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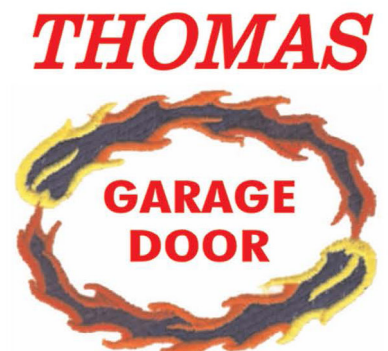
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# THE METROPOLITAN BUILDER

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*Feature Builder Story*

## 04 Sabo Wants to Remodel the Building Process

**By Kathy Bowen Stolz**

## 07 Dialogue with a Designer Amy Salazar, AASID, RID

## 10 Use “The Force” on Your Prospects or Three Ways to Get Them to Buy

**By Burk Moreland**

## 14 Taking advantage of the new Section 199A deduction

**By Carl J. Herms, CPA**

## 18 NAHB Study Shows Steady Gains in Construction Employment, but Levels Remain Below Peak

## 20 Verde Borgogna Camouflage Design

## 20 Business Directory

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## PUBLISHER'S NOTE

**Giselle Bernard**  
*Publisher*

How do you know when you've done enough to get a referral from a potential source? When you track the results, in many instances you will be able to tell what specific action "tipped the scales" from a potential sale or client to real results.

Can you differentiate between a sales professional and an account manager? Believe it or not, there is a huge difference!

An account manager is someone who manages and takes care of a customer base, solves its problems, holds the customers' hands, maintains the business and keeps the competition away. Account managers aren't expected to generate a lot of new business the line of sales. They are managers.

A sales professional, on the other hand, spends the majority of his/her time out in the field prospecting, selling, closing and generating new business. Sales professionals also



manage accounts, but their focus is always on building a new customer base. They are producers.

I am looking to work for companies who are interested in assisting their sales professionals, the producers, in generating new business. If you are interested in growing business, if you have the manpower to handle more business, if your sales team will actively work the leads given, then I would love the opportunity to assist you in growing your business. If interested, please contact me for more information.

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# Sabo Wants to Remodel the Building Process

By Kathy Bowen Stolz

Not content just to build or remodel homes, Ed Sabo wants to remodel the building process.

Sabo, owner of Sabo Custom Builders in Houston, thinks the modern model for building or remodeling a home is broken.

The common standard for building a home is based on competition and lack of trust, according to Sabo. “This is the way it works. An architect designs what the client thinks they want, but not necessarily what the client can afford.”

Once architects finish their designs, they put the projects out to bid to three “qualified” contractors. The client frequently is not willing to pay for enough detail in the drawings to make them biddable. This method results in the architect giving three un-biddable sets of plans out for contractors to bid, Ed said.

The contractors are asked to make their best guess at what the project will cost when they know that the client will

probably choose the lowest bid. This practice encourages the contractors to be over-optimistic in their pricing. The clients then generally choose the lowest priced, most optimistic and unrealistic general contractor to build their project.

Sabo noted that some builders give unrealistic pricing and then “change-order the client to death.”

Other times the project price comes back higher than the clients expected. This increase forces the clients to give up part of their dream to build something they can afford.

Sabo wants to flip that concept and base his building projects on a foundation of collaboration and trust. He said the collaborative process is used by many small design-build firms and home builders, such as himself. He has been using this process effectively for the last few years, he said, and he thinks it is now time to make this process the industry standard.

Sabo’s collaboration team includes the architectural



designer, builder, engineer, decorator and clients. Some members of the team may fulfill more than one role, he noted.

In this approach, the clients decide how much they want to spend on the project. Then the budget drives the design process. The contractor's role includes keeping a cost line budget so that the architect will not design something the clients cannot afford.

The architect completes his/her design with every detail and real prices for all of the materials, labor, supervision, profit and overhead. In other words, the project is finished before it starts, Sabo explained.

In this process, the team is committed to using its creativity so the client can get the best product for the lowest cost. Projects built in this collaborative process almost always come in on budget and on time while all members of the team maintain great relationships, Sabo noted.

