

October 2013

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Professional Builder®

**2014 NATIONAL HOUSING
QUALITY AWARDS:**

French Brothers

ALSO IN THIS ISSUE

Asset Protection Planning / 30

Upscale Kitchens on a Budget / 36

Closing the Sales Fulfillment Gap / 44





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Professional Builder Volume 78, No. 10



frontofbook

- 06 INDUSTRY PERSPECTIVE**
The quality management journey
- 08 EDITORIAL**
With change comes opportunity
- 10 MARKET UPDATE**
Active House comes to Greenville;
Masonite opens automated S.C. plant;
KB Home buys more California land
- 14 HOUSING POLICY UPDATE**
OSHA's silica dust proposal
- 18 EXCLUSIVE RESEARCH**
Social media marketing

ON THE COVER:

French Brothers co-owners (left to right) Tom French, Corrine Bachman, and Jim French preside over the Alamogordo, N.M.-based builder, which scored the 2014 NHQ Bronze Award and represents the only award winner this year.

PHOTO: ASHLEY PALMER

[SALES & MARKETING]

- 16 SELLING TO WOMEN HOME BUYERS**
Women have a different approach than men and, in many cases, ultimately decide which house to buy.

[NATIONAL HOUSING QUALITY AWARDS]

- 24 BRAND BUILDER**
French Brothers earns NHQ Bronze on its quest for market expansion and total quality management.

[BUSINESS MANAGEMENT]

- 30 FENDING OFF GOLIATH**
Asset Protection and Risk Mitigation plans help builders prepare for the worst.

[DESIGN]

- 36 HIGH-STYLE KITCHENS ON A BUDGET**
You don't have to spend a fortune to create beautiful kitchens that buyers will love.

[BUSINESS MANAGEMENT]

- 44 THE MISSING LINK IN LEAN**
Grow your bottom line by guiding customers from contract to closing instead of focusing only on sales.

[HOUSE REVIEW]

- 50 DESIGN HOT BUTTONS**
The House Review design team presents features and floor plans that appeal to specific generations.

[CONSTRUCTION]

- 58 ADDING UP TO ZERO**
Speakers from the net-zero summit share what the industry has learned about building net-zero homes.

[PRODUCTS]

- 60 PRODUCT REVIEWS**
Plumbing systems and fixtures

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The **Quality Management** Journey



Legendary coach Vince Lombardi once said, “Winning isn’t everything, but wanting to win is.” In that case, each of the 100-plus companies that have won a National Housing Quality Award since 1993 has possessed this very important ingredient for success: They want to win. They have accepted the challenge of becoming the very best they can be.

Each October for about 20 years, we have highlighted the achievements of the National Housing Quality Award winners. This October is no different. In a piece by our managing editor Kyle Clapham, we profile Alamogordo, New Mexico, builder French Brothers Inc. Our board of examiners determined that the company would be the lone recipient for 2013, of an NHQ Bronze Award. And like Lombardi said, wanting to win and trying to win turned out to make a huge difference for French Brothers.

Wanting to win and trying to win turned out to make a huge difference for French Brothers.

Back in January, when the French Brothers team attended our one-day Benchmark Conference held in conjunction with the International Builders Show, they were somewhat awed by the accomplishments and presentations of past NHQA winners, so much so that they considered waiting a year to apply for the award. But apply they did, and in overcoming their initial hesitation, they landed smack on the cover of this month’s issue as a direct result of wanting to win.

Success in home building is a long-term commitment, and our hats are off to their company, which is almost certainly on a path to net NHQA Gold in the future.

As a publishing company, we are inspired by the stories of NHQA winners. Since coming under a new ownership team three years ago, this magazine and its related websites, newsletters, and events have been set on a course for long-term success. Our commitment to excellence in serving the business information needs of builders will not waver. And we continually hear from you that our stories and ideas are making a difference. That is why we are so pleased to be adding a key new member to our editorial team, Denise Dersin.

Because we are determined to offer the best business information for builders, we know that we must never stop improving. We welcome Denise to the magazine, and we encourage you to reach out to her with your ideas, your triumphs, and your lessons learned. Her first column for the magazine appears on page 8.

Prior to joining *Professional Builder* as editor-in-chief, Denise served for 10 years in a similar capacity with *Builder* magazine, which is owned by Hanley Wood Business Media. Before that, she wrote and edited books for Time Warner. We are gratified that Denise chose to bring her editorial judgment and experience to *Professional Builder*. The timing could not be better. Our media brand is expanding and growing in new ways to meet the improving outlook for new-home building. Our long-term goal is to help you expand and grow—and succeed—in your business as well.

Patrick O’Toole, Publisher | Editorial Director
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With **Change** Comes Opportunity



The Bureau of Labor Statistics claims that the average person in the U.S. changes jobs between 10 and 15 times during his or her lifetime, and that the newest cohort of American workers, the Millennials, switches jobs even more frequently than that, about every two-and-a-half years. Forbes magazine calls it “job hopping” and says it’s the “new normal” for the nation’s youngest employees.

The reasons for changing jobs are endless: the possibility of career advancement, relocation to another city, unhappiness with a current position, and, as the readers of *Professional Builder* know too well, economic upheaval. Residential construction lost 1.4 million, or 41 percent, of its jobs since the housing industry’s peak, leaving its workers no choice but to change jobs and, in many cases, careers.

Moving from one employer to another can be difficult and stressful. The prospect of new workplaces, new systems, new coworkers, and new demands, coupled with the loss of old friends and familiar routines, can produce plenty of anxiety and even persuade workers to stay at a dead-end job. But a new situation can be a powerful, positive experience that broadens horizons and offers opportunities for growth, learning new skills, and taking on new responsibilities. That outlook seems to be the one the Millennials favor.

I’m not a Millennial, and I’ve only changed jobs twice in my 24 years as an editor, but I think there’s a lot to be said for their point of view. In large part, that’s because I have recently landed here at *Professional Builder*.

I am excited to be part of its more-than-75-year legacy of serving the home building community with content designed to provide business solutions and practical advice to help your company succeed, all of which is now available in any format you prefer: print, web, newsletters, and face-to-face events. And I am happy to be part of a team dedicated to identifying the most effective and innovative home builders in the nation in order to highlight their best practices in business management, design, construction, technology, sales and marketing, and product selection.

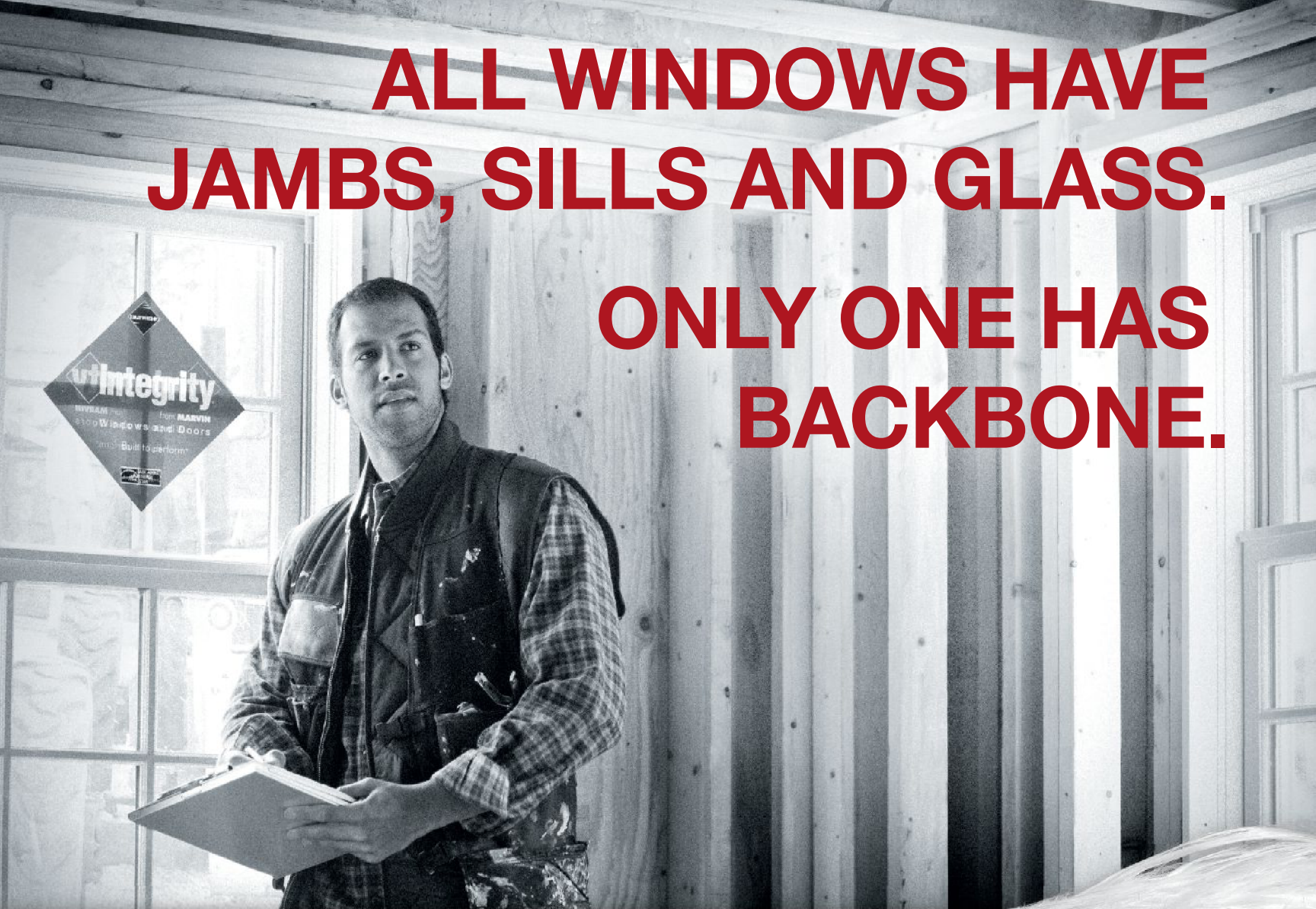
Recognizing these companies is part of the mission, too, and PB has a full complement of programs that do just that. Housing Giants, Builder of the Year, National Housing Quality Awards, and 40 Under 40 all serve to shine a spotlight on the biggest, best, and brightest builders in the country. Events such as the Benchmark Conference and Show Village at the International Builders’ Show offer yet another dimension for PB to connect with its readers.

But most of all, I am delighted to be working with and for you, *Professional Builder*’s reader. This is your magazine, and your feedback is critical for us to be able to deliver the kind of content you want and need. Please feel free to let us know how we’re doing—the good and the bad—and pass on to us news about the good work you’re doing that can help the home building community at large.

Denise Dersin, Editor in Chief
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ACTIVE HOUSE

First Community to be Built with European Green Standard Comes to Greenville



Addison Homes broke ground in Greenville, S.C., on the first neighborhood in the country built to Active House specifications developed in Europe.

The standard uses passive strategies such as a home's solar orientation, natural lighting, and fresh air ventilation so the house consumes as little energy as possible while producing energy from renewable sources that can be fed back into the electric

grid. Addison's homes will be Net Zero Energy homes, meaning the amount of energy consumed will equal the amount of energy produced, and they will meet Active House specifications for air quality, comfort, and durability. The European standard should appeal to the target demographic of health-conscious homeowners dedicated to an active lifestyle, said Todd Usher, president of the Greer, S.C.-based builder.

"We are attracted to the Active House vision because it takes the perspective of those living in the dwelling, (and) putting their direct needs first and foremost when considering how design and features impact life in the home," Usher said. "Daylighting is a perfect example. There is little way to address the base electrical load of lighting without addressing opportunities to avoid using electrical lighting."

The community, called Trailside, is near Furman University and adjacent to the Swamp Rabbit Trail, a former short-line railroad that was transformed into a 17.5-mile walking and bicycling greenway. The Energy Star-certified homes will be marketed as solar ready (only the model home will have solar panels installed) with prices ranging from \$250,000 to \$300,000 and layouts from 1,800 to 3,000 square feet. The Trailside homes also will be the first in Greenville to be built to the Department of Energy's Challenge Home standards. Construction and pre-sales started in September.

The first Active House was built in Denmark in 2009, and the Active House standard was formally established in Brussels, Belgium, in April 2010 with the vision of building homes that create healthier and more comfortable lives for occupants without having a negative impact on the environment. The movement, which so far has built at least three dozen buildings, mostly in Europe, is backed by the Active House Alliance, the Netherlands-based nonprofit association with membership that includes sustainable builders and European building products suppliers. The standard is somewhat similar to Passive House, which seeks to maximize gains and minimize losses through low levels of air leakage and high levels of insulation.

Hibbs Homes, Chesterfield, Mo., built the first U.S. Active House with the completion this year of a Victorian-style home in Webster Grove, Mo. The homeowners, David and Thuy Smith, have agreed to allow the University of Missouri's Midwest Energy Efficiency Research Consortium to monitor the home and collect data during the first year they are living there to document the performance of the green building. **PB**

SUPPLIERS

Masonite Opens Automated South Carolina Plant



Masonite improved its speed to market, particularly in the Southeast, with the opening of a new interior door manufacturing plant in Denmark, S.C.

The 200,000-square-foot facility is a fully automated production line that will cut the time to build a door from more than six hours to just minutes. The technology investment of more than \$14 million provides Masonite the capability to reduce process time and produce significantly more residential interior doors than a typical manual plant when operating at full capacity.

More than 70 percent of Masonite's interior molded panel doors will be built in the Denmark plant, the company said. The Masonite Safe 'n Sound door with its patented DorCor, other solid core

doors, and bifold doors will continue to be produced on a manual line. About 200 people are expected to be working at the plant by the end of the year.

The new facility will replace the former Lifetime Door manufacturing plant that Masonite acquired in October 2010. That facility, also in Denmark and built in 1963, was 175,000 square feet and in need of significant manufacturing upgrades given the advances and changes in the residential door market. **PB**

Weyerhaeuser Restarts Engineered Wood Mill



Weyerhaeuser

Weyerhaeuser will add more production capacity for engineered lumber products by restarting a mill in Evergreen, Ala.

The facility was shut down four years ago due to weak demand for wood products. The mill has three lines and an estimated production capacity of 2 million cubic feet for Microllam LVL—headers and beams manufactured to resist warping, splitting, shrinking—and 120 million lineal feet for TJI Joists, the company's engineered I-joist product. A plant manager already has been on site since late August, and Weyerhaeuser plans to hire 100 employees at the mill by the end of 2014.

