

GIVING BACK

Charity Begins at Home Sales - Builders Tie Projects to Giving, Service, Civic-Minded Themes; Partnering With Boy Scouts

By JUNE FLETCHER
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In the market for a retirement home last spring, design engineer Douglas Knapman says he looked at 20 communities before deciding on The Settings at Mackay Point in Yemassee, S.C.

What tipped the balance wasn't the golf course, swimming pools or fitness center. It was a presentation at an open house by developer Richard McWhorter, who invited people to take part in a fishing tournament he was underwriting to benefit the Cystic Fibrosis Foundation. In addition to donating \$15,000 to the foundation -- an employee has two children with the disease -- Mr. McWhorter offered to cover the \$1,200 entry fee for any resident or home buyer who would take part in the fund-raising tournament.

The Georgia Club's 5k fundraising race (top) in Statham, Ga.; a Scout troop builds trails at Mountain's Edge, in Las Vegas (bottom).

Several people in the audience that day took him up on his offer. The presentation also convinced Mr. Knapman that The Settings was where he wanted to live. "Too often, developers just take their profits and leave," he says.

The latest strategy for selling homes isn't to give something to potential buyers -- it's to ask buyers to give something back. In a shaky housing market that continues to be wracked by credit turmoil and rising foreclosures, developers and builders have been piling on incentives like free basement upgrades, and adding showy events like wine tastings. Now, they're hoping that home buyers jaded by self-indulgent amenities will be impressed by activities that have more depth. The annual rate of new-home sales was down 23.3% in September from a year earlier, to 770,000, according to the latest data from the Commerce Department.

In recent years, developers have created communities for residents with a common interest, such as flying, boating or organic farming. But these new developments pitch philanthropy as a lifestyle. Some focus on a particular theme, such as local children's charities, protecting the environment, or raising money for cancer research. Others promote a broader message of civic involvement. In a few places, donations are mandatory: Every homeowner is required to pay a fee, which then goes into a nonprofit foundation run by the residents to fund local charitable works.

Entries to the National Association of Home Builders' annual award for builder charity work have more than doubled, to 56 in 2006 from 21 in 2005. Though some developers sponsor one-time events, others are making charity a long-term obligation or part of a marketing effort touting philanthropy as a way of life.

Focus Property Group, the developer of Providence, a 1,200-acre, 7,500-unit development in Las Vegas, is hosting fund-raisers to combat illiteracy, including storytelling festivals and cowboy-poetry readings. The Georgia Club, a new 1,300-acre golf-course community in Statham, Ga., 56 miles northeast of Atlanta, started a 501c3 nonprofit last December that has raised \$26,000 and expects to raise \$23,000 more this year from its Christmas tour of homes. Daybreak, in Salt Lake City, has raised nearly \$50,000 for cancer research during a two-year span, and has sent 2,000 pairs of shoes and a van of holiday gifts to the needy.

Daybreak's civic commitment was an eye-opener for Kevin Dudley, a state tax investigator, his wife and five children. The family had never volunteered much before moving there two years ago, but now they participate eagerly in charity races and other activities. In fact, Mr. Dudley says, his 16-year-old daughter, Jessica, insisted on choosing a needy teenage boy to sponsor in a holiday gift-giving event because she feared he was too old to attract another donor. Before they lived in Daybreak, he says, "my children weren't thinking that way."

More Meaningful Than Tennis

The timing is right for such programs in the housing industry, says Boca Raton, Fla., sales-and-marketing consultant Bob Schultz, who has been advising developers and home builders for 25 years. In part, that's because the population in general is aging and becoming less acquisitive. Mr. Schultz says civic involvement is also resonating because of highly publicized disasters of recent years such as Hurricane Katrina and the California wildfires. "People want to do something more meaningful with their lives than bat a tennis ball around," he says.

Some developers are promoting their own pet charities -- and their involvement in them. John Ritter, chairman and chief executive officer of Focus Property Group, has given each of his three developments a charitable theme and identified a community partner. At Mountain Edge, a 3,500-acre, 14,500-unit community in Las Vegas Valley, the theme is the outdoors and a healthy lifestyle, and the partner is a local troop of Boy Scouts, who win merit badges for building trails and parks in the development.

