New England UPDATE

Building an Affordable Empire

Mass. builder profitably serves low end

THIS MONTH IN NEW ENGLAND UPDATE:

Peter Bovenzi didn't really mean to get into affordable housing, or housing at all. But when he became involved in supporting a proposed affordable housing project for older residents in his Leominster, Mass., neighborhood in the early 1980s, Bovenzi, who had recently graduated from the University of Massachusetts at Amherst with a degree in planning, suddenly found himself leading the search for a site. Once he had a site, he found himself planning the financing, then the construction. "The next thing I knew, I'd borrowed $105,000 at 16% and hired a contractor," says Bovenzi. "We built nine apartments. I remember really worrying that they wouldn't rent after all because the rents were so high — like $200 to $300 a unit."

Simple floor plans and traditional designs are staples of Bovenzi Inc.'s homes, which range from multi-unit apartment complexes to traditional three-bedroom Colonials like this one.

As it happened, he rented all nine of the units quickly, including one to himself. In the years to come, he would build more affordable units — about 1,500 and still counting — making Bovenzi, Inc., one of New England's larger developers of affordable homes. Bovenzi did it all without drawing on government programs that subsidized affordable housing, and while steadily turning a profit. Now, while most big developers have turned their attention to the market's higher end, Bovenzi, Inc., still concentrates almost exclusively on building affordable homes.

Why affordable housing? "Simple," says Bovenzi. "It's a wide market that's underserved. Besides, I was involved in doing a handful of really expensive houses, and I never really enjoyed it. Contemplating the nuances of a massive foyer just doesn't do anything for me. I'd rather take a person living on Social Security and build for them a desirable, affordable place to live. And they'll buy it. Why wouldn't they?"

He should know. Bovenzi, who builds both single-family home developments and apartments, sells most of his homes quickly and enjoys close to 100% occupancy rates at his apartments, most of which include amenities,

Whether Cape or Colonial, Bovenzi likes to include large rooms, traditional detailing and amenities like garages in his affordable homes. "I want these homes to be ones I'd happily live in," he says. To keep prices affordable, he saves on efficiency and volume — and by building in communities that help keep lots affordable.

such as health club facilities and individual laundry units, not ordinarily found in affordable housing projects. Tenants tend to stay in Bovenzi's apartments for long periods — over eight years on average. "When one moves out," he says, "we wonder what we did wrong."

While Bovenzi's comments suggest a strong sense of social mission, he is quick to cite the business advantages of building affordable housing. In addition to a wide, underserved market and uncomplicated technical demands, affordable housing presents less financial risk per unit, because the quick turnover reduces financing and other carrying costs, and the shorter construction time reduces the risk of market downturns. All these advantages, he says, make affordable housing a sensible area of concentration for developers both big and small, and for one-off spec or custom builders.

Keys to success. So how does one succeed in affordable housing? Bovenzi names several critical guidelines:

- ✔ **Build attractive, traditional-looking homes with open floor plans.** "Avoid small rooms," he says. "We try to make sure even our closets are big."
- ✔ **Find towns that welcome affordable housing.** Towns that see affordable housing as undesirable find ways to make the construction expensive and difficult, destroying the efficiency on which successful affordable housing depends. "If a town doesn't really want affordable housing, it can take you longer to get a permit than it does to build the place," says Bovenzi. "I'd rather work in an environment where my effort is appreciated."
- ✔ **Be wary of government financing programs that restrict what types of units or amenities you can build.** While most Bovenzi projects meet government "affordability" standards, he often mixes in some elements — a few mid-range homes, or amenities or options that might be prohibited in a government-financed project — to make the project more attractive, efficient, or profitable. He particularly objects to subsidy programs that limit the buyer's resale price to inflation or other artificial rate. "That's not a true opportunity for the homeowner," he says.
- ✔ **Serve the senior market.** Building for older citizens, says Bovenzi, is more politically palatable in communities concerned about putting loads on schools — and often creates affordable housing for younger families as well when the older citizens move out of their existing homes.

Finally, Bovenzi stresses the importance of building efficiently, with modest but predictable profits per unit.

"I'm not sure maximizing the profit per job is the best way to make money," he says. "I've seen so many small builders get eaten up by big expensive houses that go over budget or don't sell. If you hit the affordability market properly and deliver a reasonably priced product of good value, it will sell."

