

Housing woes hit cabinet suppliers hard

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Cabinet suppliers and installers are among the last to show up at home-construction sites and often among the last to get paid.

Now, with builders folding or barely hanging on, some of those companies are not getting paid at all.

The problem is so bad at Cabinet Designs by Campbell in Dallas, that owner Keith Campbell headed off to Tampa to work while his wife, Paula, stayed behind in Paulding County to look after what remains of their 8-year-old business.

Their company used to capture 45 percent of the cabinet-buying market on the west side of Atlanta, Keith Campbell said. "I was the one to beat."

Today, Cabinet Designs is owed more than \$400,000, and its workforce has been cut from 12 to two.

"I basically built four townhomes in Hiram for free," Campbell said about getting stiffed. "I don't think I'll see any of it."

Still, he's not giving up. Campbell hired a Cartersville law firm to look into possible civil remedies and whether criminal charges can be brought against the builders that owe him money.

During construction of speculative homes, builders receive bank draws when phases are completed. The money normally goes to pay subcontractors and suppliers hired by the builder.

In the slump, however, many of those companies have not been paid after completing their work.

Instead, some builders are using bank draws to pay loan interest "so banks don't take properties," said Steve Barber, owner of Kastle Lake Kitchens & Baths in Acworth, another cabinet supplier.

Barber said his business is owed about \$750,000. "It's been very tough, the worst year in my 20 years in business," he said.

Kastle Lake worked closely with Robert Harris Homes, a large builder that shut down over the summer.

Cartersville attorney Khristie Kelly is exploring whether Campbell was defrauded.

She cites state law that says payments made to contractors for property improvements must be used to pay labor and material costs.

“Courts are slow to utilize this statute to arrest builders and general contractors,” Kelly said.

“It is a criminal offense, and many times a felony due to the amounts that go unpaid. It is directly on point and, in my opinion, would make a very big impact toward correcting the corruption we are seeing if it were enforced.”

But Frank Brown, attorney for the Greater Atlanta Home Builders Association, said the law’s application is limited.

“There are not a lot of Georgia appellate cases regarding contractor theft,” Brown said.

“Those that exist seem to apply a practical common sense approach; i.e., if the contractor ran off with the money, a crime exists. If the contractor did not intend to defraud anyone, but just got behind in payments, no crime.”

Brown called the statute that Kelly cites the “draw law,” referring to bank draws.

“The draw law is scary because it’s often difficult to distinguish between a simple inability to pay for labor and materials and the sort of criminal misappropriation of draw funds the draw law intends to punish,” he wrote in an article in his law firm’s newsletter.

Before suing, subcontractors and suppliers typically file liens to collect payments, with spotty success.

If houses aren’t selling or builders are going bankrupt, liens won’t trigger payments.

“All you have is wallpaper. Put ‘em on the wall,” said John Schwartz, owner of Marietta Drywall, a small company also hurt by nonpayments.

“There’s a chance we’ll lose a couple hundred thousand,” Schwartz said. “It’s killing us. We’re down to almost no employees.”

Campbell said suppliers are particularly vulnerable because they pay the manufacturers before getting paid by the builders. Prior to the market slump, he said, a verbal agreement with a builder might be good enough to place an order with a manufacturer.

Now, he said, “it’s like Beirut out there.” One builder that Cabinet Designs had done business with for 10 years owes \$250,000, Campbell said.

“We haven’t left anybody holding the bag,” he added. “I’ve still got excellent credit.”

Campbell started his business in 2000 after leaving a big cabinet company, convinced he could provide better customer service.

He’s beginning anew in Florida. “I don’t want to grow like I did in Atlanta again; it’s just a nightmare,” Campbell said.

“It almost took the winds out of my sails.”