The wood products manufacturer also is increasing production at its dimensional softwood lumber mill in Drayton Valley, Alberta through production upgrades to the sawmill and drying operations. Those improvements are scheduled to be completed in the

third quarter of 2014 and will allow for a 35-percent increase in the Canadian mill's production capacity. **PB**

NEW MARKETS

KB Homes Buys More California Land



KB Homes broadened its Inland Empire reach with the acquisition of 40 acres in Eastvale, Calif., from Stratham Communities in Irvine. The Los Angeles-based builder plans to construct 207 homes at the site, currently named Cleveland Square, and has an option to buy 143 more sites in the community.

KB is slated to break ground on a new community next spring and offer buyers three collections of homes. The first collection will feature 125 single-family homes with three floor plans ranging from 1,552 to 1,985 square feet and designs with spacious great rooms, outdoor patios, and an optional first floor bedroom. The second collection of 123 homes will offer three floor plans ranging from 1,829 to 2,334 square feet with five bedrooms and customizable elements. The third selection of 102 homes will include a choice of four floor plans ranging from 2,443 to 3,367 square feet and up to five bedrooms.

The new community will include three parks, tot lots, basketball and tennis courts, picnic area, open green space, and a dog park. A central recreation clubhouse will house a junior Olympic pool, spa, children's pool, barbecue, and a lounge area with a fire pit. **PB**

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Meritage Moves into Nashville



Meritage Homes Corp. expands its reach into the Southeast with the acquisition of Phillips Builders, Nashville, Tenn.

The Scottsdale, Ariz.-based builder purchased the assets

and operations of the Middle Tennessee company, which will include about 500 lots from E. Phillips Development LLC. Among those holdings are land at The Reserve at the Stone Hill subdivision in Hermitage, Tollgate Village and Bent Creek in Williamson County, and Berry Hill and Indian Lake Village in Sumner County. Jason and Charlie Phillips will continue leading the Nashville division, which will operate under the Phillips Builders brand.

Meritage joins other publicly traded builders such as D.R. Horton, Fort Worth, Texas, and Lennar Homes, Miami, which also purchased land and moved into the Nashville market this year. Meritage expects to close on 150 to 200 homes there in 2014. **PB**

Richmond American Acquires More Land in Tucson



The Richmond American Homes division of Denver-based M.D.C. Holdings expanded its footprint in the Tucson, Ariz., market after closing on four land purchases last month.

Richmond extended its Gladden Farms master-planned community by buying 36 home sites in Marana. The new development, called Flor de Algodon at the Arbors, will include one- and two-story homes ranging from 1,645 to 2,720 square feet. The second land purchase, also in Marana, is The Village at Twin Peaks. The 40-site community is scheduled to open during the first quarter of 2014 with a mix of one- and two-story homes with approximately 1,720 to 2,701 of finished square feet.

Richmond also will build on 87 lots acquired in Vail, Ariz. The Mountain Vail Ranch community is set to open during first quarter 2014 with one- and two-story homes up to 2,900 square feet and prices starting in the low \$200,000s. The final project involves 86 lots at the Sycamore Point community in Tucson near the Davis-Monthan Air Force Base. It will open during the fourth quarter of 2013 with two-story floor plans up to 2,150 square feet and priced in the upper \$100,000s. **PB**



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OSHA'S SILICA DUST PROPOSAL NEEDS TO BE MORE PRACTICAL

A coalition of construction industry groups is concerned about a proposed rule from the Occupational Safety and Health Administration (OSHA) that's intended to protect workers from inhaling silica-containing dust created by activities such as cutting brick or block, and sawing, grinding, or drilling concrete.

"We need practical, science-based solutions that protect workers in all facets of construction," said Rick Judson, chairman of the National Association of Home Builders (NAHB) and a builder from Charlotte, N.C. "Unfortunately, OSHA's initial announcement about this proposed rule indicates we aren't there yet."

The proposed rule was announced Aug. 23 in a press conference that laid out few details. The proposal seems to call for one-size-fits-all measures that contradict existing safety and quality assurance practices for different types of contractors.

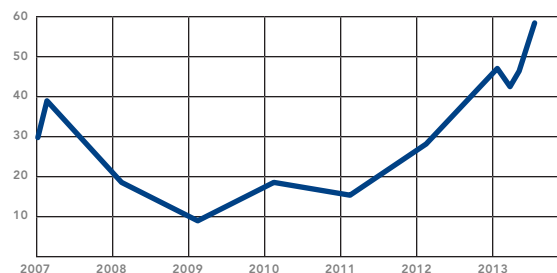
For instance, spraying water to reduce dust may be practical in some construction projects, but using it inside a home while cutting granite counters can cause mold. In cold weather, spraying water while cutting asphalt roof shingles could cause ice to form on the slanted surface, endangering workers. Ventilation and dust-capture systems can inhibit the safe operation of tools. And if prescribed measures are not practical, contractors might be forced to eliminate products with silica altogether, including concrete, brick, granite, and other common construction materials. Independent studies have estimated costs for construction industry compliance will exceed \$1 billion per year.

NAHB is part of the Construction Industry Safety Coalition, which is seeking a feasible and cost-effective crystalline silica regulation that improves safety and health protection measures for workers. The coalition represents thousands of employers working to protect hundreds of thousands of workers in home building, road repair, heavy industrial production, specialty trades, and materials supply. It was formed to encourage OSHA to develop better choices for compliance with the construction-specific silica rule: alternatives that also address costs, consistency with existing federal regulations, and do not overly burden small businesses. The coalition also includes these groups:

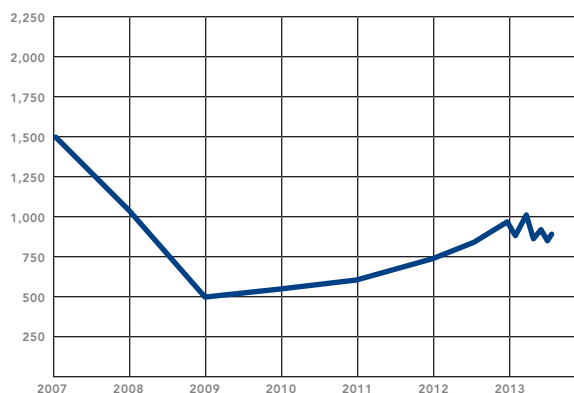
- Associated Builder and Contractors
- Associated General Contractors Association of the Wall and Ceiling Industry
- American Road and Transportation Builders Association
- American Subcontractors Association
- International Council of Employers of Bricklayers and Allied Craftworkers
- Mason Contractors Association of America
- Mechanical Contractors Association of America
- National Electrical Contractors Association
- National Roofing Contractors Association **PB**

HOUSING MARKET SNAPSHOT

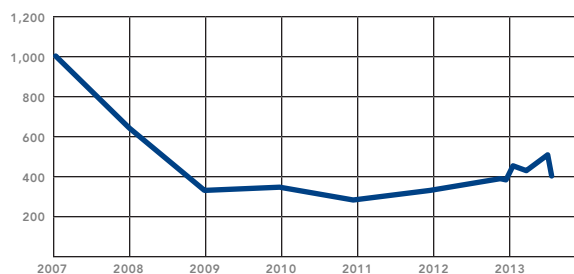
BUILDER CONFIDENCE CONTINUES TO CLIMB



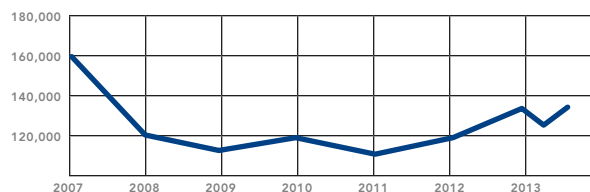
HOUSING STARTS REBOUND



NEW-HOME SALES DECLINE



REMODELING SPENDING INCREASES



Housing indicators generally were steady, with builder confidence increasing three points in August to 59 compared with the previous month, according to the NAHB/Wells Fargo Housing Market Index. July sales of new and existing homes decreased 13.4 percent to an annualized rate of 394,000, while housing starts increased 5.9 percent to an annualized rate of 896,000. Remodeling spending rose 0.8 percent to \$134.5 million.

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SELLING TO WOMEN



Compared with men, women have a different approach to the process of purchasing a home and, in many cases, ultimately decide which house to buy.

By Bob Schultz, Contributing Editor



To be a consistently high-performing new-home sales professional, you must be able to adapt to and connect with all of your potential buyers. As an expert on the new-home sales process, and in writing about marketing and selling to the female buyer, I decided to do what Dr. Stephen Covey recommends in his book, “The Seven Habits Of Highly Successful People,” which is to “seek first to understand, then to be understood.” I asked one of the most successful and professional women in new-home sales I know—whose expertise has been proven in the trenches—what matters when selling to women buyers. Here is what Michelle Moore has to tell us.

Always having a planned, not canned, presentation prepares you for any surprises in the sales process. This recommendation reminds me of a saying I heard years ago: “Proper planning prevents poor performance.” Due to the high percentage of women making the home-buying decisions, a planned presentation must include details that are important to women. In fact, studies show that seven out of eight women will go out of their way to do business with companies that market to women. As you can see, the skill of selling to women isn’t just nice to know; you need to know it.

The biggest purchase most people ever make is their home.

In a recent article, Marti Barletta, author of “Marketing to Women: How to Increase Your Share of the World’s Largest Market,” credits women with 80 to 85 percent of spending decisions. Sure, we know that men have some say in a couple’s decision to buy a home, but when you look into what their contribution is specifically, I think you’ll agree it’s very little.

Men often have a different approach than women when it comes to the process of purchasing. Men focus on a need and create a process to reach their buying decision, while women consider their relationship with their Realtor to be one of the more important factors in helping them to decide. Aspects such as appearance, reputation, respect, trust, eye contact, and how much you listen (or don’t) can make or break the deal for them.

From a woman’s perspective, some negative perceptions of men selling to women include a lack of manners, poor listening skills, and being aggressive, pushy, high pressure, overbearing, condescending, and devious.

Likewise, some negative perceptions of women selling to other women include a lack of technical and product knowledge, being emotional, tentative, uncertain, vague, unsure of specifics, unable to make a sound recommendation, and unable to get to the bottom line.

But here’s one very important point. Though women have a great deal of buying power, their decisions are not

HOME BUYERS



about picking a product that only they like. Ultimately, when a woman makes a buying decision, she has her entire family in mind.

So if you're wondering which points to cover in an effective sales presentation to a woman, here's a list of four must-haves:

1. Display good business etiquette such as beginning with a friendly greeting. Include a firm handshake while introducing yourself and make eye contact. Generally speaking, women prefer more eye contact than men in the buying process.
2. Paint a picture by speaking to women about how your product is going to appeal to them as a mom, a wife, or a partner. Women are driven to make their own lives, and the lives of those they care about, better. Remember, features tell and benefits sell.
3. Be prepared to deliver a professional presentation full of details such as completion dates, available features, and color selections. As I have always said, the deal is in the details. Women are researchers looking for facts. They won't make purchasing decisions without obtaining all the facts required to make an informed decision.
4. Listen, listen, and listen some more. Superior customer service is linked highly with your ability to actively listen. Reflecting back on customers' needs throughout the entire sales process shows that you are listening, you care

about their needs, and you are sincere.

Finally, through the years, I have heard many people talk about doing business by the Golden Rule, which is "Treat people as you want to be treated." That is good. But as you develop your skills in selling to women, I challenge you to live by the Platinum Rule. It simply states, "Treat people as they'd like to be treated." If you can master the art of selling to women, you can take your sales numbers to levels you've never seen. **PB**

Michelle Moore has demonstrated her expertise and ability in the real estate and new-home sales arenas with more than 40 sales and leadership awards from the industry. Michelle travels the country as an inspirational speaker and leadership coach, and as an associate consultant, training facilitator, and coach with Bob Schultz & The New Home Specialists. Her newest book, "Selling Simplified," has just been published.

Bob Schultz is president and CEO of Bob Schultz & The New Home Sales Specialists, a management consulting and sales firm based in Boca Raton, Fla. Schultz is the author of two best-selling books, "The Official Handbook for New Home Salespeople" and "Smart Selling Techniques," and was named a Legend of Residential marketing by the NAHB. He can be reached at bob@newhomespecialist.com.

IS SOCIAL MEDIA A SALES OR AN ENGAGEMENT TOOL?

Some builders have little use or time for Facebook and LinkedIn while others are testing new sites and trying to tell their company's story.

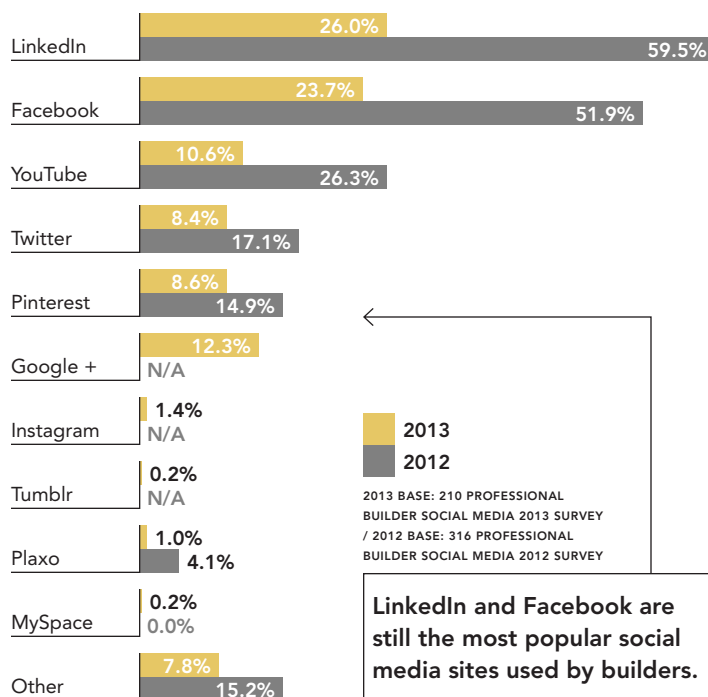
By Mike Beirne, Editor

According to responses from many of our survey participants, referrals from previous customers are all the advertising they need, so social media is overrated, time consuming, and a gathering place for hackers, prevaricators, and misinformation. But another sizable group of respondents contends that social media is a critical tool for telling their stories and creating brand awareness, and it enables prospects to research their companies. Builders indicate that the top three purposes for their own social media usage is for marketing to potential clients (25 percent), communicating with peers and colleagues (24.7 percent), and staying informed about products (24.4 percent). More than 60 percent say they add content to their company website and social media sites either daily, weekly, or monthly, compared with 21.5 percent who rarely do so. Most participants indicated that employees handle social media duties (66 percent) while 5.3 percent hired an agency to manage their social media efforts. Almost a quarter of builders surveyed use a search engine optimization expert so their web content can rank higher in search results. Although more than half of those polled have a company Facebook page, 60 percent of builders said their company website does not have a channel button linking visitors to their social media sites—a tactic recommended by many social media marketing experts.

