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NOVEMBER 2009

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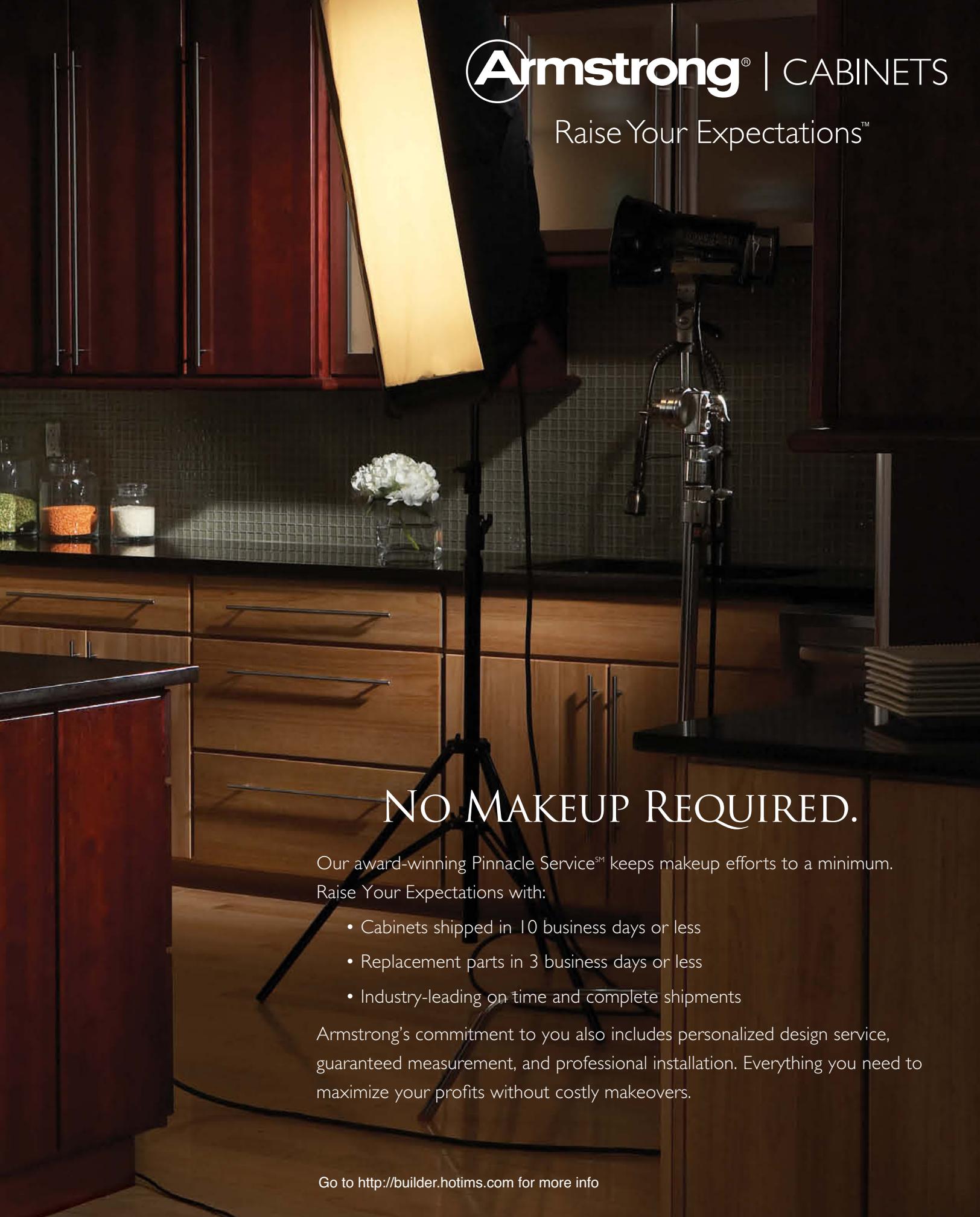


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Builder

VOLUME 32 ISSUE 11 NOVEMBER 2009



FEATURES

Is the McMansion Dead?

Has the housing bust put the final nail in the coffin of the McMansion or is it just waiting to rise again out of the ashes when the economy recovers? In years past, after a downturn the size of homes eventually have crept back up. Will this time be different? With lots of competition from foreclosures as well as widespread concern over their environmental impact, McMansions may have a tough battle ahead. 46

Defective Thinking

The debate about whether or not construction quality declined during the housing boom continues. Home buyers charge builders with shoddy workmanship and builders say that most problems are cosmetic. In any case, it seems that new-home buyers these days have zero tolerance for any type of construction defect. A builder's best defense is to keep lines of communication open with its customers. 52

Ten Attention Getters

Even in a recession, success stories can still be found. This month, BUILDER takes a look at some of the best-selling communities in the country. Though the projects don't appear similar, they each offer what buyers are looking for these days when it comes to location, product type, and price point. Some of the projects are infill, many have a green focus, and most are aimed at first-time buyers. 58

Volume 32, number 11. BUILDER (ISSN 0744-1193; USPS 370-600) is published 12 times per year: monthly in Jan., Feb., March, April, May, June, July, Aug., Sept., Oct., Nov., and Dec. by Hanley Wood, LLC, One Thomas Circle, N.W., Suite 600, Washington, D.C. 20005, for the National Association of Home Builders and printed in the USA. Copyright 2009 by Hanley Wood. Opinions expressed are those of the authors or persons quoted and not necessarily those of the NAHB. Reproduction in whole or in part prohibited without written authorization. Single-copy price: \$8.00 (except House Plans issues, which are \$12.95). Periodicals postage paid at Washington, D.C., and at additional mailing offices. Postmaster: Send address changes to BUILDER, P.O. Box 3494, Northbrook, IL 60065-9831. Member: Business Publications Audit, American Business Media.

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BUILDER TV

In November we continue our five-part series chronicling the accomplishments of 30 of the most innovative entrepreneurs in the home building industry. Editor in chief Denise Dersin hosts the third installment and Hanley Wood's CEO Frank Anton hosts the fourth installment of the series, which celebrates BUILDER's 30th anniversary. www.builderonline.com/buildertv/

Quality Matters

In "Defective Thinking," a story in this month's issue, BUILDER looks at how customer expectations have changed the way builders are addressing quality control issues. Quality and satisfaction rating companies contend that systematic surveys of homeowners can push builders toward better construction practices

and more effective complaint resolution. And if you ask builders about their construction quality, they invariably point toward rising referral rates and customer satisfaction scores. To read how customer surveys are affecting builders' quality control see "The Ratings Game," www.builderonline.com/construction/the-ratings-game.aspx.

COMMENTS, SUGGESTIONS, AND NEWS FOR BUILDER ONLINE?

E-MAIL DENISE DERSIN AT: ddersin@hanleywood.com

ON THE COVER: WILL THE MCMANSION GO THE WAY OF THE DODO OR WILL IT RISE FROM THE ASHES LIKE A PHOENIX WHEN THE ECONOMY IMPROVES?



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End of an Era?

When it comes to new homes, design, proportion, and construction quality trump size.

THE McMANSION, SUBJECT OF THIS MONTH'S COVER STORY, ("Is the McMansion Dead?," page 46) still causes a stir among consumers whenever it is broached. All over the country, blogs devoted to housing issues attract pages and pages of opinions about the bloated residences and how they've destroyed the character of the communities in which they've sprung

up. Online articles garner hundreds of comments from readers eager to share their horror stories of neighborhoods ruined, property values decimated, and sensibilities offended by over the top houses.

So what is it that people hate so much about McMansions? One answer can be found in my favorite online description of one: "The house has to have an impressive double entryway. ... Upon entering, there has to be a sweeping two-story foyer and a broad staircase rising up to the second-floor landing. ... Crown moldings are all over, but chances are [they were] installed by the homeowner's wife's brother who is a cop/fireman and does home improvement on the side. The poorly mitred corners speak for themselves. There has to be the obligatory Palladian window, several reverse gables, some geometric-shaped protuberance, which is to pass as a tower or turret for this castle. And let's not forget the plastic snap-in grilles! ... The newer McMansion owners haven't the money yet for the \$10,000 European import stove *and* furniture, so chances are they have a stove that costs more than their first car and little or no furniture."

But that's just the anecdotal version. For a more scholarly take on what makes a McMansion offensive, a survey conducted by the Institute of Environmental Quality and published in the *Journal of Environmental Psychology* quantifies how people feel about starter castles. Survey participants indicated that the style of a large infill home did not have to be the same as other houses on a

block, but it did have to "fit in." And they did not mind if houses were large, they simply disliked homes that were significantly larger than other houses on the block. The bottom line is, from either the blog description or the survey results, the problem with McMansions is not about size. It's about design, and proportion, and construction quality.

During the boom, municipalities from New Jersey to California passed ordinances outlawing McMansions. But it was the recession that, for the most part, halted their march. The number of infill spec homes under construction dropped precipitously in the last two years, and many builders turned their attention to the only home

buyers who were lining up in any numbers, the first-timers.

Does that mean the McMansion is gone forever? Those who say it is cite statistics that show house sizes have declined nearly 10 percent since 2007 and family size is decreasing, along with the fact that people want more energy-efficient homes. Those who say people will always buy bigger houses if they can get them point out that houses have shrunk in past downturns, too, and each time, their size quickly escalated once the economy turned around.

Builders and buyers alike often get hung up on house size because they believe that square footage is the most effective way to increase the value of a home. Many builders say that as the price of land increases, the size of the houses they build must increase as well in order to recoup their costs.

But it doesn't have to be this way.

Architect Ross Chapin, whose work has been featured several times in the pages of *BUILDER* because of his ability to create wonderful communities, has built a business around designing small, finely crafted homes. And when I say small, I mean really small, some only 650 square feet. But Chapin's homes sell for about \$615 per square foot in the Seattle area, where the median price last year was \$215. You don't have to build homes this small, though, to realize the same sort of premium. The idea, and the profits, are scalable.

So, is the McMansion dead? That's up to you.



DENISE DERSIN
Editor in Chief

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INSIDE STORY

Inside:

16 No HVAC Needed

Fledgling institute begins building energy-efficient homes that don't require air conditioners or furnaces

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COMMENTARY AND ANALYSIS OF CURRENT EVENTS ■ EDITED BY JOHN CAULFIELD



GROWTH OPPORTUNITIES

Unfinished Business

Bankruptcy keeps Maryland land bought by two national builders in limbo.

LOS ANGELES-BASED KB HOME announced in September that it was returning to the Mid-Atlantic market, more than a year after retreating from it as the economy was unraveling. In its absence, 180 acres in Gaithersburg, Md., which KB and Centex acquired four years ago to develop into a \$1 billion mixed-use community, have been slogging through one of the more contentious bankruptcy proceedings and extended legal battles in recent memory.

Litigants that include the builders, developers, and Bank of America agreed in late September to a 30-day timeout to mediate their differences. Any resolution, though, would require compromises and concessions that neither side previously had shown much inclination toward making. Meanwhile, Gaithersburg's planners wait and wonder if this property will ever be developed.

Documents filed with bankruptcy courts in Maryland and Delaware recount how the

Crown family, which owned the farmland for nearly a century, decided to divest to avoid paying steep inheritance taxes after an uncle died. In September 2005, they agreed to sell the raw land to two investor/developers Stephen Lebling and Aris Mardirossian, who were then partners in Crown Village Farm, a joint venture that KB and Centex formed to purchase and develop the property. LaSalle Bank financed the joint venture with a \$100 million term loan and a \$100 million revolving (see page 16)

credit facility. (Bank of America acquired LaSalle in 2007).

The developers, though, subsequently accused KB and Centex of renegeing on certain aspects of the partnership agreement. They claimed they were owed millions in

consulting fees for the role they played in bargaining down the purchase price to \$137 million (\$153 million after closing fees), and getting Gaithersburg to annex and rezone the 182.8 acres for residential in 2006. They said the agreement and corroborative evi-

dence supported their claim that the joint venture would convey 18.5 acres of this property to their companies for separate commercial development and would pay them \$15,000 for every housing unit developed at Crown Farm. (see page 19)

ENERGY - EFFICIENT CONSTRUCTION

Body Heat

A fledgling institute promotes construction of houses that don't need furnaces to stay warm.

BY THE END OF THIS YEAR, PASSIVE House Institute (PHIUS) should have at least 150 consultants trained to spread the gospel about building energy-efficient houses that can maintain a comfortable indoor temperature without using furnaces or air conditioners.

The Urbana, Ill.-based Institute formed in 2007, and since January 2008 has been the exclusive U.S. certifier of homes built to performance standards set by Germany-based PassivHaus Institut. Estimates vary, but somewhere between 15,000 and 20,000 homes throughout Europe (especially in Austria) have been built to these specifications. The concept hasn't caught fire yet in the U.S., but PHIUS, operating on a shoestring budget, is trying to spur interest through educational and outreach programs.

A passive house is an airtight structure constructed to retain as much "free" heat created inside of a house as possible. The concept, in fact, dispenses with conventional HVAC systems in favor of a heat exchanger that uses heat generated from its occupants, appliances, electronic devices, pets, and so forth, to warm fresh air coming in from outside that's circulated through vents.

The selling point of passive design is its promise to reduce energy consumption by as much as 90 percent without relying on expensive equipment such as solar panels. The building is oriented to expose the majority of its triple-pane windows to maximum sunlight. Its hermetically

sealed double wall system eliminates "thermal bridges" that allow air to escape through the shell.

To achieve certification, a house's primary energy source can't generate more than 1.4 kilowatt hours or 4,800 BTUs per square foot per year; its maximum total "source energy" (the energy required to produce and deliver energy to the site) can't exceed 11 kilowatt hours or 38,000 BTUs per square foot per year; and its air leakage must stay below 0.6 air exchanges per hour at 50 pascal units of pressure. (By comparison, Energy Star allows seven air changes per hour.)

Lance Wright can attest to how effective passive construction can be. A former forester and political activist in Denver who at presstime was close to becoming a PHIUS consultant, the 57-year-old Wright built his 2,100-square-foot home to PassivHaus standards, using a thermal water heater as its primary energy source. During 90-plus degree summers, his house's temperature hovered around 73 degrees. And when Denver's frigid winter temps dropped to 15 below zero, Wright's house didn't get colder than 62 degrees.

"It's amazing what solar gain and well-insulated windows can do," says Keihly Moore, assistant director of Passive House Institute's E-Co Lab.

As of September, the Institute had certified seven homes in the U.S., with about a half-dozen others awaiting certification. In Colorado, an Austria-born engineer and developer, Norbert Klebl, has raised enough private equity financing to begin construction on the first phase of what he hopes will become a 250- to 280-unit enclave of passive houses. Klebl said in October that the first six houses, which are presold, will be built within Geos, a master planned net zero-energy community in Arvada, Colo. Klebl says the passive houses would range from 1,000 to 2,200 square feet, and sell for between \$230 to \$250 per square foot. Construction is slated to start in January, and Klebl says there's a waiting list for the next 15 units.

Willamette Week Online reports there are 10 passive houses under development in Oregon alone. But Milos Jovanovic, founder of Root Design Build in Portland, Ore., which this summer began construction of its 1,741-square-foot passive (see page 19)



INNER WARMTH: Passive House Institute's Smith House, which it built in its home city of Urbana, Ill., exhibits the design and technology features of passive construction, including a heat exchange system that makes conventional HVACs superfluous.

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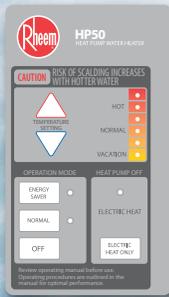
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In their amended complaint, the developers are demanding the 18.5-acre commercial parcel plus \$30 million in damages.

The “sketch plan” for Crown Village Farm calls for 2,250 single-family attached and detached homes (12 percent of which would be moderately priced); 320,000 square feet of retail space (which would be developed by Crown Retail Farm, a business entity owned by Finmarc, a property management company); and the allocation of 32.1 acres for schools and a transit station.

Building this community became less feasible financially as home buyer demand withered. The joint venture tried unsuccessfully to sell a portion of the land in 2007, and then the entire property a year later, at which point development was in limbo. The outright sale couldn’t muster a bid higher than \$60 million, despite Bank of America’s appraisal of the land’s value at \$104 million.

Crown Village Farm filed for protection from creditors under Chapter 11 on May 1, 2009. Lebling and Mardirossian contend that five months earlier, the builders and lender concocted a prepackaged reorganization plan that, according to documents, would dissolve the joint venture’s obligations to all creditors except Bank of America,

would release the builders from their \$100 million note if they each paid the bank \$22.5 million, and would allow the builders to acquire the land at auction for \$70 million.

At presstime, the developers were pursuing their lawsuit against the joint venture, the builders, and the bank, according to Mardirossian’s attorney Joel Sher. The land will be held in abeyance until the bankruptcy case is settled. But as it re-enters the region, KB is noncommittal about whether Crown Village Farm figures in its future. “We are planning to build a mix of both townhomes and single-family homes in a number of attractive sub-markets in the area,” KB told BUILDER via e-mail. (It’s not clear if Centex, now part of PulteGroup, is still in the development picture.)

As for Gaithersburg? “It would have been nice if we had the revenue and tax base in place by now,” says Greg Ossont, its planning director. But the city wasn’t banking on that money and has another 4,000 residential units and four million square feet of commercial space in its pipeline.

Once Crown Village Farm’s lawsuits, bankruptcy, and ownership issues get resolved, Ossont expects the city would re-engage in discussions about its development.—J.C.