Ed is already using the collaborative process for several of his current building projects along with the 5 Simple Steps™, a trademarked collaborative approach giving his clients a five-star experience.

### **Step 1: Let's Talk™**

This step is an idea session to identify the scope and estimated budget range of the project as well as the client's design priorities.



*Continued on page 12*

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# Dialogue with a Designer

Amy Salazar, AASID, RID

*International Flooring knows that dreams, reality and inspiration make a house a home. It also knows that an interior designer or interior design firm often becomes an integral part of this process. As a National Wood Flooring Association (NWFA)-certified company, International Flooring takes great pride in working with some of the finest professionals in the Houston market, providing the best quality wood flooring and carpets available and superb customer service. International Flooring offers its clients a private showroom full of exotic wood floors not found in retail showrooms.*

*This month International Flooring speaks with Amy Salazar, ASID, RID, owner of The Woodlands Design Firm, which specializes in finish selections for new home buyers and remodeling clients. The Woodlands Design Firm takes care of all the details to ensure the clients' ideas are being executed properly. Amy specifies all the materials to be used, provides Auto CAD drawings and electrical plans for accuracy, coordinates with the best tradespeople in town and visits the building sites. With more than 26 years of experience in the interior design and home furnishings industries, Amy has all the right tools, sources, skills and passion clients would want in a partner to create their dream homes.*

**International Flooring: What motivated you to go into the interior design field?**

**Amy Salazar:** I am truly blessed that I have known since I was 10 years old that I wanted to be an interior designer. I was always interested in rearranging the furniture and

decorating my parents' house, creating murals and paintings, etc. I have always been interested in construction sites and the entire building/remodeling process.

**International Flooring: How has the field of interior design changed since you graduated?**

**Amy Salazar:** When I was in college acquiring my interior design degree, computer-aided drafting (CAD) classes were not offered as part of the design curriculum. (I think I'm showing my age now). Now Auto CAD is a large part of the everyday curriculum in design classes, and 3D rendering is also commonplace in both classes and in interior design practices. These are great sources to help the clients who have a hard time visualizing to see what their actual space will look like ahead of the construction phase.

**International Flooring: How can an experienced interior designer help custom home builders with their building or remodeling projects?**

**Amy Salazar:** We work with their clients from the very beginning and are partners with them on the project until all the final details are completed. We help free up their time so they can concentrate on what is important to them, the building part of the process. Many builders get caught spending time with selections and fielding questions. We prepare a binder for the builder with complete information detailing selections, sketch, CAD drawings, manufacturer specs, vendor info and much more.

*Continued on page 8*



*Continued from page 7*

**International Flooring:** *What sets you apart from other designers?*

**Amy Salazar:** I have over 26 years in the home furnishings and interior design industry. I have worked in many aspects of the field (flooring and stone sales, window treatment and wall coverings, closet and cabinet design, bath design and more), so I can be the expert for my clients in all things “design.”

**International Flooring:** *What has been your most*

*challenging project and why?*

**Amy Salazar:** I have found the most challenging problem I’ve experienced on a job was when things were out of my control, such as items coming in damaged or back-ordered by a supplier. Designers typically have organized, controlled and in-charge personalities, which are great for our clients. We are on top of what is happening and going to happen on their jobs. But sometimes things are out of our control, and it is very frustrating.

**International Flooring:** *How do you begin the material selection process when working with builders’ and remodelers’ clients?*

**Amy Salazar:** I meet with the client to assess their needs, wants and tastes for the project. The first thing I do with clients is take them shopping for their countertop slabs. There are a lot fewer choices in slabs than there are tile, paint, lighting, plumbing choices, so I always start there. I specify a lot of quartzite countertops as well. They are so beautiful and make such a dramatic statement that it makes sense to start with that product and coordinate the other products around the slabs.

