

# EIGHT-PENNY NEWS

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## Home Builders Edge Into Remodeling

Falling home sales over the past few years have turned many new-home builders into builder/remodelers. As these companies move into the domain of the small remodeling contractor, both types of contractors are being forced to rethink their businesses.

**"Hot buttons" vs. word-of-mouth.** Perhaps the biggest difference between the traditional small remodeler and the larger new-home builder moving into the field is in their approaches to marketing. Most small contractors rely primarily on word-of-mouth. But, says Bryan Patchan, executive director of the National Association of Home Builders Remodelers Council, "definitely bring to remodeling a keener sense of marketing."

Many builders developed sophisticated selling and marketing techniques to distinguish themselves during the boom years of the 1980s, when it seemed that everyone who could hold a hammer was a spec builder. As they move into remodeling, these builders will present a much slicker and higher profile than small remodelers are used to competing against.



Remodelers claim that new-home builders entering the field aren't prepared for the estimating problems and client concerns caused by things like torn-up, doorless bathrooms.

However, Patchan says, these builders will fail if they do not adjust their approach to meet the different concerns of remodeling clients. "To be successful," says Patchan, "they will need to shift from project-oriented marketing to a more service-oriented approach."

**For some, a natural progression.** Some home builders are making this transition smoothly. "We've always

been a very people-oriented company, pampering our clients, respecting their needs," says Robert Schoenberger, president of H.R. Schoenberger Co. of Pittsford, N.Y. "We use the same approach to remodeling."

One change Schoenberger has made is to give his crews special training in customer relations. This way they will be sensitive to the client living amidst a remodeling project.

This means taking steps to reduce the impact of the workers' presence and moving things along quickly. Schoenberger says his remodeling crews meet more often than his new-home crews do, to ensure that delays are kept to a minimum.

**Discretion advised.** In general, however, remodelers see customer-relations experience as one of their main advantages over new-home builders entering the field. George Dahl, of Cook-Dahl in Brockport, N.Y., believes many new-home builders lack the skills needed when dealing with a client who is living at the site.

"A builder works with a prescribed menu and has little client contact," says Dahl. "A remodeler, on the other hand, tears out and expands walls, upgrades appliances, all under the same roof as the client. We're invited into people's homes. And for that reason

*continued*

## From What We Gather

**Fifty-three percent of consumers plan to fix up their homes** when the recession ends, according to a recent survey. Seventeen percent said they were putting off needed household repairs in the meantime.

**A New Jersey homeowner displaying signs declaring his house to be a "lemon"** was told to stop doing so by a state superior court. The owners claim their \$550,000 house, which they bought in late 1989, is full of defects. However, they have not allowed the builder to inspect or repair the alleged problems, choosing instead to sue for compensation. The construction firm, which has other homes it is trying to sell in the neighborhood, claims there are no major defects in the home, and has sued the homeowners for defamation of its business name and reputation.

**Top markets for real estate investment include Atlanta, San Diego, Kansas City, Mo., Nashville, Tenn., and Des Moines, Iowa,** according to the Century 21 Real Estate

Corp. Markets of the future, or those expected to be ripe for investment within the next five to ten years, include Buffalo, Houston, and Dallas.

**A ride in a portable toilet** netted a San Jose, Calif., construction worker \$89,000. That was the reward the hapless worker was granted for pain and suffering after the portable toilet he was using was picked up by a forklift, knocking him to the floor.

**San Francisco is the least affordable place to live in the United States,** according to a National Association of Home Builders report. Eighteen of the 25 cities with the highest housing costs were in California, while the balance were in New Jersey, Connecticut, and Massachusetts. Saginaw Bay, Mich., was ranked as the most affordable.