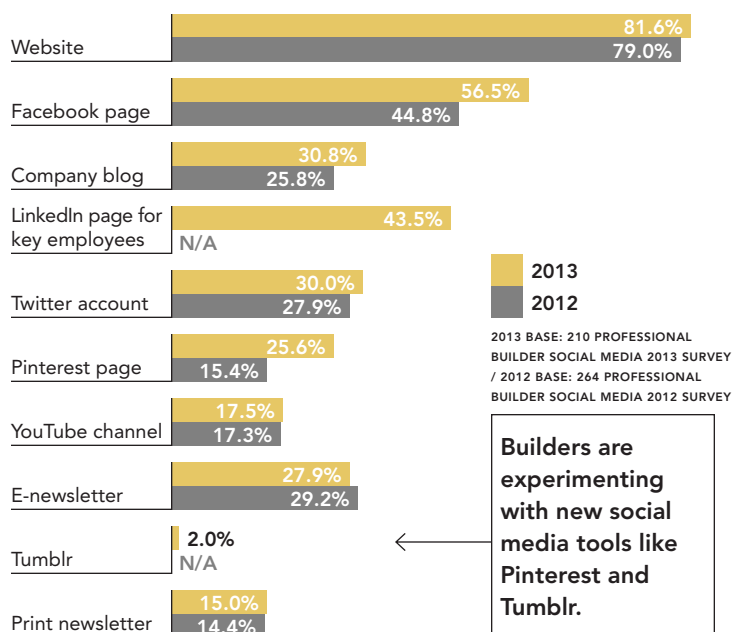
METHODOLOGY AND RESPONDENT INFORMATION

This survey was distributed between August 27 and September 6, 2013, to a random sample of *Professional Builder's* print and digital readers. No incentive was offered. By closing date, a total of 210 eligible readers responded. Respondent breakdown by discipline: 29.1 percent custom home builders; 19.7 percent diversified builder/remodelers; 11.8 percent architects engaged in home building; 9.4 percent production builders for move-up buyers; 4.4 percent production builders for first-time buyers; 3 percent manufactured or modular builders, 2.5 percent multifamily, and 17.7 percent other. Sixty-two percent of respondents built one to five homes in 2012.

WHICH SOCIAL MEDIA SITES DO YOU USE FOR BUSINESS PURPOSES?



DOES YOUR COMPANY HAVE A ...





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*Claim based on average sales price and time on the market in the study: *Market Impacts of ENERGY STAR Qualification for New Homes*, Appalachian State University (2011).

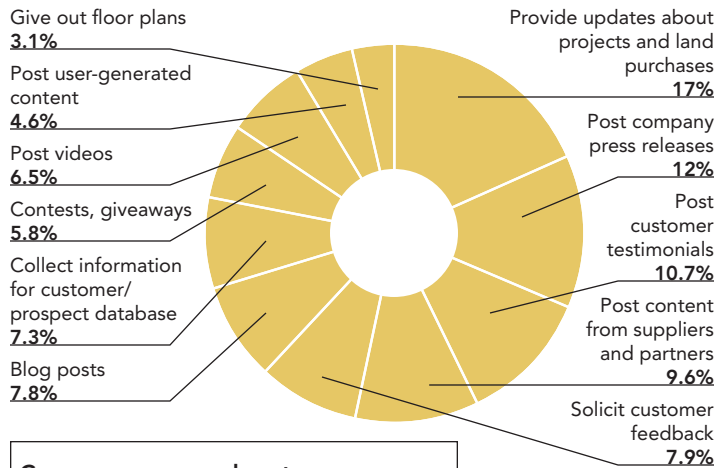


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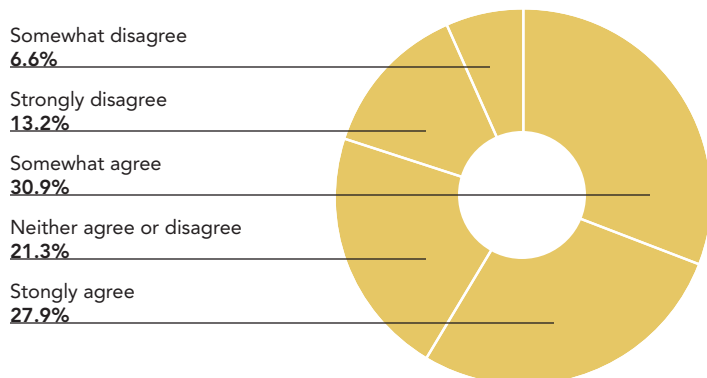
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WHICH ACTIVITIES HAS YOUR COMPANY USED FOR SOCIAL MEDIA OUTREACH?



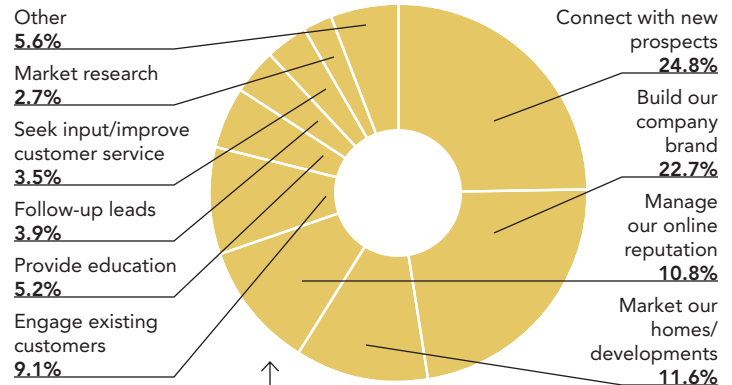
Company news and customer testimonials are popular content for builders' social media outreach.

TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THIS STATEMENT: "SOCIAL MEDIA SITES ARE CRITICAL TOOLS FOR ENGAGING THE MARKET AND BUILDING THE COMPANY BRAND."



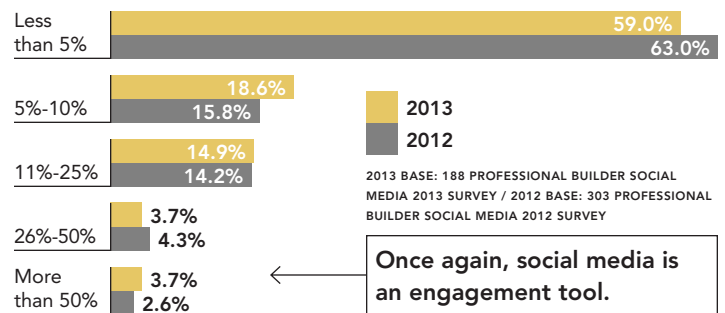
Newer builders noted in open text comments that social media marketing was helpful for getting their names out into the market.

WHICH CHOICES BEST DESCRIBE THE GOALS FOR YOUR COMPANY'S SOCIAL MEDIA OUTREACH?



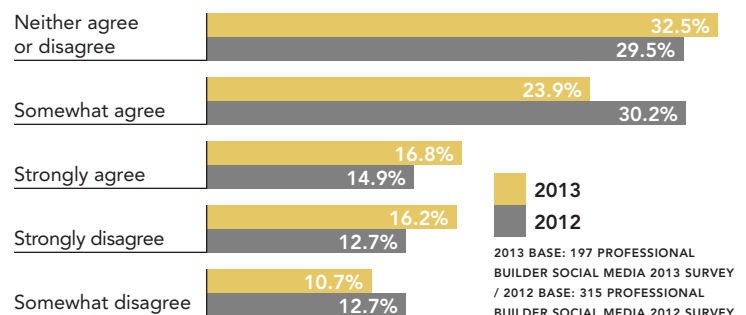
Builders recognize that social media is an engagement tool.

HOW MUCH OF YOUR BUSINESS DO YOU ESTIMATE IS COMING FROM BUYERS YOU'VE REACHED THROUGH SOCIAL MEDIA EFFORTS?



Once again, social media is an engagement tool.

TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THIS STATEMENT: "SOCIAL MEDIA SITES ARE CRITICAL TOOLS FOR MARKETING AND SELLING OUR HOMES."

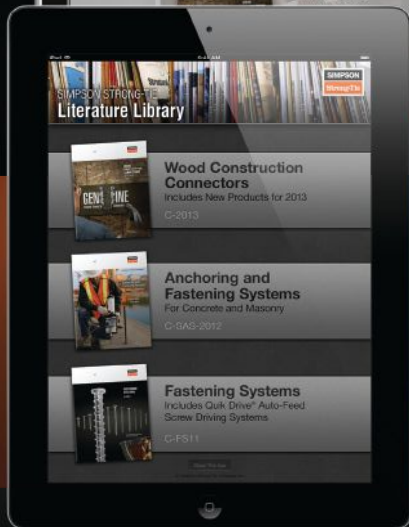
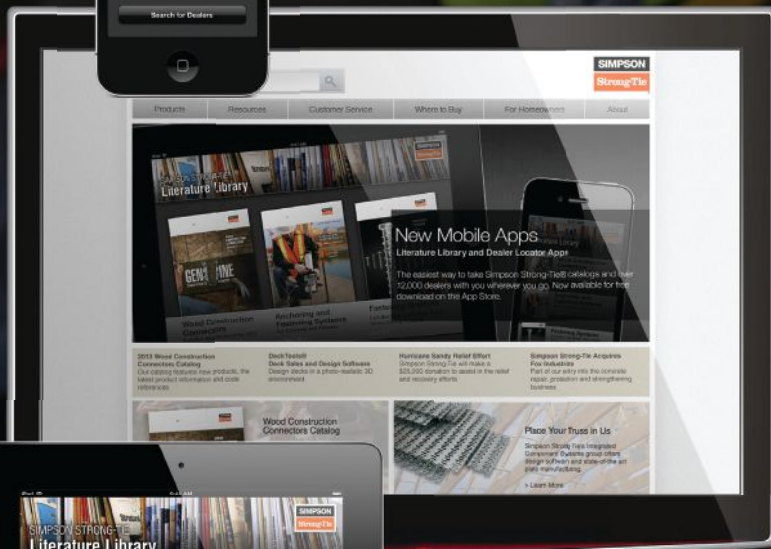
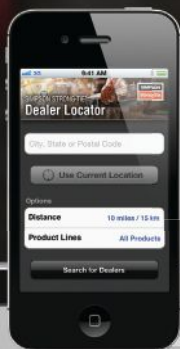


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1) When properly equipped. 2) Standard cubic class. EPA est. 17 city/25 hwy mpg based on Class 2 Large van segment. 3) See dealer for a copy of the powertrain limited warranty. Ram is a registered trademark of Chrysler Group LLC.

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Brand Builder

NHQ Bronze Award elevates French Brothers as the company aims for market expansion and total quality management

By Kyle Clapham, Managing Editor

Tom French recalls his frank assessment of the family business after he mingled with some award-winning home builders at the Benchmark Conference in Las Vegas on Jan. 21, the day before the 2013 International Builders' Show.

"There was no question in my mind that every other builder in the room was better than we were," says Tom, who accompanied his brother, Jim, and Corrine Bachman to the event. The three owners of French Brothers, a firm based in Alamogordo, N.M., jumped at the opportunity to meet some of the nation's best builders and hear about their successful approaches to operational excellence.

The conference highlighted recipients of the 2013 National Housing Quality Award, the industry's top recognition for accomplishments in quality management. Candidates for the distinction answer a lengthy questionnaire about their business practices and financial results. A panel of experts then evaluates the applications and selects builders who demonstrate an exceptional level of performance. Examiners then visit the finalists to review and validate the information they submitted and, ultimately, confer gold, silver, bronze, or honorable mention awards on the winners.

Following the conference, the French brothers and Bachman discussed applying for the NHQ Awards. "At that point in time we felt like we weren't completely sure we were ready for it, but we thought that at least we were ready for the application process," Tom says. The company's triumvirate carved the task into more manageable parts and reviewed each completed section of the application as a team before submitting the document.

French Brothers merely hoped to receive a site visit and learn as much as possible from the examiners, Tom says. NHQ judges traveled to Alamogordo in the spring of 2013 and a few months later presented the firm with a Bronze Award, which NHQ says reflects a builder who has "a sound systematic approach" and "fact-based improvement processes with no major gaps and above-average performance in most areas."

The accolade affirms French Brothers' overriding commitment to customer satisfaction and its eagerness to improve as the company strives to expand its footprint and become a midsize, production home builder. French Brothers has boosted its bottom line each of the last three years—the best three years financially for the firm—and expects to bring in \$19.2 million for 2013 on 85 closings. Winning NHQ Bronze might breed complacency in some other builders, but for French Brothers the award represents a stepping stone in the company's path to total quality management.

Desert origins

Tom and Jim founded French Brothers in 1996 and emphasized the firm's land development business until 2003, when they decided to focus on building custom and semi-custom homes. French Brothers erected on average 22 to 25 houses a year prior to 2008, Tom says, but the economic downturn hit especially hard, and the builder had to absorb losses on a number of high-end specs. The market in Alamogordo for new homes priced above \$300,000 dried up, forcing French Brothers to reconsider its business strategy or join the 65 percent of

The French Brothers ownership team (left to right): Tom French, Corrine Bachman, and Jim French



PHOTO: ASHLEY PALMER

builders in the area who had to close shop, Bachman says.

The company initially elected to abandon its commercial activity and concentrate on residential construction. “We felt at the time that we hadn’t been doing it long enough, and we simply weren’t as good as other commercial builders in the market,” Tom says. The first home French Brothers sold after the housing crash employed a floor plan of \$99 per square foot for a total of 2,000 square feet, and started the firm down the path of production building, says Bachman, who heads up the sales, marketing, and design teams.

“Once we designed two additional plans, we realized this is how we need to move forward and really grow our business,” she adds. After consulting consumer research and market analysis, French Brothers trimmed down many of the amenities that came standard in the company’s previous offerings to make its new product more affordable.

The builder also reviewed the multiple listing service for homes sold in Alamogordo in the last five years to discern the luxuries buyers desired most. “We were including a lot

French Brothers Alamogordo, N.M.

Founded: 1996

Markets: Alamogordo and Roswell, N.M.

