

SETTLEMENT REACHED IN ROOFING CASE

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By Jacqueline L. Salmon

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About 11,000 New Jersey homeowners with roofs constructed with fire-retardant-treated (FRT) plywood will pay at little as \$200 each to have their roofs replaced under a sweeping settlement announced last week by the state.

The \$50 million settlement affects owners of homes built by New Jersey builder K. Hovnanian Enterprises and will be used as a model to determine the outcome of cases involving 24,000 other New Jersey homeowners who have FRT roofs, according to those involved in the negotiations.

FRT plywood roof sheeting, which slows the spread of flames, was widely used on town houses and condominiums in the 1980s before it was discovered that it can deteriorate in hot attics.

The settlement in the New Jersey case culminates a four-year fight to determine who would pay to replace the crumbling roofs by dividing the cost among many of the companies and the plywood treaters, architects, lumber supply companies, home builders and homeowners who became embroiled in the battle.

"It's a pretty good deal for everyone," said Peter S. Reinhart, a Hovnanian senior vice president. But those involved in the New Jersey talks warned that homeowners with FRT roofs in other parts of the country, including the Washington area, shouldn't expect to receive the same kind of deal as the New Jersey homeowners.

"My sense is that the New Jersey settlement may be more generous than the companies will offer elsewhere," said Ronald L. Perl, an attorney representing New Jersey homeowner associations.

While some major home builders, including Winchester Homes of Bethesda and Pulte Home Corp., have replaced for free all the roofs they built with FRT plywood, homeowners had been expecting to pay some, if not all, of the replacement cost.

Under the New Jersey agreement, Hovnanian homeowners will receive \$1,250 each to cover the \$2,000 cost of replacing their roofs. The money will come from plywood treaters, chemical suppliers, architects and lumber companies.

The state of New Jersey will kick the contribution that was supposed to have come from the new-home-warranty companies that sold warranties on the Hovnanian homes, Bickerman said. New Jersey then plans to pursue legal claims against the home-warranty companies, which have refused to pay claims involving FRT roofs, saying they aren't covered under the policies they sold.

Of the remaining costs to fix the roofs, Hovnanian will cover part of the costs and homeowners, whose homes are up to 10 years old, will contribute a portion.

Hovnanian estimates that individual homeowners will pay \$200 to \$400 each. Similar settlements are expected to be achieved with other New Jersey home builders in the coming months.

Middlesex County Judge Robert Longhi, who is handling more than 100 FRT cases filed in New Jersey state courts since 1987, is credited with aggressively seeking for an out-of-court settlement to the dispute, which threatened to drag on in the courts for years.

In June, Longhi brought in Washington attorney John Bickerman, who had been involved in talks to establish a \$500 million fund to fix roofs nationwide, to mediate in the New Jersey case.

The nationwide talks unexpectedly collapsed, sources said, after disputes arose between one of the plywood treaters, Hoover Treated Wood Products Inc., and its insurance companies.

The New Jersey talks succeeded primarily because of a law passed last year that gives the state access to a \$50 million fund and the legal clout to pursue legal claims against companies or groups that balked at settling, according to those involved in the talks.

Those conditions don't exist in other states and, thus, the parties involved don't have the same incentives for achieving settlements outside New Jersey.

Bickerman said he plans to keep working with the companies and organizations involved in the FRT dispute, "if they want me to." He said, however, "It would be a mistake for people in Maryland and Virginia to have their expectations too high right now."

Despite the New Jersey settlement, Hoover and Osmose Wood Preserving Inc., the plywood-treating companies blamed for much of the problem, are continuing to aggressively fight lawsuits in other states.

Hoover and Osmose blame faulty home designs, rather than their products, for the problems. A trial involving Hoover and Winchester Homes opened this week in Fairfax County Circuit Court and is expected to last several weeks.