“Shift House” in Hood River, Ore., tells BUILDER that some required materials still aren’t available from U.S. suppliers. He adds that the Institute’s literature is still in metric measurements and only recently had been translated into English. (Moore says a more accessible English-language manual “is in the works.”)

Moore believes that as American builders and architects become better acquainted with passive construction, they will introduce architectural and design elements these boxy houses so far have lacked. “The shape of the building doesn’t really matter,” asserts Nahib Tahan, an architect and owner of Bau Technologies in San Rafael, Calif.

Last year, Tahan remodeled a 100-year-old house in Berkeley, Calif., to

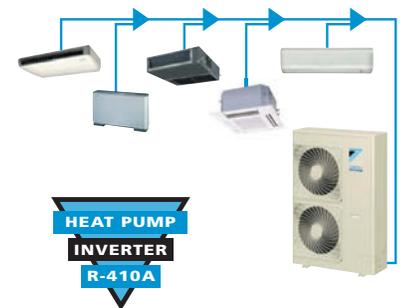
passive standards. That required lifting the first floor by 3 feet, installing a new foundation, and gutting the first and second floors. All told, the 1,500-square-foot project cost about \$300,000. (Root Design Build has budgeted \$330,000 for Shift House; Wright spent \$367,000 to build his.) Builders acknowledge that re-education is needed to help home buyers see beyond a passive home’s selling price, design, and heating methods, and appreciate its energy-saving benefits.

Tahan thinks “a new name and a different perspective” might help to market this concept in the U.S.. He also believes passive construction would gain immeasurably if green building standards such as LEED focused more on measuring energy consumption.—J.C.

The new VRV III-S connects up to eight indoor units to one powerful, compact unit delivering an energy saving heating and cooling solution.

The VRV III-S Fits

This single phase power solution is an energy efficient heat pump system giving builders a choice of ducted or duct-free indoor fan coil units so each installation can be designed to maximize space. Duct-free fan coil units can be mounted on the ceiling, wall and floor or in a soffit, while ducted units utilize sleek instead of bulky ducts.



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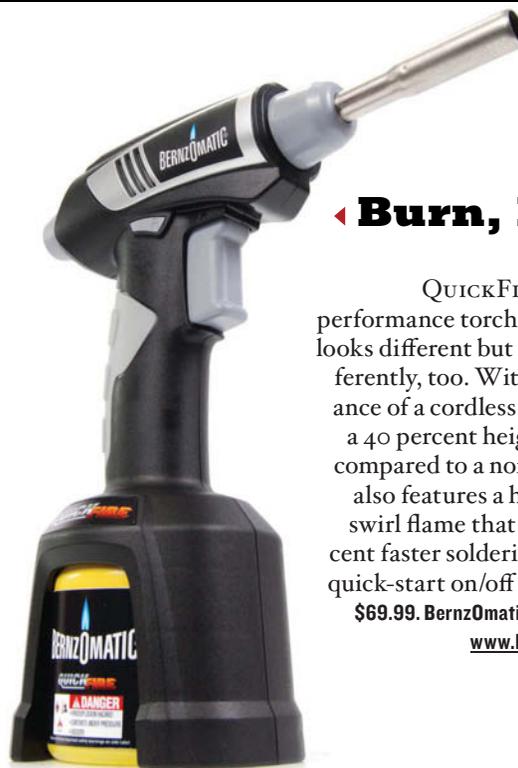
◀ Power On

THE MANUFACTURER HAS teamed up with Briggs & Stratton to introduce a new line of whole-house standby generators that can be purchased at The Home Depot. Smaller and more affordable than traditional systems and 50 percent quieter than most portables, the generator will turn on automatically when utility power fails and comes equipped with a power management system that balances the demands of most small- and medium-sized homes. ■ Cost: from less than \$2,900 for a 10 kilowatt unit. Standby Generators by GE. 920-674-1784. www.ge.com/generatorsystems.



◀ Burn, Baby, Burn

QUICKFIRE IS A HIGH-performance torch that not only looks different but performs differently, too. With the appearance of a cordless drill, it offers a 40 percent height reduction compared to a normal torch. It also features a high-intensity swirl flame that offers 30 percent faster soldering time and a quick-start on/off trigger. ■ Cost: \$69.99. BernzOmatic. 800-654-9011. www.bernzomatic.com.



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KLEERSNAP POST WRAPS ARE MADE FROM EXTRUDED cellular PVC and feature locking joints and notched edges to give the finished look of wood. Impervious to moisture and insects, the pieces can be cut and drilled with traditional tools and can be fastened with nails or screws. Kits come in 4-, 6-, 8-, and 10-inch sizes. ■ Cost: \$100 to \$225. Kleer Lumber. 866-553-3770. www.kleerlumber.com.

(see page 22)





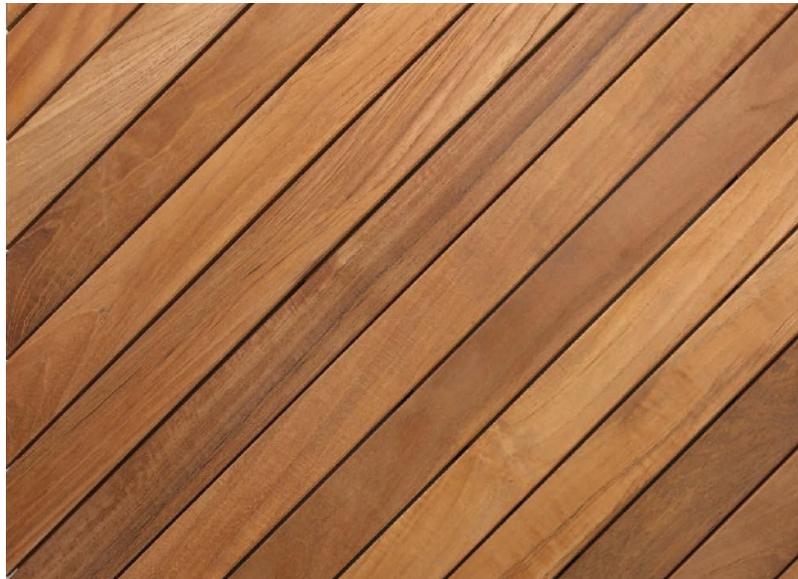
▲ Look, No Leaks

THE MAKER CALLS THIS THE “NO LEAK SKYLIGHT” AND IS offering a 10-year installation, a 20-year warranty on the glass seal, and a 10-year warranty for the skylight and flashing to prove it. The company redesigned the line with three layers of water protection, including a new gasket that seals to the roof deck. It also features energy-efficient glass and pre-painted frames. ■ Cost: \$227 for a 2-foot-by-4-foot, non-venting unit. Velux America.

800-283-2831. www.veluxusa.com.

On Deck ▼

THESE TEAK DECK TILES CAN BE USED TO RETROFIT AN old stone patio or to create a completely new deck. Measuring 19 1/2 inches by 19 1/2 inches, each tile is made from kiln-dried plantation-grown teak, which naturally resists water, warping, and cracking. The tile can be specified in a straight or diagonal configuration. ■ Cost: \$8 per square foot. East Teak Fine Hardwoods. 214-751-8988. www.eastteak.com.



▲ Nailed It

DESIGNED FOR SIDING, FENCING, AND DECKING, THIS lightweight Coil Siding Nailer has a tool-less depth adjustment for fiber cement so users can avoid overdriving and voiding the manufacturer's warranty. It weighs 4.5 pounds, uses plastic collated nails, and features a 360-degree adjustable exhaust cap. It can be used with smooth, ring, and screw shank nails from 1 1/2 inches to 2 1/2 inches. ■ Cost: \$379. Duo-Fast Construction. 888-631-2020. www.duo-fastconstruction.com.

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THIS NEW LINE OF 12-VOLT WELL LIGHTS features an adjustable tilting lamp that provides lighting wherever it's needed. Used to illuminate trees or other garden features, the fixture measures 4 3/4 inches wide and 4 1/2 inches deep and is made from injection-molded PBT composite to withstand the weather. It comes in five models.

■ Cost: \$186.65.

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Rheem partners with Southwestern electrical co-op

28 Quest
USGBC seeks out local and regional green building programs

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SUSTAINABLE DESIGN, CONSTRUCTION, PRODUCTS & SALES ■ EDITED BY RICH BINSACCA



THAT'S A WRAP: Hollywood's newest residential address clusters 34 detached brownstones around the neighborhood's oldest-standing house, a 1904 frame house being renovated into a museum.

SFI-Approved

i Level by Weyerhaeuser (www.ilevel.com) announced that all of its structural engineered framing materials are certified to Sustainable Forestry Initiative Inc., (SFI; www.sfioprogram.org) fiber-sourcing standards. The manufacturer has now achieved SFI certification at 37 of its 41 mills across North America, which ensures a certified procurement system from responsible sources. SFI certifies more than 160 million acres of forests across North America.



Panel Pusher

The StoneLite panel from Stone Panels (www.stone-panels.com) offers natural stone for exterior cladding applications in a lightweight package that purports to provide better protection against water infiltration. Weighing up to 80 percent less than solid-stone ▶

INFILL GREEN

Seeing Stars

Hollywood's newest star, The Gatsby, builds on an infill ordinance to encourage affordable urban housing with a host of sustainable features.

YOU'D THINK BUILDING AFFORDABLE detached housing in the heart of Hollywood would be enough to attract urban dwellers, but builder/developer Dan Thompson, CEO of MasterCraft Home Group, decided to go the extra (green) mile for his latest venture, The Gatsby.

The collection of 34, three-level detached brownstones, clustered on an infill lot a block off Sunset Boulevard, already benefit from the city's Small Lot Subdivision Ordinance, a 2004 statute that allows multiple single-family homes or detached townhouses on a single lot to help boost density and affordabil-

ity. At Gatsby, the prices for a trio of available plans ranging from 1,610 to 1,824 square feet are priced from the high \$600s—a relative pittance for Tinseltown.

But Thompson pursued another agenda, as well, building the homes to meet Energy Star Qualified Home, California Green Builder (including the state's Title 24 requirements), and Comforwise program standards for energy efficiency and overall sustainability. "We were green before Gatsby," says Thompson. "We thought this site would be well received if it was built green, but it's basically no different than the way we build already."

"Well received" might be an *(see page 26)*

sections of comparable dimension, StoneLite panels feature a substrate behind a natural stone veneer consisting of an



aluminum honeycomb core sandwiched by water-impervious, fiber-reinforced epoxy layers. The company also says the panels offer an impact strength that is 60 times that of 3mm-thick granite and has been tested to wind loads over 400 mph. The panels attach to the building and to each other using an interlocking metal channel system and adhesives.

SIPs Gain Share

Their overall numbers may be down, but the use of SIPs in single-family construction is now about 1 percent of the market, according to the trade association representing manufacturers of the alternative framing system. With more than 53 million square feet of the OSB-faced foam sandwich panels produced in 2008, SIPs effectively doubled their market share compared to 2005, when the housing bubble was just about to burst. Still, the number of homes

understatement given current housing market conditions. The Gatsby opened on June 1 and through August had sold six of the 12 units (and one model) released in its first phase, without discounting prices.

In addition to offering the anomaly of new detached housing in downtown Hollywood and providing a solid baseline of energy- and water-efficient features and per-unit monitoring capability, Thompson upped the ante even further by installing photovoltaic (PV) arrays into the roof tiles to offset grid-supplied electricity.

The default system operates independently of the utility to provide ample electricity during daylight hours (including during power outages), then switches automatically to grid power, when needed. "The use of solar puts this project above

others that are green," says Thompson, giving him even more of a competitive edge.

Thompson was able to afford the PV system thanks to a federal tax credit and because his company served as the installer, reducing his labor costs. "Without those cost savings, we would not have done it," he says.

The Gatsby's performance is matched by its good looks. The brownstones feature alley-accessed garages to keep the street-facing, Craftsman-style façades attractive, while residents also enjoy roof decks and three levels of in-town living. The detached homes are clustered in rows of three to six houses with only about 6 inches of air between units within each cluster, a space protected from water, debris, and other

(see page 28)

S O L A R

Hot Water Option

A Southwest utility partners with a brand-name supplier to deliver solar hot water.

VALLEY ELECTRIC ASSOCIATION (VEA), an electrical co-op serving 17,000 homes and commercial buildings in the southern tip of Nevada and into Arizona, is partnering with Rheem Manufacturing to offer the utility's members access to the new SolPak solar thermal domestic hot water system as an alternative to a grid-powered water heating.

VEA will offer homeowners zero-percent financing amortized across their utility bill (and eligible for a federal tax credit through 2010) to install Rheem's new SolPak system, which consists of one or two roof-mounted solar thermal panels and a 50-, 80-, or 120-gallon storage tank, depending on the home's size and hot water needs.

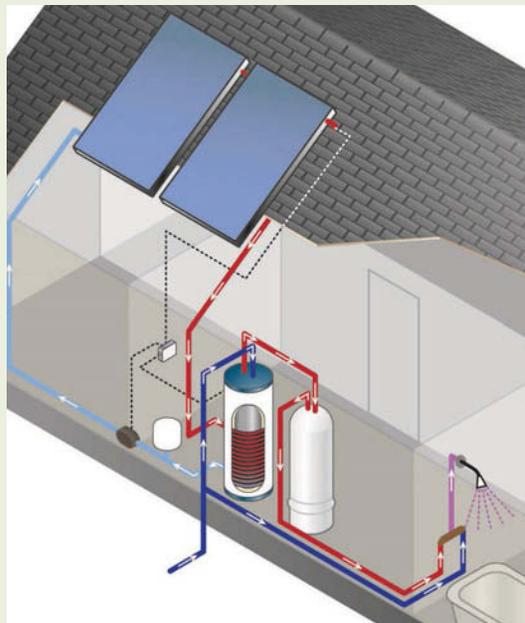
Like many utilities

in recent years, VEA is encouraging more efficient energy use among its customers, from off-peak-demand consumption, remote smart meters, and, to a lesser extent, alternative and renewable sources. "Our members are asking about alternative en-

ergy options, and this program saves money, adds jobs [via local SolPak installers], and has environmental benefits," says CEO Thomas Husted, who will make up lost revenue from lower electricity demand and the no-interest financing by selling renewable energy credits derived by the program.

The partnership with VEA represents the next step for Rheem's reintroduction of solar hot water systems after mothballing a similar line in the mid-'80s. SolPak is a complete package of components for a standard sloped roof installation. "It's a fragmented market [for components], and this is a turnkey solution," says Rheem's Jeff Mahoney. Since introducing the system in May, he says, more than 80 have been installed across the U.S.

For a list of utilities offering various energy-saving incentives, check out Edison Electric Institute, the national association of domestic shareholder-owned electric companies, at www.eei.org. —R.B.



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employing SIPs decreased from about 7,500 in '05 to slightly more than 6,000 last year given the drop-off in single-family starts. SIPA (www.sips.org) attributes the growth in market share (if not homes) to the increasing popularity of green building, as SIPs are often referenced as a thermally enhanced structural system.

Clean Coal?

Debate the nomenclature if you want, but power plants using Flexi-Burn Circulating Fluidized Bed (CFB), a low-temperature, steam-generator technology developed by Foster Wheeler Power Group (www.fwc.com) can burn biomass fuel sources such as wood and paper-based trash as well as coal in an environmentally conscious way to meet electricity demands—which currently exceed 20,000 terawatt hours annually, enough to light 2 million baseball stadiums for a year—and extend the finite natural resources, namely fossil fuels (and most commonly, coal), used to produce it. The process also purports to reduce nitrogen oxide pollutants and improves power plant efficiency.

UPlink

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intrusions by an expandable vinyl skirt.

Meanwhile, the building envelope for each home features two-hour firewalls and a program that adheres to strict seismic standards, per the International Building Code adopted by the state—extra measures that also enhanced the thermal efficiency of the shells. “They’re built like battle-ships,” says Thompson.

Though most of the steps MasterCraft took to build green will result in lower utility and water bills for its homeowners, it is the in-house monitoring systems, says Thompson, which will likely enhance those efficiencies. “It’s not only a fun element, but it raises consciousness about how you use energy and water,” he says. “The ability to see how you’re doing in real time causes people to manage their use better.”—*R.B.*



PVP ROVISION: The Gatsby features rooftop off-grid solar tiles integrated into the roofing system that serve as the default provider of electricity.

SPREADING GREEN

Partnering With LEED

USGBC seeks to incorporate its LEED for Homes rating system into existing local and regional green building programs.

ACCORDING TO NAHB-Green, there are now about 120 local and regional green building programs dotting the U.S., most of them managed through local building association chapters affiliated with the NAHB’s program. That’s a four-fold increase since the association introduced its Green Building Guidelines in 2005.

Now, the U.S. Green Building Council (USGBC), the overseer of the LEED rating systems and which currently lists more than 70 state and local chapters of its own, wants to tap into those housing-focused programs to proliferate its mission of reducing the carbon footprint of the residential realm.

The LEED for Homes Affiliate Program, launched in August, “... is an important step forward

as we advocate for full marketplace adoption of green home building,” says Nate Kredich, USGBC’s vice president for residential market development. “One of the greatest benefits of the LEED green home certification program is its continual progress and flexibility.”

Those who advocate or affiliate with the NAHB’s Green Building Program, including the guidelines and the more recent ANSI-approved National Green Building Standards, might bristle at the “flexibility” of the LEED for Homes rating system—often criticized in mainstream housing circles as too rigid and costly for market-driven builders to attain.

