

Eight-Denny News

VOLUME 8 • NUMBER 12 • SEPTEMBER 1990

Truth in Rating Window R-Values

Beginning this year, many name-brand windows will have lower R-value ratings. Eight window manufacturers—Andersen, Marvin, Pella, Louisiana-Pacific, BuiltBest, Norco, Sealrite, and Sembler-Mink—have adopted a new method of calculating R-values which will result in lower numbers. But the windows have not changed, only the calculations.

The eight companies who have adopted the new method are all members of the National Wood Window and Door Association (NWWDA). According to Jim Benney, manager of technical services and spokesman for the NWWDA, the members elected to adopt the new method "so buyers would have a fair basis of comparison." The decision was initiated by a change in the 1989 ASHRAE Handbook which includes the new method in their procedures. NWWDA expects all window manufacturers to follow suit eventually.

The new method for calculating R-values uses a computer program, called Window 3.1, developed by Lawrence Berkeley Laboratory. This program takes into account variations in the amount of heat lost through various parts of the window. Formerly, only the insulating effect of the center of the glass was evaluated when determining R-values. A simple "correction factor" was used for the heat lost through the frame, the spacer, and the edge of the glass. But recent changes in the way windows are constructed have made this simple factor obsolete.

Improvements, such as low-e coatings, low-conductivity gases, non-conductive spacers, and insulated frames have drastically changed the thermal performance of windows. Different combinations of these new features make for an enormous variety of windows. But until now, the R-values listed for windows did not reflect these differences. This has complicated window buying and increased the need for consistency in the specifications provided by window manufacturers.

Window 3.1 provides this consistency by using a different value for each component of the window in its calculation. In addition, the program accounts for the size and shape of each window. Large windows tend to have a higher total R-value than small windows because the ratio of center of glass area to the perimeter is higher. To help standardize reporting under the new system, R-values listed in the catalogs from manufacturers using Window 3.1 will be given for the same size window. For residential windows, the predetermined size will be 36x48 inches; for commercial windows it will be 48x72 inches. R-values for windows of any specific size will also be available from the manufacturers upon request. ■

Workers Compensation: Bad and Getting Worse

If your workers compensation bill makes you fume, you're not alone—workers compensation insurance has ranked as a top concern in recent National Association of Home Builders (NAHB) builder surveys. Workers comp costs have risen 300% nationally since 1970, as compared to a 206% general inflation rise over that period. Much of that rise has taken place over the last five to ten years. For New England builders facing slow times, these increases are particularly difficult to bear.

The main cause of higher premiums is higher medical costs, which have increased 300% over the last decade alone. In the 1970s, medical costs made up 25% of workers compensation costs; in the 1980s, they rose to take 40% of workers comp costs.

The other causes affecting rates are more complex.

Particularly perplexing is the rate-setting procedure itself. Every state writes its own workers compensation laws and regulates rates differently. But the basic mechanism for setting rates cuts across state boundaries, at least within New England.

How rates are set. In the six New England states and New York (as well as 25 other states), rates requests are made yearly by the National Council on Compensation Insurance (NCCI), an industry association that coordinates plans for the "assigned risk market"—those companies whose small size makes them unattractive insurance candidates for individual

al insurance carriers.

To figure the rates each year, the NCCI first calculates the balance between losses (mainly medical costs and workers comp payments to injured workers) and premiums for the previous year; they do this for each of several thousand different employment classifications, including single-family residential carpentry. From these balances the NCCI projects how much money insurers will need to cover the next year's losses in each category; adds 15% to provide a "fair rate of return;" and then applies to the state regulatory agency (usually the department of insurance) for their increases. The application might be approved, modified, or denied, in which case the NCCI will reapply with another figure. More often than not, it's approved.

The resulting "pure premium rate" for each safety classification is expressed in dollars per \$100 of payroll. In the New England states, the 1990 pure premium rates for single-family residential carpentry range from \$8.92/\$100 payroll in Vermont to \$19.62/\$100 payroll in Connecticut.

To set an individual employer's premium, the insurer then multiplies the pure premium rate for that employer's safety classification(s) by that employer's *experience modification factor*; the modification factor is based on that employer's claims and safety record over the last three years. A modification factor of 1.1, for instance, would make an employer's premium 1.1 times the pure

premium rate.

In theory, this system accurately reflects the risks and safety records of the industry and individual employers. But builders have a number of gripes with it.

Beefs about accuracy. Massachusetts custom builder Tom Donovan says that the single safety classification for single-family residential carpenters is too broad.

