



ALL IN THE FAMILY
How a new generation helps Houston homebuilder generate profits
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Most Houston hospitals push up profits despite warnings of overcapacity
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Beazer adds partners for key residential developments

BY JENNIFER DAWSON
HOUSTON BUSINESS JOURNAL

Beazer Homes USA Inc. has secured two heavyweight homebuilder partners to construct 855 new single-family homes in Houston's suburbs.

After two other homebuilders dropped out of the project, Atlanta-based Beazer brought in Taylor Morrison of Scottsdale, Ariz., as a 50-50 partner on the Churchill Farms development that will add 570 homes near Fulshear in Fort Bend County.

Beazer entered into the same arrangement with Miami-based Lennar Corp. for Preserve at Clear Creek, which is changing its name to Preserve at Highland Glen. The 130-acre community in Pearland will

have 285 homes.

Financial terms were not disclosed. Each partner is buying half of the home lots to build on and contributing half of the development costs for the community. Dan Olson, Beazer's vice president of land, is handling development of both projects.



Olson

"They are full partners," said Kurt Watzek, president of Beazer's Houston division. "We're the ones managing the development and they fund their portion of money to us."

SEE BEAZER, PAGE 51



Kurt Watzek of Beazer Homes

MICHAEL STRAVATO/HBJ

Houston's pipeline to prosperity?

Political, industry leaders add support as Feds near decision on Keystone project



KEYSTONE XL PIPELINE BY THE NUMBERS

1,661

Total length of pipeline, in miles

36

Diameter of pipeline, in inches

20

Private sector investment in the project, in billions of dollars

1.1

Amount of Canadian crude oil delivered through the pipeline to U.S. refiners each day, in millions of barrels

BY DEON DAUGHERTY
HOUSTON BUSINESS JOURNAL

More than the promise of several thousand temporary construction jobs, it's the potential of a broader local economic impact that is driving Houston business and energy leaders to throw their support behind the Keystone XL Pipeline.

Pressure from both supporters and opponents of the project is mounting as the U.S. State Department nears its self-imposed yearend deadline to decide whether to permit construction of TransCanada Corp.'s sprawling 1,661-miles of pipeline to move heavy oil sands crude from Alberta to the Gulf Coast.

TransCanada officials say construction could begin almost immediately when the green light is given. In Texas, that would consist of 375 miles of new pipeline across 18 counties built by more than 3,000 workers.

The company proposed the \$20 billion pipeline system to the State Department three years ago. Rep. Gene Green, D-Texas, said the permitting process, which has juxtaposed economic development and environmental impact, has grown to become the

SEE KEYSTONE, PAGE 50

GROW TEXAS

Special 32-page section highlights growth opportunities in four key Texas markets • SECTION TWO



Jim Frankel, president of Frankel Building Group: 'There has been a major transfer of wealth over the last 10 years. The younger generation is inheriting wealth and putting it to work.'

CRAG H. HARTLEY/HBJ

BY TANYA RUTLEDGE
SPECIAL TO HOUSTON BUSINESS JOURNAL

Jim Frankel gleaned his most valuable lessons for running a custom homebuilding company from an unlikely source: Foley's Department Stores.

Frankel's job as a young executive in the corporate office of Foley's in the 1970s turned out to be the perfect training ground for him to eventually launch Frankel Building Group, teaching him what to do — and what not to do — to successfully run a business.

Indeed, Frankel and his two sons, Scott and Kevin, all apply the knowledge they received working for larger companies to their 14-person homebuilding company on a daily basis.

"I wish everyone could work for a large

company at the beginning of their careers," Jim Frankel said. "For me, Foley's turned out to be the best place in Houston to get a general business background."

Frankel founded Frankel Building Group in 1988 when his sons were still youngsters, never mapping out a timeline for when — or even if — they would join him in the family business.

Scott Frankel took a job at Newmark Homes after graduating from college, and he and his dad often talked shop since both were in the homebuilding industry. Meanwhile, Kevin Frankel got his MBA and worked for commercial firms Wulfe & Co. and publicly traded Weingarten Realty Investors, both based in Houston, before deciding to make the move to Frankel Building Group.

Both sons joined their father in Frankel

Building Group on the same day five and a half years ago.

