

EIGHT-PENNY NEWS

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N.E. builders keep busy during slump

Three years ago, Steve Cruickshank co-owned a New Hampshire seacoast building company that had 23 employees and completed several high-end custom homes a year. When he left the firm to go out on his own, he knew he'd work less — in fact, that was part of the plan. But he didn't expect to become, as he now jokingly calls himself, "Bathroom Man."

"I've done three bathrooms since this summer and have two more coming up," he says.

Like other builders, his customers are just renovating what they have.

"Unless they [customers] know you real well they're asking for 3 or 4 bids. I had a woman last week who wanted shelves put in a pantry. We're talking about a couple of 1x12s and some furring strips. She was taking bids for it," he says.

Cruickshank didn't bother placing a bid on that job. But like many builders in New England, he's not walking away

from too much else these days.

Being less selective is just one of the strategies New England builders are using to stay afloat during the current recession. Many custom builders are filling in the gaps with renovations, additions, and other small jobs they would have turned away a few years ago.

Most builders have streamlined their operations in other ways. Some of these steps have been painful, while others have increased efficiency and trimmed fat. They have laid off both bad and good workers. Squeezed by an increasingly competitive bidding atmosphere, they've become more competitive themselves in seeking bids from subcontractors, sometimes even asking them outright to lower bids. They have sought and found less expensive suppliers. Many who turned administrator during the busy times are now out swinging hammers again. And a few builders are responding aggressively,

by advertising more, hoping to take a bigger share of the shrinking market.

Layoffs have been the most common survival step. Virtually every builder has let go of at least a few employees. For instance, Toby Eaton, who designs and builds custom timber-frame homes in Sandwich, N.H., released three of his eight employees over the last two years. Eaton says that this was in part a blessing, since it let him pare his crew down to the best workers.

But other builders have laid off their entire staffs. They now sub out virtually everything, often to former employees. That strategy is used by two New Hampshire builders, Doug George of Dover and Chip Breault of Rye. George employed 12 people during the mid-1980s, and Breault once coordinated the efforts of 23 employees, including over a dozen carpenters, several painters, and two office people.

Both have now cut down their work forces to the bare minimum: in Breault's case, to his partner John Sexton and himself; in George's case, to himself, a project manager to

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Industry's rough image needs polishing

The construction industry has an image problem that could turn into a labor problem.

According to a recent survey, young people perceive the building trades as unsafe, dirty, and uncreative. Construction workers are described by the grade school and college age survey respondents as lacking prestige, respectability, and education.

"They're bums, people that didn't get through high school and are just looking for a job that they can go through easily," according to one 17-year-old survey respondent.

The survey was sponsored by the Construction Industry Workforce Foundation (CIWF), an affiliation of about 19 industry associations dedicated to attracting entry level and skilled workers to the con-

struction trades.

While the results of the survey were disappointing, they were not unexpected, said John Heffner, director of manpower and training services for the Associated General Contractors and a CIWF representative.

"Kids don't realize the amount of training a carpenter or a subcontractor needs. They figure these guys just show up on the job with a hammer and that makes them a builder," said Heffner.

In response, CIWF is developing a series of videotapes that will show the skills, talents, and intensive training required of the industry's craftsmen. The tapes, which are scheduled for distribution this spring, will be sent to schools,

youth groups, and local builder associations. Eventually, the foundation hopes to develop a complete image campaign, including advertisements, informational brochures, tours of building sites, and lectures.

The demand for construction workers is expected to increase significantly within the next 10 years, according to the U.S. Department of Labor. At the same time, there will be a decline in the number of 16- to 24-year-olds available to fill entry-level jobs. Shortages are already a problem in many parts of the country. In addition, the construction industry must compete with other industries for the shrinking labor pool.

Based on many of the com-

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Wetlands identification rules revised

U.S. Army Corps of Engineers is expected this month to release technical revisions to its two-year-old field manual for identifying wetlands.

Under the revised manual, fewer properties are expected to fall under wetlands regulations. Originally, the manual increased the amount of property considered wetlands.

Michael Davis of the regulatory branch of Corps noted that neither the original manual nor the revisions alter the legal definition of wetlands.

"The definition of wetlands spelled out in the 1977 law has not changed," he said.

But interpretations of that definition, which is about a paragraph, varied among Corps regional offices. In 1989, the U.S. Army Corps of Engineers, and the Environmental Protection Agency (EPA), joined with U.S. Fish and Wildlife Service and the Soil Conservation Service in publishing the *Federal Manual for Identifying and Delineating Jurisdictional Wetlands*. The purpose of the manual was to standardize the method of identifying wetlands, Davis said.

"There had been a lot of potential for interpretation of three very general parameters [used to identify wetlands]. The manual provides some direction," he said.

To qualify as a wetland an area must contain: specific types of vegetation, waterlogged soils, and wetlands hydrology, which means the area is flooded, at least occasionally.