"All carpenters for single-family carpentry [are rated] the same, whether they're doing finish carpentry or are walking plates three stories up. But there's no way they face the same risks. I mean, what are the finish guys going to do—fall off a stool?" he says.

For now, however, builders seem stuck with this system, since the NCCI says that to subdivide the residential carpentry classification would create groups that aren't large enough to be statistically reliable.

Builders also question the accuracy of the experience modification factors—as did a recent report by the New Hampshire Department of Insurance, which found that the New England NCCI office had a high error ratio in assigning those factors, and thus sometimes failed to reward good safety records.

The NCCI's Chapin Clark says that some errors are inevitable. But, he says, an employer unhappy with his or her safety classifications or experience modification factor need only contact the New England NCCI office (203/298-9900 in Hartford) to request a review.

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Shades Don't Cut It On the Job

On some job sites, a member of your crew might show up wearing sunglasses and expect that they will second as safety glasses. But ordinary sunglasses don't give adequate protection, and they

may violate OSHA eye-protection safety rules. How often have you had to get a piece of sawdust out of a carpenter's eye, or worse, send the injured crew member and a driver down to the nearest emergency room, because they were wearing sun glasses instead of safety glasses?

Safety glasses are an inexpensive answer, and they are often required by OSHA standards. Though 90% of eye injuries are minor, these OSHA standards

are backed up by fines that range from \$100 to \$1,000 per violation. Check your OSHA handbook to see when safety glasses are required, but most OSHA regulations for safety glasses are defined by ANSI Standard ANSI Z87.1 1968. For those who have prescription glasses, both correction and protection is available. Prescription safety glasses can be purchased through most optical shops for \$50 to \$75.

—Scott Johnson

IN BRIEF

Taxing CFCs

In an effort to limit the current use of chlorofluorocarbons (CFCs), Congress passed the Omnibus Budget Reconciliation Act of 1989 which imposed an excise tax on all products containing CFCs. However, the new law does not significantly affect current prices of rigid foam insulation boards—which are made with CFCs—for at least three years.

Following strong lobbying efforts by the Polyisocyanurate Insulation Manufacturers Association (PIMA) and the Society of Plastics Industry, the insulation boards have been exempted from the tax in 1990. Starting in 1991, a nominal tax of 25¢ per pound will be imposed, which will be raised to \$2.65 per pound in 1994.

By then, manufacturers of polyiso foam expect to have developed products using CFC alternatives and they also expect to have phased out CFCs completely. Presently, CFCs are used as blowing agents in the manufacture of extruded polystyrene, phenolic foam products, and polyisocyanurates.

CFC-related Bills Changing Foam Sheathing

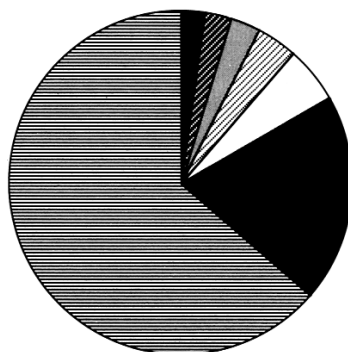
Energy Design Update reports a rash of proposed state and municipal legislation aimed at curbing the production of foam sheathing materials made with chlorofluorocarbons (CFC) blowing agents. CFCs used to make plastic foam sheathing have been linked to the degradation of the Earth's ozone layer.

According to Jim Cox at the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE), 102 CFC-related bills were introduced in 21 states in 1989. Several passed—for instance, Connecticut, Indiana, Maine, Rhode Island, and Iowa all specifically restrict or ban the sale of foam products made with CFCs. With manufacturers such as Dow and Amoco responding by using other blowing agents, CFC use in foam sheathing production may soon be a thing of the past.

New Home Sales Down

The U.S. Bureau of the Census reports that for the fifth consecutive month, new home sales fell in April to a seasonally adjusted annual rate of 542,000, the slowest sales pace since December of 1982. ■

Types of Materials Used in Residential Roofing During 1989



Roofing Materials and
Percent of Total Market

- Asphalt shingles 63.5%
- Low-slope materials 19.6%
- Tile 5.3%
- Wood shingles/shakes 4.0%
- Other 2.8%
- Slate 2.6%
- Metal 2.2%

The Decline in Pine

The Texas Forest Service has recently identified a disturbing trend developing in the east Texas forests. Loggers are felling pine faster than forests can regenerate, and the natural ecosystems are being replaced by pine plantations.

The decline started in 1986 with a 5% deficit which grew to 11% by 1988. The figures for 1989 won't be released until this fall, but a 6% to 8% deficit is forecast.