2013 revenue: \$19.2 million

2013 closings: 85

Quality Best Practices:

- **Managing customer expectations** — The builder shares a “road map” with clients that guides them through the entire home-buying process. Superintendents check in with customers once a week during construction.
- **Focus on value** — Clients select a base floor plan and then choose upgrades from a list of options. Each year the market improves, the firm adds some of those features to its base homes.
- **Emphasis on technology** — The company recently instituted a new open-book management system that ensures employees are on the same page. All superintendents and field personnel carry iPads.

Construction manager Justin Palmer (left) consults with superintendent Elias Nieto via tablet. “We’re in the middle of nowhere, but from a touch of a button we know everything that’s going to happen on that house,” Palmer says.



of features in our homes and not really knowing for sure whether our customers wanted those features,” Tom says.

In many cases, the company’s decision makers argued about whether consumers expected the inclusion of a specific feature before removing that item from its house plans, Bachman says; for example, after much debate French Brothers eliminated fireplaces from its base homes.

“In our market, fireplaces were a given—everybody had a fireplace,” Bachman says. “But when you’re trying to figure out how to come in at a lower price point so that more people can afford it, you have to look at everything.” The firm offered a fireplace as one of many upgrades available to customers after selecting a base model, and found few of them were willing to pay for the amenity.

The opportunity for clients to choose options they truly want allows French Brothers to hold down the cost of their new home and give them the best deal possible; in other words, the company has become a value builder, Tom says.

“We focused on giving people the most for their money,” he adds. “It took us a lot of effort, and we made a lot of mistakes along the way, but we went from being one of the highest cost-per-square-foot builders in our market to the lowest cost-per-square-foot builder in our market while still improving the quality of our product.”

French Brothers revisits its list of possible upgrades each year the economy and housing market strengthen and re-establishes some of those options in its base plans. In the last few years, the firm has reintroduced features such as crown molding, tall baseboards, and granite vanities to create the refined look many buyers seek. This emphasis on customer satisfaction sets French Brothers apart from its competitors, and NHQ judges said the company’s client-centric mindset provides “a foundation for future improvement and success in all other categories.”

Consumer context

For years, French Brothers employed a Web-based customer satisfaction survey for small-to-midsize home builders and

remodelers to measure how clients regarded the company’s products and services. French Brothers submitted its buyer data to a third-party firm, which then reached out to the builder’s patrons through email, phone, and direct mail to gather feedback. After customers completed the survey, the firm stored the results in a software-as-a-service application that the builder could access anytime from anywhere.

This setup made viewing responses to the questionnaire convenient, but the firm presented the results as raw numbers, and French Brothers struggled with translating the data points into practical action. “We weren’t interpreting the data correctly,” Bachman says. “Therefore we weren’t really hearing what our customers were telling us.”

In the spring of 2012, the builder changed course and hired Woodland, O’Brien & Scott, a research and management consulting organization that works exclusively with home builders and developers. The firm surveyed French Brothers customers from the last year and a half and reported its findings to the company. “When we received the results, it was like a kick in the gut,” Bachman says. “We thought we were much better than we were.”

French Brothers learned the questions in its previous survey—written by the builder’s staff—failed not only to expose unsatisfied clients but also to explain why they were unhappy. Woodland, O’Brien & Scott called the company’s employees together, showed them the results of the new study, and reviewed the customer hierarchy of needs, says Charlie Scott, a principal of the research and consulting firm. Scott and his team identified aspects such as construction quality and on-time delivery in which French Brothers posted disappointing scores, and offered strategies to help the builder improve its performance.

In one instance, the company discovered a few of its buyers responded unfavorably when asked about the condition of their home at the time of occupancy. Some customers wanted



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*Owens Corning calculated energy savings for a 2'x4' wood stud cavity wall for the opaque wall surface modeled with R-13 and OSB sheathing compared to the same 2'x4' wood stud cavity wall with R-13 and R-5 FOAMULAR® Foam Sheathing located in each of the current energy code eight U.S. climate zones, based on ASHRAE Standard 90.2-2001, Oct. 2012. THE PINK PANTHER™ & © 1964-2013 Metro-Goldwyn-Mayer Studios, Inc. All Rights Reserved. The color PINK is a registered trademark of Owens Corning. © 2013 Owens Corning. All Rights Reserved. Owens Corning Foam Insulation, LLC.

French Brothers offers customers a base home to keep costs down but allows them to choose upgrades from a list of options.



to move into their new home earlier than the projected closing date, and French Brothers often accommodated them even if some items still warranted attention. Both parties signed off on the deal, so the builder recorded the house as finished.

When these clients completed the questionnaire, however, they remembered most prominently the home's deficiencies and the inconvenience they experienced as the builder tied up loose ends. This diagnostic information from Woodland, O'Brien & Scott led the company to change its policy and stand firm on delivery dates, but only after explaining to customers the importance of waiting.

French Brothers also found many of its clients were dissatisfied with the process used to paint the builder's homes, so the company collaborated with its trades and reconsidered methods as well as materials. After hearing about how its bathroom countertops were prone to scratches, French Brothers began specifying 2cm granite for all lavatory vanities, Tom says.

"When we weren't communicating well with our customers, we disappointed them," he adds. "Now we are getting much more thorough, honest feedback from our customers." The builder has developed a 67-point checklist for interacting with clients once they purchase a French Brothers home, from the sale all the way through the 11-month warranty check-in.

The willingness to diagnose shortcomings and correct them quickly allowed French Brothers to enhance contentment among its customers. The builder also needed to apply the same principles to its communication with employees and outside contributors—an aspect of the company NHQ judges said lacked organization and involvement.

Future opportunities

When NHQ judges visited French Brothers in late May, the builder had just instituted a global management system for overseeing and coordinating activities among its people. The company—which is already seeing the benefits of that structure—developed strategic plans for one, three, and 10 years

down the road as demand increases and business grows, says Jim French, who leads the planning and purchasing team. "Now everybody inside our company understands where we're headed and what our focus areas are," he adds.

As part of that application, French Brothers implemented FTQ360, a software program that simplifies inspections and saves time in the field by providing essential checklists and generating punch lists with pictures. The system also gauges and ranks the job quality and schedule adherence of trade partners, says Justin Palmer, construction manager for French Brothers. "That's going to be a great tool with our trade partners to assess their performance and their ability," he adds.

Efficient procedures will be imperative for French Brothers as the company extends its operations into other markets. The builder recently broke ground on its third community in Roswell, N.M.—about two hours northeast of Alamogordo—after moving into the area in January 2012. After a bumpy start there, the company says it has the right people, products, and processes in place to cultivate sales and sustain success.

"Now we believe that we can move into other markets and do a lot better job of moving into those markets," says Tom, who wouldn't divulge any details but did confirm French Brothers will set up shop in another New Mexico locale in the first quarter of 2014.

The builder monitors 10 companywide metrics—including sales, closings, open warranty items, and customer enthusiasm—on a weekly basis to ensure the company continues its drive toward becoming a midsize production builder focused on total quality management. French Brothers has pushed this weekly scorecard concept down to each of its teams and also has tied the firm's profit-sharing plan to its business results, so that employees can see how hitting certain targets will boost their paychecks.

"We've got our eyes set on that Gold Award," Tom says. "It may take us a few years, but we're going to work hard and see if we can earn it because we're convinced that the journey will improve our business." **PB**



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By Noelle Tarabulski, Contributing Editor
with Mark Campbell, CPA

You're making money again. Let's protect some of it this time.

During the recent recession, some of the best operators in the business could not sustain their operations through the economic upheaval that engulfed our entire nation. Just as bad are the many instances of builders who worked for decades to earn their reputations for integrity and paid their bills promptly during good times, only to be bullied by the Goliaths, be they bankers, creditors, or partners who turned on them.

In light of this situation, I am working with business partners to address the inherent risks that are embedded in the home building industry that affect basic wealth protection for you, your business, your family, and even your aging parents. A member of our legal team, Barry Engel, of Engel and Reiman, PC in Denver, is the author of the "Asset Protection Planning Guide," and specializes in asset protection advisory work. Many of the points mentioned in this article are based on our direct experiences with clients managing and developing effective legal strategies for asset protection and risk mitigation.

To start, you need the right professional team. If you do not have asset protection practices in place, then your current professionals are not the right team. This effort is confidential in nature, so your company's primary team can help compile data and information, but they should not be the ones executing your asset protection plan. Why? This type of information matters to you, your confidential advisers, and no one else. Keep it that way.

The asset protection team should consist of seasoned and proven professionals with legal, insurance, advanced business, and CPA credentials. A team leader is essential—especially if you do not have time to manage this effort with the urgency it warrants. Also understand that this process can be misconstrued by others, so the fewer details you share beyond your confidential advisers, the better. If your bankers ask you about this matter, simply respond, "I have a family estate plan in place."

RISK MITIGATION

Risk mitigation involves all aspects of running your company and personal life in such a way that if something unfortunate occurs, you have already taken steps to protect your wealth



and business. As your wealth grows, you will need to adjust insurance and business practices to accurately reflect the new and growing risk. For instance, building 50 homes a year in five locations is much less risky than building 250 homes in two locations.

The concepts of risk mitigation and asset protection intersect but they are not the same. Risk mitigation involves decisions that must be made by home building executives on a daily basis. Some examples include the company's risk insurance—what does it cover and what are the limits? How thorough is the employee manual, and does it adequately protect the company from dishonest employees and other human resource related claims? These decisions affect the level of risk that your company may be exposed to. A mistake here could escalate to the point where it would test the viability and robustness of your asset protection plan.

ASSET PROTECTION

The goals of asset protection are pretty straightforward. You want to protect assets for the benefit of your family from lawsuits that potentially could evolve from equity and debt partnerships, contract disputes, labor disputes, environmental

FENDING GOLIATH OFF

Asset Protection and Risk Mitigation plans help builders prepare for the worst, so the worst doesn't happen to you.

claims, and the sale of assets. The assumption here is that you are acting in good faith in all your transactions and that these preparations are part of an estate planning process that a rational business person would normally pursue given the wealth they have created.

Asset protection is sometimes hard to understand, so let's clarify what it is by defining what it is not. It is not based on hiding assets and evading taxes. Asset protection planning is legal, but transferring assets to your wife or children the day

before you declare bankruptcy is not. This move is known as a fraudulent conveyance.

DEFINITION FROM BLACK'S LAW DICTIONARY

Fraudulent conveyance: A transfer of property for little or no consideration, made for the purpose of hindering or delaying a creditor by putting the property beyond the creditor's reach; a transaction by which the owner of real or personal property seeks to place the property beyond the reach of creditors.

Your asset protection should be done well in advance of any overt threat or action against you and when the waters are still and your company is profitable. Just like fire insurance, it is too late to purchase a policy after your house burns down. Each state is unique, but in most instances you must have your asset protection plan in place two to four years before you can benefit from its protections. Given this fact, many of you should have started this effort last year since the housing market's growth cycle is expected to last until 2017.

There are two key elements of asset protection. The first element is that how an asset is entitled determines its vulnerability to lawsuits. In our business, the use of an LLC (limited liability company) to hold land positions and the existence of a housing entity that operates as a builder is important relative to this discussion. In some instances, clients have put all land holdings in one entity. Consequently, an unrelated land holding can be directly harmed by an event with another land position. Second, a creditor or plaintiff can only access what you currently own, not what you've owned in the past. Having a sophisticated and complicated ownership structure is a great way to protect your assets. Keep in mind that simple may be too simple, and you can put your entire company and wealth at risk.

The right of ownership and protection of personal property are among the principal tenets of our society. Asset protection is a systematic, disciplined, and proactive commitment to that right, so everything discussed here is legal. Sadly these practices are not followed by the majority of high risk-takers. Why? Perhaps high risk-takers don't like to admit that economic conditions can get so upside down that the metrics of business success occasionally don't work. Whatever the reason, just chuck the idea that you don't need to take action now; that is not the case.

In one gruesome display of a partnership gone wrong, we watched an equity partner acquire recourse debt from



various banks.

He then became

the owner of some of his own debt and that of his operating partner. Then he sued the operating partner for collection on the note. In this case, the operating partner had signed a personal guarantee and had to sell other assets to make good on a note he shared with the capital partner. In that case, Goliath crushed David.

ASSET PROTECTION TACTICS

Tactical aspects of asset protection include gifting, insurance, foreign insurance policies, joint ownership, FLP (family limited partnership), domestic trusts, and foreign trusts. Brevity is required in this article, but all of the above are relevant to a robust asset protection plan and should be a part of it. We typically spend a day or two with clients going over such plans in depth.

Gifting is not a favored form of asset protection because you lose control of the asset. You can, however, gift your Rolex watch to your son and say, "I plan to wear it but when I head out, it's all yours." This is a great way to give before you are deceased, because you are doing the giving in person, both parties are aware of the agreement, and it's in writing. Go ahead and bequeath items of emotional attachment, but you cannot and should not gift everything, and you must document all gifts. Gifts can be given over time, and you should have a plan for doing so. Also, large items can be gifted to a trust, and the trust is then in charge of the asset.

Joint ownership has many ramifications and protections and you should leverage the structures as best you can. The joint ownership approach provides a low level of asset protection, but it makes the property unavailable to the creditor so gaining a judgment against it is difficult. This approach is where your asset protection team can provide sound strategic and tactical advice.

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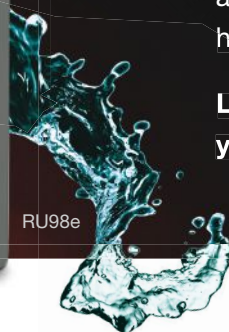


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establish an ILIT (irrevocable life insurance trust) the proceeds are exempt from creditors and usually non-taxable. Be aware that states have varying laws on the availability of insurance funds to creditors.

Another easy-to-implement recommendation is purchasing umbrella workers' compensation insurance for all the folks that work on your personal property and home. At an estimated cost of about \$250 a year, this insurance provides great protection. All your directors and officers should have D&O (directors and officers) liability insurance to protect against litigation. Another suggestion is to consider buying insurance in another country, and make sure the insurance company has no subsidiaries or operations in the United States. If you buy a policy from a carrier in Sweden, for example, the policy payments will be made in Sweden's national currency and such funds (in most cases) are not subject to any encumbrances from the United States.

Perhaps the most simple, yet highly effective, entity to create is a family limited partnership (FLP) and domestic trust. This planning tool transfers assets into the trust, making the assets part of a partnership interest in the FLP. This maneuver would force a creditor to satisfy claims from partnership assets after an exchange, and in most states the sole remedy for that is a charging order.

DEFINITION FROM BLACK'S LAW DICTIONARY

Charging order: Partnership. A statutory procedure whereby an individual partner's creditor can satisfy its claim from the partner's interest in the partnership.

