



The California New Homes Program **CONNECTION** Single Family



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SCE California New Homes Program

Welcome to *Connection* – the newsletter of the SCE California New Homes Program-SF

The new motto: “Live Well With Less”

It's a new year with an economy that seems to get worse every day. But someday, hopefully soon, our economy will stabilize and our country will be on an upswing. In the meantime, how will you contribute to the housing market recovery? What kinds of homes are you going to build in the future? What do consumers and homebuyers want? Where are the opportunities?

These are questions all of us in the residential new construction industry need to be thinking about. In all the magazine articles and books about the future of our communities and homes, residential new construction is all about environmental stewardship, heightened efficiencies, sustainable communities, smart growth, and lower cost, smaller, quality-built homes.

Clearly, the future of new construction is building smaller homes that sell at lower costs. Instead of paying for more square footage homebuyers can increase the qual-

ity of the interior and exterior by opting for high-quality eco-friendly interior features in flooring, fixtures, appliances, and lighting options. Exterior upgrades such as windows, doors, water-saving landscaping and outdoor bar-b-que areas can also be more affordable and within a buyer's reach.

It is noteworthy to mention that residential construction industry publications such as California Building Industry's California Builder magazine and Peninsula Publishing magazines such as Builder and Developer and Green Home Builder are fantastic at keeping us abreast of the latest trends and what the future holds for residential construction in California. Do not hesitate to use them as resources.

The future of homebuilding is bright. There is definitely a shift in our culture.

Better, not bigger homes.

Sincerely,
John Morton, *Program Manager*

REMINDER TO BUILDERS

If you are advertising your ENERGY STAR home development(s) in the Home Buyers Guide, remember to utilize your brand marketing by placing the ENERGY STAR logo in your development ad.

The BUZZ

Upcoming Events:

Dwell On Design
June 26-28, 2009

SCE is a proud sponsor of the 2009 Dwell on Design conference! Dwell on Design is a three day festival of modern design featuring an exhibition, design conference, home tours and special events. Join us at Dwell on Design and experience REAL, LIVE, MODERN DESIGN. This year's event will also feature the AIA/LA's annual Mobius LA event.

Location

Los Angeles Convention Center
<http://www.dwellondesign.com/>

Take the Next Step with EPA Indoor airPLUS

The Indoor Air Package pilot program has graduated to become EPA Indoor airPLUS, a complementary program available for homes that are ENERGY STAR qualified. Poor indoor air quality has resulted or contributed to a number of health and safety concerns, including radon exposure, allergies, and respiratory problems. Perhaps most significantly, asthma affects 20 million American families – how many of those families are homebuyers?

The EPA Indoor airPLUS program assists builders in employing a variety of construction practices and technologies to decrease the risk of poor indoor air quality, including the careful selection and installation of moisture control systems, HVAC equipment, combustion venting systems, and building materials. EPA's Indoor Air Plus label specifications were developed based on best available science and information about risks associated with indoor air quality problems, and balanced with practical issues of cost, builder production process compatibility, and enforceability.

The Indoor airPLUS program not only assists builders in constructing a healthier home for their customers, but it can also reduce many costs and risks. The Indoor airPLUS strategies, which include moisture management, can reduce warranty and callback costs, reduce the likelihood of litigation, increase customer satisfaction and loyalty, and create market differentiation.

To find more information or to get started right away, please email the IAP team at iap@icfi.com or visit epa.gov/indoorairplus. An expanding library of resources will include information on how to participate, successful strategies and case studies, construction details, and training materials for builders, raters, and trade partners.



Commercial Rate for Model Homes

Model homes should be on the commercial SCE billing rate until they are occupied by the homeowner. In most (but not all) cases this could result in a savings to the builder. If you would like more information regarding the model homes in your development please contact Mary Finn at "Mary.Finn@sce.com" or (714) 307-5274.