East Texas is one of the best areas in the country to grow pine trees, and yellow pine is the state's second largest agricultural crop. The 1988 harvest totalled over 602 million cubic feet. That harvest was the largest in the last quarter century and possibly the largest ever for Texas.

The Texas Forest Service, however, fears a future timber shortage could occur. Tom Boggus, a Texas Forest Service researcher says, "I don't know how long we can continue harvesting more than we grow. The general trend is alarming. People are already talking about a timber shortage by the mid-1990s."

One contributing factor is that private landowners are not replanting or leaving good seed trees. Actually, private landowners replant about one in eight acres. To encourage nonindustrial private landowners to replant, the Forestry Incentives Program (FIP) spent over \$1 million in 1988 for reforestation and timber-stand improvement. That resulted in a 3% improvement in tree planting activities, or 156,600 acres plant-

ed.

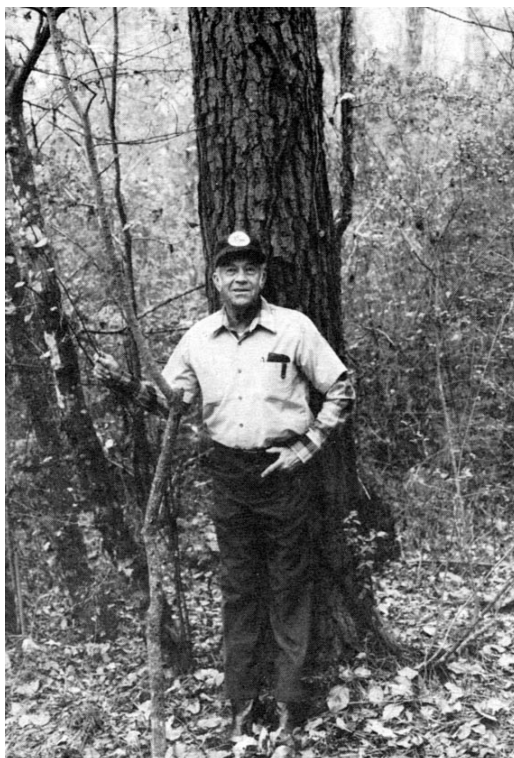
The timber industry, on the other hand, replants most of its land and has nearly doubled its planting in the past decade with the creation of "pine plantations." The cleared land is planted in neat rows of pine seedlings. The pine is treated like any other crop. This allows the trees to grow more quickly and produce a higher yield. However, environmentalists worry that tree plantations desecrate the land's natural beauty, wipe out wildlife ecosystems, and encourage pine beetle infestations.

The timber industry calls the shortage forecast "a false alarm," noting that the immature, small trees in pine plantations are not yet been counted in the timber inventory.

However, since it takes almost 10 years for the trees to reach measurable size, the Forest Service considers the plantation pines "little bitty trees" that will produce only fiber, not lumber.

While the state of the timber resources has not reached the "panic stage" according to the U.S. Forest Service, the decline in pine is cause for taking a hard look at the future.

Meanwhile, the demand for forest products is strong. Export and domestic residential repair markets combined to keep demand for U.S. wood high throughout the year, although at lower levels than in 1987. The fastest growing segment of the construction industry, residential repairs and remodeling, represents 31% of U.S. lumber consump-



The rapid loss of east Texas pine stands concerns long-time area residents like James Rosier. These natural ecosystems are being replaced with pine plantations.

tion. Spending surpassed \$100 billion—twice the amount spent in 1983. Lumber exports rose 34% to 3.3 billion board feet or a record \$5.4 billion in 1988.

For more information contact

the Texas Forest Service, Forest Resource Development Department, 100 Research Parkway, College Station, TX 77843-2136; 409/845-2641.

—Karen Lang Kummer

Workers Compensation:

Bad and Getting Worse

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Clark says most employers who go through the appeals process "learn to appreciate its fairness. It's the only type of insurance where the individual has so much opportunity to influence the rate that he pays, either by modifying safety practices or appealing a classification or modification factor."

Builders at fault too. The medical and insurance industries aren't the only ones to blame for high compensation premiums; the light construction industry bears some responsibility too.

One issue is safety. As the NAHB's Mike O'Brien says, "There is a legitimate safety problem in the construction industry. Builders and contractors have to discover the link between effective safety programs and reduced workers comp rates." O'Brien notes that some insurance companies offer premium reductions for employers taking part in approved safety programs, while other insurers reward low claim rates by paying yearly dividends.

