges, as one respondent wrote: "Private money is a key source, but the interest rate is anywhere from 12 to 15 percent. If we manage our draws and payments to subs, we can be OK, but the rate adds additional expense to our projects."

Of course, it's not just builders who are having trouble securing financing. Buyers are being shut out as well, and it's affecting builders' bottom line. Seventy-six percent of respondents said their company has lost one or more sales in the past 12 months because the prospective buyer was not able to secure a loan. About half of respondents (46 percent) said they provide some time of financial assistance for prospective home buyers, such as help with loan paperwork, finding a

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CHART 5: An overwhelming majority of respondents said their building company lost at least one sale in the past year due to buyers' inability to get a loan.

Has your company lost one or more sales in the past 12 months because the prospective buyer was not able to secure a loan?

Not sure/don't know

12%

Yes
76%

Base: 267
Source: Professional Builder's Financial Challenges Survey, February 2010

CHART 6: Securing financing and competing against foreclosed/short sale properties are the biggest financial challenges for builders. Nearly 58 percent of respondents ranked one of the two scenarios as their top obstacle.

Top Financial Challenges Rank the top three financial challenges your company has faced in the past 12 months 2 3 Competing against foreclosed/short sale homes in my market(s) Banks unwilling/unable to fund land development and construction projects 28.0% Buyers not being able to secure a loan 20.6% 21.0% Land base too high to compete with resale or other new home builders No equity in the projects due to reduced land value 5.5% 11.7% 12.5% Banks taken over by FDIC 3.1% 6.6% 2.7% Unable to take a write down in our company structure to make our product(s) more competitive 1.9% 8.2% 7.0% Interest carries not sufficient to bridge construction completion to sale and close 5.5% 11.8% 1.6% Base: 257 Source: Professional Builder's Financial Challenges Survey, February 2010

lender, submitting tax-credit documents, or a tax-credit matching program (Chart 7).

Competing with foreclosures

While securing financing remains a major hurdle for builders, an even bigger issue looms: competing with foreclosed and short sale properties. Nearly a third (29.6 percent) of builders surveyed ranked competition against foreclosed/short sale properties as the top financial challenge their company faced in the past 12 months, and more than 60 percent ranked it as one of their top three challenges (Chart 6). The primary issue, according to respondents, is having new construction appraised against foreclosed/distressed properties in the area.

"Foreclosures, short sales and falling values have all impacted the builder immense-

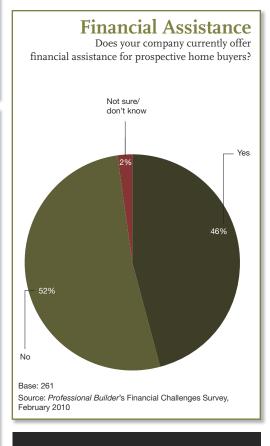


CHART 7: Surprisingly, just 46 percent of respondents offer their prospective customers financial assistance, such as help with loan paperwork, finding a lender or submitting tax-credit documents.



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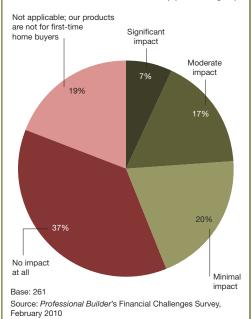


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First-time Home Buyer Tax Credit

What impact, if any, has the \$8,000 first-time home buyer tax credit had on sales of homes built by your company?



"Appraisals of our move-up homes are coming in **lower than the cost to build them**, making it difficult for buyers to secure mortgages." — *Builder respondent*

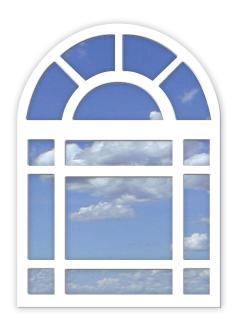
ly," said one respondent." Another stated: "Appraisals of our move-up homes are coming in lower than the cost to build them, making it difficult for buyers to secure mortgages." Another added: "Raw land cannot be developed economically to compete with foreclosed land."

Respondents said the bank lending and appraisal challenges have a negative impact on the effectiveness of the federal government's

CHART 8: Forty-four percent of respondents said the first-time home buyer tax credit has impacted their bottom line, while 37 percent said it had no impact at all.







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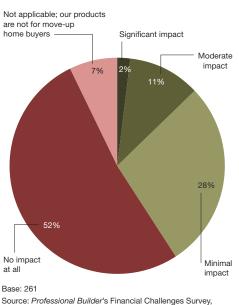


February 2010

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Move-up Home Buyer Tax Credit What impact, if any, has the \$6,500

What impact, if any, has the \$6,500 move-up home buyer tax credit had on sales of homes built by your company?



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CHART 9: More than half of respondents (52%) said the move-up home buyer tax credit had no impact on sales, while 41 percent said they have experienced some level of positive impact from the program.

home buyer tax credit programs, especially the \$6,500 move-up home buyer credit. More than half of respondents (52 percent) said the move-up buyer credit has had no impact on sales, while just 28 percent said the program had a minimal impact on their bottom line (Chart 9). The \$8,000 first-time home buyer tax credit is faring better, but the numbers are paltry at best. More than a third of respondents (37 percent) said the program has had no impact on sales, and only 7 percent cite a significant impact (Chart 8).

In order to fix the housing market, the government must first address the root of the problem: the struggling job market. One builder respondent put it best: "True real estate and construction demand is based upon job growth and increase in income. Neither is present in the economy or forecasted." **PB**

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Methodology

The survey was distributed on February 5, 2010, to a random sample of 11,559 Professional Builder readers. A reminder was deployed on Feb. 10. No incentive was offered. By the closing date of Feb. 19, a total of 403 eligible readers had responded, for a net response rate of 3.5 percent.



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lean building forum

Houston Builder Saves\$10 Million Using Lean

Scott Sedam hosts the Lean Building Forum on HousingZone.com/Lean, where each month he interviews those who are implementing the principles of Lean operations in home building. This month, Lean Building Forum features Mike Funk, Sr., and Jennifer Heitmann from David Weekley Homes in Houston. This is a highly abbreviated transcript. For the complete transcript and audio interview, visit www.HousingZone.com/Lean.

By Scott Sedam, Contributing Editor

Scott Sedam: Mike, everyone knows the name David Weekley Homes, but give us a quick picture of where the company is today and what you are building.

Mike Funk: David Weekley closed approximately 2,300 homes in 14 markets across the U.S. in 2009, and we project about the same this year. We build homes anywhere from \$150,000 and around 1,800 square feet to \$1.2 million and 6,000 square feet. We have always been known for design and are now including energy efficiency as part of our brand recognition. If we adopt an idea, we try to apply it to all price ranges, so whether you buy that \$150,000 home or that \$1.2 million home the practices, procedures and products are the same.

SS: David Weekley Homes has become a leading advocate of Lean methods and processes, and you quote some impressive results. Let's start there and work back.

MF: We documented \$3.2 million in our first year just in the Houston division, and that in itself was a shock to the rest of the company. One of our senior vice presidents, Mike Humphrey, was so impressed he sent the information around and encouraged all of our cities to take a serious look at Lean implementation. From that, most of them went down the Lean path. It's now a proven way of doing business and we've been supporters ever since.

SS: There are all manner of builders who have tried what they think is Lean implementation, but don't have much to show for it. How has David

Weekley Houston not just identified the savings but then booked them and documented them?

Jennifer Heitmann: Having someone in a position like mine with my main focus on Lean implementation has been a key for us in getting things accomplished. Initially there's a lot of low-hanging fruit to pick. After that, it's setting up a process to take it from beginning to end, following the steps and getting the right people involved from the office, field and trades. When I came on board three years ago, I was very fortunate because we ran a LeanBlitz within the first three or four days that I was here. It was a good platform to start from, and from there we formed a division Lean Team. We met each month the first year, and now we

This month's Lean Building Forum guests

MIKE FUNK, Sr., is quality coach and Jennifer Heitmann is Lean building analyst with Houston-based David Weekley Homes. Funk has been with the company for 21 years. In that time, he built homes for five years, worked on the sales and operating systems in IT for five years and





Mike Funk Jennifer Heitmann

has been a quality coach since 1999. Heitmann joined David Weekley Homes in 2007 as a purchasing analyst. Previously, she worked for Houston-based Taylor Woodrow Homes in a variety of capacities, including estimator, custom design representative, options coordinator and purchasing manager.

lean building forum

Scott Sedam hosts the Lean **Building Forum** on HousingZone. com/Lean, where each month he interviews those who are implementing the principles of Lean operations in home building. For the complete transcript and audio of the interviews, visit www. HousingZone. com/Lean.



meet quarterly. Everyone in the company, from construction to purchasing, design, warranty and sales, is involved and knows their role.

SS: David Weekley Houston is building 800 to 900 units annually, so it is not so hard to costjustify a position like Jennifer's. But what do you say to a company that's doing 150 units and they can't afford a full-time dedicated person?

MF: I might disagree with your assumption, Scott. As I think this through, while we're having this conversation, I'm asking myself why we don't have more people like Jennifer in similar positions, because here's what happens: Often you get Lean started in smaller operations without someone dedicated to the concept of true Lean. Maybe you have a purchasing manager running Lean, and they're reporting things that are savings but not directly related to Lean; it's mere cost cutting as opposed to the elimination of waste in product and process.

SS: Yes, I have seen that.

MF: With a truly focused Lean implementer, you take it to another level. While the purchasing agent looks at the cost of a contract, he or she is typically not trying to uncover waste and inefficiency, whether internal or external. With Jennifer in her role, I know that we're specifically getting better and saving money as opposed to just cutting costs short term regardless of collateral damage. That's the crux: Are we moving down that path?

SS: What we see so much is that a builder

pursues cost reduction based purely on contract price and does not understand that, on a total cost basis, often they aren't saving at all. They change roofers for a nickel a square then their warranty claims increase and that nickel a square looks like the worst deal they ever made. Have you worked on getting your people to understand the total cost perspective?

MF: We've worked pretty hard on that, but just as important are the human costs. We know that having a lot of employees is an expensive proposition when the market is down. So you want to be as efficient with your personnel and your people as you can. All builders have cut staff. But what we see is that as builders get smaller, they let the wrong people go. What we've done locally is keep the best people, even if the initial cost was higher. We didn't squeeze that last nickel from the human end of it. Similarly, with our suppliers and contractors we take the same human capital philosophy. We want them to be efficient, but in the right way, and not offer us a contract that they can't deliver on because they actually don't have the personnel to execute it anymore.

SS: Those are great observations, and I wish more builders understood Lean like you do. Jennifer, you may be the only person in America with the title "Lean building analyst." I think the audience would be interested to hear what you are working on in a day-in-day-out basis.

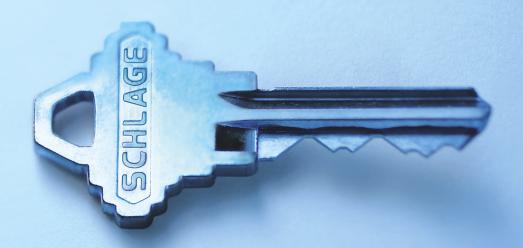
JH: We just had our quarterly Lean Team meeting, where we focused on our top variances for 2009. We looked at the top five variances and had a roundtable discussion with all the functional representatives on how to improve things. We had a huge project last year on landscaping. Like most companies, we had landscape set up a budget with the developer requirements. You pay a set fee, and that's what you get. In our Lean initiative we looked at exactly what we were paying for and exactly what, for example, a five-gallon shrub looked like. What kind of plant was that? What really is required by the developer? What do we need to portray the look that we want for David Weekley Homes? It was a very intense, detailed effort that took several months. We met with nurseries and landscapers and examined every community, down to the trees, the shrubs, the sod, the talent — literally everything for each home and lot. In the end, we saved close to \$900,000 on that project.

