



HBACA

Home Builders Association of Central Arizona

ACTIONS SPEAK LOUDER

2017

Focusing on Growth

With the bottom of the Phoenix housing market in our rear-view mirror, we now find ourselves in the relatively unfamiliar position of transitioning from recovery mode to growth mode, and overcoming the challenges associated with that growth mode: buying enough land to stay ahead of sales...without overpaying; hiring and training the next generation of home building management, supervision and staff in a low unemployment market; finding the qualified labor to build homes at a volume and quality that we and our customers' both expect; and achieving the revenue and profitability required to continue that growth.

This is why much of what I have focused my tenure as the Chair of the HBACA has centered around the future of the home building industry in Phoenix. How do we set ourselves up to develop and attract new talent into the industry, both labor and management? How do we create a legal and regulatory environment that allows home building to prosper? How do we improve our product, marketing, and innovation to continue growing our market share, and lastly, how do we ensure that there are not outside forces seeking to harm builders and their trades?

One of my biggest concerns about the future of home building in Phoenix is how to recruit and develop top level talent in the industry. Therefore, a major initiative under my Chairmanship has been to initiate and grow two new student chapters of the HBACA and the National Association of Home Builders. The first student chapter was a reincarnation of an old one at Arizona State University. Through the Del E. Webb School of Construction we have restarted the NAHB Student Chapter and have launched several classes in residential construction under the tutelage of Scott Wright (Pulte Homes) and myself.

The second student chapter is at Shadow Ridge High School in Surprise. These students, funded in large part by the HBACA, sent two teams to compete at the International Builders' Show in Orlando. We were very proud that these students achieved great success for first time participants. It is my hope that each of these students will be pursuing their career through the residential construction program at ASU and ultimately into the industry. The collaboration of the HBACA, the industry, and these student chapters provides much needed optimism that the home building industry will be in good hands going forward.

In addition, the HBACA has developed several programs to help our trade members locate and develop talent for their companies. Over the course of the past year, the HBACA has worked with the East Valley Institute of Technology ("EVIT"), the Arizona Department of Economic Security, the Arizona Department of Corrections, Arizona Department of Education, several high schools, and a number of veterans' organizations to recruit and train employees for our trade members. Finally, the HBACA has lent considerable support for those trade members that participate in the federal H-2B visa program.

Thank you very much to the Directors, staff, and members who make the Association a champion for the industry. Without your support, the HBACA would not be nearly as successful in so many aspects of our business. If you are not a member, I strongly urge you to join. Throughout the rest of these pages you will read a number of members' thoughts on the true value of membership in this great organization.

Bob Flaherty, Division President, Toll Brothers
HBACA Chairman

Advocacy Brings Tangible Benefits to Members

Builders Save Thousands on Off-Site Utility Fees

When faced with an unexpected utility fee of \$2500 per lot just as we had begun sales in a project, Lennar Homes was put in a very difficult situation. We immediately contacted the HBACA to make them aware of the situation. Due to long standing HBACA relationships at the Arizona Corporation Commission, meetings were quickly scheduled with Commissioners obtaining a majority vote to toll the fee. This allowed our project to continue with home sales while negotiations continued. This action ultimately saved Lennar substantial costs, so we could move forward on a viable project.

Alan Jones, Division President, Lennar Homes

Reforming Construction Defect Statutes for Home Builders and Trades

In my position at K. Hovnanian Homes, reducing risk for our company is critically important. I have worked with the HBACA for over a decade in reducing long term risk for builders and our residential construction trades. Recently, I had a chance to work with the HBACA on legislation to reduce frivolous construction defect lawsuits...or extortion lawsuits as I call them. Working together with other HBACA members, we reformed Arizona's construction defect statutes to make them one of the toughest in the nation in preventing frivolous lawsuits. Due to this work, Arizona home builders and construction trades have saved substantial costs from the significant reduction in risk, legal costs, and settlement costs.

Chad Fuller, VP, Chief Legal Office, K. Hovnanian Homes

City of Phoenix Amends Drainage Facility Access Ramp Policy Resulting in a Significant Cost Savings

The HBACA teamed with local Civil Engineering firm HILGARTWILSON (HW) to process a significant amendment to the City of Phoenix's design standards for drainage facility maintenance access provisions. For roughly the last decade leading up to this effort, the City's drainage design manual mandated that many elements of private drainage infrastructure, including privately maintained stormwater retention basins, channels and box culverts, be equipped with access ramps. Per the standard, the ramps were to be subtly sloped, wide and constructed of structural concrete. The HBACA and HW recognized that in most instances these access ramps were not only unnecessary, but in many cases detrimental to the communities in which they were being placed. The ramps were not only costly (often in excess of \$25k per ramp) and aesthetically unappealing, but also serve as an attractive

nuisance and additional maintenance obligation to the community. Through persistent collaboration with City staff, management and technical subcommittees, the HBACA and HW were successful in generating a new set of design standards that allow builders greatly expanded latitude in selecting drainage facility access provisions that are appropriate for the setting in which they are installed. The new standards benefit all types of private development and result in significant cost savings for the development community.

