BETTER BUILDING METHOD

A Different Way to Build Foundations

By Kate Fried

There's a whole range of proven building technologies and practices that can help builders speed construction and deliver higher quality homes, but many of them are not yet widely applied. One such technology, which started in the 1930s, is a favorite of builder Judy Fosdick: frost-protected shallow foundations (FPSFs).

Simpler to install than traditional foundations, FPSFs need just a little concrete and some polystyrene lining. Properly applied rigid polystyrene foam insulation protects the foundation from frost heave, eliminating the need to excavate below the frost line.

"It definitely saves time and money," says Fosdick, president of Tierra Concrete Homes in Boone, CO. "Because the foundations require shallower footings, excavation is faster, and we pour less concrete. We don't have to bring out as many forms to the project, and we don't have to set as many forms or haul them back. I wouldn't do a foundation any other way."

FPSFs can be installed in homes with slab-on-grade construction or walkout basements, and are best used where the frost line is 30 inches or deeper.

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That extra insulation also improves the efficiency of the home. A 1988 study by the NAHB Research Center showed homes with FPSFs had energy savings of 15 to 21 percent compared to conventional foundations, although savings will vary by climate and code-specified frost depth.

MAXIMIZING PROFITS

Six Tips for Getting the Most from Your Business

Finding and securing that choice piece of property is central to any home builder's success, but when it comes to profitability and getting the most from your business over the long run as well as when you retire, don't overlook other important factors—such as partners, sharing profits with your employees and protecting assets.

At NAHB's Custom Builder Symposium last month, Jim Weber, CPA, of Weber-O'Brien Ltd., an accounting firm in Sylvania, OH, offered builders six tips to improve profitability and, as he put it, "make it out alive." They included:

Find a Partner

Find that person who may be as good or better than you at running a home building business and "replace yourself," advises Weber, who had a heart attack after trying to do the work of several people for too long. Once he found a partner at his CPA firm, he was able to grow the firm to 50 associates.

Employees and partners should sign non-compete and non-solicitation agreements as well as promise—in writing—that they will not take documents with them when they leave, Weber advised.

If you don't have, or don't want a partner, Weber suggests that, at the very least, you should secure a written agreement from a friendly competitor that they will complete your inventory if you become disabled or incapacitated in the middle of a project or projects.

Invest in Your People

End-of-year bonuses have become a popular way to share the wealth with workers when times are flush. But what if some of them are saving their bonuses to start their own home building companies?

Weber suggests that you consider "golden handcuffs"—a deferred compensation program that will keep your best employees on board and help build a healthy retirement nest egg for yourself.

"Your best employees will leave unless there is something to make them stay," Weber warns.

Another way to invest in your people, Weber suggests, is to pay your children to work in your business, even if they are not part of your succession plan. Your children can use the money they earn to pay their college expenses.

Build a Nest Egg

Weber says that a couple who wants to retire at age 65 on an income of $10,000 a month will need $2.3 million to do so.

He recommends that the best place to invest that money is in a retirement account because it is the last untouchable in a bankruptcy proceeding. "It's not all about buying land," Weber says. "You can go bankrupt and the last item you'll have standing is your retirement account."

People who are considering that $10,000-a-month level of retirement should be putting $60,000 a year in their retirement accounts, he adds. They should also have an updated power of attorney, living will and life insurance and long-term care insurance policies.

Fire Your Advisers

The last place you want complacency, Weber says, is among those handling your life-or-death matters—your health, tax, income and

"The energy performance of our very first project with FPSFs was independently monitored. The results showed that the foundation inside the insulation on the north-facing walls never dipped below 50 degrees during the winter, despite below-freezing temperatures outside," says Fosdick.

Despite the advantage of energy savings, Fosdick says the greatest appeal to homeowners is simply comfort.

"The floor slab stays warmer because of the perimeter insulation," says Fosdick. "The combination of a radiant floor heat system, which I also use, and FPSF makes the home feel much more comfortable."

Although FPSFs can be used by themselves, Fosdick uses them as part of a sustainable package for all her homes.

"When considering new technologies, it is important not to isolate or compartmentalize," she says. "Instead, I take a whole-building approach when trying to improve the building envelope. The combination of proper insulation, quality windows, high-efficiency equipment, passive solar design—and a frost-protected shallow foundation—will improve the quality and durability of the home much more than any measure on its own."

Judy Fosdick's experience with FPSFs is detailed in a case study by the Partnership for Advancing Technology in Housing (PATH), which profiled 30 builders, remodelers, and contractors who use innovative building methods that improve the efficiency and durability of their homes. To read the case study, visit www.pathnet.org and click on Tech Practices. The National Association of Home Builders also publishes the Design Guide for Frost Protected Shallow Foundations (2004). *For a free copy, visit www.nahb.org and search for FPSFs.*

KATE FRIED writes about better building practices on behalf of the Partnership for Advancing Technology in Housing (PATH). PATH is administered by the U.S. Department of Housing and Urban Development. Learn more at www.pathnet.org.

legal issues. Consequently, he recommends that you fire your advisers every decade or so and find new ones.

Look hard at your doctor, lawyer and accountant and be sure that they are worthy of your trust—and your money.

Scrutinize your business advisers, he says. Do they know your business? Do they walk your job sites with you? Does your CPA even know you?

Don't wait a year to meet with your chief financial officer, Weber warns. If you do, you may find out too late that your investment strategy is off the mark, or that you've missed out on an important deadline for a tax deduction, such as the new section 199 deduction for domestic manufacturing or the energy-efficient home credit.

Once you have trusted advisers, Weber says, listen to what they tell you.

Invest in Business Systems

Businesses need reporting systems that allow owners to monitor performance month by month, week by week.

Accurate, functional reporting systems let you know how well your business is performing. For instance, Weber says they can tell you your current cycle time, determine how much gross profit you are making, and help you understand the value of all of your assets and how to depreciate them.

"Invest in systems—in things that help you manage day to day," Weber stresses. "Invest in things that give you information."

Protect Your Assets

Most builders understand that holding land in your building company can put a significant asset at risk in the event that the company is sued. Because of this, they hold their land in a different company. Along the same principle, Weber suggests that builders can form other companies to hold heavy equipment, buildings and other necessities.

Weber consults regularly with NAHB Builder 20 Clubs and says fraud has been detected in nearly all of the companies for which he has worked.

"Almost half of you have fraud in your companies and you're not aware of that," he says. Bonding your employees is an inexpensive way to protect your company, he adds.

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