7 Lean Learning Points from Mike Funk and Jennifer Heitmann of David Weekley Homes

- Have the guts to ask the questions that no one else will ask. So much is done "because we've always done it that way."
- If you think you are practicing Lean by merely hammering your suppliers and trades for a lower price and sending demand letters, you are kidding yourself.
- 3. Lean is about total delivered cost, from procurement through warranty. Basing buying decisions on anything else is irresponsible.
- 4. Lean pays for itself, far beyond what you can imagine.
- It isn't hard to cost-justify devoting a person full-time to push your Lean efforts through and keep the momentum going.
- 6. Human costs are as important as hard costs. It's always worth paying more to keep the best people.
- 7. It is possible to increase profit for the builder and suppliers/trades, while making the house better. We are living proof.



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lean building forum



BY EMPLOYING LEAN practices like advanced framing techniques, the Houston division of David Weekley Homes has saved more than \$10 million in the past few years. Lean can help builders cut costs by reducing waste and increasing efficiencies. Photo: David Weekley Homes

SS: Amazing! That was just for your division, \$900,000?

JH: Yes, that's just one year for Houston, based on accurate counts on what was required for each community, specifying things right and then eliminating a lot of variances. We actually determined exactly what we needed and we weren't just relying on some obscure budget.

SS: I have to ask you, though, and it's a great fear out there, if I'm the customer and I'm looking at David Weekley Homes this year compared to last year, will I see any visible difference?

JH: Yes. It's a significantly better product. MF: Let me give you an example. For a tree that is fairly common for our landscape packages, we negotiated with two companies in the city instead of 12 to get economies of scale. We were able to get them involved at a higher level so that we actually could upgrade what we deliver to our customers and provide more visual flair, and for less money.

SS: Ninety percent of builders would say it's impossible to have houses look better, suppliers and trades happier, make it easier on people administratively — and save \$900,000. They'd say, "Here's how you save \$900,000. Take everything from the five-gallon to the two-gallon, replace the 12-foot trees with 6-foot trees, and just sod the front yard, etc." They just dumbed down the house and made it harder to sell.

MF: A few years ago maybe we would have said that, too.

SS: I remember an example from three years ago. Your plumber said, "You guys are the only people in town that use a double layer of Hardie backer. Why?" A couple of your guys got on the phone and called one of your field superintendents who'd been around for 25 years and asked him. His answer was, "I don't know. I think we were doing it when I got here." Nobody knew.

MF: We did find the answer. One of our division presidents wanted a heavier look for the tile. One man in one area, without really thinking it through, made a decision, and soon it was double Hardie all over the place. We made the change and not one customer has made a comment in three years.

JH: We ended up saving \$280,000 by getting rid of that one layer.

SS: Mike and Jennifer, you have been great and we appreciate your candor. In closing, what advice or observation can you give to builders, suppliers or trade contractors considering their own venture into Lean processes?

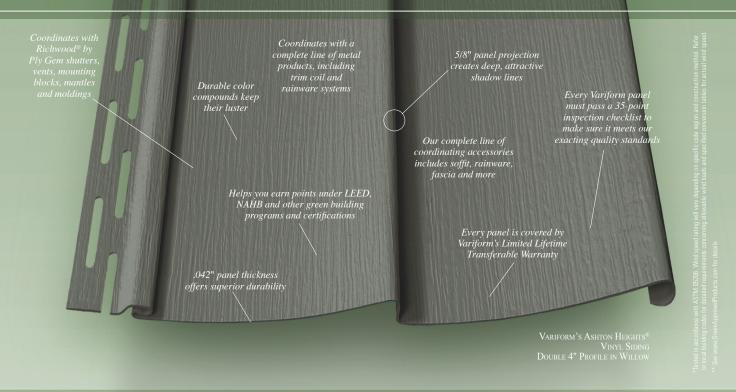
JH: So often people are afraid to ask the question. Even if it's been going on for five, 10, 20 years, ask the question. Maybe no one's ever had the nerve to question it. So ask those questions, think outside the box, and you'll be surprised at the amount of success you can get very quickly.

MF: If you roll up the Houston division over the past few years, we have saved more than \$10 million. I know that many smaller builders will hear this and think, Yeah, yeah, that's a big company and boy they must have been incredibly inefficient and all that. But it's a legit number and my question to the listeners is: Why haven't you found it? You have good people in your organization, but you haven't focused on it in the right way. We needed help and you do, too. We didn't think that we were a bad company. We didn't think we were that inefficient. But we also didn't think that we had \$10 million sitting around, just laying there over the last three years — but we did. And so I suggest strongly that people take a look at Lean building, because both philosophically and from a practical and bottom-line standpoint, it's a process that pays for itself. PB

This is a highly abbreviated transcript. For the complete transcript and audio interview, visit www. Housing Zone.com/Lean.



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In an era when home builders have virtually no room for error, proponents of building information modeling software, like Warren Buffett, say now is the time for builders to adopt the technology.

By Peter Fabris, Contributing Editor

Builders

A new home has risen in a fancy new development, but it contains a flaw that is embarrassing and aggravating for the home builder's project manager. A window intersects with a roof line — a formula for leaks into a second-story bedroom. It's the type of mistake that is all too common in the industry. The window must be moved, a costly fix.

During a period when profit margins are tighter than ever, this kind of error eats away at the bottom line. Builders have longed for a system that can prevent such profit-stealing construction flaws, and in recent years have heard that building information modeling (BIM) is the answer. According to the sales pitch, BIM will not only drastically reduce design flaws and change orders, but will also enable home builders to increase productivity in design and drafting, reduce overbuying of materials and estimate costs more precisely — all of which will significantly boost profit margins.

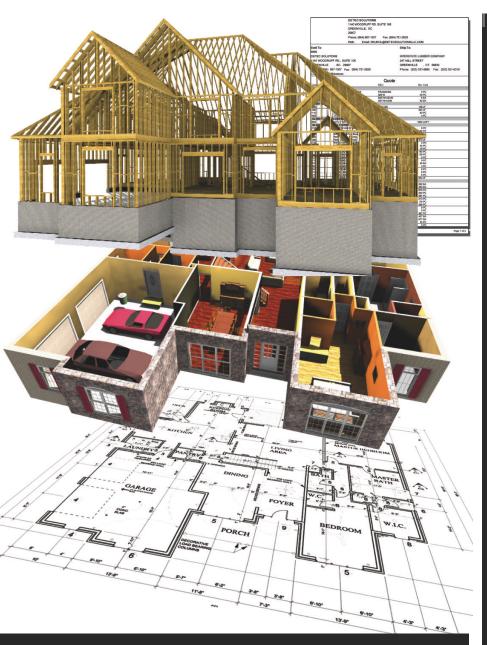
Already a success in commercial construction, BIM has not been widely adopted to date by home builders. Many feel that the technology hasn't been tailored for the challenges of home building's rapid scheduling. But that sentiment is beginning to change.

With recent upgrades of leading BIM systems, making them better suited to home building, is it time for the industry to get serious about BIM?

Some are saying "yes." Among them is Warren Buffett, chairman of Berkshire Hathaway,

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WHILE MANY PEOPLE define BIM as 3D design software, in order to get the most out of the technology, it is better to think of it as a system to manage a construction project from beginning to end. 3D/BIM plans and related documents, such as bill of materials, can be accessed by suppliers and subs. Thus, everyone can work from the same set of plans and data without having to redraw. *Rendering: Cadsoft*

5 TIPS FOR IMPLEMENTING BIM IN YOUR HOME BUILDING BUSINESS

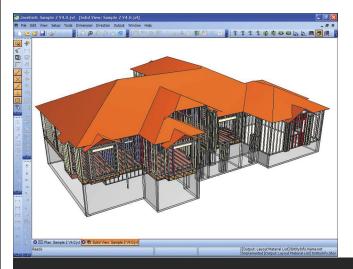
- 1. BE REALISTIC WITH THE TIMETABLE. While BIM can help transform the business with badly needed cost-saving capabilities, remember that people need time to adjust to change. Trying to do too much too fast is a recipe for failure. Use a phased-in approach with realistic benchmarks.
- 2. DON'T SKIMP ON TRAINING. The more proficient your staff is with the software, the higher the return on your BIM investment. So budget enough money and time for training. "You have to maintain your commitment to training even while you have production demands," advises Dan Gorski, Veridian Homes' vice president of home building services.
- 3. CONSIDER OUTSIDE HELP. The initial stages of converting 2D plans to 3D and setting up the related systems that provide estimating data and construction documents are labor-intensive. "We would have needed to increase staff dramatically to bring the new platform online," says Jim Risch, director of architecture for DeLuca Homes, based in Yardley, Pa. DeLuca's solution was to hire consultant CG Visions of Lafayette, Ind., to assist in the move to the new platform. "They helped us set up libraries, material databases and output formats," says Risch.
- 4. STANDARDIZE AT THE OUTSET. Design specifications, estimating methods and other key data points must be developed consistently across the company and throughout the supply chain. This includes architecture consultants, subcontractors and suppliers. The sooner in the implementation process that these standards are harmonized, the better.
- 5. DEVELOP A SALES PITCH FOR SUPPLIERS/
 PARTNERS. Be prepared with some salesmanship to
 persuade suppliers and contractors that participating in your BIM plan will benefit them, too. In a
 nutshell: Suppliers will have fewer material returns
 and contractors won't have to spend as much time
 correcting design mistakes in the field.

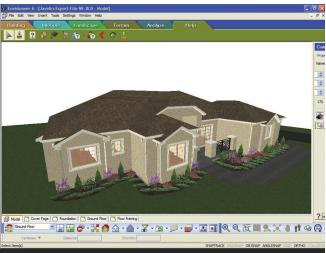
one of the most successful investors in history. The Oracle of Omaha is so bullish on BIM that he acquired software developer and BIM service provider Simpad/Blackpoint Builder Services, now a subsidiary of one of his holdings, MiTek. Buffett also authored a book touting BIM to home builders.

"We are making an investment in assisting a limited number of home-building companies to automate their CAD production and estimating processes," Buffett wrote in the book, which was distributed to CEOs of the nation's 50 largest home builders. "They will quickly realize the cost savings. The qual-

ity and accuracy of their design and construction process will be better than ever before, and they'll be delivered in a much shorter period of time."

BIM is commonly used in the design of major high-rise office towers, bridges, power plants and other complex projects with long timeframes. Architects, engineers, construction management firms and owners have reported notable results in improved efficiency on commercial and public works projects, and BIM is on its way to becoming an industry staple.





A PARTNERSHIP between Cadsoft and Weyerhaeuser allows designers to 3D/BIM model complete structural frames, including the floor, wall and roof systems, and send them along with material lists directly to a lumber yard for fabrication. This eliminates the need for redrawing plans and transposing data.

What is BIM?

While many people define BIM as 3D design software, in order to get the most out of the technology, it is better to think of it as a system to manage a construction project from beginning to end. "People vary in their use of the term," says Ross Theilen, general manager of structural frame software for iLevel by Weyerhaeuser. "It's not just a software application; it's a mechanism for collaboration among platforms."

