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Fire Victims Trade Rather than Rebuild

By: ZACH FOX - Staff Writer



Jack and Mary Phillips at their new home in Escondido that they got by swapping their burned-down plot for a down payment on the new house. They lost their Lake Hodges view hill top home in the Witch fire and will be able to move into their new home before Christmas.

JOHN KOSTER For The North County Times

ESCONDIDO ---- After losing their home to the Witch Creek fire two months ago, Jack and Mary Phillips have a new home before Christmas. Now if only Santa Claus would bring some furniture.

The couple were able to trade their scorched lot and insurance payouts for free-and-clear ownership of their new Escondido home, using a program offered by Michael Crews Development. Crews is one of several local builders who are adapting their business models to help fire victims transition into new homes.

"We're not excited. I haven't been excited in months," Jack Phillips said as he surveyed his new, empty home. "We're happy and pleased to get moving forward. But the whole thing has been depressing, knowing we used to have the furniture to fill this living room."

The Phillipses received their keys Friday but will not move in until the end of January in order to first furnish the house.

Michael Crews Development sold the new home for \$699,900, and the company hopes to at least break even on the trade, said Mark Connal, sales director for Michael Crews Development.

He said \$250,000 of the sale was compensation for the burned lot. Whether Michael Crews can profit on the trade depends on the future market for a home on the lot.

The trade allows the couple to move into their new home within a matter of months rather than wait in a rental for more than a year to rebuild on the old lot.

Rebuilding homes for fire victims requires a tricky balance of offering discounts and sympathy while turning a profit, builders said.

And for some smaller builders, the fires offer much-needed business as they

struggle to survive during the housing downturn.

"It's unfortunate that, as they say, the misery of some is the fortune of others," said Mario Landini, president of San Diego-based Innovative Development and Construction.



Jack and Mary Phillips' home after the fire. The Phillips decided to trade in this burned-down lot as a down payment on a new home.

Photo courtesy of Jack Phillips

"Business is way too slow versus the year before. ... If it wasn't for the fire, I wouldn't be meeting with anyone. It's unfortunate, but it's driving the business."

Landini said he will rebuild homes at a 10 percent discount over his normal price.

The rising cost of building materials ---- in part because of increased demand from China ---- adds some ambiguity to a rebuilding process that takes many months to design and plan, said Don MacLean, corporate vice president of operations for RWR Homes.

"I can't guarantee that a year from now, (building costs) would be the same price. It probably won't be," MacLean said.

By trading their lot with Michael Crews, the Phillipses are able to avoid the guesswork of rebuilding.

Several builders said they would consider similar trades but have only received interest so far from fire victims looking to rebuild on the same lot.

One of those victims is Patrick O'Sullivan, who said he wanted to stay in the same Rancho Bernardo neighborhood. O'Sullivan has decided to rebuild with Stonefield Development and never considered trading in his lot for a new home before Christmas.

"We're staying in our (rental) house. We don't want to be moving again. Our next home will be our own home on our old lot in our old address," he said.

Staying in the neighborhood and rebuilding means his family will stay in a rental house for 18 months, O'Sullivan said.

Both O'Sullivan and Phillips said they selected their respective builders based on the quality work and sympathetic help.

O'Sullivan said he is looking to collaborate with his neighbors and take advantage of a group rebuilding discount, something that many companies offer.

Construction companies can cut down on costs related to transporting materials and building by working on several projects in close proximity at the same time, said Nick Pappas, president of K. Hovnanian's California Coastal region.

On its face, rebuilding allows companies to offer reduced prices in comparison to new homes, Pappas said.

Because the builder does not need to worry about changing the land's entitlements or building infrastructure, rebuilding a burned-down home can cost as much as 40 percent less, he said.

Single-home building represents a change in K. Hovnanian's subdivision-focused business model, one that Pappas said will remain after fire victims are in their new homes.

And the housing downturn makes it easier to find construction workers.

"Subcontractors want the work, desperately," he said. "When there was work going everywhere, (they) weren't interested in doing one house, they were doing subdivision work."

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