But at least one NAHB chapter, the HBA of Greater Dallas, has already signed on as a LEED

for Homes affiliate (thanks in part to a previous partnership that launched the voluntary Green Built North Texas program), and national-level NAHB staff appear to support the concept, as well.

“We’re glad to see USGBC looking for ways to work with home builders to encourage the growth of green building,” says Kevin Morrow, senior manager for Green Building Standards at the NAHB. “It looks like the organization now recognizes the importance of choices, not mandates, to accelerate this growth, and that is a welcome change for our industry.”

The LEED for Homes Affiliate Program, says Morrow, is simply another program among several, including NAHBGreen and Energy Star, that home builders can follow to build better homes for energy and other resource efficiencies.

“By becoming a LEED for Homes Affiliate, we are providing our members with another tool to remain competitive in a soft market,” echoes Phil Crone of HBA of Greater Dallas.

For more information, go to www.greenhomeguide.org.—*R.B.*

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Headscratchers

Why is no one measuring the biggest robbers of profit?

IN THE PAST THREE YEARS MY ASSOCIATES AND I HAVE WORKED with more than 40 builders and over 900 suppliers and trades conducting “Lean Kaizen” sessions to reduce costs by finding and eliminating waste in product and process. We have had many revelations on the way to identifying over \$100 million in waste and have truly seen the good, the bad, and the ugly. There is

one category of discoveries though, that I simply call the “headscratchers.” That classification is for things that are so obvious, so endemic, and such continual money wasters that we just can’t figure why no one is paying attention. If I held a competition among our staff members about which discovery has been the most puzzling of all, there would be plenty of nominations from home builders. Mine, however, would be about the suppliers and trades and what they are not paying attention to that is killing them. I’ll explain with an example of a supplier who does it right.

We were about half way through our “LeanBlitz” week with a large, very successful private builder when it was the lumber company’s turn to participate. Leading the supplier presentation was a young man in charge of trim. His company worked with more than 50 builders in the large metro area. He announced that the builder could save \$800 per house, which had the 10-person team from the builder sit straight up in their seats. He quickly ran through \$300 of easy stuff, including the elimination of \$10.40 per foot flex-trim that was on the inside of a closet under the stairs. No customer would ever know or care. After finishing his product ideas he moved on to the hard stuff—process. He told the builder team that his firm averaged seven trips per unit for trim delivery. Right now most of

you are shaking your head and chuckling, thinking no way could it be that high. This was exactly the response of the heads of construction and purchasing. Their skepticism vanished quickly, however, when the lumber company manager opened a folder and passed around copies of a report listing in full detail each delivery trip by load number, truck, driver, site code, lot number, plan name, superintendent, time depart yard, time arrive on site, delivery completion time, and if not able to deliver, return time.



The data was inarguable, and he went on to explain that he had at least two similar home builders with which they averaged just over two deliveries per site. Then he presented a challenge. The lumber company’s trip cost calculations showed a very conservative cost of \$125 per wasted trip, and it proposed a goal of reducing that to three trips over the next six months. It would not be easy, but if achieved, the lumber company would drop its package price to the builder by \$500 per unit. The builder team members’ eyes got big, and they resolved to get to work.

So what is the big headscratcher? As noted in my May column, “The \$10 Billion Secret,” every supplier and trade is ruthlessly impacted by wasted trips. Along with plans and specification issues, wasted trips are the biggest robbers of margins for suppliers and trades, and the major source of controllable costs for home builders. Thus wouldn’t we expect that suppliers and trades, as well as builders, would track these wasted, unnecessary, or avoidable trips that we have documented cost an average of \$10,000 per house? In the past 20 years we have had thousands of suppliers and trades in workshops, and those that track this critical business factor with any level of detail number less than 1 percent. And even among the most progressive builders, I have yet to find a single one that tracks this data. Consider the implications. Consider the costs. Consider the lost profit for all. Are you scratching your own head as well?

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PRODUCTS

PRODUCTS AND TOOLS EVERY BUILDER SHOULD KNOW ABOUT ■ EDITED BY NIGEL F. MAYNARD



SPRAY PAINT: One brand of paint sprayer has dominated the category, but this manufacturer is hoping to offer an alternative with its ONE+ 18-volt Power Paint Sprayer Kit. Using lithium-ion technology, the unit has a Quick Lock feature enabling the paint container to click-in for painting and click-off for removal. The delivery system eliminates the need for paint dilution and offers three spray patterns. ■ Ryobi Power Tools. 800-525-2579. www.ryobitools.com.

FREEBIE: In addition to introducing a new line of LithiumTech 18-volt tools, the manufacturer is offering the unbelievable: free replacement batteries for the life of any of its cordless power tools. The 1/2-inch cordless drill/driver weighs 3.9 pounds and offers 330 inch-pounds of torque. It features a keyless chuck, two-speed gearbox, and a 24-position clutch. ■ Rockwell Power Tools. 866-514-7625. www.rockwelltools.com.



Hat Tricks

Tool manufacturers apply creativity in a slow economy.

IT'S NOT NEWS THAT ALMOST EVERYONE associated with the housing industry is struggling. What's interesting is how different building product categories are trying to stay afloat—and how it can benefit you.

Last year, tool manufacturers told BUILDER that they would try to jumpstart slumping sales by concentrating on other areas, such as the remodeling sector and deck building. This year, companies are looking within, by diversifying their own product offerings, varying the types of power tools they are introducing, and expanding on platforms so end-users may simply add tools to existing batteries. Moreover, companies are enticing buyers with

affordable products that still offer some professional punch.

POWER UP

Anderson, S.C.-based Ryobi America Corp., a company that prides itself on providing affordable tools to serious DIYers and “value-conscious contractors,” has upped the ante with a new line of 18-volt lithium-ion power tools that offers twice the run time as traditional 18-volt nickel-cadmium batteries and is 20 percent lighter.

“This is a significant launch for Ryobi tools and our loyal customers,” Mike Farrah, senior vice president of marketing for Ryobi, says in a statement announcing the launch. “We know we have (see page 36)

RIP IT: This 7-inch portable tile saw comes with a laser for accurate cuts and a portable stand. The saw has a 10-amp motor, weighs 72 pounds, and has a rip capacity of 24 inches and a maximum depth cut of 2 1/4 inches. The tool also comes with the manufacturer's lifetime service agreement, which offers free parts and free service. ■ Ridgid Tools. 800-4RIDGID. www.ridgid.com.



Uplink

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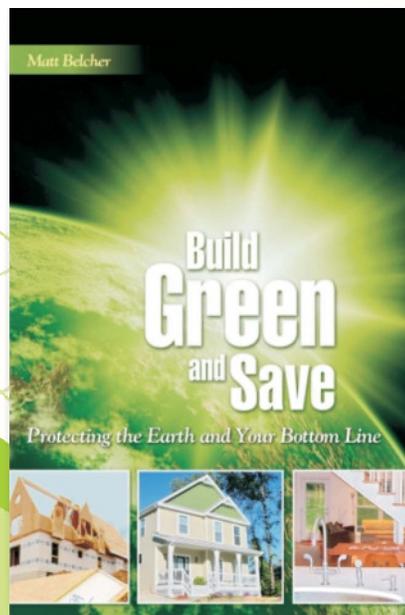
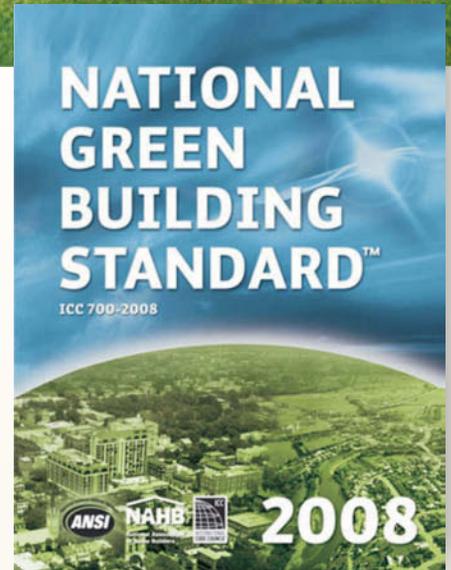
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PRODUCTS

very loyal DIYers that have embraced our 18-volt One+ System, and we also have professionals using the system. We're confident the increased run time of new lithium batteries will be very attractive to our customers, especially pros who seek maximum performance at a great value."

While the lithium-ion product introduction is merely an expansion of the One+ System, Ryobi also has diversified into other types of power tools. The company recently introduced a power paint-spraying product line that it says "is the only cordless paint sprayer in its class." The product line uses an 18-volt lithium-ion battery and is compatible with the company's ONE+ platform.

This past summer, Brookfield, Wis.-based Milwaukee Electric Tool Corp., created a whole new business unit dedicated to launching power tools in the Test and Measurement category for, among other groups, electricians and HVAC technicians.

The first wave of products in Milwaukee's line includes products that use disposable alkaline batteries as well as those featuring the company's lithium-ion technology in the M12 cordless platform.

"With a strong user base in electrical, HVAC/R, MRO, and remodeling, there is an opportunity for Milwaukee to deliver overdue change to an underserved, dormant category," says company president Steven Richman. "We are dedicated to leading the industry by delivering new products with best-in-class performance, and solutions to enhance end-user productivity."

Products in the line that use disposable batteries include a voltage detector with work light, fork meters, a laser Temp-Gun thermometer, a digital multimeter, and clamp meters. Products in the rechargeable M12 cordless line include a Sub-Scanner detection tool, laser Temp-Gun thermometers, and Clamp-Gun clamp meters. The company says many of the products come in two models with distinct features that are tailored to the needs of electricians and HVAC technicians.

BIG DEALS

One tool manufacturer recently made an offer it hopes contractors can't refuse—or at least will think long and hard about.



BACKDATING: This 18-volt hammer drill/driver uses the manufacturer's Nano-Phosphate lithium-ion battery that is backwards compatible with more than 40 of the company's 18-volt power tools produced since 1996. It weighs 5¼ pounds, has a three-speed all-metal transmission, and a self-tightening chuck. ■ DeWalt. 800-433-9258. www.dewalt.com.

Charlotte, N.C.-based Rockwell Power Tools announced in January that it will provide free replacement batteries for the life of any of its cordless power tools. (Other manufacturers offer warranties, ranging from one to three years, that may cover parts, service, and batteries.)

"Our Free Batteries for Life program definitely is an industry first," says Craig Taylor, the company's vice president of brand marketing. "Everyone's aware of free refills on coffee and soft drinks—but this is the first time anyone has ever provided the consumer with free refills for their cordless drill/driver, impact driver, or reciprocating saw. This unique proposition is intended to convey our confidence in the uncommon quality of our batteries and portable power tools."

The company estimates that the new battery for life program will reduce the overall ownership costs of its cordless tools by 40 percent to 70 percent, depending on the tool in question. Battery replacement, it says, can cost as much as the price of the tool itself so company officials expect the program to be very successful.

By all accounts, tool manufacturers will need to generate all the creativity they can muster to keep up sales at a time when contractors either aren't buying new tools or replacing broken ones. The Specialty Tools & Fasteners Distributors Association in Elm Grove, Wis., says that its member distributors saw a sales decline of 2.1 percent in 2008 but are forecasting a decline of 6.8 percent for 2009. Thankfully, slumps don't last forever, and these new programs should help until this one's over. ■



SEE THE LIGHT: Designed for electricians and HVAC technicians, the M12 cordless Laser Temp-Gun Thermometer can safely measure temperatures between 22 and 1,472 degrees F with an accuracy of 1.5 percent. It's designed with embedded non-contact voltage detection and features LED flood lights and readout screen. An ergonomic pistol grip provides comfort. ■ Milwaukee Electric Tool Corp. 800-729-3878. www.milwaukeetool.com.

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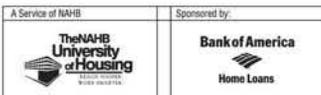


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DIGITAL HOME

SMART TECHNOLOGY FOR NEW HOMES ■ EDITED BY DAN DALEY

TECHNOLOGICAL BOOBY TRAPS

Sounds of Silence

The next round of acronym soup comes from whole-house HD.

THE NEXT WAVE OF DIGITAL THROUGHOUT THE home will likely be whole-house distribution of high-definition (HD) signals to multiple displays in multiple rooms. The only problem is that it can't be done without stepping on some land mines.

HDMI (high-definition multimedia interface) and DisplayPort, for example, were developed to handle single-point distribution and limited to about 30 feet. Digital extenders such as EDID (extended display identification data) can help, querying the display as to its native resolution and adjusting the source accordingly. CEC (consumer electronics control) is a device control protocol that will shut down a display if it no longer senses a signal from the last source. But if the user is just switching to a different source, the display may be shut down anyway,

prompting an unnecessary service call. Then there's HDCP (high-bandwidth digital content protection) that can't readily distribute Blu-ray signals throughout the house thanks to authentication issues, and the fact that Blu-ray only allows up to eight authentication keys maximum. That limits the number of displays it can be distributed to and shuts the player down if it's directed to send to a ninth location.

Crestron says it has a solution with its Digital Media series of products that started shipping earlier in 2009. Crestron communications director Jeff Singer points out one of the central ironies of the digital era: technology solutions that become technological booby traps. "HDCP was developed to prevent illegal distribution of high-def content, and now it can potentially prevent distribution of all HD signals in the home," he says. "EDID can tell the [signal] source what the native resolution of a particular display is, but what if the source doesn't support one of those native resolutions? That can result in a degraded picture. It's complicated."

The bottom line for builders, for whom home high-definition capability will be important in the very near future, is to emphasize Ethernet cabling as part of the structured wiring package.—D.D.

DIGITAL SIGNAGE

Virtual Sales Agent

Interactive content augments the sales process.

DAVID LITTLE THINKS less is more. Little, the director of business development at interactive digital signage systems maker and integrator Key West Technology, says its experience with two home builders suggests that builders can sell more efficiently if prospective buyers can access more information interactively in the model home.

To date, several Beazer Homes communities in Florida and Wichita, Kan., custom builder Randy Dean Construction have installed Key West's MediaXtreme Media Server, a touchscreen interface on a

32-inch LCD flat-panel display, and custom content developed by DSX Media that lets buyers take 360-degree virtual tours of homes, print floor plans, and access the builders' website, interactively and unassisted.

The proposition comes with a feature that the builders found hard to resist: DSX Media helped the builders sell ads on the interactive program to several of their vendors, including mortgage and title companies. Little says that the advertising covered the price of the interactive digital signage systems, which typically cost about \$10,000 for a turnkey system, in less than a year.

The system is a hybrid that marries the playlist management and AV playback of a digital signage system with the interactivity of a digital kiosk. The digital sign plays a three-minute commercial for the builder followed by 30-second commercials for paid advertising until a prospective home buyer touches the screen. The system then shifts into kiosk mode so buyers can interactively retrieve the information they want.

"It's been a great differentiating factor," says Alan Beulah, sales manager for Beazer's Florida division in Tampa. "If the new-home counselor is already working with a customer, the touchscreen can engage someone else waiting much better than magazines or brochures can." Beazer currently has systems in two Tampa communities.—D.D.

Pushing the Barrier

Bell'O International's HD7000 Series of HDMI cables now includes one that extends to 36.1 feet, more than 6 feet longer than the established standard 30-foot HDMI cable length. The HDMI cable, which lists for \$250, meets UL CL3, UL OFNG, and CSA FT4 standards, is approved for in-wall installation, is Simplay Labs HD-verified, and offers 10.2-Gbps throughput. For more information: www.bello.com.

Suite Touch

Home Automation Inc.'s IP-based product suite offers OmniTouch 10p Touchscreen (\$3,145), Automation Studio design software (\$418), the Home Theater Extender (HTX, \$508), and the HAI Camera Server (price pending). The

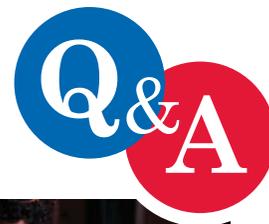


OmniTouch portable touchscreen has built-in Wi-Fi and a 10.4-inch viewable screen. HTX adds IR capability to HAI's 5.7e touchscreens. The Camera Server converts analog security camera signals to IP video streams.

DO YOU HAVE A TECH STORY?

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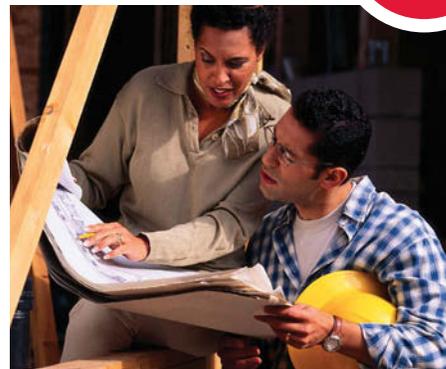
Bank of America Home Loans Talks About Building Relationships



In today's challenging economic times, the availability of credit for your clients is a hot topic and key concern. BIG BUILDER went right to Bank of America Home Loans to hear about how its dedicated builder division is serving the building industry and its clients.



Mike Kelly, East Builder Executive, and Michael Brown, West Builder Executive, talked to us about how Bank of America Home Loans is open for business with expertise and products to help builders close on more homes.



Q: What makes the mortgage business at Bank of America Home Loans different from other banks?

