

BIA VOICE

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Building Industry Association of Philadelphia

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BIA Holiday Party Set for December 8



Each year BIA members are invited to close out the old year and toast the upcoming year at the annual Holiday Party. This year the festivities will kick off at 5:30 on December 8th at Naval Square's Rotunda. Toll Brothers has been generous enough to host and sponsor the event. JKR Partners, architects for the renovated Rotunda, will be the Bar Sponsor. If your company would like to be a sponsor, call 215.BIA.PHIL (242.7445).

Although this is a free event for all BIA members, please be sure to register in advance so we can properly plan for food and drink. Cheers!

About the Rotunda Continued on page 3

Message from the President



As we look forward to the coming year, we can expect change for our industry. Although the experts say we've climbed out of the "great recession", the after-effects are still widely felt. With mid-term elections shaking the status quo, and builders discovering new survival tactics, I believe we're on our way to better days. As an industry we're getting used to the "new normal"; finding solid ground on which to grow our business once again, and progressing accordingly.

Closer to home, in our great city of Philadelphia, we continue to forge ahead – even during the most challenging of times. Philadelphia is in the midst of a rebirth, reflected throughout the city. I hear from people who visit our city...

"I never realized what a great place Philadelphia is...it's so livable." With pride, I boast that our city is "livable" due to the efforts of the BIA. Our leadership and membership work tirelessly to overcome building challenges, while making strides with city government on zoning reform and the development and regulatory processes.

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You can also view and download the
BIA Voice by visiting our website.

Annual Sponsorship Pays –With Visibility and Tangible Value!

Being a BIA Annual Sponsor is an investment that pays off — month after month. Not only are you supporting the organization and its efforts to improve the home-building environment in Philadelphia but you're providing your business with ongoing exposure to a targeted market—the builders and developers, architects and bankers, attorneys and suppliers who participate in the BIA. And your sponsorship is in place for 12 full months.

There's tangible value as well. Your sponsorship includes complimentary registration(s) at BIA Happy Hours, BIA Green Events, the Annual Housing Conference and any scheduled SMC events. Monument and Pyramid sponsors also receive mailing labels for all members in the BIA database. Annual sponsorships are available at the \$1000, \$2000 and \$3000 level; the number of comps to events goes up with the level.

Do you want to be an Annual Sponsor? Each 12-month sponsorship comes with comps to BIA events throughout the year. Call 215.BIA.PHIL (242.7445) or download a 2010 Sponsorship form at www.biaofphiladelphia.com.

