



A Potential Boost for Remodeling

A much-needed boost to the struggling remodeling market may be around the corner in the form of legislation that should be supported by all facets of a kitchen/bath industry being dragged to its knees by the ongoing housing slump.



ELIOT SEFRIN
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Photo: Olivia Holmes

The potential relief is currently on Capitol Hill in the form of a bill – called the “Home Improvements Revitalize the Economy (HIRE) Act” – that would provide tax credits to stimulate residential remodeling, including the purchase of kitchen cabinets and other key products (see story, Page 12).

Similar in aim to existing tax incentives for first-time home buyers, the HIRE Act would offer remodeling consumers significant tax credits for purchasing home improvement products that meet recognized environmental standards.

Retailers, contractors and building product resellers would receive similar credits for covered purchases under the terms of the bill, which is being strongly backed by the Kitchen Cabinet Manufacturers Association (KCMA) and 13 other industry-related trade organizations.

There’s ample reason for their support.

After years of growth, residential construction remains mired in its worst decline since World War II. Housing and home improvement demand has withered under the weight of job losses, weak consumer confidence, and stock market declines. Housing starts stand near 60+ year lows. Home sales and other key indices are down markedly from peak levels. Foreclosures continue to soar. The number of vacant homes is at near-record levels.

As if that wasn’t bad enough, tight credit and evaporating equity have impacted homeowners’ ability to engage in equity withdrawals or cash-out mortgage refinancing, key funding sources for home-related investments. As a result, consumers are deferring big-ticket home-related purchases they once made without batting an eye.

According to estimates, the U.S. home furnishing and building products market lost \$67 billion in direct economic value, along with 273,000 jobs, from 2007 to 2008. It is expected to lose another \$74 billion and 299,000 jobs this year.

Those numbers are mirrored in shipments of key kitchen and bath products. The KCMA, for example, reports that year-to-date sales of kitchen cabinets and bathroom vanities through the first five months of 2009 are down 33% compared to the same period last year. Similarly, the Association of Home Appliance Manufacturers (AHAM) reports that domestic shipments of major home appliances through the first six months are off 19.3% from a year ago.

Clearly, the industry is hurting. Clearly, more needs to be done. Legislation like the HIRE Act can do nothing but help.

By creating tax incentives for prospective remodeling consumers, the bill could well encourage spending for building products and home furnishings that would otherwise be deferred. It could also potentially help stimulate the manufacturing of

“By creating tax incentives for consumers, the HIRE Act can help boost remodeling purchases.”

building products, save jobs, generate revenue and increase home values at a time when the economy needs it most.

Similar tax incentives are seemingly working in the housing sector, where an \$8,000 federal tax credit for first-time home buyers is said to be spurring recent gains in new construction.

The HIRE Act could do the same for remodeling.

A coalition of associations representing cabinets, home furnishings and related interests is actively supporting passage of the proposed legislation.

Others in the kitchen and bath industry are strongly encouraged to add their voices to that effort.

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Legislation Aimed at Stimulating Remodeling, Home Purchases

Washington, DC — Legislation that would provide tax credits to stimulate the purchase of kitchen cabinets and other remodeling and home furnishing improvements is being strongly

See related Editorial, Page 7.

backed by the Kitchen Cabinet Manufacturers Association and other industry-related trade organizations.

The legislation, similar in aim to existing tax incentives offered to first-time home buyers, was recently introduced in the U.S. House of Representatives by Congressman Henry Johnson (D-GA) and Nathan Deal (R-GA).

Called the "Home Improvements Revitalize the Economy" (HIRE) Act of 2009, the proposed new law, introduced recently in the House of Representatives, would amend the Internal Revenue Code of 1986 and offer individual consumers and joint filers, respectively, \$2,000 and \$4,000 tax credits for purchasing items that meet recognized environmental standards, such as LEED, NAHB, Green Globes, SFI/FSC and the KCMA's Environmental Stewardship Program (ESP).

Retailers, contractors and building product resellers would receive up to \$10,000 for covered purchases under the terms of the proposal, whose incentives cease after three years.

"Not only would this help stimulate the manufacturing market for home furnishings and buildings products, it would save retail jobs, generate billions in revenue and increase home values at the time when we really need a boost," Johnson said.