Mike Kelly (MK): The needs of residential builders and developers are unique. Bank of America Home Loans recognizes this and provides specialized programs serviced by professionals who focus on the new home market. Over the past 18 months, Bank of America has focused on its mortgage program in order to respond to the changing business climate.

Michael Brown (MB): It's not enough to have feet on the ground — they need to be the right kind of feet. At Bank of America Home Loans, our National Builder Division has builder sales managers and builder-focused loan officers across the country who are trained to offer a host of specialized builder-centric loan products and services.

Q: Explain the specialized training that your loan officers possess.

MK: We believe that the financing for new homes and condos requires an additional level of expertise. Our mortgage loan officers get that expertise by completing a comprehensive training program that designates them as a "Certified Builder Representative."

MB: Through this specialized training and education, our entire home loan team is equipped to work closely and directly with builders. We are experts on a variety of different financing solutions that ultimately help builders build, sell and close more homes.

Q: What is the best advice that you can offer to builders?

MK: Our best advice is to make sure builders align themselves with the right lender — one that has a long-term commitment to the home building industry and a diversified and dedicated program that will help builders sell more homes.

For more information contact Mike Kelly (East) at 1.860.214.8238 or Michael Brown (West) at 1.714.669.3630, or visit www.bankofamerica.com/buildersadvantage to find the builder sales manager in your market.

Bank of America Home Loans

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- **Forward Commitments:** Builders are able to purchase a block of money at a specified interest rate, protecting them against rising rates.
- **Jumbo Mortgage Financing:** Bank of America Home Loans has continued to demonstrate its commitment to jumbo mortgages as a market leader.
- **First Time Homebuyers:** Bank of America Home Loans will provide financing for qualified first-time homebuyers with a down payment of as little as 3.5 – 4 percent.

NAHB BRIEFS

Above and Beyond

North Carolina home builder Tom Gipson was selected as the winner of the Ultimate Volunteer contest on the television show "The View."

Gipson was recognized for founding the nationwide Builder Blitz program in partnership with Habitat for Humanity. In 2006, he recruited more than 1,000 home builders to construct 459 Habitat homes in a single week. Another 269 homes were built in 2008, despite the housing downturn.

Ten finalists were selected from more than 1,000 nominees, and the winner was chosen after a week of online public voting. The contest recognizes "someone who selflessly gives to oth-



ers, who asks for nothing in return, and inspires others to volunteer."

"Gipson's national recognition represents the dedication to community service of home builders across the nation, for the many charitable projects small and large that happen every single day," says Joe Robson, NAHB chairman. ▶

NATIONAL BEAT

NEWS FROM HOUSING'S GROUND ZERO ■ EDITED BY DEBORAH LEOPOLD



FROM THE CHAIRMAN

Survival Essentials

The NAHB can be your lifeline toward surviving one of the worst housing markets in decades.

IT IS SAID THAT WHAT YOU LEARN EARLY IN life is what you remember longest and best. So I guess it shouldn't come as a surprise that when I think about our industry, I remember something that I learned in elementary school. Shelter, like food, water, and clothing, is essential to life.

I'm very proud to be a member of the industry that provides one of the necessities of life, and I'm especially proud to be chairman of the association that helps enable the housing industry to meet that need. Because, make no mistake about it, without the NAHB, the job of housing

America would be infinitely more difficult.

The NAHB is our advocate. It's our voice in Washington, fighting every day for policies and programs to help stimulate the housing market and get our industry back on its feet. And it's our champion at regulatory agencies, in the courts, and in hundreds of other important arenas. Most of all, it's our lifeline, providing the products, tools, and services we need to survive the worst housing market in seven decades.

One of those essentials is knowledge. From e-newsletters to special reports, economic studies, members-only (see page 42)



JOE ROBSON
CHAIRMAN OF THE BOARD,
NAHB
WASHINGTON, D.C.

Web content and print publications, the NAHB provides information and analysis that is available nowhere else. Another essential is education to help members cope with the realities of the market, hone their skills, and prepare for better years ahead.

The NAHB also provides outstanding networking opportunities. Some of the most valuable information and advice I have ever received came from generous fellow members who were willing to share their expertise and let me learn from their successes and failures.

The International Builders' Show (IBS) is our premier educational and networking event of the year, and we're working hard to ensure that it meets members' needs in today's troubled market.

To make the IBS more accessible, we have changed the pricing structure for 2010 and are doing everything possible to make the show a valuable experience for both members and exhibitors.

We are using new technology to make many of our non-IBS education and information programs more cost-effective and accessible. Look for this trend to continue next year as the NAHB makes increasing use of technology that saves time and

money by delivering essential information directly to your desktop.

Our association website, www.NAHB.org, is key to the effort to serve members better in smarter ways. It includes a wealth of information that is available only to members and was recently revamped to make it even more useful and informative.

If you're not a member of your local builders association, I urge you to join (when you join at the local level, you automatically become a member of the NAHB). And if you're already a member, I urge you to get active in your local association and take the best possible advantage of what the NAHB offers. After all, the bottom line is that the NAHB provides the essentials for people who produce one of the necessities of life.

Call to Action: Join the NAHB in the fight to extend and expand the \$8,000 first-time home buyer tax credit, which is set to expire on Dec. 1. Without an extension, the tentative recovery in housing could sputter to a stop. The resources you need to join this crucial effort are available at www.NAHB.org/ReviveHousingNow.

THE NAHB RESEARCH CENTER CORNER

Bath Bonanza

Annual builder survey reveals changes in bathroom fixtures and finishes.

THE NAHB RESEARCH Center's Annual Builder Practices Survey found that improving bathrooms is a substantial way to create superior value with potential buyers. Survey results confirm an unprecedented change in bathroom fixtures and finishes used in new homes since the housing downturn.

Countertops & Sinks: Granite has become a very popular material, increasing from 5 percent to 18 percent. Laminate, cultured marble, and ceramic tile lost market share during this period.

Undermount sinks grew from 9 percent to 17 percent share. Vessel sinks increased, but only had 2.5 percent market share by 2008. One-piece sink and countertop styles saw the

biggest dip; the share of drop-in sinks declined slightly. China and enameled cast iron were the biggest gainers, while marble and enameled steel sinks both declined in market share.

Faucets: Chrome is still the most popular vanity, bath, and shower faucet finish with about 46 percent share. However, its share in new homes tumbled from 61 percent over the past three years. The biggest gainers in bathroom faucet finishes were bronze and nickel. Stainless steel also saw a moderate increase in popularity. Polished brass and solid colors have largely fallen out of favor.

Flooring: Ceramic tile continues to be a popular choice for bathroom floors with 65 percent market share. Marble and other natural stone saw the largest

increase, from 3 percent to 7 percent. Use of vinyl tiles also grew, from 2 percent to 4 percent. Sheet vinyl, however, slipped from 28 percent to 21 percent.

Tubs & Showers: Gel-coat fiberglass remained the most popular for one-piece showers and tub/shower combinations, but acrylic-finished units have gained market share. For single tubs, enameled cast iron became more popular. For whirlpool baths, acrylic continued to be the most popular material type. Acrylic saw the largest market share gain, while most other materials slipped.

Ceramic tile remains the most popular choice for site-constructed bath and shower surrounds with about 71 percent share. Natural marble increased in popularity but cultured marble declined.

Visit www.nahbrc.com/manufacturer/development/newconstruction.aspx to see the specifications of all 44 standard ABPS reports.

NAHB BRIEFS

Worthy Raffle

Setting an example of how builders and HBAs are helping those in need, the 2009-2010 Chicago Dream Home Raffle is raising money for three nonprofits with strong ties to the housing industry.

At least 150 prizes will be awarded. The grand prize winner will work with Orren Pickell Designers & Builders to design and build their own \$1.3 million dream house, or they can choose \$1 million in cash. Raffle tickets are currently available for purchase at: www.chicagodreamhomeraffle.com.

The beneficiaries of the raffle are:

- WINGS, providing shelter and services to homeless and abused women and children.

- HomeAid Chicago, one of 22 local chapters of HomeAid, whose mission is to provide housing where homeless families and individuals can rebuild their lives. It is the official charity of the HBA of Greater Chicago.

- Homes for Hope, which partners with builders and trade contractors in home building projects. Profits from the homes support HOPE International, a micro-finance organization that seeks to end poverty by providing struggling entrepreneurs in developing countries with small loans to build or start a business.

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1. In the event a housing related charity is not available in the winner's community, an acceptable alternative charity will be selected. No purchase necessary to enter or win. Must be legal resident of the 50 U.S. states and the age of majority or older in their state of residence. Begins 9/7/09 and concludes 12/13/09. To obtain a copy of the official rules send your request in a self addressed stamped envelop to **Pick of the Pros 2009 Official Rules Request**, PO Box 3970, Dept. GP, St. Cloud, MN 56397-3970. Void where prohibited or restricted. Sponsor: Wells Fargo Home Mortgage.



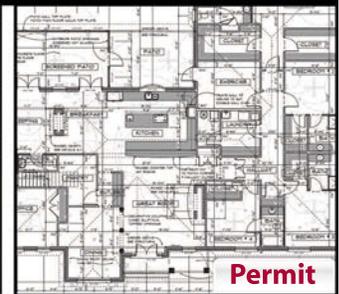
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Prime Drivers

Demographics drive long-term housing demand.

HOUSING WILL RECOVER ON THE OTHER SIDE OF THE CURRENT slide because demand will be driven by the Echo Boom generation. In fact, over the next 20 years, the number of people in the primary household formation and home buying ages will exceed 80 million, which is larger than the Baby Boomer generation.

However, there are a number of factors that will determine the final demand for additional homes. Aside from the temporary economic issues that have delayed household formations, the prime drivers behind how many households form from the base population include immigration, headship rates, and social trends such as divorce, remarriage, and presence of children.

The rising share of the foreign-born population in the U.S. will have a dramatic impact on housing demand. Past and future immigrant groups are large in number but they form larger, multigenerational households. These competing forces will both add to and subtract from the number of households formed by the underlying and expected population. The component of total population arriving from and returning to other countries is the most fluid and most difficult to forecast. The economic slowdown reduced the incentive to move but likely only in the short run. A study from the Pew Research Center found that the recent decline in net immigration from Mexico (the country with the largest number of resident immigrants) is due to a decline in new entrants rather than an increase in those leaving.

The foreign-born population accounts for 13 percent of the current population and 14 percent of the households, but it grew twice as fast as total population in the past five years. Census Bureau projections for the two largest foreign-born segments foresee continued growth: The Hispanic population will double and the Asian population

will nearly double by mid-century. According to the Joint Center for Housing Studies, the number of Hispanic households will increase between 420,000 and 500,000 per year, and the number of Asian and races other than Black households will increase by between 240,000 and 322,000 per year over the next 10 years. These two groups will account for more than half the increase in households and that contribution will increase beyond 2020.

Household size fell dramatically as Baby Boomers moved out of their parents' homes, divorce without remarriage increased, and older people chose to live alone. That movement also increased headship rates. How-



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ever, that trend slowed in the '80s and has changed only modestly since then. Average household size was 3.2 people in 1970, 2.9 in 1980, and 2.6 in 2008. Several factors are likely to reduce headship rates further and reduce the impact of Echo Boomers on total household growth.

As the economy has weakened, job opportunities have disappeared, and more education is seen as critical to landing a job. Members of the Echo Boom generation are remaining in, returning to, or beginning college or trade courses. Schooling means staying at home or living with roommates. In addition, the Echo Boom generation has fewer siblings than their parents had, and they live in larger homes, leaving them with less incentive to move out on their own. Echo Boomers are also delaying marriage, contributing to lower headship rates.

The increase in ethnic and immigrant groups with larger families will lift the growth in households with children, but from a low of about 6 percent of all households to 15 percent in the next 15 years. The largest family-type contributor to household growth will be persons living alone, which will grow from one-third of all households to 40 percent.

The large Echo Boom generation, even with some delay, and the growing impact of immigration will boost housing demand and will account for most of the expected 1.2 to 1.5 million per year additional households over the next 15 years. Total housing production will have to be 1.6 to 1.9 million units to respond to increased households, replacement and second-home demand, and additional vacancies.



IS THE MCMAN DEAD?



It's the scapegoat of the housing bust, and that's not all. From accusations of ostentatious overconsumption to environmental indifference, the McMansion has taken some brutal hits in the recession economy. Are those blows lethal enough to send starter castles to their grave? **Or will they live to see another boom?**

BY JENNY SULLIVAN

SION



THERE'S NO SHORTAGE OF McMAN-sion haters out there. Some are vociferous, but others are stealthy—such as the Florida couple who recently purchased three-quarters of an acre in a neighborhood many consider to be prime teardown territory.

Fellow home buyers in this posh, lake-front part of Orlando, Fla., didn't think twice about razing and replacing existing homes with new ones more than double in size. But these passive resisters have something more modest in mind for their family of five.

In lieu of a 7,000-square-foot palace that antes up to the neighbors, they're planning a house less than half that size with energy-efficient features, panelized construction to reduce waste, and a variety of flexible, multipurpose spaces. One of its four bedrooms will double as a guest room.

In some ways, it's atonement for an oversized spec home they owned previously, which they describe as a "cavernous" place with rooms that were seldom used.

"Environmental concerns are one reason for downsizing, but we also want to know what's going on with our kids," the husband says. "A smaller house helps facilitate that. When they share space, they are forced to resolve their differences. We have the financial ability to have a larger home, but it doesn't make sense."

Chalk it up as another point for the opposition in the McMansion wars.

PRIDE AND PREJUDICE

Efforts to stem the proliferation of monster homes have no doubt reached epic proportions in recent years. But the battle lines are sometimes fuzzy because the enemy isn't always clear.

What exactly is a McMansion?

By some accounts, it's the gargantuan greenfield tract home with a Hummer parked out front that perpetuates sprawl and makes gas guzzling a way of life. Others use the derisive term to describe ostentatious infill homes that—while walkable to schools, shops, and transit—tower over beloved bungalows in established neighborhoods in a way that is less than neighborly.

But different people live by different standards of propriety, and that's where codifying the offenders becomes difficult.

"One market's McMansion is another market's standard issue house," notes Robert Lang, former co-director of the Metropolitan Institute at Virginia Tech who now heads up the newly minted Brookings Mountain West program at the University of Nevada, Las Vegas. "If you're in Dallas, 5,000 square feet is the house you buy on a two-faculty salary. But if you are in Boston or San Francisco, this is not a normal-sized house. It's not fair to come up with a blanket definition. However, every area has its over-the-top houses, and people know which ones they are."

This may explain why some would-be reformers find it easier to define the essence of McMansion-hood by its antithesis.

Dave Wax, co-founder of the online company FreeGreen (which offers free house plans for small, high-performance homes), defines McMansions as houses that are built to minimum code specifications and saddlebagged with spaces that are used less than 30 percent of the time by their owners. "Like all stereotypes, it's a term



NO MORE WASTED SPACE: In 1973, 23 percent of new single-family homes were two stories or more. By 2006, that number reached 57 percent. Taller homes are here to stay, but new models will likely be carved up differently inside. Double-height foyers and similar trophy spaces are falling out of favor, because they are too expensive to heat and cool.



that has no definition and so is inherently unfair," Wax concedes. "That said, having a bad guy is necessary for any social change. And so the McMansion is the bad guy."

DOWNSIZE ME

Can the vilified McMansion, in its various forms and habitats, survive a post-recession economy? Many signs suggest the odds are stacked against it. Lending standards have tightened, and many buyers no longer have the cash on hand for down payments on fancy homes. Add to that a U.S. unemployment rate that continues to hover around 9.5 percent and resale competition from

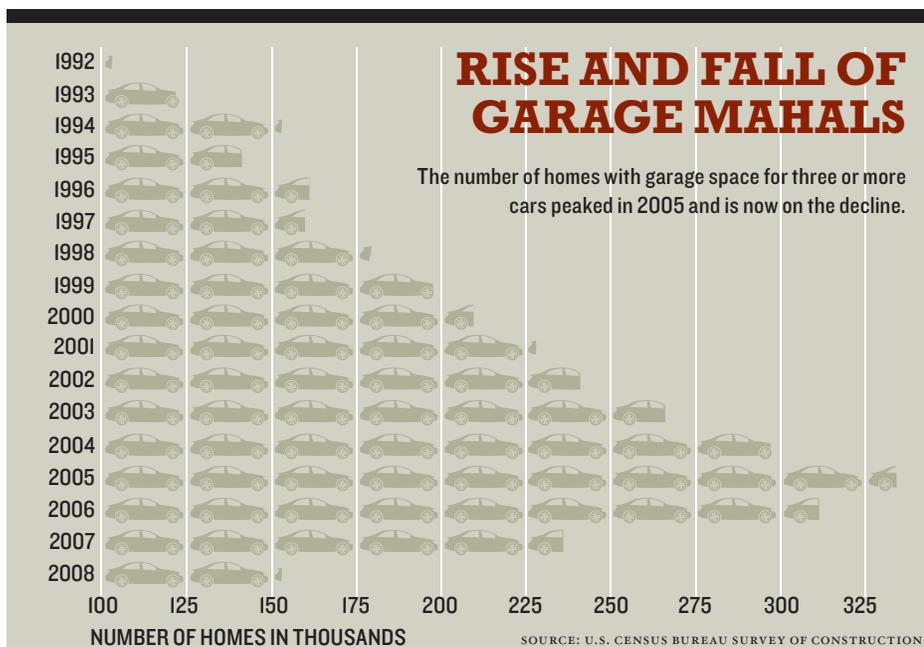
foreclosures (many of which are McMansions themselves), and the outlook seems bleak for showy homes that many consider emblems of decadence and greed.