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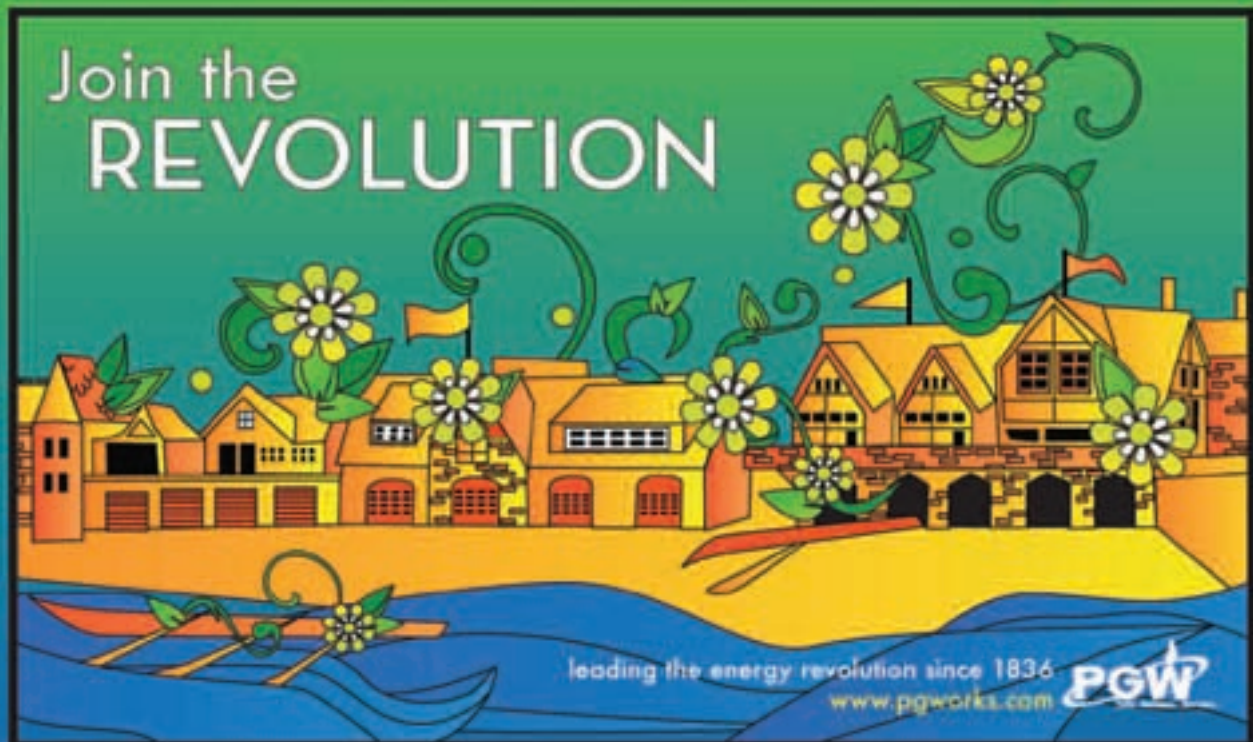
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About the Rotunda

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JKR Partners was the architect of record for all of the historic renovation work on Biddle Hall, the Governors Residence and the Surgeon General's House. The Rotunda was historically restored as part of the entire Biddle Hall restoration. The Rotunda is currently used as the community room/ great room for the entire Naval Square development. The Rotunda was used as the chapel/library when the property was the first Naval Home in the United States.



2010 BIA Calendar of Events

December

Wednesday, December 8

5:30pm

Holiday Party at Naval Square

Monday, December 13

Government Affairs Meeting/Fix It Coalition

11:30am - 1:00pm

One Logan Square

(Marvin Cominsky Center at Blank Rome)

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Message from the President *Continued from page 1*

The BIA thrives on the strength of its membership. Strong membership is how we make modifications that are beneficial to the industry, the people who live in Philadelphia, and the city itself. There are many advantages to membership, and the Membership Committee is refining the program to add more services. Each member is encouraged to bring in new members and do business with a member (see related article on new incentives). Support and participation is how to get the most from your BIA membership. Every meeting and function is an opportunity to not only learn, but also to network with industry colleagues.

As we enter 2011 with a blank canvas, let's stand united - as an industry and organization. Through results-driven strategies, the BIA is better positioned to achieve the objectives I set forth a year ago. All of which are aligned with the association's core mission to influence housing policy in Philadelphia. I look forward to working with all of you in the coming year.

Regards,



David Perlman

Save \$50 on Your Dues in 2011



The Membership Committee has initiated two new programs. Both can save you money.

Referral Program: when you refer a prospective member to the BIA and that member joins, we'll give you a \$50 credit on your company's next dues payment. Only one credit per company please. So if you have a lead just let us know. We'll send the prospect information on the BIA and ask that you follow up with them. When they join we'll let you know. And credit you \$50 on your next annual dues payment.

Happy Hour Coupon: we're giving each company/member one Free Happy Hour Coupon to use when you bring a qualified prospect to a BIA winter or fall Happy Hour. You will still be required to pay your own registration fee but it's a great way to introduce a colleague to the BIA. A coupon will be mailed out to the primary member of each company in January.

Questions about either of the above? Call 215.BIA.PHIL (242.7445).



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Market Expected to Favor Smaller Homes Even After Recession Ends

A new look at housing starts based on data from the Census Bureau finds that single-family homes in the U.S. continued to get smaller last year, and economists at NAHB suggest that the downward trend is likely to last beyond the end of the recession.

