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House&Home

MAY 1972

How CALIFORNIA goes to Market

House&Home

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The 'FHA Scandals' play New York—and Dun & Bradstreet loses a credit rating

It was much the same pattern of systematic fraud perfected in half a dozen other sophisticated cities.

Speculators bought up hundreds of dilapidated houses at bargain prices in the rotting cores of Brooklyn and Queens. They made cosmetic repairs and sold the dwellings to Puerto Ricans and Negroes at triple or quadruple the original price.

Some mortgage companies wrote mortgages for the buyers, withholding brutally steep discounts. A compliant FHA then accepted the wildly excessive appraisals on the properties, and it insured the mortgages with the United States government's full faith and credit.

The victors. The buyers, all of them poor, could not maintain payments on the overpriced homes—all of which should have been, and indeed was, anticipated. They defaulted, and they abandoned the homes, or they were dispossessed.

The FHA then repossessed. It agreed to reimburse the mortgage banker for not only the amount he had actually lent, but rather for the full face value of the mortgage.

So the realty man had his profit of 300% or more on the sale. And the mortgagee got back the money he advanced plus a generous little windfall in discount points. Had he discounted a $10,000 mortgage by 12 points, which is not unusual on slum properties, he would have lent only $8,800. But he would get the full $10,000 back from a sympathetic FHA. With sympathy like that and a mere 1,000 of those bad mortgages, a mortgage banker could become a millionaire—and with absolutely no risk.

And the victims. The only losers were the FHA reserve fund and, of course, the unwary buyers.

An angry assistant U.S. attorney, Anthony Acetta, investigated this clockwork operation in New York. He had himself grown up in the slums of Manhattan's lower east side, and he had this acerb aside on his city's newly victimized poor:

"I wish the FHA system hadn't been so thoroughly corrupted.

"I don't see how anyone who is black or Puerto Rican could have faith in the white system after being shaken down like this and then losing his home."

The one big fish. A federal grand jury has just indicted 40 people and nine corporations for adapting this old script to New York. But the jury's investigation did produce one surprise. It brought the indictment of Dun & Bradstreet Inc., a 131-year-old company that is the largest dispenser of business information save for the government itself.

The jury devoted 24 counts to accusing D&B and one of its executives of conspiring to inflate house appraisals and of supplying false credit information "used to qualify an otherwise unqualified buyer for FHA insurance." The Housing and Urban Development Dept. thereupon directed its 87 offices to stop doing business with D&B and said it was suspending a contract under which the company supplied commercial credit data to HUD on companies and enterprises. (A D&B vice president, Charles F.G. Raikes, said he was "shocked that any accusation of wrongdoing was made.")

And smaller fry. The true bills contained 500 counts of bribery, fraud and conspiracy. The jury indicted the Eastern Service Corp., a mortgage banking company with headquarters in the same building used by the FHA's office in Hempstead, N.Y., which had insured the foreclosed loans. The panel also indicted eight Brooklyn realty companies and 40 other persons, including seven assorted small fry from the FHA office. The five who were still at work there were subsequently suspended by Housing Secretary George Romney.

But the scandal was not big news in the big town.

Newspapers played it on page one for only a day, for much of the material was virtually a repeat of what had already been heard from Detroit, Chicago, St. Louis, Boston, Philadelphia and Wilmington, Del. Various cities had developed certain distinguishing techniques of operation—Detroit and St. Louis were big on arson, for instance—but most of the FHA scandals played by pretty much the same scenario. New York's rerun was but another short chapter in what has become a familiar story—the methodical destruction of the American city for profit.

Measure of damage. Secretary Romney, speaking in Detroit only two days before the New York story broke, conceded that HUD's policies were contributing to the blight and that his department could not solve the problem. Ten days earlier he had told a Washington convention:

"The truth is, none of us are now sure what are the right things to do."

The FHA's foreclosure loss in New York was first estimated at $200 million by the U.S. attorney's men. They said 2,500 houses had gone into default in 1968, the year covered by the inquiry, and that 2,500 more probably tipped in 1970–71.

But HUD's Washington office said no, nothing like that, and it promptly rushed up far more modest figures: a mere 1,800 properties involved, insured for $32.4 million, with loss after resale not to exceed $23.8 million.

For the FHA, peanuts. It has foreclosed 6,500 homes in Detroit alone, and it is taking over 750 to 1,000 more there every month. The latest national estimate is that HUD, now indisputably the nation's largest slumlord, will soon own 244,000 units whose owners have failed to make FHA mortgage payments. Preliminary estimates of loss run to $2.5 billion—most of that being a kind of bonus that the U.S. government is paying to profiteers for the destruction of its cities.

