

Building Scene

CLASSIFIED ADVERTISING



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This single-family, detached condominium in the Maple Hills section of the Maple of Novi development by Classic Construction Co. of West Bloomfield is one of two products avail-

able for under \$100,000. Sales for the three-bedroom, 1½-bath units, which sell for \$99,900, are brisk, according to Classic Construction president Sam Blumenstein.

Builders compete with existing housing stock

A subtle reason for the lack of homes for under \$100,000 is builders have a hard time competing with the existing home market.

Bill Lawson, a partner with the Michigan Home Builders Inc. in Rochester Hills, said rising costs have made it impossible to compete. "We can't build a home for the same price as an older home and give you the same thing."

Increased regulations, land costs, material costs, labor costs — all have risen in the last decade.

The main selling point of the new home is exactly that — its newness, he said.

High property taxes is another reason it is difficult to build homes

for under \$100,000, Lawson said.

Even though assessments have risen significantly in the high-growth areas, they have not risen as quickly as building costs, Lawson said.

Assessments on older homes of the same size and type as a newer home is generally lower for the older home because the assessment was established at the original lower sale price, he said.

LAWSON SAID some people point toward reurbanization as the answer to building affordable homes — the argument being that builders should construct homes in Detroit and other urban areas where land costs are relatively low. Image problems, racism and lack

of city services aside, builders are still reluctant to build in established urban areas — even though the extensive infrastructure makes property alluring, Lawson said.

Because property has either devalued or not appreciated, tax rates in urban areas are generally much higher than in less urbanized areas, he said. "So why would I want to build in Detroit?"

The tax burden on newer, high-cost housing would be huge, he said. For example, two \$100,000 homes — one in Detroit and one in Rochester Hills — would cost the same to build, but taxes would probably be more than double on the Detroit home.

Rising costs threaten 'affordable' housing

By Gerald Frawley
staff writer

Building homes under \$100,000 — some say that in these days of rising land, labor and material costs, restrictive zoning and building codes and slow growth/no growth pressures that that's almost impossible. The key word is "almost."

Sam Blumenstein, president of Classic Construction in West Bloomfield, said there is a tremendous market for under \$100,000 housing, but no one is filling it because of obstacles.

Affordable housing is critical for first-time home buyers, who are just entering the home buyer market and need a way to build equity, and for empty nesters, who need less space now.

The need for affordable housing is best exemplified by the sales record of under \$100,000 homes.

"We keep hearing about the economy slowing down, but we're bucking the trend like crazy. Sales are up 50 percent," Blumenstein said.

Very few builders are building for the under \$100,000 market. Blumenstein said, but not because they don't want to build affordable housing. "Unless you're a vertical company like we are, you just can't do it."

CLASSIC CONSTRUCTION is able to save a great deal of money because the company not only assembles and buys the land, but rezones it, develops it and builds the homes as well.

"If you do all that, and you run a tight ship, you can still do it," he said.

Instead of someone making a profit at each step of the development process, he can sell homes at 15 to 20 percent savings because he cuts out several middlemen, Blumenstein said.

And just because it's affordable housing doesn't mean it's cheap housing, he said. A nine-hole golf course, nature and walking trails and common areas, and community centers and pools are available to the homeowners.

Classic Construction is developing the 900-unit Maples of Novi development which has several options available for under \$100,000. Attached one-bedroom, one-bath condominiums start at \$79,900, and detached three-bedroom, 1½ baths

condominiums start at \$99,900. Homes adjacent to a nine-hole golf course start at \$139,000.

The single greatest obstacle to building homes under \$100,000, Blumenstein said, is the price of land.

"You can't buy the land cheap enough and you can't develop it cheap enough to (build homes for \$100,000 or less)."

Once the price of the lot goes over \$22,000 to \$25,000, the price of building materials and labor makes \$100,000 an unattainable goal, he said. "That's what's really killing the under \$100,000 market."

BLUMENSTEIN ADDED that local government restrictions on minimum lot sizes, woodlands and wetlands are the greatest factors in driving up land costs.

To make affordable housing more common, Blumenstein said communities will have to loosen their restrictions and recognize the need for lower cost housing.

Some communities, he said, are already taking a second look at their ordinances. The result? More flexible zoning ordinances that allow builders to develop projects with a higher density on part of site in exchange for open space, woodlands or wetlands preservation on another part of the site, Blumenstein said.

Communities that insist on stricter zoning ordinances, he said, are learning the hard way that the costs of restrictive zoning ordinances are high.

In many recent lawsuits, the courts have sided with builders in saying that some of these restrictive ordinances constitute an unlawful taking of property.

Bill Lawson, a partner with the Michigan Home Builders Inc. in Rochester Hills, said land costs alone have made home construction under \$100,000 virtually impossible. Lawson primarily builds custom homes and small projects.

"It's really tough," he said. "You can go out into the sticks where the land is cheap, but you're going to have a hard time anywhere else."

Lawson builds homes in the \$100,000 to \$150,000 range in North Oakland County where land prices have skyrocketed in recent years.

IMPROVED LOTS, depending on where they're located, can cost as much as \$100,000 in desirable areas

and even in less desirable areas will frequently cost more than \$50,000, he said.

"If you're building in Rochester it will cost you \$10,000 just for the lot — that means you would have to build (the house) for about \$50,000. You can't do it," Lawson said.

James McLennan, president of Willow Development in Birmingham said there aren't any prospects to building homes for under \$100,000. Builders arrive at a home's cost by adding labor and materials costs and then factoring in the profit.

