

# NOTEBOOK

NOVEMBER 2001

EDITED BY JON VARA

## Big Builders Face Media Scrutiny

**A**lthough 60% of all home builders construct ten or fewer houses each year, large production builders are unquestionably the dominating force in the industry as a whole. In fact, it's been estimated that about 70% of the homes built in the United States each year are turned out by just 7% of the builders. Despite a softening economy, housing sales have remained strong, and industry giants like Pulte, Centex, and KB Home (formerly Kaufman and Broad) have been enjoying record sales and profits.

But in recent months, the reputations of several large builders have been tar-

nished — some would say smeared — by media allegations of misleading sales practices and poor quality.

**Television and newspapers.** Last spring, for example, Pulte Homes was the subject of a *Dateline NBC* television report about two South Carolina homeowners who claimed to have problems getting repairs made on their new home under warranty. The story alleged that Pulte's warranty prevented the homeowners from suing the builder and gave the builder sole power to decide when defects in the home had been satisfactorily repaired.

A few weeks later, the *Boston Globe* ran a prominent four-day series about Toll Brothers, a Pennsylvania-based builder of luxury homes with several developments in the Boston suburbs. The series reported on a wide range of alleged defects, including missing roof trusses, foundations poured on uncompacted soil, and brick veneer laid without air spaces or weep holes. Also singled out were practices that apparently met code but were seen as inconsistent with what a buyer might reasonably expect to find in a luxury

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## Homeowners Wary of Green Fir Lumber

**I**t's long been known that green fir framing lumber — the preferred material for residential framing in California and other western states — tends to develop areas of surface mold during shipping, especially in summer. Because the mold dies as the wood dries to its indoor moisture content, there's never been any reason to see that as a problem. But public concern about toxic mold, fed by sensational news stories and a growing number of lawsuits, has lumber producers and builders wondering whether it's time for a change.

One executive with a large Oregon lumber producer notes that he has already fielded calls on the subject from retail customers. "They worry that their child will get asthma and their house will fall down," he says. "That's nonsense, but you've got to listen to what your customers say, whether their complaints are valid or not."

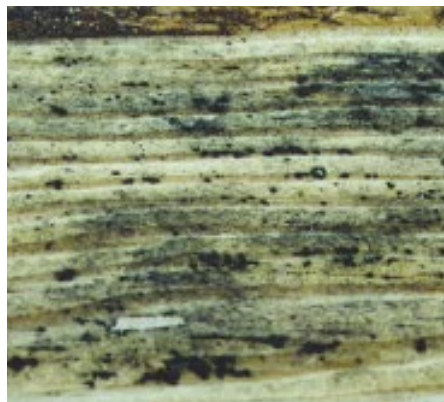
Mike Thelen, a sales manager with Crown Pacific Lumber in Eugene, Ore., has heard similar concerns. "It comes right up the supply chain, from customer to contractor to lumberyard to mill," he says.

Thelen notes that there are two ways to solve the perceived problem. One is to go to kiln drying, which reduces the lumber's moisture content to a level low enough to prevent mold from developing. A second is to spray freshly planed green lumber with a mold-inhibiting surface treatment before it leaves the mill.

Either method, however, means increased production costs:

A surface-treatment apparatus can cost up to \$50,000, not including the continuing costs of the necessary chemicals. Kiln drying is even more expensive, although it also has the potential to reduce costs by reducing the number of nail pops, bowed walls, and other callback-generating defects associated with green framing.

The lumber industry, Thelen believes, will follow the lead of large production builders, who have the buying clout to make their preference felt. "Right now we've got some developers saying, 'Hey, we don't need the aggravation [that comes with using green lumber],'" he says. "I think the industry is going to shift to treated or kiln-dried lumber within five years."



**Home buyer concerns about surface mold on green fir lumber — visible here on the wide face of a 2x4 — may prompt northwestern lumber producers to begin kiln-drying dimension lumber or applying mold-inhibiting surface treatments.**

**OFFCUTS**

**A California organization wants to ban the cutting of any tree in the state that began growing before 1850.** The proposed ban would apply to all state-owned forests and private land, but not federal land. The Citizens Campaign for Old Growth Preservation hopes to put the initiative on the state ballot for next year, giving California voters the final say.