Aubrey Thomas, Manager of Stormwater Resources, HILGARTWILSON

Negotiations with Buckeye Lead to a Savings of \$775,000 in a Single Community

Back in 2015, the City of Buckeye acquired through condemnation a portion of the Global Water Company that serves Buckeye. As a part of the final judgment entered by the Court in the condemnation action, the City agreed to pay a "Growth Premium" of \$3,000 per new account established within the service area to Global Water. In order to fund this part of the acquisition, the City proposed to assess a Water Resource Service Fee of \$3,000 on builders for each meter pulled. In essence, the City had purchased the water company with the intention of having the builders fund a portion of the cost of acquisition!

At the time, D.R. Horton was actively building in one community impacted by the fee. We enlisted the help of the HBACA who immediately stepped in and took action (if memory serves, we were informed of the fee only a week or two prior to the City Council session where it would be voted on). After meetings, discussions, and attempts to come to a mutually beneficial alternative resolution, the City's response was that the adoption of the fee by City Council "was merely a formality" and to expect the fee to take effect immediately.

The HBACA formally opposed the adoption of the fee at the City Council Hearing. They prepared a solid case, gathered dozens of builders and developers to attend and voice opposition, and in the face of almost certain defeat, demonstrated that the City did not have the right to enforce this fee, and City Council unanimously voted not to adopt it.

Had the HBACA not stepped in, the City would have unjustly collected an additional \$775,000 in fees on the ONE neighborhood we were building in. Since then, we have made a substantial investment in Buckeye, purchasing over 2900 finished lots that we would not have moved forward with had the HBACA not succeeded.

Holly James, VP of Operations, D.R. Horton

The Industry Grows Through Education and Workforce Development Initiatives



Builders Establish Safety Partnership with ADOSH

In June 2017, in conjunction with the HBACA, ten local home builders entered in a voluntary partnership with ADOSH. The main objective of this partnership is to reduce injuries and illnesses within our workforce. I'm encouraged by the proactive approach that the Arizona Department of Occupational Safety and Health (ADOSH) is taking with this Partnership.

It's clear that ADOSH is investing heavily in conciliation in pursuit of their mission to protect Arizona's most valuable resource, its workers. ADOSH leaders have demonstrated a willingness to understand the challenges that home builders face with a shared labor pool that is both growing, yet still resource constrained.

At the outset, the builder group is focused on core principles of safety management such as safety planning, increasing worker involvement and implementing safe work practices. One of the best aspects of the partnership is that it's scaled, so regardless of where an individual builder or company might be on their safety journey, plans and goals are appropriate and achievable. The power of the partnership is builders working together and extending the opportunity to our contractors.

Jeff Eschliman, VP Operations, Maracay Homes

Rebuilding the Workforce

In 2015, the Home Builders Association of Central Arizona (the "HBACA") recognized a need in the Arizona labor pool for skilled laborers and workforce development. To meet this need, Connie Wilhelm, President, and Jackson Moll, Vice President Municipal Affairs, of HBACA identified untapped labor pools, starting with displaced individuals and specifically the Refugee communities of Arizona. This venture led to partnerships with local refugee organizations,

or VOLAGS, to hire and train Arizona refugees. Connie and Jackson reached out to local construction companies owners, such as Austin Electric, to onboard these refugees. They also worked tirelessly to overcome many obstacles such as communication barriers between potential employees and employers. Once a successful onboarding and training structure was set up, HBACA continued to explore new areas for workforce development, which led to the focus on incarcerated individuals.

When the HBACA heard that state prisons were teaching trade classes in partnership with Community College's incarcerated re-entry program, Connie arranged a visit and identified a talented labor pool. "We found that a lot of the inmates had former experience in the construction fields that we were looking for," she said. "It opened our eyes that there's probably some undiscovered talent that we have out there."

Once identified, the HBACA in partnership with the Department of Corrections and the Governor's office worked once again with local construction companies, including Austin Electric, to attend job fairs inside State prisons and partner in training programs. Current inmates are eligible for construction trade training if they are 60 days from release and are serving for a non-violent offense. The HBACA, state government, the Department of Corrections, and local builders see this as a victory for all parties involved. "It's a win for the community, it's a win for the individual, it's a win for the company," Connie said.

Outside of the obvious benefits of helping a commonly overlooked population, the groups listed above hope to reduce the 2016 AZ average recidivism rate of 38.4%. It is expected that individuals who are able to provide for themselves and family in a real career with fair wages and housing will become, and continue to be, contributing members to society. So far the programs have enabled 100 former inmates to be placed in full time jobs, with Austin Electric hiring about 70 of them. The HBACA hopes to continue to provide labor pools for construction companies, improve people's lives, and better the Arizona community through these progressive and life changing opportunities.