And although the company had grown from a one-man shop into a premier homebuilding firm known for high-end homes around the Tanglewood, Bellaire, Bunker Hill Village, West University, Hunter's Creek and Cinco Ranch areas by that time, Frankel said his sons have already taught him as much about the business as he has taught them.

With a trend in energy-efficient homes just starting to take hold, one of the first changes they suggested was that the company build all of its homes to LEED-certification standards. Frankel said it was a conversation that only took "about three to five minutes," but he was convinced.

"The boys decided that if we were going to matter as a company, we needed to take

Collaborating generations tap Millennium market with modern necessities in home designs

FRANKEL BUILDING GROUP

2010 REVENUE: \$11.3 million

2009 REVENUE: \$25.1 million

TOP EXEC: Jim Frankel, president

EMPLOYEES: 14

FOUNDED: 1988

BUSINESS: Independent custom homebuilding company

WEBSITE: frankelbuildinggroup.com

a stand and jump ahead," Frankel said. "From that day, there has not been one customer that we explained LEED to that has said they didn't want it."

SEE DESIGN, PAGE 16

DESIGN: Technology features standard in custom homes built for current generation



CRAIGH. HARTLEY/HBI

From left, Scott Frankel, vice president; Jim Frankel, president; and Kevin Frankel, vice president of Frankel Building Group. The family owned and operated custom homebuilder credits much of its success to its intergenerational approach.

FROM PAGE 16

Although LEED (Leadership in Energy and Environmental Design) can add tens of thousands of dollars to the price of a home, Frankel said the push toward energy conservation and sustainability in homebuilding has carried it to the forefront in the industry.

“When the flash first goes off, you can’t see because it can be overwhelming,” he said. “But the more you come to understand that it’s not just energy efficiency, it’s about sustainability, it just makes sense.”

The younger generation also brought other new ideas to the table, including incorporating technology features into Frankel Building Group’s homes, which typically range in price from \$800,000 to \$2 million.

“We definitely brought a younger perspective to the company,” Scott Frankel said. “My generation grew up with technology being a huge part of our lives, and we made the decision to incorporate it into our homes. Though we received some resistance outside of our company, we knew it was what people wanted.”

But Scott, 30, and Kevin, 32, didn’t just join the company and immediately get to bring their ideas into the boardroom. Their father required them to work out in the field for the first year and a half before taking on their current management positions. Scott serves as vice president of operations and construction, and Kevin as vice president of sales and business development. Jim, 60, is president.

Jim Frankel, who worked in his father’s oil business for about 15 years before starting Frankel Building Group, said the decision by his sons to join him also came at just the right time, considering the average age of the company’s buyer has shifted from people in their 50s to people in their 30s.

The company, which has in the past built homes priced as high as \$4 million, has honed its focus on homes in the \$1

million to \$2 million range as the economy has struggled over the last few years.

And, whereas about two-thirds of the company’s homes used to be built on a speculative basis, about one-quarter of the homes are now built on spec, with the rest built on contract.

NEW DIRECTION

The company has also moved in a new direction by starting work on an entire neighborhood in The Woodlands, which will eventually contain 58 Frankel Building Group homes.

“The business has changed a lot — there aren’t the same margins anymore, so we are focused on a different clientele,” Frankel said. “I would say half of our clients are my sons’ ages. There has been a major transfer of wealth over the last 10 years. The younger generation is inheriting wealth and putting it to work. Real estate is always a good market for that.”

While revenue has been cyclical over the years for Frankel Building Group — Frankel said an up year is usually immediately followed by a down year — the company is on an upswing in 2011, with 41 projects in some stage of design or construction as of Sept. 1. Frankel estimates that 2011 revenue will come in somewhere between \$22 million and \$24 million.

He credits much of the builder’s success to the intergenerational approach that the Frankels have applied to the company, and the company’s ability to adapt to a constantly changing marketplace.

“Being an independent custom builder is the most difficult job you can find,” Frankel said. “You have to be an expert at construction, design, sales, marketing, management, legal, accounting and finance. If you have a critical weakness in any of those areas, you will fail. It’s a fast business, and you have to know how to do everything. And once you think you’ve finally learned it all, it will change again.” ■

TANYA RUTLEDGE is a Houston-based freelance writer.