Also aggravating workers comp rates is the failure of some subcontractors and even contractors to insure themselves and their employees. This saves those companies money, but places a great strain on the companies doing business legitimately.

To begin with, it puts the insured subs and contractors at a severe competitive disadvantage, since their bids must be high enough to cover comp costs.

Perhaps more painfully, a sub with uninsured employees often ends up—employees and all—on the insurance bills of the contractors he or she works for. When

insurance companies audit their contractor customers' records, they look closely for evidence of uninsured subs; if they find it, the uninsured subs and their workers are billed temporarily as employees on the contractor's plans, and the contractor literally picks up the tab for the sub.

The situation gets worse when someone on an uninsured sub's crew gets hurt. More often than not, the employee and/or sub sues the insured contractor, hoping to tap the deep pockets of the contractor's insurance company. Any settlement paid for by the insurance company then drives up the contractor's experience modification factor.

Finally, there's the ugly question of overblown claims and overzealous lawyers. As Maine builder Steve Haworth sees it, too many injury cases lead to lawsuits. "Too often, what could have been worked out between employer and employee gets blown out of proportion. The employee goes to a lawyer and starts in on a case. Once one side gets a lawyer, the other side gets a lawyer, and the whole thing becomes unstoppable." The high legal expenses and court awards generated by such cases drive up the cost of insurance even further.

How to keep premiums relatively low. Such a tangle of terrors—spiraling medical costs, underwriting errors, and abuse and deception among contractors and subs—can make the workers comp situation seem hopeless. But there are things you can do to keep your rates down:

- Check the safety classification codes and experience modification factor for your company.

You might be able to reclassify some employees (such as off-site managers) at lower-rated classifications or receive a lower experience modification factor.

- Check your payroll limitations. In many states, the salary which determines the insurance premium calculations is limited. For instance, for the purpose of calculating your premium, regulations may allow you to list a \$40,000 salary as \$25,000.
- Make sure that uninsured but truly independent, self-employed subs who have no employees are not counted as your employees.
- Have a deductible on "medical only" claims. In states that don't allow this, institute a "first-aid folder" approach which lets you pay all "medical only" claims up to a stated amount; this keeps small claims out of your experience modification factor.
- Check all claim reports carefully for accuracy.
- Emphasize safety on the job, and check to see if any premium discounts are available for participation in safety programs.
- Educate yourself. Information on workers compensation laws and rates can be gotten from both the NAHB State and Local Government Affairs Department (800/368-5242) and the NCCI's Public Affairs Office (212/298-9900).

Workers compensation insurance will continue to bite big chunks out of contractors' checkbooks. But diligence in maintaining safety and keeping your records accurate may make the bite a little smaller.

—David Dobbs

Vinyl Dryer Ducts Can be Dangerous

Garden City, Michigan's Joe Gagnon, an appliance dealer for 35 years and a consultant to the Detroit Office of Consumer Affairs, has launched a one-man crusade to keep dryer vents from causing house fires. He wants contractors to keep vents as near the dryer hookup as possible, avoiding long runs of vinyl ducting.

A 1987 Consumer Product Safety Commission report counted 13,900 clothes dryer fires. Twenty people died, 180 were injured, and property damage from fires in dryer vents exceeded \$40 million.

"When you have figures like these, you know something is wrong. A vast majority of those tragedies were preventable," Gagnon says.

He explains that contractors "tend to think clothes dryers belong in the same category as waffle irons and toaster ovens. Dryers are actually small furnaces, capable of producing one third the heat of a home furnace."

If builders provide dryers in new homes, Gagnon says to stay away from flexible vinyl ducts. The vinyl and spring-wire ducts cost less than sheet aluminum ducts, but they carry a high liability risk. The spiral wire running through the tube creates high and low ridges that collect lint. When lint catches fire, the vinyl melts, producing a toxic gas and an open flame.

Contractors should also make duct runs shorter. "Anything longer than 20 feet is virtually ineffective to carry off lint, but

Mass. Housing Agency Offers Deal

Cut the price and we'll offer your buyers a good loan. That's the deal being offered to spec builders by the Massachusetts Housing Finance Agency in a new program called A.S.A.P. (for Acquisition Set-Aside Program).

"The program is designed to promote homeownership for qualified low- and moderate-income households while providing a marketing tool for home builders experiencing slow sales," says MHFA Executive Director Marvin Siflinger.

Under the program, builders whose spec units are moving slowly can apply for a set aside of 8.45% mortgages for eligible home buyers. In return, they must reduce home prices to at least 10% below current appraised value and to a price below MHFA price limits. MHFA's price limits are \$130,000 for the Boston area, \$121,000 for the Lawrence/Haverhill area, and \$110,000 for the Salem, Gloucester, Fall River, and Lowell areas and for the rest of the state.

