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Colorado **Builder** FORUM

Journal of the Colorado Association of Home Builders

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2010'S BIG IDEAS IN HOME BUILDING

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**'10 Legislative
Agenda**

Election-year agenda puts
economy, builders at risk

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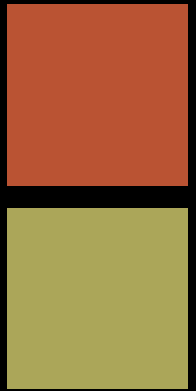
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The pendulum has swung, in a corrective fashion, for the housing industry and in the pricing of homes . . . from land costs to the door knobs. A hot market perpetuates creep in square footage, sales prices, land and material costs, profits, fees and added amenities. Value engineering becomes a lost art.

Now it's time to refocus on cost control efforts. No matter your price range, the seven **S**' of cost control apply:

Standardization – use a standard “kit of parts” approach to your designs, from window sizing to framing fasteners.

Stackability – align bearing walls, delete “carry beams”, maximize square footage and decrease volumes.

Specifications – do not short change your “touch, see, and feel” perceived value finishes, but establish a budget and stick to it.

Sustainability – new home buyers want energy management and sustainability considerations.

Simplification – this applies to detailing (does a one piece ceiling crown do just as well as a three piece?) and it applies to construction phasing and scheduling. Combine three window openings into one, it will frame more quickly and with fewer pieces.

Systems – designs should centralize mechanical runs and unit locations. Consider lighting as a sales tool and brighten your interiors but do so in a considered fashion.

Structure – maximize your floor spans, remain on two foot framing modules and consider alternative methods such as panelization.

A word of caution, while today's buyers are a cost conscientious group, and will remain so for years to come, they do not want to **S**acrifice good design.

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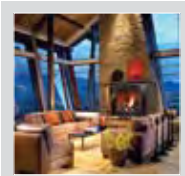
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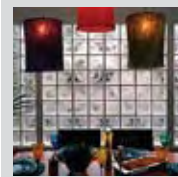
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PHOTO BY PAUL KOHLMAN

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▲ Big ideas in building for 2010

Tough times means embracing new ways of doing business

ON THE COVER: While many remodelers are seeing smaller-sized projects, this basement remodel by Lain Chappell, CGR, CGB, owner of Solid Rock Construction in Colorado Springs is the biggest remodel the company has done to date. After reviewing the owners' five-year collection of magazine clippings, Chappell created a basement that exceeded their expectations. // COVER PHOTO BY PAUL KOHLMAN



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Election-year agenda could cripple the industry — and threaten Colorado's recovery



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Thanks to everyone who participated in October's conference



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WE CAN CHANGE JUST ABOUT ANYTHING

LISTENING TO THE RADIO IN THE OFFICE, (no, as a matter of fact, I didn't have much work to do) I heard that the Dow Jones Industrial Average went up over 100 points that day. This was apparently due in large part to a report that said spending on construction in the most recent month-over-month period had been flat.

While this news seemed counterintuitive to a more than 100-point rise in the market, when compared to month-over-month declines for the previous five months, it actually is a bit of good news. Later, an economist on the same station said that the recession did, in fact, end in the third quarter last year and the economy and job market will continue to improve this year. Shortly after that, another economic pundit said that the increase in GDP during the second and third quarters was due to artificial demand pulled forward by the government's stimulus programs, and once these programs end, the economy will worsen.

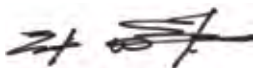
At that point, I quit listening, went to work and decided that regardless of which economic scenario you believe, the prudent course of action is to remain cautiously optimistic, yet prepared for another generally difficult and uncertain year for the housing industry.

On top of the economic challenges we'll continue to face this year, there most certainly will be many regulations and legislation brought forward, which potentially will have far-reaching effects on everyone involved in building homes. At CAHB, we're fortunate to have an extremely gifted and dedicated staff working on our behalf. With their hard work, thoughtful guidance from our Board and our alliance with a respected and persuasive lobbying team, CAHB will remain an effective advocate for us all this year. Because these bills and regulations threaten our economic recovery and ability to go forward as an industry, it is more important than ever that we work hard to ensure the economic sustainability of this organization.

To that end, the budget committee and staff have been plugging away the past couple years to reduce costs and overhead wherever possible. This year, our focus will be on increasing revenues to the organization. Recognizing that our members are the lifeblood of CAHB, we will work hard at keeping our existing members, along with recruiting new ones. One way we'll do this is by providing comprehensive, cost-effective insurance programs (for example, through our renewed alliance with Pinnacle Assurance) that will benefit our members and provide income to our local chapters and CAHB.

Additionally, we're committed to communicating better with our members and making you aware of all the benefits of belonging to the HBA federation. As part of this objective, I've made a personal commitment to visit each of our local chapters this year to share information and hear first hand any concerns or recommendations you may have for us. I invite you to call me and let me know if there's a meeting or special event I could attend.

Just as it's a monumental task for one person to build a home, individually we cannot hope to effect change at a broad level. Collectively however, we can change just about anything. ■■



Emil Wanatka
CAHB President



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CAHB President

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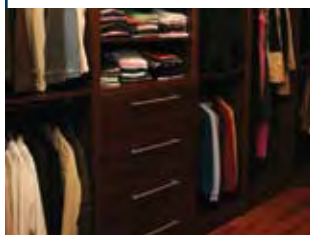
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INDUSTRY WINS BIG IN 12-YEAR BATTLE

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scientific and commercial information, the U.S. Fish and Wildlife Service (USFWS) announced on December 2, 2009, that the black-tailed prairie dog did not warrant protection as a threatened or endangered species under the Endangered Species Act.

This is fantastic news for those of us in the development community. Despite being targeted by environmental extremists whose goal is to further curb development along the front range of Colorado, we prevailed.

In July 1998, the National Wildlife Federation and the Predator Conservation Alliance, along with the Biodiversity Legal Foundation, submitted two separate petitions to the USFWS for the listing of the black-tailed prairie dog as a threatened species. In March 1999, the USFWS responded with a finding that the petition merited a more complete review. When the review was completed, the USFWS announced in February 2000 the listing was justified, but it was not a high priority and the species would be designated as a candidate for future listing.

Conservation plan created to disprove extremists' claims


In response to the petitions, the 11 states located within the range of the black-tailed prairie dog began a multi state conservation effort by forming the Interstate Black-tailed Prairie Dog Conservation Team. In Colorado, I was recruited to serve on the working group. From July 2002 through October 2003, we worked on a Grasslands Species Conservation Plan, which was designed to disprove the environmental groups' claims that the species was in peril, and prevent a federal listing of the rodent (or to use the historical term, varmint).

Through the group's efforts, which included representatives of the Colorado Division of Wildlife and the USFWS, we identified 631,102 total occupied acres of black-tailed prairie dogs in Colorado (with 95 percent confidence), despite the National Wildlife Federation's claims to the contrary of only 44,000 occupied acres.

More environmentalists' claims pushed for decision

In August 2007, WildEarth Guardians, yet another environmental group — with apparently little to do other than make life miserable for contributing members of society, and lacking any semblance of common sense — filed another petition to list the black-tailed prairie dog. The following year, the group filed a formal complaint against the USFWS for failure to complete a finding on the 2007 petition.

In a July 2008 stipulated settlement, the USFWS agreed to submit a finding by November 30, 2008 and a status review finding by November 30, 2009. Much to our delight, the USFWS did the right thing and determined that due to the best available science, the species did not warrant further protection.

This is a significant victory for our industry, an industry that supplies thousands of jobs to Coloradans and in good economic times is responsible for nearly 20 percent of the State's Gross Domestic Product. This achievement will give us optimistic momentum as we persevere in another decade-long Endangered Species Act fight involving the Preble's meadow jumping mouse. 

Rob Nanfelt
CAHB Executive Vice President



Rob Nanfelt
CAHB Executive
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Some issues could destroy construction industry — and Colorado's economy — as legislators pursue election-year agenda »

BUILDERS DIG IN TO PROTECT POSITION DURING THE 2010 LEGISLATIVE SESSION

BY KIM JACKSON

As the legislative session gains traction during this key election year, home builders are holding their ground against the dozen or so measures expected to be brought before the Colorado State Legislature. At their best, these measures can threaten the recovery of the industry in the state. At their worst, they can cripple the industry and force even more builders to close their doors.

Historically, construction has contributed about 20 percent to the state's domestic gross product. Aggressive legislation against the industry — specifically, home builders — means even more job losses and a slower economic recovery statewide. And that hurts. Between 2007 and 2008, roughly 40,000 jobs were lost in the construction industry. Home building permits plummeted from 20,000 in 2007 to 11,000 in 2008. Last year in the Denver metro area alone, about 3,000 permits were pulled.

In addition to defending against construction defects legislation, Rob Nanfelt, CAHB executive vice president, said he anticipates measures that focus on restraining growth. These bills "are ironic, because there really is not a lot of growth going on right now," he said. "If our industry is down, and legislators want to kick it while it's down by passing bills that are going to restrain future growth, all it's really going to do is result in diminished jobs, further harm to the economy and a longer time to recover."

