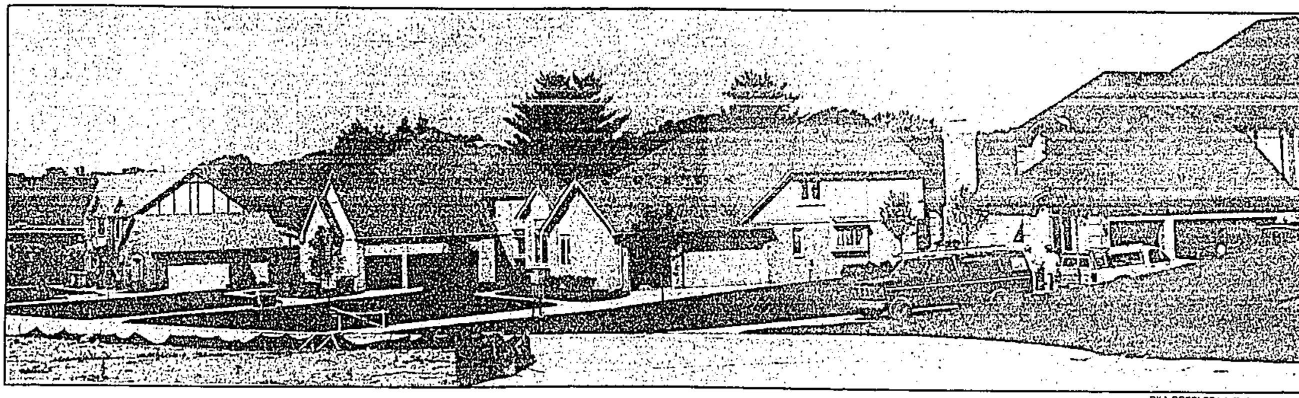
Building Scene

Marilyn Fitchett editor/591-2300



BILL BRESLER/staff photographer

James S. Bonadeo, president of the Builders Association of Southeast Michigan and owner of a building company that bears his name says, "You would be amazed at young couples under 40 moving into houses at anywhere from $300,000 to $600,000. It's amazing." One such subdivision is Beacon Meadows in Plymouth Township.

There's no predicting building hot spots

By Doug Funke
staff writer

A bank robber when asked years ago why he robbed banks reportedly answered, "Because that's where the money is."

Developers who build residential subdivisions, shopping centers and office buildings think along similar lines. They go where the vacant land is.

But it's much more complicated than that.

Land seems to be available in metropolitan Detroit. The trick is to build not necessarily where people and their money are now, but where they want to be in the years ahead.

"What makes for a hot spot — I don't think anyone knows," said James S. Bonadeo, president of the Builders Association of Southeast Michigan and owner of a building company that bears his name.

"I don't think there's any simple answer to that question," said Bud Kasselman, vice president and branch manager for the real estate firm of Cushman & Wakefield of Michigan.

BUILDING PERMITS were issued for more residential units in Farmington Hills (565), Novi (434) and Rochester Hills (315) for the first six months of 1989 than any other community in Oakland or Wayne counties.

Those preliminary figures were provided by the Southeast Michigan Council of Governments.

Southfield and Troy continue to show the highest volume of office construction, according to a mid-year market report prepared by Coldwell Banker Commercial Real Estate Services.

That report said 1.6 million square feet are under construction in Southfield, 1.1 million in Troy.

Chrysler Corp. expects to move some people into the first phase of a 3.3 million-square-foot corporate headquarters under construction in Auburn Hills later this fall.

Construction of other speculative office buildings in Auburn Hills likely will follow.

The suburban office market, with a vacancy rate of just over 17 percent, may be approaching the saturation point, said Scott Elliott, vice president and resident manager for Coldwell Banker.

Nationally, the suburban vacancy rate is 21.4 percent, he said.

"It seems like most new projects going on have been on the drawing board for a long time," Elliott said.

"In the I-696, I-275 corridors, there's still some things happening in Southfield, Novi, Farmington Hills and Livonia primarily being finished up, but not much new stuff is starting now," he said.

"WE'VE CERTAINLY had five, six, seven years of the biggest boom we've ever had," said Dick Roeser, president of Beachum and Roeser Development Corp. and president of the Building Owners and Management Association.

"I don't think any of us seasoned players would suggest it would continue ad infinitum," he said.

Elliott said he believes lenders are hesitant to release money for office construction until demand catches up with supply.

Commercial construction seems to be sprouting everywhere.

"We've been in a period of relatively inexpensive money," Kasselman said. "It encourages development. It encourages people maybe new to development. Building strip centers is one of the easiest ways to get into the development business."

He especially notices commercial hot spots along Haggerty Road in Wayne County and along M-59 in Oakland.

OTHER FACTORS come into play, at least where residential is concerned, Bonadeo said.

Buyers of detached homes today seem to prefer large houses on large lots with a rolling terrain and streams in places like Rochester Hills, Plymouth and Novi, he said.

"The school system is very important," Bonadeo said. "You would be amazed at young couples under 40 moving into houses at anywhere from $300,000 to $600,000. It's amazing."

Another big factor, regardless of kind of development, is cooperation of local government officials to expedite paperwork approvals so a developer can get going.

It generally takes 18 months to two years from when property is acquired to when work begins with the construction of utilities on a project, Bonadeo said.

"Cooperation or accessibility to a community's agencies — inspection department, building department, zoning — a harmonious working relationship obviously prevails in hot areas," Richards said.

TO OVERSIMPLIFY, development of residential, commercial and office tends to stimulate each other, real-estate experts said.

