NEW ENGLAND
UPDATE

New England Set For Rebound?

Signs suggest surge at hand

While politicians spent the summer debating the health of the national economy, the foundations of the New England construction economy continued to grow ever more solid, setting the stage for what may be a period of sustained, steady growth. The signs pointing to this likelihood have gone from encouraging to positively reassuring. Building permits, home sales and prices, and employment have all risen significantly over the last year, while housing inventory (the amount of housing waiting to be sold) has dropped.

The changes in employment, income, and housing inventory are particularly encouraging. In August in these pages (see "N.E. Housing Inventory Still High," *New England Update,* 8/96), NAHB's Seiders noted that these three critical economic factors had not yet fully rebounded in the Northeast, leaving consumers feeling a lack of confidence and, even more important, dampening the building market by leaving plenty of housing still available for those who wanted to buy. Since we wrote that story in June, however, these indicators have all surged.

Happy stats. For starters, unemployment continued to fall across the region, bringing rates to 4.7% for the region (down from 5.4% a year before), and

below 5% for every New England state except Maine, which fell to just over 5%. Rhode Island dropped from over 7% to 4.7% over the last year, and Vermont and New Hampshire fell to 4.1%. In the meantime, income rose almost 4%. These twin improvements should substantially increase consumer confidence. Some of this confidence is seen in the increase in building permits, which surged 15% across the region — and as much as 30% in several key metropolitan areas — between the summer of 1995 and the summer of 1996.

Perhaps the most significant change, however, has been the drop in the region's housing inventory (unsold housing, either completed, under construction, or under permit). This fell from over 11 months' supply in April of this year to just over 8 months' in midsummer, despite the surge in building permits, which are counted among the inventory. While Seiders says 6 months' inventory is an ideal figure from the industry's point of view, this sharp decline in inventory even in the face of increased building activity shows that houses are now selling faster than they're being built, and suggests that the rises in jobs, population, and income are tightening the demand for housing.

This demand is seen most clearly in Massachusetts, which

This month in New England Update:

NE Rebound
VT Energy Code
Inlays as Trademarks
Moving a Beacon
Latest on the Law
Worth Noting

appears ready to lead a solid regional rebound in the housing industry. Steady growth in the Bay State's economy has cut unemployment to 4.5% and, more important for the building industry, sparked a surge of demand in both commercial and residential real estate markets that has not yet been met by new construction activity. This supply shortage has sparked 50% increases in suburban office rental rates over the last three years and a 14% increase between spring 1995 and spring 1996 in the cost of a Boston apartment. Only 1.75% of Boston apartments were vacant as of August. While other states have not seen signs this dramatic and pockets of slow construction still exist, most of the region has seen similar signs of a growing but so far unmet demand.

These tight real estate markets have developed primarily because lenders and developers, still cautious after the crash of 1989 and 1990, have not fully responded to the growth in employment, income, and population. With markets so tight and demand so clearly demonstrated, however, lenders and developers will probably soon begin building again.

A soft take-off. All this has led some politicians to predict a boom. (Massachusetts Governor William Weld, who attributes the boom to his conservative fiscal policies and tax cuts, predicted "a 10-year building spurt.") Yet most economists believe any expansion will be more moderate and controlled than the explosive growth of the 1980s.

They cite two reasons for this. First, income growth is more modest than it was in the 1980s. Sustained yearly average income growth figures then ran as high as 8% to 10%, giving consumers considerable cash to spend on housing, as well as great confidence (misplaced in many cases) that their incomes would keep rising. As a result, people spent heavily on housing, often overcommitting themselves. That turned ugly when both the general economy and the housing economy collapsed, but in the short run it fueled the boom. In contrast, today's income increases in the region are staying just ahead of inflation. People feel more confident, but with the memory of the 1990 crash (not to mention a more sober national economic outlook) on their minds, they still feel somewhat vulnerable.

