Notebook...

Adaptive Housing

by Kathy Price-Robinson

Contractors find profits and satisfaction in new market

The offhand remark of a nursing home administrator revealed a whole new market to Chicago-area general contractor Allan Browne. The official, speaking about his patients, mentioned to Browne that 40% of them could leave if only they could get in and out of their homes, negotiate any stairways, and access their toilet and shower.

"We thought that sounded interesting," says Browne, who took the idea and ran with it. His company has grown to 25 employees since 1991, when he began specializing in accessible building and remodeling.

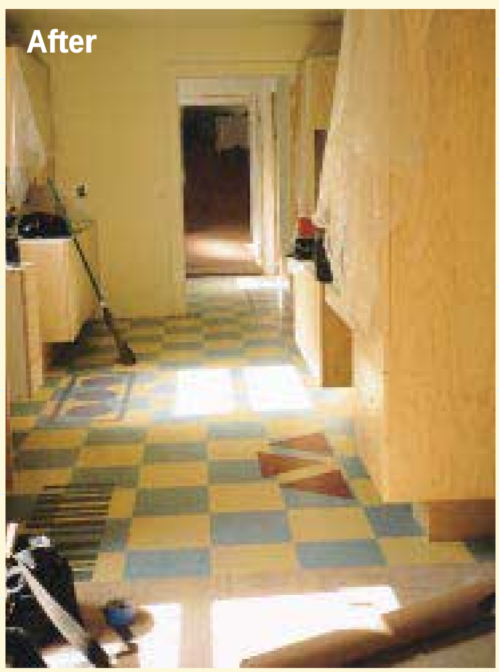
As our society grays (the first baby boomers are now 52 years old) it will eventually occur to most contractors that learning how to create spaces that are accessible to people of all ages and abilities will be an increasingly profitable undertaking. The potential market is huge, according to Rick Millard; nearly 50 million Americans have some sort of disability, and more than 30 million of those people are over the age of 65. Millard's building supply showroom, Access Unlimited (904/388-1909), specializes in accessible living products like grab bars, sinks, and appliances.

While some general contractors may balk at the seemingly unexciting specialization of home modification, others find the work satisfying. Louis Tenenbaum, a Potomac, Md., GC entered the accessibility market when he was hired to modify the home for a special client — a 12-year-old boy left partially paralyzed by a gunshot wound.

"You get a different level of satisfaction from resolving someone's needs rather than resolving someone's dreams," said Tenenbaum, a contractor since 1979. He began doing accessible design and building in 1990.

The paraplegic boy's mother had hired Tenenbaum to modify the bathroom so her son could shower by himself. "I want to go back to the way we were," she told Tenenbaum, "to being a mom and a growing kid, instead of a mom and a baby." And she got what she wanted.

Tenenbaum knows how rewarding it can be to hear from the remodeling client whose friends were impressed by the new granite and maple kitchen. But he gets a deeper satisfaction in hearing from the ecstatic accessibility client who has shaved 40 minutes off her family's morning routine.



Helping your differently-abled clients get around in their homes won't require any big effort. Widening the doorway is a snap, but it makes the kitchen much more wheelchair-accessible; simple patterns in the floor alert visually impaired users to the locations of the stove and sink.

While the Americans with Disabilities Act (ADA) has eliminated much of the inconvenience handicapped persons face in public (requiring curb cuts and ramps to facilitate wheelchair travel, for example), Tenenbaum said, "We lessen the struggle at home behind closed doors." That includes providing light switches and outlets at convenient heights, building wider hallways and doorways, and installing lower kitchen countertops. Browne agreed with Tenenbaum that "It's nice to make a living when you can do something meaningful."

Before merging onto the fast lane of accessible design and building, read the signs: Those on ramps aren't paved in gold. According to Browne, the people who need home modification the most — elderly folks who want to "age in place" in their own homes — are often those who can least afford it.

"The young disabled are an easier sell," says Tenenbaum, adding that there's "no way in the world" he would consider this an effortless way to make a living. There's a need for accessibility remodeling he acknowledges, but not a great demand.