On Romney's abilities: Some second thoughts

George Romney, secretary for housing and urban development, is beginning to tot up what his administration of the Housing Act of 1968 ultimately may cost the taxpayer. The preliminary estimate has swollen to $2.5 billion. While he complains of fraud, chicanery, evil speculators and what not, he tries to make the public forget that none of this should have surprised him. The rottenness of FHA has been a scandal for a quarter-century; the corruption of big city governments for longer. Trying to build a housing policy on those two foundations testifies at best to his naiveté. Had he done his homework, instead of depending on the swollen staff left by his predecessors, he might have avoided the costly mistakes for which he is responsible. What HUD needs is a thorough housecleaning. But the more George Romney talks, the less he seems capable of doing the job.

—Kurt Bloch

The World at Work, Barron's, April 3, 1972

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CIRCLE 50 ON READER SERVICE CARD

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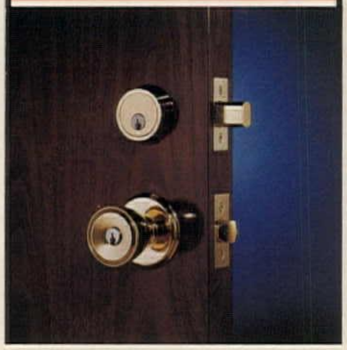

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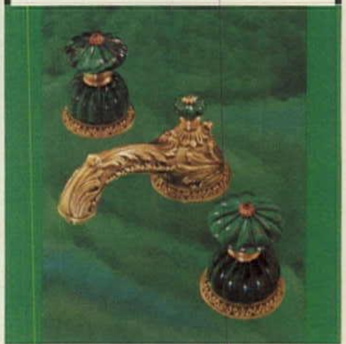

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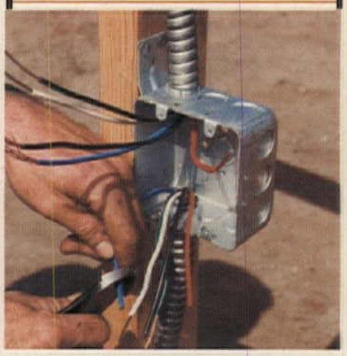

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CIRCLE 59 ON
READER SERVICE CARD

Romney at the eye of the hurricane—a man whose friends are hard to find

THOMAS HOY

Secretary George W. Romney during a recent interview in his offices in Washington.

Housing Secretary George Romney's stock peaked with the Nixon Administration last May when housing starts first hit their annual rate of two million.

For the last year the housing industry has been the top performer in the Administration's agonized efforts to spark a sluggish economy and boost the President's chances for reelection.

But for months now Romney's fortunes have been in decline.

He has come under fire for poor administration of the housing programs, for laying himself and the administration open to Democratic sharp-shooting, for keeping his department in a continual furor and lowering employee morale with one reorganization plan after another, and for failing to convince the Nixon White House to act on housing problems.

The scandals. Romney was badly hurt by the housing scandals. He has admitted publicly that he was slow to learn what was going on and that he was misled back in the summer and fall of 1970, when his own bureaucrats whitewashed the FHA scandals in Philadelphia and Washington, D.C. He also admits that there are more to be uncovered.

At the same time the National Association of Home Builders [NAHB] has been attacking Romney bitterly—without naming him—for spotlighting the failures of the section 235 and 236 programs. The homebuilders want him to play up "the good parts" of the program, by which they mean the relatively clean record of new housing built under section 235, but Romney keeps hammering away at the wrongdoers.

Integration. Romney has tried to maneuver the Administration into integrating housing in suburbia, even at the risk of angering the suburban voters who comprise so much of the President's support. It was Romney who persuaded the Justice Dept. to file suit against Black Jack, Mo., when that St. Louis suburb blocked integrated housing for poor families.

And Romney seems to have been blamed by the White House, at least in part, for the furor that erupted over construction of a high-rise project for the poor in the middle-class bastion of Forest Hills, N.Y. The project provoked open rebellion in the neighborhood (News, Feb.), and it embroiled the Administration in a political controversy.

HUD reorganization. Attempts to reorganize the HUD high command in Washington have not given Romney any more control at the top.

A decentralization policy intended to build up the regional offices and has come under fire for creating a new bureaucracy. Critics say that many area offices are staffed by people who are ineffective, overworked and confused by the zig-zag of policy direction.

Staff cuts totaling 800 persons resulted from the decentralization plus President Nixon's order to whittle federal personnel. Now Romney is asking Congress for an additional 750 people to handle the new housing programs.

Employees of HUD have filed two suits against Romney to block his plan to dispose of unwanted employees through a novel manpower reserve plan. They charge that the plan enables him and his aides to force out old hands in violation of Civil Service rules and replace them with Republicans brought in since 1969.

Non-solutions. Perhaps the most damaging accusation has been that Romney doesn't know what to do about the housing subsidy scandal.

He has not offered Congress any alternatives either to replace or significantly modify sections 235 and 236. On urgent problems he has not gone beyond convening meetings under his TOP [The Option Process] campaign to urge governors, mayors and other officials to get together and save their metropolitan areas. He points to revenue-sharing, consolidation of housing programs and HUD reorganization as the major steps that must be taken to solve urban problems.

No backing. Romney has been a loyal Nixon team player, pushing ahead only as far as the White House would let him, but outside of the inner circle.

And the Administration believes the federal government should not set policies to influence urban growth, but should merely limit itself to encouraging states and localities to act, and passing out grants.

Blame. Not everyone points a finger of blame at Romney.

At an open session of a House appropriations subcommittee last month, Chairman Edward P. Boland (D., Mass.) ticked off the failures of the subsidized housing programs.

But then, speaking of the broader problems of the deterioration and abandonment of cities, Boland told Romney.

"You've taken a lot of blame for these problems, but the blame isn't really on your shoulders."

Romney still has friends—but they are fewer than in days past, and they speak up less frequently now. —Don Loomis
McGraw-Hill News,
Washington

HUD wants more publicity money

. . . and George Shultz, the White House budget chief, has given them the green light to ask Congress for it.

Secretary Romney and James J. Judge, the Department of Housing's director of public relations since George Creel's exit last fall, want to spend 70% more on publications, news releases, audio-visual materials and the like—$639,200 in fiscal 1973 compared with $368,000 for 1972.

Judge's employees would still number 48 to 50, with an annual payroll of about $890,000.

If Congress raises the outlay, HUD's budget would climb right back to where it was in November 1970. It was then that President Nixon ordered Romney and his agency heads to cut back sharply on their spending for "promoting the agency's programs and attempting to obtain the support of special-interest groups."

Spending. The costs for publications and salaries comprise HUD's actual PR budget, which thus runs to only $1.5 million when measured on this limited scale. But a broader account includes the costs of "education," "congressional relations" and the printing of regulations for HUD's numerous special constituencies, and that kind of bookkeeping takes the annual total for publicity to $5 million.

By comparison the National Aeronautics and Space Administration is spending $10 million on PR this year, down from $14 million in fiscal 1971. The Labor Dept. has budgeted $6 million, off from $7 million; HEW $25 million, off from $38 million, and the Defense Dept. $36 million, off from $46 million.

Romney and Co. travel often, making speeches, and many texts are distributed to the news media. Judge's shop churns out about 800 news releases a year.

The mailing list has about 7,000 names. The biggest consumer is radio, with 2,800. Newspapers count for 1,700, television about 500.

Another news outlet is the *HUD Newsletter,* a weekly with circulation of about 12,000. At $1.50 a year, it turns a profit. And HUD's monthly magazine *Challenge,* with a circulation of 18,000 at $3 a year, also makes money. But these earnings go into the Treasury's general fund, not to HUD.
—D.L.

PAUL OCKRASSA, GLOBE-DEMOCRAT

From rumble . . .

. . . to crumble . . .

. . . to tumble . . .

. . . to jumble

Public housing's Pruitt-Igoe project finally bombs out in St. Louis

The only way to save it was to blast it down.

That was HUD's decision on the notorious Pruitt-Igoe project in St. Louis. Of its 33 apartment buildings constructed as public housing for 10,000 persons in 1954, crime and vandalism had emptied all but 10. The other 23 were vacant and sealed off.

So HUD hired crews to blow down part of the project in a study to see if the rest of this brick jungle could be rebuilt into a livable community for its 600 poor families. Citizens' groups had pleaded with Housing Secretary George Romney to pulverize the entire 55-acre complex, but he reportedly feared public reaction.

The big show. The embarrassed owners of Pruitt-Igoe, the St. Louis Housing Authority, tried to keep the demolition a secret, but 500 spectators turned up. The bombardment began on March 24 *(photos above)*.

Ninety-six dynamite charges fired at millisecond intervals cut down the western half of an 11-story building. The eastern half was left intact.

Crews will do two more demolitions, slicing off the top seven floors of another 11-story building and cutting the central section from a third.

Beyond $57 million. Blast results will be analyzed to figure the cost of reducing most of the other buildings to four-floor size or rebuilding into two-level housing. Romney is expected to insist on some such form of renovation, again to avoid total demolition.

Experts say neither approach will make much difference in the project's ultimate cost. Pruitt-Igoe was built for $36 million. Its repairs, operating deficits, rent strikes, outlays for security patrols and its debt service still outstanding have run its present-day cost account up to $57 million—and that figure remains, whether the project itself is blasted away or replaced or refurbished.

—TED SCHAFERS
McGraw-Hill News, St. Louis

Decay of the nation's cities is now fueling the homebuilding boom

The housing boom is finally feeding, in part, on urban decay.