This sense of vulnerability, in fact, shared by the construction and lending industries, is the second reason New England's construction economy should grow more modestly this time around. Lenders and builders remain cautious both because the 1990 crash was so nasty — producing record mortgage defaults and bank failures, two years' worth of housing inventory, massive construction unemployment, and very hard times for contractors — and because the recovery has been so slow in coming. As long as these memories stay sharp, the increase that seems at hand for the New England housing activity in the 1990s should be of a more modest sort than we saw in the 1980s. Considering how hard the economy fell last time, it's probably a good thing. ■

Vermont's Energy Code Failed — But Not Like We Said

Two months ago we reported, erroneously, that a bill to make the Model Energy Code a statewide code failed the Vermont legislature partly because of opposition from the state's Department of Public Service (DPS), which serves as advocates for the public on utility issues. We stand corrected: The bill failed not because of DPS opposition (the DPS *supported* the bill), but reportedly because of last-minute vote changes by a few legislators concerned not so much about the merits of the bill in questions as about the general issue of regulation.

The DPS had successfully opposed a similar but less comprehensive bill the previous session. In this session, however, the DPS worked on a task force with builders and energy-efficiency and consumer advocates to create a bill everyone could live with. Vermont Home Builders Association executive officer Kevin Dorn called the process "a model of how this sort of contentious issue can be dealt with successfully." The bill that emerged enjoyed the unanimous support of the House Natural Resources Committee and at one point had the votes necessary to pass the full House. Yet it eventually failed because a handful of key legislators got last-minute concerns about the larger issue of regulation.

Prospects for the bill next session are cloudy, partly because of those concerns, and partly because a demand-side conservation initiative by the state will likely complicate the consideration of energy issues. Nevertheless, the HBA's Dorn hopes that a stronger effort to educate legislators may get the bill passed next time. "This time," says Dorn, "we simply weren't able to educate legislators adequately about the merits of the bill. With a little luck next time we'll do better." ■

Inlays as Trademarks

by Robert Hatch

In the contracting trade, it helps to have a trademark to make your work memorable. For years, ours has been the economical but distinctive use of wood inlays. We usually put them in just one or two high-profile places — stair treads, railings, cabinet nosings, thresholds, and the like. The inlays give our clients pride in their home and the chance, when others notice the inlays, to talk about our work.

While the strip inlays or bandings we install look complex (see photos), they are simple to put in. They come ready-made in 3-foot strips about 1/28-inch thick, in a number of patterns and widths; we buy ours from The Woodworkers Store (4365 Willow Dr., Medina, MN 55340; 800/279-4441).

Installing these strips is fairly easy. We set up a flat-bottomed bit in a router with a guide fence and, after cutting a throwaway test piece, work a shallow groove into the workpiece — the stair tread or rail or whatever we're setting the inlay into. With the groove cut and the inlays fitted, we glue the piece in (I find Elmer's Dark hides best), then let it dry and sand it flush. Since it'll receive close attention, we sand it with up to a 220-grit paper before applying a finish.

For a series of individual inlays, the author outlines holes with strike and back cuts from a chisel, then routs out the centers.

Strip inlays require much less time and trouble, but still distinguish the work and the job.

Inlaying individual pieces, such as those shown in the handrails (see top photo), takes more time. We stick to angular shapes we can outline with a standard chisel. The inlay stock is 1/8-inch-thick "Micro Lumber" we buy from The Woodworkers Store. In the pattern shown, we've used diamonds we cut out on a band saw. Since each piece will be ever so slightly different, to ensure good fits we number the pieces, then trace their footprints on the rail and number the footprints. Then we cut the outside profile of the traced footprints into the rail with a firmer chisel, relieve that with a back cut, and cut out the center with the router. (If you mar the edge of one of these cutouts with the chisel or router, you can recut the diamond slightly oversized and cut a new piece to fill it; no one will notice as long as it's only 1/16 or 1/8 inch bigger.) Then we carefully fit and glue the inlays in, sand them flush, and finish.

These individual inlays require more skill and care, but the results are stunning. And I don't mean just visually. We first did this rail pattern toward the end of a job, when the owners were on vacation. The owners had been awfully nice to us the whole time we worked there, and I wanted to give them an "extra" in appreciation, so we set walnut inlays into the oak railing of their new home. Unsure of their reaction, I didn't fasten the rail cap thoroughly, just in case they didn't like it.