BIM 3D design tools represent elements of a home design as objects. The objects can be reused in multiple designs, saving time in the drafting process. Additionally, by presenting design in 3D, it's a lot easier to catch conflicts such as a window intersecting with a roof line. But more than that, on a BIM object of a window, for example, the designer can attach data including the size, type of glass, whether a screen is included and the window brand, to the 3D depiction. Then this information can be fed into

an estimating component to obtain the unit price.

Analyze all of the windows in this way, and you can get the total cost of all of the windows in the home. You can also try alternative window types and brands to find out how they would impact the

overall cost. Repeat the process with all of the elements of a home, and you can come up with a reliable cost estimate of all materials to be used on the project. Then, ideally, the 3D plans and related construction documents such as bill of materials can be accessed by all suppliers and subcontractors over the Web. Thus, everyone can work from the same set of plans and data without having to do any redrawing or transposing.

Indeed, BIM promises much more than a fancy-looking electronic blueprint. It can be a valuable aid in making stra-

tegic decisions. This is the long-term vision for BIM, anyway, though very few home builders have achieved such an advanced degree of integration.

Getting Lean

In order to maximize BIM's benefits, builders should use it within a Lean building process. Lean building is a project management approach that attempts to wring out waste such as overbuying of materials and to reduce errors that lead to change orders — and higher costs.

"Beginning with the crash of 2006, builders have become increasingly desperate to reduce costs and have pushed themselves to the limit, yet we see them walk right past some of their greatest savings opportunities," says Scott Sedam, president of TrueNorth Development and a Lean building guru. "There is a gold mine sitting right under their noses, yet builders fail to tap

"All of us are operating with slimmer margins. The ability to measure and manage costs is critical — a matter of survival. BIM is essential for accurately gauging costs." — Don Carpenter, Oakwood Homes

it because they don't know how to identify, measure and track waste. Most who do see it simply assume these costs are just part of doing business, or are just too difficult to deal with."

According to industry consultant Chuck Shinn, builders can improve profits from 2 percent to 10 percent just by streamlining management systems. Adding BIM 3D design software alone, however, will not cut all that fat from the building process.

"Just because you have a 3D model, if you don't know how to leverage it, it's not going to do you a lot of good," says Tim

Beckman, partner with CG Visions, a BIM development and implementation consulting firm. To get the most out of BIM, the design software must work seamlessly with estimating tools, and produce usable construction documents for suppliers and subcontractors.

The major players in BIM software and services have focused recently on making it easier for clients to leverage the technology beyond design and drafting. Simpad/Blackpoint Builder Services, for instance, offers a collaboration portal that allows trade partners and contractors access to clients' BIM plans and documents through a secure Web site. In addition, Simpad's technology, which is built to work with Autodesk's AutoCAD and Revit, is now integrated with MiTek's truss ordering system, eliminating the need for the truss manufacturer to rework designs. This not only speeds up the process, but it also diminishes the possibility of inaccuracies during truss manufacturing.

Another example of multi-partner cooperation is Cadsoft's Envisioneer and Weyerhaeuser's iJavelin integration that allows designers to model complete structural frames, including the floor, wall and roof systems, and send them along with material lists directly to a lumber yard for fabrication. This, too, eliminates the need for redrawing plans and transposing data.

"The lumber yard can cut pieces to the exact length and cut holes for the plumbing elements," says Ross Theilen, general manager of structural frame software with iLevel by Weyerhaeuser. "Everything can be labeled so that it can be put together like a jigsaw puzzle on site."

There are other instances of collaboration between software vendors, and you can expect more of them to be announced. It's in everyone's interest for all of the various players along the supply chain to participate in BIM because each participant stands to improve efficiency. The more players involved, the more benefits for all. This process will take some years to fully develop, though.

Recent improvements in BIM products are making more builders take the technology seriously, but there remains plenty of skepticism. Doug Smith, now executive director of estimating with BSB Design, Dallas, led a multi-year BIM initiative for his former employer, Centex, that was halted in 2008. The home builder had decided that BIM required too much training and did not improve plans and estimates enough to make it worthwhile. Smith still holds that view. "To where BIM has developed thus far, it is too time-consuming and not accurate enough for home builders," he says.

But Smith's former employers - Pulte Homes, which acquired Centex — are about to jump wholeheartedly into the BIM world. In 2008, "the value-add on the estimating side wasn't really there," says Scott Thomas, Pulte's national director of production. Since then, the tools have improved to the point where the company is now evaluating which ones to embrace, not whether to buy into the concept at all.

Implementation challenges

The ranks of builders adopting BIM are growing, but implementation isn't a fast or easy process. It's essential to take a

WHILE COMPETITORS REDUCE OPTIONS. **OAKWOOD HOMES INCREASES THEM USING BUILDING INFORMATION MODELING**

IN 2009, WHILE MOST HOME BUILDERS would have been thrilled just to match the previous year's sales, Oakwood Homes sold 330 homes, a big jump from 187 in 2008. The impressive results can be directly attributed to a new business strategy in which BIM plays an essential role.

Late in 2008, the Colorado builder decided that it had to reduce its price for entry-level homes from \$190,000 to \$150,000 in order to meet the demands of a changing market. Reduced price points meant reduced profit margins, so cutting costs was critical. Oakwood needed to scale back the size of these entry-level homes from 2,000 square feet to 1,400 square feet to make a profit at the new price point.

Also critical to gaining competitive advantage was to be able to offer customers a wider variety of options for base home designs. "A lot of builders are looking to offer fewer options to reduce costs," says Don Carpenter, Oakwood's director of product development. "A lot of our competitors are looking to limit choice, while we're looking to expand options."

Converting their designs to a BIM platform using Autodesk's Revit and Simpad's Blackpoint Builder Services was the first step. Using BIM models, Oakwood has been able to accurately gauge its unit costs, which gives the company the ability to obtain accurate costs on base homes and many options. Thus, the company can figure its profit margin on every site-specific plan at the onset of the project.

Also, option pricing can be adjusted quickly when the price of materials changes. Oakwood's sister company manufactures housing components used in its designs. "Our component factory lives and breathes costs; they work with materials every day," Carpenter points out. When the sister company finds a good deal on a certain brand of, say, insulation, the new price can be automatically reflected on all plans throughout the design database. Then Oakwood's designs can be switched to the bargain brand of insulation to reap the savings.

"All of us are operating with slimmer margins," Carpenter says. "The ability to measure and manage costs is critical — a matter of survival." BIM is essential for accurately gauging costs, he adds. "Builders that are going to be successful will switch to this. Others are going to struggle."





phased approach to implementing BIM tools and processes, and to allow enough time for staff to get up to speed with the software and procedures. "Initially, it looks expensive and difficult to implement," CG's Beckman says. "But you can do it in progressive steps. You can start with the product document set and leverage it to do other things later."

A big challenge to Veridian Homes' BIM implementation was allowing time for training while keeping up with production demands, says Dan Gorski, vice president of home-building services for the Madison, Wis., company. Veridian's owners were strongly committed to BIM, including making sure staff was well trained, which was essential to success, Gorski says.

"A key was finding a trainer that worked best with our team," Gorski says. The trainer provided a two-week course for the design team onsite, then followed that up with visits for one week a month for six months to provide one-on-one coaching. Making sure that the trainer had a good rapport with staff was crucial, Gorksi says.

For Grant Giese, president of Green Goose Homes, based in Lafayette, Ind., there is no need to convert 2D plans to 3D, or revamp legacy estimating systems. The company is a start-up that will use BIM from inception. Giese says his biggest challenge will be working with suppliers and subcontractors who are mostly unfamiliar with BIM. "They are still going to want to do things their way," Giese says. He's ready to make a strong case to them, however. Suppliers will be enthused by the prospect of fewer material returns, he believes.

Thomas senses less opposition from Pulte's trading partners than even a couple of years ago, partially due to the struggling economy. "They are more willing to do these things today than they were a few years ago, when everybody was making money," he says. Some trades like component manufacturers will get on board early, while others such as mechanical contractors that do their own designs will lag.

Standardization is essential

Different home builders have different ways of designing elements and recording data. But software doesn't work well when there are conflicting standards. In some cases, builders have to conform their methods to work with BIM.

Leslie Day, president of Inland Homebuilding Group of Tampa, Fla., which is implementing BIM using Simpad's Blackpoint, says her company has had to adapt some internal processes to fit the specifications of the system. "Our biggest challenge right now is taking the way we bid and

adjusting it to Blackpoint's format," she says.

Making sure that all of a builder's suppliers and contractors use and understand designs, estimating methods and other data points the same way is another complication when tackling BIM. Brookfield Homes Southland of Costa Mesa, Calif., hires multiple architecture firms, each with slightly different ways of presenting designs. For example: "Each one has a different style of representing MEP systems," says Chris Formes, Brookfield's IT manager. That will soon change, as the company is now requiring its architects to adopt a standard approach. **PB**

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INDUSTRY



The Fine Art of Negotiating

In order to negotiate successfully, custom builders need to educate their clients throughout the construction process — and remember to keep their cool when things go awry.

03 | 2010

Negotiating Skills

By Nick Bajzek, Products Editor



deliver what was promised. "It required me to step back, take a deep breath, review the situation and all documentation, and then create a strategy that would result in a 'win' for both of us," says Stephani. "Then we sat down and discussed the problem, examined the documentation and looked for common ground." While no one really "won" the negotiation, he was able to resolve the dispute and move on to complete a successful project.

Stephani, a nationally recognized speaker and trainer as well as president of Custom Construction Concepts in Crystal Lake, Ill., believes custom builders have a lot to learn when it comes to negotiating. "Many are so personally involved in their business that they let their emotions show through in a negotiation," he says. "They're typically better at negotiating pricing, service and quality with trades than they are with homeowners." The bottom line: Most builders fail to set realistic expectations before, during or after the sale.

Lisa Cornelius, director of sales and marketing for Tilton Group Signature Homes in Hilton Head, S.C., echoes Stephani's words: "We have to be on the same page at all times. More than anything, negotiating is educating. We need clients to understand that the features that are standard in our homes aren't necessarily standard in another builder's homes." Cornelius adds, "It's important that clients know who they're dealing with. They know who is keeping them updated. They know who is sending them pictures from the job site."

Naples, Fla.-based London Bay Homes' President Mark Wilson has dealt with negotiations both large and small. In one community, the master developer got into financial difficulty and there was a real possibility the company would go bankrupt. Wilson says despite the environment, it was still important to get sales within this community. "All of the contracts ended up being negotiated by me so that I could address the real fears of the potential buyers," he says. "In order to do this, there had to be some very straightforward conversations."

Luckily, at the time approximately 70 percent of the homes in the community had been built. And because of the high level of resident support, it was apparent that there would be a solution that didn't necessarily include bankruptcy. "Without talking truthfully and straightforwardly through this, and building

7 TIPS FOR SUCCESSFUL NEGOTIATING

- Follow a well-organized sales process when positioning and discussing the company.
- Set realistic expectations before, during and after
 the sale.
- Adjust your negotiating style to the personality of the client. When dealing with a husband and wife, make sure you "read" and cater to each spouse's personality.
- Follow up in a style that is most appealing to the personality type you are dealing with.
- 5. Keep emotions out of the negotiating process.
- 6. Listen to your clients. Never answer a question unless you know why they're asking it.
- 7. Make sure that you are always closing. Don't be afraid to ask for the sale. Even when dealing with very wealthy clients, the builder needs to maintain an air of confidence that puts everyone on an equal footing.

