

NOTEBOOK

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EDITED BY JON VARA

Builders Remain Optimistic in Uncertain Economy

The U.S. economy contracted slightly in the third quarter of last year, and by the time you read these words, it's all but certain that the fourth-quarter figures will show a further decline. As economists define the term, that means the economy will officially slip into recession for the first time since 1991. How bad will it get, and how will it affect builders?

End of an era. The current downturn marks the end of the single longest period of economic expansion in post-war history. But for now, most economic forecasters — including NAHB economist David Seiders — predict that

the slump will be relatively mild and short-lived.

If the economists are right, the worst may already be over. Late in the fall, Seiders was predicting a shallow recession in the second half of 2001, with an accelerating recovery beginning slowly in the first quarter of 2002.

Whether that will happen, of course, is very much open to question. The ripple effects of the September terrorist attacks are still being felt throughout the economy, and the experts themselves are quick to point out that economic forecasting — an uncertain business in the best of times — is even

less certain under current conditions. Most of the builders contacted by *JLC*, however, expressed cautious optimism about the coming year.

Quieting down. Seattle remodeling contractor Rich Gaspar notes that potential customers seem to be talking about smaller projects lately. "But that didn't just happen on September 11th," he says. "Things were definitely starting to quiet down last summer." Hard times in the high-tech sector have hurt some contractors, including Gaspar. His company recently stopped work on a partially completed half-million-dollar project when "the dotcomer client became a dotgoner."

Even so, Gaspar remains upbeat about the immediate future. "People are hunkering down in their homes," he says. "That's a wonderful thing for remodeling." In the months ahead, he plans to work on "mining the gold of past clients" by approaching them about their current needs. His company's strength, he explains, is in

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Panel Roof Problems in Juneau

Beginning in the early 1990s, several Juneau, Alaska, builders began switching from frame construction to structural insulated panels (SIPs). Recently those builders have been shocked to learn that most of the SIP roofs in Juneau appear to be rotting.

The SIP failures have been investigated by Steve Andrews, who reported his findings in the *SIP Monitor* (617/972-5007; www.sipweb.com). Most of the failing SIPs are 10-inch-thick EPS panels. Typically, the OSB roof decks are topped with roofing felt and asphalt shingles, and finished on the interior

with a poly vapor barrier and drywall.

One of the home inspectors looking into SIP failures is John Cooper, owner of Cooper Consulting Engineers in Juneau. "To put it bluntly, we have a giant mess here in Juneau," he says. "I've looked at 68 residential units with SIP roofs, and all of them but one have rot."

Mushrooms and condensation. The problems came to light when Juneau roofers started noticing mushrooms growing through the shingles on SIP roofs. The failing SIPs were made by at least three different manufacturers and

were installed by at least four, perhaps as many as eleven, different builders.

Because the OSB rot is concentrated along the panel joints, most investigators suspect that the source of the moisture is condensation formed when humid indoor air leaks through panel seams and contacts the underside of the roofing felt. A few engineers, however, think that rather than accompanying interior air, the moisture is diffusing through the panels as vapor.

Rainy weather. Panel manufacturers point out that in Juneau's damp climate,

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OFFCUTS

The Brazilian plywood industry plans to double its exports to the U.S. over the next few years, according to *Random Lengths*. Three Brazilian companies are already producing pine plywood approved by U.S. grading agencies, using the same plantation-grown species used by domestic producers of southern pine plywood.

The National Weather Service has revised its windchill index to more accurately reflect the relationship between wind speed, temperature, and perceived cold. Last winter, for example, an air temperature of 20°F with a 15-mph wind would have yielded a windchill temperature of 5° below zero. Under the new system, the same figures translate to a balmy 6° above zero. Warm clothing is still recommended for those who will be working outdoors this winter.

Two Minnesota construction companies have been fined \$25,000 each in connection with a fatal trenching accident. Bakken Construction and Schmidt Construction, both based in the town of Northfield, were cited for improper sloping and design problems that led a sewer-line trench to collapse, burying worker Richard P. James. The man's sons, who were also working on the job, dug the victim out with a backhoe and their hands, but were unable to save his life.

Deregulation of workers' compensation insurance in California has driven costs sharply higher, according to an article in the *Wall Street Journal*. Price wars among insurers after the 1995 deregulation had initially pushed rates downward, but after years of losses, survivors of the price wars are now said to be boosting rates. According to one quoted source, rates paid by the construction industry rose as much as 50% in 2001, forcing roofing and carpentry contractors to pay up to \$40 in workers' comp insurance for every \$100 in salary.

