



HBH Gas Systems  
www.HBHSystems.com

5656 Bee Cave Rd. Suite F-201  
Austin, TX 78746

Mark.Baresel@HBHSystems.com

HOME/ NEWS & INCENTIVES/ **COMMUNITY PROPANE SYSTEMS GIVE BUILDERS OPTIONS IN TIGHT LAND MARKET**

## Community propane systems give builders options in tight land market



**High land costs have builders looking beyond the gas grid for competitive opportunities. Here's how propane can help them satisfy customers.**

By Joe Bousquin

With land costs on the rise and finished lots harder to come by, many builders are being forced to buy and build farther out. Indeed, availability of finished lots was among builders' top concerns going into 2019, [according to the National Association of Homebuilders](#).

While going farther out solves one problem for builders, it often creates another: developing beyond the established natural gas grid. Homeowners, particularly in higher-end developments, have come to expect the "blue flame" in the kitchen, a fireplace in the living room, and the option of installing a patio heater, as well as other gas-powered systems throughout the house.

"We always want to build with gas," says Bill Creeger, manager of land development in Pulte Group's Northeast Corridor Division. "Homebuyers don't want to see electric baseboard heat. They want gas-[powered] appliances, whether it's for cooking, central heating, or domestic hot water. We want to go the gas-[powered] route for efficiency purposes, too."

For those reasons, builders in large developments beyond the reach of natural gas lines are opting for community-wide propane systems. Their goal is to sell homes while saving on infrastructure costs and giving buyers the comfort and efficiency they desire.

"I am getting calls from developers who want to offer gas because it's becoming mandatory, especially if you're offering a house in the \$400,000 to \$600,000 range," says Harris Baker, president of Austin, Texas-based HBH Gas

Systems, who consults with builders on specifying community propane systems. "[The home you build] is going to be perceived as an inferior product if you don't have it. So being able to offer gas becomes truly important."

It was important for Pulte and Creeger at Bedminster Square, a 236-home community built out in 2012 beyond the established natural gas grid in Bedminster Township, Pennsylvania. Selling a home with electric heat in that market, which is located about 45 miles west of New York City, would have been extremely difficult.

"We had some mixed product there with both single-family and townhomes, so we did a central propane system," Creeger says. "We were able to put in a conventional underground conveyance to each individual unit."

Community propane systems typically involve one or more large, centrally located underground tanks with lines running to individual meters at each home. In most cases, developers and builders work with a propane vendor to design and install the system.

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The current tight housing supply and high land costs make now an opportune moment for developers to connect with propane vendors looking to grow.

That's especially true when you consider the fact that extending natural gas lines can cost as much as \$1 million per mile, according to Baker. While many public gas utilities have historically reimbursed builders for that cost when homeowners become paying customers, those companies are now applying more scrutiny to the process to make sure it pencils out upfront.

"The timing and pace of the development is relevant to that local utility company," Creeger says. "Let's say I have a 500-home community but I'm only going to pace out, in phases, at about 10 a month. That might not be fast enough for the utility to recoup the cost of extending that gas line. The difference is what I would be responsible for."

By contrast, a propane vendor will typically take on the cost of putting in a centralized system, and then charge the builder a connection fee for each home served. "Developers are looking for ways that they can offer gas without having to incur unreasonable expenses," Baker says. "If you can get the propane company to carry the capital expense and the risk of putting the system in, it helps things pencil out that much easier."

Community propane systems also give developers and builders the opportunity to create a recurring revenue stream down the road, depending on how a deal is structured.

"There are instances where the vendor may be open to joint ownership," Baker says. "In that case, the propane company would build the system for the developer at a reduced cost, and then both would take part in some of the revenue. There are some interesting options for developers to create an income stream beyond the typical build-and-move-on model."

See [www.HBHSystems.com](http://www.HBHSystems.com) about the advantages of community propane systems.

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