Waste Not, Want Not

A salvage business takes on construction waste

Most contractors know there's a construction waste problem and do what they can to reduce it. They build more efficiently, salvage large pieces of lumber, and recycle common materials like cardboard. Yet, most jobs still discard a lot of material — short pieces of wood, panel board cut-offs, piping, half-cans of paint, assorted leftover shingles or tiles — that is usable but not cost-efficient to transport, store, and re-use. Builders feel bad throwing this stuff out — they know there must be *someone* out there who could use a quarter square of brick-red shingles and a half-gallon of teal paint — but have no idea how to find them.

To stock its Barre, Vt., store (top), Residuum, a new construction salvage company, will supply construction dumpsters at about half the going rate to contractors who will toss in their re-usable materials.

Making that connection is the job Cindy Blakeslee has taken on. This June, Blakeslee opened Residuum, a Barre, Vt., company that collects and resells not just the usual construction salvage materials like tubs and doors, but many of the smaller, orphaned building materials that on most sites get tossed into the dumpster.

"I'll take a lot of the stuff contractors can't be bothered with," says Blakeslee. "My real focus is not the classic salvage stock — the doors and sinks and tubs, though I'll take those — but the waste from new construction. I want that half-can of paint. I want the bricks, leftover shingles, the small lengths of PVC pipe. I'll take leftover new fiberglass insulation. I'll take 2x4s with nails in them and clean lumber of virtually any size. I'll take plywood scraps over 12 inches square."

Blakeslee won't pay you for this stuff. But she will send a dumpster to your job site, and for about half the going dumpster rate, cart off the sorts of materials mentioned above. (You can also drop materials off for free at the store.) The stuff she doesn't want — wallboard, used insulation, and some mixed materials as well as regular old trash — you throw in your regular dumpster (which you'll have to get elsewhere) for disposal.

It's a simple, sensible arrangement, says Blakeslee: The contractor saves on dumping fees, and materials that would have gone to the landfill go instead to her 6,000-square-foot warehouse, where contractors and do-it-yourselfers can buy them for other projects. She says the on-site processing is relatively easy once a contractor gets the hang of it. She provides a list of the types of materials she wants and doesn't want. The contractor tosses all salvageable materials into one container, and her company does the rest of the sorting.

As of late this summer, several contractors were bringing small loads to the store on occasion, though no one had yet signed up for one of the dumpsters. Of course, the business had only just opened, and as Blakeslee pointed out, "I'm offering an alternative that's never existed. Contractors are skeptical when I first tell them about this. It takes some time for it to sink in that I actually want their scrap lumber."

Sealing the House

If a house is drafty, don't look around — look up and down, because that's where you'll find (and fix) the leaks. This recommendation, which confirms house weatherization wisdom, comes from a recent study carried out by a Penn State University architectural engineer working in cooperation with Owens-Corning. In studies of two 1,360-square-foot demonstration houses, Dr. Glenn Yuill found that a house's floor and ceiling typically admit three-quarters of all infiltration, while the walls allow only about 14%. The study also found that while most types of wall insulation protect against heat loss, they do little to reduce air infiltration.

"These tests verify our experience in the field," says Tim Grether, Owens-Corning technical manager, "and show that a systems approach to insulation and sealing gets the best results."

The tests found several factors that can help focus efforts at preventing air infiltration. All of these assume more or less standard levels of insulation — around R-13 or better for walls, R-30 or more for ceilings, and R-19 or more for floors.

Floors and ceilings. Like many weatherization specialists, Yuill found that the best way to reduce infiltration is by caulking and sealing floors and ceilings, since that's where 76% of all air leakage typically occurs (40% through ceilings and 36% through floors). To prevent such leakage, use caulk, gaskets, collars, weatherstripping, flashing (for chimneys), or expandable foams to seal all penetrations and pass-throughs in floors and top-floor ceilings. Big spaces might require plastic bags stuffed with insulation or blocks of foam insulation fixed in place with expanding foam sealant. Spray-on expanding foams such as Icynene can work for hard-to-reach or odd-shaped places.

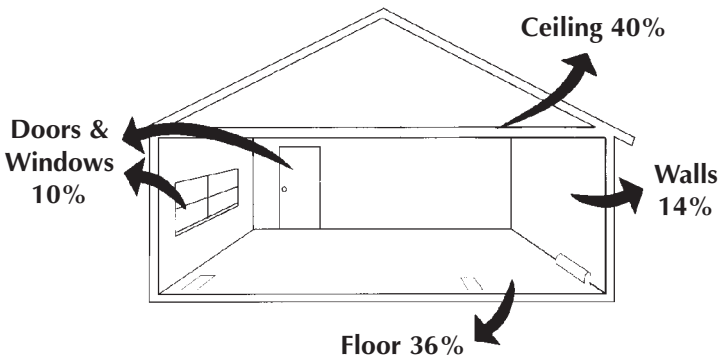
Walls. Yuill did not test either dense-pack cellulose or Icynene, which some contractors say reduce infiltration in walls. However, among the three different wall insulations he tested — wet-spray cellulose, Kraft-faced fiberglass, and loose-fill fiberglass — he found that none offered significant resistance to infiltration. In fact, his tests found that completely removing such insulation caused only a 1.5% increase in overall house air leakage — and that drywall and exterior sheathing and siding do the most to prevent infiltration.