Most contemporary homes are Peter Pan houses — built for occupants who will never age

But this lack of demand is at least partly to a lack of knowledge. Jon Pynoos, a gerontology professor at the University of Southern California, dismisses most contemporary homes as "Peter Pan houses" — structures built only for occupants who'll never age. People with declining abilities (due to aging or degenerative disorders like multiple sclerosis) often simply begin limiting their favorite activities; they just don't realize their homes could be modified to allow them to continue to enjoy cooking, gardening, or other pleasures.

Attention to detail is paramount when contractors engage in accessibility remodels. Persons who use wheelchairs can detect even slight differences in floor levels and thresholds, for example. Contractors should also modify their language and sales approach prior to doing any housing modifications. Instead of calling it a "handicapped" bathroom, refer to it as a "usable" bathroom. And rather than pointing out that a client has difficulty climbing stairs, state that the stairs will be made safe for all ages. In other words, instead of emphasizing a client's limitations, talk about the environmental problem that's causing the difficulty.

Marketing to this niche will require commitment as well as diplomacy. Tenenbaum once passed on an important industry awards ceremony in favor of a senior center networking opportunity that same night. Browne employed a registered nurse for four years who gave lectures, slide shows, and free lunches to professionals (such as hospital and nursing homes staff, physical therapists, and doctors) who had connections to people needing modified homes.

There are some slow-growing efforts that could one day help match contractors offering expertise in home modification with those who need their services. The Andrus Gerontology Center at USC is one leader in this field, with its Home Modification Action Project (*www.usc.edu/go/hmap*). Part of the Project's mission is to act as a conduit between consumers with home modification needs and contractors who are capable of meeting those needs.

Both Tenenbaum and Browne advise newcomers not to get discouraged if their start in the aging or disabled market involves hanging grab bars. Browne's company, which has done accessibility remodels for up to $750,000, charges $75 for one grab bar installed, and $125 for two, including parts and labor. Tenenbaum's company charges $60 an hour for labor, with a two-hour minimum, plus parts. "Since we're there anyway, we suggest that we install two or three grab bars," Tenenbaum said.

And grab bars are like any other small job, according to Tenebaum. "You do them for two reasons: One, it's a former client; two, you hope it leads to a bigger job."

For more information on home modification, try some of the resources that Browne and Tenenbaum recommended:

"Building for a Lifetime: The Design and Construction of Fully Accessible Homes," by Margaret Wilde (Taunton Press, 800/283-7252).

"Home Planning for your Later Years" by William K. Wasch (Fisher Books, 800/255-1514).

"The Do-Able Renewable Home: Making Your Home Fit Your Needs" and "The Perfect Fit: Creative Ideas for a Safe & Livable Home" (free from AARP, 800/424-3410).

Center for Accessible Housing, North Carolina State University (Box 8613, Raleigh, NC 27695; 800/647-6777; www.cud@ncsu.edu.).

Manufactured Housing Gaining Ground

More than one out of every three new single family homes being sold today is factory-built, a growing industry that now shelters an estimated 18 million Americans. Comparable stick-built homes cost as much as 40% more than their assembly-line competitors, but a bargain price isn't the sole reason for the rising popularity of pre-fabs.

Factory built houses cost an average $30 per square foot (excluding land), with site work adding up to another $5,000 to the tab. Mortgages are easier to obtain on a purchase of that size, especially in the Sunbelt states, where factory-built housing is most popular. Even buyers who can afford pricier digs are attracted by lead times that can be as quick as two weeks between closing the sale and moving day.

Often mistakenly called "mobile homes" (a stigma from which the industry has aggressively sought to distance itself) manufactured housing incorporates buyer-friendly features unheard of in most trailer parks: energy-efficiency ratings, 2x6 wall framing with gyp-board interiors, fireplaces, and copper plumbing. Modern factory-built homes are rarely moved once they're sited, meet all current building codes, and are often difficult to distinguish from stick-built homes.

Installation may require a crane, two to five crew members, and as little as a halfday, all of which the home retailer typically bundles into the selling price. The retailer may also build the foundation and prep the site mechanicals, but often provides specs or makes contractor referrals to homebuyers who want to shop the job around.

COURTESY MANUFACTURED HOUSING INDUSTRY

Factory-built housing uses a systematic style of construction that extends to the field. With a crane and a small crew, this home will be completely installed by sunset; finish work will only slightly extend the total construction time.

