

# American Multifamily, Inc.

## Dealing with the "Tough Stuff"

*Produced by Jacob Skeeters & Written by Shelley Seyler*

American Multifamily is passionate. They are strong in their resolve to provide the highest quality and the lowest cost for the multifamily market. Thanks to their ability to do so, they have clients that keep coming back for more and allow the company to continue their successful two decade tenure in the industry.

### Company Profile

American Multifamily, also known as American Constructors, was founded in 1989 by current CEO and President Greg Parker. The company is headquartered in Huntington Beach, California and their projects have stretched to New Mexico, Texas, and throughout their home state. They

currently have 55 employees and specialize in multifamily housing for adults, seniors, and students, and affordable housing for low-income.

American has also completed renovations, seismic retrofitting, and historic preservation projects. Remarkably, the company has self-performed up to 80 percent of the trade work on some projects with in house work crews completing demolition, excavation, concrete, steel-erection, framing, masonry, plaster, drywall, painting, and high-pressure epoxy injection to repair seismically damaged concrete.

Their range of clients is equally impressive, catering to various markets in the industry: private clients such as

Pulte, Lennar, CIM Group, Standard Pacific Homes, Legacy Partners and Newhall Land and Farming; university clients, including the University of California at Los Angeles, California State University Stanislaus, and Chapman University; typically, approximately one third of the Company's clients come from the prevailing wage sector.

With an annual revenue in 2007 of \$120 million, the economy has recently slashed that number to \$75 million. Preparing for this downturn, American has a plan that will help them rise above the crisis in the housing market and the world economy.

A current project that is representative of American's work in downtown Los Angeles is on the Wilshire Miracle Mile, a project developed by Legacy Partner. This \$75 million project is slated to be complete in spring of 2010. The 164-unit luxury mixed use complex will have an art deco style when it is complete. This project is particularly challenging because of its five floors of bearing steel stud framing and complex design with five levels of apartments over three stories of structured retail and parking.

In addition to the work in Los Angeles, American has also completed several projects in downtown Anaheim, California that included five separate buildings that encompass three blocks. Each building in this mixed use complex with its own architect. One has a museum on the first floor.

### Reasons for Success

When American hires new employees, they are immediately taught the company's six tenets to success: no



## Building Trusted Relationships



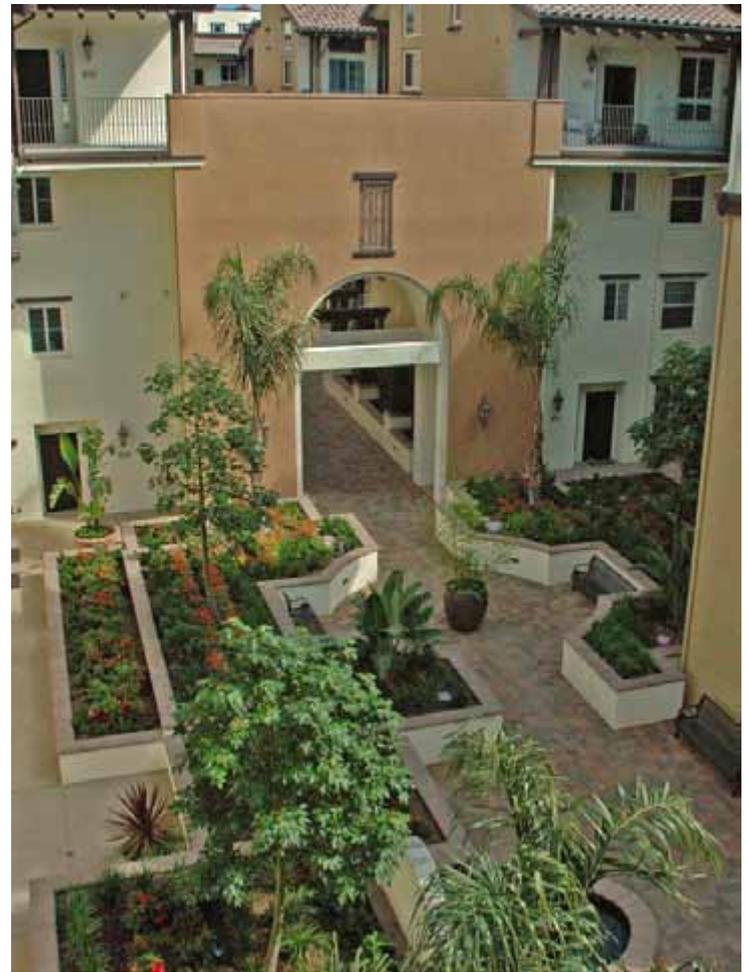
We congratulate American Constructors, Inc. for its market leadership and success. We are proud to be a part of the company's team providing insurance and risk management services.