A total of \$10 million has been set aside, which should finance about 100 sales throughout the state. Applications are taken on a first-come, first-served basis. Application review will take from 5 to 30 days. The prospective borrowers must be first-time home buyers and meet MHFA income limits, which for a family of two or more range from \$39,600 to \$43,000.

For more information or an application, call the agency's Office of Single Family Programs at 617/451-3480. ■

this rule is broken constantly," he says.

One glaring example of an unsafe installation involved a contractor who stretched flexible vinyl tubing from a basement through two stories and an attic to the roof. After a few months, the vinyl settled onto the basement floor and blocked air passage completely.

At another house with a 30-foot vinyl vent, the first 10 feet of line were so clogged with lint, the opening for air flow was only an inch and a half. There wasn't a speck of lint on the last 10 feet, he added.

To make homes safer, Gagnon urges contractors to take the following measures:

- Use old-fashioned smooth surface sheet aluminum vent lines or UL-approved products.
- Vent to the nearest outside wall—with ducts at a maximum of 20 feet in length.
- Always vent to the outside. Inside venting may reduce the homeowners' heating bill, but it adds soap, softener, and lint contaminants to the interior air, and these create a potential health hazard down the road.
- Treat clothes vents as if they were chimneys. When going through partitions or rafters, use double metal collars and framing shields to keep the ductwork away from the wood.

For more information about dryer safety, contact Joe Gagnon at Carmack Maytag Home Appliance Center, 32431 Ford Road, Garden City, MI 48135.

—Tom Korb

Code Plus— Building Beyond the Minimum

The American Plywood Association (APA), a trade association whose member mills manufacture about 80% of the nation's structural wood panels, is using a new program, called "Code Plus," to promote the use of thicker panels for walls, floors, and roofs than required by building codes. The APA program is also designed to alert homeowners to the advantages of using sheathing above and beyond code requirements to add rigidity and durability to their homes. But builders are skeptical of the program and wonder if the Code Plus claims of increased rigidity and durability are backed by extensive research and development, or just another marketing program to sell more structural panels.

As for builders, the APA thinks they should fulfill the code requirements and then improve upon those requirements—thus the name "Code Plus." The APA's program is designed to help builders advertise the benefits of thicker, and more, sheathing.

Building with thicker structural panels (APA-rated) in floors, walls and roof, applied and fastened according to APA recommendations, is the essence of the program. Builders signing up for the program must agree to follow APA's guidelines for panel thickness, framing spacing, and gluing. In return, Code Plus supplies the builder with a marketing "toolbox" designed to promote the Code Plus house. Lapel buttons, certificates, posters, and consumer brochures explain to the homeowners why the APA thinks the Code Plus house is a good buy.

For floors, the Code Plus suggests panels 3/4 to 23/32 inches, over 16 on-center joists. When joists are spaced 24 on-center, Code

Plus calls for 7/8-inch panels.

Minimum code requirements for roofs permit 3/8-inch over 24-inch on-center spacing. But the Code Plus program wants builders to use panels that are a minimum of 1/2 or 15/32 inches thick.

In actuality, it isn't quite as simple as measuring a panel with your tape and sticking it on the roof. You have to go by the APA rating on the panel. Panels are given performance ratings according to where they're used. Look on the panel and you'll see a number like 32/16 or 24/16. The top number shows the maximum spacing for roofs, and the bottom number is the floor spacing.

With Code Plus, you need to add four inches to the panel rating. If you have a panel that is rated 24/16 and you're putting it on a roof system spaced 24 inches on-center, you have to locate a panel rated for 28/16. Since there isn't a panel rated for 28/16, you end up using a 32/16 panel for the roof.

The requirements for increasing floor and roof stiffness won't come as a shock to most builders. Many are already stiffening up the sheathing beyond code minimums. But the requirements for wall sheathing may raise some eyebrows. Now codes don't require any structural sheathing on the walls. You can use diagonal bracing or metal straps for shear strength.

"In California," says the APA's John Rose, "builders stucco directly to wire mesh applied to the studs. And in Washington state, many builders use non-structural insulating sheathing."

To participate in Code Plus, builders would have to use structural sheathing everywhere. For siding, 3/8- to 1/2-inch sheathing is needed. Thicker sheathing is suggested to back up stucco. If you're going with an APA rated siding panel, such as "T1-11," you'd be looking at ungrooved 19/32-inch panels over 24-inch on-center spacing.