**The National Institute of Occupational Health and Safety (NIOSH)** has put roofing asphalt on its list of possible occupational carcinogens, according to a report in *RSI* magazine. Although NIOSH has no regulatory powers, some in the roofing industry fear that the listing could eventually lead to restrictions on the use of built-up roofing.

**The Dow Chemical Company has purchased Celotex Corporation's rigid foam insulation business.** The purchase includes a number of former Celotex product brands, such as Tuff-R, Super Tuff-R, Sturdy-R, and Thermax Insulating Sheathing; HY-Therm Nail Line Roof Insulation; Celovent Insulated Shingle Deck, and Tuff-Wrap Air Infiltration Barrier. The Celotex Corporation will retain the Celotex name.

**BuildNet has filed for Chapter 11 bankruptcy.** The Internet-based provider of builder management software had been losing money steadily while trying to sell off its subsidiaries.

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home, such as the use of 1/8-inch foil-faced Thermoply sheathing — a cardboard-like material — rather than plywood or OSB.

**Web woes.** Especially worrisome to production builders is the growing popularity of what might be described as anti-builder websites. Rather than posting an angry sign on the front lawn, a disgruntled homeowner now has the opportunity to reach a much wider audience by broadcasting his or her grievances to millions over the Internet. Some sites take aim at specific builders. At least two sites — Homeowners Against Deficient Dwellings ([www.hadd.com](http://www.hadd.com)) and Homeowners for Better Building ([www.hobb.org](http://www.hobb.org)) — provide homeowners with a forum to sound off against any builder they care to name.

Buzz Hoffman, a production home builder who works exclusively in the Chicago area, believes that the number of complaining homeowners nationally seems to be increasing. "People are feeling more entitled to do things that are off the wall," he says. "It hasn't affected us, but it scares the hell out of me."

**Sense of scale.** Not surprisingly, builders who have been targeted by the media tend to denounce the coverage as biased, incomplete, or deliberately misleading.

"The *Globe* report really stretched journalistic ethics," says Toll Brothers spokesperson Kaira McCarron. "The reporters went around knocking on doors, literally badgering people and encouraging them to come up with anything to complain about." What was absent, she maintains, was a sense of scale. "At that point we'd built 1,200 houses in New England, and they only came up with six or seven families who had had problems. Those are just isolated incidents."

But other industry insiders feel that too rapid expansion and a shortage of skilled subs may be causing real quality-control

problems for some production builders.

Pete Fowler, a California general contractor and construction defects consultant, questions the qualifications of some of the subs in business today. "In a hot market, it's not the great craftsmen who end up in business as subs," he says. "You've got to take who you can get, but I've talked to builders who have had subs tell them, 'If you're going to make me do it right, I'm outta here.'"

**Small is beautiful.** As smaller-scale custom builders and remodelers know, production builders have some important advantages in the marketplace, including economies of scale in purchasing, efficient project management, and the ability to streamline production in light of the experience gained in building the same details and designs time and time again.

But as recent events suggest, the big guys also face some major liabilities. When a production builder has a quality problem, it's likely to affect a large number of houses — which, combined with the perception that big builders have correspondingly deep pockets, is a reliable recipe for a class-action lawsuit.

Production-home buyers, moreover, may unconsciously sow the seeds of their own dissatisfaction. Because they tend to treat shopping for a new home like shopping for a new car or major appliance, builders respond by emphasizing curb appeal and eye-catching interior amenities like jetted tubs and granite countertops. What such buyers may not realize until later is that the money for such things has to come from somewhere else — out of the sheathing budget, for example — even if the overall quality of the home suffers as a result.

Small builders aren't immune from those kinds of pressures, of course. But because custom home and remodeling customers are usually much more directly involved in the building process, there are many more opportunities to educate them about what quality building really means. In the long run, time spent in doing that is time well spent.