The best exterior treatment Yuill found — one that reduces overall infiltration by 12% compared with siding alone — was to install a housewrap over untaped rigid foam sheathing. Putting housewrap over wood or fiberboard sheathing, using taped rigid foam sheathing, or caulking and sealing the inside wall system all reduced overall infiltration by 9% — a close second. "A builder should feel comfortable using any of these options," said Grether.

Doors and windows. Doors and windows account for about 10% of a house's infiltration, and should be sealed with weatherstripping and by caulking between trim and drywall.

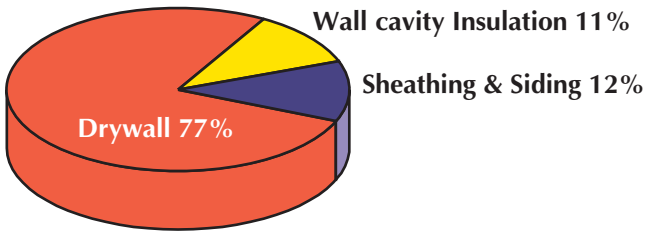
Thorough attention to all these areas will give the best results, said Yuill, who found that simply caulking and sealing the penetrations in a typical insulated house will reduce infiltration by 37% — 15% being gained by sealing the ceiling, and 13% and 9%, respectively, by sealing the floor and basement and the walls.

Where the Leaks Are



A recent Penn State University study confirmed that the vast majority of air leakage in an insulated house occurs through the ceiling and floor.

How A Wall Stops Air



Most types of wall insulations do little to slow infiltration, providing only 11% of a wall's total air sealing effect.

Latest on the Law:

Legal news from around New England

Vermont HBA sues over impact fees. The Vermont Home Builders Association sued the town of Williston this summer seeking to have the town's impact fees declared excessive and illegal. The HBA says that the impact fees have increased out of proportion to the actual costs of providing the infrastructure made necessary by the homes being built. Williston, which is a fast-growing, former farm town that has become a Burlington bedroom community and major retail center, has levied increasing impact fees on residential developments over the last decade. Along with taxes collected from the town's considerable commercial development, the fees have given the town excellent schools and other services. The HBA, however, says the fees have become excessive and do not meet a state law requiring that such fees be used only for infrastructure needs necessitated by new growth. The HBA is asking Chittenden County Superior Court to throw out the present fee structure, prohibit further increases while the suit is in progress, and order the town to create an accounting system that shows clearly the connection between new fees and the infrastructure needs they're used to meet.

The Vermont suit echoes one filed recently in Maine by that state's HBA. Meanwhile, the Connecticut HBA this spring helped defeat a bill that would have authorized towns to impose impact fees on new development. Impact fees rank nationally as one of the top concerns of builders; obviously, this holds in New England as well.

Mass. court backs Edgartown zoning. In a case that observers say may set precedents, the Massachusetts Supreme Judicial Court (SJC) ruled that a 3-acre minimum lot-size zoning ordinance in the Martha's Vineyard community of Edgartown was not "snob zoning" but a legitimate attempt to provide needed environmental protection around a critical body of water, the 900-acre Great Pond. The *Boston Globe* reported that the case had pitted affordable housing advocates and the developers against the town and some environmentalists, because the 3-acre zoning is perceived as making it particularly difficult to build affordable housing. In Massachusetts, New Hampshire, and elsewhere over the last ten years, such minimum-acre zoning has sometimes been declared illegal for effectively discriminating against low-income people. However, the SJC, in an interpretation that may provide guidelines for future cases, ruled that in this case the minimum lot size was justified because it sought to protect a particular environmental resource.

Builders Win $1.1M in Rights Lawsuit

In the first case in Rhode Island to award damages to developers for violation of due-process property rights, the state Supreme Court awarded $1.1 million to two Cumberland developers. Because officials acted "egregiously ... and without actual or legal basis" in the permit dispute, the court ruled that the town is not protected by the usual $100,000 cap on municipal liability and must pay up. The court described the actions of then-mayor Francis R. Stetkiewicz, then-Town Council president Marlene K. Smith, and then- and current town Solicitor Thomas F. Almeida as "outrageous."