For instance, the manual broadens the variety of plants that indicate a wetland. Previously, only "obligate" plants, which are found in 99% of all wetlands, could satisfy the vegetation criterion. Obligate plants include cattails and

water lilies. Following the manual, however, "facultative" plants could also indicate a wetland. These plants include more common species such as weeping willows and pin oaks.

While there is no tabulation of lands regulated before and after the manual's publication, government and industry sources agree that more land required wetland permits after the manual was published.

"It's hard to assess the affect of the change [in acreage] because we do not have a good assessment of the amount of wetlands out there," said Phoebe Schlanger, environmental policy consultant for the National Association of Home Builders.

Davis said that the effect of the manual on the amount of land subject to regulation depended on the region.

"In areas where the methods described in the manual were already being done there was no change, but in others there have been increases," he said.

He added that another purpose of the manual and the revisions is to dispell some misconceptions about wetlands protection.

"Because an area is identified as a wetland, does not mean it cannot be developed. It means that a permit is needed," he said.

Securing a permit can be both expensive and time-consuming for builders.

During the permit process, it is determined whether altering the wetland can be avoided, the environmental value of wetland, and a possible compensation for its destruction, such as adding a retaining pond. Davis said that despite the rigorous process about 95% of all permits for wetland development have been granted.

— Lewis Lorini

'90s look better

Despite the slowdown in the growth of new households, housing construction activity will still increase in the decade ahead according to a recent report by the Joint Center for Housing Studies of Harvard University.

Demand from the nation's affluent homeowners for bigger and better housing will bolster new construction: builders will construct fewer homes than in the 1980s, but the average size, quality, and value of the homes

that are built will continue to increase.

Strong trade-up demand should also support further growth of the renovation and repair markets as some owners choose to improve their current homes rather than move.

A key element in this outlook is the fact that more than half of all baby-boom families are already homeowners. Indeed, many purchased their homes in the late 1970s and have benefited from steep price appreciations. ■

Keeping busy,
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run jobs, and an office manager.

Both men say the layoffs were tough decisions. But cutting payroll expenses allowed them to concentrate on landing quality contracts instead of simply keeping everyone busy. Despite tough bidding environments, both companies have managed to land some of the few custom-home contracts being signed in southern New Hampshire.

Doug George has also responded to the slow times by upgrading his marketing and advertising efforts. "I'm spending \$10,000 on marketing and advertising," he says. "I can't spend enough to change the economy, but I can spend enough to increase my market share."

George started by hiring a consulting firm to do a marketing survey. The firm's findings led to several adjustments. One was to change the company's name from Conserve Associates to Doug George Homes, because the survey found his name had better recognition than the firm's.

George also developed several new marketing tools. These included flyers describing George's approach to superinsulated home construction and an audiocassette tape that combined information about superinsulated construction with

interviews with some of George's past clients.

But for every established builder with Doug George's resources, there are several Steve Cruickshanks — experienced, qualified builders who found themselves in transitional situations when the construction market began collapsing in late 1988 and 1989.

Rob Kurnit, for instance, left a successful renovation and cabinetry partnership in Cambridge, Mass., in early 1989, to move to the western Massachusetts town of Northampton. Without the word-of-mouth referrals that fed his business in Boston, he suffered more from the construction downturn than he might have otherwise, despite an impressive portfolio and many years of experience. Since moving to Northampton he has often had to travel to his jobs, which come sporadically.

Kurnit, like many builders, tries to look on this slow time philosophically. "There are a lot of people a lot worse off than me," he says.

And Sandwich, N.H., builder Toby Eaton — perhaps because he is still relatively busy — even finds a bright side to the downturn. "At least I'm not working the seven days a week I did before. The pace of life is better."

— David Dobbs

From What We Gather

The fledgling Association of Self-Employed Tradeswomen is planning two meetings for early 1991.

On January 20, the group will meet in Boston, and on April 7, in Philadelphia.

The organization is based in Chatham, N.Y., where it was started a little more than a year ago to provide professional support to self-employed women working in the various construction trades.

For information contact, Janice Goldfrank, Octagon Custom Builders Inc., P.O. Box 146, Chatham, NY 12037; 518/392-5806. For directions to the Boston meeting, contact Joyce Harper at 617/288-9828.

Most second homes owned by the richest people in America are located in just 10 areas of the country, according to a survey of the 1988 Social Register. The most popular spots include the coast of Maine, Cape Cod, Mass., the Hamptons on Long Island, N.Y., the Rhode Island coast, and the eastern coast of Florida.

The 1990 edition of the **Kitchen & Bath Source Book** promises to be the one-stop source of product information for remodelers and custom-home builders.

The more than thousand-page volume contains specifications, descriptions, and color photos of a wide variety of kitchen and bath components.

The 1990 edition retails for \$25. The two-volume 1991 version, which is expected by March, can be purchased for \$30. For more information, contact Maxwell Business Communications, 3901 West 86th St., Suite 330, Indianapolis, IN 46268; 800/542-1669.