BUSINESS TUNE-UP

Whose Job Is It?

by Melanie Hodgdon

When it comes to work around the home, my husband and I maintain fluctuating job descriptions. Whoever has to leave earliest in the morning makes lunch for both. I generally do laundry and Ed usually takes out garbage, but when the cat sheds hair on the living room floor, either one of us might whip out the vacuum.

For couples in business, there's a great temptation to view the myriad of tasks associated with running the company in a similar way: Whoever has a piece of free time does whatever needs doing. What works well in a home environment, however, can be disastrous in business. I work with lots of couples, and one of the common sources of discontent and resentment is that tasks have never been "officially" assigned to one or the other partner.

Unlike many household chores (once the dishes are done, they're *done*), business tasks are often closely interconnected. Answering the phone leads to interviewing a prospect, which in turn necessitates filling out a lead sheet, scheduling an appointment, and meeting the customer. Getting plans leads to doing a takeoff, which leads to generating a materials list and ordering materials. That leads to receiving and checking delivered materials, getting a slip for the materials, coding out the items on the slip, entering the coded information into the computer, and paying the resulting bill.

Unfortunately, this lack of boundaries between tasks can make it difficult to define who does what. The wife responds to a phone call, for example, but conducting initial customer meetings is the husband's job. Where does the handoff occur? The husband typically generates materials lists. Either partner could place the order, but the wife is more likely to be entering the information and paying the bill. Again, who is responsible for what pieces of the whole?

One couple discovered that after the wife put the lead sheet information on the husband's desk each day, he would bury it with job-site paperwork. Since he didn't see the lead sheet, he failed to respond to inquiries in a timely manner. The simple solution? To agree that the wife's job *ended* with completing the form and leaving it in a new agreed-upon location. If the husband still missed it, her job was done and the responsibility was his.

So, awkward though it may feel, make out job descriptions and discuss the details of how the handoff should occur. You may find the process of talking things through will help identify trouble spots that can be fixed with similarly simple solutions.

Panel Roof Problems in Juneau

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wet building materials have little opportunity to dry out. Rotting building components are fairly common in Juneau, even in conventionally framed buildings. But so far, at least, stick-built roofs are not failing at anything like the rate of SIP roofs. "It is pretty significant that

cathedral ceiling, but HRVs don't have exhaust intakes up there."

Mike Bryan, division manager of Premier Building Systems, a manufacturer of some of the SIPs used in Juneau, blames the rot problems on installation errors, including poorly installed vapor barriers and sealant. "What we have seen in every situation is misuse and poor installation of the panels," says

Over a hundred SIP homes in Juneau, all less than 10 years old, have rotting roofs. Investigators blame condensed moisture that migrated from the interior of the homes through the panel seams.



WILLIAM HEUMANN

these houses are experiencing such a huge failure rate, because they are relatively new," says Marquam George, assistant professor of construction technology at the University of Alaska Southeast. "We don't see such a high failure rate with truss roofs or framed roofs."

Installation errors? "From what I have seen, I think there are application issues that haven't been followed," says Bill Wachtler, executive director of the Structural Insulated Panel Association. "Good mechanical ventilation is important. That alone would go a long way to preventing problems."

In fact, heat recovery ventilation (HRV) systems were standard in Juneau's SIP homes. "All of the houses had HRVs installed," says Cooper. "But the HRVs were designed for creature comfort, not for structural safety. The hottest, wettest part of the house is near the ridge of the

Bryan. "I just wish they had done a better job of installation."

But if poor installation is the culprit, it remains unclear why so few SIP roofs in Juneau are free of rot. "Most of the Insulspan panels were installed by crews that the factory sent up here," says Juneau builder William Heumann. "They installed the panels themselves, and they're rotten."

Repairing the roofs is costing from \$90,000 to \$120,000 per house. "About half of the homeowners are still waiting," says Cooper. "The only ones under repair are being paid for by the builders' liability insurance." To avoid a recurrence of the roof rot, Juneau's new SIP roofs are being installed with meticulous attention to the interior poly vapor barrier. Moreover, the roof panels are being topped with a vented cold roof system of 2x3s and a second layer of OSB.

Andersen Recalls Window Latches

The Andersen Corporation has announced a voluntary recall of defective tilt latches on about 400,000 windows. The latches can open unexpectedly, causing the lower sash to tip inward. Andersen has received about a dozen reports of the latches malfunctioning, and while no injuries have been reported, consumers are potentially at risk of being struck by a corner of the sash or by shattered glass.