From a peak of 2,268 square feet in 2006, the median size of new single-family homes dropped consistently through last year, when the size was down to an even 2,100, according to a new special study by NAHB's Housing Economics, "Characteristics of Single-Family Homes Started in 2009."

In the early 1980s, when mortgage interest rates climbed to astronomical heights, home sizes experienced a similar decline, but only temporarily.

"This time, part of the current home size decline may again be a temporary recession-related phenomenon, but part can also be attributed to trends in factors like the desire to keep energy costs down, amounts of equity in existing homes available to roll into a new one, tightening credit standards, less emphasis on the pure investment motive for buying a home and an increased share of homes sold to first-time buyers," writes Paul Emrath,



NAHB's vice president for survey and housing policy research.

"Not all of these trends are likely to reverse themselves immediately at the end of a recession," he said.

The decline in the median size of new single-family homes occurred even as contractor-built homes, which are typically the largest on average, were increasing as a share of the market, Emrath added.

Continued on page 7

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Do you have a topic for the 2011 Lunch & Learn Program-

The BIA's Lunch & Learn Program was developed as a members only opportunity to give added value to BIA membership. Lunchtime sessions provide an intimate (12 to 20 attendees) format in which attendees are given a crash course in a new technique product service of specific interest to those in the homebuilding industry. Past Lunch & Learns have covered green building materials, trends in new housing and changes to the Mechanics Lien law.

If you would like to host sponsor a Lunch & Learn session, here s all you do

- choose topic and develop content for the event
- provide or coordinate the location and pick the date
- provide or coordinate lunch for attendees

Once the topic and location have been selected, the BIA will promote the Lunch & Learn to membership, request and track registrations and provide you with a list and complete contact information for attendees. (4- to 6-week lead time is required in order to properly market the event.) To get started, call 215.BIA.PHIL (242.7445).



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Market Expected to Favor Smaller Homes Even After Recession Ends

Continued from page 5

Standard tables published on the Census Bureau's website show characteristics of new homes based on those completed in a given year, he said. Economists at NAHB decided to tabulate the characteristics for the homes that were started because this eliminates several months of lag time while the home is being constructed and "can provide a more current picture" of the marketplace, which has been changing rapidly over the past few years.

The most glaring trend in the statistics collected by the Census is a precipitous decline in the number of single-family homes started, which tumbled from 1.7 million in 2005 to less than half a million in 2009.

Particularly hard-hit during the downturn, NAHB research shows, were the "spec" homes built for sale, typically in new residential subdivisions. Their share of the marketplace dropped from nearly 80% to less than two-thirds over that period.

Characteristics of homes started in 2009 reveal a marketplace adapting to tougher economic times and fewer luxuries but also point to a few amenities that have been on the upswing despite the general retrenchment of consumers.

The median sales price dropped from \$256,000 for single-family homes started in 2006 to \$211,000 for those started in 2009, a 17.6% decline.

Despite smaller homes with smaller price tags, the average number of bedrooms and bathrooms in the houses started last year showed little change.

However, the downward trend in size and cost were apparent among homes built at the high end of the scale. The share of for-sale homes priced above \$300,000 was less than 25% last year, declining from 35% in 2006 and 2007 and close to 30% in 2009. Similarly, more than 9% of the single-family home started in 2007 and 2008 were 4,000 square feet or larger, compared with only 7.3% in 2009.

Looking at specific amenities, NAHB research found a steady decline in the number of homes started since 2005 with three-car garages, fireplaces, patios and decks. On the other hand, through last year porches were on the rise.

Also ascendant were heat pumps. "This should not be surprising, given the recent focus on energy efficiency and efforts by the Department of Energy and the U.S. Environmental Protection Agency to promote certain types of heat pumps for residential use," he said.

An examination of primary siding material found a noticeable swing away from stucco, which likely was the result of a 2005-2009 market share decline from 25% to 20% in the West, where stucco is most commonly used.

