

“BUILT TO LAST”...(?)

Written by Don Neff, President, La Jolla Pacific, Ltd.

The above referenced book is written about companies and tools they use. It is not necessarily about home building, but is certainly applicable to our industry in terms of who we are, what we produce and how we do it. I highly recommend it for all building company employees, from the CEO to the Field Laborers, who are in search of new tools to perfect their operations and “sharpen their saws”, particularly in light of our continuing general liability insurance and construction defect litigation crisis.

Analysis of the Problem

Insurance companies will limit their risk of potential future litigation losses by one or both of the following business practices. They can price their policies high enough and/or limit the scope of coverage sufficiently to force builders to assume the lion’s share of risk themselves through alternative measures. This is not dissimilar from builders previously attempting to shift their risk to their primary sub-trades through creative contractual language, indemnifications and onerous insurance requirements. These are no more than temporary or stop gap measures, focused only on the symptoms.

We have a simple choice really. Builders must make the losses go away themselves or watch insurance companies continue disappearing. So tell me. Do you know the most cost effective litigation risk management tools available? We certainly do!

A Better Solution

Builders excel at marketing and sales of their homes. They do this so well, in fact, that they inadvertently create a mismatch of expectations among buyers. Buyers will expect model perfection, but frequently take delivery of something less and will occasionally be disappointed enough to sue. Time and again, we have seen the very same trade contractors (including piece rate field laborers) building entry level tract homes, \$1.0 million plus, high end production homes and \$2-5 million custom homes as well. While each has very similar underlying standard specifications in the shell, they each contain divergent sets of features and option choices. This is the rub. Not all buyers are created equal, but all deserve delivery of uniformly good quality.

The solutions are largely found in your operations and customer service departments. The more effective tools which builders need to embrace are really quite simple in concept, though somewhat slippery to implement successfully. Again, I advise reading “Built to Last”. These solutions include 1a) tighter basic specifications in the building shell, implemented through 1b) a centralized purchasing, purchase order and incentive system, 2a) much stronger field oversight of construction materials and methods in a seamless delivery system with 2b) vertically integrated incentives to fix problems (not cover them up) and 3a) a more responsive customer service management system again

3b) tied to the reward system. Yes, that is correct, better organized, more consistent sets of procedures and systems. In several instances, we have seen positive changes occur in our more progressive clients' delivery systems specifically for town home and condominium projects generating BMW-like quality. Some of these concepts have been largely borrowed from commercial construction and industrial manufacturing operations.

The Devil is in the Details

Ok, here's the meat. Let's focus on the first recommended tool for builders: "tighter basic specifications" in the building shell. Clearly, you will recognize the importance of these if you have read SB800. To be released in outline form at the BIS show as part of my panel presentation on Friday, October 17th are recommended specifications for products and standard installations for the basic building shell which can achieve compliance with SB800 Functionality Standards, specific to water intrusion. This is only a teaser list, but equally applicable to low density single family detached and medium density 4-story stick over podium parking developments.

In our last article for the PCBC edition of Builder Developer Magazine, we discussed the latest "Building System Improvements" including roofing systems, flashing systems, window systems, wall systems, acoustical systems and new skill and service systems employed by home builders. This was a critical introduction for newcomers and old timers alike, since it laid the foundation for understanding our outline of detailed technical specifications required to implement the Functionality Standards of SB800.

There are 14-18 functionality standards addressing water intrusion issues. There are six functionality standards addressing structural issues. There are three functionality standards addressing fire protection issues. There are...

For example, those which pertain to water intrusion specifically requires windows, patio doors, deck doors, and their systems to not allow water to pass beyond, around, or through...nor shall allow excessive condensation to enter.... The next address roofs, roofing systems, chimney caps, ventilation components...shall not allow water to enter....Then come decks, deck systems, balconies, exterior stairs, etc. Thereafter, foundation systems, stucco, exterior siding, retaining walls, shower/bath enclosures, etc. are also discussed.

You all know about these specs and you all know how to install them. Consider these minimum standards. Since they are too voluminous to outline in this article, if you cannot attend BIS, please call me to receive the information.