

NOTEBOOK

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Builders Wary of "Visitability" Regulations

Although the federal Fair Housing Act requires builders of some types of multifamily houses to include features designed to make them accessible to residents with disabilities, the requirements don't apply to single-family dwellings. But recently, a number of local and municipal governments have enacted or are considering enacting rules encouraging — and in some cases requiring — builders to provide a basic level of disabled access to new homes within their jurisdictions.

Unlike the extensive requirements of the Fair Housing Act, local regulations typically focus on features aimed at permitting disabled people to safely and conveniently visit a home, even if further modifications might be needed

to accommodate a disabled resident. According to Eleanor Smith, a disabled rights activist in Atlanta, the emphasis on "visitability" is a way of benefiting as many people as possible. "The disabled

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This single-family house in Bolingbrook, Ill., is one of the 600 new homes built in that community since the local building department began requiring wheelchair ramps and other features designed to improve access for the disabled. The nondisabled owner finds the ramp useful for maneuvering a snowblower.

Aging Boomers to Drive Home Improvement Industry

In 2001, the first of the nation's 78 million baby boomers — the age group born between 1946 and 1964 — began turning 55. That has alarmed some in the remodeling industry, and not just those who will be turning 55 themselves: Boomers represent 28% of the U.S. population, but they account for 45% of all owner-occupied households and have spent heavily on home building and remodeling over the past two decades. Because older homeowners traditionally spend less on home improvement, any decline in spending by boomers could have an obvious effect on remodelers in the coming years.

A recently released report, "Impact of the Aging Population on the Home Improvement Market," from the Tampa-Based Home Improvement Research Institute (HIRI) notes that:

- Younger households remodel more frequently and buy more products from more product categories, but householders aged 45-65 spend proportionately more. The youngest and oldest householders spend proportionately the least.

- Home improvement spending has a close correlation with household income. Only a fifth of all households have annual incomes of \$75,000 or more, but those account for more than half of all spending on home improvement. Not surprisingly, this is also reflected in home size: The larger the home, the more projects the household completes and the higher the amount spent.
- The market for residential repair and remodeling is projected to increase from \$178 billion in 2000 to \$285 billion in 2010, for a compounded annual average growth rate of 4.8%.
- Older, wealthier homeowners will do fewer but larger projects, causing the number of projects to increase less rapidly than overall spending. The 55-65 age group is expected to have the highest rate of spending growth in the coming decade.

For more information on the study, contact HIRI at www.hiri.org.

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population is fairly small," she says, "but when you consider their friends and family, the number increases exponentially."

Ramps, doorways, and grab bars. In the fast-growing Chicago suburb of Bolingbrook, Ill., for example, residential builders are expected to voluntarily comply with a draft ordinance that calls for a no-step entrance with a bathroom on the same level; blocking for bathroom grab bars (although not the grab bars themselves); 3-foot-wide doorways; 42-inch-wide hallways; and accessible placement of electrical outlets, wall switches, and thermostats. Since the ordinance was adopted in 1999, building commissioner Daniel Buonamici estimates that two-thirds of area builders include all of the specified features.

is another low-cost item. The 2'-10" or 3'-0" interior doors needed to provide 32-inch clear openings generally cost only a few dollars more apiece than the often-used 2'-6" doors.


The floor-plan changes needed to accommodate those wider doors, however, may require a time-consuming and costly reworking of existing plans, especially for production builders. "I can't give you a dollar figure, but we spent a lot of time rearranging floor plans with the architect," says Craig Justak, purchasing manager of Pasquinelli Homes, which recently completed a development of more than 100 visitable homes in Bolingbrook.

But by far the most costly feature is the wheelchair-accessible main entry, which must be served by a 1-in-12 ramp with a maximum 1/2-inch rise at the threshold. To create an appropriately low-sloped ramp for one of Pasquinelli's ranch-house models,

termite treatment around the front door, where the wood gets close to grade." According to Daniel Buonamici, most area builders estimate the cost of complying with the draft ordinance at between \$500 and \$1,500 per house.

Mandates and marketing. Some builders and builders' organizations strongly object to what they see as an unfair attempt to push social programs at their expense. "Santa Monica is absolutely crazy," says Ray Perle of the Greater Los Angeles/Ventura Chapter of the Building Industry Association of Southern California. "Our members would be happy to work with a disabled person who wants to purchase a home, but new requirements simply raise the cost of housing." The Southern Arizona Builders Association has also come out strongly against the proposed Tucson and Pima County visitability rules, reportedly persuading a local radio station to run public service ads characterizing them as government intrusion.

