



# Sticks & Bricks

OFFICIAL NEWSLETTER OF THE GREATER BRAZOS VALLEY BUILDERS ASSOCIATION

July/August 2021





# President's Letter

*Howdy and welcome to this month's edition of  
"Sticks and Bricks"*

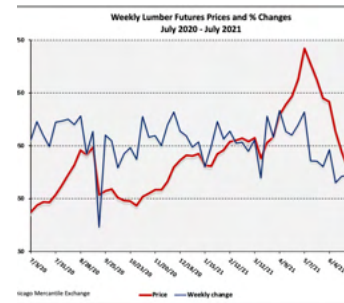
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*Sticks & Bricks is the official publication of the BCS Home Builders Association. Any opinions expressed in the articles are those of the authors and do not necessarily reflect the viewpoints of BCSHBA. Contact Rose Selman for article reprint permissions*

*David Deutsch*

DAVID DEUTSCH  
HBA President, Stoneside Custom Homes

# WHAT'S NEXT

August 4th- GBVBA Member Luncheon at The Hilton

September 1st- GBVBA Member Luncheon at The Hilton

September 11th- GBVBA Builders BBQ & Family Festival at Millican Reserve

October 6th- GBVBA Member Luncheon

October 14th- Fall Parade of Homes™ Kick Off Party at  
Mission Ranch

October 16th & 17th- 2021 Fall Parade of Homes™

October 25th- TAB Contracts Class with Don Shelton

October 28th- Builder/REALTOR® Fall Fest at The Reserve at Cottonwood Creek



**NEW**  
2021-2023

Texas Residential Construction  
**CONTRACTS**

available Sept. 1, 2021

**PROTECT YOURSELF  
PROTECT YOUR BUSINESS**

The new package will significantly modify the following areas:

- |   |   |  |
|---|---|--|
| <input checked="" type="checkbox"/> Disclosure Provisions       | <input checked="" type="checkbox"/> Termination by Builder Procedures | <input checked="" type="checkbox"/> Insurance Requirements           |
| <input checked="" type="checkbox"/> Materials Escalation Clause | <input checked="" type="checkbox"/> Arbitration Provisions            | <input checked="" type="checkbox"/> Definition of Construction Costs |



The Texas Residential Construction Contracts reflect the most recent legislative changes affecting the homebuilding industry in Texas.

Purchase online at **[TexasBuilders.org](https://www.TexasBuilders.org)**

You must be an **ACTIVE BUILDER MEMBER** to purchase the contracts.

The 2019-2021 contracts will no longer be available after August 31, 2021.

✉ [info@TexasBuilders.org](mailto:info@TexasBuilders.org) 🌐 [www.TexasBuilders.org](https://www.TexasBuilders.org) 📍 313 East 12th Street, Ste. 210 Austin, TX 78701



Congratulations to the 2021 TAB Statewide Washers Championship winners - Dennis McMillin and Travis McMillin representing the GBVBA at the Sunbelt Builders Show!



Our GBVBA President, David Deutsch, and BCS Parade Of Homes™ Co-Chairman, Dennis McMillin, presented Jimmy Pitman of Ranger Homes with a check for more than \$5000 for St Jude Children's Research Hospital. These funds represent a portion of the Spring Parade of Homes™ ticket sales. Ranger Homes built the St. Jude Dream Home that was raffled off raising \$700,000 for St. Jude!