Even for those who can afford them, trophy homes constitute an image problem at a time when modesty has become fashionable. One recent CNNMoney.com poll asked more than 33,000 online readers if they thought American homes had gotten too big; 69 percent said yes.

Demand for big houses could also fizzle as population shifts place families with kids in the home buying minority. Some demographers estimate that up to 80 percent of new households formed over the next 15 years will be child-free as Baby Boomers empty their nests and career-driven Millennials postpone marriage and kids.

Arthur "Chris" Nelson, director of the Metropolitan Research Center at the University of Utah, predicts that as a result, the nation could see a surplus of 22 million large-lot homes by 2025. Household sizes are trending smaller at the same time that household budgets have become leaner. That makes butler pantries and media rooms a tougher sell.

In fact, the residential landscape is already changing. In a recent poll of 500 residential architects by the American Institute of Architects (AIA), only 4 percent of respondents reported that their clients were requesting more square footage in new projects, compared to 16 percent in 2008. A subsequent AIA Home Design Trends Survey found significant decreases in consumer spending on features such as



in-law suites, three-car garages, and home theaters. Builders are singing a similar tune, with 90 percent of respondents in a recent NAHB poll indicating plans to build smaller.

So it's no surprise that American house sizes, which doubled from 1960 to the height of the boom, are now backpedaling. The average house breaking ground in the first quarter of 2009 was 2,335 square feet, down from 2,629 square feet in the second quarter of 2008, according to NAHB figures. Since 2007, median sizes for new single-family homes have fallen nearly 10 percent.

BEHIND INFILL LINES

McMansions also continue to draw fire from neighborhood groups rallying to protect their streetscapes. The National Trust for Historic Preservation (NTHP) estimates that as many as 500 communities in 40 states have launched anti-teardown campaigns in an attempt to curb the proliferation of super-sized homes. Some groups have ignited city-issued moratoria on new residential construction, while others have helped handcraft ordinances that regulate building height, setbacks, and floor-area ratios.

Among the most infamous is the "McMansion Ordinance" enacted in Austin, Texas, in 2006, which limits most new or remodeled infill single-family homes to 2,300 square feet with a height limit of 32 feet. A similar measure passed last year by the Los Angeles Sunland-Tujunga Neighborhood Council dictates that any floor with ceiling heights greater than 14 feet counts as twice the square footage of that area. Bye-bye, vaulted foyers.

"Teardowns may not always be stellar landmarks on their own, but the issue comes down to streetscape character," says Adrian Fine, director of the Center for State and Local Policy at the NTHP. "It only takes one McMansion to disrupt that character and cause a domino effect."

But builders aren't entirely to blame for this scenario. Antiquated zoning laws (and the planning boards that uphold them) also play a part. When builders find themselves handcuffed to standard lot sizes, minimum square footage requirements, and high land costs, the tradeoff is often building to a lower specification to arrive at a pro forma that pencils. The solution ends up being a lumbering stock plan with a brick front, vinyl siding, and little to no side yard.

How does one stop that cycle? "What



THE GOOD

Sensitive infill homes respect the scale and character of the neighborhood.



THE BAD

A study by researchers at Ohio State University found that large square footage does not a McMansion make; it's the height and proportion of the new house in comparison to others on the block that opponents find most offensive.



THE UGLY

Even same-size houses can draw fire when they appear incompatible with the neighborhood fabric.

needs to happen is buy-in from local municipalities with respect to [alternative] zoning," says Bill McGuinness, president of Sun Homes in Pawling, N.Y. "Rather than large, planned new towns in the middle of nowhere, the existing towns in our market need to be reclaimed through things like

creative density swaps and aggressive planning. Towns hopefully will figure out that the net drain of sprawled out subdivisions on municipal resources is unsustainable, and that well-planned densification of existing core areas can be a net fiscal benefit. This is difficult because so few towns have the knowledge, budget, and understanding of the issues to pull it off."

Which makes attempting to change the system a risky and frustrating endeavor for even the most well-meaning builders.

Brian Hickey, founder of Teardowns.com, an online real estate marketplace for teardown properties, recalls one builder who attempted to replace a stretch of tired single-family homes in Chicago's well-to-do Hinsdale neighborhood with a smaller, but no less historic housing type (brownstones). "He bought a series of old single-family homes with hopes that the zoning board would approve row housing as a replacement, but the neighbors protested and the village did not approve it," Hickey says. "In the communities where we do business, you generally can't find zoning that will approve any kind of project like that, even if it means an aesthetic improvement to the area."

Architect Ed Binkley has witnessed a similar form of inertia in the Orlando market. "There are guys today with 75- to 80-foot lots that could easily be subdivided, but a lot of builders and developers are afraid to start the process because it's time consuming and time is money," he says. "It's hard for builders to resist buying up existing lots from projects gone bad when they are getting them for 50 percent of the original value. Those lots are ready to go, and they have financing."

SMALL WORLD

With the fate of housing still in economic limbo, some builders are clinging to bubble business models on the belief that big homes will make a comeback when the market rebounds. "My fear is that the industry won't wake up until it's too late—that builders will try to dust off old plans and those plans won't work anymore," says building consultant Chuck Shinn.

Other builders are preparing for the future by diversifying. Take Richard Perrone, a high-end builder in Sarasota, Fla., who has spent the last 30 years building custom waterfront estates for *Fortune* 400 executives—some as large as 22,000 square feet. While he isn't abandoning his top-tier clients or the notion that some people will always want big houses, he is (see page 50)

taking a calculated risk on a different kind of venture: an enclave of 14 bayfront homes with the same level of quality and finish, except in markedly smaller envelopes.

Measuring 3,729 square feet, Perrone's first spec home at Spice Bay is listed at \$1.975 million. It's got most of the same goodies you'd find in his larger houses—digital lighting control systems, industrial grade kitchen appliances, inlaid floors—minus the extra library, media room, billiards den, secondary prep kitchen, underground parking for 23 cars, and so on.

"We believe there are buyers out there who want a very high-quality home; they just want a smaller home," says Perrone. "So we're taking everything we know about good design and putting it in a smaller package. For a while people were led to believe that more is better. I think for some that mindset is changing."

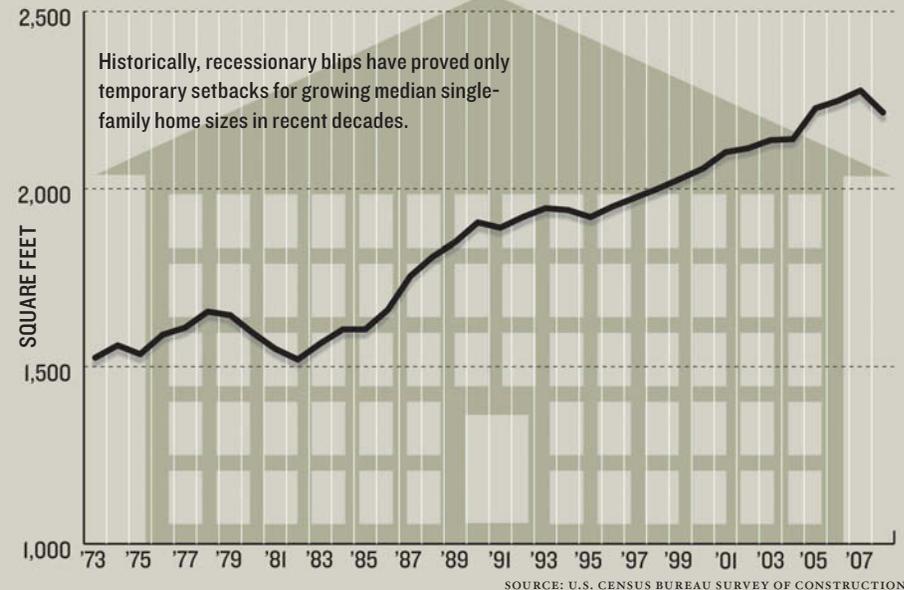
Some production builders think so too, and are similarly adjusting their product lines for a different clientele. In a much heralded move, KB Home in Houston recently introduced a series of plans measuring just 880 square feet as a way of going head to head with low-cost bank-owned properties. "Any time there's been an age of exuberance and the economy turns, people get back to 'What do I need?' rather than 'What could I buy?'" KB CEO Jeffrey Mezger said in an interview with *BusinessWeek*.

But whether a protracted economic recovery will catapult the small-house movement into the mainstream and snuff out the "more is better" mentality is a subject of nuanced debate.

"I think you will continue to see McMansions built on smaller infill lots because wealthy people want homes that are custom designed for them," says Philadelphia architect James Wentling. "The large production houses built in the suburbs are another situation. Those are large homes built on large lots due to anti-growth zoning restrictions, which motivate builders to construct larger houses to amortize the lot costs. Demand for this product type is decreasing and the value of these homes will not appreciate as well (or may decline) as demographics change."

Robert Lang believes exurban McMansions will live on, although he anticipates a more organic concentration and redistribution of them as suburbs mature. Going forward, affluent "wedges" or suburban corridors may continue to prove fertile ground for large-lot homes, he says. "Distance from the urban core is not universally a disadvantage. Much depends on the path and the

HAVE WE MAXED OUT?



employment opportunities. You can even have discrepancies in the same county. If you have rail, high-end employment, and an international airport in a suburban corridor, that completes the circle of what's necessary for luxury housing." And not all of it will be designed tastefully.

FEAST AND FAMINE

Nancy and Scott Cornelius are the kinds of buyers critics love to cite as evidence that McMansions are on the outs. At 65, the couple recently sold their big house in Oak Hill Reserve, a Fairfax County, Va., development where homes run as large as 8,000 square feet, and downsized to a new, smaller home in a nearby 55+ community. Reduced home maintenance and lower utility bills were part of the rationale for moving.

Not surprisingly, they had trouble selling the big house, which was originally built in 2002. But not for the reasons the anti-mansion brigade would assume.

"It had about 3,000 square feet on its main level and a little over 2,000 square feet on the lower level, meaning it was one of the smaller homes in that area. Plus this was a rambler in a neighborhood of mostly three-story colonials with three-car garages," says Nancy Grasman, a Realtor with Coldwell Banker. "Most buyers who were looking in that neighborhood wanted a bigger house with all the bedrooms upstairs."

After a year on the market, the house finally sold at the end of July for just over \$1 million—to a single woman with no kids. "It was a move-up that was manageable for

her," says Grasman.

Proof, perhaps, that ability—not need—is still what drives most purchasing decisions by home buyers who are concerned about resale value. And in the resale market, value is still measured largely by the square foot, not the quality of the built-ins or the efficiency of the kitchen layout.

Lang, for one, isn't too surprised. And he doesn't necessarily view such anecdotes as anomalies. "I think there will eventually be another boom, and home sizes will go up again," he says. "Maybe not as dramatically ... but they will go up. You can't gauge the extent of the population's taste when its buying power is constrained."

History has shown this to be true. Before the housing bust of 2007, the largest annual decline in median square footage occurred between 1979 and 1982, when new-home sizes dipped 8.2 percent, observes NAHB chief economist David Crowe (see page 45). Four years later, house sizes were back up above their previous peak.

Atlanta builder Brendan Murphy sees this as evidence that old habits die hard. "We Americans have always associated bigger with better," he says. "Look at how many crises the automobile industry has gone through with gas prices. And yet it always returns to large vehicles because that is what sells."

Is America's appetite for big houses trending toward more moderate portion sizes? Or is it a cyclical craving that will ramp back up once money is flowing freely again?

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DEFECTIVE THINKING

Quality, as defined by builders and homeowners, is too often in the eye of the beholder.

BY JOHN CAULFIELD



THE 94 RESIDENTS OF HOME TOWN, a three-year-old community in Richmond Hills, Texas, were mostly satisfied with their townhouses until about a year ago, when signs of deterioration—fences falling down, paint peeling off exterior trim, leaking roofs—began to surface.

The community's HOA has since spent \$180,000 for repairs, paid for out of a reserve fund built up from the \$159 per month maintenance fee the builder, Pasquinelli & Portrait Homes, charged each homeowner before turning over the community to the HOA two years ago. What really frustrated Bill Tidwell, the association's president, was his inability to connect directly with the builder about these problems, much less get redress, after Illinois-based Pasquinelli suspended its building and selling in Texas. (In response, the builder's spokesman Jonathan Dedman gave this reporter his phone number to pass along to the HOA.)

Tidwell's experience has left him with a bad feeling about the housing industry. When it comes to quality control, he characterizes home building as a "wasteland." That sentiment is shared by legions of other

homeowners who express their anger about shoddy workmanship through blogs and other media. It's easy to get the impression that, despite builder efforts during the last decade to upgrade their construction quality, bankruptcies, abandoned subdivisions, and mistakes made during the fast-paced boom have set the industry back.

Debates about quality construction, though, are like arguments over health care; different groups, looking at the same facts, draw wildly different conclusions. On one side are homeowners, and even some construction inspectors, who are absolutely convinced that quality took a major hit during the last housing boom. They point to the preponderance of evidence on the Internet, the platform of choice for homeowners voicing any and all complaints about construction defects, whether minor or major, legitimate or irrational. Photographic evidence is regularly attached.

Builders, on the other side of the debate, often make reports of defects sound like figments of homeowners' imaginations. Most insist that their homes are well-built, and that the pace of construction has little to do with the quality of the finished

JIM HENDERSON/GETTY IMAGES

product. They also contend that many publicly aired complaints involve easily fixable problems that, in some cases, are actually the homeowner's responsibility.

To be sure, the wear and tear on a house are going to cause cosmetic and even structural degradation, which would be minimized if owners maintained their houses better. Though builders provide buyers

“Customer expectations have changed dramatically, and in my estimation, unreasonably.”
—H. Alan Mooney, president, Criterium Engineers

with manuals on how to care for their new homes, the advice is often ignored. Builders also lay blame for homeowners' heightened agitation about construction defects at the feet of plaintiffs' attorneys, trawling for cases and insurance money.

The one thing builders can't dispute is that today's buyers have zero tolerance for defects. If anything else they buy is defective—an iPod, a refrigerator, a carpet—they can return it. So owners harbor the same attitude about their houses; anything that goes wrong is the builder's fault.

Builders looking to head off public confrontations must inject “a culture of quality” into their construction practices, one that stays with the company through booms and busts. That begins with home designs that minimize the probability of defects, holding trades and superintendents accountable, inspecting their work rigorously, and—most important—responding quickly to homeowner complaints. “Owners will accept ‘no’ for an answer, but they won't accept being ignored,” observes Shawn Morris, a partner with the San Diego firm Morris, Sullivan & Lemkul, which represents builders in construction defect litigation.

A ZERO-DEFECT SOCIETY

Ask builders about their construction quality, and they invariably point toward rising referral rates and customer satisfaction scores (see “The Ratings Game,” www.builderonline.com/construction/the-ratings-game.aspx). Homeowner surveys indisputably have pushed builders toward better construction practices and complaint resolution. But surveys have one major shortcoming—most homeowners aren't engineers. Their quality assessments tend to focus on “comfort” issues, such as heating and cooling controls, or minor flaws, such as cracked tiles or nicked moldings.

Appearances can really matter to buy-

ers. In the mid-1990s, Fieldstone Communities surveyed 11,000 homeowners, and the top quality component was jobsite cleanliness, recalls Rick Peters, Fieldstone's former director of construction, who now evaluates distressed properties for banks.

“Customer expectations have changed dramatically,” says H. Alan Mooney, presi-

dent of Portland, Maine-based home-inspection provider Criterium Engineers, “and in my estimation, unreasonably.” He notes that “shelter” has become “lifestyle,” which for many owners is about “what my

friends think when they see my house. That's an impossible standard for builders to live up to.” Case in point: A Criterium inspector recently went through a 1,400-square-foot condo in Denver. The owner had a list of 74 items he was upset about, “90 percent of which were purely cosmetic,” says Mooney.

Some of the heightened defect concerns may be rooted in consumers' deep-seated worries that they bought lemons during the housing market's go-go years. After all, observes Brad Oberg, a partner with Pittsburgh-based inspection consultant Build IQ, “The boom was about finding ways to build a 120-day house in 100 days.”

Every builder can recite the key components to a quality home-building program. Yet homes keep getting built and sold with

SHORT CUTS

Small construction oversights can lead to big problems.

BUILDER asked two leading third-party inspectors—Quality Built and Build IQ/Ibacos Marketing—to identify the most common construction deficiencies from the hundreds of thousands of homes in their respective databases. In no particular order, these are the ones they cited.

- EXTERIOR CLADDING:** Exposure problems can stem from torn and missing water-resistive barriers, missing flashing at windows and other penetrations, reverse laps that allow water to run behind siding and flashing, and incomplete waterproofing at horizontal shelves and column caps.


- PLUMBING:** Common mistakes include plastic water piping that's improperly installed, or placed too close to hot flues and lighting. Piping sometimes is inadequately supported, and sewer lines inadequately sloped. Underground sewer pipes have been found to be improperly shaded or protected.
- INTERIORS:** Problems include handrails and guardrails that aren't installed to code, tiled shower pans that aren't waterproof at complex corners, and insufficient slope for waterproof membranes.
- FOUNDATIONS:** Quality Built has reported missing reinforcement steel and interior footings, improperly installed structural bolts, and misplaced post-tension cables.
- INADEQUATE GRADE SEPARATION:** Build IQ points out that this defect allows water to wick through stone, brick, and stucco exteriors and damage the structural framing they are attached to.

haphazardly installed windows and flashing, or without barrier systems, practically inviting water penetration and retention. It's one thing to know how to do something; it's quite another to execute it flawlessly. Haste and sloppiness can lead to problems, especially if oversight is lax or nonexistent.