He added that through the efforts of CAHB's staff and lobbyists, the Government Affairs Committee, and active member participation, the plan is to implement the strategy that worked last year: Defeat the measures in committee.

Chris Elliott, Government Affairs Committee chair, said, "Although we see some signs of positive things happening [in the home building industry], there's no way it's rebounded at

this point. That's why it's important for each CAHB member to remain diligent in defending our position at the legislature this session."

CAHB BRINGS BILLS TO '10 SESSION Proactive measures will strengthen builders

CAHB CONSIDERS FIX TO CONFUSION OVER CONSTRUCTION DEFECTS INSURANCE COVERAGE ISSUE

Builders were surprised last year when in two separate cases — one at the Colorado appellate level, and the other at the federal district level — the courts ruled that a construction defect is not an occurrence in an insurance claim.

In the case involving the General Security Indemnity Company of Arizona, the Colorado Court of Appeals last February held that a general liability policy does not cover claims of defective workmanship. This decision contradicts the decision by a 2005 panel from the same court made, which held that general liability policies DO cover construction defects claims.

While that decision appeared to be an anomaly, last summer, a federal district court took the General Security decision a step farther and said that something other than the house itself was needed to trigger the construction defects claim under a general liability policy. Poor workmanship by itself would not be considered an occurrence, yet if that workmanship damaged the home owner's personal property inside the home, it would.

The trickle down effect from these decisions has been that a number of general liability insurance companies that sell to builders are now denying claims. Their denials have rendered builders' construction defects coverage in their general liability policies worthless.

Dennis Polk, partner with Holley, Albertson & Polk, PC, explained that these two court decisions have created confusion about both insurance coverage and insurance coverage litigation concerning construction defects in Colorado. “Some people read the General Security decision as standing for the proposition that general liability insurance policies do not cover construction defects,” he said. “I think that is an incorrect reading of that decision, but there are people who are arguing that in courts all over [the state].”

In response to these decisions, CAHB is considering various options to correct the position the courts took on insurance coverage and demonstrating that construction defects DO count as occurrences. If construction defects do NOT count as an occurrence, the insurance builders have been counting on for protection, Nanfelt said, “then we’re going to have a lot of builders incurring personal liability if problems occur.”

Polk added, “I believe it is incumbent on the legislature to look at those two judicial decisions and provide relief to not only builders and developers, but general contractors, subcontractors, anyone who is implicated in a construction defect lawsuit.”

CAHB INTRODUCES LENDER PROTOCOL BILL

CAHB will bring forward a measure that addresses lender protocol in property foreclosures. In the past, lenders have acted as expected: If the value on the property is less than the amount of debt and the borrower guaranteed it, the lender has first looked to the property, then to the borrower to make up that deficiency. Now, though, lenders often first look to the guarantor, then the property.

Elliot explained that similarly, many lenders — perhaps in the interest of no longer carrying real estate debt on their books — have been choosing to not renew loans when they mature, even though builders are making principal and interest payments on what’s considered a performing loan. “That then starts this cycle of looking to the guarantor first, and if they can’t get satisfaction there, the lenders will consider taking the property,” Elliott said. “What we’ve proposed to do is require that in the event of a foreclosure, default or other remedies sought by a lender, they must first look to the property.”

PILOT PROGRAM TO BE INTRODUCED THROUGH GEO

CAHB is also proposing a pilot program through the Governor’s Energy Office (GEO) that will help existing home owners sell their homes so they can buy newly constructed homes. According to Jeani Frickey, CAHB lobbyist, if a home owner wants to buy a builder’s home that exceeds the energy code, the owner then qualifies for cash to update his or her current home, and therefore make it more marketable. Updates can include installing new windows, replacing the furnace or insulating the home to make it more energy efficient.

Legislation isn’t the CAHB’s first choice. After repeatedly approaching the GEO and staff within the governor’s office, the Government Affairs Committee began working on legislative action in August 2008, before the federal stimulus plan was announced. When the stimulus package filtered through to



Colorado, the Governor’s office received tens of millions of dollars, of which \$5.8 million was earmarked for new home construction projects.

The pilot program CAHB introduces this session addresses how some of those funds can be allocated. “It’s accountable,” Elliott said. “It creates jobs. It stimulates the economy. If we could have done this working with the GEO and the administration, that would have been our first choice. We weren’t able to make any progress there, so we’re trying the legislative route and seeing what could come out that way.”

As a builder, Steve Ormiston sees legislation as a win-win for builders and buyers. The vice president of Planning for Shea Homes said, “Once it’s instituted, we can educate green builders on how to educate their buyers about availability of these funds. We’re trying to eliminate another potential obstacle to new home purchasers — by offering funding opportunities to improve existing homes in a way that makes them more desirable — so they sell faster.”

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CAHB DEFENSE: WARD OFF BILLS THAT CAN HURT BUILDERS

Priority: Stop antigrowth measures, which could cripple an already injured industry

CAHB expects to see a rerun of antigrowth measures the legislature wanted to enact in 2000-2001, which clustered around replacing local planning and control with state planning and control of master plans and transportation corridor growth boundaries. Defensively, CAHB Lobbyist Steve Durham said, “those issues will be very important for the long-term health of the industry.”

And while the association has been able to work through the assaults on climate change issues, Government Affairs Committee Chair Chris Elliott said that if the governor or a legislator “should choose to crank that up to a higher level, then it could be a real problem.”

WATER/LAND USE BILL COULD KILL EVEN MORE JOBS

CAHB expects to see a measure that ties water and land use together in a way that builders haven’t seen before. According to Frickey, if this legislation is passed, the typical calculation used for determining a development’s water use will become the quota the development can use. “They like

to call it responsible water planning,” she explained. “Who can oppose water conservation?”

Yet, she added, “nine times out of ten, these bills are about stopping growth. And in this economy, when you stop growth, you kill jobs. We’ve worked really hard to get that number down by using low-flow showers and water-use fixtures, which are also required by code. So if there is any attempt to limit or put a cap on that figure, it could be incredibly troublesome. We need to scrutinize any type of mandate above code — and specifically on water conservation bills. Because on water conservation, we’ve been there, done that, got the T-shirt.”

While builders for decades have helped secure water rights and pay tap fees to build the infrastructure that supports a development, ultimately, it’s the responsibility of the jurisdiction to provide that water. Two years ago, working closely with Rep. Kathleen Curry, HB 1141 was passed that ensured a development of 50 residential units or more addressed all water issues before it was even approved.

So, Frickey said, “we really think all the appropriate measures are in place; anything beyond what we have is really not talking about sound water development as much as antigrowth efforts. Unfortunately, those are job killers. The housing sector is a significant part of our economy

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and the downturn in the housing industry has really increased unemployment. Anything we can do to jump-start building is going to get those jobs back.”

URBAN GROWTH BOUNDARY MEASURE DEVALUES PROPERTY

An urban growth boundary measure could make its way through the legislature once again. If passed, this measure allows elected officials to draw an arbitrary line on a map. Everything inside the boundary can be developed; everything outside it can't — and renders the land outside that line worthless.

IMPACT FEE BILL THWARTS AFFORDABLE HOUSING OPPORTUNITIES

A bill that was defeated last year and is expected to return is one where the Colorado Department of Transportation has the authority to impose impact fees. “Any time the legislature looks at additional impact fees, we get nervous,” Nanfelt said, “because there are some places where the impact fees are in the neighborhood of \$30,000 - \$40,000 and you're trying to build and sell a house for \$200,000. If that's the cost of the impact fee, you can imagine how tough it is to develop and build affordable housing.”

He expects that while the chances are good that these bills will be introduced, the chances are equally good that the measures will be defeated. “Business interests all over the state realize that those kinds of measures are really bad for the economy — and bad for Colorado. We have a broad coalition that works with us on defeating bills like these. We need to marshal our forces and find a way to defeat them.”

Nanfelt added that if the industry can't build and move forward — and as such, provide jobs, help the general public and boost the state's economy — “we're going to continue to have members go out of business. If we are ever able to grow in the future, nobody is going to be around to offer those jobs,” he said. “That's a problem.”

Last year, Elliott testified on a number of antigrowth bills. He began each testimony with the number of jobs lost, permits pulled and how that revenue translated to the state, “I'd get nods from legislators who said, ‘We're not opposed to beating you up when times are good, but your industry is on its ass and we'll be a little more concerned and not beat you up this time around.’ I think we'll have to use that effort again.” ■■

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GET INVOLVED: YOUR BUSINESS DEPENDS ON IT

THROUGHOUT THE YEAR, REGARDLESS OF whether the legislature is in session, talk with your legislators about what's going on with your business and how past and potential legislation can affect it. As new legislators serve their constituents, they're not always aware of what's taken place before them in the legislature.

That's why it's so important for you to stay in touch with your legislators all year long.

