

The **BUILDING BUSINESS**

Glow from pockets of activity brightens an otherwise bleak picture for local builders

Construction is slowly picking up, with home and mixed-use projects moving forward on Monterey Street in San Luis Obispo, at Dove Creek in Atascadero and at Monarch Dunes in Nipomo
— as well as in other areas of the Central Coast

By Julie Lynem
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With the economy still weakened from recession, San Luis Obispo County's construction industry will take several years to recover, industry experts say.

So far, 2011 is on track to be another dismal year for building permits, according to the most recent data from the Home Builders Association of the Central Coast.

But there are pockets of activity in the county, and some builders and developers are getting a boost from custom homes and remodels, as well as from finishing stalled projects.

"Some of my guys have work, and they've been telling me that it seems to be picking up," said Leslie Halls, executive director of the San Luis Obispo County Builders Exchange. "There are some high-end homes going in. We are

seeing a bit of an uptick in work and more plans in the plan room."

Homes under construction

Local builder-developer Robbins Reed Inc. is one firm that has landed several jobs in the midst of tough economic times.

Shawn Reed, one of the company's principals, started the firm with partner Grant Reed when the pair left Centex Homes in spring 2008.

The company has completed six custom homes in the last two and half years, and has three under construction and one more scheduled to start this month at Las Ventanas at Talley Farms in rural Arroyo Grande.

At the same time, the company is building a 20,000-square-foot mixed-use project at Monterey and Johnson streets in San Luis Obispo and recently

For the first six months of this year, **115 building permits** were issued for residential construction, **down nearly 19 percent** from the same period last year. The level of **distressed inventory in the local residential real estate market**, in which distressed property sells for about \$50,000 to \$150,000 less than it would cost to build — depending on the type and location of unit — is **one reason why few residential projects are being built**, said Jerry Bunin, government affairs director for the Home Builders Association of the Central Coast. It also **remains difficult to secure financing** to buy property and build, he said.



GJ GARDNER HOME under construction
on Dawn Road in Nipomo.
PHOTO BY DAVID MIDDLECAMP



re-started production of homes at the Dove Creek community in Atascadero. It plans to complete one of the multi-family units, a three-plex, in the fall. As well, the first phase of six single-family homes at The Cottages at Dove Creek began in late July.

The company is also building 80 single-family homes in another residential neighborhood, the Gardens at Briar

Creek in Lompoc, where there are four homes under construction and another one reserved for construction.

"You're getting some folks like architects and planning firms in the area starting to get more action and getting some contracts to get moving on some things, and that's usually the first round of people in the business to get going," Reed said.

"We feel that the next year is a year that there's going to be some optimism," he added. "We can't say that's for certain, but there are people talking about getting more bidding opportunities."

Business is starting to move again for custom homebuilder GJ Gardner in San Luis Obispo, which has five projects





NEW UNITS UNDER CONSTRUCTION at Dove Creek development in Atascadero.

PHOTO BY DAVID MIDDLECAMP

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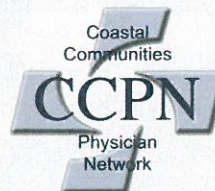
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CAMBRIA FLOORPLAN UNDER CONSTRUCTION at the Trilogy Development in Nipomo. This is the view from the back yard. At right is the Monterey floorplan foundation under construction.

PHOTOS BY DAVID MIDDLECAMP



under way and as many as 10 expected to begin in 2012.

The homes are being built for clients in Orcutt through Creston, said Paul Abbott, who purchased the GJ Gardner franchise in 2006. Some projects, he said, are speculative, which means that the homes are being designed before prospective buyers have been found.

Abbott acknowledged that business is a fraction of what it was during the boom years. At the end of 2009 and beginning of last year, Abbott said there was "really no activity."

Today, many banks, he said, are still reluctant to provide loans for clients, and so some customers have decided to not build.

Those who do take that step, however, have cash or are willing to entertain private financing to build homes that, in many instances, are not as large or ambi-

tious as they had been in the past. Homebuilders can also take advantage of historically low interest rates and get more value for their construction dollar because those working in the construction trades are hungry for work, he said.

"We're clearly not out of the woods yet with the scare of a continuing downturn in the economy," Abbott said. "But people have enough of a grasp on their funds and restructuring of their finances that they are well enough protected from further downfalls and can make that play."

Meanwhile, at Trilogy at Monarch Dunes in Nipomo, 40 homes will be built this year, said Preston Holdner, general manager. Although that's 10 percent less than last year and about half of what the development was building in 2006 and 2007, Holdner said Shea Homes is continuing with its overall plan for the com-

munity, which now has 400 homes and at build-out will have 1,320.

"What we've found is that boomers have seen that it is a great time to take advantage of the market," Holdner said. "What may have been unreachable a few years ago is now reachable."

Holdner said that Trilogy has had success with its contingent purchase program, which allows homebuyers to buy one of the homes with the expectation that they will soon sell their existing residence.

"We've had 33 people do it, and only three have not been able to sell their home," he said.



PRESTON HOLDNER
of Trilogy Development.

“While we’re down
from where we were
three or four years ago,
we’re still moving and
it’s keeping local jobs”

— Preston Holdner



PHOTOS BY DAVID MIDDLECAMP

FROM THE LEFT: Shawn Reed, Aaryn Abbott, Grant Robbins at Dove Creek Development in Atascadero.

As one of the largest builders on the Central Coast, Trilogy is helping the local economy by employing workers in the construction trades, Holdner added. He estimates that about 100 to 120 will work to build the homes.

“While we’re down from where we were three or four years ago, we’re still moving, and it’s keeping local jobs,” he said.

Tough months ahead

An industry rebound has yet to surface, however, experts say.

The county’s construction industry, according to the latest seasonally unadjusted data for June from the state’s Employment Development Department, has gained only 200 jobs over the year.

Jordan Levine, director of economic research for Beacon Economics, said recovery is

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dependent on the absorption of distressed inventory, availability of more financing and increased confidence on the part of buyers and sellers. One bright spot, he said, is that California still does not have enough housing for its growing population.

"The underlying demand is there, but it's going to take a while before we get back to where we were," Levine said. "Once we process through the inventory and start to burn through these problems, eventually that will give way to new construction."

Until then, some in the industry will wait and watch the market.

"It's really hit or miss," said Erik Justesen, chief executive officer and president of RRM Design Group in San Luis Obispo, which is working on a few affordable housing projects and the first phase of the western enclave of the Margarita area residential development in San Luis Obispo. "There seems to be some sort of upswing in the longer-term planning and en-



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TRILOGY DEVELOPMENT IN NIPOMO, Junipero model home. Front yard is at left, kitchen/great room is at right. Serious buyers are invited to spend two days and a night in the model home.

titlement work," he said. "There has been some movement by investors and developers to be able to control some property and begin to make longer-term plans, but there is no immediate, short-term, get-it-in-the-ground work going on."


Residential development has been virtually at a standstill for Dick Willhoit, president and

CEO of Estrella Associates in Paso Robles, which is acquiring four unfinished, bank-owned homes in Atascadero.

But he noted that, "it's very hard with today's fees and building costs to produce new housing to compete with the inventory that's currently on the market."

He anticipates that it will be the case for

years to come, although "that doesn't mean there won't be some niche markets for some special housing products here and there."

"The need for shelter is still there; that hasn't gone away," he said. "But it's so difficult to try and produce housing that can meet today's earnings. It's just going to be difficult for the next few years." 

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