The creditor must then wait to satisfy claims from the partnership assets. This environment precludes quick access to the assets and in most cases the lack of timing and accessibility will dissuade creditor action. This is a sweet solution and deserves more space than we have available. I'll just note that FLPs are best used for real estate and other non-movable tangible assets. FLPs should not be used for personal valuable property.

A good example and effective use of an FLP would be a family farm or property that is shared by adult siblings. In many instances, this condition is a shared title with many forms of deed structures. If the property is expected to stay in the family as a traditional and historic landholding for generations to come, it would make sense to have it placed inside an FLP, which would protect the next generation and their

activities. Otherwise these properties, which typically don't carry a mortgage, are exposed to creditors if one of the partners has financial difficulties.

A foreign trust is a highly sophisticated and complicated form of asset protection. It is important to establish a foreign trust in nations that do not recognize directives from U.S. Courts and are proud of it. The trust has its duties to the beneficiaries who are normally family members. You cannot and should not act as the trustee and run the trust as you are the protector of the trust. Your role is choosing the trustee. This is one area where you must have experienced professionals provide advice and guidance.

THE ACTION PLAN

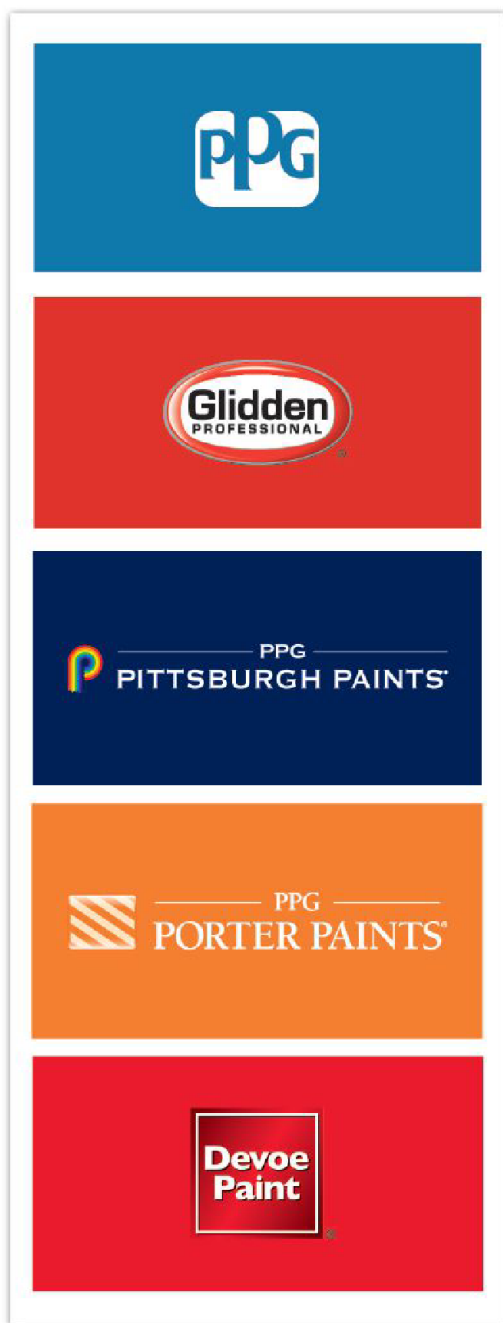
Secure a leader or be the leader and assemble a new team of professionals who can work efficiently and collaboratively to get this protection plan in place immediately. Find professionals who respect your confidentiality and if you want to feel more comfortable, hire advisers from out of town. The leader and team will assemble, create, and do research so that the following tasks are completed and implemented:

1. Appraisal and review of all personal assets and liabilities. This involves what you have and how the property is titled.
2. Assemble the team and documents as you proceed through the process.
3. Implement and create various legal entities and structures based on strategy and tactics.
4. Implement and complete.
5. Just getting to the one-yard line is not OK. You must do all the work, record it legally, and make the transfers. Until you complete all the transfers, you are still exposed.

One of the best outcomes of an asset protection plan is it prevents bankers and others from suing you because they see the difficulties in time, effort, and money that will get in the way of being successful at securing assets to cover their liability. A great asset protection plan will force a banker to analyze the cost benefit of suing versus walking away or settling on a financial dispute. David can stymie Goliath. A well-executed plan will allow you, your family, and your company to live and prosper another day. This is a worthy effort. Sleep comes easier when you have this topic nailed. And yes, the pun is intended. **PB**

Noelle Tarabulski is CEO of Builder Consulting Group of Lakewood, Colo., a management consulting firm dedicated to builders and developers since 1991. She can be reached at noellet@buildertools.com.

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HIGH-STYLE KITCHENS ON A BUDGET

You don't have to spend a fortune to create beautiful kitchens that buyers will love. Here's how to polish your presentation.

By Susan Bady, Senior Contributing Editor

Firmly entrenched as the focal point of a casual lifestyle, the kitchen isn't just the heart of the home. "In today's world, it is the home," says Greenwood Village, Colo., interior designer Lita Dirks. Buyers of new production homes at nearly every price point expect a lot from the kitchen, including islands and lots of cabinet and countertop space.

It may seem daunting to accomplish this goal in a moderately priced house; however, if enough care and thought is given to the layout and specifications, it's possible to design a professional-looking kitchen without blowing your budget.

Buyers are willing to sacrifice square footage in dining rooms, living rooms, and other areas in order to have a bigger kitchen, says Michael Menn, principal of Michael Menn Ltd., a design/build firm headquartered in Northbrook, Ill.

Islands have become standard in homes that are 2,000 square feet or larger, Menn says. And nearly all of the floor plans offered by North Salt Lake, Utah-based Woodside Homes include islands, says Jay Moss, chief marketing officer.

Dirks calls the island "the jewel in the setting. It's where everything happens, and the bigger the better because it's used for so many things." But, as Menn points out, even a 4-by-4-foot island can be functional.

Some builders still install two-level islands, but Dirks believes a one-level island is more useful and costs less to build. "Just adding an interesting shape to the island countertop will heighten visual appeal," she says. "The base cabinets don't change."

CABINET CHAT

Cheryl Kees Clendenon, owner of In Detail Interiors, Pensacola, Fla., is averse to golden oak or light maple cabinets because the colors are difficult to work with. "If all else fails, use white," says Clendenon. "It's not old school—it's classic."



You'd never guess this kitchen was designed and built on a budget. The island offers generous seating areas and plenty of counter space, ideal for households with multiple cooks who love to entertain. Note that the cabinets run all the way to the ceiling, giving them a built-in, custom look. The room won best Budget-Friendly Kitchen and earned second place in the medium-size kitchen category in the National Kitchen & Bath Association's 2013 design competition.

DESIGNER: IN DETAIL INTERIORS / PHOTOS: GREG RIEGLER PHOTOGRAPHY



17 WAYS TO FRESHEN UP KITCHENS

design



▲ Designed for efficient food preparation and cleanup, one section of the countertop is made of black walnut and has a prep sink. White glass-front cabinets have turquoise backs that highlight dishes and glassware. The flooring is porcelain tile.

- **Make kitchen layouts island-centric whenever possible.** The bigger the island, the better, but even a 4-by-4-foot island can work well.
- **Use two-tone or contrasting colors and/or materials on countertops, cabinets, and appliances.** For example, paint the upper cabinets white and use a dark stain on the lower cabinets, or paint the island one color and the perimeter another.
- **Add a second sink to the island for food preparation.** The prep sink can also be filled with ice to keep beverages chilled during a party.
- **Forget about the double-bowl sink.** Buyers perceive deep, single-bowl models as more expensive. For an extra flourish, install an apron-front or farmhouse sink.
- **Use granite or a solid surface, such as quartz, for countertops** for both good looks and durability.
- **Include 42-inch cabinets as standard, and upgrade the door hardware.** Drop the soffit and run cabinetry all the way to the ceiling.
- **Space permitting, include a walk-in "Costco" pantry** for storage of mega-size items, or build a floor-to-ceiling storage cabinet.
- **Use frameless cabinets.** They work with any design style, have a cleaner look, and do a better job of utilizing space because they lack a center rail.
- **Keep clutter off the island.** Include a planning center or computer alcove nearby for charging electronics, doing homework, paying bills, etc.
- **Put shelves and doors at one end of the island** to store cookbooks, dishes, and glassware.
- **Change up the cabinet-door hardware.** "Get rid of the plain brass or silver round knob," says Pensacola, Fla., interior designer Cheryl Clendenon. "Step out of the box and use something that's got a little more personality."
- **Utilize shallow compartments under the sink and stovetop** for additional storage.
- **Get rid of the fluorescent light boxes and use a mix of recessed or track lighting, decorative lighting, and under-cabinet lighting.** Put lights inside glass-front cabinets.
- **Instead of a more expensive counter-depth refrigerator, put in a standard-depth model and build out the cabinets around it.** You can also borrow space from an adjacent room to create an alcove for the refrigerator, or recess it into the wall between studs.
- **Install matching panels on appliances** to give them a built-in look without purchasing built-in appliances.
- **Fill out the backsplash with a single material in a single color.** If the countertops are granite, for instance, you might make the backsplash out of ceramic "subway" tile or mosaic tile, which comes in sheets for easier installation.
- **Substitute engineered wood floors or porcelain tile for solid wood.** Porcelain tiles are available that resemble wood but can handle more wear and tear.

[KITCHEN DESIGN]

PHOTO: JERRY KALYNUK



▲ The furniture feel of this island makes it a perfect complement to the adjacent living areas. Note the mix of door hardware styles and the island countertop's beveled edge — small touches that have a big impact.



▲ Warm stained cabinets stand out against neutral subway tile in the backsplash and teal accent paint above.



▲ Crisp white cabinets with glass-front doors and a tile backsplash laid on the diagonal contrast with warm wood flooring. The beadboard detail on the island adds a custom touch.

COMMUNITY: STAPLETON
CONSERVATORY GREEN /
BUILDER: PARKWOOD HOMES /
DESIGNER: LITA DIRKS & CO. /
PHOTO: VIC MOSS

Dirks recommends making 42-inch-high cabinets a standard feature.

"Keep them straight across the top," she advises. "It's a newer look that looks expensive but actually costs less than placing them at different heights."

Another way to add panache is to run cabinetry all the way to the ceiling. "Many buyers see that space above the cabinets as a dust collector," says Dirks. "Instead, I would drop the soffit so the cabinets look custom and built in. You can also add one or two glass doors, but don't do arched doors on the uppers."

Even one special touch can add immeasurably to the kitchen's perceived value, Clendenon says, such as a pantry with

iWALL GUIDES CUSTOMER CHOICES

design



Kitchen design defines a buyer's taste, which in turn drives the look of the house, says Jay Moss, chief marketing officer for Woodside Homes in North Salt Lake, Utah. To help buyers determine their design style and make appropriate selections, Woodside developed the Inspiration Wall or iWall, a visual aid that salespeople use to help customers navigate that process.

"Buyers first answer a 10-question survey [that classifies their style as] contemporary, classic or eclectic, then select cabinet packages and other kitchen finishes that complement each style," Moss says. "They can mix and match and change, and since we offer umpteen combinations, they can't make a mistake."

Woodside works closely with interior designers, architects, and cabinet manufacturers on a variety of options for each floor plan. "In a lot of cases even the island has options, such as a built-in table," Moss says.



Woodside Homes uses the Inspiration Wall (iWall) to help buyers coordinate their design selections with the style that best represents their taste.

doors designed to look like a hutch.

Be sure to include white and/or cream in your cabinet colors. "I'm not talking about the old thermofoils; I'm talking about white- or cream-painted cabinets," Dirks says. Also include dark tones at the opposite end of the spectrum, such as ebony and espresso. "With stains, make sure you offer more brown tones than yellow or red undertones. You could even offer a gray paint or stain, since gray is coming on strong."

Painted cabinets can save money, agrees Susan Brunstrum, principal of Sweet Peas Design, Libertyville, Ill. "They're typically less expensive than stained because there are some decent composites available now," says Brunstrum. "You can

also do a two-tone treatment such as stained cabinets on the island and painted cabinets on the perimeter."

She favors large, deep drawers in lieu of lower cabinets. "They're better for storing pots and pans, cookie sheets, Tupperware, and even plates, and kids can reach them." Drawers with full-extension glides should be standard in every home regardless of price, Clendenon adds.

COUNTER POINTS AND FLOOR FACTS

Granite countertops are now ubiquitous in new homes even at the entry level, partly because the material has become very affordable. "I still see laminate [countertops], but I very

[KITCHEN DESIGN]



design

PHOTO: PULTE HOMES

There's no reason dark and light can't mix. The kitchen of the Saratoga plan at Summit Pines in Inver Grove Heights, Minn., a Pulte Homes community, features quartz countertops with a tile backsplash. The island has ample space for dining, serving, and food preparation.

Rich, dark cabinets and deeply veined granite countertops elevate the kitchen of Plan 3 at Northbrook above the home's \$280,000 price tag. Northbrook is a community by Woodside Homes in Stockton, Calif.

This kitchen is a feast for the eyes with its mix of inset and overlay door styles, cabinet hardware, light and dark tones, and materials.



PHOTO: WOODSIDE HOMES

This kitchen is the centerpiece of the Balboa plan at Bella Brisas, a Woodside Homes community in Sacramento, Calif. It has a peninsula for dining and is a bright, airy space that integrates well with the rest of the home. Crisp, white cabinets and appliances, granite countertops, and a tile backsplash offer balance and contrast.



DESIGNER: SWEET PEAS DESIGN / PHOTO: JERRY KALYNIUK

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¹ 1998–2012 Builder Brand Use Study, Hanley Wood Business Media.

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Storage is maximized by putting shelves and glass doors at one end of the island. Chandelettes (mini chandeliers) over the island pack a bigger design punch than track or recessed lighting, but don't cost much more. ▼



DESIGNER: SWEET PEAS DESIGN / PHOTO: JERRY KALYNUK

rarely see tile," Moss says.

Clendenon and Dirks prefer solid surfaces such as quartz, which has a clean, crisp look with less patterning than granite and costs approximately the same. "Granite is not what it used to be, unless it's an exotic [variety]," Dirks says.

If you're set on granite, keep in mind that the slabs can be cut horizontally instead of vertically so that the pattern looks more striated. "It's called a vein cut," Brunstrum says. "The price point isn't a whole lot different, but it makes a unique statement."