Steve Durham, CAHB lobbyist and former legislator himself, noted that if you haven't talked with your legislator since last May, "make an appointment and together, go through the issues that are important to you."

Chris Elliot agreed. He suggested that when meeting with your legislator, "provide some specific examples of a circumstance you've

had to deal with. That is probably the biggest help this year. Share with your legislator or a committee your own war stories. What have you been through that's in keeping with the issues at hand? Do you have an egregious story that you can provide testimony for in committees? That type of thing is most helpful."

If you want to get involved, CAHB can give you the road map and show you how to start — and keep — the conversation going with your legislators. "Remember that they work for you," observed Rob Nanfelt. "They work for all of us. We need everyone's help to beat back the really bad bills and hopefully, get the good ones passed. Members getting involved supplements our combined efforts at the capitol."

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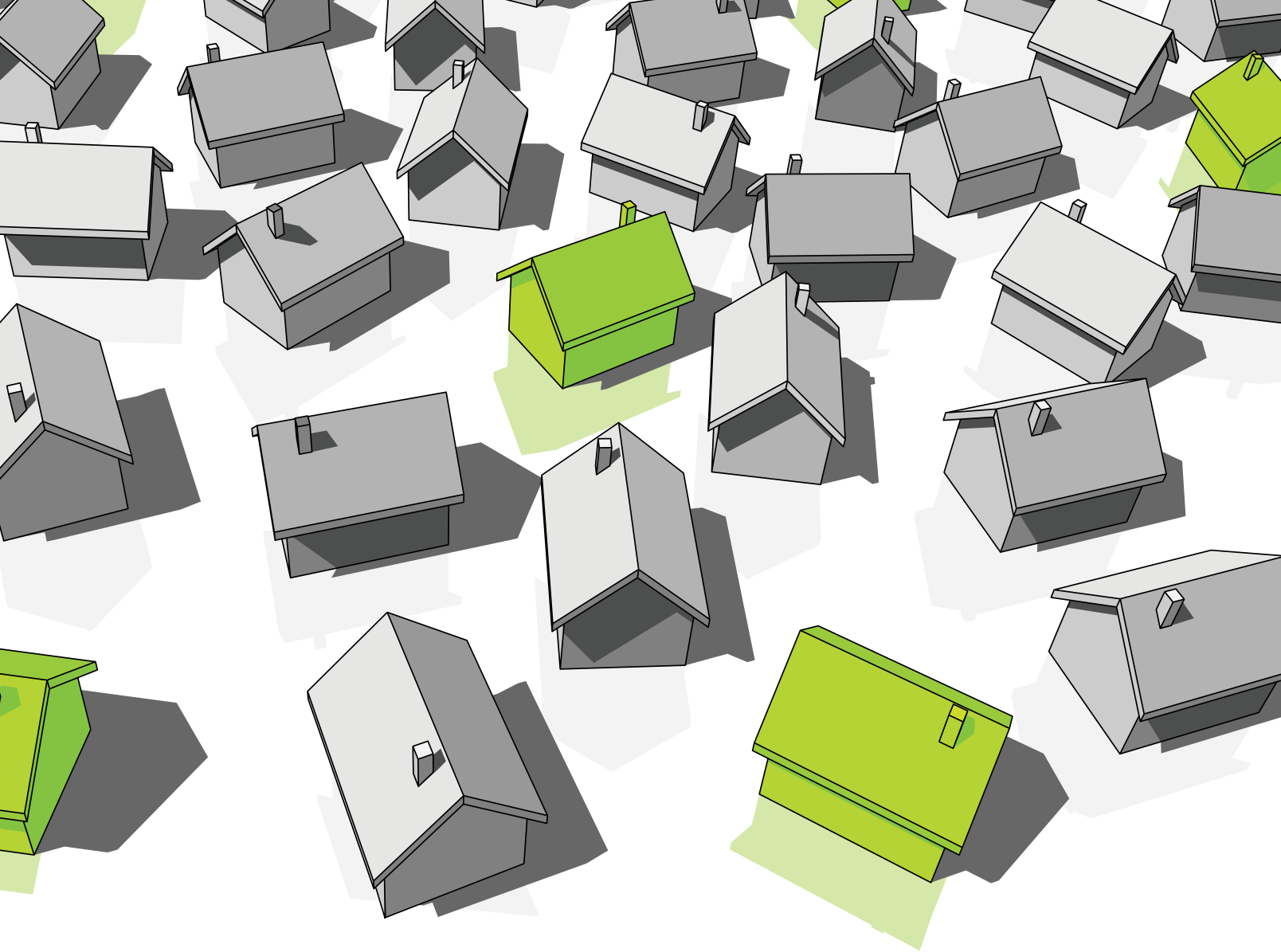
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[BIG IDEAS 2010]

How homes are built is changing. Are you?

by Kim Jackson

There's no such thing as business as usual these days. What was the norm in the home building industry a few years ago doesn't even exist now. Tough times means tossing what doesn't work, fine tuning what does and embracing new ways of doing business. Oh yeah, the industry WILL return. And when it does, it'll be very different from the home building landscape of the past: leaner, smarter and technologically savvy. What follows are strategies smart builders are using to transform their businesses now, while maintaining — even boosting — their bottom lines. »

OUTSOURCING IS THE NEW “BUSINESS AS USUAL” Builders gain profitability and added protection

It's the way business has been done in Hollywood for decades. Japan's philosophy of doing it transformed the auto industry 20 years ago. And while smart builders have been outsourcing most of the trades on their homes for years, profitable builders have discovered that when a few more key functions are outsourced, they save big money on overhead. That tactic puts them in the black on each project.

The top five expenses a builder has are staff, salaries, insurance, purchasing and marketing. When a builder uses third-party warranty and purchasing services, four of those biggest expenses are trimmed: staff, salaries, insurance and purchasing.

HOME WARRANTY SAVES MONEY AND TIME, WHILE PROTECTING AGAINST LIABILITY

For years, many Colorado builders have taken advantage of outsourcing their one-year home warranties. Third-party warranty companies give them a full in-house warranty department, without the overhead of one.

Bill Armstrong is president and owner of ProHome Colorado in Evergreen and Grand Junction. For 26 years, ProHome has taken the reins from builders as they've introduced thousands of buyers to their homes — and maintenance items — during the preclosing walk throughs. ProHome also handles the 30-day and 11-month walk throughs at owners' requests. Because they're no longer having to do it themselves, builders are saving an average of 30 to 60 percent of the home warranty cost.

More than the hard dollar savings is the liability protection builders gain by outsourcing their warranties. ProHome documents every interaction with the home owner, from the first telephone call to final resolution. Armstrong explained that if a builder is sued four or five years down the road, “that third-party documentation in court can be more valuable than a builder's in-house documentation. Our documentation is very concise and organized and I've been an expert witness in a couple of cases for our builders. In fact, I just got a call from an insurance company on a claim and because of our documentation, the insurance company is going to pay the \$16,000 claim they tried to hang on our builder — who built one unit. That's pretty huge.”

As the third-party warranty provider, Armstrong said that he can do and say things on the preclosing walk through a builder simply can't. “We can remove some of that buyer's remorse and help the home owners feel great about the builder and house they've selected to buy.” What's more, as the go-between, home owners more readily accept ProHome's decision on an item than they would when directly talking with the builder. “They often say, ‘Well, I thought I'd try,’” Armstrong said.

He observed that the model consumers are used to when buying a big-ticket item will be more readily adopted

by builders as they transform and streamline their businesses. “Consumers are used to dealing with third parties, until they buy a home,” Armstrong said. “It's such a simple concept. A third-party home warranty puts one more familiar thing in place for consumers. Some builders get it. If a builder can move overhead and not affect his profit center by outsourcing, his quality control and profitability goes up.”

TEN-YEAR STRUCTURAL WARRANTY OFFERS ANOTHER LAYER OF PROTECTION

While a one-year workmanship warranty is a big help to builders from the outset, it's important to have a plan in place if there are any structural concerns. Add to that the low level of confidence consumers have about whether a builder will be in business ten years from now to perform on the warranty, if needed, and it can be a tough sell to move new homes.

Because the builder has traditionally been the only one home buyers can go to if there's a structural problem, many times, the issue ends up in court. Plaintiffs' attorneys can bog down builders with paper work, then point out other problems, making a mountain out of a mole hill. As the mole hill grows, so does the cost to defend themselves.

That alone could be the best reason why some builders have outsourced their ten-year structural warranties. StrucSure Home Warranty offers builders protection on any infraction of the load-bearing portions of the home. Stephanie Beninati, vice president of the Rocky Mountain Region, explained that after receiving a call from a home owner, StrucSure sends a structural engineer out to review the situation. If it's found there is a problem, the company solicits bids, selects a vendor and cuts a check for the problem. “When a builder doesn't have a third-party structural warranty and says there isn't a problem,” she said, “attorneys usually become involved. And the cost of defending yourself now is ridiculous.”