Steel-Belted Radial Adobes

Used tires, an eyesore in most of the nation, have become a chic building material in the hands of New Mexico architect Michael E. Reynolds. Laid on their sides and packed with mud, these unconventional building blocks are beefed up with rebar and pass muster with the local building official. When they're plastered, the finished walls have a high R-value and are nearly impossible to distinguish from conventional adobe walls.

Reynolds draws on traditional New Mexico techniques and the contemporary waste stream to create structures described as a "completely independent, globally-oriented dwelling unit." These homes, dubbed "Earthships," are designed with photo-voltaic power systems, rooftop water collectors, and mulching toilet systems; they've been built as far away as Japan.

Reportedly popular with celebrities, the cost of the completed Earthship is on par with the cost of more

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Traditional New Mexico building techniques have meshed with tons of modern waste in a creative approach to housing. The resulting "Earthship" is an alternative adobe structure built primarily from mud and old tires.

Steel-Belted Radial Adobes

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traditional structures. Though clients are encouraged to build the unusual structures themselves (there are numerous workshops, publications, and plan sets available), Reynolds offers construction management services as well.

It was probably inevitable that low-priced knockoffs would start cropping up wherever mud and used tires are available. An Alabama resident is reportedly nearing completion of his own budget version of the Earthship, which forsakes many of the original's costly extras. Tim Caton studied Reynolds's techniques in New Mexico, then returned to West Blocton to start stacking tire casings and Bubba Cola cans; so far, he's spent about $20,000 on his new residence. (It's unclear, however, whether the building is covered under the road hazard warranty still remaining on the tires.)

For more information, contact Solar Survival Architecture, P.O. Box 1041, Taos, NM 87571; 505/751-0462.

Tax Talk ...

New Tax Break For Construction Business Owners

by Milton Zall

The new Taxpayers' Relief Act of 1997 (TRA '97) contains a little-noticed provision that permits an "S Corporation" to establish an employee stock ownership plan (ESOP) — and therein lies a golden opportunity. Here's the scoop:

The new law eases restrictions so that, for taxable years beginning after December 31, 1997, certain tax-exempt organizations, including ESOPs, can be shareholders of an S Corporation. Ordinarily, all S-Corp income is passed through to its shareholders and taxed at the shareholders' individual income tax rate. Income received by an ESOP, however, is not immediately taxed; instead, recipients of ESOP shares are taxed at value only when the shares are distributed. This can mean a significant tax saving opportunity.

After establishing an ESOP for your S Corp., reissue shares in the corporation so that the ESOP owns half the shares and you and your partners (assuming you do not have a one-person business) own the remaining shares. Allocate ESOP shares to S Corp. shareholders based on their percentage ownership in the S Corp. For example, let's say that you and three other individuals own your business and each has 50 shares of stock. You would reorganize the S Corp. and issue 100 shares to the newly formed ESOP; you and your three partners each receive 25 shares in the S Corp. and 25 shares in the ESOP.

Let's say that at the end of the year, your accountant determines that the S Corp.'s income is $400,000. Since the ESOP owns half the shares in your S Corp., $200,000 is allocated to the ESOP, which pays no current taxes on this sum, because an ESOP is a tax exempt organization. You and your three partners share equally in the remaining $200,000, or $50,000 each. That is your taxable income for the year, not $100,000, as it would have been had you not formed an ESOP.

As an owner of ESOP shares, you don't pay taxes on them until the shares are redeemed (which you can do at any time). This means you can defer taxation of a substantial portion of your income until a more advantageous time — perhaps in a year when you are in a lower income tax bracket.

You should seek professional advice on how to set up your ESOP, because there are IRS non-discrimination rules with which you will have to comply. In addition, all employees of an S Corp. must be eligible for participation in the ESOP. That doesn't mean each employee is entitled to the same number of ESOP shares; it does mean, however, that the formula for distributing ESOP shares must be "fair," which usually means distributions based on salary.

The above example is accurate insofar as the initial allocation of ESOP shares is concerned, and is based on current ownership in the shares of the S Corp. However, subsequent distributions of ESOP shares must conform to IRS non-discrimination rules. That means that, as with a corporate retirement plan, you will have to share some of your future earnings (via stock distributions) with your employees.