GBVBA 2021 BUILDERS



COOKOFF & FAMILY  
FESTIVAL

SEPTEMBER 11TH 10AM- 6PM

MARKET ON THE GREEN AT

MILLICAN RESERVE

19851 FM 2154, CSTX, 77845

**FUN & GAMES FOR ALL AGES**

BOUNCE HOUSES

LIVE MUSIC

JUNIOR COOKOFF

KIDS FIRE EXTINGUISHER CLASS

WASHER TOURNAMENT

BEST BOOTH CONTEST





G B V B A



# BUILDERS BBQ COOKOFF & FAMILY FESTIVAL

## DETAILS

### WASHER TOURNAMENT ENTRY

\$50 per 2-Person Team

Entry Deadline September 1st

TEAM NAME: \_\_\_\_\_

PLAYER 1: \_\_\_\_\_

PLAYER 2: \_\_\_\_\_

Cash Prizes to Top 3 Teams

### JUNIOR COOK OFF TEAM ENTRY

Ages 6 to 12 Years – Two Per Team

Limit to first 10 Teams

Grill, charcoal, utensils and meat will be supplied –

Must have Adult Supervision

TEAM NAME: \_\_\_\_\_

PLAYER 1: \_\_\_\_\_

PLAYER 2: \_\_\_\_\_

Prizes awarded to Top 3 Places

## BEST BOOTH CONTEST- PATRIOTIC THEME

## ADVERTISING LEVELS

TITLE SPONSOR- \$1,200

COOL TENT SPONSOR- \$1,000

MUSIC SPONSOR- \$1,000

WASHER TOURNAMENT SPONSOR- \$1,000

JUNIOR COOK OFF SPONSOR- \$800

TEAM PRIZE SPONSORS (4 AVAILABLE)- \$750

T-SHIRT SPONSOR- **SOLD TO DPIS BUILDING SERVICES**

BEVERAGE SPONSOR- **SOLD TO ACES BUILDERS WARRANTY**

KOOZIE SPONSOR- **SOLD TO TIM BAILEY PLUMBING**

FOOD/SNACKS SPONSOR- \$500

REGISTRATION SPONSOR- \$350

BANNER HUNG AT THE EVENT

COMPANY LOGO ON THE BBQ T-SHIRTS

OPTION TO AWARD CERTAIN PRIZES

PLEASE CHECK THE CATEGORIES YOUR  
TEAM IS ENTERING:

## BBQ TEAM ENTRY

ENTRY FEE: \$275 PER TEAM

INCLUDES 4 T-SHIRTS

☐ BEST CHICKEN

☐ BEST RIBS

☐ BEST MARGARITA

☐ BEST DESSERT

☐ OPEN CATEGORY

ENTRY DEADLINE: SEPTEMBER 1ST

TEAM NAME: \_\_\_\_\_

COMPANY: \_\_\_\_\_

NAMES: \_\_\_\_\_



TO ENSURE YOUR SIZE IS SECURED T-SHIRT  
SIZES NEEDED BY AUGUST 16TH! ADDITIONAL  
T-SHIRTS \$25 EACH

T-SHIRT SIZES:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_





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“

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– Daniel, Corpus Christi, TX



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Property & Inland Marine

**US Assure**



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find an agent near you.



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## HAVE YOU CLAIMED YOUR 2021 BPA YET?

INCLUDED 100% WITH YOUR TAB MEMBER BENEFIT

GO TO **SBGPINC.COM** AND CLICK:



### REDEEM YOUR BPA

OR TYPE: **RB.GY/7UPCUS** IN YOUR INTERNET BROWSER

TAB has been working with our exclusive, private partner, Small Business Growth Partners (SBGP) to help our members reach maximum growth and potential through their one of a kind BPA Process. This has been refined for over 10 years of working exclusively with Builders, Remodelers & HBA Associate Members.

## WHAT IS A BPA?

A BPA (Business Plan of Actions) is a 3 yr & 12 month roadmap for you and your business, addressing your:



MARKETING + LEAD FLOW



SALES + SALES PROCESS



MARGINS + PROFITABILITY



TEAM, HIRING + COMMUNICATION



PROCESS + SYSTEMS



SUCCESSION PLANNING

**CULMINATING IN A 40+ PAGE STEP-BY-STEP  
PLAN FOR YOU & YOUR BUSINESS**



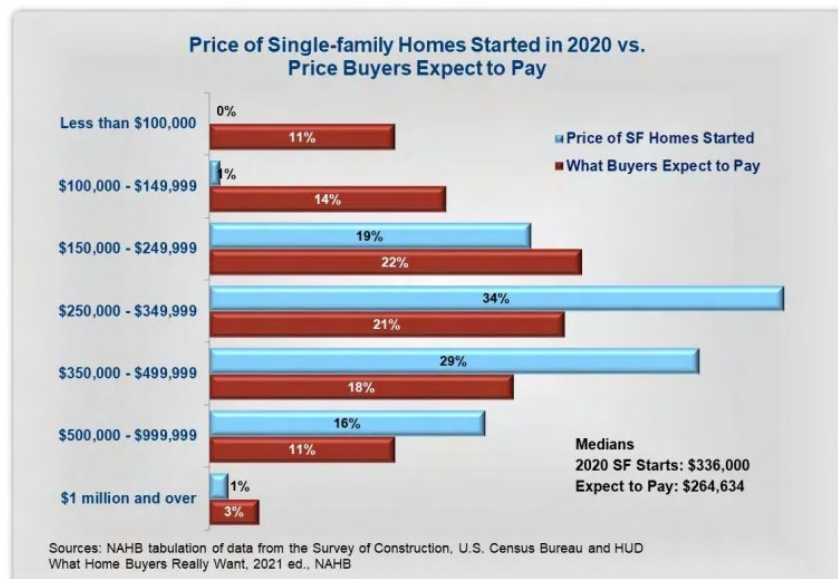
## New Home Prices Squeeze Buyers Out of the Low End

New data released by the U.S. Census Bureau and the Department of Housing and Urban Development, combined with recent NAHB survey data, show that home buyers in the bottom one-fourth of the market have been squeezed entirely out of the market for new construction due to a mismatch between actual prices of new homes and prices that buyers expect to pay.

As a result, these buyers have been forced to look exclusively in the stock of existing homes – where the inventory of homes available for sale remains in a historically low range at a 2.5-month supply, with a six-month supply typically acting as a balanced market.

NAHB tabulation of recently released data from the HUD/Census Bureau Survey of Construction shows that the median price of single-family homes started in 2020 and built for sale was \$336,000. The vast majority (79%) were priced between \$250,000 and \$1 million. Virtually none were under \$150,000 (only 1% between \$100,000 and \$150,000 and none were under \$100,000).

In contrast, the 2021 edition of NAHB's What Home Buyers Really Want (based on a representative sample of 3,247 recent and prospective home buyers conducted in the summer of 2020), showed the median price buyers expect to pay for a home is about \$265,000. Half are looking to pay \$250,000 to \$1 million, and one-fourth are looking to pay less than \$150,000.





In other words, in 2020 new construction was providing essentially no product for the bottom one-fourth of the home buying market. Moreover, in 2021 the situation is likely to be worse, given that the median price of a new home in May 2021 was up 18% from a year earlier, at \$374,400.

In addition to the 25% of buyers looking to pay under \$150,000, it is likely that builders in many parts of the country are now unable to accommodate a substantial share of the 22% looking to pay somewhere between \$150,000 and \$250,000.

The growing affordability crisis is due in large part to supply chain disruptions resulting from the COVID-19 pandemic. The change in lumber costs between April 2020 and April 2021 added more than \$35,000 to the price of an average new home. In May, builders reported that material costs in general had increased 26% from a year earlier.

The widespread shortages are not just limited to building materials – builders are also grappling with a dearth of workers, as the number of open construction jobs increased to 357,000 in April. On top of this, NAHB recently estimated that regulation is now accounting for over \$93,000 of the price of an average new home. Buyers unable to find new homes in their price range are also likely to have increasing difficulty finding something in the market for existing homes, which have registered large price hikes as well. The median sales price for existing homes in May was \$350,300, up 23.6% from a year earlier, and the 111th consecutive month of year-over-year increases.

# Why Builder Lumber Prices Remain Higher than Headlines Suggest

While the price of framing lumber has dropped roughly 50% over the past seven weeks according to Random Lengths, prices paid by builders have declined by a fraction of that amount. The disconnect — which has always existed — is inherent to the lumber supply chain.