The NAHB report also cites findings from information on houses that the Census first started collecting last year, based in part on suggestions from NAHB and other groups:

- Overall, more than 35% of single-family homes started in 2009 had two-story foyers. This tends to be a luxury

feature that is considerably more common in more expensive homes. Almost 60% of homes priced between \$500,000 and \$999,000 had two-story foyers; almost 71% of homes selling for \$1 million dollars or more had them.

- Almost all new single-family homes have washer and dryer connections; and they are almost always confined to a single location in the home, 80% of the time on the first floor. In smaller homes where first-floor house space is at a premium, builders resort to less common locations. In homes with less than 1,200 square feet, 10.9% of the washer/dryers were in the basement and 3.3% were stationed in the garage or carport. Overall, 5.5% of the homes started last year had washer/dryers in the basement and 1.2% located them in a garage or carport.

- Nearly 80% of single-family homes started in 2009 were connected to a public sewer system, and more than 87% were hooked up to a public water supply.

- More than 47% of the 2009 starts were in communities governed by a home owners or other type of community association. These were most common in the Mountain and South Atlantic census divisions.

- Overall, 2% of the starts last year were in age-restricted communities. These were most common in the Middle Atlantic (6.3%) and South Atlantic (3.6%) census divisions.

- Age restricted houses were most common for homes priced between \$250,000 and \$500,000 (6.3%). They barely could be found at the far ends of the price distribution - houses below \$100,000 and \$1 million or more - where they registered a zero share in the survey sample.

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What Are BIA Members Working On?



1260 Housing Development Corporation
Work is underway at Temple I – North 16th Street, a substantial rehabilitation of 22 certified historic townhomes that will preserve 58 units of affordable housing for families in North Philadelphia as part of a larger plan to revitalize the neighborhood.



Custom Building Systems Modular Homes and Westrum Development

Hilltop at Falls Ridge by Westrum Development has sold out Phase I and is now selling Phase II. Custom Building Systems constructed the modules.



Domus, Inc.

Francisville East at 1510 West Poplar Street will be comprised of 44 homes including a 27 unit, three-story apartment building and 16 new three and four bedroom townhouses.



Toll Brothers

Naval Square's Brinley model in Pemberton Manor is a 2 bedroom, 2 bath home. Bainbridge Court condominium is currently under construction.


BUILDING INDUSTRY ASSOCIATION
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Equinox Management & Construction, LLC

The Modules, one of the largest LEED-rated modular student housing buildings in the country, is a 160 bed, 80,000 square foot building on a half-acre site near Temple University. Developed, constructed, and managed by Equinox Management & Construction, LLC.



Bello Architects, PC and Philadelphia Residential Development Corporation

The Village of Liberty Greene consists of 16, four-story townhouses with three bedrooms and 2½ baths in Northern Liberties. Eight houses face North 3rd Street and eight houses face Bodine Street. Master suites have a balcony that offers a panoramic view of Philadelphia.



JKR Partners

The new, \$70-million five-story 777 on South Broad features 146 one and two bedroom loft units as well as 18,000 square feet of ground-floor commercial space. The project is applying for LEED-certification with features that include high efficiency systems, a reflective roof, sustainable and low-emitting interior materials, and low-flow fixtures.



James Wentling/Architects

Located at 54th and Wynnefield in West Philadelphia, there will be 8 units (four sets of twins) in this infill project.

Contrary to Internet Rumors, Health Care Tax to Have Little Impact on Principal Home Sellers

More than six months after health care legislation was enacted (see story in the April 5 issue of NBN), builders and the residential construction industry continue to wrestle with false rumors circulating the Internet that the new 3.8% Medicare tax on so-called unearned income set to take effect in 2013 is a straight tax on the sale of a home.

This is not the case.

The tax increase on capital income - such as capital gain and rents - will affect some real estate investments. However, it should have a negligible impact on sellers of principal residences.