A desirable housing stock will draw commercial. Office development shifts to where clients are in business and where employees live.

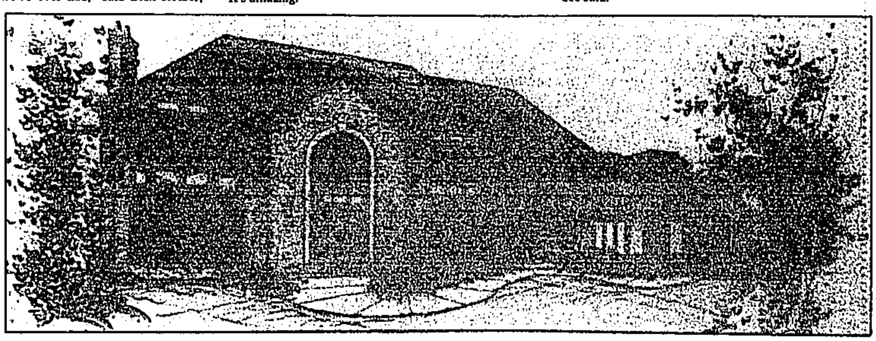
There's no magic formula to determine whether a given area will become hot. Demographic studies don't always accurately forecast what area will hit or miss.

Bonadeo has been in the residential development business for 42 years.

"It's a matter of touch and experience," he said. "I look at it, drive around. I'm familiar with communities.

"I fly by the seat of my pants. I think you'll find a lot of builders feel the same way. It's a gut feeling," Bonadeo said.

And the winner is . . .



A traditional colonial's floor plan was the feature that convinced Homearama visitors to vote the Bayview the favorite house of the annual showcase of idea homes.

The Bayview, also cited for its woodwork, took 23 percent of the vote, beating out the Brookshire with 20 percent and the Jacquelynn Maria with 16 percent, in a poll taken the weekend of Sept. 9 at the Oakland Township site.

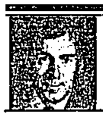
Built by Palazzolo Brothers Construction Co. of Utica, the Bayview was designed by architect Ron Meyers & Associates of Plymouth.

WITH 4,400 square feet, its price range is $390,000-$550,000. It features an open foyer with an oak circular staircase, four bedrooms plus a 300-square foot "bonus room" off the master suite, six bay windows, three fireplaces, four full and two half baths, and a finished walk-out basement with kitchen/bar area.

Homearama will close Sunday, Sept. 24, with a sale of furniture and accessories from most of the houses. The houses, in the $375,000-$675,000 price range, will be for sale after the show closes and can be bought with furnishings included.

Homearama is in the Hills of Oakland subdivision, developed by Moceri Development of Grand Blanc, on Adams Road north of Dutton Road, which is north of Rochester. Hours are 3-11 p.m. Monday through Friday and noon to 11 p.m. Saturday and Sunday. Admission is $5.

'In-house' attorney a bad idea



condo queries
Robert M. Meisner

Our board of directors insists upon using an attorney who lives in the condominium project to assist in drafting contracts for the site. Some people are concerned because the attorney is a personal injury lawyer and has no experience in real estate. Others have claimed that there may well be a conflict of interest particularly if the attorney "screws up." How can we convince the board that this action is not proper?

Tell the board to exercise common sense and think the matter through. If a co-owner is also the attorney for the association, how can he exercise independent judgment with respect to advising the board? He may also become involved in the political process to keep the present board in power so as to preserve his position as attorney for the association. If a problem arises either in regard to his competence, performance or billings, the fact that he is co-owner at the condominium makes things even worse. It can create potential divisiveness in the condominium that would not ordinarily be there. Finally, he may actually be in a conflict of interest in performing his duties for the association while being a co-owner there. Show the board this column, and perhaps they'll be persuaded to obtain independent counsel. Let me know the results.

The best insurance for the board of directors is to run the association in a prudent fashion.

Is there a law protecting homeowner association boards in the event of a lawsuit? We are a new subdivision checking into the necessity of liability insurance. Our research shows such rates to be astronomical, thus prompting the above question.

An amendment to the Nonprofit Corporation act of 1988 basically limits director liability in certain instances if the amendment has been approved and passed to the articles of incorporation. But it does not totally eliminate director responsibility. Moreover, while there should be provisions in the association bylaws providing for indemnification for the directors, that too may not be foolproof, particularly if the association does not have the funds to satisfy the requirements of indemnification.

Obviously there are ways of drafting your homeowner association documents to insulate certain liability of the board, but the best insurance for the board of directors is to run the association in a prudent fashion, to get good advice and to have adequate insurance to protect the interests of the board of directors as well as the association.

Would you please describe the benefits of incorporation as opposed to operating as an individual? I am buying a home and wish to rent it out and wonder whether it would be advisable to incorporate.

Putting aside consideration of the tax ramifications of operating as a corporation as opposed to an individual, when one incorporates that means the person is not personally responsible for the debts of a shareholder in the corporation.

Generally speaking, in a small, closely held corporation, the investor will be liable only to the extent of his investment in the corporation. The obligations of the corporation must be satisfied from the assets of the corporation. Therefore, it may be advisable for you to own the home as a corporation so long as the tax ramifications are not detrimental to you. You should consult with your tax adviser in that regard.

Robert M. Meisner is a Birmingham attorney specializing in condominiums, real estate and corporate law. You are invited to submit questions and topics for this column by writing him at 30200 Telegraph Road, Suite 467, Birmingham 48010. This column provides general information and should not be construed as legal opinion.