But some experienced builders take a more upbeat view of such local requirements. "I hate having regulations crammed down my throat," says Jack Morse, "but as the baby boomers get older, this kind of construction is going to be a real marketing plus." The cost factor, he believes, is unimportant as long as all builders in a given jurisdiction are affected equally. "It's like building in an area with an energy code that requires insulated windows," he says. "If you've got to put them in anyway, you're going to make darn sure you mention it in your ads."

"We didn't know how the public was going to receive it at first," says Pasquinelli Homes sales manager Linda Rhea. "But even people who aren't handicapped appreciate wider doors and a no-step entrance. I think it's generated a little more business because we've opened ourselves up to a new market." 

As the baby boomers get older, this kind of construction is going to be a real marketing plus

Santa Monica, Calif., is debating a similar set of mandatory criteria. Two parallel ordinances are under consideration in Tucson, Ariz., and surrounding Pima County. Builders in other areas — including Atlanta, Urbana, Ill., and Austin, Texas — are required to include visitability features in projects that receive city funds.

How much does it cost? Visitability proponents tend to portray such modifications as adding little to the cost of a home. Some changes — such as relocating switches, outlets, and thermostats — can theoretically be done for nothing, although most builders will probably incur some costs in the course of retraining subs and correcting the inevitable mistakes. Adding blocking for bathroom grab bars during framing

Craig Justak notes, it was necessary to rework the foundation plan so the first-floor joists were supported by a brick ledge inside the foundation wall, rather than sitting on the wall itself.

Jack Morse, an Atlanta developer who voluntarily incorporated visitable design features in one recent project, notes that ramp entries require much more precision in grading than a conventional entrance with steps, which can be adjusted to suit the actual rise. "It's not too hard on a slab," he says, "but if you've got basements and wood near the front door, you can get into some expensive waterproofing. You've got to work closely with the architect to get a good detail, and make sure the carpenters get it right. You might also want to be a little more careful with your

OFFCUTS

The State of Rhode Island now requires carbon monoxide alarms in all new residential buildings, including single-family homes. The new law, which took effect in January, also requires existing homes to have alarms before a property transfer can take place.

Home builder liability insurance costs are rising sharply nationwide, according to *Builder Online*. In recent months, many builders with more than \$1 million in revenue have reportedly experienced rate increases of 10% to 15%.

A new action plan for dealing with mold in multifamily housing has been published jointly by the National Multi Housing Council (NMHC) and the National Apartment Association (NAA). The plan covers training, routine maintenance and remediation procedures, guidance on documenting potential mold claims to minimize liability, and educating residents about mold. The full document is available to NMHC members at www.nmhc.org.

Good roofers are hard to find these days. One Oregon roofing contractor, interviewed by *RSI* magazine in an article on the shortage of qualified workers in the roofing and siding business, noted, "We drug test and require a driver's license. This eliminates a large portion of the available help."

CDC Report Calls Suburbs Hazardous to Your Health

Suburbs are sought-after places to live, which is why they're the focus of so much residential construction. But a controversial report issued by the Centers for Disease Control last November suggests that the suburbs may actually be damaging the health of those who live there. Among the report's contentions:

- The reliance on cars for transportation is a source of increased air pollution and associated respiratory disease. During the 1996 Olympic Games in Atlanta, when vehicular travel was restricted by about 20%, emergency-room asthma admissions declined by over 40%.
- A shortage of sidewalks and safe places to walk or exercise contributes to obesity. From 1976 through 1994, obesity among American children nearly doubled.
- The same lack of pedestrian-friendly features is an important factor in accidental injuries and deaths. In 1997 and 1998, 13% of all traffic fatalities — 10,696 people — were pedestrians.

The report was hailed by some environmental organizations, including Sprawl Watch, the Washington, D.C.-based group that commissioned it. But builders' organizations have been quick to reject the report's findings as a textbook example of "junk science."

"A lot of the studies it cites were performed in Europe," says Laer Pearce, president of a California public relations firm that specializes in land-use issues and residential real estate development. "They have nothing to do with conditions here." Pearce also claims that the study's conclusions are contradicted by other data available from the CDC itself. "The CDC has numbers to show that heart disease is more common in urban areas than in the suburbs," he says. "Their numbers show that obesity is more common in the cities. Either the authors didn't look at the data, or they looked and decided to ignore whatever they didn't like. It's hard to say which would be worse."

If I Had a Hammer...