The 3.8% Medicare tax will affect high-income taxpayers who report taxable income due to capital gains and other non-wage income. It will not affect income that is currently tax-exempt, including most capital gain due to the sale of a principal residence (due to the \$250,000/\$500,000 gain exclusion rules). Taxpayers with less than \$250,000 in income will not see any increase in tax.

Under prior law, Social Security and Medicare benefits are financed by payroll taxes on wages. The tax is equal to 12.4% of covered wages up to a maximum amount (\$106,800 in 2010), with half paid by the employer and half paid by the employee; and 2.9% of covered wages uncapped, again with half paid by the employer and half paid by the employee. Self-employed individuals - including independent contractors - generally pay both the employee and employer parts of the tax. Unearned income (e.g. rents, dividends, interest and capital gains) were not subject to these taxes.

As a result of the Patient Protection and Affordable Care Act of 2010, this system is changing. Under revised law, the Medicare tax will increase for taxpayers earning more than \$250,000 (if married) or \$200,000 (if single). In particular, the individual's Medicare portion of the tax - which was previously 1.45% or half of the 2.9% - increases to 3.8%, but only for certain income amounts. The rate of 3.8% applies to the smaller of: (1) the amount of income above \$250,000/\$200,000 of modified adjusted gross income; or (2) net investment income. The tax also applies to self-employed individuals.

Net investment income is the sum of income from interest, dividends, annuities, royalties, rents and capital gain - except income derived from active participation in a trade or business, including sole proprietorships, partnerships and S Corporations.

As noted earlier, tax-exempt unearned income (excluded gain from the sale of a principal residence or interest income allocable to a tax-exempt bond) is not subject to this new tax.

Here are two examples:

Suppose a couple has wage income of \$260,000 and \$9,000 in capital gains. The extra 3.8% tax applies to the smaller of \$19,000 (the difference between \$269,000 and \$250,000) and \$9,000. \$9,000 is smaller, so the increased tax is equal to \$342 (\$9,000 times 3.8%).

Suppose a couple has wage income of \$50,000 and gains income of \$210,000. The extra 3.8% tax applies to the smaller of \$10,000 (the difference between \$260,000 and \$250,000) and \$210,000. \$10,000 is smaller, so the increased tax is equal to \$380 (\$10,000 times 3.8%).

For more information, call **Rob Dietz** at NAHB, 800.368.5242 x8285.

IRS Form to Help Small Businesses Claim New Health Care Tax Credit

The Internal Revenue Service recently released a draft version of the form that small businesses and tax-exempt organizations will use to calculate the small business health care tax credit when they file income tax returns next year. The IRS also announced how eligible tax-exempt organizations — which do not generally file income tax returns — will claim the credit during the 2011 filing season.

The IRS has posted a **draft of Form 8941** on IRS.gov. Both small businesses and tax-exempt organizations will use the form to calculate the credit. A small business will then include the amount of the credit as part of the general business credit on its income tax return. Tax-exempt organizations will instead claim the small business health care tax credit on a revised Form 990-T. The Form 990-T is currently used by tax-exempt organizations to report and pay the tax on unrelated business income. Form 990-T will be revised for the 2011 filing season to enable eligible tax-exempt organizations — even those that owe no tax on unrelated business income — also to claim the small business health care tax credit.

The final version of Form 8941 and its instructions will be available later this year. More **information about the credit, including a step-by-step guide and answers to frequently asked questions**, is available on the **Affordable Care Act page** on the IRS website. Contact: **Rob Dietz** at 800.368.5242, x8285.

NAHB Welcomes New Appraisal Guidance from Federal Reserve



The Federal Reserve's new interim rule on appraisals is a welcome step in clarifying the home valuation process, according to the National Association of Home Builders (NAHB). NAHB has sought appraisal guidance that provides transparency in the appraisal process with sufficient flexibility to address the unique aspects of valuing new homes. NAHB will work with the Federal Reserve and other appraisal stakeholders to ensure the final rule fully achieves that outcome.

