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Community 1st turning blighted areas green

by Sven Gustafson | Michigan Business Review



Courtesy Community 1st

Development An artistic rendering of a Community 1st Development modular home.

A Farmington Hills company that specializes in urban redevelopment projects is building its first green home in a blighted Detroit neighborhood that could see hundreds of similar units if the first phase is successful.

[Community 1st Development](#) is working with various nonprofits to build modular homes certified through the Green Built Michigan program. The homes, which range from \$140,000 to \$185,000 and from 1,300 to 2,100 square feet, boast features like extra insulation, energy-efficient windows and low-flow toilets.

The far eastside neighborhood near the Detroit River is pockmarked with burned-out structures and vacant lots, but hangs onto a number of well-maintained brick homes.

Community 1st also aims to launch two similar projects, one near Detroit's Eastern Market and the other in Inkster.



Mark Lewis

"We'd like to see somewhere between 12 and 15 homes per project per year. We've had some incredible response to the program," said Mark Lewis, a partner in the company.

Lewis spoke with Business Review reporter Sven Gustafson about building green in Michigan's distressed neighborhoods.

Business Review: Is Alter Commons entirely your green home project, or is your involvement just one piece?

Lewis: We approached the city - we identified about 30 lots in this general area that the city already owned. The lots are vacant now. We basically purchased the lots from the city.

We spend a lot of time trying to get our customers qualified and then once we get a customer qualified, which means they've gone through the homebuyer education, financial literacy classes and they've obtained a mortgage from the bank, that's when we sit down with them and order their home. We don't do any specs or any models for a lot of different reasons. We're sort of like a built to order type of program.

So the plan is to build 30 homes there?

Thirty through phase one. There's hundreds of lots, unfortunately, in the area. The city is willing to make a commitment to us for all those lots, as many as we want to purchase, but we want to do it in sort of bite-sized chunks. I would have preferred to do a few less homes initially, but that's fine since the lots really are not very expensive and there's not a huge carrying cost. And since we're not putting up models or other specs, our carrying costs are not too onerous.

Where is the funding coming from for this project?

All the upfront due diligence and everything that goes on comes from us. Any money we receive from the city of Detroit - through HUD or through (Michigan State Housing Development Authority) or whatever source - that money is earmarked for our customers. We basically front the money as we do through any development, then we get the lots ready, we order the home.

When the closing comes, part of the down-payment assistance comes from the city and then the balance of the money comes from the mortgage company, and that's when we pay ourselves back, more or less.

Who will inhabit these homes? Is this a risky subprime category?

The neighborhoods are distressed, there's no question. But the individuals receiving the assistance, they're not allowed to receive a subprime mortgage. We have a list of lenders, be it Bank of America, Fifth Third, Charter One or even MSHDA, (and buyers) have to basically obtain a long-term, non-subprime conventional mortgage. The individuals have to have a job, they have to have a credit score that's probably over 600 and they have to complete their homebuyer education and financial literacy.

It's a lot of work. We worked with the Reynolds, the first buyer, for I think six, seven months getting them ready to own. These are all first-time homebuyers.

It sounds like the model is similar to Habitat for Humanity.

It really is, except there's not a sweat-equity portion. The customers don't go out there and start hanging drywall and things of this nature. We don't use the down-payment assistance to reduce the price, we use the down-payment assistance to reduce the mortgage amount.

If you start buying down the price, it kills your appraisals. Nothing appraises out. It's difficult enough in these neighborhoods to get an appraisal; they basically go on the cost of construction for the unit.

Why build green homes in distressed neighborhoods?

Obviously you have the environmental, psychic benefit of smaller carbon footprint, but I think realistically it comes down to cost of operation. The utility costs in a green home are far less: You might get a 40 percent reduction in utility costs. Detroit's a city of renters. There's more renters than homeowners. We're able to substantially reduce that utility expense with the green homes.

Obviously there's some benefit for us because we feel it's more environmentally responsible, and we're comfortable that it gives the customers a better value as well.

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