Vermont builder Dennis Laferriere received a surprise gift from his wife, Pamela, last Christmas: a 13-foot hammer weathervane. The 600-pound creation took local welder Joe Hollowell about a week and a half to construct, and arrived by trailer on Christmas morning. Laferriere, who owns Laferriere Construction in West Danville, took it from there: By early January, he'd attached the mounting hardware to the cupola of his 50x100-foot converted dairy barn ("We secured it like there's no tomorrow," he says) and called in a 120-foot crane to hoist the hammer itself into position. The result leaves travelers on nearby U.S. Route 2 with no doubt about which way the wind is blowing.



AL HOGUE, ST. JOHNSBURY CALEDONIAN-RECORD

TAX TALK

IRS Surrenders to Contractors

by Christopher Morse

An epic accounting method battle between the IRS and contractors is largely over. After years of court cases and contradictory rulings, the IRS finally waved the white flag and gave many small- to medium-sized contractors the green light to use the cash method of accounting and pay tax only on income actually received in the tax year. The benefits to contractors of using the cash method are significant: lower income taxes, simpler tax planning, and less bookkeeping. There are some limitations on the IRS's largesse, but first, what was all the fuss about?

Cash vs. accrual. Under the accrual method of accounting, a contractor must pay tax on income that has not yet been received. The most obvious source of this type of income is accounts receivable — invoices sent out but not collected on as of year end. For instance, if your receivables at year end are \$200,000, under the accrual method you pay tax on that amount (which can be hefty — \$56,000 if you're in the 28% tax bracket).

The tax bite from accrual accounting is lessened a bit by your accounts payable, bills you owe but have not yet paid. Essentially, they represent deductions you get to take for which you have not yet laid out the cash. So if your payables were \$50,000 and your receivables were \$200,000, your net additional income from the accrual method would be \$150,000 (still a hefty tax hit of \$42,000 at the 28% bracket).

The cash method intuitively seems like a better way to tax your income — why pay tax on money you haven't received? Furthermore, it's easier to maintain accounting records and manage cash flows using that method.

It's easy to see why contractors have fought the IRS for so long on this issue.

Drawing the battle lines. In April 1992, the U.S. Tax Court ruled against the contractors in *JP Sheahan Associates, Inc. vs. Commissioner*. The IRS argued that since Sheahan, a roofing contractor, had inventory, he had to use the accrual accounting method to accurately reflect his income.

The contractors lost another couple of battles in the next

few years, always based on the existence of inventory. Finally, in 1997, the *Galedridge Construction, Inc.*, case gave contractors a glimmer of hope. Galedridge was an asphalt contractor who had to lay his material within two to five hours of delivery. The court characterized the asphalt as a supply used in the contractor's service operation and allowed him to use the cash method.

The tide really began to turn in favor of contractors in November 2000. Smith and Smith, contractors involved in a flooring business, argued that \$15,000 worth of materials left on hand at the end of a job did not constitute inventory because the items were used only to provide their service. The tax court agreed.

At that point, the IRS gave up the battle against the smallest contractors. In Rev. Proc. 2000-22, the agency conceded that virtually all taxpayers with annual gross receipts under \$1 million could use the cash method even if they had inventory. But contractors with gross receipts over \$1 million still risked IRS scrutiny if they used that method.

Sweet victory. At last, in a notice issued in December 2001, the IRS provided preliminary guidance for most contractors with annual gross receipts under \$10 million to use the cash method, regardless of inventories. Contractors oper-

ating as a C corporation must adhere to a \$5 million gross receipts limit. The dollar limits are based on average gross receipts for the three years preceding the year of change.

Contractors may use this new guidance for tax years ending on or after December 31, 2001, which for calendar-year taxpayers means that the 2001 tax return can be filed on the cash basis. As in all dealings with the IRS, only a tax specialist should prepare and file for a change in your accounting method. Ask your tax advisor to run the numbers to see if you are one of those who can benefit.

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OFFCUTS

The National Oak Flooring Manufacturers Association has changed its name. The organization is now called the Wood Flooring Manufacturers Association. Despite the name change, the organization will continue to use the abbreviation NOFMA.