When the woman of the house came through the door, she gasped and burst into tears. For a second I thought she was allergic to walnut or something. But it turned out she absolutely loved the inlays. She was all but hysterical inviting friends and neighbors over to see the railing. In the six years since then, we've done nearly half a million dollars in business on and around her street, and I'm inclined to believe we owe much of that return to those inlays and the ones we've put on subsequent jobs. ■

Robert Hatch is a contractor in Freedom, NH.

Moving a Beacon

And you thought your last job was touchy

Last summer, the folks at International Chimney and their colleagues at Expert House Movers of Maryland had to deal with shifting sand, a crumbling brick foundation, anxious owners, curious onlookers, four government agencies — and the task of moving a 199-year-old, 450-ton, 66-foot-high tower made of old brick and glass.

On the plus side, they got to work on one of the most beautiful coastlines in America and the honor of moving Cape Cod's oldest lighthouse, the Highland Light in North Truro. Nice work if you can get it.

Erosion prompted the move, eating away the bluffs to leave the lighthouse, once 500 feet inland, with only 100 feet of bluff between it and the water. The certainty of further erosion inspired the Army Corps of Engineers, on behalf of the National Park Service, the Cape Cod National Seashore, and the U.S. Coast Guard, to contract with Expert House Movers of Maryland and International Chimney (a builder of industrial chimneys that began moving smokestacks and lighthouses about 10 years ago) to move the structure inland.

Cape Cod's Highland Light being "corseted" and placed on a system of support beams in preparation for a five-day, 150-yard move west.

The job took most of the summer. The prep work included reinforcing the lighthouse by repairing and repointing it and surrounding it with a "corset" of vertical 2x4s strapped tight with steel wire; threading 20 cross beams through the lighthouse's brick foundation; then supporting those cross beams atop two 20-ton support beams. That took half the summer.

To move this whole structure, the crews jacked it up off the ground, then inserted another set of jacks between the two main support beams and 14 tank-tread-like roller units, each consisting of eighteen 3-inch steel cylinders. In the meantime, they laid 40-foot-long "roll beams" that would serve as track along which the tank treads could carry the lighthouse. Then they lowered the lighthouse — atop the cross beams atop the support beams atop the jacks atop the tank-tread roller units — onto the roll beams. It just sat there, as planned, until the crew inserted yet more jacks, horizontally this time, between the back of the main support beams and some blocks they'd set into the ground. Then the crew extended those jacks so as to make the unwieldy, delicate, 450-ton payload move. It did. It moved about a foot a minute. When the jacks reached the end of their 5-foot range, the crew would insert new blocks, move the jacks, check everything, then push another 5 feet.

The move itself, says project manager Joseph Jakubik, took about a week. "These things don't happen overnight," he said when it was all done. "But that lighthouse should be safe quite a while now."■

The Latest on the Law: Mass. Passes Rivers Bill; Vt. Enacts "Sensible" Lead Paint Bill; A $2 Million Fine

On August 7, Governor Weld signed a rivers protection bill that will limit development within 200 feet of river shorelines. Massachusetts environmentalists applauded the bill's passage, calling it "the most significant piece of environmental legislation [passed in the state] this decade." The real estate industry and some developers, however, expressed concern the bill might unnecessarily hamper riverfront development. All agreed that the bill's impact on the building business will not be clear until a full set of regulations and guidelines, to be developed by the Department of Conservation and reviewed by an advisory committee consisting of environmental, real estate development, and agricultural representatives, are put into effect next summer.

The law affects virtually all of the state's 9,000 rivers and streams, regulating development inside shoreline corridors 200 feet wide above each river or stream's normal high-water marks, or 25 feet wide in dense urban areas. About half of that land is already either developed or protected, according to an estimate by the state's Department of Fisheries and Wildlife. Builders who want to build within the remaining areas must show their local conservation commissions that their projects will not significantly harm this riverside environment, which is crucial to both water quality and the many plant and animal species that use it. A builder whose project is turned down can appeal to the state Department of Environmental Protection.