For every \$1,000 in the sale of a house, StrucSure's policy averages \$4; for example, a \$100,000 home structural warranty is \$400. Beninati has found that when builders do include a structural home warranty with the sale of the house — and StrucSure has trained builders' sales people to market it — that warranty and extra layer of protection gives the builder a sales edge, rather than a defensive one.

And because each home is inspected and deemed excellent before becoming covered, the warranty helps smooth and speed the FHA and VA approval process. “All a builder has to do is put our ten-year warranty on their home. We're getting homes closed, and closed fast,” Beninati said.

With a couple hundred projects on the books, Structure's structural warranty program reflects that builders are increasingly streamlining their businesses and aligning themselves with companies that can help protect them, while offering a value-added warranty to their home buyers. "People are going to start doing business differently," Beninati said. "Warranty is another tool that builders can use to make buyers feel more comfortable with them."

PURCHASING DROPS OVERHEAD COSTS, BOOSTS PROFITABILITY

Managing the purchasing function is a big overhead expense for any builder: Getting and comparing bids from trades, selecting one from each category to do the job, matching purchase orders to invoices, issuing partial payments, then ensuring the work is done as expected and on time. Because of the time it takes to manage, purchasing can add up to big bucks for a builder.

Armed with a background in purchasing and a degree in computer information systems, Mark Henderson launched Builder Purchasing Services last March to manage a builder's purchasing administration.

BPS reviews a builder's scope of work, drawings and specifications, so when they go out to bid the project to subcontractors, builders can make exact comparisons with their trades and suppliers. After ensuring the builder's documentation is correct, BPS loads all the information into a database, including cost codes, and launches a bid portal for the builder.

When the project is ready for bid, suppliers review the drawings (eliminating mass-produced drawings), and fill out a bid form on line. Each supplier's bid includes the backup used to submit the bid, so complete information is always available to the builder. Once suppliers' bids are submitted, BPS puts together a comparison report, with the lowest bidder highlighted in yellow for each category. The builder then negotiates and selects his suppliers.

"To cut back and survive," Henderson observed, "a lot of builders have let their purchasing people go. They realize it's a greater value to them to outsource it; we lower their internal overhead because they no longer need administrative people." He estimates that BPS' builder clients have saved 50 to 65 percent on their purchasing administration overhead.

As each trade completes its portion of the project, invoices are automatically generated and paid. Each purchase order directly correlates to a specific activity and matches the budget. Partial payments are eliminated, which frees up time and reduces paper work. "It's how we track job cost," said Mike McMahon, vice president. BPS sends a builder a report every two weeks that shows what's remaining on the job. He added, "We have the capability to actually release checks to the builder for his distribution."

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There's more. Because so many builders rely on equity partners today, and lenders count on builders to stay within budget, McMahon said, "knowing where they are every step of the way is huge. By outsourcing, their costs are fixed; we eliminate variables along those lines. They know going into each unit what it's going to cost."

Looking ahead, McMahon noted that he's been talking with several people, where with just two or three people, they're starting a building company. "They're going to outsource everything," he noted, "because they know they will get the best they can get and they don't want the overhead. This is the time to reinvent yourself as a builder. Outsourcing everything but what you do best is a way to alleviate the total management of in-house staff. You can use them only when you need them."

SALES AND MARKETING RESCUES PROJECTS ON THE BRINK AND GIVES ROI TO INVESTORS

As the landscape continues to change, some projects are abandoned midstream, due to investor nervousness, buyers' inability to get funding or any number of reasons. Metropolitan Residential Advisors was formed to address that very situation and its objective is to maximize return to any investor in a project.

With more than 20 years at Village Homes — her role when she left was president and chief operating officer — Cheryl Schuette is now operating principal for the firm she launched last April. Schuette partnered with Peter Kudla, owner of Metropolitan Homes, to leverage his platform of development, finance, accounting, purchasing, sales and marketing services.

This unique platform lets the firm leverage nearly all the services a developer, investor, land holder or bank might need, including construction services, purchasing, marketing and sales. "A lot of property is changing hands mid stream," she said. "We can come in with a fresh perspective and consult with a group of investors, then price, position and handle the marketing and sales for their property."

MRA has been working with a group of investors who own a high-rise project in downtown Denver. Before working on the project, Schuette said, "They had 109 homes in inventory. When they finished delivering the building late October 2008 through last February, they lost quite a bit of their backlog because their buyers couldn't finance. We helped them to price and position for the market, brought in an on-site sales staff and helped open a new sales center and models to demonstrate the right price point products." The result? Sales have tripled each month.



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▲ Metropolitan Residential Advisors brought its deep experience in pricing and marketing to investors in The One Lincoln Park project last spring — and has tripled sales each month.

They also have finished construction on three custom homes that were in bank receivership. “We finished construction on the homes for them,” she noted, “and we’ll get them sold.”

With companies forced to scale back in rather dramatic ways, Schuette noted that many good, talented people are in the

market today. She’s amassed a team that has a great deal of experience in community and new product marketing. That’s a huge boost when marketing on site for clients. “We offer a different level of service, training, knowledge and experience of managing an on-site sales opportunity. That’s a difference in services on that side of the equation,” she said.

Schuette sees more transition ahead. During a robust market, she observed, builders can carry a big overhead. Yet “having personally experienced the challenge of building an incredibly talented team and then cutting back is painful,” she said. “People are going to be reluctant to rebuild a big staff unless there’s a longer-term commitment.”

During transitional times, she added, her top objective is to maximize a return for a vested party. “Everybody is looking at all these properties and trying to get their arms around what is the best approach to take, the best timing. They’re figuring

out how to analyze and create the right sort of opportunities for the consumer that will get things moving faster or improve the return a bit. We offer a good alternative by assisting in quality service and the reliable results needed, without having to build a large staff.” ■■



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Social media gains traction as builders adapt to buyers' changing behavior

by Kim Jackson

“It's easier to change what you do than people think it is. If you don't change, your field changes around you.” — Walter Gilbert

As the home building industry continues to change how it builds homes, the sales and marketing landscape is adjusting so a builder can more readily meet buyers on their own turf. Like it or not — and whether they're Gen X and Y or Baby Boomers — today's buyers first check out new homes in a turf-less world: On line.

Tom Stephani is chair of the National Association of Home Builder's Sales & Marketing Council. Going forward, the Chicago-based developer and builder expects more builders

will market their homes through the Internet because “our customers are doing much, if not all, their preliminary research on line right now,” he said. “From the sales and marketing standpoint, you're going to see builders get the most out of their businesses through search engine optimization and social networking, offering more on-line seminars and webinars — anything to keep this digital customer engaged.”

FIRST CONTACT WITH SALES PERSON IS ON LINE

While sales will continue to be closed in person, buyers are likely to already have contacted a sales team on line before actually visiting the office. Sales functions are transforming from the random visits of yesterday to the more personalized sales of tomorrow.

“Builders have to get out there and really dig in,” Stephani said, “especially those of us who are a bit older. We’re going to have to learn the digital world and be out there like the younger generation. We need to deal with the people in the way they want to be dealt with.”

SALES & MARKETING COUNCILS KEEP BUILDERS UP TO DATE

That’s where the Sales & Marketing Council comes in, both nationally and through local chapters throughout Colorado. Chair of the Denver Metro HBA’s Sales & Marketing Council Kim Griebbling observed that the education and networking offered through the SMC has helped builder members move in the same direction as their customers. And the SMC is making it easy for builders to take advantage of what they have to offer. “Marketing budgets have gone down and there’s a lot of social networking going on,” she said. For example, “we’re doing a lot of webinars, so builders can watch them while in their offices.”

There’s also value in networking and learning in person. In December, the Denver HBA’s SMC presented the Denver Revival Rally, which focused on builder education and in particular — on-site sales. Free to HBA members, the Rally served as a membership drive to promote the value of joining the SMC. One of the biggest benefits SMC members gain is “a place to call their own,” Griebbling said.

SHARP FOCUS ON MEMBERS’ NEEDS POSITIONS BUILDERS FOR FUTURE

Brent McPherson agrees. The 2009 chair of the Housing & Building Association of Colorado Springs’ SMC said that they’ve been focused on what builders and developers want — and need — during this downturn, so when the market turns around, builders are well positioned. And during a time when many SMCs throughout the country are losing members, that sharp focus resulted in an increase in membership last year, which now numbers around 75.

Because builders wanted to be in front of realtors, the SMC produced events that attracted builders and real estate professionals. When builders wanted to network with other members, the SMC created events for that. “Every event we had was packed,” McPherson said. “It took a lot of planning, promoting, team work from individuals, but we all hung in there and produced the events people wanted.”

BUILDERS MEET BUYERS ON COMMON GROUND THROUGH EDUCATION

Naturally, education is critical to the success of a changing business. The biggest educational emphasis last year was on social marketing. “Viral and social networking, search engine optimization, search engine marketing, web development arenas, that’s what builders and developers want to know about,” McPherson said.

