

The Cost of Good Intentions

Why great residential architecture doesn't pay.

By Daniel Akst
November 2002

The gods, it's clear, are traditionalists. My wife and I learned this firsthand four years ago when we set out to build a home in New York's Hudson Valley. Modern furniture may be all the rage, but embrace Modern architecture and the universe conspires against you. Family members will discourage you; friends will bite their tongues. The neighbors may even sue. But our most disconcerting discovery about contemporary architecture-- when we insisted against all odds on committing it--was that the power of money was aligned against us.

Consider what happened at the outset, when we approached local builder Reynolds Tate to bid on the project. Bidding a home is usually a piece of cake for a veteran contractor like Tate, but he took weeks and returned with a number that made us blanch. Tate is an honest guy. The price wasn't due to the scent of money coming from this particular job (although this often rises like a pheromone from cutting-edge design). It's just that for Tate, Modern architecture typically means doing things he hasn't done before. Customers want fixed-price bids, so to protect himself he builds in a healthy margin for error, which varies from project to project. "The bottom line is that there are so many unknowns," says Tate, who learned the business from his father.



Damian Chadwick

Offsite:
Daniel Akst, www.akst.com.

One thing everybody does know is that most American houses built today are banal at best. Despite the vogue for bigger and costlier new homes, few of them are products of daring design. What is less appreciated are some of the economic hurdles that clients must surmount to bring about an interesting piece of architecture, even one designed to be built affordably. We faced these obstacles when we hired Tate to build a nifty Modern house designed by architect Walter Chatham and his associate, Evans Simpson. The plans were blissfully simple, but to a builder they posed a number of risks.

Tate worried that the gull-wing roof would turn the place into a giant snow cone, making it leak every winter. The corrugated steel siding was new to him. "We put down tons of metal roofing," he says. "But here it's horizontal. Could I get the stuff precut? What if I have to drill every screw instead of using self-tapping screws?" Such questions are crucial because labor typically accounts for two-thirds of construction costs, and these seemingly minor issues can add up to a lot of time.

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Rooms with unusual dimensions also require extra labor. The original plan, for example, called for ultra-high ceilings, which Tate zeroed in on as potentially time-consuming. Standard homes, he explains, are built with pre-cut eight-foot studs and drywall by men wearing stilts. If you raise the ceilings too high you need to cut a lot of studs on-site then erect scaffolding to put up the Sheetrock--and move the scaffolding every time you complete a section. Then there were the moldings--our house doesn't have any. It's a sleek look, but moldings cover many sins; eliminate them from your plans and the builder has to make walls, door frames, and other components meet perfectly, which takes more time. The quest for perfection that makes Modernism so appealing--what might be called its spiritual dimension--also makes it expensive. Indeed at every turn there were reasons to change Chatham's brilliant handiwork on paper into a brainless Colonial on the ground.

To get the place built we took the radical step of enlisting Tate on a time-and-materials basis. Normally a contractor agrees to build a house for a fixed price; if it costs more, the difference comes out of his pocket. That's why bids on unusual houses are inflated. To save this risk premium, we agreed to pay an hourly rate plus the cost of materials. The deal worked out for all parties: my wife and I probably saved \$50,000 to \$100,000 that we sorely needed to complete the project, and the builders tackled the job with confidence.