Toby Thomas, Owner, Austin Electric

Members Stay Informed

The information the HBACA provides is one of the biggest benefits Felten Group receives through membership in the association. Much of this comes from the NewsBuilder (HBACA's online newsletter), and other emails which include monthly permit reports, municipal impact fee schedules, and other legislative, municipal and health and safety updates. The HBACA also provides information

through various events, committees and roundtables. One roundtable which meets several times per year and is open to all associate members is the Associates Roundtable. At these meetings, staff provides updates on legislation making its way through cities, counties and the state, and answers any questions members may have about specific issues or current HBACA activities. The Felten Group participates in Builder Advisory Meetings where builders, developers, architects and engineers have the opportunity to discuss issues and problem solve with city and county planning and development management teams. Membership in the HBACA also includes membership in the National Association of Home Builders (NAHB) which is a great resource for news and information on the national level. Lastly, should members ever have any questions or issues that have not been addressed through email communications or in a meeting, the HBACA staff is always available to assist with those as well.

Sheri Felten, VP of Administration, Felten Group, Inc.

Members Build Business and Gain Recognition Through Events and Programs



Southwest Builders Show Offers a Great Marketing Opportunity

ProTeX the PT Xperts is a proud Associate Member of the Home Builders Association of Central Arizona. We participate as both sponsor and exhibitor at the annual Southwest Builders Show (SWBS). The SWBS is a great marketing value, a priceless opportunity to mingle with builder executives, decision makers and other industry contacts. Our team always attends the Purchasing Agents Suppliers & Subcontractors (P.A.S.S.) Breakfast and the Forecast Luncheon at mid-day. We value the opportunity to participate in all of the HBACA events.

Cindy Langdell, VP, ProTeX The PT Xperts, LLC

Events, Programs and Committees Designed for Business Development

- The Southwest Builders Show
- Forecast Luncheon
- Purchasing Agents, Suppliers & Subcontractors (P.A.S.S.) Breakfast
- Turn the Tables
- General Membership meetings
- Meet the Builder Breakfasts
- Golf Tournaments
- MAME (Major Achievements in Merchandising Excellence) Awards
- Board Installation Luncheon
- Associates Roundtable
- Professional Women in Building



MAME Awards Honor Excellence in Home Building

As Chairman of the HBACA Sales and Marketing Council (SMC) my perspective on benefits offered through the association is somewhat unique. In addition to the government affairs, networking, and other efforts the HBACA conducts on behalf of its members, they also do a tremendous job providing sales and marketing managers with a venue to discuss issues, challenges, and accomplishments pertaining to new home sales. These conversations take place at the monthly Sales Managers Roundtable, and I would like to personally extend an invitation to all builder sales and marketing VP's and managers to join us.

The Roundtable is the entity through which the HBACA coordinates the Major Achievements in Merchandising Excellence (MAME) Awards. Open to all builder members and associates who would like to enter on behalf of HBACA builders, the MAME Awards celebrate the best in product, design, and marketing of new homes. They also honor the individual achievements of sales people. The annual black-tie event brings builder executives, sales, and marketing teams together with associates involved in the design, sales, and

marketing of new homes for an unprecedented evening of networking. Although winning awards is definitely exciting, one of the highlights at MAME is the opportunity to meet with 500+ other members outside of the workplace setting.

Ken Peterson, VP Sales & Marketing, Shea Homes

Develop Business Through Active Participation

At Arizona Wholesale, we have found that the business development and networking opportunities the HBACA offers is one of the greatest benefits of membership. Participation is the key to getting the most out of your membership and that is why we participate in as many of the events possible. The Association offers a variety of networking events throughout the year including Builder Breakfasts, Turn the Tables, golf tournaments, the Southwest Builders Show, evening mixers, charity events and other general membership programs. Arizona Wholesale sponsors and attends many of these events. The HBACA staff does a great job of bringing a diverse group of builders and associates together at each event.

Bill Parks, VP Contract Sales, Arizona Wholesale

Improving Your Bottom Line

One of the biggest benefits of HBACA membership is the opportunity to save money through various discount programs. A few of these include:

- o NAHB Member Advantage: Discounts on UPS, GM, Lowe's ProServices, Houzz, UPS, YRC Freight, Hertz, Avis, Budget Omaha Steaks, FTD and more
- o National Purchasing Partners (NPP): Discounts on Verizon, Expedia, Office Depot, Staples, Best Buy and more
- o NewHomeSource.com: Complimentary listings of new homes for all HBACA Builder members
- o Affinipay: Discounts on merchant credit card accounts
- o Snazzy Traveler: Offers deep discounts on hotels, rental cars and other travel related items

For some companies, the savings add up to cover a significant portion of HBACA membership dues. Many are available to all members including employees. A few offered through NAHB apply only to each company's "designated representative." To add more than one, for a nominal fee, additional employees at each HBACA member company may join NAHB as Affiliate Members. For complete details on discounts or NAHB Affiliate Membership visit www.hbaca.org.



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