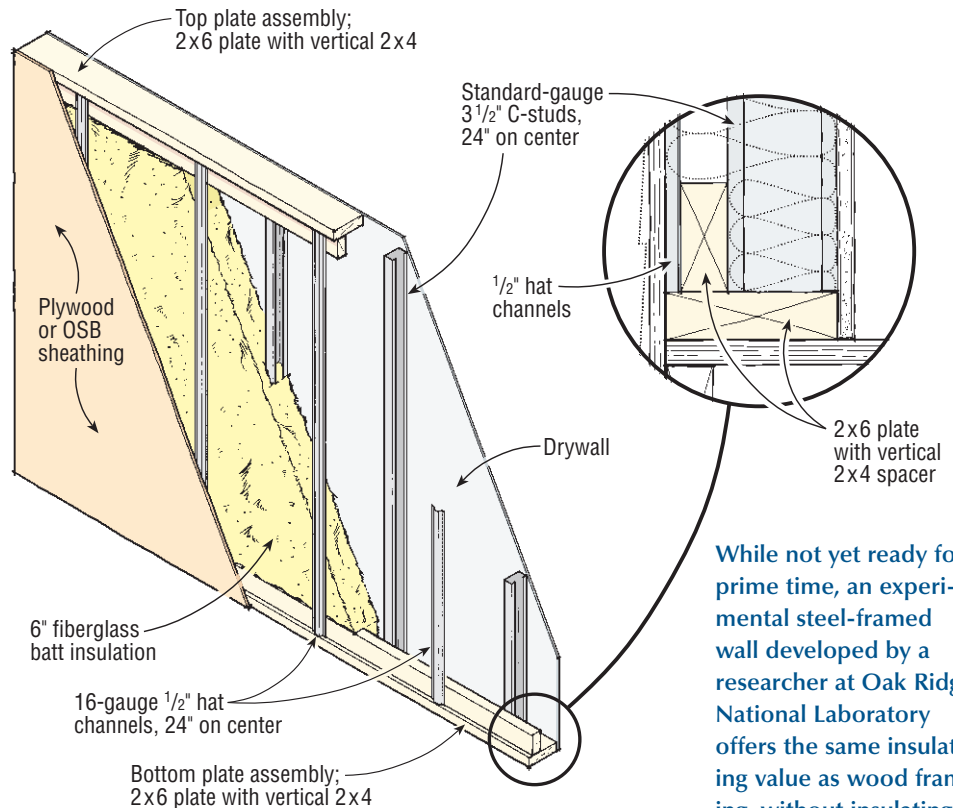
A partially straightened Tower of Pisa was reopened to the public in December after a \$25 million stabilization project that took more than a decade to complete. The tower, which began leaning soon after construction began in 1173, had tilted 14 feet 9.1 inches from the vertical and was in danger of toppling by the time an international team of civil engineers began extracting soil from beneath the north side of the tower with drilling equipment. The tilt has been reduced by nearly 16 inches, which experts believe will keep the tower from falling for another 400 years.

A notorious illegal handyman has been brought to justice by a New Jersey plumbers' association, according to *Contractor* magazine. The handyman, Kirk Tilton, had advertised in the Yellow Pages under the same name as a legitimate plumbing contractor, enabling him to "siphon off" some of the other guy's customers. After pleading guilty to two counts of advertising and performing plumbing services without a state license, Tilton was fined \$700 plus court costs and placed on probation for six months.

Energy-Efficient Steel Wall

Because steel conducts heat hundreds of times as easily as wood, exterior walls framed with light-gauge steel studs perform poorly when conventionally insulated with loose-fill or batt insulation within the stud cavities. Heat flows readily through the thermal bridges formed by the studs, wasting energy and often leaving unsightly

assembled with nails. Standard 3 1/2-inch C-studs are screwed to the inside faces of the vertical 2x4s on 24-inch centers, and lengths of 1/2-inch hat channel are screwed to the outside to accept plywood or OSB sheathing. The 16-gauge hat channel is offset from the studs to minimize thermal conduction through the wood plates.



While not yet ready for prime time, an experimental steel-framed wall developed by a researcher at Oak Ridge National Laboratory offers the same insulating value as wood framing, without insulating sheathing.

"ghost marks" on the interior. Adding an exterior layer of rigid foam board reduces those problems, but the insulating value of the resulting wall is still far inferior to that of a conventional wood-framed wall.

Jan Kosny, a researcher at Oak Ridge National Laboratory in Oak Ridge, Tenn., has developed a new wood-steel hybrid wall system that requires no insulating sheathing, yet offers about the same thermal performance as a 2x6 wood-framed wall. The key elements of the Kosny wall are its two-member top and bottom plates, which consist of 2x4 and 2x6 material

When the resulting wall is insulated with 6-inch fiberglass batts, laboratory tests have found it to have an R-value of 14.5 — a mere .01 less than a 6-inch control wall framed entirely with wood. The complete thermal break between interior and exterior also makes the wall extremely sound resistant, and makes it possible to run utilities without drilling the studs. Kosny hopes to build a full-sized test house in Texas, where he has been working with an architect and representatives of the federal Department of Energy.