Negotiating Skills

NAHB NEGOTIATION SKILLS COURSE HEADING YOUR WAY

"While time and experience have helped me to negotiate better, instructing the NAHB negotiating course for the Graduate Master Builder (GMB) designation has helped me to recognize that successful negotiation is a process that can be applied to everyday situations," says builder, speaker and trainerTom Stephani. Check out the 2010 course schedule at www.nahb.org.

confidence not only in the project but in London Bay, it would have been impossible to get contracts signed during the whole of 2009," says Wilson.

Ultimately, he says, your negotiating style might depend on the personality of the client. It's important to size them up and think about the manner in which you are going to talk to them. Followup from meetings should also be based on that style. For example, if the client has a more driven personality, there is a good chance that they will make fairly fast decisions, want to make a deal, and not get unnecessarily bogged down in the minutiae. On the other hand, says Wilson, if you have an analytical person on your hands, they're going to take longer to go through the process and will want all the details, upfront and in writing, before they make a decision.

The Win-Win Situation

S6

"I think anyone who runs a small business gets pretty good at [negotiating]. Everything that you're doing is a discussion," says David C. Payne of Payne & Payne Builders, Chardon, Ohio. "But we don't like the word 'sales' because of the connotation; we call it 'project development.' We'll know right away if we're a good fit."

Payne says negotiating doesn't necessarily mean you need to get something out of someone. "I work with people all the time who use body language or don't talk at all because they want the other guy to talk too much to see what they can get out of them," he says. "I always say, 'Hey, let's figure out if we're a fit.' I'm not trying to sell from the start."

Over the last two years, Payne's projects have been running a lot leaner. "It used to be that when clients came in and said

'Our budget is \$350,000,' we'd design a home for that price and they might ratchet it up to \$400,000. [If] we hear that today, alarms go off. Now we try to leave some room in the budget for the future." He adds that there's little wiggle room for the project to get off track, especially in materials. "I've seen a lot more negotiating in the last two years. Until you talk through every facet of the house, you can't go forward. The first thing I always try to do is figure out what they want to accomplish."

Listening Skills

Payne says much of the art of negotiation is in listening to your clients — really listening. He and all of his salespeople train under a system called the Sandler Sales Institute, run by sales trainer and author David Sandler's national franchise program. Sandler thinks Columbo, from the detective TV series, is the ideal sales personality. With his disheveled look, Columbo seemed incompetent, but he would end up getting suspects to say things they normally wouldn't because his appearance was so non-threatening.

One principle he's taken to heart, says Payne, is "Never answer a question unless you know why they're asking a question."

"I have to know why they ask the question, 'When will this be done?' Instead of committing to a date — say six months — I'll ask them when they need it by," he says. "You might not know what they're up against. Maybe the lease they have now will run out in five months."

Seek Answers

"The success of our business can sometimes be measured in the work we do not take." That's a quote from David Payne's father,

F. Michael Payne. "If you can't work with someone or if they're not a good fit, sometimes it's best to walk away. If you have a difficult client, you can do everything right and all you'll do is kill yourself," says Payne.

Wilson says proper preparation is very important, and in a tough market, it becomes more important than ever to have a thorough, well-organized sales process so that the final negotiation becomes easier. "At London Bay, we have chosen to use Bob Schultz & The New Home Specialists to train and organize the sales team. We've found this to be well worth the time and expense," he says.

'Try to keep personalities out of the discussion.

Work for a win/win deal.

Don't get emotional. The first person to lose their temper loses the negotiation."

Builders should keep in mind that negotiating is often more about overcoming objections than giving up their price and margin, Wilson adds. "Objections from clients are not always real objections and can be overcome relatively easily. It's important to be able to distinguish between questions that appear to be objections and true objections that are going to require some skill to overcome."

— TOM STEPHANI

Be wary of over-negotiating or chasing the bottom line, warns Cornelius. "You'd better believe that your clients will entertain many bidders," she says. "But I think now the clients who had to pull back on their projects will take them off the shelf. The deals are out there."



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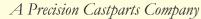
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Feel the Heat

These kitchens maximize storage, functionality, light and views — and they're beautiful, too.



By Susan Bady, Senior Editor

Family Affair

This vacation home accommodates a large family, weekend guests and holiday celebrations. The owners wanted their kitchen to be open to the great room — with its wall of glass overlooking a lake — as well as the dining room and porches. The resulting space is relaxed, informal and totally functional. To provide a visual break, the kitchen has a porcelain tile floor that abuts the hardwood flooring in the dining room.

A large island with a prep sink and seating for six is the centerpiece of the room. The custom Douglas fir cabinets have a beaded face frame and a clear-coat, natural finish. The cabinets over the range have an etched pine-tree motif that reflects the name of the property, Piney Point, and is repeated in various places in the home's interior and exterior. Storage space abounds in the cabinets around the appliances and under the island. There's also a walk-in pantry with a frosted glass door.

Location: Maine

Builder: Howell Custom Building Group,

Lawrence, Mass.

Architect: Laine M. Jones Design, W. Newbury, Mass.



A Sea of Green

After entering this kitchen through a vestibule that showcases beautiful custom glasswork, the first thing you notice are the warm wood cabinets made of straight-grain, quarter-sawn maple with a two-tone dye stain finish. The wood provides a counterpoint to the sea-green granite countertops and glass-tile backsplash.

Reclaimed floors made of seven different wood species give the room an expansive, open feel. The wood grain aligns with the angled walls and island. The tile backsplash draws the eye upward to the dramatic, arched ceiling.

Location: San Diego

Builder: Charco Construction, San Diego Architect: Prater Architecture, San Diego







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Details



Divine Intervention

This contemporary kitchen was remodeled for an avid cook and baker who wanted a larger kitchen with better traffic flow and functionality. Divine Kitchens removed walls and flipped the location of the existing kitchen and dining room to open up the space and take advantage of lake views at the rear of the home.

The result is a stunning 266-square-foot kitchen, drenched in natural light and designed in sections for different activities (a small vegetable sink for food preparation, an island for cooking and dining and a baking center across from the oven). The finishes include tigerwood flooring, a blue concrete island countertop and cherry cabinets finished in both natural and dark stains. The island is positioned so that the cook can enjoy views of the lake.

Location: Sutton, Mass.

Builder/designer: Divine Kitchens, Westborough, Mass.

PRODUCTS

Family Affair

Appliances: Bosch, GE, Sub-Zero, Wolf Cabinetry: Custom Countertops: Granite Faucets: Newport Brass Flooring: Daltile Sink: Kohler

Divine Intervention

Appliances: Gaggenau Cabinetry: Custom Countertops: Concrete Faucets: Dornbracht Flooring: Custom Sinks: Houzer

Tudor, With an Edge

Appliances: Bosch, Maytag, Sub-Zero, Wolf Cabinetry: Osborne Cabinets
Countertops: Caesarstone Faucets: Danze, Hansgrohe, Rohl Flooring: Custom Floors
Unlimited Sinks: Blanco

A Sea of Green

 $\textbf{Cabinetry:} \ \textbf{Custom} \quad \textbf{Countertops:} \ \textbf{Granite} \quad \textbf{Flooring:} \ \textbf{Custom}$

Logged Into Luxury

Appliances: Fisher & Paykel, Sub-Zero, Wolf Cabinetry: Bertch Countertops: Granite (wood butcher block on island) Faucets: Moen Flooring: Shaw Sink: Mansfield Windows: Vetter

Well Connected

Appliances: Sharp, Sub-Zero, Wolf Cabinetry: Custom Countertops: Concrete, granite Lighting: Tech



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Details



Well Connected

Design/build firm Streeter & Associates stepped up to the challenge of remodeling this kitchen with minimal impact on the building envelope. The existing kitchen was a compartmentalized space that the owners wanted to open up to take advantage of views to the outside. It was also closed off from the rest of the house. Designer Jeff Lindgren made the new kitchen the center of the home.

Transom windows were added and many of the old windows and doors were replaced. The new kitchen has two walnut islands with 2-inch-thick, site-poured concrete countertops. Their weight required some reinforcing of the existing floor joists and restructuring some joists on the point loads, Lindgren says. The island opposite the 60inch range has a section of walnut butcher block and serves as a command center for Mom. The second island has a large, 40-inch trough bar sink, trash and recycling bins and a refrigerator/freezer for the kids' drinks and snacks. The ash wood floor was painted; then the paint was rubbed off to give it a grayish tone. A hand-curved monorail lighting system completes the picture. "We basically formulated our own definition of transitional in this home," says Lindgren.

The project included a large walk-in pantry and separate wine bar just off the adjacent hallway, and ample seating and counter space for food preparation, family meals and entertaining.

Location: Minneapolis

Builder: Streeter & Associates, Wayzata, Minn. Designer: Streeter Renovation & Design, Wayzata, Minn.



Logged Into Luxury

Golden Eagle Log Homes went all out with this showcase home on a lake in Wisconsin. The kitchen is a showpiece in itself. Solid, knotty alder cabinets with a natural stain are 42 inches tall, staggered in depth, and matched by alder windows.

The island has an antique look with its aged, ebony stain and carved legs. Adding to the impression of timelessness is a piecrust farm sink and an arched, decorative range hood.

Location: Lake Petenwell, Wis.

Builder/designer: Golden Eagle Log Homes, Wisconsin Rapids, Wis.



IA GIOVAN PHOTOGRAP

Tudor, With an Edge

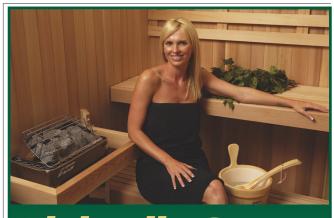
A mix of high-tech modern and traditional elements gives the kitchen of this English Tudor style home an edgy, commercial cooking environment that doesn't feel cold. The stainless steel, standalone refrigerator and freezer and all-in-one sink and counter complement earthy materials such as a gray slate floor, reclaimed wood ceiling beams and dark walnut-stained island cabinetry.

The large island offers maximum functionality with its under-cabinet storage, hidden microwave and vegetable sink. A painted brick wall adds subtle texture and a loft-like feel. *Location: Houston*

Builder: Thompson Custom Homes, Houston Architect: Robert Dame Designs, Houston



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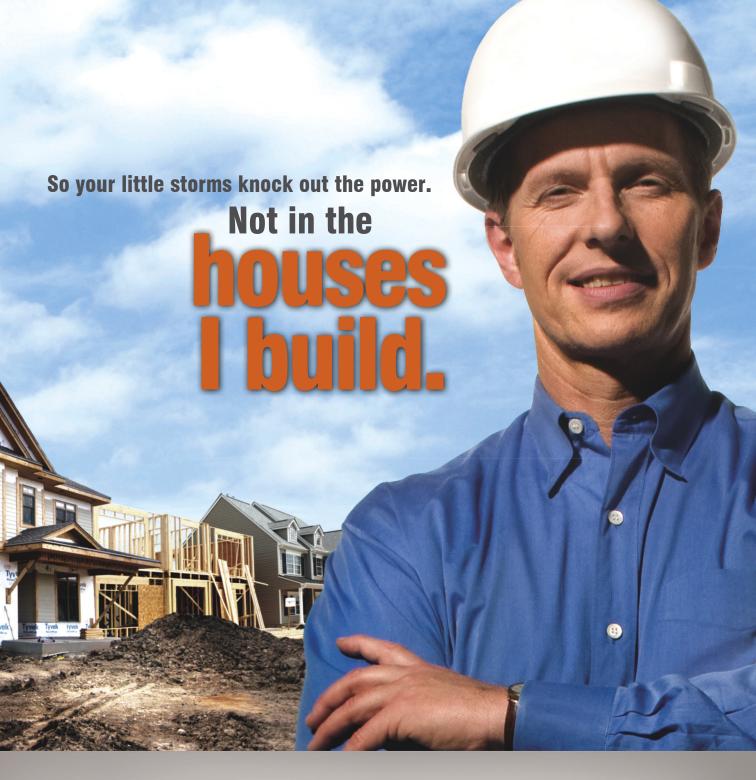
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[SALES AND MARKETING]

Winning Ways

Nationals' Gold Award winners share their strategies for sales and marketing success.

