

home sweet office

working from home to save money in this economy? join the club.

by cheryl weber, leed ap

Scaling back, pinching pennies, doing more with less. These are the buzzwords we live by as the economy bumps along, lifting in fits and starts like a kite trying to find the wind. Architects are at the forefront of the newly frugal, since their unemployment rate doubled in 2008, according to the U.S. Bureau of Labor Statistics. The numbers may be even higher by now. Either way, the last two years have been brutal, for sure.

Faced with a skeleton crew or a suddenly solo practice, if you've considered abandoning your pricey commercial digs for the comfort and low overhead of home, you're not alone. The number of home-based entrepreneurs is likely to boom over the next few years, as downsized employees try to generate income and small companies try to reduce their fixed costs.

Thankfully, modern trends have all but erased the old stigmas about businesses run from a garage, spare bedroom, or studio. Once dismissed as part-time hobbyist ventures, they've gained legitimacy since the 1980s with the rise



Brucie Rosch

of telecommuting; the mass adoption of the Internet; and such technologies as Skype, the iPhone, and the BlackBerry, which make it easier to run a firm from anywhere.

The latest research validates this newfound respect. According to Emergent Research, a consultancy in Lafayette, Calif., home-based businesses are just

as competitive as their counterparts in commercial spaces. Its recent study points to data from the Small Business Success Index showing they scored roughly the same as non-home-based businesses in six success-defining categories: access to capital, marketing and innovation, workforce, customer service, computer technology, and

compliance. What's more, they help create jobs. Emergent Research estimates that "homepreneur" businesses employ roughly 13.2 million Americans, compared to the 10.4 million employed by venture capital-backed corporations—Intel Corp. and Apple, for example—in 2006.

continued on page 22

Not only are you not alone as an architect headquartered at home, you're in stellar company. Alvar Aalto worked for years from a sunny studio that was part of his house in Helsinki, Finland. So did Rudolph M. Schindler, who launched his practice in 1922 with the construction of a house/studio in West Hollywood, Calif., and worked there until his death in 1953.

safety net to standard practice

For some architects, what began as a need to conserve cash has become the preferred way of working. They've gladly traded commercial-space perks for a nonexistent commute, flexible hours, and the chance to use their house as a showcase for their work. Or, to put it another way, they've exchanged road rage and office politics for the distractions of family life and the dog begging for a walk. Life isn't perfect.

Ask San Diego architect Kevin deFreitas, AIA, who has worked from home since starting his firm in 1998. Early on, it provided the financial security of lower operating costs while he got established. Then came four children and the need to tag team with his wife, Kara, a college professor. He spends an hour and a half each morning ferrying his kids to four different schools, and after 3 p.m. he coaches their sports teams. When they're tucked in bed around 11:00,

he heads back to his studio for another hour or two. It's a 500-square-foot building 20 feet from the house, with recycled factory windows and Cor-Ten steel siding. "I love" the arrangement, he says. "For me, the lifestyle

benefits far outweigh the opportunity to make more money in a larger firm."

The downside? "My workday is considerably longer than if I had a traditional setup because it takes 12 hours to get an

eight-hour day in," deFreitas says. "And as a one-man band, you're closely tied to the ebb and flow of work. With three projects at a time, you're swamped; zero, and you're starving."

continued on page 24

demystifying the home office deduction

Could the home office tax code be any more complicated? The instructions for claiming deductions are 35 pages long and involve calculating the percentage of your home used exclusively for business, and then deducting a portion of your housing expenses—mortgage interest, real estate taxes, maintenance, insurance, and utilities—against your business income. The rules are so convoluted that many home-based business owners don't bother with deductions, for fear of triggering an audit. But according to tax pro Charles V. Monroe, a partner at Wilhelm & Associates in Falls Church, Va., deductions aren't necessarily a red flag—if they're done correctly. "The business use of a portion of your home can provide significant tax savings," Monroe says. "However, you must be careful to dot your i's and cross your t's." We asked him to clarify the code's main points.

- A home office deduction is allowed if you use your home exclusively for business (no sofa bed for the in-laws) and it's your principal place of business. If you maintain another office, you can't take the deduction unless you also regularly meet clients in your home.