**International Flooring:** *What are some common mistakes made by builders and homeowners?*

**Amy Salazar:** *The biggest mistake is not hiring a designer. Designers can* save builders and homeowners time and money because they have the resources and skills to specify products for an entire house and give it a cohesive look. Many people pick one product, then another and another and don’t consider what the final overall look will be.

**International Flooring:** *How do you keep yourself up to date with all the design trends happening in the industry today?*

**Amy Salazar:** I feel the best way to stay current with the latest and greatest is to attend the major design markets such as High Point, Las Vegas and Dallas at least once a year. I see the newest in colors, finishes, vendors and styles to share with my clients. As a Texas State Registered Interior Designer and Professional Member of ASID, I am also required to have 12 hours of continuing education courses each year to keep me updated on trends, issues facing the industry and the latest information on universal design and building codes.

**International Flooring:** *What is your favorite design style?*

**Amy Salazar:** My personal style is transitional leaning to a little bit contemporary. I like simplicity and clean lines. I work with every design style for my clients, though. My job is to bring my clients’ tastes, needs and wishes into their homes using my knowledge, resources and skills but not my personal tastes. My designs are not trendy, but more

classic. I want my clients to have a room that they will love as much 10 years from now as they love it today

**International Flooring: What fascinates you and how have you incorporated that into your designs?**

**Amy Salazar:** Since I had a debilitating injury last year and was unable to move around my house or function normally, I have a new appreciation for designing for “the future” and the aging-in-place movement. I try to integrate elements into homes that will help my clients to be able to stay in their homes, even while dealing with an injury, an illness or just aging. Now I am specifying a lot more items, such as grab bars, shower seats, roll-in showers with no transitions, larger doorways for wheelchairs and clearer pathways.

**International Flooring: What would be your recommendation for “what to do first” in a decorating project when working with builders and/or homeowners?**

**Amy Salazar:** Have an interior designer review your blueprints with you and make suggestions/notes. Interior designers help plan for a cohesive look from outdoors to indoors. Cabinet elevation drawings are very generic on blueprints typically, and we can help add the “customization,” such as feet, legs, custom vent hoods, organization features, etc. We can rearrange elements, make the layout more functional, make sure switches and lights

are in the correct location with the right quantity. We will also make recommendations for ceiling and wall treatments and make suggestions on placement of stone, brick, stucco areas outside and plumbing.

**International Flooring: Any last thoughts, comments?**

**Amy Salazar:** Remember that experience does make the difference. Anyone can call themselves an interior designer, but you need to qualify your potential designer. There are many people that decide to one day become a designer and don’t necessarily have the skills, years of experience in the industry, an interior design degree, work experience under a licensed designer or the technical knowledge that a licensed interior designer will provide.



You may contact Amy Salazar and  
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**281-924-6953**  
or [amysalazardesigner@gmail.com](mailto:amysalazardesigner@gmail.com)  
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# Use “The Force” on Your Prospects or Three Ways to Get Them to Buy

By Burk Moreland

As a kid, I used to dream of having superpowers: Run with amazing speed, fly, have amazing strength or maybe all of those things.

I actually love to facilitate a discussion with training groups on “What superpower would you have and why?” I am always amazed at the well-thought-out answers by some and the complete lack of thought by others.

Over my time working with groups, one of my favorite themes is the use of “The Force” from Star Wars. A great line from the original “Star Wars” movie (“A New Hope” for the “Star Wars” junkies out there) is something like “These are not the droids you are looking for...”