By Pat Curry, Contributing Editor

very year, NAHB's National Sales and Marketing Council recognizes creativity, excellence and innovation across several disciplines, including advertising, marketing, model merchandising and design. The awards, known simply as The Nationals, are the most prestigious honor in the

business. As much as we wish we could feature all the winners, it's impossible with 63 categories. This year, *Professional Builder* zeroed in on four categories that represent the central tools of every builder's sales and marketing efforts — the sales center, Web site, model merchandising and advertising.

Best Sales Center

Crystal Point, Jersey City, N.J.

Builder: Fisher Development Associates, Purchase, N.Y.

Marketing director: Adrienne Albert, The Marketing

Directors, New York, N.Y.

Sales office: The Marketing Directors; Sherman Advertising; Kim Depole Design



he team in charge pre-sales for Crystal Point knew they had a phenomenal product to offer. Too bad the sales center was in a trailer blocks inland, where the only view was of a main thoroughfare.

"The whole key to the building was the views," says builder Brian Fisher. "Every room has a view of the water. It's a very unique thing. We wanted the sales office to convey that to people who came in."

The team's solution for the sales center was to wrap the entire building in a photo mural of the view from Crystal Point. "Using the sales center itself as signage was one of the things that distinguished it," says Adrienne Albert, president of The Marketing Directors, which handled sales for the project.

Inside, buyers could experience a fully furnished model of a two-bedroom unit, complete with floor-to-ceiling windows with photos of the actual views. "We took an entire wall and did a panoramic view of Manhattan," Albert says. WHY IT WON: Judge Dottie Paek says the sales center captured the feel of the waterfront location. "It was a terrific representation of lifestyle." YOUR TAKE: Few builders will have the killer views of Crystal Point, but every community has a story to tell and the sales center needs to capture that story as vividly as possible. Whenever possible, use photographs from your site and your homes instead of generic stock images.

he approach for TF Cornerstone was a bit different from most builder sites because, while the client is a developer/builder, the site is primarily geared to renters. With a goal of getting people to rent directly from the site, the key question was how to get people to inquire and lease as quickly as possible. To do that, Silver Creative marketing director Paul Zullo painted a picture of "a reputable company that is safe and secure."

Zullo decided to minimize the gee-whiz design elements that can get in the way of a Web site's message. "People are so inundated with advertising and marketing messages, they've become desensitized," he says. "Get all the puffery out of the way. Give me a headline with five words. Give me reality." WHY IT WON: Judge Dottie Paek says the judges were impressed by the site's crisp, clear presentation and message. "It was very clean, easy to navigate and not too confusing or overloaded with too many details," she says.

YOUR TAKE: If you provide as much information as possible about the property on the Web site, then the on-site sales agents can spend less time playing tour guide and more time selling the units, says Zullo.

Best Web Site for a Builder

TFCornerstone.com

Builder: TF Cornerstone, New York

Web site designer: Silver Creative Group, Norwalk, Conn. Marketing director: Paul Zullo, Silver Creative Group





hile many New Yorkers had seen the exterior of the iconic Apthorp building, few had seen the interior. As a result, the ad team wanted to bring prospects inside by featuring photography of the interiors and the courtyard. The print ad campaign — targeted at Wall Street executives, affluent families and celebrities — leveraged the building's history, architecture and spacious residences.

WHY IT WON: Judge Dottie Paek says the ads were "gorgeous" and squarely hit their target buyer. "They captured their audience — the Ivana Trumps of the world."

YOUR TAKE: The decision to include print in an overall campaign needs to be made strategically after analyzing your potential audiences. The Apthorp buyer, the team decided, would best be reached in a highly visual campaign in newspapers and magazines that target luxury consumers.

Best Print Campaign

The Apthorp, New York

Ad Agency: Sherman Advertising Associates, New York



Best Interior Merchandising of a Model Under \$500,000

Mariner at Love Creek, Lewes, Del.

Builder: Schell Brothers, Rehoboth Beach, Del.

Interior designer: Joni Hitchens, Echelon Interiors, Rehoboth Beach, Del.



ith a client base that's half year-round residents and half vacation-home owners, interior designer Joni Hitchens had to present an aesthetic that looked like a vacation getaway, but felt like home. She did it by blending traditional pieces in vibrant blues and greens, which were inspired by the community's beach location.

"Most of my clients are bringing some pieces from home," she explains. "They'll use what they have, and maybe get a new sofa. We wanted them to be able to visualize their antique table if they put lime-green chairs with it."

WHY IT WON: "It was more reminiscent of a home-y feel than an artificial model feel," judge Dottie Paek says.

YOUR TAKE: Designers can over-merchandise to the point that customers can't visualize how their own pieces would look in a home. If it doesn't feel lived in, people get turned off.

12 Tips for Marketing Your Homes

Web sites

- **I.** Have plenty of photos on your site. Photo galleries are always the most-visited pages. Provide elevations and floor plans.
- **2. Include a registration button on every page.** *Make it simple for prospective buyers to sign up for an interest list.*
- **3. Shoot video testimonials for your site.** *Create a You- Tube channel for them.*

Model merchandising

- **4**. **Don't forget to add some color**. *Color can create a very emotional memory point, and is the cheapest accessory out there.*
- 5. Pay attention to outside living areas. They're popular, yet many builders don't merchandise front porches or back yards.
- **6.** Make the bed the focal point in bedrooms. *It has to feel comfortable, warm and inviting.*

Sales centers

......

- 7. Build what you are selling. The look and feel of the sales center should replicate what you're selling as closely as possible.
- 8. Put your sales team in charge of traffic flow. *Keep people from walking past the reception desk to the presentation area.*
- **9**. Have the closing offices visible to prospects. The offices need doors for privacy, but windows so prospects can see activity.

Print campaigns

- **10**. **The bigger the ad, the better the impact.** For fractional ads, request the upper right-hand position, where the eye goes first.
- II. Don't try to tell your entire story in one ad. *Use your* Web site to fill in the details.
- **12**. **Create a sense of urgency.** For example, the Apthorp's ads emphasized the rare opportunity to buy a historic home.





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[SALES TRAINING]

Practice Makes **Perfect**

Sales training can have many benefits for a home builder, both tangible and intangible, yet many builders can't or won't make the investment. Four leading trainers explain why their services are crucial.

By Susan Bady, Senior Editor

raining — or rather the lack of it — is a big issue in new-home sales. Builders either don't do enough training or they have no training budget. There are exceptions, of course, but many salespeople aren't trained to consistently build traffic, connect with and educate customers, and close sales. Conse-

quently, turnover in the profession is high.

Builders who don't recognize the value of sales training are missing the boat, because lost sales cost them a lot more than hiring a sales coach. We asked four of the industry's leading trainers to identify key selling problems that can be overcome with the right training program.

Learn to Sell With Financing



The biggest deficiency of new-home salespeople, says Tom Richey, is that they're not trained to sell and close with financing. He ought to know: the CEO of Houston-based Richey Resources has been working with builders and their salespeople for 53 years.

"If [builders] would take a minuscule portion of the profit they lose and train their salespeople in how to sell with financing, they would be way ahead of the game," says Richey. "It's not the price of the home that matters — it's how much home one can own for how little per month."

Don't rely on your lender to do this training, Richey warns. Lenders will merely hand over their latest menu of mortgage products without educating salespeople in the nuances of different loan types and sources, credit, ratios, federal tax implications, and so on.

"Builders and realtors say, 'I don't want my salespeople talking about financing; it's going to get me in trouble.' That will drive a potential customer across the street to a competitor who does know about financing."

5 REASONS TO INVEST IN SALES TRAINING

- 1. Salespeople will learn how to connect with buyers emotionally and find out not just what they're looking for, but why.
- Sales managers will spend less time at their desks and more time in the field coaching and motivating their people.
- 3. Turnover in the sales staff will decrease.
- Salespeople will learn how to follow up with prospects and generate traffic and networking opportunities.
- 5. Salespeople will learn to close confidently and without pressuring the buyer.



NURTURE CUSTOMER RELATIONSHIPS

ROBERT AUGUST, president of S. Robert August & Co., Centennial, Colo., is a firm believer in teaching the critical path: meeting and greeting, qualifying the buyer, demonstrating the product, handling concerns, closing and followup.

"Followup has always been very difficult, and most salespeople give up," says August. "We train everyone in the use of social media. They must respond to an online inquiry within five minutes or the buyer is going to go elsewhere. After an on-site visit, they have to follow up with prospects within two hours."



Follow-through is just as important. The salesperson should be present at meetings with the buyer and mortgage broker or banker to address any concerns the buyer might have, thereby reinforcing their relationship.

August says "relationship selling" is often misunderstood. Being nice to customers is fine, but that alone doesn't lead to sales. "If you don't continue closing that buyer and asking for the order and following up, the buyer will most often go somewhere else."

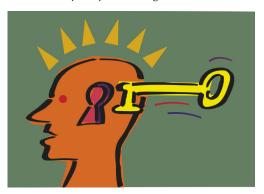
He urges builders to view sales training as an ongoing process, not an event. "Salespeople need to put whatever they learn into use every day," he says. "They should be held accountable for reviewing course material with their peers in the company. That will help them build their self-esteem and stay motivated."

Get Inside Their Heads

After marriage/divorce and life and death, buying a home is the third most emotional decision we make, says Jason Forrest, president of Shore Forrest Sales Strategies in Fort Worth, Texas. Once the federal tax-credit program ends, builders are going to have to learn to sell emotionally. That means getting to a much deeper level of understanding than salespeople typically achieve.

Forrest says salespeople have to be prepared for customers to say no, and all the emotional reasons they don't want to buy — the fear and worry. "They have to ask themselves why the customer's life will improve if they purchase a home. If they can't answer that question, there's no way [the customer is] going to buy."

In his opinion, only about half of salespeople go beyond the "what" level. If a customer is looking for a four-bedroom, two-bath home with a game room, the salesperson *should* ask, "I'm curious: Why are you looking for a four-bedroom house? Why do you need the game room?"



The worst thing a salesperson can do is send prospective buyers off by themselves to tour model homes. "The model is an interactive interview," Forrest says. "It's the greatest prop you could possibly have to help understand how they're going to live in the home emotionally. If you don't know what [customers] are thinking and what they're telling their spouses when you're not around, you can't help solve their problem."