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surprises, perception is reality, trust is fragile, manage expectations, after-taste is everything—in other words, deal with the “tough stuff” as it arises rather than waiting and allowing it to accumulate to be dealt with at the end of a project; “deal with things as they occur so you can have a happy ending” and accept no less than the best, “recognizing that what you tolerate, you condone,” said Parker.

When interacting within the company, each employee understands the philosophy behind these pillars and brings them to the field as well as to the office. “We talk about them when someone is employed and weekly at staff meetings where we reflect on what’s happening, noting if it is consistent with the philosophy and, if not, why not,” said Parker.

When hiring new employees, American Constructors looks to those that are at the second or third job level because, historically, they have shown the greatest retention rate with the

company. “We have found that recent college graduates don’t have a good stick rate because our training programs are geared at training how to do things the American way, not how to do the work. For our level of work most recent graduates need formal job training,” said Parker.

Those at the higher management levels are typically those long-term employees who have grown from their previous positions. “They have done best in the senior roles,” said Parker.

When the company needs to call on subcontractors, they typically turn to those with whom they have a history and relationship. Historically, American has been a negotiated contractor, a market position which has been earned with hard work Their sparkling reputation has allowed American to maintain without the typical marketing plan: “in the last ten years, work has come to us,” said Parker.

“Some is still coming, but the markets

have changed,” admitted Parker.

### Their Survival Strategy

With some economists, domestically and world wide, deeming the housing and mortgage crises as the precursors for the entire economic downfall, American has been focusing on finding a path through the storm. Their initiative involves building a multifamily design/build market. But rather than searching for Owners who are interested in having their projects designed and built by the same entity, American has designed a multifamily product line and is marketing this product line to multifamily and mixed use developers and investors.

“Unfortunately, we had been living above our means and we needed to bring it down which means an adjustment in size of multifamily units and figuring out ways to be able to put things together in a more economical way than in the past. We have spent a lot of time thinking and brainstorm-



ing about this subject and have developed a product line of multifamily and mixed use units which we feel meets this need.

This product line has been designed and pre-engineered by American's in-house architects and builders working in collaboration. To show these products, American has built a fully

furnished, full size prototype in their warehouse. This allows their clients to walk through, touch and feel a finished product before any design costs are incurred.

“Even without the economic down turn, taking control of design was an inevitable step for American. Our biggest frustration through the years has been dealing with problems in mostly “one-off” plans and specifications. Having to solve these problems during construction has eventually cost us and our clients’ money,” said Parker. Through the years, American has worked to try and mitigate the extra cost resulting from consultant’s errors and omissions by hiring in-house architects to review the plans to help catch errors; however, even with this self initiated effort, American was only able to catch about half of the problems.

“With our effort to reconfigure for the New Economy of 2009 and beyond, it became clear. It was the one-off design process that was the real prob-

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lem.” The process has prevented the design consultants from being able to take advantage of lessons learned that come from dealing with repetitive elements. This was not only the cause of most design problems, it was also robbing American and its clients from the cost efficiencies of site manufacturing that could not be realized with the highly differentiated one-off designs.

The solution was to pre-engineer a product line of high repetitious units, allowing American to take full advantage of feedback from lessons learned. Certainly this base concept is not unique. This is the genesis of the site manufacturing process most single family homes builders use. Design, build (model prototype), revise, revise and revise model, then manufacture.

“I don’t know of any other general contractor who has built more multifamily projects for major single family home builders than American. All of the major home builders, without success, tried to impose their single family



home building process or the one-off multifamily design construction process and it didn’t work. At that point, you can review even the framing for a unit in a one-off multifamily product,

it is too late. Too much construction is in place making changes too expensive. The problem is not the site manufacturing process it is one-off design of highly differentiated components.”