"And frankly, you don't make much of a return for \$99,900," McLennan said. "It's a real price, but it's also a promotional price."

Most people will add options to the base price that drive the cost up, he said.

"Which doesn't mean these are stripped-down models," McLennan said. A builder can build several lower-priced homes to attract customers and then make up the profits by selling options and upscale models. "In that way, we're somewhat like the auto industry," he said.

McLENNAN SAID it's unlikely that builders will be able to hold the line on affordable housing for under \$100,000 much longer. "If we were to mass produce homes for under \$100,000, we'd have to take out a lot (of the standard features)."

McLennan developed Fox Run Condominiums in Waterford Township, which has two ranch-style, two-bedroom, 1½-bath units under \$100,000. Other two- and three-bedroom ranch and townhouse units at Fox Run range as high as \$140,000.

"They're essentially single-family homes that are attached one-half of one wall," he said.

Land costs are not the greatest factor in rising home prices, McLennan said. "Here in the Midwest, land is not the factor that it is on the west and east coasts."

Labor and materials are a greater part of housing costs than land, he said, adding that labor and materials are more volatile. Lumber costs, for example, have actually dropped in recent months, but other material costs have increased.

The net effect, he said, is that he has been able to hold the line on housing costs.

Slowing economy turns interests to renovation

OK, maybe building a home under \$100,000 is becoming a thing of the past.

Rising land, labor and material costs, restrictive zoning and building codes and slow growth/no growth pressures have made new home construction a difficult, albeit not insurmountable task.

So other than apartments and existing homes, where does that leave John "blue collar" Smith?

Mike Claffone, a sales manager for the Michigan Condominium

Corp. said some builders will be turning to remodeling jobs of existing structures — especially in light of the slowing economy.

Remodeling can offer significant cost advantages to new construction depending on the property, he said, mainly because the building's structural frame — one of the greatest costs in building — already exists.

"The fact that we start with an existing structure reduces costs significantly," he said.

REMODELS CAN also pur-

chase existing buildings in high-price, high-growth areas at half the cost of building new, he said, because assessments — even though they've increased — have grown as fast as building from scratch.

By remodeling old apartment complexes, builders can often bring in condominium projects well below \$100,000 — even as low as \$50,000.

And some existing facilities, Claffone continued, offer great opportunities. The Michigan Condominium Corp. recently revamped 116 execu-

tive rental units in West Bloomfield and renamed it Moon Lake Condominiums.

The two- or three-bedroom, two-bath, detached units, which sell for \$99,990, were a rare find even for a company that specializes in finding remodeling jobs. "It's by far one of the best products, new or (remodeled), on the market."

Claffone said one thing that adds greatly to the cost of housing is people expect more in a home and are unwilling to wait for the extra bed-

room or amenities.

Since remodeling cuts down on materials and labor costs, builders — with the right property — can offer more at a reduced price.

"If we built (Moon Lake condominiums) today, there's no way we couldn't do it for \$99,990."

"(But) because we already had the existing structure," we were able to put more money into other things," he said.

Claffone said there are relatively few homes for under \$100,000 these

days, but there are still a lot of homes for under \$125,000. "There's actually a lot of competition out there."

Claffone said the line between "affordable" and "luxury" housing has continued to blur over the years.

"A \$100,000 home is not (the benchmark) that it used to be."

As costs continue to rise and building continues to be more difficult, first-time buyer and starter home prices will edge over the \$100,000 mark, he said.

Engineering consultants announce reorganization

NVH Consultants of Farmington Hills has announced a reorganization.

Jerome C. Neyer has been named chairman of the board and chief executive officer. He had been president of NVH since 1976.

Benedict Tiseo has been named president. He had been NVH senior vice president, director of Midwest operations since 1989 and prior to that principal and vice president since 1971.

Kal R. Hlodo is the new senior vice president for corporate development. He had been a principal of the firm since 1976.

James E. Ritsch joined NVH as senior vice president and chief financial officer, a newly formed position. He held a comparable position with a Wisconsin consulting engineering firm.

Stephanie A. Redman joined NVH as director of human resources. She served in the same position with

R.A. DeMatteis Co. NVH is a consulting engineering firm specializing in geotechnical, environmental and building support systems services.

Robert Pliska has been named president of Horton Commercial Realty, Birmingham. The company specializes in asset and property management, brokerage services including investment sales, mortgage financing and consulting services.

Pliska is a CPA who served as president and vice president of commercial real estate firms and specialized in service to real estate clients and financial institutions while with Coopers & Lybrand.

John A. Hamburger has been promoted to executive vice president of Parliament Co., a Birmingham construction and property management firm. He had previously been the firm's general counsel.

A. Robert Bliven has retired as vice president/architectural of Ellis/Naeyert/Genheimer Associates of Troy, where he worked 22 years.

During his career he was responsible for the development and design of such projects as the reconstruction of the Detroit-Canada Tunnel Plaza, expansion of Chrysler Corp. Mound Road Engine Plant, renovation of Fruehauf Corp. world headquarters in Detroit and Campbell-

Ewald's headquarters building in Warren.

Sunbelt Properties of Livonia will serve as Michigan broker for Keys Gate, a \$400 million resort community at the entrance to the Florida Keys.

Stratford Funding, a mortgage banking firm, has opened at 29398 Northwestern in Southfield. Founding partners at Bruce Tonnen, Patrick Wolohan and Eric Johnson



Neyer



Tiseo



Ritsch



Hamburger



Pliska



Bliven