Last year, the SMC created two well attended events on social media. “One was attended by 100 people,” he said, “and the other was just over 100. Our members are very pumped up; they’re excited. Our events keep folks in the positive and staying upbeat is very important these days.”

McPherson observed that builders in the Colorado Springs HBA are holding their own, and those who are succeeding are adjusting to the market as it changes. For example, he said that last year, those builders who adjusted their product lines to for the lower end of the housing market did well. “Those builders who went after the specific niche of the high \$100s and lower \$200s in Colorado were successful,” he said. “Other builders who stuck with their core competencies and stayed true to themselves also did well.”

Looking ahead, McPherson said, “Price will continue to be king. Low prices drive sales. On the flip side, when people are buying new, they’re looking at better quality. Yet they still want lower prices.”

ON-LINE MARKETING, VIRTUAL SALES OFFICES WILL GAIN GROUND

On the marketing side, grassroots efforts will rule. “A lot of builders are focusing on the Internet; that’s a smart move,” McPherson said. “I don’t think traditional media is gone. Builders are not using it as they have in the past. As the market gets better, I don’t think you’ll see those builders get back into the traditional market. They’re seeing viral marketing is taking hold and reaching their target audiences.”

As buyers research properties on line, McPherson expects the virtual sales office to “grow with more steam as we move forward into this recovery.” Even so, he feels that traditional signage, including weekend and directional signs, “are very powerful. I don’t perceive that going away.”

SMC’S RESOURCES HELP BUILDERS PREPARE FOR FUTURE

Beyond the many networking opportunities throughout the year, McPherson said that the SMC gives its members access to the NAHB’s SMC web site, along with access to the national database and a subscription to the NAHB magazine, Sales & Marketing Ideas. “More than anything,” he said, “what the SMC does for members is it gives them opportunities to network and build relationships.”

National SMC Chair Stephani noted that not all HBA chapters have a Sales and Marketing Council. If you don’t have a chapter with your HBA, he suggests joining the national SMC as an at-large member. SMC members can also join the SMC LinkedIn and Facebook groups for deeper strategies and networking opportunities.

“As we move forward,” Stephani said, “we need to learn the new stuff, while still keeping the old stuff to stay alive. Education never stops.” ■■■



This remodel for a professional couple was the biggest-budget basement remodel Lain Chappell, CGR, CGB, owner of Solid Rock Construction has done to date. As the couple saved their money, they collected photos of what they wanted, which, Chappell said, made it much easier for him to understand what they wanted. From the bar that matches the cutout of the bay window on the floor above, to the audio and video technology hidden in walls and cabinets, to the remote-controlled window shades, this remodel was featured in a national electronics magazine, as well as on an episode of HGTV. Chappell said, "The homeowners were excellent to work with and very open to our ideas."

Look for new business opportunities in different places

by Kim Jackson

Flexibility, education, marketing are keys to thriving

While remodeling buoyed the industry over the 14 months before 2009 began, it showed its own signs of cracking last year. With pressure from non-professionals and homeowners' fears of economic doom, many of the projects remodelers completed last year were considerably scaled down from the year before.

Even so, some niches seem impervious to the economy, such as insurance repairs. That work has kept the northern Colorado contractor, Kessler Construction, in

business. "Because we do a lot of insurance repairs, that helps us keep afloat," said Mark Kessler, president of the company and chair of the Home Builders Association of Northern Colorado's Remodeling Council. "It's not economically driven."

FLEXIBILITY GROWS BUSINESS

He observed that those remodelers who are surviving the downturn are professionals. "They're the ones who have the reputation out there, promote their professionalism and are flexible," he said.



That flexibility has paid off for some general contractors who used to specialize in one area, and now specialize in another. Kessler said, “We have one member who now does radon mitigation and his business is doing very well.”

Looking ahead, Richard Carson added that those who will thrive aren’t sitting on their hands, waiting for the market to return. The chair of the Housing & Building Association of Colorado Springs’ Remodeler’s Council said, “People are looking for any opportunities out there that fit their core businesses. “They’re looking for work, rather than waiting for it to come to them.” And like Kessler, the remodelers who have found specialty niches in Colorado Springs— such as insurance repair — are thriving.

ENERGY EFFICIENCY PROGRAMS PUT GREEN IN REMODELERS’ POCKETS

Green building is an area that will offer more opportunities to remodelers, as new home construction standards flow into the remodeling industry. “It’s inevitable,” Kessler said. “Our industry is becoming more environmentally conscious.”

Tax credits are making it easier and more cost effective for remodelers and home owners alike to make energy efficient renovations. As such, the Home Builders Association of Metro Denver focused its Remodeling Council programs last year on green education for its members. “The Governor’s Energy Office has money available to promote weatherizing homes,” explained Karen Durfee, chair of the HBA of Metro Denver Remodeling Council. “Xcel Energy has funds available for home owners to improve the energy performance of their

homes. In addition, there are federal tax credits to improve insulation, as well as upgrade windows and furnaces.”

As a result, through its education program, some Remodeling Council members became preferred vendors with Xcel Energy last year. Others gained their certified green professional designation through the NAHB’s green program.

MERGER WITH 50+ COUNCIL OPENS DOORS FOR MORE BUSINESS

Durfee noted that last year, the Remodelers Council merged with the 50+ Council, which has created more opportunities for remodelers — including accreditation for Certified Aging in Place. “We discovered there was a good synergy between our two councils and we’re starting 2010 as a completely combined organization,” Durfee said. “That’s the real synergy between our remodelers and the 50+ professionals: To focus on how to retrofit a house so people can live there for the rest of their lives.”

REMODELERS RE-INVENT THEMSELVES

The Colorado residential solutions specialist for Dow Chemical Company, Durfee is constantly talking with those on the front lines. As such, she said, “Fix n’ flips are back. I’m not hearing it from members, but from other folks there’s money in that again.”

Carson noted that in Colorado Springs, many remodelers have turned to government contracting work that’s readily available. “Some of our contractors work on the base almost full time, now,” he said. “That’s a pretty good niche, it’s good

work, well paying and they can keep their subs busy. They're also keeping their contacts on the residential side."

Other professionals are re-inventing themselves. For example, Durfee said that one member has been marketing himself as an expert and now trains the CAPS and Certified Green classes. He's also becoming qualified to teach the lead-based paint abatement classes. They're changing office space, too. "I've seen a lot of our guys hunker down a bit, by taking smaller offices or moving their offices into their homes," Durfee said.

NEW REG CREATES OPPORTUNITY: LEAD-BASED PAINT ABATEMENT

Another area that kept Colorado's remodelers councils busy last year — and creates the prospect for more business this year—was lead-based paint abatement training. The federal rule, which the EPA passed in 2008 and goes into effect in April, addresses lead-based paint hazards caused by repair, painting and renovation activities in affected housing.

This new rule is layered on a previous one that requires a seller to disclose potential lead-based paint in a home that was built before 1978. Durfee said the Denver Remodelers Council is "urgently trying to get our members the training they'll need for that."

An estimated two thirds of homes built before 1950 contain lead-based paint. That presents a huge opportunity for contractors who want to specialize in abatement. Yet the rule also lets home owners do it themselves, which, Kessler said, has created a fear that it will drive remodeling into the ground. Home owners are "not going to want to spend thousands of dollars with a professional," he said. "They'll either take it into their own hands or get someone who's not a professional to do it — and that will take work away from us."

EDUCATION GIVES REMODELERS COMPETITIVE EDGE

To be sure, there are risks of having non-professionals do the work, or —even worse —for home owners to do it themselves. That's why Kessler feels it's so important to educate the public about hiring a lead-based paint abatement professional. It helps that the Remodelers Council in northern Colorado has actively promoted the group within the communities it serves. For example, each month, a council member picks a topic, then writes an article that's published in the local newspaper.

Education is one of the biggest reasons people join a remodeling council. Durfee said education arms members with the professionalism that gives them an edge when competing for projects. "These are the guys who have their

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licenses, keep up with the education, are really qualified people, and unfortunately, are competing with guys who don't have licenses and don't pull permits," she said.

Carson agreed. As owner of Nationwide Flooring & Design Center for the past nine years, he has seen many industry people walk through his doors. And those who are thriving are usually on the Remodeling Council. "We've really focused on making our meetings meaningful," he said, "with networking and training readily available."

At one training session last year, lawyers talked to remodelers about their contracts. Although the contracts were basic, according to Carson, it opened remodelers' eyes to risks they otherwise didn't know were there. "It changed a couple people's businesses, because they now have a real contract they can present. That one session reflected that we have real contractors out there who are professionals — and it shows."

BUZZ, RELATIONSHIPS BOOST REMODELERS' BUSINESS

Because it's responding to what they want, the Colorado Springs' Remodeling Council nearly doubled its membership and rounded out last year with 111 members. Carson believes it works because of the many networking

opportunities available to members, meaningful meetings, great training sessions and its field trips. In fact, the field trips are so popular, if a member wants to book one, there isn't an opening available until *next* year. "It's been very exciting to see it take off and grow in the last two years," Carson said.