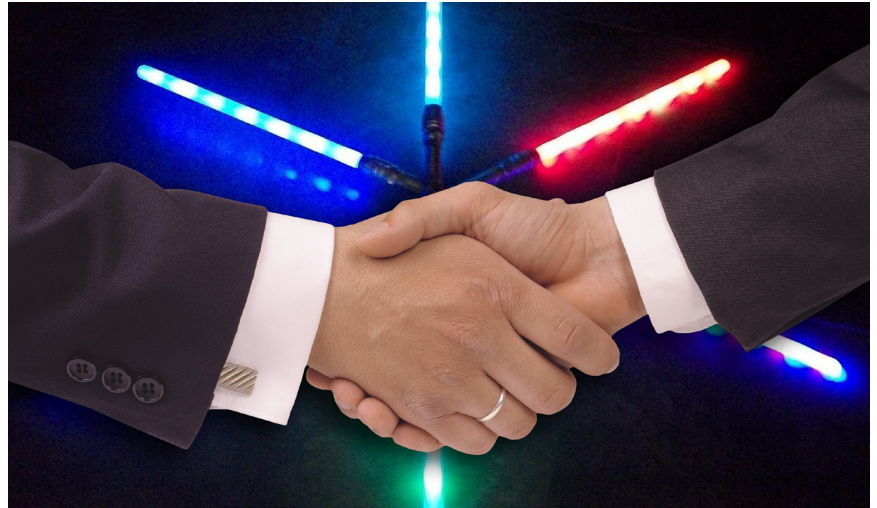
Obi Wan Kenobi makes the Storm Troopers not only say it, but believe it so that they are not captured. He basically takes control of their minds and makes them believe and say what he wants them to.

What an amazing power!!! Wouldn't it be great if we could do this with our customers? I can't train you in the ways of the Jedi, but I can help you get similar results through a fairly simple process.

**Step 1:** Truly care about your prospects. Get to know them. Be curious about them and their lives. Ask questions with follow-up questions. Take an interest in learning about them! Don't discuss your product or service until you hear who they are and what they are about. That way you can decide if what you offer is even right for them. Ask who, then show them what.

**Step 2:** Frame your presentation to their individual wants and needs versus a generic presentation that you give to everyone. This generic approach is part of the reason I dislike sales scripts. If they are used as a guideline, that is fine, but each presentation should be different. Increasing your capture ratio is an easy way to get more business without changing a thing in marketing or really doing any more prospecting that you are doing now. Invest more time figuring out Step 1, so Step 2 becomes a logical progression.

**Step 3:** Ask for the business. If you have done a good job of Steps 1 and 2, this step should be easy. You have identified



the true need, and you have framed the information on what you offer in a way that answers that need. Why would the prospects do anything else? It is illogical not to buy. If they don't, more than likely you have missed something in Step 1 or 2. Start over and explore. As long as your goal is to provide them the best possible solution, it will work. Just keep practicing.

Though we don't have “The Force” to convince our prospects to say yes, we do have a fairly simple way to lay out a clear path to purchase for them. Make the process easy and stay true to your purpose. “Selling ice to Eskimos” is not the goal. Pairing the right clients with a product or service that will make their life easier, more profitable or just plain better is the goal. For now, stay away from the dark side of The Force and practice your craft.

And until we meet again, “May The Force be with you.”

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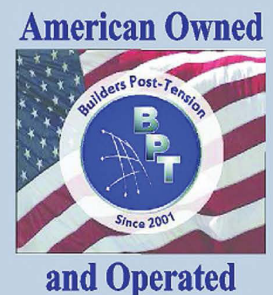
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*Continued from page 5*

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“It is our goal to make certain that everyone who has contact with our brand shares in the predictable excellence



of a Sabo Custom Builders' five-star experience," Ed said.

Sabo Custom Builders is known for building custom homes and garage apartments as well as remodeling in the Houston area over the past decade. With a bachelor's degree in construction management and a master's in business administration, Sabo worked in commercial construction and then "Corporate America" in supply chain management for seven years before becoming a self-employed builder.

With the help of a business coach and part of a group of builders across the country that talks regularly, he finds value in collaboration. He finds he can get a solution to almost any problem by talking with others who have different perspectives. Sabo is a founding member – and the only one in Houston – of the Certified Luxury Builders Network. The group has developed a Code of Ethics and Standards to be the best of the best, Sabo said.

If there's one thing Ed Sabo strives for, it is to be the best of the best. But, no matter what the circumstances, he will continue to provide high-quality work with the clients' needs first and foremost. And his clients thank him for it.