**OFFCUTS**

**A group of engineering students spent last summer shooting 2x4s** into exterior walls from an air cannon, according to a report on NPR's *All Things Considered*. Under the direction of Tim Reinhold, an associate professor of civil engineering at Clemson University in South Carolina, the researchers are simulating the effect of flying debris during a hurricane. Commented NPR's Linda Wertheimer, "Isn't this a kind of boys-with-toys moment? You're down there by the beach, you're shooting off cannons, you're smashing up houses. I think you may be having too much fun." Professor Reinhold responded, "That's entirely possible."

**A British builder discovered 430 gold and silver coins** while renovating a home in Bideford, Devon. The 16th-century coins, which include nine gold sovereigns, were discovered among the foundation stones by builder Trevor Fishleigh, who gave the coins to the homeowners. Fishleigh told the BBC, "I just moved a bit of earth, and I thought that probably my eyes were deceiving me. Then I thought that knowing my luck, it was probably a load of washers." The coins are valued at about \$65,000.

**The National Electric Code has been changed** to permit the use of non-metallic sheathed wiring in apartments of up to five stories. Until the change, which will take effect in the 2002 edition of the code, the use of non-metallic sheathed wiring was limited to apartments with three stories or fewer.

**Housing officials in Napa Valley, Calif.,** have erected 12 yurts to house migrant farmworkers. The yurts cost \$130,000 total and were purchased by the Napa Valley Housing Authority to address the area's acute housing shortage, which has forced many seasonal vineyard workers to sleep in cars or under bridges. The tent-like yurts include foam wall insulation, vinyl roofs, and electric lights.

## Unvented Fireplace Controversy Roils Ventilation Committee

**F**or the past four years, a committee appointed by ASHRAE (American Society of Heating, Refrigeration, and Air Conditioning Engineers) has been developing a new residential ventilation standard. The proposed standard, ASHRAE 62.2, was first released for public review in early 2000 (see *Notebook*, 6/00). After reviewing comments, the committee revised the standard and released it for another round of public comment in August 2001. The changes from the previous draft include:



- Carbon monoxide detectors are no longer required.
- Although mechanical ventilation will still be required for most homes, it can be omitted in homes where windows are often left open: vacation homes, hot-climate houses without air conditioning, and houses located in regions that are both hot and dry (including the Southwest and most of California).
- The scope of the standard has been limited to houses without unvented gas fireplaces.

The committee's thorniest debates revolved around unvented gas heaters. "Previous drafts of the standard included requirements that addressed unvented appliances, and the gas appliance manufacturers were quite upset about that," says committee chairman Max Sherman. "On a policy level, ASHRAE instructed us to work with the appliance manufacturers until they were happy."

Most committee members wanted to require exhaust ventilation from rooms with unvented heaters. "Virtually everybody on the committee knows that it is ludicrous to put one of those devices indoors without providing a way to get the combustion products out of the house," says John Proctor, a member of the Standard 62.2 committee and president of Proctor Engineering Group in San Rafael, Calif. Groping for a solution that would satisfy the Gas Appliance Manufacturers Association, the ASHRAE board simply decided to ignore the issue. In the "Scope" section of the standard (the section that defines what the standard covers), a new sentence was added: "This standard does not address unvented combustion space heaters."

To many observers, this statement is far from clear. "The standard is silent on the issue of unvented gas appliances," explains Sherman. "We are not saying what will happen if you have such an appliance in a house." Proctor would have preferred that the standard provide guidance on the issue. "For political reasons, we left a big hole in the standards," he says.

Jim Hill, the chairman of the ASHRAE board policy committee on standards, noted that lobbying by manufacturers can be intense. "We have a large number of organizations come in and express their opinion in a way that causes ASHRAE a great deal of agony," he says. Joe Lstiburek, a Standard 62.2 committee member and building science consultant, says that the committee negotiations left a bad taste in his mouth. "This is not based on physics and logic, it is based on politics," says Lstiburek. "It means that anyone who has money and lobbies vigorously will get their way."