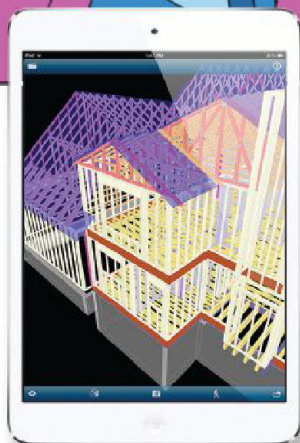
Many production homes nowadays have wood flooring in the kitchen. Clendenon favors darker wood tones because they allow more decorating freedom than a golden oak or very light wood floor. "Do something that's going to be easiest for [buyers] to imagine their furniture in," she says.

Tile is a good flooring option for kitchens that have more separation from the other living areas, but never use a cheap-looking tile. "It dates a job very quickly," she says.

DON'T DESIGN IT YOURSELF

Brunstrum's final piece of advice for builders is to let a specialist handle the kitchen design. "To try to design a kitchen on your own is a mistake, because you'll end up with vanilla," she says. "Hire an interior designer or a kitchen designer, and/or a cabinet designer. They can add so much more to your layout, and it doesn't need to break the bank."

Remember that a well-done kitchen can make or break a house, says Clendenon: "It's worth it to pay up front for a little creativity in the design process, because it can set you apart." **PB**



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closing the sales fulfillment gap: the missing link in lean

Builders would benefit more from proactively shepherding customers from contract to closing than they would from merely focusing on gaining more sales.

Scott Sedam, Contributing Editor



There are many margin killers in home building but among the most insidious are failures in what I call sales fulfillment—the process of managing the customer from sign-up through every option, selection, and color and on to the day of closing. Nothing makes managing a tight schedule more difficult. I have seen this firsthand with builders of all types and sizes in four countries, and it is rare to see a management team embrace the issue and resolve it.

There are myriad variables that confuse the issue of sales fulfillment but the big picture is quite simple. Whether you offer 500 options or five, whether you build in 180 days or 60, whether you have an internal design center, a contract design house, or your sales staff runs it from the model, a builder's ability to proactively manage a customer from contract through close with every option and selection made on time profoundly impacts the bottom line. As the schedule goes, so goes the builder. A disregard for decision dates always means disarray in the schedule, which translates to frustrated suppliers and trades, unhappy customers, and lost profit.

A good way to describe the impact of a failure in fulfillment is to break down the elements required for getting it right, which fit reasonably well into 12 steps listed in approximate though not always strict order. Your steps, of course, may differ, but the issues are universal.

1 **Decide what business you are in and exactly what level of options and selections you offer.** Just as we cannot lay failure for maintaining a schedule solely on the backs of the superintendents, neither can we place failure in sales fulfillment exclusively on the backs of sales. Salespeople are frequently thrown into situations where they don't know exactly what they are selling. A new project goes on the market without final plans, specifications, options, and lot-fit analysis, and they keep changing. Be careful about blaming purchasing for this. How can we expect them to get a project bid, costed, and contracted if it's in a continual state of flux and they never, ever get enough time to do their job? The problem is, we don't count very well. If we did, we'd know about the huge negative bottom-line impact from failure in sales fulfillment and do something about it.

2 **Build systems that enable the consistent fulfillment to that level of options and selections.** Builders can have as much variation in the form of plans, specifications, and options as they like provided they maintain the systems, process, and people to support it, but the stark truth is that few builders do. From contracts to selection process to paperwork to start packages to plans to purchase orders, if your systems can't keep up, getting the sales fulfillment process on track is nearly impossible. Today's software and computer power make the task far easier, but I saw it done regularly back in the 1980s, often manually with perhaps a rudimentary Excel spreadsheet.

3 Establish the company-wide superordinate goal of delighted customers at the closing table who meet every decision date for options and selections.

This caveat is deceptively simple and should not be so hard to practice, yet it is. Systems and processes as described in Step 2 are critical enablers, but ultimately this is a cultural issue. A sales fulfillment discipline must be reinforced on a daily basis and everyone including design, purchasing, construction, and administrative support must understand their role. This should be a critical performance indicator for your top sales management but again, they cannot achieve this alone.

4 Make the choice: Either (A) your salespeople are fully responsible to manage customers from contract through closing or (B) hire someone to do it for them.

The work of sales fulfillment always gets done, eventually, so why not do it on time? We gain nothing by running a haphazard options and selections process with ever-changing rules, dates, and exceptions, except more work for purchasing and construction, rework for trades, extra deliveries for suppliers, and unhappy customers. So just who is responsible for fulfillment in your company? The old approach of salespeople running it all from the model is still out there but is increasingly rare as customers have grown used to having more choices. You may have an internal sales center, use an outside contract sales center, or hire a dedicated customer advocate who walks them from signup to close. Whichever you choose, communicate the plan and hold the responsible parties accountable.

TWELVE STEPS FOR SOLVING THE SALES FULFILLMENT GAP:

- 1 Decide what business you are in and exactly what level of options and selections you offer.
- 2 Build systems that enable the consistent fulfillment to that level of options and selections.
- 3 Establish the companywide goal of delighted customers at the closing table who meet every decision date for options and selections.
- 4 Make the choice: Either (A) your salespeople are fully responsible to manage customers from contract through closing or (B) hire someone to do it for them.
- 5 Bring sales, purchasing, and construction together and clearly, firmly agree on the cut-off dates for each option and section.
- 6 Flowchart your schedule from project design through closing, identifying each obstacle in the way of meeting decision dates, and address those head-on.
- 7 The role of sales management is to lead, support, and instill a discipline within salespeople and/or design center staff to complete the post-contract fulfillment process.
- 8 Give your salespeople and/or design center staff a chance to learn the process of sales fulfillment. Those who cannot learn and practice it need to find a new home.
- 9 Find a sales trainer who accepts that a major part of his or her job is to teach salespeople and/or design center staff that a sale without on-time fulfillment is an incomplete sale.
- 10 Align your reward systems to support on-time fulfillment.
- 11 Provide full support. If any member of the company team is building obstacles, tear them down.
- 12 Check your management behavior. If you cave on decision dates, everyone caves.

You cannot ask people who have never had a particular skill to begin practicing it perfectly tomorrow.

5 **Bring sales, purchasing, and construction together then develop and clearly commit to decision dates for each option and selection.** The less enlightened often just let construction dictate the decision dates with no sales input; but if you want buy in, purchasing and sales must be involved. I use the term “decision date” instead of the more common “cut-off date” because the latter term brings a negative image to the customer. Whatever you call them, they have to be clear, firm, and supported by all. Construction will even find that sales gets much more enthusiastic about meeting the dates if they understand the significant cost implications for the builder along with suppliers and trades. If you are not running 95 percent or better in meeting these dates, you have serious work to do.

6 **Flowchart your schedule from project design through closing, identify each obstacle in the way of meeting decision dates, and then address them head-on.** Bring the right group of knowledgeable people together with someone who knows how to run process flow effectively. The results are never short of profound. Always an eye-opener, people begin to understand how a week’s slippage on interior finishes sets the entire schedule back two weeks, costing hundreds if not thousands. That late change to an upgraded range required changes to four suppliers and trades, with rework for three others. Now that simple little \$350 option you forced through late came with a hidden cost of \$1,500. Or how about that extra outlet in the master bedroom that could have been settled at the decision date for \$35? Now that the home is painted, it costs more than \$400 to install. The late service door on the garage came with a total cost of \$2,000 with seven suppliers and trades involved and disrupted the schedule of three other houses. Did you get enough to cover that? The answer is never.

7 **The role of sales management is to lead, support, and instill a discipline within salespeople and/or design center staff to complete the post-contract fulfillment process.** Sell, sell, sell. Without sales we have nothing, but give me 100 signups with 100 percent sales fulfillment on time over 125 deals with haphazard options and selections any day, and I’d make more money. Few builders have problems with sales these days, but I see continual problems in timely fulfillment. Yet, I don’t find most sales managers stepping up to embrace their role and responsibility here, which makes this a senior management problem. How hard can it be to fix? Communicate to sales management that on-time sales fulfillment is at least as important as the sale itself. Reinforce it, and hold them accountable.

8 **Give your salespeople and/or design center staff a chance to learn the process of sales fulfillment.** You cannot ask people who have never had a particular skill to begin practicing it perfectly tomorrow. What may seem easy and obvious to you is a major challenge with our over-coddled, high-expectation home buyers who are told in every advertisement for every product that they can have it all, and it’s going to be better than free. Regardless, we have to proactively manage those same customers to decision dates that enable us to build efficiently at the highest quality, but it takes training, patience, and full management support.



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9 Find a sales trainer who accepts that a major part of his or her job is teaching salespeople and/or design center staff that a sale without on-time fulfillment is an incomplete sale. I did a quick survey by calling builders and asking if any of them have ever seen a sales trainer, internal or external, place the sales fulfillment requirement front and center with emphasis on closing the deal. After 10 calls without a positive response, I gave up. Yet each agreed this point was a critical shortcoming. Each year the NAHB IBS features the Super Sales Rally. I did a Google search and reviewed the agendas from past years and saw nothing on this critical builder issue. If you are in the sales training business, here lies an incredible opportunity.

10 Align your reward systems to support on-time fulfillment. Paying salespeople part of their commission on signup with the balance at closing makes sense, but the successful on-time fulfillment process should determine part of their total compensation. You'll have to adjust if you use a design center, of course, but whoever you established as responsible in Step 4 must be held accountable. For sales management, make successful fulfillment a key performance indicator that is monitored continually and is a key consideration for a year-end bonus. Remember, too, that rewards are not only monetary. What sales people are recognized for and read in the company newsletter are just as important for most.

11 Provide full support. If any member of the company team is building obstacles, tear them down. With great design in systems and requisite accountabilities, you are way ahead of the game. But senior management's role to support sales fulfillment never ends. Obstacles arise daily. So you did that deal on the piece of dirt that demands building a product with which you have no experience. Plan on using more time and effort to get the design, specifications, options, and selections bid and contracted. Also understand that the sales team will have a new product to learn. This challenge is nearly always underestimated, if discussed at all. There is no more important job for senior management than to proactively eliminate every obstacle in the process.

Make successful fulfillment a key performance indicator that is monitored continually .

12 Check your management behavior. If senior managers start breaking bad on decision dates, everyone follows en masse. Life happens and occasionally an exception must be made for birth, death, and illness. But if your sales fulfillment process follows the previous 11 steps, exceptions will never affect more than 1 or 2 percent of your production. This is not a just-say-no philosophy. This is proactively managing your customers through a sales fulfillment process so well that they meet every decision date and arrive at the closing table with a smile.

Last year while working with a builder team righteously engaged in the lean grind of eliminating waste in all forms of product and process, I sent an email to their sales trainer who was slated to launch a major training effort the next month. I told him that the last thing these salespeople needed was to learn how to sell more homes. They had plenty of sales. Rather, he needed to teach them their solemn responsibility to proactively manage customers through the entire sales fulfillment process and meet each decision date for options and selections. Then show salespeople and design center staff how to keep the customers happy while doing it. I concluded with the admonition that this would do more to help this builder's profitability than anything else he could do. I copied the president. Now I am copying all of you. Let's stop avoiding this issue and get to work. **PB**

Scott Sedam is President of TrueNorth Development, an internationally known consulting and training firm based in the Detroit area. Scott welcomes your comments, questions, and feedback at scott@truen.com. Find Scott's LeanBuilding Blog on www.ProBuilder.com or www.TrueN.com, where you will find archives of past articles. To keep up with the latest on Lean Building & Design, join "The LeanBuilding Group" on www.linkedin.com.

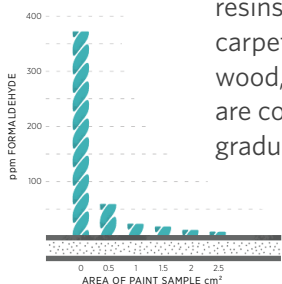
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*Formaldehyde Reducing Technology is currently available in flat and egg-shell sheens. The length of time Harmony actively reduces odors and formaldehyde depends on the concentration, the frequency of exposure and the amount of painted surface area.

[†]Based on methods:
ISO 17226 Determination of formaldehyde content in leather by High Performance Liquid Chromatography
ISO 16000-3 Determination of formaldehyde and other carbonyl compounds in indoor air and test chamber air

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sources like insulation, carpet, furniture and fabrics. And finally, antimicrobial agents inhibit the growth of mold and mildew on the paint film and related bacterial odors, addressing these issues before they can become a problem.



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And oh yeah, it's paint.



DESIGN HOT BUTTONS

2013 HOUSE REVIEW THEMES

NOVEMBER Creating "Wow" Exteriors

DECEMBER Versatile Plans

The House Review team presents features and floor plans that appeal to Millennials, Gen X, and Baby Boomers.

By Larry W. Garnett, FAIBD, House Review Lead Designer

For years, Realtors have urged those of us who design and build homes to include special features that will motivate buyers. These hot buttons might be practical ideas such as locating the laundry room close to the children's bedrooms or adding windows for more natural light. However, in many segments of the market, a luxury item—such as an outdoor kitchen that could easily cost more than the indoor cooking space—can close the sale of the home. As we investigate which features might motivate the various generation groups of buyers, we find some diverse ideas. While Millennials are attracted to technology and unique design elements, the Boomers might be more interested in how they can deal with an aging parent or a boomerang child. As you'll see on the following pages, the days when granite countertops and stainless appliances served as hot buttons are long gone.



Generation Y home buyers born after 1978, also called Millennials, are now approximately one-third of the U.S. population. This group of buyers encompasses a wide range of lifestyles and needs, from career singles, including W.I.N.K.s (women with income no kids) to young families. Versatility and flexibility are the key design features that entice these buyers.

This three-story duplex plan fits two dwelling units within a 44 feet-by-40 feet space. The compact footprint will work on infill lots in established communities near transit, shopping, and cultural events that appeal to the Gen Y buyer.

The urban/modern elevation styling offers the young consumer a home of their own that looks and feels fresh and different from the home in which they grew up.

THE RIDGE/THE SUMMIT

ARCHITECT

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PLAN SIZE

The Ridge: 1,650 sf
The Summit 1,854 sf



- A** On the first floor, a flex space can be used as a home office, bonus room, or a junior master bedroom/guest suite for a roommate or extended family.
- B** The foyer is bright and welcoming with a small opening to the stairs above, setting the tone for this inviting compact plan.
- C** The walk-in pantry—typically a feature in larger homes—is an unexpected benefit in a home this size and can be used for various storage needs in addition to dry goods.
- D** The master bedroom in this plan, on the second (main) level, is desirable for many of the Gen Y buyers.
- E** This plan locates the secondary bedrooms on the second (main) level, which would be ideal for a roommate, extended family, or an office.
- F** The interconnected kitchen, great room, and dining area

functions as the heart of the home. The space is open, bright, and visually connected to the other two floors via the open stairs and large windows.