Builders using rigid exterior insulation to combat heat loss through the studs may not be persuaded by the argument that more wall sheathing is an

improvement. Rose says:

"Builders concerned about heat loss through the walls should think about 2x6 construction with R-19 batts."

Bill Eich, an Iowa builder who uses let-in bracing and rigid insulation says, "I think it will be very difficult to get those [Code

Home Builder's Association, echoes Eich's sentiments. "People aren't looking for structure in their homes. They're far more interested in space and amenities." He feels that a home buyer will be more interested in a jacuzzi or a larger room, than in something hidden from view.

"People aren't looking for structure in their homes. They're far more interested in space and amenities."

—Garen Bresnick

Plus] features foremost in the consumer's mind." Home buyers coming to Eich already assume they're getting a house that is better than code minimums. Perhaps once home owners are used to having the extra assurance that Code Plus offers, they'll be more likely to buy the concept again, "but that first sell is going to be hard," Eich says.

Garen Bresnick, executive vice president of the Massachusetts

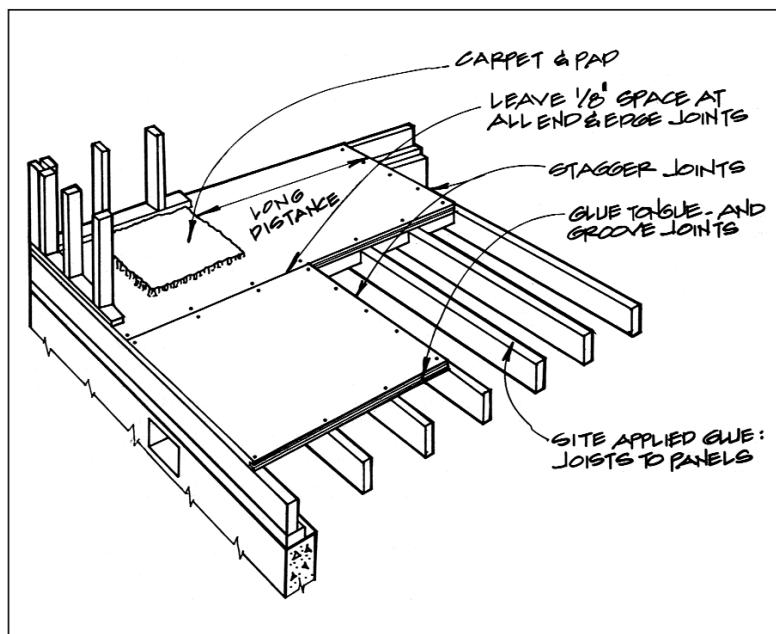
Bresnick thinks that as long as code minimums live up to their performance requirements, the Code Plus program isn't necessary. Bresnick is still smarting from recent code battles that would require fire sprinklers and smoke alarms in residences, and he feels that programs like Code Plus have a way of becoming mandatory. He worries this could drive up the cost of housing.

John Rose says code officials

have already "been coming to the APA asking for recommendations for structural panels." Rose says recent changes in building codes point to this trend. The Southern Building Code Congress International Inc. (SBCCI) "Deemed to Comply" manual requires structural sheathing from the mud sill to the top plate in wind-prone areas. And he says that the International Conference of Building Officials (ICBO), used in the West, has a similar manual under preparation that will require structural panels. ICBO's concerns are wind loads and earthquakes.

Builders don't pay anything to enroll in the Code Plus program. The cost is in adopting APA recommendations for construction and using only APA products to build the structural shell. For more information, contact the American Plywood Association, 7011 So. 19th St., P.O. Box 11700, Tacoma, WA 98411-0700; 206/565-6600.

—Keith Ginnodo



The Code Plus program sets standards for floor, wall, and roof sheathing that go beyond the code.

Products for Handicapped in Catalog

Builders looking for products for elderly or handicapped clients will find many of them in *Enabling Products: A Sourcebook*. Recently published by the Institute for Technology in conjunction with the Massachusetts Housing Finance Agency, the 116-page catalog provides photos, descriptions, and specifications of accessibility-oriented products ranging from dishwashers to doorbells, closet organizers to climate control systems. The problem areas of kitchen and bathroom are especially well-represented, with over half the book being taken up by those sections.