- If you're a sole proprietor, you should depreciate the portion of your home used as an office. It's usually a small deduction, but tax codes require you to pay tax on the depreciation allowable when you sell your home. So, even if you didn't take the depreciation deduction, you must pay tax on the amount you could have taken. Monroe suggests using a small portion of

the house for business, so the tax impact is minimal when you sell it. And the less square footage, the less IRS scrutiny, because you're less likely to mix business and personal use.

- The biggest tax benefit of a home office is that it changes commuting miles to business miles. Any business-related travel becomes deductible the moment you leave home. If you don't claim a home office deduction, you can't claim the mileage from home to the first stop of the day, because you haven't established a workplace.

- If you operate as a corporation, the home office deduction is limited to 2 percent of your personal adjusted gross income, and tax law precludes owners of a corporation from depreciating the portion of their residence used for business. However, a corporation can reimburse the owner for the cost of maintaining the home office, and the amount is not counted as income.

- A detached building on your property also qualifies as a home office if it meets the same rules of use as an in-house office. The separate structure can be depreciated, even if you're a corporation, because it's not considered part of your personal residence. As a homeowner you can also rent the space to your corporation, which changes some of your business income from wages to rent, thus allowing you to save the employment tax associated with wages. But as an unincorporated business owner, you can't rent to yourself, because there's no separate entity. In that case, use the smallest space practical for your office, because the main tax benefit is the mileage write-off.—c.w.

But as a self-styled entrepreneur, he's got that covered too. In lieu of employees, deFreitas formed a collective with five other California architects in Pasadena, San Diego, and Los Angeles. That allows them to gang up to get large projects done without having to hire and train interns. The five use Skype to communicate and a remote server to share files. He feels extremely lucky to be having what he calls his best year ever, in number and type of projects. Still, he says, "It's a huge blessing that overhead is virtually nonexistent."

Indeed, the most obvious benefit for home-based businesses is lower fixed costs. A 2006 Small Business Administration study compared the after-tax incomes of sole proprietors who claimed home office write-offs with those who deducted commercial rent. It found that, on average, home businesses had lower receipts and net profits than businesses operating in rental space. But home-based firms kept a higher share of gross revenues: 36 percent, compared to 21 percent for non-home-based businesses.

It's a safety net many architects grabbed onto during the recession of the 1980s, when debilitating double-digit interest rates brought the real estate market to its knees. That era's laid-off architects included Rick Vitullo, AIA, who set up shop at home when he couldn't find a permanent

job. It suited him so well that later, when he built his current house in Takoma Park, Md., he added a 200-square-foot backyard studio filled with eco-friendly features—among them a ceiling with wood milled from a local tree, drywall coated with natural clay, and LED lighting—he could show clients.

"I'm a bit of an introvert and have worked in art studios where you're concentrating on work, so it suits my personality," Vitullo says. "My wife is an extrovert; it would drive her crazy to be here." The building was well worth its \$65,000 price tag, he adds, because it separates office and home life better than working in the basement, as he did for years. And a sick child can still spend the day on his couch. There's

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—bill hirsch, aia

also a tax advantage: "Now that I'm out of the house, Vitullo Architecture Studio, PC pays rent to my wife and me, and I can write it off." (See sidebar on page 22 for more on home office deductions.)

Cary, N.C.-based home office entrepreneur Bill Hirsch, AIA, was another 1980s recession casualty. "I was looking to reduce all the costs I could and reassessed whether I needed the appearance of an office,"

he explains. Hirsch moved his four employees into his home, and as work dried up, he let them go, one by one. Over the years, as his four children came along, he never returned to commercial space, though he often had an employee or two. And when he built his current house, he included a 600-square-foot office over the garage with a separate entrance. "It hasn't detracted from how I'm perceived by my clientele, especially since I do residential work," he says.

calling card

It's true that for small residential practices, a domestic setting often appeals to potential clients in a way that commercial space cannot. A well-designed home communicates something personal about an architect

stream. "I don't think a home office works well for an architect who intends to do larger work," he says. "But it reduces the overhead greatly, your working hours are more flexible, and your commuting time is the best. In my case, the house is also a selling tool."