*You may contact by mail Sabo Custom Builders at  
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# Taking advantage of the new Section 199A deduction

By Carl “Jack” Herms, CPA, CGMA

*Disclaimer: This article presents general information and is not intended to be tax or legal advice. Refer to IRS publications and discuss possible tax deductions with your tax preparer. Start your tax planning sooner rather than later.*

The Tax Cuts and Jobs Act (TCJA) introduces a new deduction of up to 20 percent of qualified business income from pass-through entities in 2018 and thereafter. (The deduction reverts back to pre-2018 rules after 2025.)

If you operate your business as a sole proprietorship, partnership or S corporation, your 2018 income from these businesses can qualify for some or all of the new 20 percent deduction.

You also can qualify for the new 20 percent 2018 tax deduction on the income you receive from your real estate investments, publicly traded partnerships, real estate investment trusts (REITs) and qualified cooperatives.

You need two things to qualify for this new 20 percent tax deduction.

First, you need qualified business income from one of the sources above to which you can apply the 20 percent.

Second, to avoid complications, you need “defined taxable income” of

- \$315,000 or less if married filing a joint return or
- \$157,500 or less if filing as a single taxpayer.

**Example:** You are single and operate your business as a proprietorship. It produces \$150,000 of qualified business income. Your other income and deductions result in defined taxable income of \$153,000. You qualify for a deduction of \$30,000 (\$150,000 x 20 percent).

If you operate your business as a partnership or S



corporation and you have the qualified business income and defined taxable income numbers above, you qualify for the same \$30,000 deduction. The same is true if your income comes from a rental property, real estate investment trust or limited partnership.

However, some unfriendly rules apply to what Section 199A calls a “specified service trade or business,” such as operating as a law or accounting firm. But if the doctors, lawyers, actors or accountants have defined taxable income less than the thresholds above, they qualify for the full 20 percent deduction on their qualified business income.

In other words, if you were a lawyer with the same income as in the example above, you would qualify for the \$30,000 deduction. Since most of us are not in a “specified service trade or business,” this article does not address those issues.

## Qualified Business Income

The term “qualified business income” means the net of qualified items of income, gain, deduction and loss with respect to any of your qualified trades or businesses.

Although qualified business income does not include any

An advertisement for Palm Restaurant. On the left, a plate of prime aged steak with carrots and a fork. On the right, a plate of jumbo Nova Scotia lobster with rice and vegetables. The Palm Restaurant logo is in the top left. The text reads: "Guests Are Family. Steaks Are Prime. Memories Are Made." Below that, "LEGENDARY EVENTS SINCE 1926." and "Prime Aged Steaks | Jumbo Nova Scotia Lobster | Classic Italian Specialties". At the bottom, "THE PALM HOUSTON 6100 Westheimer | 713.977.2544 | thepalm.com/houston" and "Private Dining Rooms Available".

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qualified REIT dividends, qualified cooperative dividends or qualified publicly traded partnership income, such dividends and income qualify for the 20 percent deduction under separate special rules.

If the qualified business income produces a loss, then the loss creates a zero benefit for the year, and that loss carries over to the next year to ensure that your loss of money is penalized.

Your qualified business income must be from conduct of trades or businesses within the United States only.

You may not include the following items in qualified business income:

- any item of short-term capital gain, short-term capital loss, long-term capital gain or long-term capital loss;
- any dividend, income equivalent to a dividend or payment in lieu of dividends;
- any interest income other than interest income that is properly allocable to a trade or business;
- reasonable compensation paid to you by any qualified trade or business of yours (such as an S corporation) for services rendered with respect to that trade or business; or
- any guaranteed payment described in IRC Section 707(c) paid to you as a partner for services rendered with respect to the trade or business or, to the extent provided in regulations, any payment described in Section 707(a) to you as a partner for services rendered with respect to the trade or business.

**Example:** You own five rental properties, all of which produce defined taxable income, and they are your sole source of qualified business income. During 2018, the five properties produce \$70,000 of income on your Schedule E. You also sold one property at a \$50,000 long-term capital gain, which you properly reported on forms other than Schedule E. Because of your itemized deductions, your defined taxable income for the year is \$105,000. Your 20 percent deduction is \$14,000 (\$70,000 x 20 percent). You consider the operating income of the rentals, and you don't include the capital gain as qualified business income.

