

GUEST OPINION

Kiss Your Banker Right on the Lips

-Ken Zehm, First National Bank (Retired)
SAHBA Board of Directors



Now that I have your attention, let me share some insight about managing banking relationships, especially during these chaotic economic times.

After 36 years of sitting on the banker's "side of the desk" in a strong commercial and construction lending environment, it's fun to swing over to the "other side" to offer productive thoughts.

When dealing with your banker, always take a proactive approach. Demonstrate you're in control of all facets of your business, including financial matters.

In my career, it quickly became evident if borrowers had control of their business. It's imperative to impart the knowledge, ambition, and business plan to your banker.

Communicate

The cardinal rule is *communicate*, *communicate*, *communicate* with your banker. Have your banker come to your office, you go to their office, walk the projects together, ask questions, and listen intently.

Invariably, builders will be focused on building projects and making sales, but that cannot be done at the exclusion of maintaining a healthy relationship with the banker.

One troubled borrower I worked with told me that as a kid, whenever he was going to get a spanking, he would hug his dad. He said it was harder for his dad to raise his arm to spank him, and he used the same

philosophy when dealing with us during troubled times.

In retrospect, that borrower would over-communicate with me, but he had my respect and we worked very hard to figure out solutions.



On the other hand, we have had borrowers go silent. I was never sure if they went silent figuring it would buy time or if the problems would solve themselves. Or if it was an attempt to position themselves for actions that were less attractive, i.e. liquidations, bankruptcies, etc.

Also, review your depository relationship with your banker. Most builders probably are on analyzed depository relationships. Check the monthly earnings credit rate versus services used and make sure it's still the right type of account.

Know your deadlines

Keep track of your financial statements. Nothing will drive a wedge into your bank-

ing relationship than not being able to produce timely, accurately, and consistently prepared financial statements.

Most Loan Agreements have timelines when financial statements are due to the bank. Keep those dates. If you know you will miss a due date, immediately call your banker. Also tell them how quickly you will comply. Especially during these times, it's imperative to have a projected Cash Flow Analysis.

Make sure you read the Loan Agreement that you signed for all loans. There will be covenants regarding financial reporting, and possibly covenants to maintain operational integrity of the company.

Know those covenants and how they are measured. Take them to your banker meeting and make them aware you are following the covenants, including curtailments.

Manage your overhead. Daily, sit down with your Cash Flow Analysis and find your shortfalls. If sales are not coming, your only alternatives are to reduce overhead, sell assets, or infuse capital into the company.

In case I didn't mention it before, communicate with your banker. These are not all-exclusive tips to follow, but they do point out hot buttons for handling banking relationships. ■

Details: Zehm at kzehm@q.com



Offices for Rent

Offices available for rent at SAHBA. Options are: 315 square feet, 275 square feet or 180 square feet. Cost: \$1.25 per square foot plus 2% tax. Annual lease includes: electric, water and security. Contact Susan Wise at (520) 795-5114 or sahbasue@sahba.org.

Executively Speaking

SAHBA Chairman's Message

SAHBA only as Strong as its Members' Involvement



Steve Washburn
Washburn Custom Builders

Our strength is in our numbers and active involvement. We currently have 720 members, our impact on the economy is \$1 billion, our Super PAC is in its third year, and we meet regularly with state, local and national government leaders.

What is the building and development business going to look like in 2009? And, how does SAHBA fit into the picture?

Water supply to new developments within Pima County, the City of Tucson, all towns and unincorporated areas, will be a hot topic. Water is an important issue and decisions need to be made. As we've already seen, the City is creating a policy to address water resource concerns and more tough decisions will be made.

Is Tucson Water a "Regional Water Provider" or does the water belong exclusively to the City? Should Tucson insist that new service areas be annexed into the City? Should we rename Tucson Water "Pima County Water" and assure that its mission remains regional?

There also are several issues where member involvement is important to ensure the best results including financing projects; working with appraisal issues to assure closings; impact fees; regulations; recruiting new members; NAHB Build-PAC; ROC issues; marketing; legislative issues; tort reform; and member support.

To successfully meet the challenges we face as builders and citizens of Southern Arizona, we need the active involvement of all SAHBA members. We collectively make a difference, but it depends on your involvement. ■

SACA Executive Director's Message

Community Development on Fort Huachuca



Tom Heckendorn

Fort Huachuca has plans to upgrade its housing for on-base personnel.

For many years, base housing has needed improvements and finally the Department of Defense approved those renovations. This will be a welcome activity for many base housing families. It also will be a boost for our local construction industry in Sierra Vista and Cochise County.