Employment growth during 1989 and 1990 was concentrated in the West and South, according to a survey by M/PF Research Inc. of Dallas. The highest increases were noted in Las Vegas, Riverside, Calif., Seattle, Orlando, Fla., and San Diego, Calif.

It isn't safe for babies to eat grass treated with pesticides made by ChemLawn Services Corp., or at least the company can't say so in New York. In an agreement approved by the New York State Supreme Court, ChemLawn can no longer advertise its product as non-toxic and harmless. One such ad claimed, "a child would have to ingest 10 cupfuls of treated clippings to equal the toxicity of one baby aspirin." ■

Industry's image,
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ments in the survey, changing the industry's image will be tough. For example:

- "You have to know how to manage your money because you don't know when you're going to work," said a community college student in Philadelphia.
- "They're mad. They work hard and have to wake up early. They have to lift all that stuff — I would be mad, too," commented an eighth grade student in Durham, N.C.
- "Fat slob, whistling at girls," said a ninth grader in St. Paul, Minn.

The survey also found the industry especially forbidding to women and minorities. For instance: "It's embarrassing if your mother's a plumber or something. It just doesn't sound so good," said a tenth grader in Philadelphia. Other students expressed concern that sexism in the construction industry is more overt than in other types of businesses.

While many of the black students who were interviewed felt they had an equal chance of getting a job in the building trades, most Hispanic students felt otherwise. "Hispanics are discriminated against basically because of their appearance," according to a twelfth grader in San Jose, Calif.

Yet the labor department predicts that as many as half of all new entrants to the work force will be women, minorities, and immigrants.

While the survey drew a lot of negative comments, the students did see some positive aspects of the building business. For instance, architects, designers, and engineers command respect because of their advanced education. Some students liked the idea of working with their hands and creating structures.

Noted an eighth grader in Philadelphia: "If it weren't for construction, we wouldn't be in this building right now." ■

Tax Talk

Taking the hocus pocus out of the estimated tax game

By Irving L. Blackman

Taxes are tricky enough to compute when annual income is known. But many self-employed people must pay taxes based on what they think they will make. Before you even know your tax liability, you must guesstimate liability and pay that amount.

According to these strange rules, your estimated payments, plus the taxes withheld from your salary, must equal 90% of the total tax due. Don't fall short or you will be socked with a 9% nondeductible penalty on the underpayment (the rate floats up or down depending on market interest rates). The penalty is imposed on a quarterly basis, so if your first estimated payment isn't enough, you can't make up for it by paying more the next time.

Do you need an accurate crystal ball to avoid the penalty? Not really. There are still a few tricks that protect you from the penalty, even if you miss the 90% mark. The easiest way is to make sure your combined withholding and estimated tax payments equal or exceed the tax shown on last year's return. Then, no matter how high your taxes are this year, you escape the penalty.

There is also a way to avoid the penalty if you receive most of your income late in the year. You can estimate payments by "annualizing" your income. Here is how it works: First, figure your income for the year up to the end of the first three

months. Then, base your estimated tax payment on the annualized amount.

For example, your income for the first three months of the year is \$20,000. This gives you an annualized income of \$80,000. Therefore, you pay estimated tax for this time period that would be due from a person with an \$80,000 income. Repeat the process after five months and eight months; recompute your annualized income, and adjust your quarterly estimated tax payment accordingly.

What if you find out near the end of the year that your estimated tax payments to date have been too low? You can't avoid the penalty by making a larger estimated tax payment for the last quarter, but there's one rabbit left in the hat: File a new W-4 Form directing your employer to withhold from your regular paycheck or year-end bonus the amount needed to avoid the penalty. This is a trick that every business owner who is also a corporate employee should remember.

Why does this work? Because withholding taxes are presumed to be paid equally throughout the year. For instance, \$4,000 of extra withholding in December is counted as having been paid \$1,000 in each quarter. It only looks like magic, but the maneuver is perfectly legal. ■

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For those holding out for a free estimating program, your wait may be over. While *Estimate Writer* software is not exactly free, its \$3 price tag is darn close. The software packaged with the 1991 *National Construction Estimator*, a reference book published by Craftsman Book Company, has a total price of \$22.50. The book alone is priced at \$19.50. The *Estimate Writer* can be used essentially like the book, but instead of flipping pages to find prices, you can ask the computer to list them. The program, which works on IBM-compatible computers, is relatively easy to learn with pull-down menus and on-screen directions. While the program is capable of producing a complete estimate, unlike more sophisticated (and expensive) programs, it is not very flexible. For more information, contact Craftsman Books, 6058 Corte del Cedro, P.O. Box 65000, Carlsbad, CA 92008; 619/438-7828.

Converting units of measure, calculating trigonometric formulae, or just adding up the receipts is a snap with *Math Plus*. The RAM-resident software program is essentially a calculator that was designed for the construction industry. It retails for \$69. For more information, contact Racine Technologies, P.O. Box 477, Alpine, CA 92001; 619/445-3692.

Computer Bytes:

