

STAR TRIBUNE/AIA HOME OF THE MONTH

Home of the Month appears the first Saturday of every month. The program is a partnership between the Star Tribune and the Minnesota chapter of the American Institute of Architects. A jury of experts selects the 12 architect-designed houses, which represent a range of price levels, styles and locations.

The spacious new kitchen, right, is in the addition off the back of the home. David Heide blended today's amenities with period details, such as beading on the cherry wood cabinetry, a farmhouse sink topped with an art glass window and antique lighting.

As part of the renovation, the home got a new roof, and the stone and wood exterior was repointed, repaired, and painted, below. Some of the original windows also were replaced. The Queen Anne will sit majestically on the Kenwood corner for another 100 years.



A Queen Anne gets a royal makeover

By LYNN UNDERWOOD • lunderwood@startribune.com

The 1892 Queen Anne house in Minneapolis had only one working bathroom, the kitchen was in shambles and the floors were uneven.

But it was a dream project for David Heide and Mark Nelson, who were hired in 2004 to restore the home's original architectural beauty and design an addition that would honor the home's historical significance.

The Victorian-era gem was designed by the late Harry Wild Jones, the Minneapolis architect known for introducing the shingle style to the area and for designing the nearby Lake Harriet pavilion and Lakewood Cemetery Chapel.

The team's mission was to restore some of the original rooms, including a charming circular parlor, and to build a four-story addition on the back of the house that met the homeowners' desire for more living space, including a comfortable family room and spacious modern kitchen for the family of five. The homeowners also wanted to ensure that the house would last another 100 years.

When the two-year project was complete, Heide and Nelson had seamlessly melded the old with the new without sacrificing the Queen Anne authenticity that Jones had created.

"We just had to listen to the house," said Heide, project designer and owner of David Heide Design Studio in Minneapolis, "and speak its language."

ABOUT THIS PROJECT

Home: 1892 Queen Anne in Minneapolis' Kenwood neighborhood.

Design team: Architect Mark Nelson and David Heide, project designer and owner of David Heide Design Studio, Minneapolis.

Contractor: Welch Forsman Associates, Minneapolis.

Size: The addition is 2,000 square feet (includes finished lower-level recreation room). Total is 7,900 square feet.

Cost: Not available.

PHOTO CREDITS

Historic: Minneapolis Central Library

2004: David Heide Design Studio

2007: Susan Gilmore

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A new way to tap into home equity

Three companies will give homeowners cash in return for a chance to share in the future appreciation of their houses.

THE NATION'S HOUSING
KENNETH HARNEY



Improbable as it sounds at a time when U.S. homeowners have lost billions in equity holdings, a new industry is taking shape to help them tap portions of their equity wealth without incurring traditional mortgage debt or making interest payments.

Three companies with sophisticated capital market backers — REX & Co., Equity Key and Grandeur Financial — are offering cash to owners who agree to cut them in on some of the future appreciation in their properties.

The cash typically represents a fraction of the current market value of the home, and rises with the percentage of future appreciation the owner is willing to share.

For example, San Francisco-based REX offers \$70,000 cash to the owner of a \$900,000 house who is willing to share 30 percent of future appreciation. That rises to \$12,000 in exchange for a 50 percent share. Existing equity in the home — and future value growth attributable to capital improvements — are not affected by the deal. There are no interest rates or monthly payments, and the timing of the end of the agreement usually is up to the property owner.

Unlike a reverse mortgage, where interest charges accrue and are added to the total debt that must eventually be repaid, all of REX's receivables are tied to the future growth — or decline — in the value of the real estate. If values go down, REX takes a loss equal to the percentage of the value change it shared in the agreement. If values remain flat, the homeowner repays the amount of the original cash extended by REX.

But if values grow steadily or even boom, the company's returns have the potential to soar, REX, which says it is now writing agreements in 13 states, is backed by American International Group (AIG), the world's largest insurance company, and the Royal Bank of Scotland's Connecticut-based Greenwich Capital Markets Inc. subsidiary.

Tjarko Leifer, REX managing director, says "we see ourselves at the beginning of a much larger industry" that is focused on providing products to efficiently tap the \$9 trillion of net equity held by homeowners. Unlike reverse mortgages, which usually are restricted to seniors 62 or older and often entail significant fees, REX has no minimum age limit and relatively modest transaction fees. Participants must have a minimum 25 percent equity stake, however — their total mortgage debt cannot exceed 75 percent of the home's market value.