According to Johnson, the home furnishing and building products market lost \$67 billion in direct economic value from 2007 to 2008, and it is expected to lose another \$74 billion this year. In addition, 273,000 American jobs were lost in 2008 in this sector, and another 299,000 jobs are expected to be lost this year, he said.

According to the Reston, VA-based KCMA, year-to-date sales of kitchen cabinets and bathroom vanities through the first five months of 2009 were down 33% compared to the same period last year. Similarly, the Association of Home Appliance Manufacturers (AHAM) reports that domestic shipments of major home appliances through May are off 16.8% from the same five-month period last year.

"By creating this tax deduction, we will offer incentives for consumers who would otherwise forego spending in 2009 and 2010," Johnson said.

"We'll encourage environmentally sound practices by doubling the benefits for the purchase of building products and home furnishings that meet nationally recognized environmental standards," he added.

A coalition that includes 14 associations representing kitchen cabinets, home furnishings, flooring, paint and coatings, carpet and rug, and other interests have joined forces to support passage of the legislation. They are encouraging others to back the proposal.

"This bill would help everyone in our industry — manufacturing, retail, design and suppliers," said KCMA executive v.p. Dick Titus.

According to Titus, the costs connected with the bill "would be more than offset by increased economic activity and saved jobs.

"This definitely is a pump-priming effort of limited duration and near immediate payback," Titus said.

Editor's Note: A copy of the HIRE Act can be viewed on the KCMA Web site, www.kcma.org.

Seminar Series Resuming In Seattle Next Month

Hackensack, NJ — *Kitchen & Bath Design News'* 2009 educational program continues its cross-country tour next month, with the sixth in a 10-seminar series aimed at increasing the design skills, showroom savvy and business management acumen of kitchen and bath dealers, designers and related trade professionals.

The latest seminar, scheduled for Sept. 17 in Seattle, is one in a series of all-day seminars being co-produced under the terms of separate alliances between *KBDN* and both the National Kitchen & Bath Association and the SEN Design Group.

Under the terms of the *KBDN*/NKBA partnership, two separate programs are being brought to eight major metropolitan markets in 2009.

One of the programs, entitled "Pathways to Profit," has already been presented in Orlando, Philadelphia, Denver and Milwaukee. Stamford, CT, in October, remains on this year's schedule.

A second program, called "Profitable Showroom Design," has been presented this year in Charlotte, NC. Remaining on the



Pictured, left to right, are Don Sciolaro, CEO of the National Kitchen & Bath Association, Sara Ann Busby, former president of the NKBA, and Lorenzo Marquez, v.p./marketing for Cosentino North America. The trio gathered recently in New York for the launch by Cosentino of its ECO line of environmentally sensitive kitchen and bath surfacing products.

2009 schedule are sessions in Seattle next month and St. Louis in November.

Both programs, led by Ellen Cheever, CMKBD, ASID, provide practical, in-depth strategies for generating additional revenue — and increasing profits — through trend analysis, creative design techniques, product applications, visual merchandising and showroom management.

Under the terms of the partner-

ship between *KBDN* and SEN, a separate program — "Critical Managing, Marketing & Selling Strategies in Today's Economy" — has already been presented in Milwaukee. A second session is set for Stamford, CT.

The *KBDN*/SEN programs — being piggybacked with the NKBA programs so that attendees can take advantage of both initiatives — provide kitchen/bath dealers and related professionals with the busi-

ness management, financial, sales and merchandising skills they need to cope with today's challenging economy.

The sessions are led by Peterson and Tom Blau, v.p./education for SEN.

The remaining seminar schedule for 2009 is as follows:

Pathways to Profit

■ Oct. 15: Holiday Inn Stamford Downtown, Stamford, CT (New York Metro Area).

Profitable Showroom Design

■ Sept. 17: Embassy Suites Bellevue, Bellevue, WA (Seattle Metro Area).

■ Nov. 12: Embassy Suites Hotel St. Louis Airport, St. Louis, MO.

Critical Managing, Marketing & Selling Strategies in Today's Economy

■ Oct. 16: Holiday Inn Stamford Downtown, Stamford, CT (New York Metro Area).

Corporate co-sponsors for the programs include Best by Broan, Elkay, Holiday Kitchens, Mid-Continent Cabinetry, Task Lighting, VT Industries and The Stock Market.

Additional information can be obtained from the NKBA, at (908) 852-0033; the SEN Design Group, at (919) 933-6640, or *KBDN*, at (201) 487-7800.