### Defined Taxable Income Limit

In the two previous examples, you did not suffer from the defined taxable income limit or face any of the complications in calculating your deduction.

Once you hit the income limit, you can trigger complications to your benefit, depending on the type of business you operate and whether you have wages and/or depreciable property. But for now, let's stay with the two basic limits and see how the defined taxable income limit comes into play.

*Continued on page 16*



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**Example:** You are the sole operator of a proprietorship that is not a service trade or business. It creates \$400,000 of qualified business income. Because of other deductions, you and your spouse have \$300,000 of defined taxable income. Your 20 percent tax deduction is \$60,000 (\$300,000 x 20 percent) because you must apply the 20 percent to the lesser of your defined taxable or qualified business income.

### Beating the Income Limit with Wages

Once you exceed the income limits as a non-specified service trade or business (including the phase-out limits discussed later), you face a “lesser than” calculation, one of which goes like this:

Your deductible amount is the lesser of

- 0 percent of your qualified business income or
- 50 percent of the W-2 wages with respect to the qualified business.

W-2 wages are the total wages subject to wage withholding, elective deferrals and deferred compensation paid by the qualified trade or business with respect to employment of its employees during the calendar year.

W-2 wages do not include any amount that is not properly allocable to the qualified business income as a qualified

item of deduction.

In addition, W-2 wages do not include any amount that was not properly included in a return filed with the Social Security Administration on or before the 60th day after the due date (including extensions) for such return.

**Example:** You and your spouse have \$1.2 million of defined taxable income for the year. Of this, you have qualified business income of \$200,000, and that business paid \$120,000 of qualified wages. Your deductible amount is the lesser of

- \$40,000 (\$200,000 x 20 percent) or
- \$60,000 (\$120,000 x 50 percent).

Your 20 percent Section 199A qualified business income deduction is \$40,000 (the lower amount).

**Planning note:** Because you and your spouse were over the defined taxable income limit of \$315,000 plus the \$100,000 phase-out (\$415,000), you needed the wages to qualify for the deduction. In this example, with no wages, your Section 199A deduction would have been zero.

### Beating the Income Limit with Property

If your defined taxable income is greater than the thresholds (\$157,500 single or \$315,000 married) plus phase-outs (\$50,000 single or \$100,000 married), you get a zero qualified business income deduction unless you have wages or property.

In the above example, I used the 50 percent of wages calculation, which is the first of two possible wage exceptions of which would solely apply in the absence of property.

Next, I am going to use the second favorable exception, which consists of wages and/or property.

Under this rule and ignoring the “50 percent wage only” rule, your Section 199A deduction is the lesser of

- 20 percent of defined taxable income,
- 20 percent of your qualified business income or
- the sum of 25 percent of the W-2 wages with respect to the qualified trade or business, plus 2.5 percent of the unadjusted basis immediately after acquisition of all qualified property.

The term “qualified property” means depreciable tangible property

- that is held by, and available for use in, the qualified trade or business at the close of the taxable year;
- that is used at any point during the taxable year in the production of qualified business income; and
- for which the depreciable period has not ended before the close of the taxable year. For Section 199A, the term



“depreciable period” means, with respect to qualified property of a taxpayer, the period beginning on the date the property was first placed in service by the taxpayer and ending on the later;

- the date that is 10 years after such date; or
- the last day of the last full year in the applicable recovery period, ignoring any alternative depreciation system period under Section 168(g).

**Example:** You are single with defined taxable income of \$500,000. You have qualified business income of \$420,000. Your qualified business owns a building and machinery that qualify as qualified property and that have an original cost (no improvements) of \$1.2 million. The business pays no wages. Most of the work is done by robots. Your Section 199A deduction is the lesser of

- \$84,000 ( $\$420,000 \times 20$  percent), or
- \$30,000 ( $\$1.2$  million  $\times 2.5$  percent).