In the Spotlight

**Ennis
Homes**

Ennis Homes

Our ENERGY STAR this quarter is Ennis Homes who have shown their commitment to energy efficiency by committing 6 projects to the Program for a total of 350 homes! These homes are built at ENERGY STAR 20% above code so they are all entitled to the \$700 incentive along with additional prescriptive incentives for appliances. In addition to the

sizeable incentive check, Ennis Homes will also receive an additional 5% incentive for marketing and will receive free grand opening support. They have already taken advantage of the sales training for their agents and the attractive vertical banner for their sales office. Founded in 1979, Ennis has a solid reputation as one of the largest and best homebuilders in the Central Valley.

Selling Homes, Not Loans

Smart Planning Can Create Value in New Communities

By Barry Gross and Peter Templeton

(Reprinted with permission from the April/May issue of California Builder)

We all now the bad news: Land developers and homebuilders are caught in the midst of one of the worst housing-market meltdowns in history.

Now for some unexpected good news: It's time to reposition your project, and then start selling homes again.

That's right. Because when the housing market was at its hottest in recent years, many customers were just buying cheap loans – not homes. That meant developers and builders didn't have to stretch much beyond buildings homes and communities according to old land-planning templates that were tried and true.

Now many of those templates just look old and tired.

But an unprecedented opportunity exists now to modify and resubmit stagnant development plans with the sole purpose of increasing the residual value of the land. There are techniques to optimize improvement costs by avoiding unnecessary costs. It is also possible to maximize potential lot value while decreasing lot costs.

This shift in thinking has many elements to excite customers, and many will be willing to pay a premium for that excitement.

Developers can tap into the trend once they understand the risks and rewards of submitting an improved entitlement to a new discretionary process. And they should be able to quantify those results with confidence before moving forward.

To get started, here are six basic principles of increasing value and revenue while decreasing costs.

Principle 1: Use Vision and Creativity

Six years ago, golf-course communities were hot. But newer market studies show people would rather have 100 feet of common space behind their 120-foot deep lot in the form of a trail system, rather than 300 or 400 feet of common space in the form of a golf fairway.

That presents a developer with a tremendous opportunity to redraw a community and tap into that customer preference, while at the same time recapturing valuable land for more streets and more home lots.

Development of a sustainable community with understated elegance, architecture, planning and landscape will provide memorable features and experiences. This type of communities should have preserved, natural open space, a rich mix of amenities and adaptability to a variety of life stages. It should also provide a sense of community with gathering places and community centers.

Customers are showing a preference for minimalist homeowner association communities. There is a shift away from huge, expensive clubhouses and toward more passive recreational amenities such as parks and open spaces for barbecues and picnics.

So land set aside for parks is not a liability. Instead, it is a substitute for luxurious common buildings, and a draw for consumers who will be willing to pay more to live in the community.

Principle 2: Understand Constraints, Opportunities Early

Development should conform to the design of the site while minimizing grading impacts and preserving hill-sides and natural drainage basins.

Many land planners and engineers have not been respectful of the land, and ultimately it has cost them. There's no need to re-channel every creek or pave over every square inch. And by

the way, there may be more money doing it the low-impact way.

A classic example is the single-loading of houses on one side of the street in a hillside community. Sure, many engineers will argue that providing the same road, sewer and drainage infrastructure to fewer lots will drive up costs by as much as \$8,000 to \$10,000 per lot.

But there also might be savings of \$6,000 to \$8,000 in grading costs for each lot eliminated from the plan. And that means borrowing less money from the bank.

Happy customers will be willing to pay as much as a 10 percent premium for the better views that single-loading affords. So each \$500,000 house built, for example, may suddenly be worth \$550,000.

Principle 3: Think, Design, Build and Market Concurrently

A sequential approach to a project means it is designed, built and brought to market one phase and product type at a time. All the lots and homes of that size and shape are sold at the rate of, say, five per month, and then the developer moves on to the next product type. Amenities come online bit by bit.

A concurrent approach means all product types are available at all times, tapping into the market for three or four or five buyer profiles at once – and creating the potential to sell as many as 20 homes per month instead of just five.