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The larger multifamily buildings are a lot more complicated than single family homes. The single family home is largely an independent unit. A home in a multifamily building is interconnected to and dependent on the units around it. If you change one unit, it usually affects the units surrounding it.

American also realized that the movement to architectural diversification that had resulted in the one-off designs was deeply rooted in city planning criteria and the opinions of city planners. American had to find a way of building with highly repetitious units while providing an appearance of diversity. With the complexes of the multifamily and mixed use product type, this could not be accomplished by the use of different architectural styles and treatments used in single family home industry to make one home look different from the next.

To solve this problem, American designed its family of pre-engineered products so they could be assembled and arranged in different configurations to create different architectural massing while not giving up the cost efficiencies of using highly repetitious components. Styling to fit each products' local environment, using a pre-engineered palate, is American's final design touch.

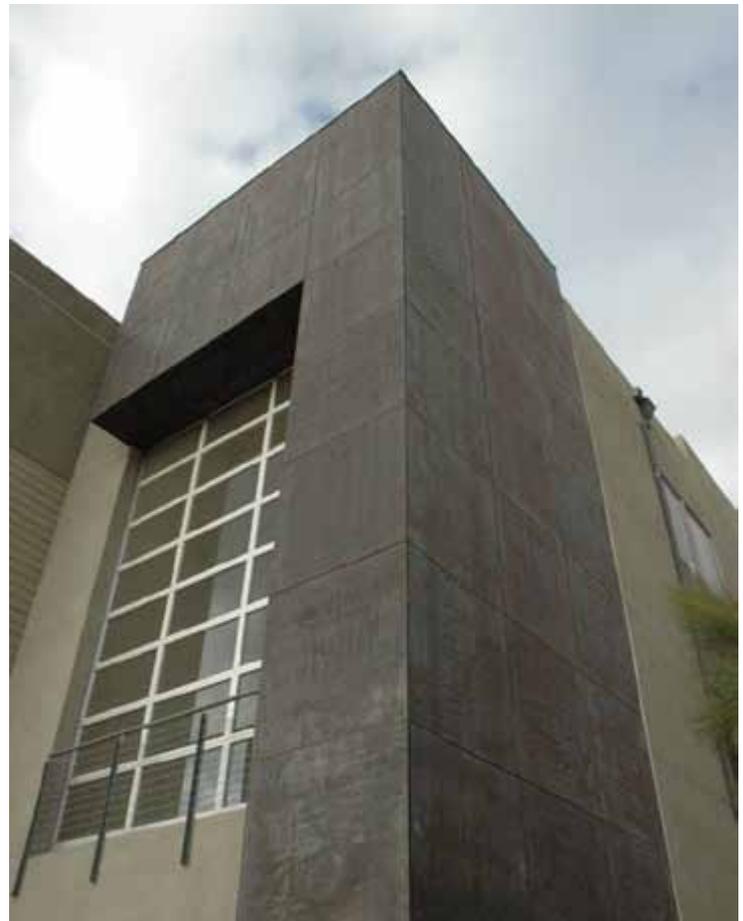
One of American's family of products of particular interest in this economy is their Garden Style Workforce Housing unit. This unit can be arranged in garden style buildings of one, two, and three stories with densities up to 65 units per acre. This 364 square foot efficiency unit contains most of the advantages of one bedroom units and can be rented in higher income areas where affordable housing is most needed, for \$2.25 a square foot at a rent considered affordable for those making 50 percent of median income.

American also includes LEED Certification for its full product line, with an upgrade program for silver gold and platinum along the option of adding a solar.

The development of American's new multifamily products has been spearheaded by Parker and Jeff Chen, a Vice President who has been with the Company for 14 years. Both have masters' degrees in Civil Engineering from MIT. In addition to being a contractor, Parker has a degree in Architecture and has been licensed as an architect for over 25 years.

### Forging Ahead

Being able to anticipate challenges, understanding their limits, and forging paths through the unknown, American has more than survived this current economic downfall. Serving the sector of the market hardest hit by this calamity, they have analyzed and struggled and come out fighting. Their survivor spirit will certainly serve them well, with potential challenges waiting around every corner, and the industry will be better off thanks to their assured success.



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