Help Solve the Buyer's Housing Problem

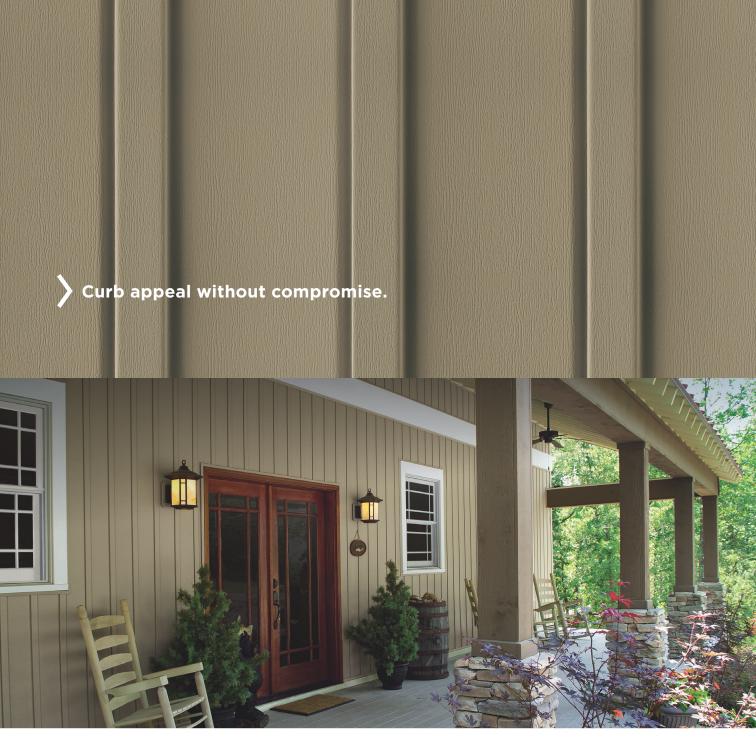
What concerns Jon Fogg most is that salespeople are very product-centered, asking such questions as "What size home are you looking for?"

The people walking into your sales office are there because there's something going on in their lives that's causing the need to move, says Fogg, a partner with The Berke



Group in Atlanta. Discovering the underlying reasons takes time, patience, followup and the ability to interview.

Fogg says salespeople spend an average of five minutes with a customer during the first visit. Yet customers are willing to spend up to three hours with a salesperson who engages them. "We teach strategies to engage customers for a longer period of time."



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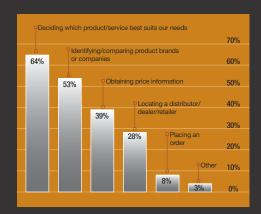






WHO IS VISITIING?





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 & enewseltters
- ▶ Employment opportunities
- Industry trade association links
- Award programs
- Advertising information

FEATURED THIS MONTH:

- Stimulus
- Green
- ▶ High Performance Homes













Filling

Many builders have discovered that infill sites are a viable way to deliver new homes in great locations with infrastructure already in place. Here are five success Stories. By Lisa Skolnik, Contributing Editor

> The residential real estate market has changed dramatically in the last few years, and it is a shift that many believe is here to stay. Gone is the day when people wanted large lots and many rooms. Upkeep and utility costs have made larger homes of every ilk undesirable.

> Ironically, infill — long a term with a bit of a negative nuance in the development world — is now a viable and popular way to fulfill needs and wants — especially since density, a byproduct of the practice, is a desirable and essential tool to increase the vibrancy and sustainability of an area. It can rebuild or reposition a community by renewing it economically, and benefit new residents by allowing them to live close to established resources, which ostensibly saves them transit time and money spent on cars and gas.

> But perhaps most significantly, infill is a vibrant and viable way to give people what they want, not more of what they already have. Here's how it has been done in five successful projects around the country.





Semi-Extreme Makeover

hallenging times call for creative measures, and CityView, the Los Angeles-based urban development asset firm founded by former HUD Secretary Henry Cisneros, has always been innovative. "Our mission is to provide outstanding, value-priced workforce housing in urban areas," says Devang Shah, a vice president at CityView. So when the real estate market went south as they were finishing WestEnd, a project in the up-and-coming Marina Arts District in Marina del Rey, Calif., CityView moved swiftly to make sure the infill development would not only survive but thrive. With loft-style flats, townhomes and penthouses ranging from 700 to over 2,000 square feet, the 119-unit project featured an unusual mix of residences in an area near the ocean that lacked desirable housing, says Shah. With buyers hard hit by the recession, CityView's development partner "wanted to turn the units into rentals and wait five years for the market to turn around," he says. Instead, CityView bought out the original developer and brought in The Kor Group, a Los Angeles firm known for its creative design- and amenity-focused approach to luxury hotels, resorts and residential enclaves.

"The project was 95 percent complete and had great finishes on the inside, but was aesthetically generic and insignificant on the outside. That's where it needed to be more dramatic, warm and inviting," says Tripp DuBois, Kor Group's vice president of sales and marketing.

An entry that looked like a docking station due to fire regulations was given handsome sculptural steel gates. The battleship gray façade was repainted in two hues (charcoal and misty white). When the project debuted in July 2009, units ranged from the low \$300,000s to the low \$800,000s — lower than originally intended. "We priced it for today's market," says Shah. More than 40 units sold in less than 40 days and only 21 remained at press time.





and exposed ductwork (right).

Photos: Laure Joliet

Amped-Up Classics

hen demand is high, a product sells. Thus a developer's task is to figure out how to deliver homes that give customers exactly what they want. That's certainly true in Silicon Valley, where buyers are challenged by a lack of product rather than compromised budgets. "There's very little new housing there because most of the open space is protected,"

explains architect John Thatch, a principal of Dahlin Group Architecture Planning in Pleasanton, Calif.

So when Classic Communities, a Palo Alto, Calif.-based developer, snagged a prime 6.75-acre parcel in Mountain View within walking distance of downtown and a neighborhood park, populating it with pretty, character-rich houses targeted to the area's flush, style-conscious tech pro-

fessionals with growing families seemed like a no-brainer. The developer and architect planned a community of 58 single-family homes called Classics at Miramonte, featuring homes ranging from 1,653 to 2,650 square feet.

While the homes have state-of-the-art, airy, luxuriously appointed, open-plan interiors, the exteriors are detailed in nine different architectural styles that were popular in California during an earlier, more visually romantic era: the 1920s and 1930s. Buyers can choose from such styles as Shingle, Craftsman, Mediterranean and English Country, guaranteeing that the community "would be diverse and not resemble a development," says Thatch.

But nothing is ever as easy as it seems. The economy tanked, causing everyone to exercise caution and make cutbacks wherever possible, and residents of the neighboring community to the south of the site, a development of historic Joseph Eichler homes, raised a stink. "They didn't want people looking down from second stories into their backyards," explains Thatch.

Dahlin came up with a land plan that sited the largest homes on the parcel's south side, with increased setbacks and windows that faced sideways or looked into interior courtyards to respect the Eichler development. Besides Energy Star appliances, the homes are also prepped with wiring for solar energy systems, should owners choose to add them later. The community is GreenPoint Rated, a program of Build it Green.

Prices were set at \$950,000 to \$1.65 million, and the project came to market in the last quarter of 2008, "when things were really ugly," says Scott Ward, vice president of Classic Communities. "But a single-family subdivision in a preferred neighborhood in the heart of Silicon Valley is a rare commodity."

That explains why 14 homes sold in the project's first three weeks on the market, and just 13 remain to date.





Island Beauty

ike a jaunty green mini-Cooper in a horde of staid gray sedans, LOFT @ Waikiki, a low-rise condominium development a few blocks from its namesake Hawaii beach, stands out in the crowd of mid- and high-rises that surround it. While its taller neighbors sport lackluster details and hard-edged facades, LOFT boasts a "tiled" spruce-green roof; rich salmon and sand "stucco" steppedback walls; French doors topped with fan-shaped hopper windows; picturesque lanais; and a circle of lush palms that play to the verdant roof. These features give it a decidedly Mediterranean demeanor.

But there is nothing traditional or quaint about the project behind the exterior. "This is Hawaii's first multifamily loft building," says Don Huang, principal of Honolulu's Collaborative Seven Architects and the project's developer. The roof and stucco façade are actually tile-formed metal and synthetic EIFS board. And its charismatic looks and other features - such as open-plan, soft-loft layouts; soaring and often vaulted ceilings that vary from 12 to 22 feet high; profuse built-in storage; luxury appliances and finishes; and two oversized parking spaces per unit — have allowed it to sell well at its original market rate, despite the tough economy. "There's

simply nothing else like it on the market here," maintains Huang.

Out of 33 two- and three-bedroom lofts ranging from 1,050 to 1,400 square feet, all with 100-square-foot lanais and priced from \$600,000 to \$950,000 for duplex penthouses, only three are left.

In concept and execution, the project is remarkably innovative for densely built Waikiki, and is also part of the city's \$1 billion redevelopment of the beachside neighborhood. Huang acquired the 30,000-square-foot site by piecing together six properties. Building codes dictated a project on that site could only occupy half that space and total 52,000 square feet. Instead of doing a tall, thin high-rise, Huang opted for a low-rise development with a podium design on a concrete-pile foundation. This enabled him to produce a vernacular, and more spacious, "twoplus-four" (two parking floors topped by four residential floors). It also allowed for higher ceilings, which gave individual lofts more built-in storage thanks to taller walls, and extra-large parking spaces below grade.

Best of all, says Huang, "We were able to use a telescope crane instead of a tower crane, which cut construction costs by about 25 percent."



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Simple Desert Modern

hen Mies van der Rohe preached, "God is in the details," he surely never imagined his missive would be put into practice in an affordably priced project located in 21st-century downtown Phoenix. But at Portland 38, a community of 38 tri-level townhomes on a 70,000-square-foot site, JAG Development's principal Allan Gutkin can tick off a list of surprisingly luxurious details that make the Modernist-inspired homes exceptional, especially given price points that range from \$159,000 to \$230,000 per unit.

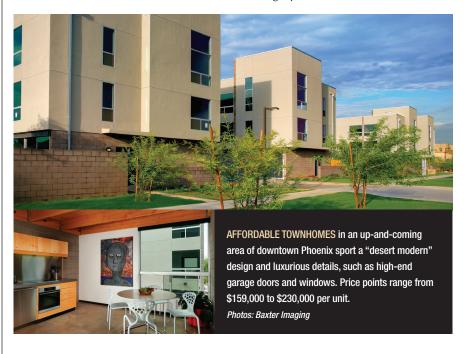
Each of the one- and two-bedroom townhomes, which range from 1,275 to 1,620 square feet, boasts a private onecar garage, back patio and yard on the exterior, and 16-foot-high exposed Douglas fir ceilings (detailed with hefty matching beams and tony appliances and finishes) on the interior. But the exceptional features that give the project an edge, and ironically come from two local purveyors, are the lustrous rolling coil aluminum garage doors and the sleek, custom metal-rimmed windows. Both were splurges. "The garage doors were almost \$3,000 a pop and the windows are very high-end," says Gutkin. "We used them because the architecture is so minimal

that we wanted to make a statement with the materials." They are also in keeping with a building philosophy that is dedicated to giving "all of our projects longlasting construction values."

The "desert modern" design is sure to endure, since it comes from award-winning, MIT- and Harvard University-educated architect Michael Underhill, who started his career in the office of famed 20th-century designers Charles and Ray Eames and is also a professor at Arizona State University's School of Architecture.

The developer and architect have also imbued the project, sited in a revitalized area of the city with easy access to public transit and services, with a host of features that play to sustainability and lifestyle. Among the former are Energy Star-rated appliances, high-efficiency heating and cooling systems and structural configurations that maximize passive solar heating and cooling. The latter include a substantial common area with a bold decorative demeanor plus a swimming pool, community grills and dining tables, and a reflection garden.

Since coming to market last fall, 18 units have been sold and six are rented, leaving 14 more to be sold.





Smart Urban Living

In Byers Place homes, Arcadia chose to heat exclusively with Rinnai products, including Rinnai's Direct Vent Wall Furnace, Hydronic Air Handler and Intelligent Indoor Fireplace. With zone heating, homeowners are able to control the temperature in each area to match their individual lifestyle.

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- a Rinnai Hydronic Air Handler and R94LS Tankless Water Heater on the upper level.



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Learn more about the Rinnai green advantages for you and your customers.







