

Sacramento Business Journal - June 21, 2010  
[/sacramento/stories/2010/06/21/focus1.html](#)

## SACRAMENTO BUSINESS JOURNAL

EL DORADO PLACES SACRAMENTO TOWN

Friday, June 18, 2010

### Pool industry's hope floats

Survivors keep head above water by diversifying services, but the only customers are those with plenty of cash

Sacramento Business Journal - by [Robert Celaschi](#) Correspondent

The pool of customers is shrinking for the swimming pool industry, creating an atmosphere where innovation is required just to stay afloat.

Guy Davidson figures about 80 percent of swimming pool construction is for new homes. The **California Building Industry Association** figures that new-home starts in the Sacramento region are down about 75 percent this year from 2006.

Put the two together, and there's not a lot of construction work for Davidson, co-owner of **Sun-Fare Pools**, or any of his competitors. It's been like that for several years.

A couple of years ago, some pool companies were making deals with little or no margin just to keep their crews working. That can't work as a long-term strategy, however, and some pool builders have gone under.

Davidson, for instance, used to work for Sunrise Pools in Roseville, which filed for bankruptcy in 2008. The shrinking roster eases the competitive pressure a tiny bit, but the survivors still have to be creative.

#### Diversification

"I think you have to be a little more diversified in this economy," Davidson said. Where Sunrise Pools was just a builder, Sun-Fare Pools offers construction, pool and spa design, remodeling, cleaning and pool equipment repair. Most of the business has been on the service side.

"We don't have to build 20 pools to stay in business. We'll be able to survive," he said.

Pool safety has changed through the decades, and there's good work to be had in remodeling, said Jim Chandler of Jim Chandler Pools in Penryn. New drain systems help prevent people from getting caught by the suction. Other improvements include automated systems for maintaining the right pool chemistry, some of it operated by remote control like a TV set.

Sacramento Custom Pools has been getting about 15 percent of its work on the commercial side," said co-owner Mike Kwiatkowski. A recent project at a shopping plaza near Arco Arena involved replacing a decorative fountain with a flashier model that features shooting geysers with colored lights and speakers as well as electronic controls that coordinate the water movements with music.

#### Geremia Pools Inc.

has found a way to combine swimming pools with a home's heating and cooling system. It has started offering geothermal heat pumps under the GeoSmart name.

Traditional geothermal heat pumps involve digging up a yard to lay down pipes, or drilling deep into the ground, or running loops into a body of water. Now that body of water could be a swimming pool. Using a separate closed system of pipes filled with a mixture of antifreeze and water, GeoSmart can take heat out of the pool to put it in the house, or take heat out of the house by putting it in the pool.

"A friend of mine has the patent pending on it down in Arizona. We have an exclusive licensing agreement here," company president Mike Geremia said. "I had been working on it myself, and they beat me to the punch by several months.

"It really does redefine what a swimming pool is."

Geremia has built one such combination pool and heat pump, and it was being monitored by the **Western Cooling Efficiency Center** at the **University of California Davis** to see what kind of real-life statistics it will generate. As of early June, Geremia had a second project under contract.

#### Tight purse strings

Aside from the environmental aspects, Geremia is pushing the financial advantages of a combination pool and heat pump. The company is touting a 30 percent tax credit on the total investment of a hybrid geothermal system thanks to the American Recovery and Reinvestment Act, good through 2016.

The company also advocates financing it as an energy-efficiency improvement to the property. Geremia has set up seminars to tell prospects about Placer County's mPower financing program, with payback schedules of five to 20 years.



The financing angle is important because in-ground swimming pools are expensive, and the general financing climate is still tough for homeowners.

This month, Sacramento Custom Pools was bidding on about 10 normal pool construction jobs of about \$50,000 apiece, one of about \$150,000, and one of about \$200,000, Kwiatkowski said.

"Of the people building pools, I'd say 95 percent have cash. If you don't have cash, you need too much equity in your house," he said.

One client was able to get a financing deal that would pay on completion, and had enough cash to fund Sacramento Custom through the course of the job, but that was a rarity.

"We don't offer our own financing. The guy to talk to on that would be a lender," said Chandler of Jim Chandler Pools. "We have some sources where we can direct people, but we are kind of limited. And it changes all the time."

The only people qualifying for loans for new pools are those with stellar credit ratings and a lot of equity in their homes, Geremia said.

"There have been plenty of people who wanted to do something, and for some reason or other haven't qualified," he said.

Another option is an unsecured loan, but interest rates are high and the amounts top out at around \$30,000, Davidson said.

#### **Ready to deal**

As Kwiatkowski's list of available jobs shows, there still are some people who have both the desire and the money to build pools.

Those who can afford the high-end pools usually have plenty of cash and are going for frills such as waterfalls and other features, builders say. Those buying on the low end are more likely to need financing and tend to keep their pools simple.

Each year gets a little bit better, Davidson said, but the business is nowhere near its peak in the early 2000s. Even though 2010 is almost half over, it's too early to say for sure how it will stack up against the past few years.

"Leads were pretty good in the March-April time frame. But as of late they have kind of gotten flat," Geremia said. "It seems to have stabilized, but people aren't in a big hurry."

Chandler has seen similar fluctuations — a good couple of weeks followed by a couple of shaky weeks.

"The weather is a big factor with our business, and it seemed like it had been raining forever," Chandler said. "Sometimes we just need a heat wave to get people thinking about swimming."

On the other hand, builders are willing to give good deals to close a sale, and they are hoping that a string of slow years means pent-up demand.

#### **In-ground units sold in U.S.**

**2007:** 147,000

**2008:** 129,000

**2009:** 54,000

Source: [P.K. Data Inc.](#)

*All contents of this site © American City Business Journals Inc. All rights reserved.*