Mr. Ritter spends between \$10,000 and \$30,000 per event for tents, food and staff. But since he'd host promotional events anyway as part of his corporate marketing plan -- and since residents wind up supplying much of the manpower -- the fund-raisers don't really increase his costs. Meanwhile, the return has been substantial, both in terms of neighborhood goodwill and exposure. A recent walkathon for the American Heart Association drew 5,000 participants and supporters to Mountain's Edge, and resulted in a

sales spike that lasted for three weeks. The development was the second fastest-selling community in the country last year, according to Robert Charles Lesser & Co, a real-estate advisory firm in Bethesda, Md. "Philanthropy isn't entirely altruistic," Mr. Ritter says.

That doesn't bother Libby Parker, 29, an education-services manager who is impressed by the level of involvement of Mountain Edge's residents in service-oriented causes. "There's not too much of that" in Las Vegas, says Ms. Parker, who bought a \$435,000 home in the development two years ago. In addition to the good works they engender, charitable activities also foster a sense of community, residents say, important in places where everyone is a newcomer. In August, retired sales executive Robert Cullerton bought a \$926,000 home at the Georgia Club. He made the decision to move there after reading about the community's charitable foundation.

"I wanted to be part of the social fabric," says Mr. Cullerton, who recently drove the lead car in a 5k fund-raising race for special-needs children and plans to take part in caroling at nursing homes this holiday season. Participating in these developer-sponsored events, which take place two or three times a month, has helped Mr. Cullerton put down instant roots. "I've made more friends in the past three months than I made in seven years at my old home in California," he says.

The Georgia Club Foundation is underwritten by two nonprofit trusts, one funded by homeowners when they sell their homes -- 3/10ths of one percent of the sale price of each home goes to the fund -- the other by a \$500 donation that developer Jim Vanden Berg contributes from each new-home sale. The foundation is run by a volunteer board of five club residents, Mr. Vanden Berg and a representative from Statham, and has distributed \$4,425, supporting special-needs kids, the Boy Scouts, the library and a college scholarship. Since the three-year-old community started its program last year, sales in the development have increased 25% -- a noteworthy rise in a moribund market.

Mandatory Fees

Not all homeowners are happy with giving mandates. In a program similar to the one run by Georgia Club, residents of Mediterra in Naples, Fla., are required to pay a transfer fee of one-quarter of one percent of the sale price when they sell their home, which goes into the development's nonprofit, Mediterra Fund. But since the transfer fee -- which is disclosed in settlement documents when buyers purchase their homes -- is a mandatory fee, not a voluntary contribution, it's not tax-deductible. That's caused some of the 724 homeowners there to grumble, according to Dottie Vanderford, who oversees the program for the developer, the Bonita Bay Group. Since homes cost between \$600,000 and \$7 million, she says the outlay "can be sizable."

Marc Owens, a Washington, D.C., tax attorney and former director of the exempt organizations division of the Internal Revenue Service, says there's nothing wrong with developers setting up foundations to help charity, as long as they don't use the money to

benefit their businesses directly -- for instance, by building swimming pools that can only be used by residents in their developments.

Nor is it illegal to direct money to developers' pet causes, or to assess fees as part of a community covenant, as long as the groups benefited don't have a racial or religious focus. Homeowners who feel uncomfortable with particular charitable activities can always buy somewhere else, Mr. Owens says.

In fact, while the Mediterra Fund has acted on some of the developer's charity suggestions that they award money to children's charities, education and environmental groups, the board has also acted more broadly in its bequests. Since the fund began making disbursements last year, more than \$345,000 has been awarded to local organizations, including a homeless shelter, a food bank and an adult day-care center. As board member Paula Powers, a businesswoman who owns a 12,000-square-foot home in Mediterra, puts it, the point of giving is to help where it is needed the most. "We look at organizations that are really in need," she says.

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