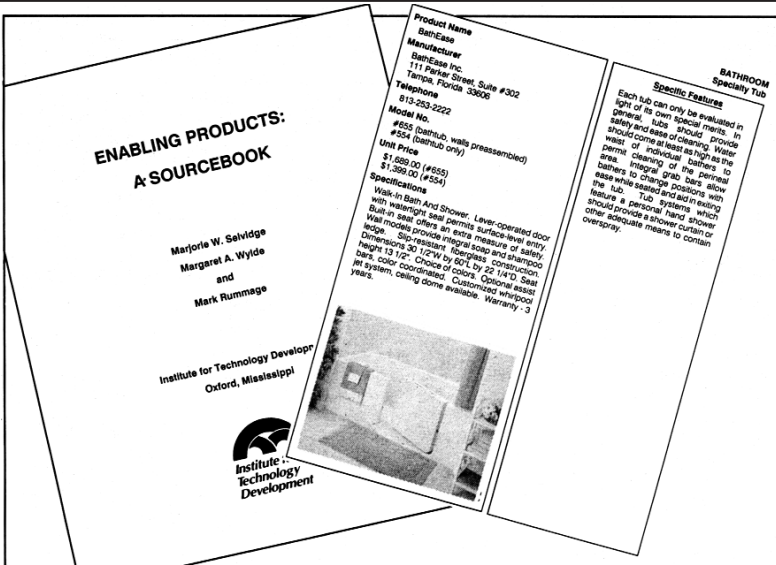
Many of the products shown in the catalog make sense not just for the elderly or handicapped, but for anyone interested in safety and ease of use. Handrails in the bathroom increase safety for everyone, for instance, and lever-type door-

knobs will be as appreciated by the heavily gloved as by the arthritic.

Of course, some of the products, such as the walk-in "Bath-Ease" tub with a watertight door in the tub wall (see photo), will be most appropriate for those with limited mobility.

Each product in the catalog gets its own page, with a thorough specification listing, a clear photo, a list of features, model number, price, and manufacturer name, address, and phone number. In addition, the sourcebook's brief introduction outlines design considerations and suggestions for product evaluation for accessible products.

You can buy the sourcebook for \$35 (check, VISA, and MasterCard accepted) from the Institute for Technology Development, 428 North Lamar, Oxford, MS 38655; 601/234-0158. ■



Enabling Products: A Sourcebook was recently published by the Institute for Technology of Oxford, Miss.

Winning the Affordable Housing Game

Five years ago in New England, you could scarcely beg a builder to build what is now termed an "affordable" home—something under \$130,000.

Today, however, affordable homes are the only ones selling reliably, and builder interest is rising. This has been good news for buyers. But as affordable housing funds dwindle all over the country, builders proposing affordable housing projects to towns are finding approvals more difficult to get.

Enter Bill Sketchley.

Sketchley is an affordable housing planner—among other things, he helps builders and developers plan and sell affordable housing proposals to towns. He says it's a job that has gotten a little tougher lately.

Sketchley gives two reasons for this: cuts to the affordable housing financing programs that help drive the demand for affordable housing, and increased competition among builders proposing projects.

Builders hoping to build

affordable housing, says Sketchley, must learn to compensate for both of these factors.

Countering the first—dwindling funds—is mainly a matter of making yourself familiar with the state, federal, and private programs available. Sketchley suggests checking with your state housing authority, with the Federal Home Loan Bank program, and with both your local lenders and bank associations for information on programs.

Finding this information is relatively simple. A bigger obstacle, says Sketchley, is beating the competition. In this market, the proposal that got planning boards excited a few years ago will put them to sleep now.

"There has been a flood of mediocre proposals, as well as good ones, so the towns are getting more picky about which proposals they approve, particularly when a town is giving density bonuses [for affordable housing]. The towns are getting more creative, so the proposal has to be more creative."

Know your market. Sketchley believes the key to this creativity is to know the local environment—both the town's general receptiveness to affordable housing proposals and its particular development needs. "The better the match between your proposal and town wishes, the faster the proposal will gain local support," he says.

Making this match requires some research. Sketchley suggests several measures: Meet with planning board members to find out how other proposals fared and why. Find out if the town has a local housing plan, so that you can tailor your project to it. Talk to local representatives to see both what the housing needs are and what other needs the town has that you might help meet.

Sketchley knows of one successful proposal that included building a day-care center; another went through more easily because the developer offered to rehabilitate a nearby ball field that had gone to seed.

Sketchley also suggests identifying a constituency of potential residents that will benefit from

the housing, and if possible, enlisting their support.

"It's smart to do an actual survey—perhaps through a local church—of how many people there are who might be ready and willing to move in. If those people are willing to come to the zoning board and say their families can use this housing, you have shown you're meeting a legitimate need and building for real people. It's a lot harder for an abutter to look those people in the face and vote against the project."