Vermont's commonsense lead-paint bill. Earlier this year, the Vermont legislature passed a bill to regulate the abatement of deteriorating lead paint in rental housing and child care facilities. Unlike some bills passed in other states over the last few years that have been criticized for being overkill, this bill was credited by legislators and builders as providing well-targeted protection of the most vulnerable potential lead-poisoning victims at reasonable cost.

The bill focused on rental housing because a recent state study found that more than 87% of severely lead-poisoned children in the state lived in rental housing units that contained deteriorating lead-based paint. Child care facilities were included for obvious reasons. The law requires all owners of rental housing or child care facilities to inspect their homes for deteriorating lead-based paint and, if more than one square foot is found, to remove or stabilize it by specified means; clean all horizontal surfaces in living areas at least yearly; follow specified precautions during any renovation; and follow other precautions and procedures if lead-based paint is found or suspected.

The law also sets up a registry of trained lead abatement and cleaning contractors as well as registries of both rental housing and child care facilities that have been inspected and certified to be free of deteriorating lead paint. In return for seeking and receiving such certification, rental units and child care facilities receive immunity from liability for claims regarding lead-based paint poisoning.

Mass. contractor may face $2 million fine. This summer, the Home Improvement Contractor Advisory Board recommended that the Massachusetts Department of Consumer Affairs hit Remodeling Inc. with a $2 million fine for allegedly repeatedly violating the state's contractor fraud law between 1992 and 1995. The board says the Dallas firm, which used to handle home-improvement work in Massachusetts on behalf of Sears, violated the state's 1992 contractor fraud law by failing to make required disclosures in its contracts and by using subcontractors not registered with the state.

> With a maximum fine of $2,000 per violation, the firm's potential fine was as high as $12 million

With somewhere between 2,000 and 4,000 contracts in question, and a maximum fine of $2,000 per violation, the firm's potential fine was as high as $12 million. Even so, the company, claiming its violations were primarily "technical violations," feels the $2 million fine is excessive. One advisory board member, however, contractor Harry Smith, defended the fine, telling the *Boston Globe*, "This law doesn't just apply to the little guys. It applies to the big guys as well." At press time, the Department of Consumer Affairs was still deliberating on whether to accept the advisory board's recommendation and levy the full $2 million fine on the company. ■

Worth Noting

The Northeast Sustainable Energy Association (NESEA) will host a "Sustainability Series" of lectures and workshops in Greenfield, Mass., from November through January. On Nov. 15, Andy Padian conducts a "Steam System Tuneup" workshop. On Nov. 22 and 23, Don Prowler presents "Designing Low Energy Buildings: An Energy-10 Analysis." On Dec. 13, Mass. contractor and *JLC* contributor Paul Eldrenkamp describes "Healthy, Energy-Efficient Basement Remodeling Strategies." And in January (date to be announced), ecological engineer Tad Montgomery and others will present a program on "Ecological Waste Water Treatment." For details and fee information, contact Doug Minor at 413/774-6051, ext. 12.

"Country Homes," a new pilot program from the Massachusetts Housing Finance Agency, is designed to bring low-cost mortgages to low-income families purchasing homes in small Massachusetts communities. It is the first Massachusetts low-cost mortgage program to focus on rural communities. It offers no-down-payment, low-interest-rate mortgages to first-time home buyers in 234 rural Massachusetts towns. The 30-year fixed-rate loans combine an MHFA first mortgage and a Rural Housing Administration second mortgage to cover the entire cost of purchasing a home. For details, call: Worcester County, 508/632-1864; Nantucket, Dukes, and Barnstable Counties, 508/564-6356; Bristol, Norfolk, and Plymouth Counties, 508/880-7561; Essex and Middlesex Counties, 508/392-9988; Franklin, Hampshire, and Hampden Counties, 508/584-7992; Berkshire County, 508/443-9624. ■