- G** An open balcony provides an interesting space to enjoy the outdoors or view the surrounding community from a higher vantage point.
- H** Large secondary bedrooms are provided in this plan. In a Gen Y household, the occupants of secondary bedrooms might be adults, not small children.
- I** Overlook to the floor below further enhances the open feel of the plan.
- J** The roof deck, while potentially difficult to construct, does reward the owner with true private outdoor space in an infill site that might have limited outdoor space on grade level.

HILLSIDE, ROSE, AND ELISE

ARCHITECT

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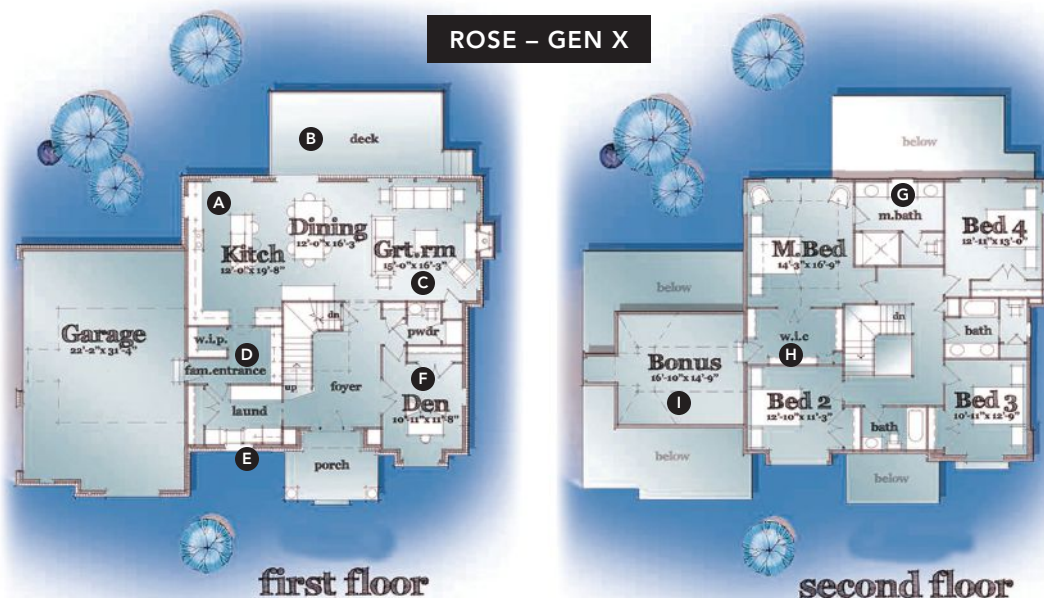
PLAN SIZE

ROSE-GEN X
Living area: 2,917 sf
Porches: 385 sf
Garage: 716 sf

HILLSIDE-GEN Y
Living area: 1,441 sf
Porches: 62 sf
Garage: 339 sf

ELISE-BABY BOOMER
Living area: 2,917 sf
Porches: 385 sf
Garage: 716 sf

These plans focus on three generational groups: Generation X (born 1965-1977), Generation Y, also called Millennials (born 1978-1995), and Baby Boomers (born 1946-1964). All three groups have distinct differences combined with occasional common ground. Gen X-ers are interested in a home that accommodates family time and tends to be very informal. Gen Y-ers are all about the good times and are extremely social. Boomers favor retreat spaces and are not as focused on square footage as they are on quality and elegance. In terms of common ground, all the generations have a focus on value. They all want an attractive home that suits their needs and comfortably fits within their budgets.



- A** Large functional kitchen that is open to the dining/great room creates a great space for entertaining and keeping an eye on the little ones.
- B** The ability to entertain outdoors is important. Decks and patios have to be large enough to support family gatherings and the occasional late night neighbor drop-ins.
- C** The rooms are casual; hallway space is considered wasted square footage. The plan is designed to be lean by circulating through rooms as opposed to separate hallways with columns and arches.
- D** The family entrance is important. Cubbies, lockers, and drop zones dominate this space. It is all about keeping the family organized.
- E** The bigger the laundry the better. No longer will the homeowner have to walk through the laundry room to get

from the garage and into the house. Instead the laundry room has become a very important space with built-in hampers, folding tables, and drip-dry space.

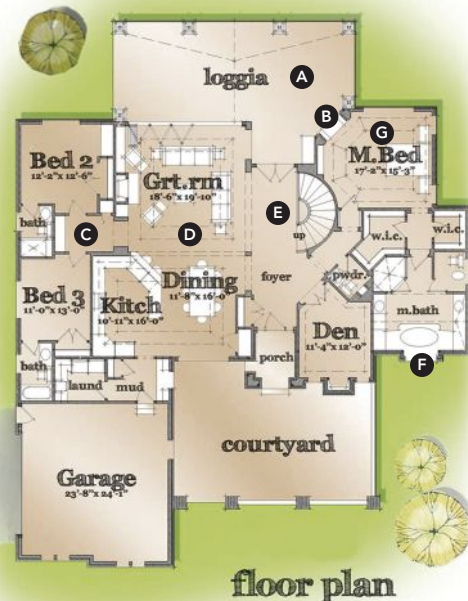
- F** The den can be converted into an in-law suite by eliminating the closet in the powder room and adding a shower. The powder room becomes a full bath and is shared between the suite and guests.
- G** No tub in the owner's bath. Instead, Gen Xers are going for the big-time shower. The shower will often have several heads and a spray tower.
- H** A generous walk-in closet is unusual in the sense that it allows access to additional bonus space.
- I** The bonus room is critical with this group. In this case, the bonus room is used as space that extends the owner's suite. This space can be used as an extra closet, a private study, or a fitness room.

HILLSIDE – GEN Y



- A** Very informal and casual dining and living space. Great for entertaining and functional for a small family.
- B** A pocket office replaces the formal den. This space allows for a place for mail and papers that can be closed off when entertaining.
- C** The stair is centrally located. A grand stair is not a requirement for Gen Y.
- D** Hallways are eliminated and traffic circulates through rooms.
- E** Gen Y loves to live in hip neighborhoods. This preference usually means infill lots, which tend to be narrow. Finding a lot that requires the house to be 25 feet wide or less is not unusual.
- F** As in the Gen X plan, there is no tub in the owner's suite, providing additional real estate for other, more useful amenities.
- G** The secondary bedrooms are in close proximity to the owner's suite but not adjacent to allow for privacy, or as much privacy as you can get with little ones around.
- H** Big closets are a must.

ELISE – BABY BOOMER



- A** Outdoor spaces that create exterior rooms are increasingly popular with the Boomer crowd.
- B** An indoor/outdoor fireplace further blurs the lines between in and out.
- C** A split bedroom plan is critical. The secondary bedrooms are used more for guests than permanent residence. It is not uncommon for these bedrooms to be smaller yet have the ability to be full suites.
- D** The open plan is much desired by the Boomers, but they will put a strong emphasis on delineation between spaces. This is done by using columns and ceiling treatments.
- E** An elegant stairway is still important for this group, thus holding on to a bit of formality and tradition.
- F** An owner's suite soaking tub is still desirable for Boomers.
- G** Big showy sitting rooms in the master bedroom are out. The square footage gets allocated to other spaces.

[HOUSE REVIEW]

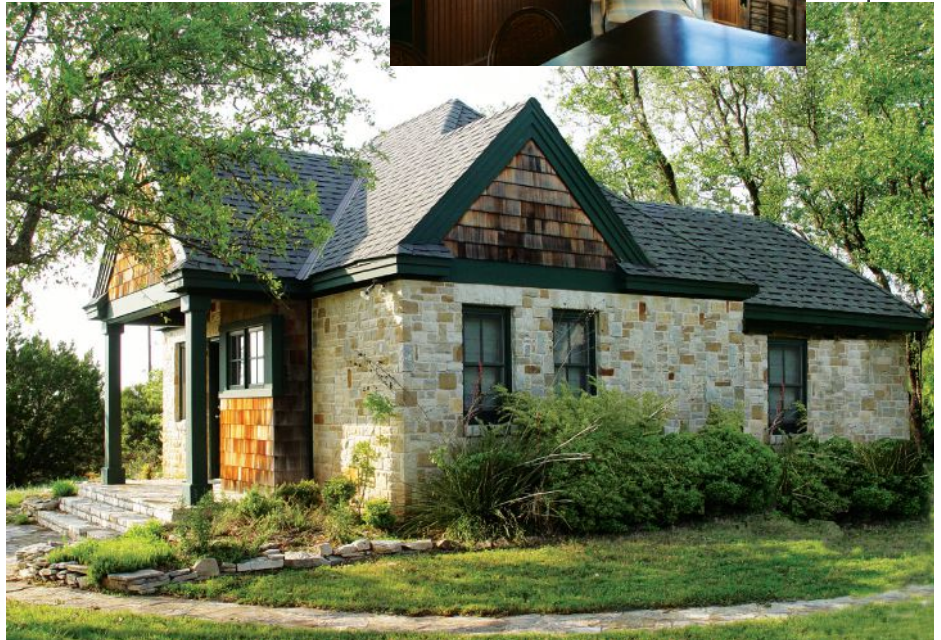
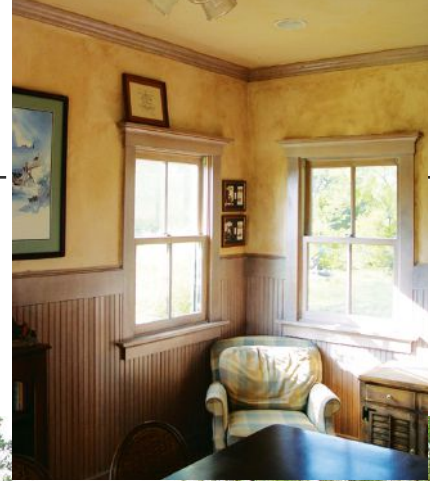
PLAN 56580

DESIGNER

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PLAN SIZE

Living area: 672 sf
Width: 25 feet, 11 inches
Depth: 38 feet, 4 inches



As the Baby Boomers head towards retirement, they're faced with challenges many never anticipated. Although aging parents and the escalating need for health care might have been on their radar, who could have predicted that their adult children might be forced to live with them? As a result, many buyers in this market segment consider the ultimate hot button to be a private living quarters for their parents or older children. While an attached guest room or casita might do the job, a completely separate structure offers the ultimate privacy for everyone.

With 672 square feet of living area, this cottage becomes a completely self-sufficient space with a kitchen, bath, secluded bedroom, and spacious living area. Looking even further into the future, these living quarters might become a caretaker's house, allowing aging homeowners to extend the time they can remain in their home.

- A** Full-service kitchen with built-in dining booth
- B** Spacious living area with plenty of windows for natural light
- C** Stacked washer and dryer
- D** Front porch

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Popular trends in home design catch on quickly, not just for their initial star power but for the practicality they offer to the end user: the homeowner. A few of those trends we see most in new-home construction are elements such as more natural lighting, a secondary laundry area, and outdoor living spaces. The first home showcases storefront windows (B) throughout the house, including a wall of windows in the living area. Clerestory windows (A) were also added to give the space a glow of natural light throughout the day.

Our second home showcases a secondary laundry area upstairs with the kids bedrooms; the main laundry room is downstairs adjacent to the master bedroom, so hauling all the laundry downstairs would be quite a task. With over 3,400 square feet of living space, a secondary laundry (C) adds convenience to this personalized home. Our final home was designed around entertainment and with location in mind. This home's outdoor living room and dining area open to a golf course. Breathtaking views of the city beyond and the green just below the retaining wall (D) serve as a focal point. The outdoor space is equipped with a fireplace, cooking area, and direct access to the bar as well as the dining room and indoor living room (E). All of these elements are more about design and functionality and much less about bells and whistles.



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Energy-efficient home building has evolved significantly in a very short period of time, with the bar on home performance continually rising. Near the peak of what's possible today, net-zero energy (NZE) homes strive for a balance of energy use and production, consuming only as much energy as is created by the home's systems.

Builders from across the country convened to discuss the latest advances and trends in this growing field at the Net-Zero North American Leadership Summit, Oct. 8-10 in Irvine, Calif., hosted by the Net-Zero Energy Home Coalition and co-sponsored by *Professional Builder*.

Professional Builder interviewed some of the speakers from this year's Net-Zero Energy Summit to find out the lessons the industry has learned about Net-Zero-Energy home building over the last five years.

By Jeff Zagoudis, Associate Editor

1 THE AVERAGE AMERICAN IS MORE AWARE OF NET-ZERO AND ITS POSSIBILITIES.

While the idea of every home being net-zero is still a ways off, it's not quite as unusual as it once was. "It was challenging to find clients in 2008 interested in making the investment," says Bob Deeks, president of RDC Fine Homes in British Columbia.

"Five years ago, the buyers were engineers and environmentalists who were willing to pay extra," says CR Herro, vice president of energy efficiency and sustainability for Meritage Homes. "Today, there are more average buyers who are looking to reduce their energy bills, and Millennials who have been brought up with an increased environmental consciousness and sense of responsibility."

The shift isn't just happening on an individual level either. Bronwyn Barry, design director at San Jose, Calif.-based One Sky Homes, notes how larger cities like San Francisco and New York have started requiring information about a building's energy consumption to be made public. Some European cities have even taken it a step further, mandating that homes disclose their energy consumption per square foot when they go on the market.

2 HOMEOWNERS HAVE TO BE ONBOARD FOR NET-ZERO TO WORK PROPERLY.

While technology and materials are the drivers behind a net-zero energy home, if the homeowner doesn't know how to use it properly, it's not going to do any good. Deeks learned this firsthand after finishing the company's first NZE home. The house wasn't performing as the energy modeling had suggested, which Deeks was able to trace back to the homeowners themselves.

Barry likens the home-and-homeowner relationship to that of car and car owner.

"Everyone knows how many miles per gallon their car gets, but when you ask them how much energy they're using, they have no idea," she says. "People can relate to their comfort more than their energy consumption."

Deeks says that on its second shot with NZE, "the client has been much more involved in the design process." For his company, the key was making it easier for homeowners to see their choices in action. That's why the company installed the KSI Smart Panel from Koben Systems Inc. The computerized terminal takes the place of the traditional electrical panel and shows energy consumption in real time for each utility and appliance in the house.