John Robinson, who owns Wood & Clay Fine Homes, a custom builder in Gilford, N.H., says he visits his jobsites two or three times a week, "just to make sure the flashing is done right." That's doubly important now that he's applying spray-foam insulation. He doesn't want water getting trapped behind walls and siding.

Some builders devote whole teams to oversight. Over the past decade, Walsh Construction, a general contractor in Portland, Ore., specializing in low-income

multifamily housing, has created a quality assurance team staffed by five architects. They work with people whom Marty Hous-ton, Walsh's quality director, refers to as "skin doctors," superintendents who over-see all aspects of a building's envelope. In its effort to build houses as a system, Walsh instructs subs to install housewrap around exteriors before they cut holes for windows and doors, for one thing, to ensure that components are sealed properly.

But quality, as defined by systematic construction practices, is still alien to many builders. "Unfortunately, we're in an industry that tests components as components," says Jim Petersen, director of research and development for PulteGroup, the industry's largest builder. Four years ago, Pulte addressed water intrusion blowups by

re-evaluating everything from drainage plans to how contractors applied sealant. "We don't want to let the homeowner be the first person to system-test our house."

LAX LABOR

Builders have learned the hard way that turning a blind eye and leaving construction quality solely in the hands of contractors and their subs is unwise. They need to take a more active role, starting with quality management. Bozzuto & Associates, based in Greenbelt, Md., assigns a warranty person to each home start. The person serves as a de facto inspector during construction. One of eight senior-level executives inspects every completed house before it's delivered. When builders sustain this level of control, "I don't think there's a limit to the number of homes you can build," says Bozzuto's president Tom Baum.

Given that so many builders blame defects on the technical ineptitude of their subs, the importance of supervision and inspection can't be overstated. Peters says he's seen it all—plumbing pipes incorrectly laid out under slabs, drywall installed over framing with no insulation, room and window sizes that don't match blueprints, homes on cul de sacs that encroach on setback lines. He's even encountered houses staged out of sequence so "they were ready for carpeting but the subdrains and sewer systems hadn't been installed."

Tim Carter, a former contractor who writes an "Ask The Builder" column syndicated in 60 newspapers in 45 states, says "the common thread is the builder didn't know what he was doing." Carter, whose website gets 45,000 unique daily visitors, believes that the bottom line on defects is that too many products and components are installed incorrectly because subs haven't been taught otherwise.

A builder's potential liability is magnified at certain key points during construction, such as when windows and flashing are installed. That's where John Wieland Homes and Neighborhoods, based in Smyrna, Ga., concentrates its training. "We'll repeat it every quarter if we have to," says Kelly Rulis, vice president of customer relations. Wieland's quality assurance team does regular construction inspections and subjects every completed house to a 650-point checklist. Putting money where its mouth is, the builder ties employee bonuses to quality goals. It also tracks every warranty invoice it pays to see if problems with trade partners need to *(see page 56)*

6

HVAC: Efficiency is undermined by excessive bends in flex ducts, which themselves are not always mechanically fastened to registers. Efficiency also suffers when ducting is restrained or overcompressed, or when exterior refrigerant insulation is left unprotected. Some installers still overlook the importance of adequate return air, which can contribute to a host of comfort and performance issues.

7

THERMAL: Insulation is missing in some houses, or doesn't completely fill the cavity. The inspectors found insulation that wasn't in contact with interior air barriers and vapor retarders that were missing or incomplete.

8

LIFE SAFETY: Quality Built has spotted missing fire blocking, the improper use of insulation as a fireblock, missing fire pads at electrical outlets, and missing fire caulking at rated assemblies. Inside the house, exhaust contaminants from range hoods and microwaves sometimes are not ducted to exhaust to the outside.

9

ROOF AND SIDING PROTECTION: Builders say leaks caused by defective shingles and tiles are rare. But both inspectors found installation snafus, such as loose tiles, incomplete underlayment, and no kick-out flashing at the bottom of roof rakes, which allows water to run directly behind the siding.

10

FRAMING: Deficiencies include incomplete shear panels as well as the absence of support posts, structural hardware, shear transfer nailing, and blocking at waterproofing and flashings.



WASTING A WAY: Unfinished communities are petri dishes for construction malfunctions. At this project in California, water gathered in the gutter line as a result of incomplete drainage facilities. Raw materials sat for around 22 months; and wind, sunlight, and blowing sand contributed to surface damage and deterioration of the exterior lathing and roof paper as well as the windows, doors, and glass in the window openings.

be rectified. Wieland's confidence about its quality control is manifested in its 5-year/20-year buyer warranty.

PRODUCT BREAKDOWNS

An 11-point quality assurance regimen has helped Houston-based David Weekley Homes achieve its highest customer satisfaction ratings and its lowest warranty costs per home in history. The company is also enjoying its lowest level of customer "breaks"—the number of calls a homeowner needs to make before a problem is resolved. Mike Humphrey, Weekley's vice president of operations, says the process begins with hiring the right people and training them assiduously; developing quality teams comprised of warranty, sales, and project managers, who connect with contractors and customers during construction; using third-party inspectors to check their work; and keeping in touch with homeowners for at least a year after closing. Weekley also runs a "Partners of Choice" vendor evaluation program that has helped the company avoid the product-liability maelstroms that suck other builders into costly lawsuits.

The Chinese drywall fiasco accentuates what happens when builders and suppliers let costs eclipse quality control. "During

the boom, the larger builders were hiring purchasing managers out of college who were only interested in the lowest price," observes Glenn Burgess, founder and CEO of Weekley's third-party inspection provider Burgess Construction Consultants in Richardson, Texas.

And drywall isn't the only product category giving builders migraines lately. This year alone, class-action suits have been filed against Trex and Pella's Viking division. Last December, Pulte's Del Webb division paid \$27.2 million to settle a class action complaint in Las Vegas over the installation of defective plumbing in 4,200 homes.

Petersen, though, sees a silver lining in that calamity, because his company "proactively" alerted homeowners about the product defect and replaced the plumbing before it failed in most homes.

QUALITY IMPERATIVE

Despite high-profile failures, Steve Davis, Meritage Homes' COO, believes new homes still have a "quality advantage" over resales and foreclosures. Mooney, the fo-

rensic engineer, says that builders in recent years definitely have raised their standards for construction and customer relations. Burgess even sees renewed "passion" among builders about their profession.

But will this ardor for quality live into the next housing upturn? Stan Luhr, president of the quality assurance firm Quality Built in San Diego, thinks so. He anticipates that durability and comfort will be "big issues" for future home buyers. Perhaps most significantly, Luhr expects demand for improved energy efficiency, along with third-party testing, to drive builders toward better construction practices.

Meanwhile, builders are stepping up their education of owners about their maintenance responsibilities. Bozzuto annually dispatches inspection teams to completed condo projects to identify maintenance issues for HOAs. Bozzuto's actions aren't entirely altruistic. "It doesn't take much to create a lawsuit," says Baum.

Recent right-to-repair laws haven't stopped construction defect litigation. In California, law firms have targeted Granville Homes' communities in Fresno every year for the past decade. "The way we build homes hasn't changed, but the way we communicate with buyers has," says Granville's president Darius Assemi. The company now regularly informs recent buyers about "what they will get in their mailboxes" from lawyers, mortgage companies, landscapers, and remodelers, "many of which don't have good intentions."

In August, Granville Homes was ensnared in a class action at one community over alleged structural defects. Eighteen owners out of 600 in this nine-year-old neighborhood joined the action. But 15 subsequently dropped out, says Assemi, after Granville contacted them and fixed what were mostly "cosmetic" problems, such as grout cracks or leaning fence posts. Still, the proliferation of this type of litigation has caused insurers to boost Granville's premiums to \$10,000 per house.

Regardless of the threat of legal action, it's in the economic interest of builders to construct better, more durable homes, and be more responsive to homeowner complaints. "I vote for what's happening now [in quality control] carrying over" to the next cycle, says Oberg of Build IQ. "Builders can't afford to be doing a lot of rework." ■

UPlink

TO READ HOW CUSTOMER SURVEYS ARE AFFECTING BUILDERS' QUALITY CONTROL, VISIT WWW.BUILDERONLINE.COM/CONSTRUCTION/THE-RATINGS-GAME.ASPX.

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TEN ATTENTION GETTERS

BY **BOYCE THOMPSON**



THESE BEST-SELLING PROJECTS ARE like the results of a scientific experiment. What if you subjected the housing market to the worst possible conditions? What would people buy even if they were worried about job prospects, concerned about falling home prices, and couldn't be sure economic conditions would improve?

What you'd get is a list of evergreen projects, ones likely to sell no matter the economic conditions. Within these test projects you would also be likely to find the seeds of the industry's future—safer bets for bank loans.

To gather these test cases, we went to researchers who collect new-home sales data in local markets. We asked them to nominate projects from among the very best selling in the markets they track, projects that reflect trends, present and future.

The result is a collection of winning projects that speak to the wide variety of housing solutions that builders undertake. You'll find one-of-a-kind urban loft projects, sympathetic infill projects that rose out of decades-old neighborhoods, and suburban tract neighborhoods priced to compete with distressed sales, to name a few.

Besides a high sales rate, the projects share other salient characteristics. Many

are green, typically built to a local standard. They tantalize buyers with the prospect of lower operating costs and a light carbon footprint. Most, as you would suspect with any list of fast-selling projects, are targeted at entry-level buyers, typically touting the availability of FHA financing and federal tax credits.

Several projects evoke memories of happier times, when people camped out to get first dibs on a community, when builders developed long waiting lists before they released homes, when developers could point to monthly sales rates in the double-digits. Perhaps those good times will return one day. If they do, it will probably be because of projects like these.

These 10 best-selling communities prove that you can beat the housing recession.

A Tall Order

Project: 1600 Museum Park ■ **Location:** Chicago, South Side ■ **Developer/Builder:** Enterprise Cos., Chicago ■ **Rate of sales:** 4.85 per month in 2009 ■ **Price range:** \$273,000 to \$750,000 ■ **Product type:** Condos

IN CHICAGO, WHERE NEW-HOME SALES IN communities of 10 units or more are off by more than 50 percent this year, there's still some life downtown. 1600 Museum Park, a 53-story condominium in South Side, has a strong pulse. It's located within walking distance of the Chicago Loop and Lake Michigan.

With half its 274 units sold, the project has seemingly benefited from a flight to quality. "It is doing significantly better than other Chicago condo projects that don't offer the same prime location and amenities," says Michael Hart, a regional manager for Hanley Wood Market Intelligence, adding that luxury condo projects in general seem to be outperforming other condos.

The 1600 Museum Park tower is one of four towers in the ambitious Central Station project. Designed by the Chicago-based architecture firm PappageorgeHaymes Partners, it cuts a strong architectural profile, with its floor-to-ceiling glass and innovative shape. It is the second tallest all-residential building in the U.S. Only the Trump World Tower in New York is bigger.

The tower includes all the luxury amenities that buyers in a building of this stature would expect—exercise rooms, indoor and outdoor pools, a sauna and spa, indoor heated parking, and a 24-hour doorman. The



units offer killer views of the lake, the city, the monuments, and acres of parkland.

A one-bedroom apartment here, though, goes for as little as \$273,000. Two bedrooms, plus a den, start at \$365,000, and three bedrooms begin at \$640,000. Upgrades on the smaller condos can run prices as high as \$750,000.

Even so, these are pretty low starting price points, given the location and amenities, Hart points out, adding that pricing has held pretty firm despite the downturn. In August, there were only three units in the building listed as rentals on the MLS.



PHOTOS: LEFT: COURTESY DAVID WEELEY HOMES; RIGHT: PAPPAGEORGE HAYMES PARTNERS

Back at the Ranch

Project: Ivy at Woodbury East ■ **Location:** Irvine, Calif. ■ **Developer:** The Irvine Co., Newport Beach, Calif. ■ **Builder:** William Lyon Homes, Newport Beach ■ **Rate of sales:** 28 homes from July through August ■ **Price range:** Starting in the mid-300s ■ **Product Type:** Townhomes

WHEN WILLIAM LYON HOMES OPENED Ivy at Woodbury East on the Irvine Ranch in July, more than 2,000 people showed up for the celebration, and not just to kick tires. They brought checkbooks. In fact, the Newport Beach, Calif.-based builder sold out the first phase of 13 green townhomes in just 15 minutes. Another 15 homes were sold in a second August phase.

The experience brought back memories of boom times, when buyers spent the night to be first in line for new projects that quickly escalated in value. The situation is a little different this time around. Buyers jumped at the opportunity to buy a home on the vaunted Irvine Ranch for less than \$350,000. The three townhome plans run from 1,180 to 1,500 square feet.

The price point is unusual for



Orange County, one of the most expensive places in the country to live. For many locals, says Lesley Pennington, director of sales and marketing for William Lyon Homes, home-ownership “remains one of the most important milestones in the lives of people today, and achieving homeownership in Irvine is an even greater goal.”

Low mortgage rates and financial carrots, including FHA financing and state and federal tax concessions, contributed to the success. William Lyon did its best to design homes that would work for multiple target demographics—singles, small families, parents with boomerang children, and professionals who want to share a house.

Making Some Infill Magic

Project: Byers Place ■ **Location:** Denver; ■ **Developer/Builder:** Arcadia Properties, Denver ■ **Rate of sales:** Four of 19 homes since May ■ **Price range:** \$450,000 to \$630,000 ■ **Product type:** Single-family

WITH ITS MATURE LANDSCAPING, SHORT walks to stores and entertainment, and close-in location, Washington Park is the kind of established neighborhood to which many Denver families aspire. Arcadia Properties has tapped into this desire with 19 new homes that blend into the neighborhood fabric.

The local infill specialist quickly sold four of the five LEED-certified homes in the first phase and has reservations on half of the second phase. So far, buyers are jumping on the plan in the middle at 2,230 square feet. Also available: a smaller ranch plan and a 2,744-square-foot, four-bedroom home. Prices start at \$450,000.

Arcadia built the first five homes on spec, waiting until they were complete before selling them. Principal Mark Bethel believes the decision not to presell from plans gives him a competitive advantage. Buyers, he believes, can't visualize a finished home from plans and description.

The strategy worked. Three homes sold quickly, and a fourth sale is in negotiation. “We had our first two closings yesterday [on Tues., Aug. 25],” says Ann L. Atkinson of Fuller Sotheby's International Realty, who is handling the sales, “and it's quite exciting to think that people slept there last night after two years of planning!”

Denver architect Charles Downing designed large, well-insulated windows on the south side to provide sunlight and garden views. The homes feature open floor plans, with large master suites and finished basements. Front yards will be a continuous lawn along a public sidewalk, with beds of shrubs, perennials, and ornamental trees.

Loft Living

Project: SoHo Square ■ **Location:** West Los Angeles ■ **Developer/Builder:** Wellesley Manor Corp., Los Angeles ■ **Rate of sales:** 74 of 94 units from June through September ■ **Price range:** Starting at \$399,000 ■ **Product type:** Lofts and Live/Work

ACCORDING TO A LOCAL BLOG, THE DEVELOPER of SoHo Square wasn't sure whether to release this West L.A. project as rentals or condos. Wellesley Manor apparently made the right decision. When SoHo Square opened in June, it opened for sale. Nearly half the homes sold within two months, and only 20 remained by the end of September.

Wellesley Manor, which has done its share of L.A. infill projects, kept the entry-level price for this mix of lofts and bigger live/work units under the critical \$400,000 mark. That's a tempting price for a home from which you can watch the sun come up over Santa Monica Boulevard.

The most affordable loft units in this four-story structure are small, as little as 1,100 square feet. But ceilings of more than 9

feet, with exposed ductwork and sprinklers, make them feel larger. So do orientations toward the ocean, mountains, or courtyards. Each floor sports a unique color palette.

The ground floor is reserved for larger live/work units. Starting at \$549,000, they go up to 1,400 square feet, with ceilings of more than 16 feet. Each has one full bathroom, an open kitchen with either a breakfast bar or island, and an enclosed patio.

The green agenda starts with courtyard designs that promote ocean breezes to help cool units. A green roof lowers lobby temperatures. Rainwater gets filtered twice before entering the storm drain system. The interiors include bamboo floors, energy-rated appliances, countertops made from recycled quartz, double-glazed windows, and high-efficiency water heaters.



PHOTOS: TOP: COURTESY HAYES MARTIN ASSOCIATES; BOTTOM: COURTESY SPOTLIGHT HOME TOURS

Old-Town Charm

Project: Mueller ■ **Location:** Austin, Texas ■ **Developer:** Catellus, Denver ■ **Builder:** David Weekley Homes, Houston ■ **Rate of sales:** 10 per month since July 2008 ■ **Price range:** Starting at \$269,000 ■ **Product type:** Single-family attached and detached



WHEN ASKED TO NAME AN EMBLEMATIC best-selling community in Austin, Texas, market researcher Ted Wilson doesn't miss a beat—Mueller, located on the former site of the city's airport. "There are several builders in the community, but David Weekley Homes has led the pack," says Wilson of Residential Strategies.