Mark Bethel, Builder Byers Place Homes Arcadia Properties

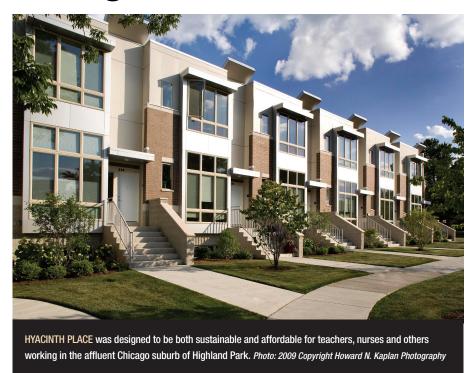








Taking the LEED



uilding green takes bucks. State-of-the-art features such as geo-thermal heating and cooling, wind turbines, an energy-efficient building envelope, Energy Star appliances, non-toxic finishes and renewable flooring can cost more than their non-sustainable counterparts. Factor in the cost constraints of LEED certification, with its precise building requirements, and a strategically located site and it can be daunting to build a project that is both sustainable and affordable.

This hit home with officials in Highland Park, an affluent suburb on Chicago's North Shore. In 2008, the suburb's estimated median house/condo value was more than twice that of the rest of the state at \$573,772. Thanks to a shortage of workforce housing for low- to moderate-income households, Highland Park's housing commission put an award-winning affordable housing program in place in 2001, and in recent years resolved to make sustainability a focus of that effort. And when Highland Park donated land worth in excess of \$430,000, and located just a half-block from a train station, to the Highland Park Illinois Community Land Trust (HPICLT), it became viable to undertake a project that fulfilled this goal in a big way.

Brinshore Development and Housing Opportunity Development Corp., both in neighboring Northbrook, Ill., teamed up on the project, which was named Hyacinth Place with respect to its location and green features. The 10 handsome, contemporary townhomes and four rental units also feature reflective roofing materials, daylighting, and photo-catalytic permeable pavers — a new product that neutralizes the gases that cause smog and acid rain while also conserving the water table.

Thanks to its innovative design and range of sustainable features, Hyacinth Place became one of the first affordable housing projects to attain LEED for Homes Gold certification in Illinois.

The for-sale townhouses were priced at \$165,000 or \$239,000, depending on a purchaser's qualifying Area Median Income (AMI) levels, and the four rental units were priced to lease to households at or below 60 percent of AMI. The project came on the market in the first quarter of 2009 and sold out as quickly as the buyers could secure financing. **PB**



The American Sustainability Initiative aims to sell 12,000 homes in 15 states by the end of 2011. If it succeeds, traditional building methods could become a thing of the past.

By Susan Bady, Senior Editor

ith apologies to John Mayer, Charlie Kamps isn't waiting for the world to change. He's forging ahead with an ambitious project that will put affordable, sustainable homes within the reach of large numbers of Americans — and could also change the way homes are built and delivered to the marketplace.

Kamps is the visionary behind the American Sustainability Initiative (AmeriSus), a consortium of nationally recognized companies such as CertainTeed, Shaw, ProBuild, Whirlpool, Federal Express and IKEA. BartonPartners Architects Planners in Norristown, Pa., is supplying the designs. The concept is reminiscent of the Sears mail-order homes of the early 20th century: pre-designed, pre-engineered homes in kit form, delivered to the job site for assembly. By the end of next year, AmeriSus hopes to sell 12,000 new homes. The initial offering will be available in 15 states from the Mid-Atlantic through the central Midwest. By 2011, AmeriSus expects to be







CHANGER

What's different about AmeriSus is that developers, builders (and eventually home buyers) will order the components online and they'll be delivered sequentially. Synchronized flow, also known as just-in-time delivery, allows for rapid assembly without many of the redundant tasks, waste and inefficiency of conventional construction processes.

Another difference is that the homes utilize energy-efficient building practices that encompass the building envelope, HVAC system, appliances and lighting. AmeriSus homes can either be certified by LEED or the NAHB National Green





WITH THEIR FIRST-FLOOR master suites, EasyLiving homes are designed for aging in place. The second floor is ideal for guests or college students returning to the nest. Shown opposite page, left is the 24-footwide Contemporary elevation.

THE 24-F00T-WIDE Family model (opposite page, right) has three bedrooms, 2½ baths and an open main level with kitchen, great room and laundry room.

THE STARTER HOME (left) is designed for singles and couples. The 16-foot-wide model is shown with a Traditional elevation.

THE 16-FOOT STARTER HOME (plans above) packs a lot into a narrow footprint: home office on the first floor, front and rear entrances and two bedrooms upstairs.

Renderings courtesy of BartonPartners Architects Planners

Building Program. With sales prices ranging from \$200,000 to \$260,000 (depending on square footage and including land), they're also affordable.

"Our agenda has been, from day one, to put in place homes that the average person can afford to buy and own without long-term damage to the household budget," says Kamps. "Because they're smaller, they're super-efficient and simple to put together."

Ready to build

In addition to being the managing director of AmeriSus, Kamps is a builder and developer who owns a company called Transactionable Property Solutions (TPS), based in Penns Park, Pa. TPS specializes in brownfields and distressed, impaired and underutilized properties. "Early on it was probably more commercial and retail, but in the last eight to 10 years a large part of it has been residential and mixed-use," he says. Before he started TPS, Kamps spent years building chemical plants and refineries around the world. He is an industrial engineer by education.

That engineering experience was put to good use as Kamps and his team began formulating the AmeriSus concept two years ago. "We asked ourselves, 'How can we cut out the waste in materials and labor and time, and reinvest it back into the house so that we end up with something that has higher quality and better value?'"

The AmeriSus team looked at every step in the home-building process, questioning why and how it was done. Then they developed the Ready Build System $^{\text{TM}}$, a propri-

etary, computerized online building tool that takes the 2,000-plus parts of a house, puts them in order of assembly, allows for product/material selection and brings national logistics and pricing to builders around the country.

Here's how it works: Builders select the home they want and configure styles and options. Land, site improvements and infrastructure become builder add-ons. Once the model, design and options are selected, basic pricing is set. After permits and builder financing are in place, the system automatically orders all the components needed for the selected design package, and suppliers fill the orders and sequentially ship materials to the job site. Federal Express is the Ameri-Sus logistics partner that gets the right parts to the right job on time, every day.

Kamps says the utility bill for an Ameri-Sus home is 30 percent that of a comparably priced, conventionally built home, and the very affordable energy options will create the largest installed base of net-zero-energy homes nationwide. The homes are built with



prefabricated, structural insulated panels (SIPs), air and moisture barriers, high-efficiency windows and air-lock vestibules at front and rear doors. High-efficiency HVAC systems are zoned for comfort and utilize new advances in heating and cooling technology. Other features include natural materials, low-VOC paints and sealants, Energy Star appliances and lighting fixtures, and high-efficiency hot water systems. Home buyers can add such options as roof-mounted solar panels and radiant floor heating as well as an Apple-managed home automation/computing system.

Another AmeriSus partner, Wells Fargo, is offering green mortgages, savings and investment accounts and discounted auto, life and homeowners insurance. IKEA will supply cabinets and other kitchen components, as well as wardrobe units. Whirlpool is offering a full line of Energy Star prod-

ucts, including laundry, cooking, refrigeration and dishwashers, says Mitchell Isert, director of Whirlpool's North Atlantic contract division. The appliances will be delivered just before the house closes. "We're very excited about the AmeriSus concept — how they're going to go to market with it and work with our brands and products from a green perspective," Isert says. "It's a visionary process that will be great for the industry."

Kamps sees yet another way in which the initiative will benefit Americans. "Every time you build a house you're putting 50 people to work — plumbers, electricians, carpenters, framers ... all local people. If we can achieve a major portion of our goal, my numbers show it equates to putting about 200,000 people to work, split about half and half between construction sites and the factories that make the washing machines, shingles, doors — everything including the kitchen sink."

According to AmeriSus calculations (which are third-party verified), total builder costs are reduced by 5 to 10 percent and the schedule is cut nearly in half. Builders can achieve a re-

AMERISUS PARTNERS

EDITOR'S NOTE: THIS LIST

includes only the nationally known companies that were participating in the consortium at press time. At least 20 other suppliers are also members.

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CertainTeed

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turn that is twice that of a traditionally built project. "To be more specific, where a builder is experiencing an 8 percent return he can now experience a 17 to 19 percent return," says Kamps, emphasizing that these numbers don't include land or site development. For example, on a 100-unit development, a builder could save \$1 to \$2 million, "which all goes directly to the bottom line."

Another benefit is that many upfront costs (such as architectural and engineering) are spread out over the life of the build cycle, further lessening the burden a builder incurs early on in a project. "Unlike typical homes with architectural and construction drawings, we're providing something that is probably four times as detailed and literally becomes an assembly manual," says Kamps.

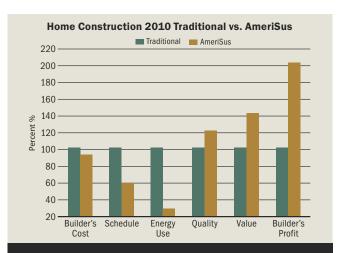
Of course, the 500-pound gorilla in the room is construction financing, but Kamps isn't letting this obstacle slow him down. "I believe there's going to be a change in the way the government interacts with the banking system, and that there will be a freeing up of money to help create real jobs," he says. "For the very near term, I think we're going to see smaller-scale projects going forward in areas where there's local private investment."

The design portfolio

The AmeriSus portfolio currently consists of 20 different designs, including Starter, Family and EasyLiving homes. Starter and EasyLiving homes are available in 16- and 24-foot widths; Family homes are offered in 14-, 16- and 24-foot widths. Square footages range from 1,100 to 1,800. EasyLiving homes have first-floor master suites and can meet accessibility requirements when built slab-on-grade. All are offered with a choice of three elevations — Contemporary, Modern and Traditional — in slab, crawl-space or full-basement configurations. The Family model is currently the only one available for configuration as a 14-foot townhome.

Excluding labor, the 24-foot Family model costs about \$40 per square foot in materials, says Tom Barton, principal of BartonPartners. "That's about the same as conventional construction," Barton says. "Another way to look at it is that the price of materials for that house is about \$60,000, including all fees, architectural drawings and permit drawings — everything above the foundation."

Builders of any size can use the system. "You buy the houses



COMPARED TO TRADITIONAL home-building methods, the AmeriSus system cuts construction costs and saves time while maximizing energy efficiency, quality, value and profit for the builder.

Source: American Sustainability Initiative

one at a time, whether you're a big builder or a small builder. There is some volume discount potential [for large builders]." Barton says there has been a lot of interest in AmeriSus from community development corporations (CDCs), housing authorities and similar groups that are doing scattered-lot projects or have an inventory of developed lots. "AmeriSus makes it easier for them to move from lot to lot and just put down these prototypes," he says.

Case in point: Lomax Real Estate Partners of Chalfont, Pa., plans to build 25 AmeriSus townhomes in Philadelphia. At press time, President and CEO Charles Lomax was still working with the city to assemble and entitle the land. "The biggest impediment right now is the market," says Lomax. "But the size and style of the homes is exactly what it needs to be. If [AmeriSus] can bring it all together, it will make an antiquated system a lot more efficient."