## BUSINESS TUNE-UP

### Your Best Business Adviser May Be Closer Than You Think

by Melanie Hodgdon

A builder's spouse typically has a wealth of information about the bad habits and poor business practices that eat up that builder's time and profits. Unfortunately, there's so much other baggage between husbands and wives that that sort of information is often left unexpressed. Many spouses have told me that keeping their marriage intact is more important than "fixing" the business. Rather than nag (follow up leads more promptly, don't go to the lumberyard without a list, call subs at night and plan for tomorrow instead of in the morning, call the office at lunch to pick up your messages), they watch in silence as much as they can.


I have some important advantages when it comes to breaking this sort of logjam: I'm objective, I have no prior relationship with either partner, and I charge enough to ensure the client's undivided attention. But I also have a simple bag of tricks that helps ease the flow of information between partners, which may be useful to a contractor and spouse who are prepared to evaluate their business practices without an

intermediary:

1. Make it clear that no one's viewpoint is sacred. I begin meetings with new clients by saying, "You've hired me to improve the company. Whatever I say is designed to help the company, not protect somebody's ego." This sort of declaration puts all that follows in the context of the business, rather than on how it might personally affect the participants.

2. I use the framework of generating a flow chart of company procedures for the discussion, starting with the initial call from a prospective client and ending with the punch list and final payment. I start by saying, "Okay, the phone rings and it's someone with a project they'd like you to do. What happens next?" Within the context of learning about company practices, I am able to identify both good and poor practices and find out who's responsible for them. Because the focus is on the developing chart, rather than the personal failings of either partner, it's easier to concentrate on problems and possible solutions.

3. No matter who's making most of the suggestions, I make sure that my clients get credit for the things they are doing well, even if that means maneuvering one participant into paying the other a compliment, or paraphrasing something positive that the other said. Nobody wants to believe that everything that's wrong with the business is his or her fault.

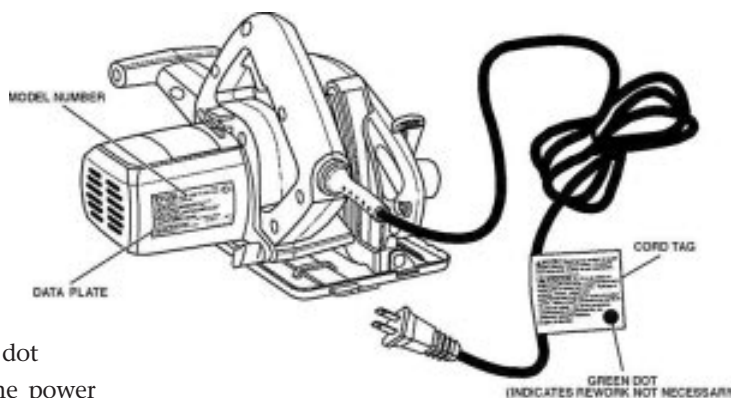
In short, if you're going to invite objective comments, you must be willing to receive them objectively. When a habit, personality trait, or business practice is counterproductive, its discovery should be the first step in a joint move toward improvement. That can lead to increases in productivity, team spirit, and profitability. All you need to do is ask. But you have to be prepared to listen, identify what should be changed, and then commit to the change. 

*Melanie Hodgdon is an organizational and business consultant in Bristol, Me., who works with contractors around the country.*

### Ryobi Recalls Circular Saws

Ryobi Technologies of Anderson, S.C., has announced the recall of several of its 7 1/4-inch circular saws, all of which incorporate blade guards that can stick in the open position. The recalled saws — model numbers CSB120, CSB130, CSB1308, CSB130K, and CSB130JS — were sold in hardware stores and home centers and from catalogs nationwide from October 1998 through July 2001. Later versions of these saws have a prominent green dot on the warning label (which may be attached to the power cord or included in the packaging) and are not included in the recall.

For a free repair kit, call Ryobi at 800/867-9624, or go to the company's website at [www.ryobitools.com](http://www.ryobitools.com). The company can be reached by mail at Ryobi Technologies Inc., 1428 Peraman Dairy Rd., Anderson, SC 29625.



**Sticking blade guards have prompted Ryobi to recall some 7 1/4-inch circular saws for repair.**