One look at this project reveals why it's selling at 10 a month—compelling architecture for entry-level homes. Weekley offers two home series here: one attached, one de-

tached. Both feature eclectic, historic styles that mix warm South Texas limestone with metal porch roofs and classic shake siding.

The row homes, which range from 1,562 to 1,967 square feet, start at \$269,000. It takes only \$30,000 more, or \$299,000, to get into the smallest yard home, which span from 1,437 to 2,221 square feet. All of the homes are built to local green standards.

That's a real value considering the short commutes to the University of Texas and downtown Austin. "Mueller is five minutes

to downtown, but it offers amenities that you would typically have to drive 15 to 30 minutes out of the city to find," says Andrea Von Quintus, a marketing coordinator with David Weekley Homes.

Despite the proximity to entertainment, residents may not want to leave this place. It includes miles of trails to hike and bike, along with an amazing 140 acres of parks and green space. It will one day be within walking distance of a planned town center with cafes, shops, and plazas.

A Stoneybrook Ending

Project: Stoneybrook At Venice Manors ■ **Location:** Venice, Fla. ■ **Developer/Builder:** Lennar, Miami ■ **Rate of sales:** 20 since June ■ **Price range:** \$244,900 to \$349,900 ■ **Product type:** Single-family

YOU HAVE TO LOOK LONG AND HARD TO find a fast-selling project in Florida, where talk of recovery still sounds to many like wishful thinking. Then comes a report that Lennar sold 20 homes in a month and a half this summer at Stoneybrook At Venice Manors, a four-year-old gated community near Bradenton/Sarasota, Fla. How could this happen?

A new, lower pricing structure partly explains the success. When Stoneybrook At Venice first opened in late 2004, you practically had to win the lottery to buy a home. Prices escalated during the housing boom to the point where buyers may have paid \$200,000 more than they would today for similar square footage.

Lennar has taken some heat for lowering prices in this 900-home, master planned community. But now it has stimulated activity and some local buzz by offering a three-bedroom home at Stoneybrook At Venice Manors for as little as \$244,900. And it gets you access to the kind of country club amenities for which you'd usually have to pay much more.

Matt Devereaux, director of sales for Lennar in Southwest Florida, believes the lifestyle here, which you'd normally have to go to an active adult community to find, has a lot to do with the project's success. "We have ... all the amenities of a luxury island resort," he says.

Indeed, this would be a great place to live whether you're an adult or a kid. The community center includes a resort-style swimming pool, a kid's splash pool, and an in-line skating park. For grown-ups, there's a health club with an on-site activity director and four lighted tennis courts. For kids of all ages, there's a basketball court, two sand volleyball courts, and a multi-purpose sports field.



Repositioning Is Rewarded

Project: Stafford Lakes Village ■ **Location:** Fredericksburg, Va. ■ **Developer/Builder:** Centex Homes, Dallas ■ **Rate of sales:** Nine per month from January through September ■ **Price range:** \$254,990 to \$324,990 ■ **Product type:** Single-family

THOUGH WASHINGTON, D.C., MAY BE DOING better than other markets, it's still unusual to find communities selling at a rate of eight homes per month, especially in the far reaches of suburban Northern Virginia. But that's the pace for the last nine months at Centex's Stafford Lakes Village Community in Fredericksburg, Va., a good 40 minutes south of the nation's capital. This didn't happen by accident; it was the result of arduous repositioning.

Initially, the 400 lots in the final section were split evenly between Centex and Beazer. When Beazer bailed, Centex decided to rework all the home designs, taking out square footage and lowering prices.

First, the Dallas-based company added two homes to its Classic series of affordable homes, bringing down the opening price point to \$250,000. It renamed its Manor series of larger homes and tweaked them as well. These homes now start at \$299,000 rather than \$424,000, and range from 3,223 to 4,175 square feet.

"These are the ones that are selling at much higher rates," says Guy Sheetz, a regional manager for Hanley Wood Market Intelligence. *(see page 62)*

Quick Out of the Blocks

Project: TLofts ■ **Location:** Los Angeles ■ **Developer:** CityView, Los Angeles ■ **Builder:** Lee Homes, Marina del Rey, Calif. ■ **Rate of sales:** 13 homes in July ■ **Price range:** Starting at \$415,000 ■ **Product type:** Condos/Lofts

THIS START WOULD MAKE EVEN GOLD medal sprinter Usain Bolt proud. TLofts burst out of the blocks in July with 13 sales and an interest list of more than 800 names. All that before Lee Homes staged a festive grand opening that produced even more interest in these one- and two-story lofts.

The early success of this fashionable, sustainable, West L.A. project, with prices starting at \$415,000, was enough to bring out several politicians to the grand-opening block party, including former HUD Secretary (and executive chairman of developer CityView) Henry Cisneros and Lynn Jacobs, director of California's Department



of Housing and Community Development.

When prospects weren't listening to remarks, they were sampling food and drink. Half a dozen hard-goods retailers, including Best Buy and Bed Bath & Beyond, brought their wares as well.

Many of these retailers will have stores within walking distance of TLofts, which is located on Tennessee Avenue, not far from Santa Monica. More than 2 million square feet of office space is also within walking distance of the project, which is close to bus stops and a proposed light-rail station, too.

But residents won't have to walk unless they want to—each unit comes with two parking spaces in a covered and gated lot. Residents with electric cars can park them at one of 18 car-charging stations. Other creature comforts abound, including a private elevator with secure access and a landscaped courtyard with a spa and barbecue area.

As part of its green program, Lee Homes kept the façade of the original structure and recycled half the waste produced during construction.

Big Winner

Project: Sun City Carolina Lakes ■ **Location:** Ft. Mill/Indian Land, S.C. ■ **Developer:** Pulte Homes, Bloomfield Hills, Mich. ■ **Builder:** Del Webb, Bloomfield Hills ■ **Rate of sales:** 376 closings last year ■ **Price range:** \$167,900 to \$306,900 ■ **Product type:** Single-family detached, townhomes, and carriage homes

SUN CITY CAROLINA LAKES, A DEL WEBB community, outsells every other project in the Charlotte, N.C., metropolitan area, according to the market researchers at MORE. In fact, with 376 closings in the last year—31 per month—this one community accounts for more than 4 percent of all the new-home sales in Charlotte.

With 3,400 homes planned, this project may only be one-third the size of Sun City Grand in Phoenix at build-out. But it's still massive as far as master planned communities go. The amenities include 1,512 acres of woods and walking trails, 10 lakes and ponds, and a golf course that's woven throughout the community.

The thirteen homes featured in the model park take away most objections about home elevations and floor plans. The best-selling model, Willow Bend, belongs to the Summit Series of detached single-family homes. Townhomes and carriage homes are also available.

The big draw here, though, is the promise of the good life. Brochures invite prospects to take advantage of more than 100 clubs, continuous social gatherings, the golf course and clubhouse, and the opportunity to make new friends. The community centers around The Lake House, a 40,000-square-foot recreation center with everything from a state-of-the-art fitness center, to an indoor walking track, to craft rooms.



Putting Buyers First

Project: Paradise at Ironwood Crossing ■ **Location:** Pinal County, San Tan Valley, Phoenix MSA ■ **Developer/Builder:** Fulton Homes, Tempe, Ariz. ■ **Rate of sales:** 21.5 per month from March through July ■ **Price range:** \$116,900 to \$148,900 ■ **Product type:** Single-family

ALTRUISM. THAT WORD PERHAPS BEST EXPLAINS the success of Paradise at Ironwood Crossing by Fulton Homes. In a rare scenario, sales agents here put the clients' interests ahead of their own—they offer to help prospects through the process of buying a foreclosed home or a short sale.

Fulton Homes hopes, of course, that prospects will eventually lose interest in buying a distressed home and buy a new one. And that's exactly what's happening, to the tune of 21 homes sold per month since March in one of the worst markets for new homes in the country.

"These buyers may spend five months looking at foreclosures and eventually bid on one for \$110,000," says sales manager Dennis Webb, explaining how the process works. "Then they find out they can get a new home from us for \$106,900 with a full warranty. It's an easy decision to make."

In some cases, Fulton's foreclosure specialists will serve as real estate agents to people who go through with the purchase of a distressed property. But on its website, in a "foreclosure calculator," Fulton also informs prospects how much it might cost to replace the drywall in a foreclosed home, or even evict current residents.

When Fulton opened the project in June 2008, prices started at \$149,900. Nothing happened. When prices were lowered to \$129,900, still nothing happened. Then, in March 2009, the company impaired the land and lowered prices to \$106,900.

"The next month they had 21 sales," says Allison Routson, a regional manager for Hanley Wood Market Intelligence in Phoenix. "Each month since March, they have inched their prices up by \$1,000. Then in August, they increased them by \$6,000." Prices are back up to \$116,900, and Fulton is getting ready to start a second phase in the 2,100-lot community.

Webb says that the community benefits from a prime location in San Tan Valley. A strong entry monument gets their attention, and once they drive in, they learn that the community has an aquatic center. Plus, all the homes, even at the entry level, are certified by Energy Star. "You can't get that in a foreclosure," he says. **B**

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Pleasant Hill residence by Taggart Construction, Freeport, Maine, LEED for Homes, Silver certified.



“About 36% of potential homebuyers identified the environment, energy savings and/or health benefits as a primary factor in their new home purchasing decision.”

Source: Measuring the Market for Green Residential Development by Robert Charles Lesser & Company/RCLCO, 2008

green building



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achieving green

Energy Efficiency

Making better use of energy remains the first and best way to reduce a home's environmental impact.

Atlanta builder-designer Jeff Demetriou's newest project, a trio of modern homes built on adjacent brownfield lots in an historic downtown neighborhood, are among the most energy-efficient in the city. By his estimation (qualified by an independent HERS rating below 50), they'll achieve electricity savings of up to 90% compared to conventionally built homes of the same size.

Energy efficiency, in fact, is Demetriou's primary goal as a builder and environmental advocate, and the main reason he developed his own green building program instead of adhering to other rating systems. "I put that money [to gain certification] toward ways to reverse climate change," he says, including solar thermal and electricity systems, Energy Star-rated appliances, and 18-SEER heat pumps. "Reducing coal-fired plants is the closest thing we have to a silver bullet, so energy conservation should be the first priority."

Across the country in Palo Alto, California, Warmington Homes' 76-unit infill townhouse project called Vantage made a similar effort to save energy and distinguished the project by offering photovoltaic panels that offset up to 80% of each homeowner's electric bill as a standard feature instead of an optional upgrade. "There's no question the solar panels helped us achieve a reliable absorption rate," says sales manager Debi Garlick regarding an enviable sales pace of 5 units per week since Vantage opened in May 2007, including two price increases.



MODERN MARVELS: Both Concourse E's trio of modern homes near downtown Atlanta (above), and the 76 townhomes at Vantage in Palo Alto, California (below, left), feature comprehensive energy-efficiency efforts that include the use of solar technologies to offset the power grid.

In addition to gaining a competitive edge, that decision proved to be more cost-efficient. "If we'd offered PV as an option, we'd have to retrofit the units for buyers that took it," says Norman Ho, director of purchasing. "As a standard feature, we worked it into our production flow and budget," and thus amortized the costs across all unit sales.

The energy savings attributed to the PV system though, is due in large part to the builder's commitment to comprehensive green building practices, including upgraded levels of insulation, building tightness, and high-performance windows to create thermally efficient envelopes that use less grid-supplied power to begin with.



"Space heating, lighting, appliances, and water heating make up 87% of the energy consumed by homes in the U.S."

Source: Energy Information Administration

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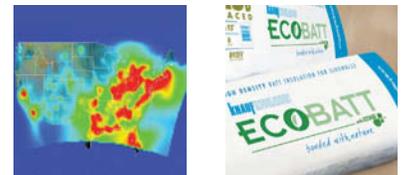
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Project Director, the HESTIA Project
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Water Efficiency

A wider range of products and practices are enabling builders to conserve this invaluable resource.

Manzanita Trail in San Diego may not be the first Pardee Homes neighborhood to reduce its water use, but it goes farther in that regard than the eco-friendly production builder ever has. “Water has become such a huge issue in California that we needed to take it to the next level,” says Joyce Mason, vice president of marketing for Pardee Homes.

That effort, in compliance with the voluntary California Friendly water-savings standards for irrigation systems administered by the Metropolitan Water District of Southern California, includes standard features such as EPA WaterSense-rated plumbing faucets and showerheads and a host of drought-tolerant plants served by an automatic drip-irrigation scheme.

Upgrades include dual-flush toilets (a technology that offers a choice of gallons per flush, savings up to 25,000 gallons a year per home), tankless water heaters that can reduce the “lag time” to deliver hot water to a fixture (and thus the water wasted in that effort), and turf areas covered with recycled-plastic grass that looks and feels authentic—but of course requires no water.

Water savings also can be achieved by recycling efforts. Up the coast in Sebastopol, near San Francisco, architect Steve Sheldon incorporated a greywater recovery system into Florence Lofts, a 12-unit enclave of live-work townhomes.

The system collects, filters, and redistributes an estimated 175 gallons of water per year—from rain and waste water



WATER SENSE: At Florence Lofts in Sebastopol, California, catch basins and an arroyo within the 12-unit townhouse project recycle water for irrigation.

generated by clothes and dishwashers and faucets among the 12 units—for site irrigation. “It’s the largest gray water bio-remediation system ever built in this county,” says Sheldon. “We were looking to push the envelope.”

In Orlando, builder Carmen Dominquez engaged local water-use experts to devise a rainwater collection system for a custom home that eventually empties and stores the water in a cistern located under the driveway, which is then pumped out, when needed, for drip irrigation. “It would be wasteful to rely on city water when the rain delivers what we need,” she says. “You just have to corral it.”

“An individual will use between 80 to 120 gallons each day for drinking, cooking, bathing, flushing toilets, washing dishes and laundry.”

Source: U.S. Geological Survey



At Manzanita Trail and other neighborhoods, Pardee Homes specifies drought-tolerant plants, drip-irrigation, and authentic-looking artificial turf to further reduce water use.



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*Based on DOE test procedure and comparison of a 50-gallon standard-tank electric water heater using 4881 kWh per year vs. the GE Hybrid water heater using 1856 kWh per year.
**Compared to a standard 50-gallon-tank gas model, based on 2007 fuel costs and testing conducted by the DOE.

achieving green

Indoor Air Quality

Healthy indoor air quality is the next big consumer “must-have,” and both builders and building codes are answering the call.

Shyan Kannan, vice president and director of research and development for RCLCO, calls them “healthy greens,” a growing segment of the home buying public and, in his estimation, the one with the most potential to push sustainable development and green building fully into the mainstream. “They are willing to take a leap of faith that spending a little more will give them peace of mind against the risk of toxicity,” he says.

Builder Scott Jaffa is hopping to attract at least one of that crowd to the 9,700 square foot, \$8.5 million mountain retreat he recently completed in Park City, Utah. Despite its size, the house achieved a Gold rating from the NAHB Green Building Program. In addition to a comprehensive green approach, Jaffa incorporated low-VOC finishes, formaldehyde-free wood, a passive radon mediation system, and a trio of heat-recovery ventilators and one energy recovery ventilator to automatically refresh the air in the house. “With his building so tight [a remarkable 3% leakage rate] and our long winters, we knew we needed to bring in fresh air.”

In Freeport, Maine, builder Peter Taggart constructed the country’s first LEED-rated home (in 2005), a 2,250-square-foot custom residence that achieved a Silver rating in large part to the builder’s commitment to indoor air quality.



HEALTHY HOMES: Building science says that as new homes are built tighter, they also must be mechanically ventilated to refresh the indoor air. Both Scott Jaffa’s mountain retreat (above) and Peter Taggart’s custom home in the Maine countryside (see below) use controlled ventilation systems to achieve that goal; they also specify materials that won’t add pollutants to the indoor air.

In addition to low-VOC wood and tile adhesives and low-formaldehyde plywood sheathing and cabinet components that reduce pollutants, the house incorporates high-quality and programmable bath fans that continuously exhaust stale indoor air (and also regulate humidity) to combat Taggart’s tight-house building practices. Even the garage has an exhaust system. “Our philosophy is that everyone deserves to have healthy materials in the house,” says Taggart.

The house, among others he’s built, also incorporates Energy Star’s Indoor Air Package standards and was certified under the American Lung Association’s Health House program.



“About 41% of new homebuyers are willing to spend more money on a home that provides health benefits, more so than energy savings (18%) or general environmental benefits (24%).”

Source: Measuring the Market for Green Residential Development by Robert Charles Lesser & Company/RCLCO, 2008

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—**Bob Heidenreich**, Owner The Deck Store, Apple Valley, MN
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achieving green

Resource Efficiency

It's not just about recycled-content materials and engineered wood. Reducing construction waste is equally important.

According to both the ANSI-approved National Green Building Standard and LEED for Homes rating system, reducing the amount of materials and resources used to build a home covers a wide range of possibilities.

Recycled-content materials such as fly-ash concrete and carpeting, composite lumber and other engineered and certified wood products, low-impact finishes including bamboo flooring, among others, are prime examples of how builders might accomplish their resource efficiency goals.

But most green building programs also recognize the value of construction waste management, specifically practices that not only refine and reduce what's needed to build and finish the house, but also to divert what's left over away from landfills to recycling, salvage, and reuse opportunities.