Presently, Fort Huachuca has approximately 900 houses in need of various repairs and/or upgrades to conform to standard building codes. It was decided to demolish 900 homes and build 600 new homes as replacements.

Castle & Cooke and R.L. Workman Homes have been selected to construct these homes over the next several years. This operation will be a scheduled task development with the initial demolished homes being replaced with new homes, and the project phased until completed.

The building activity will provide excellent opportunities for local sub-contractors and suppliers to maintain business activities with the two primary builders.

As mentioned earlier, there will be a decrease of 300 homes on base that will create opportunities for current and additional rental units in Sierra Vista and surrounding areas. The construction activity being created on Fort Huachuca will continue to provide jobs for the construction trades industry. ■



saca-az.org

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New 2009 Officers, Directors Named

SAHBA President Ed Taczanowsky proudly announces the new Executive Officers for 2009:

- Chair Steve Washburn, Washburn Custom Builders
- 1st Vice Chair Michael Whyde, Pepper-Viner Homes
- 2nd Vice Chair Ed Castelhana, Becklin Construction
- Secretary Martha Wright, Southwest Gas
- Treasurer John Shorbe, Canoa Development
- 2008 Past Chair Randy Agron, A.F. Sterling Home Builders

Added to the Board are seven new Builder Directors:



Eric Montgomery
D.R. Horton Homes

Montgomery, an Arizona native, has been involved in the building industry since 1984. Montgomery has been with D.R. Horton in the Phoenix area for the last 10 years. Now the Division Vice President for D.R. Horton in Tucson, Montgomery was previously the Vice President of Construction for the Dietz-Crane Series of D.R. Horton in Phoenix.



Dave Grounds
Dorn Homes

Grounds, President and CEO of Dorn Homes, started working with Michael Dorn in 1986 and became a partner in 1991. Grounds acquired the company in 1998 and has developed and built over 19 successful communities in Tucson, Green Valley and Tubac.



Brad Bauer
Bauer Homes

A SAHBA Certified Custom Home Builder for over 13 years, Bauer took an interest in the building industry at an early age. He spent his summers in high school framing and continued on to earn a degree in architectural drafting. He has been building custom homes in the Tucson area since 1984.



Al LeCocq
LeCocq Construction

While in college, side jobs in construction sparked LeCocq's interest and led him to a career in construction. Shortly after completing the Carpenter's Apprentice Program, he obtained his general contractors license and started his own construction company. LeCocq now specializes in high-end custom homes in the Tucson area.



Mike Leung
Red Point Development

Leung, Project Manager for Red Point Development, has been involved with SAHBA since 1998 through New World Homes, now Red Point Development. The Tucson native attends SAHBA Storm Water Sub-Committee meetings and considers himself to be a major supporter of SAHBA.



Jeff Grobstein
Meritage Homes

Grobstein, Southwest Region President of Meritage Homes, oversees the Tucson Single Family, Active Adult and Las Vegas divisions. Grobstein started working for Meritage Homes in 1988 in sales and marketing. He became Vice President of Sales and Marketing in 1995 and in 1997 was promoted to Division President. He was named the Southwest Region President in June 2006.



Bill Viner
Pepper-Viner Homes

Viner, CEO of Pepper-Viner Homes, is a licensed general contractor. He graduated from the University of Arizona in 1971 with a degree in business administration (double major in Real Estate Finance). Viner has been active in real estate acquisition and development; as well as planning, design and construction of various residential and commercial developments for the last 35 years.

Members Got a Lesson in Marketing during a Tough Market

At the recent "What Got you Here Won't Get you There" sales/business seminar, SAHBA Life Director Charlie Bowles (Diamond Ventures) talked about creating a specific business plan, having a positive attitude, and making a good first impression with potential clients. Members will be able to better prepare for and manage their businesses during the downturn in this market. ■



Looking Ahead At 2009 Regulations and Politics

David Godlewski, Government Liaison

Even though new housing starts are at an all-time low, policies and regulations likely will be at an all-time high in 2009. As the voice for the residential development community in Southern Arizona, SAHBA continues to advocate for sound policies, and against unnecessary policies that harm our industry and economy.

What to watch:

Water: Water issues will dominate. Will the City of Tucson's policy not to extend water outside City limits be challenged? What will be the result of the City/County Water Oversight Study?

Tucson Solar Ordinance: The development standards on the table for the photovoltaic portion of this ordinance are burdensome for builders, will drive up home prices, and won't lead to an increased use of the technology.

Oro Valley: Council members are pursuing plans to mirror the City's rainwater, gray water and solar ordinances.

Marana Elections: In the March Primary, council members Carol McGorray, Herb Kai, Jon Post and Patti Comerford will seek re-election.