Kessler added, "I can see in a few years, if we all stick together and do the marketing, we're going to thrive. A lot of us are competing with each other, but we don't mind that. We know the next contractor can do a good job and as long as an owner hires a professional to do it, that's okay with everybody. The people who are still in business now are going to be the professionals of tomorrow, too."

The council's growth in Colorado Springs tells Carson that something's working. With more than 50 people at the December meeting, he felt the buzz electrify the room. "If people are going to commit their time to it, we want it to be worth it," he said. "Sure, it's been tough times out there, but we're looking forward to everything that's coming. There are those of us who are moving forward, working outside the box and doing things differently than the norm. When it starts off again, we want to be at the front of the line." ■■

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Kephart Community Planning & Architecture designed the Nottingham model for Taylor Morrison Homes. The base plan, a ranch, measures 2,101 square feet; the optional pop top, shown, boosts it to 2,542 square feet. After examining demographics and trends, the firm launched a national marketing campaign, “The Art of the Small Home,” which hit a hot button among builders.

Small is big — and getting bigger

Builders, architects find success with fewer square feet

by Kim Jackson

When an economy changes, people do what they can to stay afloat. Some even find opportunity where others say there’s none. Last year, two Colorado-based companies — one an architectural firm, the other a home builder — sat down and figured out a way to identify a niche, then capitalize on it. As such, both aren’t just surviving, they’re thriving. And it’s not by accident.

ART OF SMALL HOME CAMPAIGN HITS BUILDERS’ HOT BUTTON

Kephart Community Planning & Architecture is riding the wave of smaller-built homes — and for some of its builder clients, redefining those homes.

Last summer, the residential architectural specialist firm launched a nationwide marketing campaign to builders: The Art of the Small Home, which was wildly successful.

Ten years ago, new homes averaged 2,265 square feet nationwide. Doug Van Lerberghe, AIA, associate principal with Kephart, said that’s dropped to an average 1,900 square feet — and could easily go lower.

Last year, Van Lerberghe toured a national home builder’s models that ranged from 1,750 – 2,200 square feet. “I asked what [the sales associates] felt they were missing in size, and both of them simultaneously said, ‘If we had smaller homes, we could

sell ten a month. If we could get to 1,250 square feet, we could do really well.” Van Lerberghe then talked with the division president, who said he didn’t want to go that small. Yet the firm did design three smaller homes for the builder that ranged from 1,300 to 1,650 square feet.

SPACE-SAVING DESIGNS FEEL BIGGER

Van Lerberghe said that the savings is coming out of relatively useless space. “The formal dining room is often only used once or twice a year, so instead of using the 150 square feet in the dining room, we’re getting rid of it,” he said. Parlor living rooms have given way to more open, multifunctional spaces. Master suites are smaller. And, he asked of a four-bedroom home with three bathrooms, “Do you really need that many bathrooms?” Hallways are yielding to more efficient architectural designs, saving another average of 50 feet. “We’re making better use of the space, less delineation between rooms,” he added.

The art of the small home has “hit the emotional button of a lot of builders and the buying public,” Van Lerberghe said. “Builders know what the buying public is looking for, because they’re hearing about it. The stimulus package has helped people to buy smaller homes.”

Smaller homes are greener, too, for both the reduction in building materials and energy usage throughout the homes’ lives. Yet, Van Lerberghe said, while everyone wants an energy efficient home, “not everybody is willing to pay for it. Buyers might have to spend \$20,000 or \$30,000 more on the purchase price. It’s a tough sell for our clients — builders — because of the buying public.”

ARCHITECTURAL DESIGN ADDS VALUE TO BUYERS

Some builders worry that by cutting expenses — and the eye-catching angles of a new home’s design — the smaller home is going to take away from a home’s visual appeal. As an architect, Van Lerberghe said, “I don’t like to hear the word ‘boxy,’ but I get it. I consider myself an architect with a home builder mentality.”

As such, he’s moved value from areas of the home where the buyer doesn’t gain anything, to those that do. For example, Van Lerberghe said that buyers don’t benefit from a complex roof plan. “Why have a complicated roof or truss design, when it has no impact to the home owner or community? To me, it’s about putting the right dollars in the right spot, rather than hiding them behind a wall. I’d rather keep the good-looking stuff than have some goofy framing thing you can’t even see.”

DETAILS STILL MATTER

He added that it’s a mistake to skip the details — such as landscaping — at the end of the project, in the interest of saving money. “I’d rather have a simple home that’s easier to build and keep the land plan,” he said. “The home has to

look good today, for people to buy it. If we take history as a lesson, today’s suburbs should have a fantastic land package. As architects, we want our communities to age well. We want it to look good 25, 50, 75 years from now.”

Looking ahead, Van Lerberghe sees a repeat of the late ‘80s trend, where some people will remember these times and stay in smaller homes. Others, who aren’t feeling the pinch now (or have short memories), will want bigger homes. In other words, “the market will be more fragmented,” he said. “Overall, people who are living in this world today are going to look for more bang out of their buck. They’re going to remember this and be more picky. The spec level of homes will wane. People will think about whether they need all those granite counter tops or to take care of their 401k.”

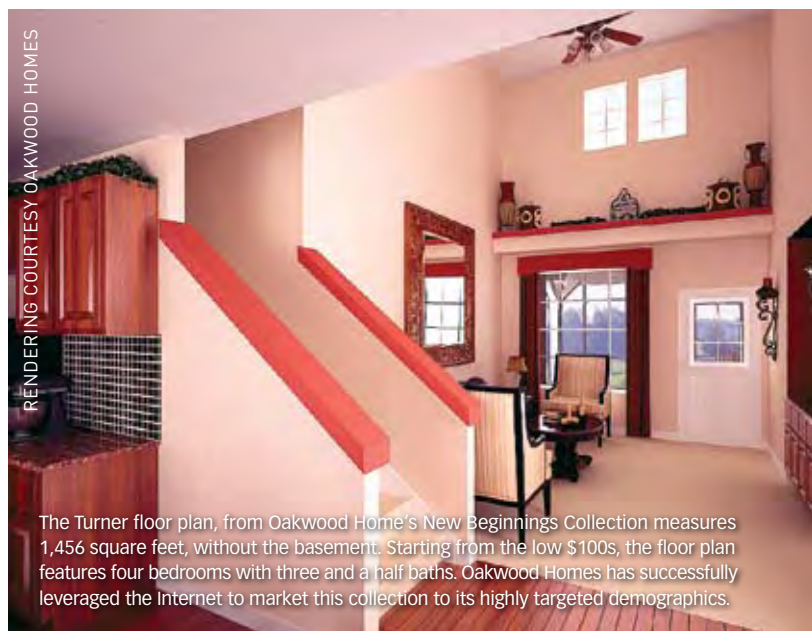
He also sees niche opportunities for smaller builders through infill development. “The bigger guys aren’t looking for that development of 10, 20 homes,” he said. “But there’s an opportunity for smaller builders to make the amenities work.”

In Colorado, Van Lerberghe said the home size sweet spot ranges from 1,600 to 1,800 square feet, at a price of around \$225,000. And buyers want an efficient home. His challenge — and that of his clients — is to make a small home feel large. “How do we make them live large and live well,” he asked. “That’s our ultimate purpose.”

OAKWOOD HOMES’S FORMULA FOR SUCCESS

After the credit crisis in late 2008 nearly crippled the industry, Oakwood Homes had a series of meetings to determine what was needed to stay viable. The general consensus was that first-time home buyers would drive the ‘09 market. So the company rolled out homes for those buyers.

The decision wasn’t made in a vacuum. Realizing how critical they are to its success, Oakwood Homes had



The Turner floor plan, from Oakwood Home’s New Beginnings Collection measures 1,456 square feet, without the basement. Starting from the low \$100s, the floor plan features four bedrooms with three and a half baths. Oakwood Homes has successfully leveraged the Internet to market this collection to its highly targeted demographics.

in-depth value engineering discussions with its vendors. According to Don Carpenter, director of Product Development, the meetings analyzed the aesthetics and design of Oakwood's homes and how construction could be modified for buyer's wants and needs, while remaining profitable. "Our vendors came up with some very good ideas," he said. "It helped us when we bid the project out because they had input in the design. They felt that the more houses we sell, the more successful they'll be. It was really a partnership and we appreciated our vendors stepping up."

NO MODELS NEEDED TO SELL HOMES

These meetings created a new line of homes for the component-based builder. And because most of its buyers use the Internet to research their options, Oakwood Homes sold 150 homes strictly from plans, renderings and three-dimensional views.

Since each home is produced in panels at Oakwood's factory, Carpenter explained, "one of the biggest things that helped us through this market is our ability to manage custom options. Using computers, we architecturally design each home and because we create a set of drawings for every home we sell, it's just another plan to the guys in the panel plant. It's really given us a step up on customization."

Selling homes this way has helped Oakwood adapt to buyers' wants much faster. "It's given us the opportunity to study the plan, observe buyers and talk to them, now that they live in their homes, about what they like and don't like." As Oakwood scheduled homes for the first quarter, Carpenter said, "we've found out buyers are willing to accept less square footage if the house is designed well."