Paul Treseder, AIA, feels the same way, and says the low overhead allows him to work affordably for middle-class clients. In 1998, he turned his Bethesda, Md., rancher into an office and added a new living wing connected by a sunlit gallery, doubling its size. It's become his calling card, since most clients are Washingtonians expanding older homes in similar neighborhoods. "Some clients bring their children along; they can find something to play with in the

and helps clients feel at ease. It also inspires confidence. Ray Kappe, FAIA, discovered that when he moved his office home to Pacific Palisades, Calif., in 1981, intending to ease into retirement after closing his Santa Monica-based practice (another recession victim). He never fully retired and still gives tours of his iconic house, which consists of seven levels that creatively spared the hillside's contours and a

house or yard," he says. "When the dog was still here, they'd play with the dog," allowing the parents to meet in peace.

Other architects extend that hospitality further. They use their home to put burgeoning business relationships on a friendly footing—a nice touch in anxious times. A good example is David Salmela, FAIA, who has an impressive office in his new home's

continued on page 26

practice

walk-out lower level and regularly invites prospects upstairs for coffee. “It’s all rather astonishing to have visitors every week, but it’s true,” says Salmela, of Duluth, Minn. “It’s become just as much about the house as the office.” (His wife and an employee share the office, and two other staff members have in-house studios in Minneapolis and Fargo, N.D.)

Although Salmela’s workspace has an outside entrance, he draws people to the house so they can see how he lives and how he responded to the complexity of the site, on ledge rock. His urban design ideas are on display, too, since his house is one of three on a

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parcel he redeveloped. Do the neighbors complain about visitor traffic? “Here, it’s legal to have a personal office plus one other employee,” he explains, adding, “This isn’t a new invention. To prevent people from having a business is a symptom of suburban fearfulness.” (For more on this project, a 2009

residential architect Merit award winner, see pages 49 and 88 in the March/April 2009 issue.)

Situated on five acres in Oviedo, Fla., newly self-employed architect Ed Binkley, AIA, also has plenty of room to welcome clients. He was one of West Des Moines, Iowa-based BSB Design’s 21 partners in 15

offices before taking an elective layoff last summer. “The opportunities for creating your own schedule are very nice,” he says. “I don’t necessarily start the day with an alarm clock, but I work until 10 or 11 at night. It’s different than in an office, where you’re responsible for other people.”

Binkley says he misses the creative synergy of a corporate environment, but he compensates by mixing his design and chef skills whenever he can. Even prospective clients have been invited to discuss their project over dinner. “There are similarities between cooking and design,” he says. “You’re taking different

continued on page 28

practice

elements and putting them together to create something better.” And although he has access to commercial space for meetings, his own place best reflects his housing theories.

“I’ve had an interest in green affordable housing for so long, and this feels like a new chapter” in my career, Binkley says. “It’s surprising what can surface if you get out of your mold a bit. There’s less pressure working out of the house; it opens your mind.”

between two worlds

Full-time home offices aren’t for everyone. They’re too confining for firms with more than a handful of staff, and many architects find them isolating. Some, like Leo Smith, AIA, keep a foot in both worlds. Smith relishes the camaraderie and spaciousness of the inexpensive Seattle loft he shares with other designers. But he also spends some of his time working from a small den at home. “I’m the default chauffeur for my two sons, and if I work part time at home I don’t have to pay for after-school care,” he explains.

In a bad economy, others are deliberately choosing to be *more* visible, not less. A year ago, Eugene Aleci, AIA, gave up space he’d inhabited for 24 years on the first floor of his row house in Lancaster, Pa., where he’s had as many as six employees. Active in downtown development

continued on page 30

practice

issues, Aleci moved the office a few blocks away, into one of the three attached mixed-use buildings he's rehabbing in the heart of town. "I wanted to do a demonstration project for the community," he says. "There are plenty of reuse projects around, but not a lot that are done with the benefit of an architect. I'm hoping to show a value-added difference by being here." He plans to treat the office as a gallery for First Friday and other events, to engage the community instead of retreating from it.

Tough times call for deconstructing what we do, rethinking how we work, and reinventing ourselves, if necessary. And creating a workplace that exemplifies your design ideals is good practice no matter where you hang your shingle. But for architects such as Jack Rosebery, AIA, Long Island, N.Y., there's no place like home.

"I have to admit, I love my home practice," he says. "My conference room doubles as a playroom for my kids in the evening, and sometimes when clients come to my home, I have forgotten to take the cleats off the floor. But it's common to how the clients live. My thinking is that if I put my ego in the box and concentrate on how a person lives, rather than speaking a language they can't understand, the work turns out to be more satisfying and the house becomes a home, which is what we're supposed to be making in the first place." **ra**