Demand is soaring so fast in many outer suburbs that even boom-level construction can't keep up, while in the central cities of those suburbs housing is being abandoned.

These are findings of Advance Mortgage Corporation's current survey, *U.S. Housing Markets,* which compares housing trends in 20 areas. Advance, with headquarters in Detroit, is a subsidiary of First National City Corp. of New York.

"We are treating city housing, in effect, as a disposable, and local markets are becoming fragmented," president Irving Rose of Advance observes. "Urban areas are hollowing out at the core and building up at the peripheries."

Outward bound. "Builders are moving further out," Rose says, "in many cases beyond the metropolitan area. In several markets builders are working on tracts 60 miles from the city center.

"In part this movement reflects a search for cheaper land, in part a flight from city problems.

"The major factor is that jobs and shopping are now increasingly in the suburbs. Buyers tolerate the same drive time as before, but now it's to a job a half hour from the city.

"It even appears that virtually all HUD-subsidized section 235 and section 236 housing built henceforth will be in the suburbs."

The suburbs gained six times as many jobs as the central cities in the first half of the sixties, according to Census Bureau data, and observers agree the trend accelerated in the second half of the decade. Retail trade in the suburbs grew more than ten times as fast.

The vacancy puzzle. The fragmentation of local markets has reached the point, Rose said, that statistics which cover an entire metropolitan area are no longer accurate indicators of demand. He explained:

"In some markets where vacancy rates are high, apartment demand remains strong—because the vacancy rates are in the central city and the apartment construction is in the far-out suburbs."

In Detroit, for example, the area-wide apartment vacancy rate at year-end 1971 was just over 9%. But it was close to zero in hot suburban apartment markets and more than 30% in several inner-city districts.

Disaster areas. Large-scale abandonments are factors in the rising vacancy rate in many central cities, and the trend seems certain to accelerate. It is strongest in the industrial cities of the East and Midwest.

"The number of abandonments, repossessions and delinquencies in many cities has reached frightening proportions," Rose observed. "They constitute a threat to the value of the remaining property and to the viability of the city."

In Detroit more than 7,000 homes have been repossessed by HUD, and 9,000 more are reported close to foreclosure.

In St. Louis 16% of all housing in two recently surveyed areas had been abandoned.

In Chicago the problem of vandalism in abandoned housing has been so serious that a new city ordinance requires owners of vacant housing to post a guard from 4 p.m. to 8 a.m. daily, with criminal penalties for non-performance.

The New York Times names new realty editor

The New York Times, which publishes one of the country's largest real estate sections, has just named Alan S. Oser as its real estate editor. He succeeds Robert Alden, the director of real estate news, who has moved to the United Nations as bureau chief.

Glenn Fowler, who was the real estate editor for 16 years, from 1956 until April 1972, has now moved to *The Times'* metropolitan staff.

Oser has been with *The New York Times* for ten years. Seven of those were spent on the foreign desk and two were as assistant to Alden in the real estate section.

Oser does not plan to make any changes in the section. "We are oriented toward a general readership," he said. "This is true of this section and of *The Times* in general."

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CIRCLE 15 ON READER SERVICE CARD

The lemon house replaces the lemon auto as Nader's target for the '70s

"I can assure you that the housing issue in the seventies will be what the auto issue was in the sixties. No question about it."

That's what Ralph Nader, the most effective consumer lobbyist of all time, told a housing industry conference last month. He chose a national conference of plumbing, heating and cooling executives to warn that he and his consumer movement have the homebuilding industry in their sights.

Nader said he was already receiving letters from buyers describing their new houses as lemons.

"Watch our for that word," he cautioned. "It means they're thinking of it [the house] in terms of a consumer product."

Nader told the executives—who had unwarily been expecting one of his gentler raiders to speak—that one of his objectives is to give consumers a decisive role in writing building codes and standards, and another is providing buyers with 10- to 20-year warranties.

UPI PHOTOS

CONSUMER ADVOCATES' NADER
A warning to homebuilders . . .

. . . AND VIRGINIA KNAUER
. . . and a reminder to NAHB

Complaint center. A third objective, Nader said, is creation of a housing complaint clearinghouse to which consumers can write. From the complaints, he said, consumer representatives could decide where to move against builders or government officials responsible for the shortcomings of the housing.

Nader's proposal for a center for complaints was first advanced by Virginia Knauer, President Nixon's consumer advisor, in a March speech to the Northeast Builders Conference at Mount Pocono, Pa. President Stanley Waranch of NAHB talked favorably about the idea with Mrs. Knauer at the time, and NAHB officials have been debating how to proceed—perhaps through an expansion of the association's Registered Builder Program, a self-policing effort by local builder committees. Mrs. Knauer has said the program sounds "excellent," but it is in use in less than 50 cities.

