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## Crain's covers Washtenaw/Livingston

3:01 a.m., Dec. 2, 2009

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### 'Green-habbing': Tax credits help investor turn fixer-uppers into energy savers

By [Daniel Duggan](#)

From the street, the single-family homes Ryan Burk owns look similar to others around the city of Detroit.

But a comparison of heating bills would tell a different story.

The 50 houses he owns in the city through his California-based investment company all boast high-performance insulation in the walls and attic, well-insulated windows and high-efficiency appliances.

In the process, he's created a new model for buying, rehabbing and renting homes by leveraging government tax credits for up to one-third of the rehab cost then charging higher rent because of the higher performance of the home.

He calls it "tree-hugging capitalism" or "green-habbing."

"It has to make sense economically, and the more I'm educated, the more I find out that the costs are less than I think," said Burk, 33, owner of **In The Now Investments L.L.C.** "But I also like that I can do the right thing."

One house he is currently renovating, in the 18000 block of Prairie Street he purchased for the price of a used car.

He has his crew updating the house, with a budgeted project cost of \$13,000.

However, by tailoring the rehab work to include many of the projects that the U.S. government offers credits for, he will receive government money for 34 percent of the rehab cost on the Prairie Street house.

By using high-performance insulation, for example, he gets a government credit for half the cost. He also gets rebates for using environmentally friendly products such as low-VOC paint. A \$525 high-efficiency water tank will net him a \$350 government rebate.

"With the government promoting these programs, it's making it a lot easier to be green," Burk said.

He hires a local crew to work on the homes, but also uses a financial consultant to analyze government tax credit programs and ensure that rehab costs are covered.

Burk said his rent is slightly above the market rate for Detroit at roughly \$1,000 per month. But a premium in rent isn't as important as being able to have his rentals move fast by offering prospective tenants

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Ryan Burk of In The Now Investments L.L.C. has refurbished this Detroit rental home and dozens of others by making the most of government tax credits for environmentally responsible improvements.

Photo credit: Nathan Skid/Crain's Detroit Business

### TURNING GREEN INTO GREEN

Ryan Burk, owner of **In The Now Investments L.L.C.**, says he has a successful business model for rehabbing Detroit homes, making them energy efficient, and turning a profit. Here's how his strategy works:

- Purchase an intact and structurally sound Detroit home, likely out of foreclosure in a struggling location.

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a 40 percent cut in heating bills. He said he has 100 percent occupancy in his portfolio right now.

In addition, the government-sponsored updates to the houses drive up their appraised values, said Lynne Bieniek, who owns Detroit-based **Lynne Bieniek Appraisers** and has appraised some of Burk's homes.

She said a 10 percent increase in appraised value is a starting point for a home that has energy-efficient features, though every house is a different case.

"If you are making a house more energy efficient and cutting the costs to operate it, you are adding a good selling point," she said.

The idea of leveraging government money into the rehab and rent business in the region is unique, said Chris Griffin, owner of Allen Park-based **Griffin Properties & Management Co.**, which has a portfolio of 33 homes, half of them rented and half of them put under land contract with tenants.

"That's a great idea," he said of Burk's business plan.

However, tenants in the region aren't tempted much by the vague notion of living in a "green" home, Griffin said.

"That's a California idea," he said. "People in this area are very motivated by heating costs, though, and I see them being a lot more interested in that idea than the idea of helping the environment."

In addition to the insulation and high-efficiency appliances that net government credits, another aspect of the "green" rehabbing of a home is it is also a way to cut costs.

Burk and his team try to preserve as much of the original structure as they can during their rehab. He sanded and preserved the original floor rather than adding carpet, refinished the fireplace and painted an ornate banister after all three items were damaged and aged.

However, his homes use low-energy light bulbs, low VOC paints and toilets with 8-gallon flush mechanisms. Those elements don't bring tax credits but add to the overall "green" element of the homes.

"We want to make money, but we add a lot of things just because we want to do the right thing for the planet," he said.

Over the portfolio of Detroit homes, In The Now has an average monthly revenue of \$50,000, Burk said.

And buying Detroit real estate at a low point, plus adding value through government-sponsored improvements, will net him a profit when he sells the homes. And he has sold some through his Web site [www.buyhomesdetroit.com](http://www.buyhomesdetroit.com). He has sold 40 of the 90 homes he has rehabbed over the past 18 months for a profit.

As a retired time-share salesman, Burk said Detroit has been a promised land of sorts for him and his business.

While he has at times chosen incorrectly, picking some houses in bad areas with hidden problems, on the whole, the system is working well for him.

"I pinch myself every day," he said.

*Daniel Duggan: (313) 446-0414, [dduggan@crain.com](mailto:dduggan@crain.com)*

- Add high-performance insulation in the walls and attic, well-insulated windows and high-efficiency appliances.

- Apply for government tax credits for up to one-third of the rehab cost.

- Charge higher rents based on the higher energy efficiency of the home.

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