This post outlines the reasons why when lumber market prices drop sharply there can be a long lag time before these full price reductions trickle down to builders and why higher prices reach builders with a much smaller lag time when the price of lumber increases.

## The Lumber Supply Chain

The supply chain for dimensional lumber typically consists of five stages.



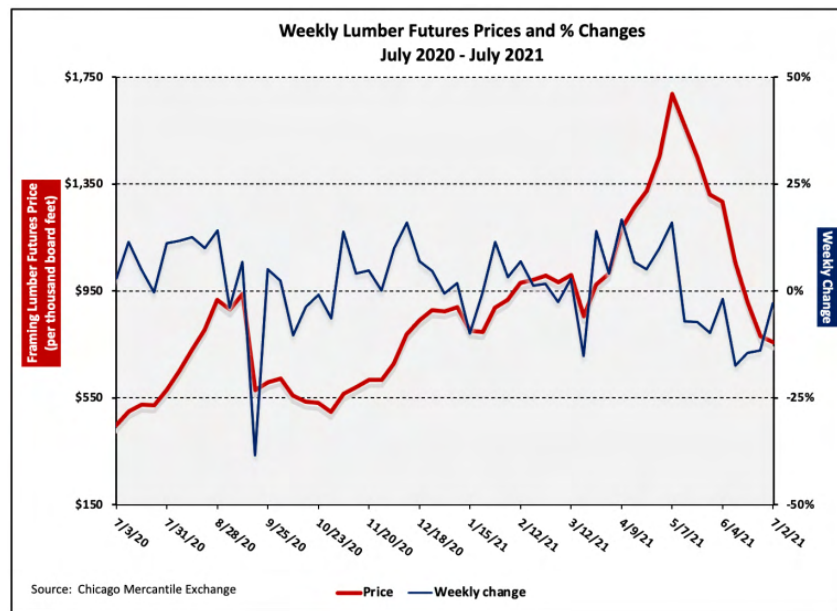
- Timber is harvested from the forest and shipped to a sawmill.
- Saw logs are cut to dimension at the mill and shipped to a distributor.
- The wholesaler delivers to lumber retailers such as lumberyards and building materials suppliers.
- Customers purchase the product to use as a production input.
- The end-user (e.g., home builder) constructs a home.



A lumber company may operate at one stage or multiple stages. In the latter case, the firm is said to be vertically integrated— such structure is commonplace in the lumber industry. For example, large lumber companies may own: timberlands from which they get logs, mills at which they cut (and may also plane) lumber, and a distribution network or building materials supply company.

## Sources of Price Timing Differences

Coverage of the recent fall in lumber prices — usually proxied by futures in the media — began in May. Indeed, the price of July lumber futures has declined 56% since peaking on May 10 and by 46% since May 14 (the final trading day of May 2021 futures contracts).



As the price declines began grabbing headlines, however, the price of lumber packages quoted to builders held at record highs. In economics jargon, prices paid by builders — or “street” prices — were “sticky.” This dynamic is primarily due to dealers’ inventory carrying costs and potentially large differences between the price at which inventory is bought and sold.

To maintain margins, retailers and wholesalers do their best to buy low and sell high. At the very least, they try to avoid buying high and selling low, which happens to be the biggest risk in an environment of rapidly falling prices. For example, had a lumberyard quoted a client at prevailing prices two weeks ago, it would be taking a 25% loss relative to current pricing. Thus, a supplier that quotes clients at current market prices will consistently lose money when prices are falling.

Suppliers’ inventories will also tend to be tighter during periods of falling prices. Whatever inventory the business has on hand was expensive relative to current prices. This gives wholesalers and retailers incentive to run through that inventory while they can still get close to what they paid for it — and doing so without souring relationships with customers. And for reasons stated above, they will be “trigger shy” to buy more lumber than they are contractually obligated to provide to customers for fear of ending up with a load of inventory on which they will take a loss.



