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NC Builder Leads Nation in Certified Green Homes

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Shugart Enterprises — a North Carolina construction company targeting first-time, move-up and empty-nester home buyers — has completed more homes certified to the National Green Building Standard than any other home builder in the nation.

By last week, 26 homes built by the Winston-Salem company had completed the National Green Building Certification process. Forty-five additional homes had undergone the first of two inspections required by the standard, while another 15 were just getting underway.

Shugart wasn't looking to become a green building pioneer, said Les Frye, the company's director of special projects. But with founder Grover Shugart wanting to steer his 43-year-old business in a new — and positive — direction, the timing seemed right to make some changes.

Last year, Frye and other Shugart team members met to "see if it made sense for us to jump on this green bandwagon," he said. Frye started by attending local seminars and classes sponsored by NAHB and other green building groups.

After that, "we talked it over and decided that we needed something to separate ourselves from the competition, and give buyers another reason to buy a Shugart home," Frye said.

The downturn in the housing market — which fortunately was less severe in North Carolina than in many other parts of the country — played a part, Frye said, because it gave the company some extra time on its hands.

One of Shugart's first steps in implementing green home building, Frye said, was explaining to its suppliers and trade partners how their practices would have to change. "We've been fortunate to have good trades and they were more than willing to work with us and buy in on it," he said. "We've got to sell more houses to keep the trades busy, and they appreciated that."

Next it was time to figure out how to reengineer operations to produce green homes that were both affordable and replicable. "Our bread-and-butter product is a starter home or a home for the first-time, move-up buyer," and Shugart did not want to lose those customers.

In late 2008, the builder began meeting with Southern Energy Management, whose verifiers can certify homes both to the standard and to Energy Star. Green building specialist Jamie Hagar provided great advice and counsel and continues to do so, Frye said.

At that time, the standard had not yet been approved by the American National Standards Institute, so Shugart decided to start out with energy-efficiency improvements and go for Energy Star new home certification in all their new projects.

Among Southern Energy Management's suggestions was to look for changes that would result in the most improvements in energy efficiency while spending the least amount of money.

A few years earlier, Shugart had performed a value engineering analysis of all of its house plans to determine how to construct them more efficiently. As a result, it switched to advanced framing techniques and using house wrap. "We didn't want moisture problems to crop up two or three or four years down the road," Frye said.

Worried about the additional cost of making this move — as well as possible unfamiliarity with the product among its trade partners — Shugart decided to stick with fiberglass batt insulation rather than switch to foam. However, after reexamining how the insulation was being installed, it was able to significantly improve the process, Frye said.

"Insulation has got to be encapsulated on all six sides to do its job, and we do that, and our framers are doing proper draft stopping," he said. This has made a big difference in HERS, or Home Energy Rating Scores.

By Feb. 1 of this year, every new 2nd Generation home — Shugart's name for its new, more efficient product — was being built to Energy Star specifications. And with the approval of the National Green Building Standard just two days earlier, it was time to move Shugart up to the next level, Frye said.

"Our goal was to roll out everything by April 1 so that our new homes going forward would be certified NAHBGreen," using the standard as the scoring tool, Frye said.

Weighing the effectiveness of the products and materials Shugart was using to build its homes, Frye and his colleagues found that the standard's rating system and allocation of points under categories such as water efficiency and indoor environmental quality provided a "laundry list of ways to achieve our goals," including some more effective, yet affordable, options, he said.

Like the switch to Energy Star, certifying to the standard required changes, such as "more elaborate silt fencing" and keeping better track of environmentally friendly paints and sealers, Frye said. But as the crews and trades have become more comfortable with the standard, these improvements have become part of the new way of doing business.

"Our goal in energy efficiency was to meet Energy Star requirements with an 85 HERS rating, but now that we're better at getting our ducts tight and our blower door tests are turning out even better than we had modeled, our actual scores are doing much better, averaging 75," Frye said.

The response from the home buying public has been positive, he said, bolstered by a new "Shugart 2nd Generation" marketing campaign.

"We wanted to demonstrate that we represent the next generation in building sciences and practices. We did quite a few press releases and had the media come out for photo opportunities," he said.

Shugart has also instituted a "sweat equity" program in which buyers can complete the final painting and landscaping work in exchange for cash toward closing costs.

"We try to do everything as creatively as we can. We did not want to go the discount route because we didn't want to hurt our comps, but we did indeed pass on the minimal amount of the additional cost from certifying to Energy Star and the standard," Frye said.

It is still unclear whether the switch to green is the decisive factor in the company's ongoing success.

Green building is "still in its infancy" in Shugart's market, said Frye. "In other parts of the country people may be more aware of Energy Star and green building, but here, we have had to educate our real estate agents and we are still trying to educate our appraiser community," he said.

"Comps are tough. The green is still intangible and appraisers are really under the gun" as they endure more scrutiny, he said.

"But we have signage highlighting what's behind the walls in the model homes and a video that walks you through the inspection process and blower door test playing on our Web site and in the design center and each of our model homes," he said. "Is it sweat equity? Is it green? It's hard to put a finger on, but our gut says it's working."

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