Converting Collingswood

…**From the pages of South Jersey Magazine…**

Thanks to the Duplex Conversion Program, it's not just old homes reaping the benefits of a much needed facelift.

Fifteen years ago, Collings-wood seemed to be doing little to shake its title of "All But Forgotten, USA." Along Haddon Avenue, passersby were greeted by empty storefront after empty storefront, and dilapidated homes were in abundance. But those who had the foresight to participate in Collingswood's Duplex Conversion Program (a.k.a. Multi-Family Conversion Program), introduced in 1996 as part of a larger effort to revitalize the borough, are laughing all the way to the bank now.

Thanks to the leadership of Mayor Jim Maley and John Kane, director of the Borough Community Development Office, they came up with the idea for the Duplex Conversion Program during an agenda meeting. "We had a lot of larger, single family Victorian homes that had been converted in the 1970s to duplexes, triplexes and quads, and it was putting a great strain on all the neighborhoods," says Maley. "We had more cars, more people, more kids in the school in an area that wasn't built to handle all those families." Kane explains the problem goes back even farther than that, with many of the single-family homes being converted to multi-family homes in the late 1940s—a time when there wasn't enough housing to accommodate all of the returning World War II veterans. Ownership changed hands, times changed, and, by the 1960s, most of the multi-family homes were owned by absentee slumlords. "By the 1990s, maintenance had been deferred on those houses so that every neighborhood in the borough had a duplex that was the scourge of the neighborhood," says Kane. Given the fact that 92 percent of the houses in Collingswood were built before 1940, he says the entire town was in need of rehab. "It's not that we were against duplexes," says Kane, "but we were looking for a way to encourage those who had failed to maintain the duplexes to restore them to their original grandeur."

Granted, no revitalization happens overnight, and large, multi-family homes could still be found for under $250,000 as recently as three years ago. Chris and Adrienne Panella, program managers with Kitchen & Associates in Collingswood, bought their traditional style duplex in October 2003 for $239,000. Even though they had just completed a "soup to nuts" overhaul of their home at the time, "we knew if we didn't move to get a single family home," says Adrienne, "then we'd never be able to afford it in Collingswood with the way the market was going three years ago."

By single-family home, she meant buying a multi-family, and then converting it back to a single-family home with the help of the Duplex Conversion Program, the terms of which are fairly straightforward: anyone who qualifies for a loan from First Colonial National Bank is welcome to borrow up to 100 percent of the value of their home after it's converted, or up to $100,000, to convert any multi-family home that began life as a single-family home back to single-family status. Any multi-family home anywhere in the borough qualifies. The program dangles financing that's two percent below the prime rate of a bank, no payments during the first year as long as it's owner occupied, and available use of funds from day one of approval.

The program is open to three categories of buyers: owner occupants, those who intend on living in the home after it's converted; investor owner, those who plan on renting out the property after it's converted; and investor-reseller, those who buy with the intention of selling, a.k.a. "flippers." The eligibility criteria vary slightly for each category, but the financing terms remain the same whether you're an owner occupant or flipper. While no statistics have been kept on how many people from each category have participated in the program, it appears that most of the people taking advantage of it in recent years are owner occupants.

Interestingly enough, not everyone who has converted a home in Collingswood has taken advantage of the program. Kane estimates about half of the people who converted homes over the years have participated. He says one reason for those not partaking was that the value of their property was increased substantially by buying it as a single-family as opposed to a multi-family, even if you valued it by the income standard. The other reason, he says, is that "some people don't feel the government has any business in their finances.'

Amanda Weko, a freelance writer, was originally one of the skeptics of the program for that very reason. "We thought the borough would pay attention, or nickel and dime, what you were doing with the money." She and her husband Matt bought their classic Queen Anne Victorian in the fall of 2003, but didn't decide to take advantage of the program until almost a year later. Another aspect of their hesitation was in not wanting to take out a loan, since they were paying for the conversion out of pocket and didn't want to take on any debt. After attending an informational session and meeting with Kane and other homeowners who had participated in the program, however, they reconsidered. They initially thought the loan would only go toward what was required to convert a multi-family back to a single-family, such as removing walls, but were thrilled to learn that it covered exterior improvements as well. They also found that the borough was very hands-off in terms of what they could and couldn't do.

"They were very open to what you use the money for as long as it goes toward improving the house," says Amanda. Other than providing receipts to prove that you've done the work, "the government isn't controlling what you do with the money, and the borough isn't controlling what you do," she says. "There are no reviews of what you're doing; it's still your house, so you can do whatever you want within zoning and construction code regulations."