**Carpenters die eight years earlier than other Americans,** according to a recent study. They die 300% more often from lung and respiratory diseases, and 50% more often from cancer. □

## N.H. Businesses Optimistic

A survey of New Hampshire business leaders showed that most expect the state's economy to improve, and their own profits to increase, in the coming year. The survey, conducted by the Business and Industry Association of New Hampshire, found that 56% of business leaders expect their profits to increase in 1992, with a similar number expecting the economy to improve. Only 12% expect profits to go down.

This is a marked improvement over the last survey, taken in 1989, when only a third of business owners thought they would increase profits in the year ahead, and only 12% thought the economy would improve.

The most optimistic group was the manufacturing sector. However, though construction is still slow in New Hampshire, many feel that the worst of the shake-out is over. One contractor, Steve Doucette of Windham, told *The New Hampshire Business Review* that potential clients, after shopping hard for the lowest bid for the past couple of years, have started to see the dangers of taking the low bid and are now more concerned with quality. Doucette, like many contractors, has gotten through the lean times by doing more remodeling. Two years ago remodeling accounted for 25% of his work; in 1991 it was 60%.

The BIA survey results matched the predictions of many professional forecasters who foresee 1992 as the year New England's economy should start moving forward again — though probably slowly at first. □

## Recycled Roof Tops Big Mac



Workers in Chicago installed the first roofing panels made from recycled computer housings on two MacDonald's restaurants there. The panels, made by Nailite Corp., are made of 52% recycled material from the housings of old Digital Equipment computers, and 48% virgin material from General Electric Plastics. The panels, which are designed to resemble cedar shakes, can be installed over existing asphalt shingles with standard roofing nails; they snap together at the edges. The recycled panels are not yet commercially available, though a similar, 100% virgin-material product is being test-marketed commercially in California. For more information, contact GE Plastics, Inquiry Handling Service, PR#50-91, One Plastics Ave., Pittsfield, MA 01201; 800/845-0600. □

# Are Homeowner Projects Worthless?

Remodeling projects undertaken by homeowners can actually detract from a home's value unless they are professionally done, according to the Ontario Association of the Appraisal Institute of Canada. "If you can tell it was homemade, then it has no value," says one member of the group.

On the other hand, high-quality renovations can return up to 200% of the investment when the home is sold. Topping the list of projects with good payback potential was kitchens. But the apprais-

ers warned against the super-luxury variety, saying that it's unlikely that a homeowner will regain an investment on a \$15,000 kitchen. Bathrooms also yield a good return on investment, providing they aren't too grand.

At the bottom of the list are new furnaces and air conditioners, even though these items may yield the most in real dollar savings. This confirms what most contractors already know: A good, tight house doesn't matter unless the kitchen and the bath look great. □

## TAX TALK

### Two Ways to Cut Your Estate Taxes

Beating the income tax collector is a time-honored goal pursued yearly. But you get only once chance to beat (or be beaten by) by the estate tax collector.

Too often, an estate's settlement sees the tax collector walk off holding the biggest bag of loot. But an organized estate plan can leave the collector with an empty (or at least smaller) bag, leaving the bigger pile for your heirs.

Two important but often overlooked tools that can be used toward this goal are the Q-TIP (qualified terminable interest property) trust, and the ILIT (irrevocable life insurance trust). Both also offer the ability to direct the assets of your estate beyond the first heir, such as to your children after your spouse dies.

The Q-TIP, or qualified terminable interest property, provides a way to control the eventual path of your full estate after your first chosen heir — usually a spouse — passes on as well. For instance, you might want to leave everything to your spouse, but worry that your children might end up with too little, or nothing, if that spouse were to remarry. Or possibly you yourself are married for the second (or third) time, and while you plan to take care of your present spouse, you want your children to get any of your estate remaining when your spouse marries or passes on. A Q-TIP lets you take care of these worries, without

leaving the tax collector an extra penny.

Here's how it works: The Q-TIP establishes a trust, the income from which goes to your spouse as long as he or she lives. When spouse dies, the trust assets and income pass to your child, children, or other beneficiary named by you. Only then does the IRS get its first chance to see a tax dollar, and only if the estate passes \$600,000 per child or \$1,200,000 in total.

The ILIT (irrevocable life insurance trust) works a bit differently: it controls the proceeds of your life insurance, rather than your general estate. If your estate is big enough (over \$600,000) life insurance is subject to an estate tax: for every \$100,000 in life insurance, the tax collector gets between \$37,000 and \$55,000, depending on the tax bracket your estate falls into. You can avoid this with an ILIT. An ILIT, upon your death, creates a trust that pays all income to your spouse as long as he or she lives, after which the assets go to your children. The heirs pay income taxes on this income, but no estate tax is ever paid.

These are brief sketches of two rather complex strategies: a competent tax professional could help you decide whether either of these methods is right for you. ■

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# Ghosts Foil Real Estate Deal

"As a matter of law, the house is haunted," declared a New York court, clearing the way for a lawsuit over the canceled sale of a house due to ghostly inhabitation.

The sale of the \$650,000 Nyack, N.Y., house became snagged when the buyers, a young professional couple from Manhattan, discovered the house had a well-known reputation within the area for being haunted. The owner and occupant of 24 years, the last 12 by herself, didn't argue about the ghosts: she says she's been seeing them there, usually in the hall, since the 1970s. "They're very good friends," the 64-year-old widow told the Associated Press. "They're comforting to have around when you are by yourself."

The would-be buyers didn't agree. Claiming to be victims of "ectoplasmic fraud," they sued for the return of their \$32,500 deposit, arguing, among other things, that the owner couldn't deliver a vacant house.

The first court they tried threw their case out, citing the principle of *caveat emptor*, or buyer beware — that is, it's up to the buyer to make sure a deal is fair. This principle has been the bottom line in real estate deals until the last few years, when concern over health hazards such as radon and lead has begun tilting court decisions toward a more

consumer-oriented emphasis on the disclosure of known hazards of substantial defects.

This disclosure principle has been applied to non-



health-related defects as well. In a case a few years ago, for instance, a court allowed a couple to cancel a house contract when they learned a multiple murder had occurred there. That court held that the market effect of the murder was a substantial defect the buyers should have been told about.

The decision of the higher court in the Nyack case was similar. The court ruled that the house's ghostly reputation was a real market factor, and that the buyers, living as they did in Manhattan, had no way to know of it if they weren't told by the seller or real estate agent. This ruling opened the way for the couple to pursue their case. □

## More Problems With Poly Pipe

The Federal Trade Commission (FTC), the agency responsible for keeping competition among businesses free and fair, is investigating four major chemical companies that produce components of polybutylene (PB) plumbing systems, under charges that the companies engaged in consumer fraud, according to *The Houston Post*.

While the FTC will neither confirm nor deny that an investigation is underway, a group of Georgia homeowners in litigation over problems with their leaky PB systems recently received letters from the agency asking for assistance in its investigation. The companies involved reportedly include Shell Chemical

Co., which manufactures the polymer from which extruders make PB pipe; Hoechst-Celanese Corp., which manufactures Celcon acetal fittings; and Vanguard Plastics and U.S. Brass Corp., two PB extruders.

At least 25,000 homeowners as well as dozens of plumbers and builders are currently awaiting trial against these companies. Problems with some PB systems include fittings that corrode with exposure to the chemicals in drinking water. Some researchers contend that the piping itself is subject to corrosion and oxidation. (See "PB's Troubled Past," 8/90.)

Last spring, more than 600 homeowners in Houston won a total of \$15 million in damages from the four chemical companies after a jury ruled that the companies were "knowingly deceiving" their customers. For their part, the companies blame the problems on faulty installation by plumbers. □

## STATE BY STATE

**Minnesota:** By 1993, Minnesota will have what may be the toughest energy code in the nation. While state officials are still working out the particulars, energy requirements are expected to be similar to the stringent Model Conservation Standards, a voluntary standard developed for the Pacific Northwest by the Bonneville Power Administration. They will include exceptionally high R-values and air tightness provisions.