Tucson Elections: Council members Karen Uhlich (Ward 3) and Nina Trasoff (Ward 6) are up for re-election.

Non-Partisan Elections: Tucson is the only city jurisdiction in the state clinging to partisan elections. Will the State legislature pass legislation to eliminate this antiquated system? ■

Welcome New Members!

American Tile
Azzam Taleb, 747-7099
5335 E. 29th St./85711
Floor Covering Products and Services

Arizona Association of
Community Managers
Linda Lang, (602) 685-1111
668 N. 44th St., Ste. 229E
Phoenix, AZ 85008
Property Management

Cal Designs
Coreen Golab, (480) 699-4310
14820 S. 4th Dr.
Phoenix, AZ 85045
Interior Designers

Cool Box Portable Storage
Monica Wong, 722-0255
8325 E. Golf Links Rd./85730
Mobile Offices and Secure Storage

Desert Earth Contracting
Bryan Johnson, 327-4064
P.O. Box 91530/85752
Onsite/Offsite Improvements

Integrity Home Lifts
Paul Riihimaki, (602) 799-4523
16626 E. Ave of the Fountains, #102
Fountain Hills, AZ 85268
Elevators

Kimley-Horn
Ryan Bale, 615-9191
2210 E. Ft. Lowell Rd., 2nd
Fl./85719
Engineers - Civil and Consulting

Leadstar
Steve Hill, 546-6517
6303 E. Tanque Verde Rd., Ste.
101/85715
Engineers - Civil and Consulting

Pima Earthworks
Brian Frazier, (520) 572-1643
8710 N. Thornydale Rd./85742
Consultants

Presidential Pools & Spas
John Keller, 572-5617
12060 N. Thornydale Rd./85742
Pool Products and Services

Sabino Electric
Bill Burch, 623-6061
945 W. 29th St./85713
Electrical Contractors

Sunset Custom Homes
David Gliniski, 878-0123
10818 N. Camino de la
Tierra/85742
Builder - Custom

Thyssen Krupp Access
Joe Caid, 940-1167
7014 E. Golf Links Rd., #104/85730
Elevators

Tucson Commercial Carpet
Christine Fotinos, 884-7002
P.O. Box 5216/85703
Floor Covering Products and Services

Interested in joining SAHBA or know a potential members? Call Membership Director, Lindsey Peterson at (520) 795-5114 or email: lindsey@saaha.org

MESSAGES FROM THE MAILBOX

On behalf of the Board, thank you for your continued support. We are so grateful for what the Membership Committee did. We are pleased you joined in our mission to provide care and well-being to the seniors who reside with us.

—Larry Rush; Executive Director, St. Luke's Home

On behalf of the Board of Directors, thank you for your donation towards our 2008 Family Fun Branch, Let Fun Grow!

—Sandy Napombejra; Executive Director
Tucson Children's Museum

Thank you so much for supporting our "Save a Life Saturday." Your generous sponsorship helps ensure we'll be there to help children and families in need.

—Richard White; Executive Director
American Red Cross Southern Arizona Chapter



THANK YOU RANDY!

On behalf of the SAHBA Board, Staff and membership, we thank outgoing 2008 Chairman Randy Agron for his leadership. Shown here with Director Carl Schroeder, Randy's financial expertise helped solidify a strong operational foundation for the Association. Best of luck Randy in 2009, we appreciate your service!

Member Spotlight

2-10 Home Buyers Warranty

Founded 28 years ago, 2-10 Home Buyers Warranty (HBW) offers builders warranty and risk management solutions. 2-10 HBW is the largest national warranty program providing coverage on homes for structural defects.

“Our 10-year insurance-backed, new construction structural warranty is the most used and best recognized warranty in the home building business,” SAHBA member Rick Woodcock said.

2-10 HBW offers 10 years of qualified structural coverage from date of closing, with no mandatory builder deductible.

“2-10 Home Buyers Warranty acts as a liaison between builders and buyers,” said Woodcock, Active Risk Management Specialist. The Warranty Administration Team works closely to resolve conflicts and disputes between builders and buyers.

Also available is a Remodeler’s Home Improvement Warranty that covers one year of workmanship and two years of system surety coverage.

“I find it imperative to stay informed and educated on the newest developments in the home building industry, that’s why I joined SAHBA,” Woodcock said.

Woodcock has served on several SAHBA committees and proves to be an active representative of 2-10 HBW by attending monthly membership meetings, association events and Home Shows. He also assists in lobbying efforts on the national and local landscape on issues affecting the homebuilders industry. ■



Rick Woodcock

Details: Woodcock at (480) 299-4114

Don’t miss the Installation of the SAHBA Board of Directors and Builder of the Year Award winners!