"The interim rule makes it clear that home builders and others can ask an appraiser to consider additional information about a property, including information about additional comparable properties," said Joe Robson, NAHB's Immediate Past Chairman and a home builder from Tulsa, Okla. "That's critical to our members because in far too many cases we're seeing appraisals based on inappropriate comparables." Robson has been leading NAHB's push for sound appraisal practices.

The Federal Reserve unveiled the interim rule on Oct. 18 and the rule will take effect 60 days after it is published in the Federal Register, with the Fed accepting comments on the interim rule during this period. Compliance is voluntary until April 1, 2011. The Fed's action was required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law on July 21, 2010.

"Many appraisers do not understand the impact of new code requirements, new green building practices and other aspects of new construction that add value to a home," Robson said. "It is particularly important that home builders be allowed to provide appraisers with information to assist in appraising new construction.

"Accurate appraisals are critical to the residential construction industry because flawed appraisals can jeopardize sound projects," Robson said. "In the current economic climate it is already difficult to find financing for acquisition, development and construction, or AD&C. One appraisal that doesn't represent the true value of a property can start a chain of events that can put a builder out of business."

The Federal Reserve's interim rule also includes conflict-of-interest guidance, which prohibits loan officers and mortgage brokers from selecting appraisers. It also mandates the reporting of negligent appraisals and appraiser misconduct to the appropriate state appraiser licensing authorities and requires those seeking an appraisal to pay appraisers at a rate that is reasonable and customary in the geographic market where the property is located and that reflects the difficulty of the assignment.

"We think it's very important that the compensation standards attract the expertise needed for complex appraisal assignments, such as those involving new construction," Robson said.

"Builders, developers, lenders, appraisers and other stakeholders need a better understanding of what they can and cannot do" Robson said. "This interim rule offers much needed clarity, and NAHB will be offering comments in an effort to make sure the final rule provides guidance that recognizes all of the issues involved in appraisals of new homes and restores confidence in the appraisal process."



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Member in the News



Marc B. Kaplin, co-founder and principal of Kaplin Stewart in Blue Bell, Pennsylvania, has been named as the "Philadelphia area Best Lawyers Land Use & Zoning Lawyer of the Year" for 2011 by Best Lawyers, the oldest and most respected peer-review publication in the legal profession.

Best Lawyers designates and honors only one lawyer in high profile legal specialties in large legal communities as the "Lawyer of the Year. Mr. Kaplin's practice is concentrated in land use and development, zoning and planning, environmental permitting and land use litigation; clients include homebuilders, and owners and developers of shopping centers, office buildings and apartments. With over 25 years of experience in real estate, Mr. Kaplin has a unique "hands on" approach to the development process and has earned a reputation for his outstanding success rate in helping clients secure all of the governmental approvals required for development projects.



Sandhya M. Feltes, a principal and member of the Commercial Litigation and Construction

Law groups of Kaplin Stewart in Blue Bell, Pennsylvania, has been appointed to the Board of Directors of the Philadelphia Surety Claims Association. She was also named one of the Vice Presidents of the Association. The Philadelphia Surety Claims Association is comprised of surety claims professionals, including member of surety companies, consultants, attorneys, engineers and other construction professionals in Pennsylvania, New Jersey, Delaware and Maryland. In her practice Ms. Feltes handles construction and suretyship disputes including litigation of performance and payment bond claims; claims under the federal and state Miller Acts; the enforcement of rights and remedies under indemnity agreements; the negotiation and drafting of completion and takeover agreements; providing counsel and advice to surety companies and contractors in drafting agreements; and handling a wide range of complex bond claim and indemnity issues.

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Member Spotlight



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www.sunpowercorp.com

SunPower Solar Community – Pulte Del Webb, River Pointe in Manchester, NJ



SUNPOWER

When you think of a solar-powered home, you might picture cabins in the woods, completely off the beaten path. However, that's not an accurate picture of today's solar capabilities. Solar panel technology has become more efficient and less expensive to install. With government incentives, such as the 30 percent Federal Tax Credit and Solar Renewable Energy Credits, solar power costs less than traditional power. With fuel and utility costs rising, the demand is likely to skyrocket—and the industry is ready.