The recall involves only the tilt latches on the lower sash of Andersen's 200 Series Tilt-Wash Double-Hung Windows sold between May 25, 2000, and August 21, 2001. The affected windows can be identified by the Andersen A/W logo etched into the lower-right corner of the glass, by the latches on the top corners of the lower sash, and by the product label on the inside of the upper left corner of the window frame. The recall does not apply to Andersen Builder's Select windows or any other Andersen products.

The company will replace the defective latches in the consumer's home at no charge. For further information, call Andersen at 888/888-7020, or log on to the company website at www.andersenwindows.com.

OFFCUTS

Whirlpool Corporation is recalling 1.8 million microwave-range hood combinations that have been found to over-heat and catch fire. The affected hoods were sold between January 1998 and September 2001 under the Whirlpool, Kenmore, and KitchenAid brand names. For complete information on the recall, call Whirlpool at 800/785-8897, log on to the company website at www.whirlpool.com, or read the Consumer Product Safety Commission release at www.cpsc.gov/cpsc/pub/prerel/prhtml02/02018.html.

Developers in California must prove the existence of adequate water supplies. The new law, signed by Governor Gray Davis in November, applies to projects of 500 homes or more. Unless the local water agency verifies that it has enough water for at least the next 20 years — including long stretches of drought — permits for the development will not be issued.

The Fourth Annual National Green Building Conference will be held in Seattle on March 24-26, 2002. The conference, sponsored by the NAEHB Research Center and the National Association of Homebuilders, will offer educational sessions, an extensive building product exhibition, and tours of local "green" buildings and developments.

A Florida study has found that radiant barrier systems reduce cooling bills for southern homes with composition roofs, according to an article in *ASHRAE Journal*. The study, which was conducted for the Florida Power Corporation, found that foil radiant barriers reduced peak demand three times more than adding extra insulation. A complete report on the study is available at www.fsec.ucf.edu.

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design-build projects in the \$100,000-\$250,000 range, and those are the jobs he plans to go after. "In that price range, you still have a project even if the customer has to scale back," he says. "If the client has to cut \$30,000 out of a \$60,000 job, that often means that it gets dropped completely."

Hold the spec house. Greg Spier, a custom home builder in Foxboro, Mass., has been watching the local market closely. "Things have slowed way down, especially at the upper end," he says. "Anything above \$500,000 or so just isn't selling." Spier's company ordinarily builds one spec house each year in addition to four or five custom houses, but in the current market he has decided not to do any spec building this year. A development of six spec houses in a neighboring town, he notes, has been sitting for months.

In fact, Spier plans to virtually suspend work for the winter, then reassess conditions when the weather warms up. "I've built through the last 12 winters, but I'm going to sit this one out," he says. "I mostly build with subs, and since I recently lost my construction supervisor anyway, it wasn't a hard decision."

Interest rates and diversification. Chicago-area contractor Michael Menn, on the other hand — a partner in a Northbrook, Ill., design-build firm — notes that his company has the usual number of signed contracts in hand and has been fielding an above-average number of calls from potential clients.

Menn credits the prevailing low interest rates for much of that activity. "The cost of money is so economical that our clients don't mind spending it," he says. The diversified nature of his company's business, he believes, has also been a factor. "We do design work for other GCs and we do design-build," he says.

"The design side has slowed a little, but that may be because we haven't marketed that as aggressively." If the economy does take a sharper than expected downturn, Menn says, his company would likely respond by laying off a project manager and cutting back on capital improvements, such as updating its computer system.

Looking for the bright side. Los Gatos, Calif., custom builder Paul Mehus often works with a homeowner and architect for a year or more before construction actually begins. That long lead time means that he has plenty of work in place, but he admits to some uncertainty as to whether all of the projects now under contract will actually go forward. "We haven't canceled any projects yet," he says. "The next crossing point will come on April 15, when the winter grading moratorium is lifted and we can actually get working. I've talked to one client who has been so beaten up by the stock market that he seems a little uncertain." Like other builders around the country, Mehus is prepared to lay off workers if necessary. "We're already down a couple of people, and I don't plan to replace them unless I have to," he says.

On the plus side of the ledger, Mehus expects the recession to have a positive effect on the price of building materials. "Prices have been very high in our area, and I expect them to come down by 10 or even 20 percent," he says. He also looks forward to working at a less frantic pace, at least for a while. "We're very quality oriented," he says, "and it bothers you when you can't always spend the time you need on a certain job." Finally, he hopes that the downturn could improve the quality of the industry generally. "It could weed out some of the people who shouldn't be in this business to begin with," he says. JLC