Installation & Awards Reception

Fri., Jan. 16 Cost: \$25

5:30 pm Registration/Networking • 7 pm Installation and Awards
Desert Diamond Casino Hotel—7350 S. Nogales Hwy.
RSVP to Lisa Schroers by Jan. 8 at 795-5114 or lisa@sahba.org



Special thanks to our 2008 Board!

January Timeline

DATE	TIME	EVENTS/COMMITTEES	PLACE
1		New Year’s Day – SAHBA Office Closed	
7	Noon	Remodelers Meeting	SAHBA Boardroom
8	8:30am	Home Show “Grow Your Business” Seminar	SAHBA Boardroom
	Noon	Executive Committee Meeting	SAHBA Boardroom
	Noon	Membership Committee Meeting	SAHBA Room 103
	3:30pm	Home Show “Grow Your Business” Seminar	SAHBA Boardroom
12	4pm	Land Sub-tech Committee Meeting	SAHBA Boardroom
13	Noon	Sales & Marketing Council Meeting	Fraternal Order of Police, 3445 N. Dodge Blvd.
	3:30pm	Storm Water Sub-Committee Meeting	SAHBA Boardroom
14	11:30am	SACA Board Meeting: Sierra Vista	Pueblo del Sol Country Club, 2770 St. Andrews Dr.
16	5:30pm	Installation and Awards Reception	Desert Diamond Casino Hotel, 7350 S. Nogales Hwy.
19		Martin Luther King Day – SAHBA Office Closed	
20	3:30pm	Technical Committee Meeting	SAHBA Boardroom
20-23		International Builders’ Show	Las Vegas, NV
21	11:30am	SACA General Membership Meeting: Sierra Vista	Pueblo del Sol Country Club, 2770 St. Andrews Dr.
22	8am	Safety Committee Meeting	SAHBA Boardroom
	11am	Executive Committee Meeting	SAHBA Room 103
	Noon	SAHBA Board Meeting	SAHBA Boardroom
26	Noon	Green Build Council Meeting	SAHBA Boardroom

* Events, times and locations subject to change. Reservations required for all meetings and events at least 48 business hours in advance. Cancellations must be made 48 hours prior to an activity because SAHBA is charged for your meal. We must pass that expense on to the responsible company. NO SHOWS ARE ALWAYS CHARGED! Please advise us if you have special dietary requests so we can accommodate you. RSVP to Lisa Schroers: 795-5114 or lisa@sahba.org



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Permit Reports

November 2008 Monthly Building Permit Report

	S. PINAL COUNTY	SAHUARITA	ORO VALLEY	MARANA	TUCSON	PIMA CTY	TOTAL	SIERRA VISTA	COCHISE COUNTY	TOTAL
2006	17	60	22	56	98	154	407	6	47	53
2007	26	57	20	11	42	74	230	18	11	29
2008	23	32	4	4	16	31	110	8	6	14

Each Permit creates 2.5 full-time, on-site constructions jobs for one year.

2009 SAHBA LEADERSHIP

Executive Officers

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Steve Washburn
Washburn Custom Builders

1ST VICE CHAIRMAN

Michael Whyde
Pepper-Viner Homes

2ND VICE CHAIRMAN

Ed Castelhana
Becklin Construction

SECRETARY

Martha Wright
Southwest Gas

TREASURER

John Shorbe
Canoa Development

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HOME SHOW

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Carl Schroeder
Kadon Realty

REMODELERS

Scott Bacon
Catalina Contracting

SAFETY

Victor Moreno
KR Yarbrough Construction

TECHNICAL

John Shorbe
Canoa Development

Year-to-Date Building Permit Report

	S. PINAL COUNTY	SAHUARITA	ORO VALLEY	MARANA	TUCSON	PIMA CTY	TOTAL	SIERRA VISTA	COCHISE COUNTY	TOTAL
2006	227	1,171	328	743	2,426	3,132	8,027	360	540	900
2007	370	797	324	520	1,178	1,653	4,842	169	295	464
2008	261	717	219	224	577	903	2,901	177	219	396
Change	-29%	-10%	-32%	-57%	-51%	-45%	-40%	5%	-26%	-15%

Permits for new single-family detached and attached. Data by John Strobeck, Bright Future Business Consultants.

SAHBA
the community builder

Southern Arizona Home Builders Association
2840. N. COUNTRY CLUB
TUCSON, AZ 85716
520-795-5114

Next Event:
Installation & Awards Reception
Fri., Jan. 16

See page 5 for more information.

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