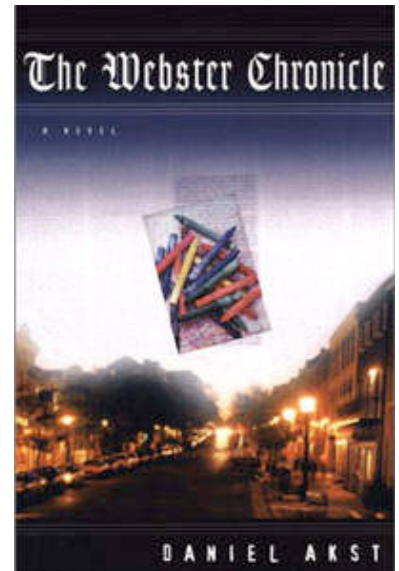
Even if a family felt comfortable taking on this risk, they would be further discouraged when they investigated financing. Almost everyone borrows to buy or build a home, and the size of the mortgage you can pry out of a lender depends heavily on the appraised value of the place, which is the bank's collateral, after all. I am here to attest that unusual houses, no matter how wonderful, appraise for less. It's not just that appraisers have a hard time capturing the value of frozen music on paper--although of course they do--but when confronted with an interesting work of architecture, they often take value *off*. Bud Burdick, an appraiser with Concra Associates in Hudson, New York, says an unconventional house often means fewer potential buyers. To an appraiser, he says, this logically suggests a lower value. "The less enlightened--who maybe haven't done that kind of work and mainly understand subdivisions--deduct a good ten or even twenty percent from the value of a contemporary house," Burdick says. "It's a hell of a hit."

The story doesn't end there. In arriving at the value of a home, appraisers look for comparable sales in the area. The prices of these recent sales form a major part of the valuation exercise. But if your home is unique, it will be tough to find truly valid comps. Most appraisers ended up comparing our sweeping Modernist gem to the many artless vinyl-sided ranch houses of similar size in our area simply because our house is on one level.

The result is that we've had some frighteningly low appraisals. Burdick came up with \$170,000, even though we invested \$400,000 in the project. One bank appraisal (these usually err on the high side) came in even lower; fortunately another was high enough for us to finance about half the project's cost. (In the silver-lining department, a low appraisal makes excellent ammunition for attacking your tax assessment. But don't expect local officials to give away the store; I suspect they assume people who build houses like this have money--and they probably hate the place anyway.) This business of appraisals will matter when it comes time to sell, because it suggests you will need a buyer who is not only brave but blessed with considerable cash, since a reduced appraisal inevitably translates into a smaller potential mortgage.

Fear of what will happen at resale poses another hurdle for good design. Theoretically a unique house should command a higher price. But think for a minute about why hardly anyone builds a serious piece of architecture speculatively. Spec builders aren't interested in paying high architect's fees; they also know that the more unusual the house, the smaller the potential market. What most home buyers want is the biggest possible house in the best possible place, period. Companies such as Toll Brothers, America's leading builder of McMansions, know that size and location trump all else; from a financial perspective, money invested in innovative design at the expense of size and neighborhood is wasted. People don't stay in houses all that long anyway. Many Toll customers are executives who will be relocating again and don't want a place that could be difficult to dispose of. Nor do they want to go through the exhausting process of designing a home from scratch.

If they did, they might want to use a stock plan; but here is another reason why more interesting houses don't get built, even by individuals who care about good design. Most of the house plans sold through books and on the Internet are awful; a few decent ones are available (including some in the *Life* magazine's "Dream House" series) but virtually none are Modern, unless what you really want is a chunky-looking "contemporary" with diagonal wood siding. The absence of good Modern stock plans means that people who want this kind of house have to hire an architect, at fees ranging from a



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few thousand dollars to perhaps 15 percent of the construction cost.

Although Modern architecture remains suffused with the rhetoric of idealism, even relatively prosperous families who are thinking of sponsoring it will beg off unless the entire clanking apparatus of home-ownership--all of it geared to the lowest common denominator of design--can be brought around to accommodate something more interesting. Modular housing might be one answer. Another would be the publication of some first-class stock plans that specify standard materials to achieve quietly fabulous results.

The funny thing is that the more Modern houses there are, the easier they will be to build, buy, sell, and resell. Perhaps what's needed is an entrepreneur with sufficiently deep pockets and a way with marketing who can bring to bear some economies of scale. Maybe technology offers the most hope. Perhaps, when cloning finally becomes commonplace, some avid Modernist will figure a way to reproduce Joseph Eichler.

Daniel Akst writes frequently about financial topics. He is the author of the novel *The Webster Chronicle*.

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