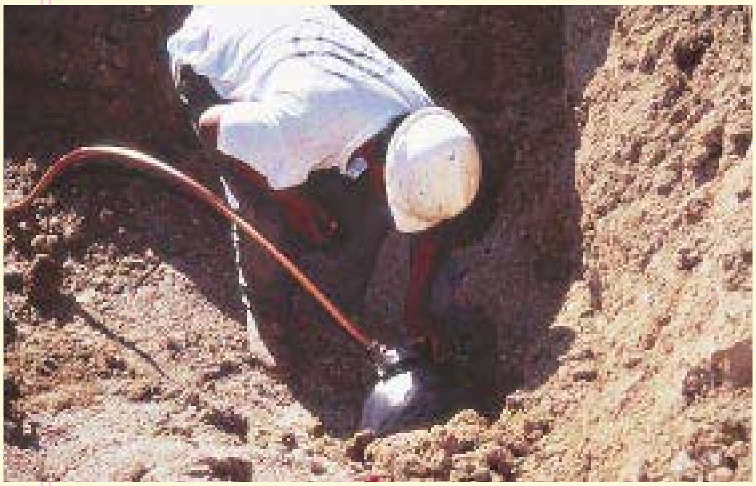
Here's the best part: If your business flourishes and you redeem ESOP shares that have appreciated, that appreciation is taxed at capital gains rates. Such a deal.

__Milton Zall__ is a freelance writer based in Silver Spring, Md., specializing in taxes and business issues.

Tap Fees Drain Denver Builders

Water war rocks the high country

Builders in the Mile High City will continue paying the nation's highest tap fees — up to $10,000 per single family dwelling — despite a fee reduction strategy sponsored by the Metro Denver Home Builders Association (MDHBA). The builders' proposal to abolish tap fees was rejected late last year by Denver Water.



Despite a radical fee reduction plan proposed by local builders, Denver tap fees still rank among the nation's highest.

Nationwide, the average tap fee, or "system development charge," is $900 for a single family dwelling; in Denver, tap fees start at $4,200. The fees pay for procuring and treating the water required by the new connection, as well as the development of new water sources. The MDHBA proposal (known as the "Conserve Alternative") would have replaced the up-front tap fee paid by builders with a surcharge on homeowners' water bills. While this charge would have meant a drastic change in Denver Water's accounting practices, MDHBA projected a payoff of increased water conservation.

Both sides agree that providing Denver residents with water is an expensive task. John R. Morris, professor of economics at the University of Denver and a supporter of the MDHBA proposal, said, "In terms of cost [to the utility], $4,000 doesn't even pay for the water collection and distribution facilities required by a single family dwelling."

But there's little common ground outside of this observation, and the exchange becomes increasingly aggressive. According to Chips Barry, General Manager of Denver Water, there is little justification for adopting the MDHBA proposal. "The surcharge would be incredibly inconvenient for us, and it wouldn't benefit the homeowner — just the homebuilder." He confirmed MDHBA's claim that a surcharge system would result in water conservation, but he said the savings were insufficient to warrant the massive system changeover.

Offcuts ...

The new International Fuel Gas Code (IFGC) may change the way you plumb gas lines or run vents. Based on existing standards codes like the Standard Gas Code, the IFGC is meant to apply everywhere and may permit the use of unfamiliar systems and materials. The complete text is available for review or sale from the Building Officials and Code Administrators International, Inc. (BOCA, 401 West Flossmoor Road, Country Club Hills, IL 60478-2300; 708/799-2300, extension 371) and other model code organizations.

It's possible to build a home for less than $40,000, but you'll need a set of plans from the National Affordable Housing Network. The price doesn't include the cost of land or fees, but the new, 1,238-square-foot home can be heated for less than an estimated $150 per year. The designs, which rely on enhanced insulation and heat recovery for their energy savings, are intended to serve low-income homebuyers. Call 406/782-8145 for more information, or hit the Web at *www.nahn.com*.

If you've got questions concerning asbestos, hazardous chemicals, or other job-site environmental issues, call the EPA Small Business Ombudsman (800/368-5888). You'll get quick answers (but expect an answering machine if you dial in after business hours), and all calls are supposedly confidential. You can contact the EPA's Web site at *www.epa.gov/*.