California-based SunPower Corporation is already moving in that direction, and BIA member Stelli Munnis, the company's Eastern Region builder account manager is helping homebuilders establish successful solar programs. Munnis has been with the company for almost three years, first as the training manager for the New Homes Division and currently as an Account Manager. Her division specializes in working with production homebuilders and helping them establish successful solar programs that bring greater value to buyers and homeowners who love their solar homes.

Munnis, who holds a Bachelor of Arts degree in Economics from the University of Florida and a Ph.D. in Transpersonal Psychology from the Institute of

Transpersonal Psychology in Palo Alto, CA., said people often wonder why she is working in the solar industry with an advanced degree in psychology. "My goal in studying psychology was not to become a clinician, but rather to learn more about myself and others, Munnis explained. "I am interested in what motivates people to make the choices they do, how they find meaning in life, and how they develop a strong connection to their life purpose. Understanding more about spirituality and psychology has helped me in every part of my life, including my work at SunPower."

Munnis began her career in sales for Naylor Publications, a trade publisher for associations. Her first year at Naylor, Munnis won three prestigious sales awards which led to a promotion as sales manager. She came to work at SunPower by coincidence. A previous colleague was leaving his position to follow a lifelong dream to work in international business in Asia and asked her to consider the position. She quickly fell in love with SunPower and the people, and it turned out to be a great move for her.

Continued on page 14

Member Spotlight

Continued from page 13



At SunPower, Munnis specializes in providing builder customers with a high-level of customer service as they work together to implement a solar program. "Incorporating solar into a new home community can be a challenging task," said Munnis. "My role is to function as a true partner with the builder to ensure that their decision to add solar to their communities will lead to higher sales and happier customers."

Munnis believes the company, which has been in business for 25 years, has been so successful for several reasons. First, it strives to hire and retain the best people in their respective fields. Second, they foster excellence in everything they do. Being second-best is simply not good enough. And third, SunPower manufactures the world's most efficient solar cells and panels.

Munnis recalled her first project with SunPower and one she enjoyed very much. She transformed the division's training program into a scalable program that could be rolled out nationally and incorporated the latest advancements in e-learning. "SunPower invested in a state-of-the-art learning management system that allowed me to develop educational lessons for our builder customers to help them sell solar and energy efficient homes effectively to their buyers," she explained. "I also helped to develop new sales, marketing, and training tools for two new solar offerings to builders. Prior to the introduction of these two programs, we only offered solar programs if the builders included it as an option on every home. The downturn in the market forced us to quickly develop alternative solutions that worked for the builder, home buyer, and SunPower."

Volunteering as part of the SunPower Foundation (www.sunpowerfoundation.com) is something Munnis enjoys. The Foundation offers many volunteer opportunities to its employees, dealers, and even customers around the world. "I work with the Foundation, specifically on projects in Central America," she commented. "Last year, I travelled to Nicaragua with an organization called Seeds of Learning to help build a school, and now I have linked them up with the SunPower Foundation who recently donated solar modules and equipment to solarize a rural school in Nicaragua."

A native of New Orleans, LA, Munnis resides in State College, PA with her husband of nine years who is a pastor at Trinity United Church of Christ in Bellefonte, PA. In her free time, she loves to draw and paint and has recently begun taking drawing lessons with a local Russian artist to help refine her skills.

Munnis is excited to work for such a respected company as SunPower. "The people I work with are intelligent, fun, and enjoy what they are doing. Their energy is contagious and keeps me inspired," said Munnis. "I get to develop meaningful relationships with so many individuals within the builder's organization, including the executives, purchasing, sales, marketing, and operations managers, sales agents, and individuals who work in construction and customer care. I even spend time educating and getting to know potential buyers and homeowners."

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