BUYERS' BIGGEST DEMANDS: KITCHENS AND MASTER BATHS

In addition to multifunctional and storage spaces, kitchens are very important to Oakwood's buyers. Through its research, Carpenter said for this year's product line, Oakwood is rolling out customization options for buyers' kitchens that let them maximize storage and space. "We have upscale, new cabinetry offerings for the more designer-type buyer," Carpenter said. "We have a flexible kitchen, where the buyer can make selections with modest bumps in the base price — and allows them to have the house exactly as they want it."

Master bathrooms are also important. This year's master baths take a page from upscale hotels' luxurious standards through a large, walk-in shower with a frameless shower door and 12x12 tile. Oakwood is improving the vanity area with an upscale sink, light and mirror. Carpenter said, "An upgraded look is standard in 2010. It will add cost to the house, but from our surveys with buyers and information we've gathered, we think it's an important area and will separate us from other builders in the market."



'10 TARGET MARKET: RETURNING BUYERS AND MORE FIRST-TIMERS

Oakwood Homes' 2010 demographic market is an interesting mix: first-time buyers and those who got out of the market and want back in. For first-time buyers, Oakwood has added additional plans to the original line from last year. With its New Beginnings II line, Carpenter said there's more square footage and amenities that buyers want.

"We're looking at the \$250,000 and above market for 2010," he said. "We'll give them the square footage and amenities they want and conserve multifunctional uses; one buyer might want a dining room and another might want that for an office. What's going to make a difference for any builder right now is price point and combination." Other markets Oakwood is targeting include a lower-priced nice for active adults and an alley-loaded product.

MARKETING EMPHASIS: ON LINE

Oakwood also plans to continue marketing its homes on line. "From a marketing standpoint," Carpenter said, "the demographic we're hitting doesn't necessarily pick up *The Denver Post* anymore. Our on-line marketing has been huge. We're set up now so buyers can choose the floor plan they want, pick their options and price it out on line before going to a sales office."

And while an energy efficient home isn't a compelling factor in this price point for buyers, Carpenter said it helps their decision when choosing among two or three other builders. "For the past three or four years, we've been very focused on building an efficient house."

He expects, as the economy improves and jobs increase, the housing industry will improve. By the end of the year, "we're hoping that the \$250,000 plus market will be coming back stronger. Consumers are making their wishes known about buying a new home. Going forward, I think the market will be stronger." ■



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WHAT BUILDERS AND DEVELOPERS NEED TO UNDERSTAND ABOUT SOCIAL MEDIA

MANY BUSINESSES ARE DOING SOCIAL media marketing, with mixed results. Some builders and developers are curious about it, while others have tried it, and others still have embraced it with both arms. Regardless of which camp of interest or experience you fall into, here's what you need to understand about social media.

Why use social media?

Social media is used to develop Internet “buzz” about your company, products and services. Social media turbo charges word-of-mouth advertising within a well-established and fast-growing arena. Strategically placing your company within this massive sphere of interpersonal chatter can — and will — bring you interested buyers over time. What's more, these buyers come with personal endorsements from friends and family. Yet even more important for builders and developers — and this is the part many miss — building Internet buzz helps attract search engines to your web site and contributes to your ranking on the search engine results pages (SERPs). Good SERP results for key search terms, in turn, brings active, intentional shoppers, the best visitors your site can hope to attract.

How social media is used

Fortunately, the networks already exist, so you can create a website and a blog, and use free social media sites such as Facebook, Twitter and LinkedIn. Your presence on these sites can be linked together and, within a short time, begin to drive interested traffic to your website. When set up right, you can quickly extend your message to real people who are searching for what you offer on search engines (intentional visitors) or learning about what you offer through friends, associates and family members on social media sites (casual visitors). The good news is that you've captured these prospects at a fraction of the cost of traditional marketing avenues. Add to that recent research that the primary audience using social media tools are women, ages 25-54 — arguably the most attractive home-buying demographic — and you have another compelling reason to dive into the social media pool.

And where traditional advertising sources such as newspaper, radio, TV and billboards are limited geographically, the Internet has no boundaries. For example, if your marketing campaign relies on a local radio station, a local magazine, billboards or on-site signage, your message is much more geographically limited. Assuming you've done a good job maximizing your web presence, if a couple in Sacramento wants to move to Durango, they are much more likely to find their ideal Durango community (yours) on the Web through

search engines, information portals or social media channels —all without having stepped outside their home.

Getting started

Let's assume that your website is properly designed and structured; it's positioned and optimized for search engine success and has a strong prospect capture and conversion strategy in place. Here are a few basic things you can do to get started:

1. **Create a Facebook profile on Facebook.com** (it's much easier than you think). Develop a friend base of some size, then create a Facebook page for your company or community with you as the administrator and link it to your website. Post key phrase-laced news, updates and events once or twice a week and, on your personal profile, become a “fan” of that page. Ask your Facebook friends to become a fan of it, too. When they do, everyone in their friend pool will see it, and so on, and so on.
2. **Establish a Twitter account at Twitter.com** (again, it's easier than you think) and submit short posts for new product introductions and coming events using your strategic keyword terms. With any social media site, be sure your message is value oriented, not promotional. Add a link to a specific related page on your website (you may want to use TinyURL.com to reduce the size of your link).
3. **Post one- to two-minute videos on YouTube**, so others can share and pass it on to create buzz and interest about your offering. Your video should be interesting, engaging and unique, but not too polished. This takes know-how and forethought, and when done well, can be electric.
4. **Use Wordpress.com or Blogger.com to create a blog** where you can post updates and stories about you, your company, industry trend and anything you feel is relevant. This allows customers to comment and interact. Be sure to post new content often.
5. **Join and maintain other social networking sites**, now that you're a seasoned vet. From a professional standpoint, LinkedIn is a must.

Using these tools creates different information channels that direct both casual and intentional visitors to your website. The beauty of social media is that people who look at your Twitter, Facebook, YouTube and blog also have hundreds or thousands

TOP BENEFITS OF SOCIAL MEDIA MARKETING

- ★ Extends your message and brand exponentially
- ★ Attracts casual and intentional visitors
- ★ Offers great ROI with relatively low investment
- ★ Adapts easily to strategic changes
- ★ Broadens your reach to attract buyers from around the world
- ★ Enhances your overall marketing plan

of personal and professional connections on their social media sites and blogs. This opens up a galactic network of communication among friends and followers. If others like what you say and do, then you've created the potential for your messages to go viral, exponentially spreading through the social media universe and touching more prospects and followers than you could before.

Implementing a balanced and effective Internet marketing plan takes strategic thinking, time and yes, money. Sure, you can try to do it yourself. Or, as you would with other aspects of your business, you can outsource it to experts. Commit the time and money to implement these brave new strategies, carefully track your results (another topic for another time) and don't expect overnight results. These systems are flexible. When done right and over time, Internet marketing can produce a snowball effect. You can test what's working and quickly make adjustments. Social media marketing is not a fad — and it's not going away anytime soon. It's time to get started. The world is looking for what you have to offer. ■■

Matt Buchenau is owner of 5Weight Internet Marketing, LLC www.5weight.com an Internet marketing consulting firm offering Web marketing assessments, strategic guidance and analytical performance analysis. Jim Czupor is co-owner of The InterPro Group www.interpgroup.com a marketing and public relations consulting firm offering traditional and social media marketing strategies. Both Matt and Jim are members of the RE: Expert Consortium — comprised of nine nationally recognized firms with expertise in real estate research, entitlement procedures, merchandising, public relations, marketing, internet communications and sales. The RE: Expert Consortium provides comprehensive and highly specialized expertise to address today's challenges for investors, lenders, builders and developers. www.reexpertconsortium.com.



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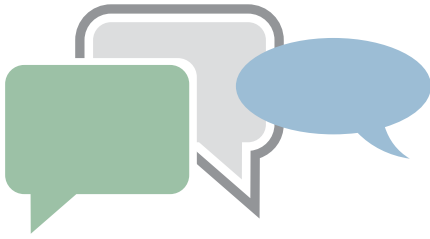
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SAY WHAT?

AFTER 25 YEARS, WHY ARE WE STILL HAVING THE “GREEN” CONVERSATION?

“You don’t know what you’ve got ‘til it’s gone.”

– Joni Mitchell, *Big Yellow Taxi*

It’s late 2009 and I’m sitting in on a meeting with builders and other building industry representatives. The issue is energy efficiency, and the premise for the discussion is that “buyers don’t really care about energy efficiency.” Sure, says my builder friend in the room, the buyers say “that’s nice” when told about the energy efficiency features of the house, but “what about the granite counter tops?”

I’m thinking to myself, “Gee, where have I heard this before?” Oh, yeah, it was 1984 (not the book, although that could be another topic) and we were developing one of the country’s first energy rating programs in Austin, Texas. The whole foundation of developing an energy rating program was educating the buying public about the benefits and value of energy efficiency — and giving builders an enlightened customer base. That was 25 years ago.