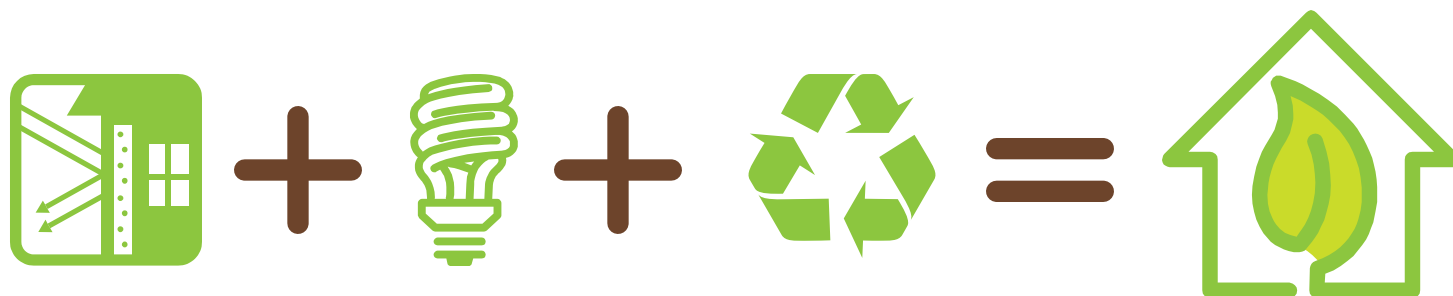


3 PRODUCING NET-ZERO ENERGY HOMES IS SLOWLY BECOMING MORE COST EFFICIENT.

In its early stages, energy-efficient home building of any kind proved largely cost prohibitive since much of the technology associated with it was brand new. The price has started to come down over time; however, while the cost of installing solar has declined, most of the state-run solar offset programs also have gone away, Herro says. Funding is more readily available in Mexico, according to Fernando Mayagoitia of Lean House Consulting. There, net-zero energy projects are largely exploratory endeavors by the federal government and haven't made their way into the general discussion yet. If a series of pending energy reform laws are passed, however, "we would expect more resources from the private sector for development projects," Mayagoitia says.

ADDING UP TO ZERO

Speakers who participated in the Net-Zero North American Leadership Summit share what the industry has recently learned about building to the green standard.



4 CUTTING-EDGE TECHNOLOGY ISN'T ALWAYS THE BEST PATH TO ZERO.

While it's true the cost of solar panels and other NZE-related technologies has decreased, the high-tech route isn't the only way to achieve net-zero. "Keep it simple and stay away from fancy, expensive technology," Deeks says.

RDC learned a lot from its first NZE project and is applying those lessons to its second effort. Insulated concrete form (ICF) foundations offer a simplified building envelope with better insulation values. "It provides a pre-insulated foundation assembly, it's easy to install, and it virtually eliminates waste," Deeks says.

The heating system was simplified as well, with the new house relying more on passive heating and shading techniques.

5 AIR SEALING AND INSULATION CAN MAKE (OR BREAK) AN NZE HOME.

Keeping some of these ideas in mind, Barry says the question has become, "Where do you find the balance between adding lots of (photovoltaic) to a building and adding efficiency measures to your building envelope?"

She and others seem to agree that putting extra time and money into the building envelope itself is the way to go. Barry points out that photovoltaic panels, while beneficial, are still mechanical equipment that will require maintenance and operation.

"The low-hanging fruit of energy efficiency is building air tightness," Deeks says. That's why he chose ICFs for the foundation on RDC's second NZE home. The wall assemblies are structural insulated panels (SIPs), which Deeks says give the best monetary value for the highest R-value.

6 ENERGY MODELING IS BECOMING MORE ACCESSIBLE.

In the past, builders had to hire energy-modeling specialists to gauge the efficiency of the house. "Now architects and designers are driving energy modeling," Barry says. A believer in Passive House principles herself, Barry utilizes the Passive House Planning Package energy-modeling software to do her own calculations and cites its strong track record for high accuracy. **PB**



Thermostatic Shower Valves

New two-handle thermostatic shower valves from **American Standard** offer built-in diverters to make shower systems easier to use, less expensive to install, and more water efficient. The valves feature two-way and three-way diverters, making them more economical to install than conventional two-handle thermostatic shower valves that require separate diverter valves. There is no shared function between outlets, which saves water, and each two-handle valve employs one handle to control both on/off and diverter functions and the second handle to manage water temperature. **For more info circle No. 801**

Saniswift Water Pump

The Saniswift from **SFA Saniflo** has undergone several plumber-friendly design modifications to simplify and speed up its installation. About the size of a small wastebasket, the compact Saniswift pump is an ideal above-floor plumbing solution where no below-floor drainage exists. Equipped with three, 1-1/2-inch inlets – two on the bottom and one on top – the Saniswift can remove up to 24 gallons of waste water per minute (depending on discharge-line length) from three separate plumbing fixtures. **For more info circle No. 802**



Blue Chilled & Sparkling

Grohe's Blue Chilled & Sparkling combines the modern look of a designer faucet with a high-performance filter, cooler, and carbonator. The right lever on the faucet is used to mix hot and cold tap water as usual. A single turn of the left handle gives you fresh, cooled water and two settings for sparkling water. Available in Grohe StarLight chrome or SuperSteel Infinity Finish, the faucet has separate internal waterways—one for filtered water and the other for unfiltered water. **For more info circle No. 805**



Logan Square Collection

This sculpted line of lavatory faucets from **Danze** provides a range of style choices including single handle, two handle, center set, widespread, and several shower options. All of the lavatory faucets in this collection are available in Chrome and Brushed Nickel finishes and are WaterSense approved, which means they will use 20 percent less water than standard faucets. Logan Square features ceramic disc valves to ensure longevity and a laminar flow for natural water delivery, and operates at 1.5 gpm. **For more info circle No. 803**



DuraStyle Wall-Hung Toilet

The DuraStyle wall-hung toilet from **Duravit** features an extra-flat seat available with SoftClose. The innovative rimless wall-mounted toilet ensures short cleaning time and optimum hygiene, and its new flushing technology guarantees exceptional results even with small amounts of water. DuraStyle is WaterSense approved and allows for an effective 1.1 gpf. The toilet can be customized to sit between 15" and 19" to comply with ADA requirements and is available in depths ranging from compact (19 1/8") to standard (21 5/8") to elongated (24 3/8"). **For more info circle No. 804**



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Viper Collection

Gerber has added several kitchen and bath faucets to its Viper Collection, which was previously known for high-performance toilets. Viper kitchen faucets come in three configurations: pull out, single handle, and single handle with side spray. Each faucet flows at 2.2 gpm at 60 psi and is available in Chrome and Stainless Steel finishes. The new bath products in the Viper line offer a full suite of options: single-handle faucets, two-handle faucets, a tub/shower trip kit, and a Roman tub faucet. **For more info circle No. 806**

STo Kitchen Faucet

One of the most distinctive elements of Moen's new STo kitchen faucet is the innovative, integrated pull-down wand that neatly docks inside the spout. The two-function wand still provides all of the functionality and ease-of-use of a traditional pull-down wand, yet its enclosed design enables it to have a more streamlined appearance. Available in both single-handle pull-down and bar/prep pull-down models, STo faucets also feature Moen's innovative Reflex system, which offers self-retraction of the wand as well as an exceptional range of motion, generous reach, and secure docking retraction. **For more info circle No. 808**



Concealed Sprinkler

The Tyco Rapid Response Flat-Plate Concealed Sprinkler can be custom painted to match a wide range of residential interior ceilings. The concealed sprinkler is ideal in any setting as Tyco is able to match it with any desired color palette. The flat profile of the cover plate provides an aesthetically appealing sprinkler design. Additionally, the concealed design offers 1/2-inch (12.8 mm) vertical adjustment, which provides flexibility when cutting fixed sprinkler drops. **For more info circle No. 807**

Power-Pipe

The cost-effective Power-Pipe Drain Water Heat Recovery unit reclaims heat that would otherwise be lost down the drain. This copper product from Renewability Energy has numerous residential and commercial applications and can be ordered in 2-, 3-, and 4-inch diameters and a wide range of lengths in order to maximize heat recovery efficiency for the available space. This double-wall, vented heat exchanger system can be used to supply fresh, pre-heated water to the water heater. The Power-Pipe is available through HomeDepot.com and is backed by a 10-year warranty. **For more info circle No. 809**



Citterio M 2-Hole Kitchen Faucet

The Axor Citterio M 2-Hole kitchen faucet is perfect for those looking for a highly customized setup. This faucet offers the option to freely position the handle and spout with an available extension set, allowing for a wide range of configurations depending on personal preference and desired aesthetics. The Citterio M 2-Hole also includes an M2 ceramic cartridge; ergonomic pull-down with full and needle sprays; non-locking spray diverter; MagFit magnetic spray head docking; and 150-degree swivel spout. **For more info circle No. 810**

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06 ☐ Construction Equipment
07 ☐ Decking / Fence Materials
08 ☐ Doors
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11 ☐ Flooring and Floor Coverings
12 ☐ Garage Doors
13 ☐ Green Building Products
14 ☐ Hand and Power Tools
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16 ☐ HVAC and Environmental Controls
17 ☐ Insulation and Related Products
18 ☐ Lighting Fixtures
19 ☐ Locksets and Hardware
20 ☐ Paint, Stains and Finishes
21 ☐ Plumbing Fixtures / Faucets
22 ☐ Roofing Materials
23 ☐ Siding
24 ☐ Sound and Security Systems
25 ☐ Tile
26 ☐ Trucks
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9. Which of the following publications do you receive personally addressed to you? (Check ALL that apply.)

- A ☐ *Builder*
B ☐ *Custom Home*
C ☐ Neither of the above

10. Excluding land, please indicate the cost per square foot of the homes your company builds. (Check ALL that apply.)

- A ☐ \$251/sq ft or more
B ☐ \$201-\$250/sq ft
C ☐ \$151-\$200/sq ft
D ☐ \$121-\$150/sq ft
E ☐ \$101-\$120/sq ft
F ☐ \$100 sq ft or less

11. Please indicate your primary supplier for each category:

- | Windows | Siding | Faucets |
|--------------------------------------|--|--|
| 01 ☐ Andersen | 06 ☐ CertainTeed | 11 ☐ Kohler |
| 02 ☐ Pella | 07 ☐ James Hardie | 12 ☐ Moen |
| 03 ☐ Marvin | 08 ☐ Ply Gem | 13 ☐ Delta |
| 04 ☐ Jeld-Wen | 09 ☐ LP | 14 ☐ Amer. Std. |
| 05 ☐ Milgard | 10 ☐ TAPCO | 15 ☐ Elkay |

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BENJAMIN MOORE & CO.	5, 64	752, 756
BOBCAT COMPANY	55	772
CHRYSLER LLC	22-23	763
COUNTRY WOOD FLOORING	65	775
CYPRESS WOOD & LUMBER	64	774
FIRSTENERGY CORP.	19	761
HOME DEPOT	7	753
INTEGRITY BY MARVIN	9	754
LP ENGINEERED WOOD PRODUCTS	15	760
MARVIN WINDOWS & DOORS	29	765
MERCEDES-BENZ OF NORTH AMERICA INC.	3	751
MITEK	43	769
NICHIHA USA	57	773
ODL INC.	47, 64	770, 755
OWENS CORNING	27, 41	764, 768
PPG INDUSTRIES INC.	35	767
PANASONIC CORPORATION	12	758
PROTECTIVE PRODUCTS	65	776
RINNAI AMERICA CORP.	33	766
SALSBURY INDUSTRIES	65	777
SHERWIN WILLIAMS	49	771
SIMPSON STRONG-TIE CO. INC.	21	762
SOFTPLAN	65	778
WALPOLE OUTDOORS	13	759
WESTERN WINDOWS	C4	780
WILSONART INTERNATIONAL INC.	C3	779

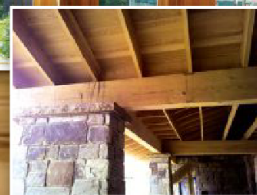
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"Millennials view homeownership much differently than older generations."



Brett Fortune
Principal and CEO
Fortune-Johnson Inc.
Norcross, Ga.

Fortune-Johnson has completed almost 16,000 units of apartments, condos, mixed-use buildings, student housing, assisted-living centers, and other high-density developments since the general contracting and construction management company opened its doors in 1991. The Norcross, Ga.-based firm has managed projects in the Atlanta, Washington, D.C., Nashville, Tenn., Raleigh and Charlotte, N.C., markets with its biggest being Westchester at the Pavilions, a \$66-million development in Waldorf, Md. Brett Fortune, a LEED-accredited professional, is the principal and CEO of the company, which generated about \$192 million in revenue last year, up about 10 percent from the previous year. He shares some of his insights about the drivers for the multifamily market.

Q Fortune-Johnson has been in the vanguard of green/sustainable construction. Any new processes, systems, or technologies that you have incorporated, or plan to, in your projects?

A All of our clients are incorporating sustainable practices into their developments. Several have embraced the National Association of Home Builders Green Program using the National Green Building Standard to achieve certification. Indoor environmental quality and energy efficiency remain the two areas of focus. The requirement for energy-efficient performance is about 15 percent higher than just a few years ago.

Q You currently build from Alabama to Pennsylvania. Where do you see the most opportunity going forward?

A While the Mid-Atlantic region is our most consistent area of opportunity, the Carolinas seem hot for us right now.

The high-density, mixed-use developments in urban settings present our greatest opportunities as far as product goes.

Q Which markets (geographic or product/service categories) or institutions (universities/medical for example) are driving your contracting business?

A Students desiring housing with an abundance of amenities are driving our student housing market segment, while job creation for young professionals drives the apartment market.

Q Do you have any plans for expansion into any other areas?

A Building mixed-use developments, apartments, student housing, and retirement communities will continue to be our focus, with the possibility of expansion into new markets based on our clients' needs.

Q Although Millennials are driving the current rental market, what do you see happening to multifamily when the younger members of this demographic come into their home buying days a few years from now during a recovered economy and with more buying power?

A The Millennials view homeownership much differently than older generations. It is not nearly so attractive to them. I believe they value location, close to where they work and play, above ownership. They also want the flexibility to relocate for better career opportunities.

Q Are you seeing the labor shortage problems that single-family builders are wrestling with? How do you deal with that issue or what have you done to avoid it?

A The labor shortage is our No. 1 concern for the next few years. Almost every multifamily project out there has been or is being affected by the workforce shortage. We strive to make our jobsites the most desirable places to come to work. We accomplish this by making sure we are ready when the subcontractor arrives, paying promptly, and being respectful of workers. **PB**



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