At Mr. Knauer's office an aide suggested that the home builders would have a reasonable time to come up with a complaint mechanism but that if it's not forthcoming, "they can expect to hear from us."

Criticism of FHA. In citing the need for a complaint agency, Nader warned that "most have given up on the FHA." He predicted that a major consumer movement would soon develop out of the new concern for housing quality, safety and the performance of the housing industry.

"Needless to say," he said in his speech, "it's long overdue."

In some countries, Nader said, "the equivalent of a George Romney would have resigned in disgrace" as a result of the revelations of housing scandals that have involved our Federal Housing Administration officials *(story, p. 9)*. The FHA, he added, is probably facing its greatest crisis in its history."

—D. L.

And a Nader-style buyers' protest embroils a Levitt project in Maryland

The housing consumer movement forecast by Ralph Nader in the story above may already be at hand.

So many buyers of Levitt houses in Bowie, Md., complained about defects that a city council committee held a four-month inquiry. It has just recommended that ITT Levitt & Sons Inc. raise the workmanship standards for subcontractors, and it has asked Prince George's County for more building inspectors to protect homeowners.

Levitt built Bowie from a village of 1,500 to a bedroom city of 38,000 in the 1960s, and complaints of shoddy workmanship were seldom heard. They began a year ago in the company's Amber Village development and reached their present crescendo in Arcadia, in Bowie's Lake Village section.

Why the surge of protest?

Naderism? Levitt's director of community relations in Bowie, Donald Westcott, told the *Washington Post* that the Nader mystique was probably responsible.

When he bought his own Levitt house in the 1960s, said Westcott, owners had the same problems with new homes that they have today—but the buyers had not yet learned to complain.

The investigating committee in Bowie found that half of the owners in Arcadia had problems tracing from faulty workmanship — unpainted surfaces, cracked walls or chipped cabinets.

Builder's troubles. Westcott said Levitt's subcontractors would eventually repair most defects in Arcadia and that the company was exerting pressure on them to do a better finishing job on their houses.

"Our weakness is the finish," he conceded, adding that the defects with a house's cosmetic effects often take months to correct.

Westcott also said a problem arose in pulling a subcontractor's men off new houses to return to do fix-up work on completed units.

Balance sheet. The county's chief building inspector, James R. Novak, said Levitt houses in Bowie satisfied minimum standards, and that buyers must expect many minor defects in mass-produced homes.

Many owner complaints concern aesthetics, he said, and are not covered by the building code.

But Novak said Levitt's finishing work was "generally terrible—trim, carpentry, the minor features that go to make a home a first-quality product are disappointing in a Levitt home."

(For more news of Levitt, see article on page 26.)

Levitt loses another new town ruling

A Virginia circuit court has just upheld Loudoun County's ban on the $112-million new town that ITT Levitt & Sons Inc. had proposed to build in the Washington exurbs.

The ruling by Judge Carleton Penn, sitting in Leesburg,* will be appealed to the Virginia Supreme Court by Levitt's attorneys. The case is expected to be heard next fall.

Levitt's proposal to build the community for 13,000 residents on 1,270 acres near Leesburg, 38 miles from Washington, was voted down by the county board of supervisors, 4 to 2, even though the project had been significantly changed during consultations with county authorities and admittedly conformed to the county's comprehensive plan (NEWS, Apr. '71). So Levitt took the case into court.

Levitt officials said at the trial that "the plan we finally came up with was as much the work of [the county's] planning staff as it was Levitt's."

But Judge Penn ruled that the supervisors were within their rights in rejecting Levitt's rezoning application even though it conformed to the county's master plan.

Lytton H. Gibson, Levitt's attorney, says the decision "flies right in the face of existing law—it's new law." He also contends that the ruling is already influencing the town fathers in other Washington suburbs to take a firmer stand against new housing developments.

*Law no. 3839.

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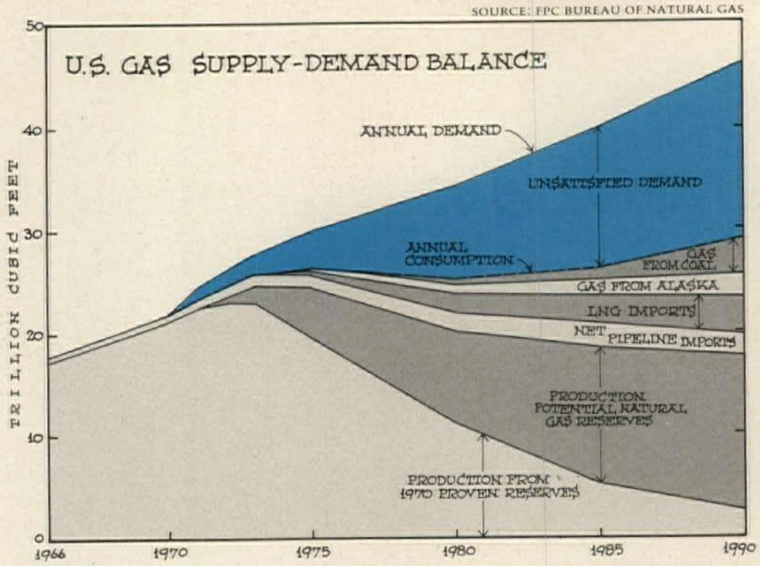
SOURCE: FPC BUREAU OF NATURAL GAS



Gas used to be something you could take for granted. Chances are a representative from the gas company was paying you regular visits, suggesting new appliances. Maybe he still comes to see you.