**Rhode Island:** The newly enacted Rhode Island Lead Poisoning Act requires: blood testing of all children under six in areas that are known for high levels of deteriorated lead paint and dust; reporting of any high blood levels to the state; inspection and testing of the homes of those children; and mandatory abatement of paint, water, dust, or soil where high levels are found.

**Georgia:** The state's office of consumer affairs is taking legal action against builders who fudged on the amount of insulation they were installing in the attics of new homes. An investigation of 1,000 homes in the state found that about one-quarter had R-values below those promised in sales contracts.

**North Carolina:** The state's environmental management commission, responding to strong opposition from builders and developers, is expected to loosen restrictions of the Watershed/Water Protection Act. According to the North Carolina Home Builders Association, the act, passed in 1989, has reduced the availability of buildable land by about 23%.

Also in North Carolina, as of January 1, 1992, the state will switch from the Southern Building Code Congress International (SBCCI) to the Council of American Building Officials (CABO) One-and-Two-Family Building Code for its model code. While there are a number of reasons for the change, the most important was the need for "a more consolidated code," according to a spokesman for the North Carolina Home Builders Association. □

## Remodel, continued

we're very discreet and selective when we hire our crews."

**Gross estimates.** Another problem is the difficulty of estimating remodeling jobs accurately. The wild-card nature of some remodeling jobs — the roof lines that won't tie gracefully together, the wall hiding a pipe wrapped in asbestos, or the 2-inch "skim-coat" concrete floor that turns out to be 6 inches thick — makes remodeling take-offs different than those for new homes. Experienced remodelers know how to account for such estimating hazards. Doing so, however, puts them at risk

of being underbid by less experienced remodeling contractors — such as new-home builders entering the field. Nearly every remodeler has lost a job to such a low bid.

**Is this healthy?** Despite these conflicts, some feel the increased competition brought by new-home builders may be good for the industry. Remodeling consultant Linda Case says, "The builder with a strong background in marketing will force the remodeling contractor to market harder. And the pricing competition between home builders and remodelers will bring both groups to the lowest common denominator."

Some predict that as the

recession eases and new home sales pick up, home builders will retreat from the service-intensive remodeling industry to the relatively smooth schedules and clean, client-free sites of new construction. But at least some — Robert Schoenberger, for instance — plan to maintain a presence in both new construction and renovation. If that happens, small remodeling contractors can expect to face increasing competition, not only from the inexperienced handyman-turned-contractor who underbids every job (and isn't around five years later), but by large, media-savvy home builders as well.

— Leslie G. Levine

## New Water Filter Removes Lead

According to the Environmental Protection Agency, one in five Americans drink water containing too much lead. In an effort to reduce this exposure, Englehard Corp. of New Jersey has introduced ATS Sorbent, a white granular powder that the company claims will, when placed in water filters, reduce lead in drinking water to nondetectable levels.

The material forms molecular bonds with the lead, absorbing up to 10% of its own weight in lead. It also works quickly, so that normal water flow is not reduced, says Denise Lenci, director of business communications for the company.

Marketed through Teledyne and UltraPure, filters containing ATS Sorbent can be used on the tap, under the sink, or

plumbed directly into the water lines. In commercial applications the material may be used in drinking fountain water filters.

The Water Quality Association, a trade organization for manufacturers of water treatment systems, says the point-of-use water treatment market will become a \$1.4 billion industry by 1994. □

## Tiny Chapel Wins Design Award



A tiny sanctuary in Arkansas' Ozark Mountains was honored as the best example of American architecture since 1980 in a survey of architects conducted by the American Institute of Architects. Thorn-crown Chapel, built of materials small enough that two workers could carry them along a small path through the woods to the site, features glass walls, a foundation and flooring made from local stone, and pillars of Arkansas pine. The architects also selected I.M. Pei as the most influential living American architect, and Chicago as the best American city in terms of architectural quality. ■