Marketing a community also includes selling a lifestyle with a diverse and unique character. Common areas and amenities can be more front-loaded so that character and appeal are evident from the beginning.

When all development disciplines – designers, builders and marketers – work as a team, the result is a balanced and viable plan that maximizes benefits through a well-thought-out design. The

Selling Homes, Not Loans (continued)

developer must understand the costs and benefits of different design decisions and identify where the greatest value can be achieved at the least expense.

Principle 4: Promote Sustainability, Walkability and Diversity

Sustainable communities are designed to minimize their ecological footprint and achieve a balanced lifestyle for their residents. This includes water management, reducing the carbon footprint and conservation. Sustainability also includes smart irrigation technology, California-friendly landscaping, and development of a maintenance program to help ensure efficiency and long-term beauty.

Pedestrian-oriented communities should use traffic circles and context sensitive design. The streetscape should serve a range of users such as pedestrians, bicyclists, transit riders and automobiles. In addition, homes should be centrally located near the heart of the community. Looping trails connect destination points. A diversity of neighborhoods and a variety of parks and gathering places create a cohesive community.

Innovative Financing for Solar Electric Systems

The cost of installing solar electric systems on homes can be very expensive, even with the financial incentives available through the California New Homes Program (CANHP) and the New Solar Home Partnership (NSHP). The city of Berkeley has devised an innovative way to offset the initial high cost of solar with their BerkeleyFirst Program. If a homeowner is approved, the city of Berkeley pays for the installation cost of the solar system. Then the city increases the property tax bill to repay the cost of the energy project plus interest over 20 years. If the property is sold, the solar system and debt stay with the property.

Here are some of the benefits of this Program:

- little or no upfront cost for the solar

And it all adds up to more marketability – and greater value per lot.

Principle 5: The Balance Between Housing and Jobs

A balance between jobs and housing in a community means there is an adequate supply of homes to house the workers employed in the community. Alternatively, the balance can be defined as an adequate supply of employment opportunities in a community to generate enough local employees to fill the housing supply.

In California, that typically means 1.25 jobs for every house that is built.

For those lucky enough to have a project near an existing job center, the math is favorable. But where does that leave the developer of a more remote project – particularly in this age of high fuel costs and cash-strapped commuters?

It might mean giving up some control – in the form of more land set aside or sold for retail, office or industrial development. But think about the potential upside.

- system
- easy repayment as part of the bi-annual property tax bill
- fixed interest rate for the entire 20 year period
- repayment obligation stays with the home even if its sold
- energy savings that reduce utility bills.

The Program seems to be working well and is being adapted by other cities. CityFIRST is a similar financing model which is being implemented by cities throughout California which also allows property owners to install solar systems and energy efficient upgrades with no upfront cost. The Program works the same as Berkeley. The city pays for the capital costs through the proceeds from the sale of taxable mu-

Maybe the current plan involves selling customers on the idea of budgeting \$500 a month for a long commute. But what if a redrawn plan encourages creation of a job hub near the project, and cuts that customer's monthly commuting budget to \$100? Suddenly, there is a more attractive community to market and prospective homebuyers have \$400 more available to budget for a larger monthly house payment.

Principle 6: Passion and Conviction

Developers and builders should love what they do, and believe in it. Through smart planning, we can create high quality, high value, sustainable communities where people want to live and work, while still reducing development costs.

If you are a developer and really believe in a project, your project is going to become more popular. If you have a true passion for the community, it will spread to each customer you attract – and those customers, in turn, will convince others to follow.

And guess what? You will be selling homes again.

unicipal bonds. The bonds are repaid by the participating homeowner through their property tax bill over 20 years. The program is completely voluntary so property tax expenses remain unchanged for those who choose not to participate.

More information regarding California Incentives for Renewables and Efficiency can be found at www.dsireusa.org. These types of programs offer some ground breaking ideas to overcoming the substantial up-front expense of solar systems and energy upgrades.

More information regarding CityFIRST can be found at www.renewfund.com. Renewable Funding is Berkeley's implementation and financing partner.