The nine-year saga began in late 1988, when Rhode Island Builders Association members L.A. Ray Realty and Savage Brothers Inc. found their plans to develop a 68-acre site frustrated by a 2-acre minimum zoning ordinance that the town passed by referendum right before the developers applied for their permit.

In 1990, the state Supreme Court struck down that law because it was adopted illegally — by referendum rather than elected authority. The plaintiffs then sued the town for the money they had lost in not being able to develop the land. In 1995, a Superior Court ruling awarded them $100,000 — the maximum allowed under the municipal liability cap. That cap was removed by the July 17, 1997, ruling in which the Supreme Court agreed that the town had singled out the two firms while three other developers in similar positions won permits.

Actual damages in the case amount to $1.1 million, plus (depending on the upcoming decision of a lower court) legal fees of up to $400,000 and interest at 12% a year, according to Michael A. Kelly, the plaintiff's attorney. Both the plaintiffs' attorney and the present mayor considered it likely the town would appeal to the U.S. Supreme Court.

This story was adapted with permission from a story by Paul F. Eno in the Rhode Island Builder Report, *a publication of the Rhode Island Builders Association.*

Whoops ...

In our August story about the work that concrete contractor Paul Carrara did on his daughter's house (see New England Update, 8/97), we failed to give credit much due to James Sanford, the Middlebury, Vt., architect who designed the house. As Sanford pointed out and Carrara confirmed, Mr. Sanford designed the house and all of its concrete work while working for Juba Builders, the now-defunct design-build firm that built the house; Carrara served not as the designer of the concrete features, as the story suggested, but as the concrete contractor. The house included numerous innovative and attractive uses of concrete that were both designed and executed with precision and grace, and both men deserve recognition. We regret that we did not give such recognition to Sanford the first time around. As Mr. Carrara put it, "He did a great job and should get the credit."

Sanford, now of Sanford/Strauss Architects, is

presently working on Carrara's own house, which Carrara hopes to complete in early 1998. Sanford can be reached at his office 74A Main St., Middlebury, VT 05753; 802-388-7490.

New England Economic Indicators:

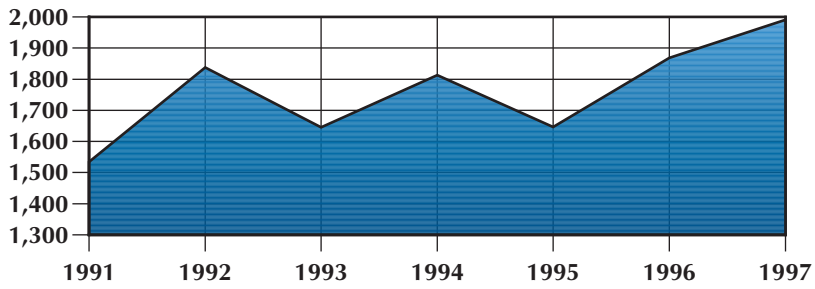
Southern Maine Consolidates a Rebound

After several years of yo-yo-like growth and contraction, the southern Maine housing market found a steadier upward path in 1997, as indicated by starts through mid-summer. New housing volume in the year's first half seemed to break the up-and-down pattern of the 1990s when a strong June suggested the first back-to-back years of increasing housing starts in the decade. Prior to 1997, every year of rising new housing volume in southern Maine had been followed by a decline the next year.

The summer surge vaulted southern Maine's new-housing market to a year of record growth; the 610 homes built from April through June in the 45 towns surveyed was the highest quarterly total in seven years of surveys. Towns posting particularly strong gains included Scarborough, York, Berwick, South Berwick, and Bridgton. The Southern York County area recorded the largest gain, up 24% over last year. Commercial construction also rebounded sharply in the second quarter with an impressive array of private sector commercial projects, recording one of the highest quarterly totals in four and a half years of surveys. Among the projects are a $40 million National Semiconductor addition, a new J.J. Nissen bakery in Biddeford ($11 million), a new elderly care facility in York ($10.2 million) and the new Portland Public Market ($4.7 million).

This report and graph are adapted with permission from the Web site maintained by Construction Data New England Inc., a company that surveys 85 southern Maine and New Hampshire towns to track construction trends. For information on the company's newsletter or other services: 207/781-7121; or *www.mainebusiness.com/bigpic/const/consmenu.htm*.

Housing Starts in Southern Maine, 1991-1997*



*For the 49 southern most Maine towns. 1997 figures are estimated based on starts through June 1997. **Source (graph and commentary):** Construction Data New England Inc.