In addition to the Lomax project, AmeriSus has approximately 300 homes ready to build in four or five different states. Because of the high level of interest from states not on the original target list, "We've modified our approach to make it available to those other states on a project-by-project basis this year," Kamps says. **PB**

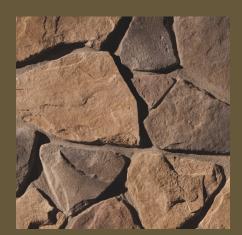


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Home builders can offset cost premiums for going green by following these best practices from the NAHB Research Center

By Michelle Desiderio, Director of Green Building Programs, NAHB Research Center reen home building and third-party certification have made significant gains in the residential construction industry over the last few years. In some locations, the green segment of the market has thrived while housing sales in general have slumped.

However, achieving green does not come without added costs. Regardless of the green-building rating system used, there are three categories of costs that come with building green: construction costs, verification costs and certification fees. These additional costs may deter builders from considering building a green-certified home. But there are ways to significantly reduce or eliminate additional construction costs — and even reduce typical construction and operational costs — by examining some key areas of the construction process, eliminating any potential labor and materials waste and increasing efficiency on site.

Through the NAHB Research Center's National Green Building Certification Program, we've had an opportunity to hear from a number of builders and industry consultants about how they have gone green and saved money in the process. Here are some baseline considerations.

Know where you stand

How do the homes you build now stack up against the green rating system you plan to follow for certification. You may be closer than you think to achieving an entry-level green certification in your preferred program.

For certification using the NAHB National Green Building Standard, make the free online Green Scoring Tool (www.nahbgreen.org/ScoringTool.aspx) your first stop. The tool will score your home against the four potential levels of certification (Bronze, Silver, Gold, Emerald) based on the practices you currently use, and will identify additional practices that will improve your project's environmental performance. Many builders have found themselves within five or 10 points of Bronze, which could be achieved with a very low- or no-cost change in one or two products they were using.

Frame the issue

If you are currently using stick-built construction to frame your homes, you may want to consider using panels or trusses. These techniques are labor- and resource-efficient, resulting in



BY TAKING SIMPLE STEPS, like using optimized framing techniques and efficient mechanical duct runs, builders can offset the cost premium for going green. *Photo: www.platinumleedhome.com*

less on-site waste and potentially lower labor and material costs. As a bonus, fabricated systems often create greater thermal efficiency over stick frames. Wall panelization also results in more precision in the construction process, which can make it easier to implement and control other construction changes, such as a transition from 2x4 to 2x6 construction. Many green rating systems, including the National Green Building Standard, also award points for use of panels and trusses, providing a win-win for your budget and green-certified projects.

If you choose to frame on site, there are several optimum value engineering techniques that can save on material and labor costs, while generating green points at the same time. Look into options such as:

- Ladder blocking Uses less wood; makes more room for insulation; gets green points
- Two-stud corners At least one less stud at each corner; allows for more fully insulated corner; gets green points
- Switch from 2x4 @ 16 inches on center to 2x6 @ 24 o.c. May result in small cost increase initially, but gets a lot of green bang for your buck.

Another simple method for cutting costs is to develop a cut list — a set of cutting instructions and guidelines for your field crew that ensures the material you purchased for a particular application is used for the intended purpose. For example, a job might require two 8-foot-long, 2x10-inch headers and the purchasing manager was able to save some money by ordering one 16-foot-long, 2x10-inch piece of lumber that could be cut in half and used without any waste. Without a cut list, the field crew will likely pick up the first 2x10 material they see — maybe two 12-foot-long 2x10s — and cut it to fit the immediate need, which, in this case,

would result in 4 feet cut off each piece and thrown away as waste.

Don't let your ducts run amok

Optimizing duct runs and centrally locating the mechanical room can result in material cost savings and increased energy efficiency. Be sure not to have more ducts or longer duct runs than are needed in any part of the house. In addition, make sure that your HVAC contractor is using Manual J or D calculations to design the most efficient placement of ducts.

Using a central return also reduces material costs and, in combination with transfer grilles in spaces like bedrooms where doors may be frequently closed, is a simple system that can provide adequate circulation and cost savings to both you and your buyer.

Placing all HVAC equipment, including ducts, in conditioned space within the home is also a smart move. In addition to creating significant energy savings and earning green points, this practice may also allow you to spec smaller, less-expensive HVAC equipment and limit or eliminate the need for additional insulation for the duct system.

Bigger is not always better

If you are already building energy-efficient homes or plan to increase the energy efficiency of your plans as you embark on green construction, don't be surprised if the HVAC equipment you are currently using is larger and more costly than you need. A tighter, more efficient building envelope significantly reduces the HVAC burden for the home, as less conditioned air is leaking out and less unwanted unconditioned air from outside is leaking in.

Water pipes everywhere

When designing the plumbing system, look for efficiencies in both labor and material. Consider employing a stacked approach, where rooms that require plumbing runs are aligned so that less piping is required. In addition, consider PEX piping over more traditional materials. While PEX comes with a slight first-cost premium, it does not require

pipe cuts or joints, reducing material and labor costs. Finally, consider centrally locating your water heater to reduce the length of piping runs.

Quality assurance is key

In many respects, a green certification program can also help boost the overall quality of the homes you build, and the residual customer satisfaction. Regardless of the material or design, having an explicit underlying quality assurance plan in place is always going to be a cost-saver. Quality assurance takes a holistic look at practices throughout your business and helps you determine where there are inefficiencies and how you can remedy them.

Consider the cost of a callback. How much does it really cost your company to have to call a tradesperson back to a jobsite to repair or replace something? Couldn't you or your superintendent be doing something that would generate revenue rather than costing you money to attend to callbacks? And what about getting a red tag from a building inspector? Doesn't that waste valuable time and money for your company? Wouldn't it save you precious resources to eliminate callbacks and red tags altogether by making sure things are done right the first time, every time?

While there are numerous ways to increase the quality assurance quotient on your jobsites, one prime area to focus on is the scheduling of trades and creating jobready conditions for each crew that comes to the site. If the work of each trade crew is not done correctly and in the right order, it results in numerous dry runs and re-dos - all of which correlate to real costs. Sit down with your trade crew supervisors to determine what needs to be done, and with what precision/tolerance, before their crew can completely do its job. Then be sure to write what constitutes a complete job, ready to turn over to the next crew, in the scope of work you create for each trade group. These simple steps can shave days off the production schedule. PB

For more information on National Green Building Certification and scoring a home to the National Green Building Standard, visit www.NAHBGreen.org.



[DECKING & PATIO PRODUCTS]

The Great Outdoors



- Advantage Vantage

Made in two new colors - walnut and tigerwood — the deck planks in MoistureShield's Vantage Collection are 11/4 by 6 inches and are embossed with a realistic woodgrain finish on both sides. Contractors can order the solid decking boards with or without grooves to accommodate hidden fastening systems. The boards contain a minimum 30 percent postconsumer recycled content and 60 percent pre-consumer recycled content. For more info, go to www.Housing-Zone.com/PBinfo and enter # 252

On the Horizon

The Horizon line from Fiberon is now available in two exotic hardwood colors: Ipe and rosewood. Horizon decking will continue to be available in four solid colors, including sand, brick, bronze and slate. Boards can be ordered in square edge or grooved profiles. Grooved boards allow contractors to use the company's Phantom hidden fastener system. For more info, go to www.HousingZone.com/PBinfo and enter # 251



Transcendent Decks

According to Trex, the trick to the Transcend line's durability is its thick integrated shell. Each board is protected on three sides for superior defense against severe weather, heavy foot traffic and everyday wear and tear. Trex says the underside of each board breathes to avoid surface separation and ensure lifelong endurance. It's backed by a 25-year, limited stain and fade warranty.

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

Deck the Halls

Universal Consumer Products' Deckorators now offers a fully integrated railing kit compatible with all the company's baluster styles. This innovative new railing system is available in powder-coated black or white and features a lifetime limited warranty. The rails are sold in kits to make purchasing simple. Post sleeves, stair rail bracket kits, angled brackets and matching post caps (including a solar-powered version) are also available. For more info, go to www.HousingZone.com/PBinfo and enter # 254





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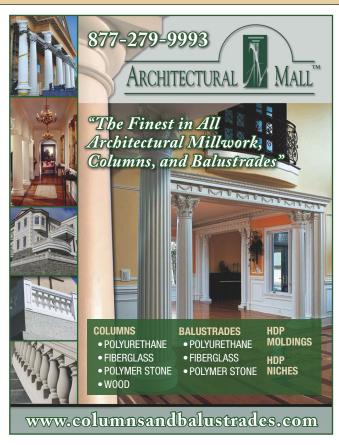


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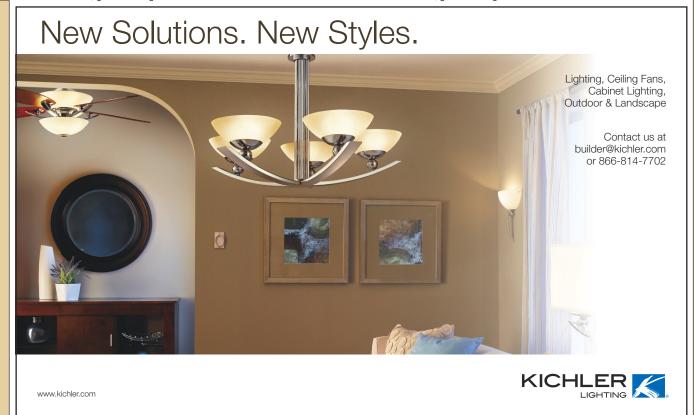




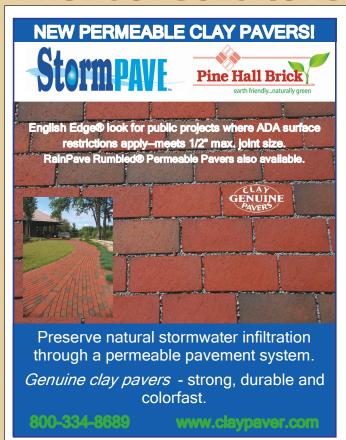


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numbercrunch

Think about it



32

The percent rise in lumber prices on the futures market this year, according to the Wall Street Journal. The sudden and unexpected surge could raise construction costs or force builders to swallow an added expense, writes WSJ.



The number of residential lots in Florida that Starwood Land Ventures LLC purchased last month from bankrupt land developer TOUSA. Starwood paid \$81 million for the

property, and has since sold 2,700 of the

lots to Lennar Corp.

10,000,000 The number of solar energy systems that would be

installed on the rooftops of homes and businesses over the next decade if the newly introduced 10 Million Solar Roofs and 10 Million Gallons of Solar Water Heating Act of 2010 is passed. The legislation would, among other things, cover up to half the cost of 10 million solar power systems and 200,000 water heating systems.

90 The percent of home builders that are expected to lose sales because of the **new FHA guidelines**. The tighter underwriting rules include a 10 percent downpayment for borrowers with credit scores of less than 580 and a reduction in seller concessions to 3 percent of the value of the property.

\$58 million The amount in damages awarded by a jury to an elderly couple, who since 2000 have been battling Houston-based Perry Homes over construction defects in their Fort Worth, Texas, home. The builder refused to concede that defects caused damages to the couple's \$233,730 home.

The percent of **U.S. households** that remain **strongly committed to federal support** for home buyers, according a recent survey by NAHB. In addition, 65 percent of respondents believe the government should be doing more to keep families from losing their homes to foreclosure.

\$3,000 The maximum amount in energy-efficiency product/service rebates homeowners will be eligible for under **President Obama's newly launched Homestar program**, commonly known as Cash for Caulkers.





9.2 The percent increase in multifamily housing starts in January, according to the U.S. Commerce Department. Investors are encouraged by the **number of people between the ages of 20 and 34** (prime renting age), which is expected to grow by 5 million over the next decade, according to the *WSJ*.

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