## When Do Lower Prices Reach Builders?

Home builders and remodelers begin to get price relief once mill prices have substantially decreased for an extended period and/or stabilized. Note that large price decreases alone may not be sufficient. Prices must fall for long enough to materially lower a supplier's average costs after a run-up. Depending on the rate and consistency of price decreases and whether prices have stabilized at the lower level, it may take a few weeks to a couple of months for builders to see price relief on the order initially reported in the futures or cash markets.

The length of this "waiting period" varies with builder size, supplier size, and the specific builder-supplier relationship. Buying power is positively correlated with the size of a residential construction firm while the same is true for suppliers' seller power, all else equal. The relative difference in market power between the buyer and seller is crucial in determining how quickly lower prices transmit to a customer.

Personal and business relationships also influence timing. Home building is an industry that is highly dependent upon relationships both with customers as well as vendors (which is why most building materials dealers belong to their local builders association). The length and quality of a builder-vendor relationship can positively affect how soon the builder is quoted lower lumber prices.

## Why Do Builders' Lumber Costs Increase with Market Prices?

In contrast to the dynamics of an environment with falling prices, higher prices reach builders with a much smaller lag when market prices are increasing. The same forces that lead to large lags relative to mill prices on the way down can help explain why builders' lumber costs may increase in tandem with mill prices.

Wholesalers tend to be "trigger happy" when prices skyrocket. As the cost of their inventory is low relative to cash prices during these periods, they will quote at or near current market prices. The environment is one in which wholesalers are assured to buy low and sell high.

However, wholesalers cannot predict when a bull market is going to end and buy their lumber according to how likely they believe it will last. As different buyers may have different forecasts, disparities in purchasing behavior can arise. A wholesaler that assumes lumber prices will keep rising for two months will buy more inventory than one assuming the run will last for two weeks.

Retailers generally have less buying power than wholesalers have selling power. In such a scenario, the retailer (e.g., lumberyard) is said to be a "price taker." As a result, their inventory costs tend to increase in step with market prices. These higher costs are passed on to builders in order to maintain positive operating margins. Thus, lumber retailers are less likely than wholesalers to realize outsized profits when prices are rising.





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## PROFESSIONAL LIABILITY INSURANCE FOR HOMEBUILDERS/CONTRACTORS

Carefully crafted to respond to liability exposures homebuilders have to errors and omissions (E&O) claims, professional liability insurance can fill potential coverage gaps found in many general liability policies. Specific to homebuilders and contractors who offer design and building services, coverage can respond to mistakes made by the contractor as well as errors and omissions made by third parties hired by the homebuilder/contractor, such as engineers and architects.

In some ways, the financial loss from poor or faulty design work is outside the realm of the traditionally thought of construction project risks but can result in costly claims. Generally, all claims will flow through the homebuilder whom, in many cases, is the only party that has entered into contracts with vendors and subcontractors.

Professional liability policies do not require bodily injury or property damage to trigger coverage and the coverage form may respond to claims of nonphysical and purely economic damages.

### Typical claim scenarios where a professional liability policy may respond:

- Subcontractor vicarious liability
- Failure to deliver promised services
- Design errors and any resulting delays
- Negligence in providing services
- Alleged quality concerns of materials

As the construction industry continues to change and grow, your insurance program should keep pace with those changes.

*At Program Insurance Group, we believe your focus should be on building the best product for your client and our focus is on providing products that safeguard your business from evolving liability exposures. Program Insurance Group is ready to help protect your construction business by offering the following insurance coverages: General Liability, Builder's Risk, Cyber Liability, Commercial Umbrella, Auto, Worker's Compensation, Professional Liability, and more.*

## CONTACT US

Program Insurance Group  
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# B/CS Development News