But what about tomorrow? For homebuilders in many areas are now finding that gas is here today, gone tomorrow—and often without warning.

It happened to Barry Rosengarten of Metuchen, N.J.:

"We've all read warnings to conserve natural resources, but of course they have no effect if there's a sales team giving you barbecues and incentive trips. That's how it was until Aug. 15, 1971. Then they came and said, 'We cannot supply any additional gas service even if there are mains on the street.'"

And it happened to Anthony Diegidio of Wilmington, Del.:

"When I signed my right-of-way agreement they could have said: 'There may not be any gas, so maybe you'd better make some arrangements just in case.' They kept right on going like nothing was happening."

Cutbacks. Gas service is already being curtailed in 26 states. Often only the large industrial customers are affected, but the shortage is intensifying. Homebuilders will be next.

The most severe cutbacks have come in Delaware, Illinois, Indiana, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Virginia, West Virginia, Wisconsin and the Washington, D.C. area.

Within these states, however, the problem varies from place to place depending on how provident the individual utilities (or the pipeline companies that supply them) were about contracting for future supplies.

Thus, one community may have plenty of gas while its neighbor, served by less far-sighted systems, may have none. At this point the producers have no extra gas to add to anyone's allotment.

Why? The answer is complicated.

In part the gas scarcity is one facet of an energy shortage that has been developing as demand has soared. Between 1945 and 1970 the country's energy consumption more than doubled—from 31,541 trillion to 68,757 trillion BTUS. Natural gas consumption rose even more, from 3,973 trillion to 22,353 trillion BTUS.

Everyone expected that by now we would be well into the atomic era, but development and environmental problems have intervened. Today oil supplies 43% of our energy requirements, gas 33%, coal 20% and nuclear power less than 0.5%.

Fewer wells. Under the best of conditions it would have been hard for the industry to keep up. But it is not even trying.

Each year for the past decade the number of new gas wells drilled has declined, from 7,320 in 1960 to 5,069 in 1970.

There are many reasons. Among them: Producers claim that the Federal Power Commission (FPC) is holding the gas price too low; environmental concerns have halted offshore Louisiana lease sales; some producers pay so much for their leases that they cannot afford to drill; conditions abroad are so attractive that 200 drilling rigs left the country in the last ten years.

And to complicate the picture regulated gas—by far the most efficient fuel—is a bargain compared to unregulated coal and oil, particularly as the prices of those grades of coal and oil that are low enough in sulphur to comply with local pollution ordinances have spiraled in recent years.

No competition. The price differential is more significant because of the lack of competition in the energy field as a whole. The 25 leading oil companies are also the 25 leading gas companies, which is to be expected. But 11 of these companies also control 25% of the nation's coal production.

So there's no real incentive to put money into developing cheap gas when the rewards are so much greater if consumers switch to oil or electricity, much of which is still generated from coal.

Industry's stand. The gas industry is made up of four different segments: producers, pipelines, distributors and equipment manufacturers. Each has different interests, but at the moment all agree that the shortage can be eased by raising the artificially low prices set by the FPC that have discouraged the producers from investing in the search for new gas.

Indeed, prices on the intrastate market, which is not under FPC control, are often higher than on the interstate market, and there is no shortage of gas.

A hoax? At this point it is impossible to pinpoint the real reason for the shortage—or even to know if it is authentic.

Ralph McElvenny, president of Michigan Consolidated Gas Co., told the American Gas Assn. (AGA) convention last October:

"Less than five years ago, when our system was attempting to construct a new pipeline to import Canadian gas into the United States . . . other interests opposed the project on the ground that U.S. gas supplies were more than adequate and that introduction of Canadian gas would adversely affect the competitive position of the domestic gas and coal industry."

McElvenny was referring to Northern Natural Gas, a pipeline company, and some independent Oklahoma and Texas producers, all of whom had intervened.

With industry sources arguing that there was adequate gas as recently as five years ago, it is no wonder that Charles Wheatley Jr., general manager of the American Public Gas Assn., a group of community-owned distribution systems, suspects the producers created the shortage artificially to force the FPC to grant higher prices. Wheatley told a subcommittee of the House Small Business Committee last July:

"During the period 1966 to 1968 exploratory drilling footage increased, whereas developmental drilling footage decreased from the prior three-year period. Such evidence provides the clear inference that producers have not declined to explore for gas but have rather declined to bring recoverable reserves to market."