A couple questions come to mind. First, why are we still having this conversation? Second, are buyers really not interested in energy efficiency?

Oil in 1984 was about \$25 a barrel. At this writing, it’s hovering around \$77, after a wild ride to \$125 a barrel about a year ago. As far as I can tell, energy prices have generally gone up. Now, one could explain the apparent complacency about energy efficiency by presuming that folks just build the cost of energy into their budget and move on. After all, people want to be comfortable, and they’ll pay the price for comfort, right?

Buyers may expect energy-efficient homes

Let’s also consider the possibility that, at around ten percent of the household budget, utilities don’t normally rise to the top of our budget woes. Still, according to a survey on Baby Boomers released by the NAHB in September, 94 percent of builders “report that their buyers want more energy-efficient new homes; 55 percent said buyers specifically want EnergyStar®-rated homes.” That same survey also indicated that buyers wanted more green building amenities, but few were willing to pay extra for them (read the full report at www.MatureMarketInstitute.com).

While a high percentage of buyers want energy features, it’s worth considering that buyers already expect energy efficiency when they purchase a new home — and therefore move it down on their list of priorities. After all, building energy codes have raised the bar and ostensibly leveled the playing field over the last few years. This could easily give one a sense that energy is not on their minds — until something happens to bump it up on the list, like dramatically higher costs, brownouts or an uncomfortable room.

To be proactive, we usually need a swift kick. While energy features just don’t rise to the “got to have it” level the way granite countertops seem to, when that bedroom above the garage is consistently uncomfortable in the middle of the summer, your customer isn’t going to call the counter guy.

You may have seen this list before, but it’s a basic checklist for providing a comfortable, durable and energy-efficient home.

- Design for energy and comfort. Minimize the west (and east) windows. Make use of natural day lighting whenever possible.
- Build a tight and well-insulated home with high-performance windows and adequate, controlled fresh air. Don’t rely on uncontrolled infiltration to keep the inside air fresh or the structure dry.
- Choose healthy interior materials and finishes. Many choices are readily available.
- Use only sealed combustion gas appliances (when natural gas or propane is the fuel of choice). With tighter homes, this is not an option.
- Engage good building science when putting the system together. The house system is more than the sum of its parts.

Building green is still the right thing to do

This brings us back to my builder friend who provides a good energy package, despite his belief that his buyers don’t care. Why would he make the effort if it doesn’t matter? He does it because, he says, it’s the right thing to do, and he’s sleeping better because his customers are comfortable.

There are a lot of builders out there who share that point of view. And they’re right. Every home that goes up has an impact on the family that lives there and the community where it sits. In the Big Picture, an energy-efficient, green home is contributing to a more secure nation and a cleaner world. Quality builders are building because they love it (most of the time), and want to provide their community with quality housing.

If you’ll pardon my presumption, it is their contribution to a better world, one home at a time. The folks living in these homes may not ask for energy efficiency or the durability and other benefits of green building when they sign the contract, but they will most certainly appreciate those features down the line. ■

Doug Seiter is former State Coordinator for Built Green Colorado and codeveloper of the first green building program in Austin, TX. Reach him at dlseiter@Comcast.net.



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Clockwise, from top left: The keynote address was held at SaddleRidge at Beaver Creek, the former Shearson-Lehman's private retreat. Senator Josh Penry speaks to builders about his run for Governor. Chris Elliott, Government Affairs Committee Chair. The exhibit hall was the hub of activity. Master of Ceremonies, Senator Bill Cadman. Attorney Bruce Likoff accepts the Lifetime Service Award. On the exhibit hall floor, representatives of StrucSure Home Warranty. Jack Acuff, accepts the President's Award. CAHB's 2009 President, David Hansen. Chair of the 2009 Rocky Mountain Builder Conference, Ryan Warren.

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STRATEGIES FOR MANAGING YOUR RISK

WHEN THE TOPIC OF CONSTRUCTION DEFECT litigation comes up, I often think of the joke about the two campers out in the woods who saw a bear coming their way. The first camper dropped his backpack, retied his shoes, and told his friend he was going to run for it. His surprised friend said, “You can’t outrun a bear.” The first camper replied, “I don’t have to outrun the bear. I just have to outrun you.”

It goes without saying that there is no such thing as perfect construction. To believe that it’s possible to construct a perfect home is unrealistic. To prevent the big, ugly construction defect lawsuits, you don’t need to build a perfect house, you just have to do a better job managing your risk than the next guy. If you spend time and attention focusing on risk management tools discussed here, you can protect yourself from being targeted by plaintiffs’ attorneys.

Planning and preconstruction phase

During the planning and preconstruction phase of a project, focus on contract integration and coordination, insurance coverage, and third-party plan review. Discuss with your attorney whether to include arbitration provisions in your purchase and sale agreements, as well as

in contracts with your subs. Contracts should also be reviewed to ensure that they provide as much protection from construction defect litigation as permitted under Colorado law, and in particular, the Homeowner Protection Act of 2009. Finally, all contracts used should be reviewed to ensure that they are consistent and fully integrated. It does you no good when you are finally able to get a homeowner’s claim into arbitration, only to discover that you have no right to force your subcontractors, design professionals and/or vendors into that same arbitration.

With your insurance, work closely with your attorney and insurance agent to ensure your insurance provides coverage for the claims most likely to be brought by homeowners. With the recent *General Security* case and *Greystone* decisions, carriers are taking more restrictive coverage positions. Assuming that you can obtain meaningful coverage from your own carriers, also make sure that you obtain additional insured certificates from your subcontractors — for both ongoing and completed operations — and that you keep those certificates (along with the entire construction file) through the statute of repose for eight years. This is especially true in the event that your own insurance policy contains a subcontractor insurance warranty.

(continued on page 46)

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Finally, have your plans and specifications reviewed by a third party. This is particularly important for projects in which you use the same designs multiple times. The most difficult cases I have defended have stemmed, in large part, from design flaws. The cases were made difficult not because the repairs were tough to make, but because the design flaw had been incorporated into hundreds and hundreds of homes, transitioning from a problem on paper to a problem in constructed homes. It would have been nice if someone had caught the problem in the design phase, while it was still on paper.



Construction phase

During the construction phase of a project, I encourage you to retain a competent third-party inspection service. While the cost of hiring such outside services may be disturbing, it is certainly money well spent if it can prevent, or minimize, construction defect claims.

A few years ago, I received a telephone call from a plaintiffs' attorney who reported that he was investigating homeowner complaints at one of my clients' projects. He reported that the window flashing on the homes within the project was the best he had ever seen. Since window flashing is one of the cornerstones of most construction defect lawsuits, the attorney knew that this project did not represent a pot of gold at the end of the rainbow. We were able to address the homeowners' legitimate concerns quickly and avoided a long, drawn-out lawsuit.

When we went back to determine what made this project different from others, we discovered that this is one of the first projects on which our client used a third-party inspection service. When using such a service, sit down with the inspection company, its design professionals and

its attorneys to ensure that the items being inspected — and their frequency — reflect the severity and frequency of the issues that show up in construction defect lawsuits.

Also be sure to document any anomalies during the construction phase. This will help prevent construction defect lawsuits, or at the very least, minimize their severity if they do happen. By that, I mean that it is not uncommon for questions to arise during construction that do not seem like a big deal at the time; they get resolved, and the project proceeds.

One example is a situation where a soils report calls for ten percent fall away from buildings for ten feet from the foundation, yet the buildings on site are less than 20 feet apart. In this situation, we frequently see that the subcontractor and/or builder will identify the issue, talk with the engineer, obtain a resolution, implement it and move on.

Years later, during their depositions in a construction defect lawsuit, no one can remember what happened, who approved what, or how the project got built. Instead of letting this happen, we encourage builders to document, in writing, how issues like these were resolved. It's much better in defending a case to have a stamped engineer's letter acknowledging the issue and providing guidance on how the project should be constructed.

Post-construction/warranty administration phase

Happy homeowners don't sue their builders — and there's no such thing as a perfectly constructed house. That's why most builders offer limited warranties. It is these warranties that provide builders their best and last chance to forestall a statutory notice of claim and subsequent lawsuit. By properly administering its warranty program, or outsourcing the process to a company that specializes in the field, builders can keep their homeowners happy and simultaneously learn before it's too late that there is a problem in a house. It is during this process that a builder can step up, take care of the problem and keep its homeowners happy and as a result, unrepresented by plaintiffs' counsel. ■■

David M. McLain is a founding member of Higgins, Hopkins, McLain & Roswell, LLC, a law firm that specializes in representing general contractors and developers in a variety of construction matters, including implementation of risk management strategies and defense of complex construction defect claims. As a special benefit to Builder Members of the Colorado Association of Home Builders, Mr. McLain has agreed to meet with you for an hour to provide a complimentary risk management analysis. Please contact him at mclain@bhmlaw.com or 303-987-9813.



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