Harney continues: Offers target specific housing types. H5 >

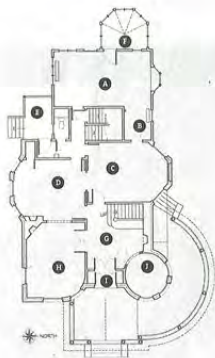


Some repair to FICO score is possible H4

FlatPak gives prefab touch of an architect H2

FOR A CLOSER LOOK AT THE HOME, TURN TO H5 >

FIRST FLOOR BEFORE REMODELING



A. Kitchen
B. Butlery
C. Dining
D. Living
E. Porch
F. Sun porch
G. Foyer
H. Parlor
I. Vestibule

FIRST FLOOR AFTER REMODELING



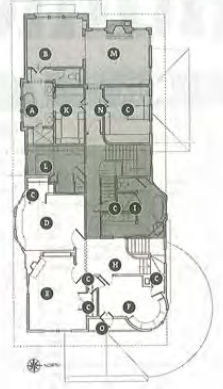
J. Tower
K. Music room
M. Breakfast
N. Family room

SECOND FLOOR BEFORE REMODELING



A. Master bath
B. Master bed.
C. Closet

SECOND FLOOR AFTER REMODELING



D. Bedroom 1
E. Bedroom 2
F. Bedroom 3
G. Bedroom 4
H. Star Hall
I. Bathroom
J. Deck
K. Dressing room
L. Laundry
M. Sitting room
N. Vestibule
O. Porch

A Queen Anne gets a royal makeover



The contractor first removed about 16 feet from the back of the house before building a seamless four-story addition that begins at the side screened porch. It includes a family room and kitchen, a master suite and children's playroom.

THE MISSION

- Update the 1892 Queen Anne to modern standards and at the same time respect and maintain the historic integrity.
- Create new functional spaces for the homeowners' family of five to gather, entertain, sleep and play.

THE BEFORE

- Built as a single-family home, it became a rooming house and was subdivided into tiny apartments after World War II. Previous owners had done exterior renovation but the interior was a work-in-progress.
- When the current homeowners bought it in 2004, only one bathroom worked, the kitchen had been gutted and many of the original decorative elements, such as art glass windows, were missing.

WHAT THEY DID

- Restored the more formal rooms in the original part of the house by replicating woodwork, art glass and other period details from existing spaces, historic photos and drawings.
- Installed antique light fixtures.
- Rebuilt the rickety main floor staircase using the original wood paneling.
- Built a four-story addition off the back.
- The interior color scheme echoes the hues in the original stained glass windows.
- Installed new mechanical systems.



The 1892 Queen Anne with the classic turret and wrap around porch (photo is circa 1900), was designed by the late Harry Wild Jones, also the architect of the nearby Lake Harriet pavilion and Lakewood Cemetery Chapel.

HOMES BY ARCHITECTS TOUR

What: Although this project will not be on the tour, more than 25 other homes designed by members of the Minnesota chapter of the American Institute of Architects in the Twin Cities, Lindstrom and Lake City, Minn., will be open. Architects will answer questions and appetizers prepared by Twin Cities chefs will be offered in some homes.
When: 11 a.m. to 6 p.m. Sept. 20 and 21.
Tickets: \$30 at www.homesbyarchitects.org or 612-338-6763. Discounted tickets can be purchased at restaurants listed at www.tcooriginals.com.

FROM THEN TO NOW



Heide studied historic photos to replicate period details.



A previous owner put in French doors opening to the parlor.



Today the parlor entry has beautiful carved cherry wood columns that echo the original design.

A new way to tap into home equity

• HARVEY FROM BI

The company's typical clients, and Lister, are "56-year-old baby boomers" with a 50 percent equity stake in their homes. They've built up equity over the years — even in the face of the housing market downturn — and "want to protest what they've already got." But they also "want to take some chips off the table" for investments, personal expenditures or to acquire additional property.

Connecticut Equity Key offers

similar cash payments in exchange for shares of future appreciation, but has an age minimum of 65. Based in San Diego, Equity Key is a subsidiary of ECR Bank NV, a \$450-billion asset financial institution based in Belgium.

The third player in the market, Grauler Financial, is headed by mortgage industry entrepreneur Anthony Holsch, who founded and sold two mortgage loan companies, including LoanDirect.com, which became F-Trade Mortgage, and Home Loan Center Inc., which merged into Lend-

ingTree LLC. His goal with Grauler, he says, is "to create a geographically diverse" portfolio of investments tied to equity movements in homes across the country that will deliver at least moderate average growth rates over the coming years, even if some individual markets go soft.

Under Grauler's My Equity Freedom program, the owner of a \$500,000 house can receive an immediate \$71,429 lump-sum payment in exchange for agreeing to share 30 percent of future appreciation. The

owners of a \$1 million house could get \$42,857 in cash up front for sharing half of their future appreciation.

What's in the fine print of these cash-for-appreciation deals and why are they not for everybody? No. 1: All of the programs to date are highly targeted toward specific property types. For example, REK does not allow condos, duplexes, townhouses, second residences, tenants-in-common situations, or houses that are not single-family detached dwellings that are "typical" for their area.

No. 2: Although sponsors borrow backward to emphasize that these are not "mortgage debt," the fact is that they are real estate financing that give borrowers the legal right to a portion of an owner's future market value. At the extreme, owner who take the money but do not abide by the contract agreements can face legal penalties ranging all the way to foreclosure.

NEXT WEEK: Pros and cons

Illustration by the Washington Post Service. Photos courtesy of a mortgage program that just started elsewhere. The first illustration is from Washington Post Writers Group. 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