Reserve dispute. Surprisingly, the FPC can't settle the debate, for it is completely dependent on the reserve estimates of the industry it seeks to regulate. After much criticism it finally launched a massive National Gas Survey to measure reserves. This study will not be finished until December.

The FPC still seems determined to accept the producers' argument that higher prices will ease the shortage. Last month it indicated it would let natural gas producers raise prices on new supplies, and perhaps on existing contracts as well, "to assure a reliable and adequate supply."

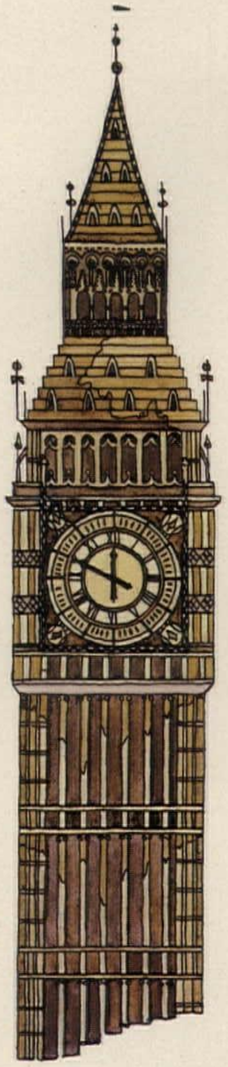
Builders' dilemma. Washington's debate over who's to blame seems academic to the builder who, with plans drawn and prices set for a particular market, suddenly finds he'll have to switch to another fuel.

Generally, he must decide among oil, electricity and propane. With the need for fuel tanks, added insulation, different chimney flues, etc., all cost more than gas initially, and electric and propane systems often cost more to run.

Chicago builder Ned Simon

TO PAGE 24

There's only one. MOEN



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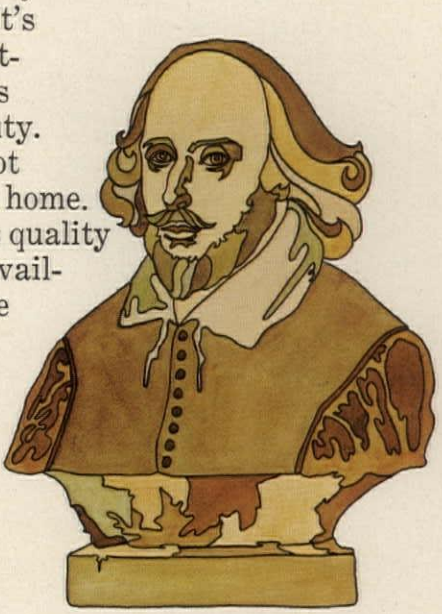

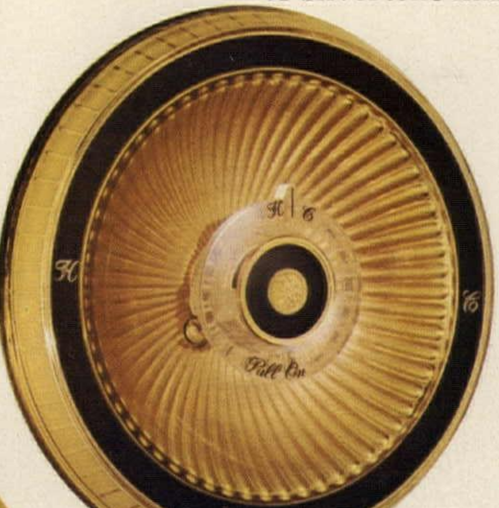

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Buyers from across the country scramble for houses in California slum area

Some 1,600 families, many from as far off as New York and Florida, and a few with incomes of $25,000, have applied to live in an Oakland, Calif. slum.

And while the Oakland Redevelopment Agency is pleased with the success of its Oak Center Project, that success has also given it a real problem: with 1,600 prospective buyers to choose from, the agency has only 125 old houses to offer for sale.

Turrets and filigree. Why are these middle-class people competing to pioneer in a crumbling neighborhood?

First, they are drawn by the houses themselves. The Victorian-style homes, built by sailors at the turn of the century, are still structurally sound, and they are complete with turrets, spiral staircases, hand-carved filigree and hardwood floors.

Desirable derelicts, such as the Victorian-style house at left, are drawing buyers to Oakland slum. At right, a similar house in the same neighborhood after renovation.