### Takeaways

You now have the big picture of how the new 20 percent tax deduction works to reduce your defined taxable income on your Form 1040.

One key point is that your deduction is not limited or complicated when your income is less than \$157,500 if you are single, or less than \$315,000 if you file jointly with your spouse. Even the out-of-favor specified service trade or business qualifies for the full 20 percent of qualified business income deduction when defined taxable income is less than the limits.

Once you are above the income limits, you suffer the \$50,000 phase-out if you are single or the \$100,000 phase-out if you are married filing jointly.

Once you are above the thresholds and phase-outs, you can qualify for the Section 199A deduction only when you are not in the out-of-favor group (accountant, doctor, lawyer, etc.) and your qualified business pays W-2 wages and/or has property.

### Tax Planning

Remember, planning takes place before action. A good plan, adhered to, is less expensive than cleaning up after the event. Consult your tax advisor to determine the appropriate course of action for your particular tax situation.



For more information, contact Carl “Jack” Herms, CPA, CGMA, at 9301 Southwest Freeway, Suite 250, Houston, TX 77074, or 832-767-4297 or [cjherms@gmail.com](mailto:cjherms@gmail.com).

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# NAHB Study Shows Steady Gains in Construction Employment, but Levels Remain Below Peak



A new construction employment analysis from the National Association of Home Builders (NAHB) shows that 9.8 million people worked in construction in 2016, and more than 3.8 million of them worked in residential construction. These numbers reflect modest but steady job gains since 2011, when construction employment bottomed out. However, employment levels remain below the peaks

reached during the housing boom in 2006, when more than 11 million worked in construction and home building employed more than 5 million people.

“While it is promising to see that residential construction employment is on the rise, it is still far below where we need to be to meet the increasing demand for housing,” said NAHB Chairman Randy Noel, a custom home builder from LaPlace, La. “We will continue to push for programs and policies that address the labor shortage, such as workforce

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development initiatives and comprehensive immigration reform.”

NAHB’s analysis also details the number of home building jobs across states and congressional districts.

California tops the nation in employment of residential construction workers—more than half a million residents worked in home building in 2016. This number is still down significantly from the 2006 peak of 788,000, however. Despite being one of the states most severely affected by the housing downturn, Florida comes in second with 361,000 residential construction workers.

Among the states hardest hit by the housing downturn and slowest to recover home building jobs are New Mexico, Nevada and Arizona, which still show job losses of 46, 43, and 41 percent, respectively, compared to 2006. Despite these significant job losses, home building in Nevada and Arizona continues to employ a relatively high share of local workers—more than 3 percent of the employed labor force.

NAHB’s analysis indicates that the average congressional district has more than 8,800 residents working in residential construction, but that number is often significantly higher. For example, in Montana’s single congressional district, close to 20,600 residents are in home building. Colorado’s 7th district, which incorporates parts of the Denver-Aurora metro area, and Florida’s 19th district, which serves an area on the west coast from Fort Myers to Marco Island, comes in second and third with more than 18,000 employed in home building.

NAHB estimates of residential construction employment by state and congressional district are based on two main sources of data: the American Community Survey from the Census Bureau and the Quarterly Census of Employment and Wages compiled by the Bureau of Labor Statistics. These estimates include self-employed workers, who constitute approximately a quarter of the labor force of the sector. The full study is available at [www.HousingEconomics.com](http://www.HousingEconomics.com).

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# Verde Borgogna Camouflage Design

By the natural affinity between concealment and exposure, Antolini delivers a striking accordance with Mother Nature in the Verde Borgogna Camouflage Design, from the Natura Collection. Both linear and non-linear forms are juxtaposed and conjoined to form a disruptive, yet elegant form of environmental harmony. The highlighted, ivory shapes capture the eye as the textured, verdant greens lay



in obscurity, illustrating a natural adaptation to Mother Nature. Like a chameleon clandestine atop the wet leaf of a tropical branch or a tiger lying cloaked within tall, amber blades of grass, the overall concept of camouflage is one that is ambiguously disguised by design.

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