Morris and Karen Smith, a lawyer and business consultant, respectively, bought their triplex in May 2001 as a foreclosure, and concur with the freedom of the program. "Karen and I got the sense that borough officials were really happy that a local family was going to turn this property around," says Morris, "so we had nothing but support from everybody." From the government standpoint, Maley confirms the warm fuzzy feeling everybody has. "Other than the fact that there are certain things you have to sign off on, such as the property is no longer a duplex, if they're renovating the property, god bless, we're happy for them to do it."

Besides having the liberty to add wrap-around porches or a new roof, all of the couples were sold on the program's lucrative financing, and the easy dealings with First Colonial National Bank. "Two percent financing is almost unheard of and certainly favorable," says Morris Smith. "We couldn't have done it at five or six percent." He and his wife bought one of the more blighted properties in town, and are still working on it. He figures by the time it's completely rehabbed, they will have put $250,000 into the property. The Wekos finished their conversion in 2006, and were able to finish it quite quickly because of their $75,000 loan. "It was nice to have a good chunk of money to do several projects all at once," says Amanda, "instead of doing the windows, then waiting six months, then doing the roof, then waiting six months."

Chris Panella emphasized that the one thing the loan money doesn't cover is the decorating. "That should be understood going in, but maybe some people would think this is a way to redecorate." The Panella's are about 75 percent finished with their rehab, although the loan money ran out last year, and are financing the rest on their own. They don't regret it though. "If we didn't have the money right from day one," says Adrienne, "we'd have to wait for equity in the house in order to get the money." Which means they wouldn't be able to start their renovations until now. But all of their hard work has already paid off, since a recent assessment of the house put it at $499,000.

The Smiths and Wekos have also seen their homes double in price.

Of the 467 duplexes, 71 triplexes and a dozen quads that were originally single-family homes, there remain 300 duplexes, 40 triplexes and six quads yet to be converted. Kane says the program is progressing at a good pace, and estimates the most blighted properties in town have been renovated as a result. Not bad, considering that the original program, introduced shortly before the current one, was a failure. Kane chalks that up to the terms of the original concept, which was limited only to owner occupants, and that those owners had to live in the property while it was being renovated. It took off after opening it up to investors and allowing owners to live off-site during the rehab.

Maley says one of the reasons the program has been successful this time around was that they gradually increased the regulation of the rental properties, which forced people to spend more on maintaining their properties. “That worked as the stick, while the program to convert it back was the carrot.”

There are currently three homeowners participating in the program this year as owner occupants, and Kane says about half of those who inquire about the program every year actually participate. Ironically, the reasons why the original program failed are succeeding today. Few of today’s participants are investors, and many couples are living on-site during the renovation process.

The Panellas took refuge on the third floor of their house while beams were being removed and doors relocated two floors below. Adrienne recalls a Money Pit worthy scene in which she would come downstairs in her bathrobe in the morning and greet the contractor. (Although they hired a builder, the Panellas theorize they contributed at least 50 percent of the sweat equity themselves, doing everything from installing countertops to drywall, and probably would have done the electrical and plumbing had they been licensed.)

In order to be considered a single-family home again, a code officer does an inspection to ensure there is only one kitchen, one water and electric meter, and that they can traverse the entire interior without having to go outside. All three couples have already received single-family status.

While no prior renovation experience is required for participating in the program, many couples warned it's much harder to renovate an older home than to build a new one. Each has war stories about discovering faulty wiring, jacking up the house because of termite damage and dealing with shady contractors. Morris Smith echoes the sentiments of the other participants when he says his biggest challenge hasn't been “the financing program, it’s finding the contractors who know how to work on historic properties.”

Yet the couples interviewed are as pleased to have partaken in the program as the town is with them. Adrienne Panella says the town gives every participant a sign that reads, “Glad to be single again,” to put on their front lawn during the conversion, and heard nothing but positive feedback from the neighbors. Says Amanda Weko, “Everyone was great to deal with. [Renovation] is a big decision, but we were committed to getting the community turned around.”

The success rate of the program (Kane says there hasn’t been one late payment yet from anyone) has helped boost Collingswood’s property values through the roof—no pun intended. Property values have quadrupled in the last 10 years, and doubled in the past five. In 2000, the average market value was $99,730; in 2006 it was $204,918. In addition to now having some of the highest property values in Camden County, Maley says they’ve reduced two-thirds of the duplexes, restoring neighborhoods to their appropriate levels of density. In fact, the program has been so successful that Gloucester City and Woodbury are eyeing it for their towns.

Maybe Kane and Maley should construct a plan for converting Camden.

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