	Last Month June	Value	YTD21	YTD 21 Value	YTD 20	YTD 20 Value
Bryan	98	18.33M	248	48.38M	184	34.68M
College Station	67	13.05M	157	31.23M	170	34.65M
Total	165	31.38M	405	79.61M	354	69.33M
Total Permit History (End of Year)						
Year	2020	2019	2018	2017	2016	2015
Bryan	720	594	466	445	392	271
College Station	497	423	462	659	808	902
Total	1,217	1,017	928	1,104	1200	1173
College Station Inspection Report						
	Building	Plumbing	Electric	Mechanical	Lawn	Pool
Total	416	300	263	234	40	26

## City of College Station

City Council meets on the 2nd and 4th Thursday of the month

City Council Workshop begins at 5:30 pm, regular meeting at 7 pm Planning & Zoning meets on the 1st and 3rd Thursday at 7 pm



City of Bryan-City Council meets on the 2nd and 4th Tuesday of the month at 3:30 pm

Planning & Zoning meets 1st and 3rd Thursday

Workshop at 5:00 pm, Regular at 6:00 pm

Building & Standards Commission meets on the 4th Monday at 6:00 pm



# Membership Update

Growing Our Strength Through Member Recruitment,  
Retention, and Involvement



*Welcome New Members!*

**Hancock Whitney Bank**  
**Kept Classic Homes**  
**MI-BOX Moving & Mobile Storage**  
**My BCS Home**  
**Andrews Myers, P.C.**  
**Bryan + College Station Real Producers**  
**H3 Outdoor Design & Construction**  
**Stoneside Custom Homes**

## Membership Renewal

*Thank you for renewing!*

**Bryan Business Council**  
**Caldwell Homes**  
**GTH Design & Build, LLC**  
**Highland Interest**  
**Holley's Window Fashions**  
**Program Insurance Group**  
**Round Top Home Builders**  
**Schaefer Custom Homes**  
**Spirit of Texas Bank**

## July Spike Report

**Victor Drozd 764.00**  
Randy French 377.00  
Bill Pitman 335.50  
Michael Schaefer 349.50  
Cerene Wharton 255.00  
Randy Birdwell 239.50  
Keith Ellis 218.00  
Claire Hammack 162.00  
John Howe 147.50  
Larry Mariott 114.0  
D'Ann Brown 118.50  
John Magruder 128.50  
Buck Prewitt 105.0  
Donald Borski 101.0  
Roger Williams 93.00  
Paul Turney 101.75  
John Godfrey 87.50  
Doug Groves 83.75  
Tina Sides 67.50  
Jimmy Pitman 76.0  
Billy Chenault 63.50  
Bill Lero 61.50  
Brian Windham 66.50  
Melanie Becka 48.25  
Randall Pitcock 43.25  
Charles Thomas 37.00  
Mark Weber 36.50  
Coulter Mariott 30.50  
Ron Lightsey 29.00  
Pam Cemino 30.50  
Maegan Rich 30.50  
Alison Windham 27.00  
Stacy Worden 21.00

*Recruiting new members to your local association is an activity recognized and rewarded through the Spike Club.*

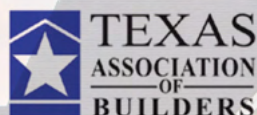
*Those who participate are called Spikes, and they are among the most valued members of the association.*

*Member-to-member recruitment and retention efforts are the largest source of growth for the federation. Spikes bring grassroots growth and stability. These efforts lend to the development of the general membership and our leadership pipeline, keeping the face of the federation true to that of our industry and the scope of interests we represent. Spikes are the membership leaders of our federation, building the voice, power and influence on every level, in every state. We would like to say Thank you! to all of our wonderful members, without whom we could not do all that we do.*

Greater Brazos Valley Builders  
Association  
230 Southwest Pkwy East  
College Station, Texas 77840



## WANT TO START GETTING MONEY BACK FOR PRODUCTS YOU ALREADY USE?

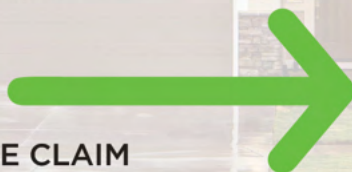


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- 3 RECEIVE A REBATE CHECK



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