Finally, don't ignore the aesthetic and land-value concerns of immediate neighbors and of the general public. One of their biggest concerns will be "What will it look like?"

Make the pitch well. In this age of marketing, towns are looking for a good proposal well-presented. And this, says Sketchley, is where smaller builders stand to get creamed by their larger competitors who can devote more time to developing a presentation.

"For some reason, the idea of giving a reasonable sales job

doesn't hit a lot of small builders right. But the one who comes in and makes a good presentation will get the most ear from the locality."

Sketchley says this doesn't necessarily mean hiring someone else to do the presentation—in fact, he suggests doing the presentation yourself and keeping it simple, with a few visual aids such as plans mounted on poster boards. More important than glitz is anticipating and accommodating objections while keeping the focus on what project has to offer.

"Be sure that while you're busy fending off the questions about curb cuts and septic systems, you don't let it get lost that the purpose of the development is to meet a demonstrated need in the community," he says.

All this takes time and energy up front, says Sketchley, but will save that time and much more—as well as money—later if the proposal moves smoothly through the approval process. And that will mean meeting everyone's needs—yours as well as the town's—that much more quickly. ■

Lenders Must Say Why Business Loans Rejected

Builders and remodelers grossing less than \$1 million a year have a right to be told why a business loan application was rejected, and they must be informed of that right by their lender.

The Equal Credit Opportunity Act, recently passed by Congress and enforced by the Federal Reserve Board, which regulates banking, stipulates that lenders remind small-business people that they have the right to know why a loan was not granted.

Many operators of small businesses didn't know they had such a right, says Mark Serepca of the American Bankers Association.

According to a lawyer at the Federal Reserve Board, suppliers can continue to reject credit without stating reasons. For instance, a contractor who seeks credit from a lumberyard to buy materials can-

not legally demand a reason for being turned down. But a bank that rejects that same contractor for a loan to buy those materials must supply the reason within 30 days of a written request. The written request must be made within 60 days of rejection.

Lenders need only give reasons for rejecting applications, not for dismissing the possibility of a loan during an informal inquiry. Borrowers will most likely have to spend the loan application fee and fill out the requisite forms to be eligible for a written explanation of a rejection.

For builders and remodelers doing business as individuals, the line between personal and business loans can blur. But the law makes it clear that it extends beyond corporations and partnerships. Under the new rules, a loan

sought by an individual for primarily business reasons—to buy a truck, for instance, or other equipment—can be classified a business loan. That makes it necessary for the bank to explain the procedure for obtaining the reasons a loan was rejected.

"In real practice, on a business loan application, there's a lot of discussion," says Serepca. "The reason is often apparent by the end of the application process." Still, he says, a small-business owner will have the right to get that reason in writing, and the lender will explain in writing how to get it.

Congress ordered the change when small business owners said during hearings that they had no idea they were entitled to know why their loan applications were rejected. ■

Tax Talk

Transfer Your Business And Still Keep Control

By Irving Blackman

Do you own a closely held family business? Then I want an honest answer to a tough question. Are you willing to turn over control of your business to one or more of your kids?

After 35 years of working with owners of small businesses who want to transfer ownership of the business to their children, I know one thing for sure. Almost all owners (19 out of 20 to be exact) are not willing to give up legal voting control of their business until they retire completely or die.

The typical owner of a family business usually has two basic goals—transfer the business to the kids and pay as little in taxes as possible. And, of course, complete the transaction without giving up voting control.

This may sound like the impossible dream, but it can be accomplished.

But first you must get around some very technical law found in Section 2036 of the Internal Revenue Code. Either you satisfy this section of the law legitimately, or it will beat you.

Say you sell or give your business to your kids over time so you can reduce your estate tax. If you violate Section 2036, the Internal Revenue Service (IRS)

will tax your business in your estate at its fair market value on the day you died, even though you had not owned the business for many years.

Here is a simple method that we use in our office to help a family-business owner transfer his business, yet keep voting control. The owner changes all of his common stock into two types of common stock—voting common stock and nonvoting common stock. This transaction is tax-free and works for both C corporations (tax paying) and S corporations. The owner then sells or gives (the most often-used method) the nonvoting stock to his kids and keeps the voting shares. The owner can own as little as 1% of all stock and still retain 100% of the voting control.

This method satisfies Section 2036(b) fully. It will not violate Section 2036(c) if you have a professional tax adviser lead you through a somewhat complex maze. It is essential to get a competent adviser to explain the traps, exceptions, and opportunities available in this difficult but manageable section of the law. ■

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