In remodeling or tear-down situations, "deconstruction" efforts are increasingly popular as a way to achieve green in this regard. "If the focus of a builder is green, then this is a no-brainer," says John Peavey, applied technology director at the NAHB Research Center in Upper Marlboro, Maryland. "Even if a waste management plan isn't prescribed, it's still easy to implement and delivers tangible benefits."

Consider the efforts of Columbia, South Carolina architect Mark Bostic, who through framing a 3,600-square-foot custom home had yet to make or pay for a trip to the local



WASTE MANAGEMENT: The use of modular and other factory-built components and systems, as well as combining the efficiencies and strengths of wood and steel-based framing can reduce materials use at the start of the project and thus the amount of waste at the end.

landfill. Or builder Kim Shanahan of Santa Fe, New Mexico, who sends the foam packaging material he collects on his jobsites to a nearby maker of insulated concrete forms, which Shanahan uses for the stem walls on his latest project.

Or Paul Hughes of Deconstruction Services in Fairfax, Virginia, whose firm carefully "reverse engineers" teardowns and major remodeling projects to capture a variety of metals, wood, masonry, and asphalt components for reuse or recycling instead of shipping them off to a landfill. As a result, he also helps and his contractor clients earn tax credits and save dump fees. "We estimate that our recycling and salvaging efforts constitute about 85% of the house," he says.

“Residential building, renovation, and demolition account for about 58 million tons of trash per year. That represents 11% of the overall waste stream.”

Source: NAHB Research Center



Deconstruction practices can effectively divert 80% or more of a home's parts away from landfills.

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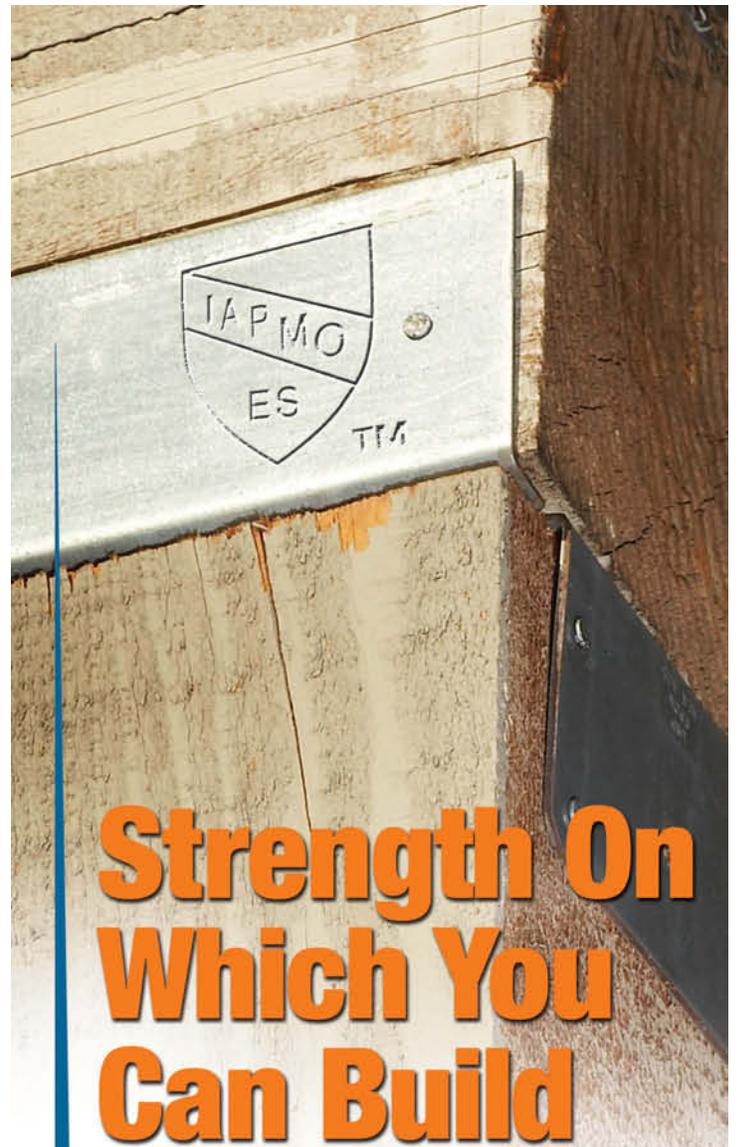


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First Floor: 1,187 sq. ft. ■ **Second Floor:** 801 sq. ft. ■ **Total:** 1,988 sq. ft. ■ **Bonus Space:** 258 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 3 ■ **Dimensions:** 41' - 4" X 50' - 0" ■ **Foundation:** CrawlSpace, Unfinished Walkout Basement

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First Floor: 1,177 sq. ft. ■ **Second Floor:** 457 sq. ft. ■ **Total:** 1,634 sq. ft. ■ **Bonus Space:** 249 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 41' - 0" X 48' - 4" ■ **Foundation:** CrawlSpace, Slab, Unfinished Walkout Basement



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REPRO \$875 ■ **CAD \$1,571** ■ **PDF \$875**

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PLAN # HWB1130006 ■ 5-SET N/A ■ 8-SET N/A ■
REPRO \$971 ■ **CAD \$1,747** ■ **PDF \$971**



Square Footage: 1,942 ■ **Bedrooms:** 3 ■
Bathrooms: 3 ■ **Dimensions:** 38' - 0" X 102' - 0" ■
Foundation: Slab



ALT LAYOUT

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Square Footage: 1,989 ■ **Bonus Space:** 291 sq. ft. ■
Bedrooms: 3 ■ **Bathrooms:** 2 ■ **Dimensions:** 80' - 6" X
 50' - 0" ■ **Foundation:** Crawlspace



PLAN # HWB1130007 ■ 5-SET N/A ■ 8-SET N/A ■
REPRO \$995 ■ **CAD N/A** ■ **PDF \$995**



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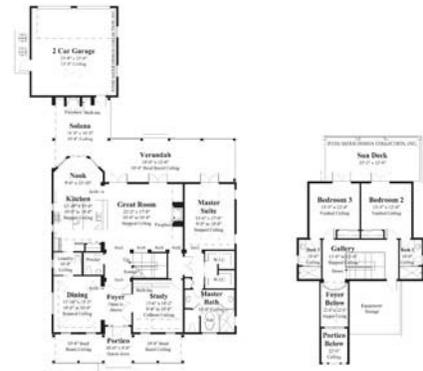
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PLAN # HWB1130008 ■ 5-SET N/A ■ 8-SET N/A ■ **REPRO \$1,434** ■ **CAD \$2,580** ■ **PDF \$1,434**



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First Floor: 1,274 sq. ft. ■ **Second Floor:** 987 sq. ft. ■ **Total:** 2,261 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 53' - 4" X 47' - 0" ■ **Foundation:** Unfinished Basement

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First Floor: 1,148 sq. ft. ■ **Second Floor:** 1,258 sq. ft. ■ **Total:** 2,406 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 3 1/2 ■ **Dimensions:** 48' - 8" X 47' - 8" ■ **Foundation:** Unfinished Basement

PLAN # HWB1130010 ■ 5-SET \$745 ■ 8-SET \$780 ■ **REPRO \$900** ■ **CAD \$1,325** ■ **PDF \$1,005**



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Square Footage: 2,028 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■
Dimensions: 66' - 0" X 62' - 0" ■ **Foundation:** Unfinished Basement

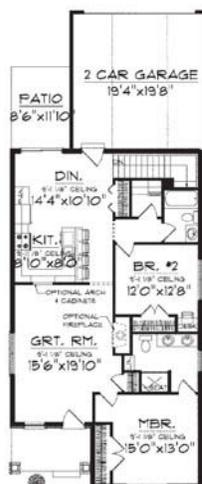


PLAN # HWB1130011 ■ 5-SET \$725 ■ 8-SET \$760
 ■ REPRO \$870 ■ CAD \$1,300 ■ PDF \$975

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Square Footage: 1,250 ■ **Bedrooms:** 2 ■
Bathrooms: 2 ■ **Dimensions:** 28' - 8" X
 69' - 0" ■ **Foundation:** Unfinished Basement



PLAN # HWB1130012 ■ 5-SET \$645 ■ 8-SET \$680
 ■ REPRO \$750 ■ CAD \$1,150 ■ PDF \$850

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First Floor: 1,192 sq. ft. ■ **Second Floor:** 1,357 sq. ft. ■ **Total:** 2,549 sq. ft. ■
Bedrooms: 4 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 38' - 8" X 57' - 10" ■
Foundation: Unfinished Basement



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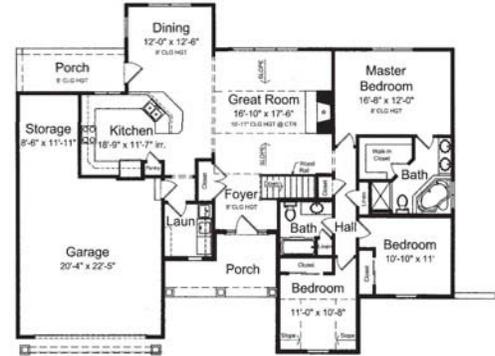
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 ■ REPRO \$875 ■ CAD \$1,320 ■ PDF \$875

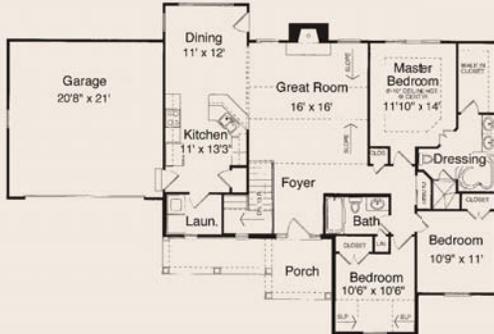
Square Footage: 1,694 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■
Dimensions: 62' - 4" X 49' - 6" ■ **Foundation:** Unfinished Basement



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Square Footage: 1,498 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■
Dimensions: 66' - 4" X 44' - 10" ■ **Foundation:** Unfinished Basement

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PLAN # HWB1130015 ■ 5-SET \$565 ■ 8-SET \$620
 ■ REPRO \$765 ■ CAD N/A ■ PDF \$765

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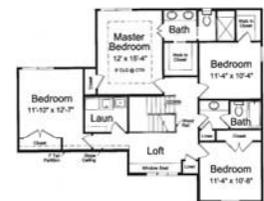
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First Floor: 933 sq. ft. ■ **Second Floor:** 1,201 sq. ft. ■
Total: 2,134 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 2 1/2 ■
Dimensions: 45' - 4" X 50' - 4" ■ **Foundation:** Unfinished Basement

PLAN # HWB1130016 ■ 5-SET \$695 ■ 8-SET \$765
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Square Footage: 1,850 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■
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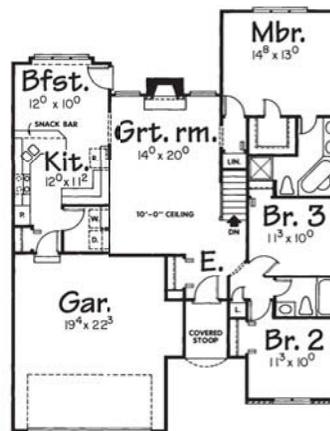
PLAN # HWB1130017 ■ 5-SET \$885 ■ 8-SET N/A ■
 REPRO \$885 ■ CAD \$1,385 ■ PDF \$885



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Square Footage: 1,392 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■
Dimensions: 42' - 0" X 54' - 0"



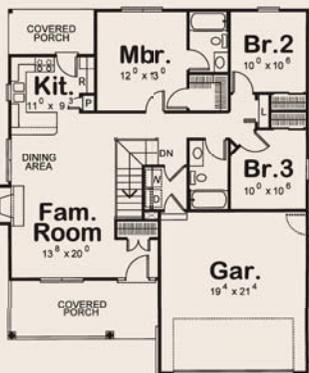
PLAN # HWB1130018 ■ 5-SET \$835 ■ 8-SET N/A ■
 REPRO \$835 ■ CAD \$1,385 ■ PDF \$835

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Square Footage: 1,195 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■
Dimensions: 40' - 0" X 48' - 8"



PLAN # HWB1130019 ■ 5-SET \$815 ■ 8-SET N/A ■
 REPRO \$815 ■ CAD \$1,315 ■ PDF \$815



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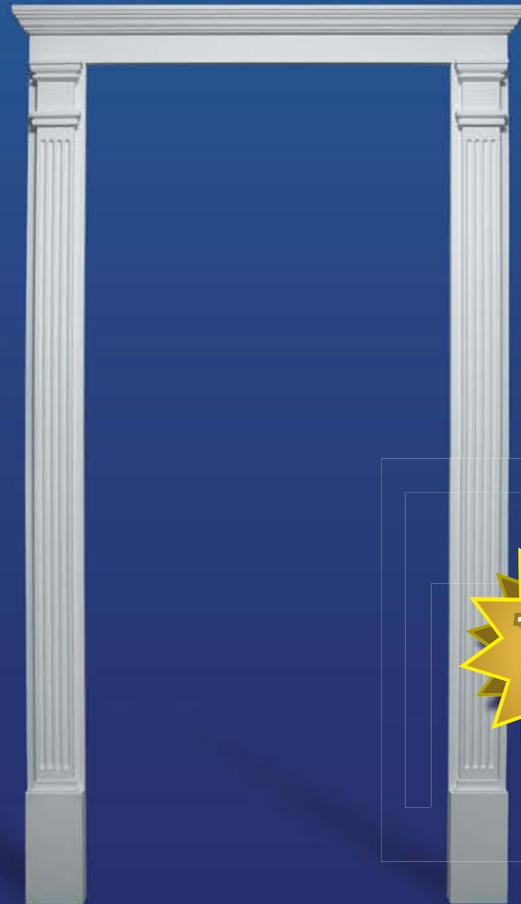


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Melton Classics



York Spiral Stair

Distinguishing Details

Adding refinement to a home can be as simple and relatively inexpensive as putting in decorative molding and millwork. These smaller details, taken in as a whole, create a dramatic big picture.

Every now and then, a new product comes along that defines a new standard and brings about positive changes within an industry. One such product is **Architectural Product by Outwater's** new line of RPS Mouldings, which offers all the benefits of previous generations of polymer moldings and more. Responsibly manufactured from select, reclaimed, renewable polystyrene resources, Outwater's RPS Mouldings feature a hard, strong surface ideally suited for use in high-traffic areas, and it is extremely lightweight, enabling easy installation using traditional woodworking techniques and tools. These moldings can be cut, nailed, glued, and painted. The sharply defined details, perfect dimensions, and extremely consistent quality allow for years of repeated refinishing.

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Melton Classics offers the industry's most comprehensive line of exterior millwork products, including architectural columns, balustrades, cornice moldings, and a wide array of low-maintenance millwork products, shipped factory-direct to its customers' job site. The Tennessee estate home shown in the photo was built using Melton Classics' lightweight and load-bearing FiberWound Classic™ lifetime warranty columns, maintenance-free MarbleTex™ balustrades with integral color, and custom design Architectural Urethane™ dentil cornice moldings.

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For more information on other high-quality manufacturers of stairs, molding, and millwork, keep reading through this special section.

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TAYLOR B. GRANT
RECEIVER AND FOUNDER
CALIFORNIA REAL ESTATE RECEIVERSHIPS
NEWPORT BEACH, CALIF.

“If we don’t sell these houses, someone else will.”

AS THEIR DISTRESSED ASSET PORTFOLIOS get more cumbersome, lenders are forgoing the foreclosure process and asking courts to place those assets in default into receiverships. This maneuver relieves lenders of construction and warranty liability because their names are not on the title. Court-appointed receivers protect the value of the distressed asset by maintaining the property, keeping the utilities on, and, with greater frequency, preparing houses for sale.

Newport Beach, Calif.-based California Real Estate Receiverships has been assigned the assets of several banks, including nearly 1,100 lots and homes that Bank of America retrieved from WL Homes. But its founder, Taylor B. Grant, doesn't see his company as competing with builders because “if we don't sell these houses, someone else will.”—*John Caulfield*

Q: How do you view your role?

A: I work for the judge, and our loyalty is to the court. A good receiver will get a broad order to control the task of completing houses, so it doesn't have to go back to the bank and become a long-term liability. Our job is to deliver the house free and clear of liens or warranty obligations. But I'm often the messenger of bad news because no one is ever happy with what I get for a lot or a house.

Q: What's the condition of houses placed into receivership?

A: Most production homes have very few construction defects. But if they've been sitting around for a while, the permits may have expired and they might require re-inspection. The first 30 days [into receivership] is triage, dealing with permits and HOAs. The second phase is “reverse due diligence” to uncover what the real status of the asset is.

Q: Why don't more banks choose this route?

A: Receivers can be expensive, but 90 percent of that expense is for what would have been spent anyway in construction costs. [But completing construction] is a business decision: If it's a single-family house that's 75 percent complete, we'll finish and sell it. If it's 25 percent complete, or if it's 4,000 square feet when the acceptable footprint is 2,000, we might decide to tear it down.

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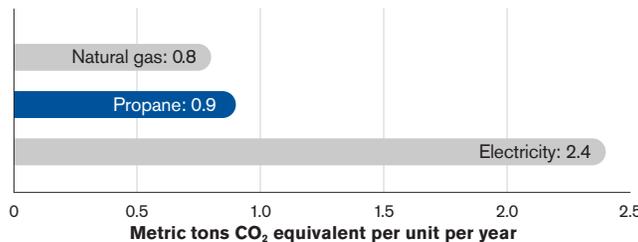
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