Second, the price is attractive. The houses cost from $4,500 to $6,000 with 75% financing available through the Wells Fargo Bank. The Department of Housing and Urban Development stands ready to loan up to $17,000 to restore a single-family home and up to $34,800 to restore a two-family home. Thus, by investing only $1,200 to $1,500 plus some effort, a buyer can take possession of a house worth $21,500 to $41,000.

Some 200 houses have already been restored and the neighborhood is well on the way to being reclaimed. The city and the utility companies are also participating in the renewal by repaving the streets and sidewalks and moving all power lines underground.

More to come. Oak Center has 465 Victorian-style homes, 195 of them already restored. Owners who refuse to rebuild must sell to the redevelopment agency, but such sales do not come anywhere near equaling the number of applicants.

The agency has named a committee to seek a solution. But one thing at least is certain: Oakland is definitely achieving its goal of attracting middle-income families back to the city.

—RON WARTHEN
McGraw-Hill World News,
San Francisco

Gas shortage sneaks up on builders, with scant relief in sight... *continued*

chose electricity for the 50 condominium townhouses he was building on the near north side when the shortage hit. Why not oil?

"We really consider oil as sort of an unacceptable form of heating here," he said. "In this area so many people converted from oil 20 years ago that it really seemed retrogressive to start putting in oil again."

In Wilmington, Del., Alvin Schwartz was building 350 single-family homes when he suddenly found there would be no gas.

Electricity? "There are some good points to electricity, but I can't afford to convince the public," he said.

But Joseph Capano, another Wilmington builder, feels all-electric houses cost too much to operate for his market.

"For an average row house $26 a month on the budget plan for gas and electric would run to about $55 a month for all-electric."

"I'll keep looking more and more into electric," said apartment builder Francis Moynihan of Syracuse, N.Y. "I know there's already a shortage of oil because they're cutting down on asphalt for shingles."

U.S. Home was building 1,100 single-family homes at $40,000 to $50,000 in Marlboro Township, N.J. It had 116 to go when the shortage hit.

"Instead of just switching to another type of heat, we offered a $700 package including oil heat, an electric dryer, 200-amp service, G.E. ovens and an 80-gallon hot water heater," said William Steinfield, marketing director. "Only eight of the 116 buyers took advantage of the opportunity to cancel."

Apartment choices. Apartment builders have two more solutions. In New York, for example, they can still get gas if they install individual furnaces and meters for each apartment. And in some areas they can install a dual oil and gas heating system and subscribe to interruptible gas service. Both are expensive solutions.

Thomas Harkins of Silver Spring, Md., was building 147 garden units designed for gas. Now he's going to oil.

"It will increase the initial cost substantially," he said, "but in a sense it's recoverable. It does cut operating costs."

That is not always true.

"Oil is going to run higher than gas so my buildings are going to cost me more to operate," says Gerald Monter, who builds on Long Island, N.Y. "And unfortunately you reach a point where you can't pass on your increases to the tenant any more."

Low-income. With price increases ranging from $400 to $700 per house for alternate fuels, the low-cost housing field is particularly hard hit.

"In FHA section 235, with a mortgage ceiling, that extra money just isn't there," says Marvin Gilman of Wilmington, Del. "In other cases the FHA says, 'You have to include the most economical fuel,' and we say, 'But it's not available,' and they say, 'That makes no difference.'"

Ironically, there's no correct answer. There are shortages of all forms of energy and, indeed, in many places the electric supply is even more precarious than gas.

Outlook. There are several possible solutions—for the distant future.

There is the fast-breeder nuclear reactor that President Nixon backed in his energy message last June. And NASA has formed a committee to investigate the feasibility of solar energy. The big oil companies, spurred by tax incentives, are prospecting meanwhile for geothermal deposits—underground sources of steam that can be tapped to produce power.

Less distant are the nuclear plants using present technology. There is also the chance that environmental objections will be overcome, and gas will begin to flow from the Arctic.

Closer at hand is synthetic gas made from oil, coal, naphtha, ethane, propane or even garbage.

Liquified Natural Gas (LNG) is already coming in from Libya, Algeria and Venezuela, and a $4-billion deal with Moscow is in the talking stage.

Today. More prosaic are the things that can be done right away. The first is conservation.

President Nixon has already proposed higher standards for insulation of FHA-insured homes. And the AGA has launched a program to educate the consumer to conserve gas.

The New York Public Service Commission has set rates that would penalize larger users of gas. And the FPC has ruled that commercial and residential users should be served before industrial customers. This is now being tested before the Supreme Court.

But these are only stopgap measures. Until some other form of power becomes feasible, there's no real solution to the energy shortage.

—NATALIE GERARDI


WHAT'S NEW AT NORD?
Voyager entry doors. The Calabar, shown above, is one of the seven handsomely carved doors in this new series, inspired by famous world ports. Their designs span the ages—to complement a variety of architectural styles. And the beautifully detailed panels enhance the quality of the clear, vertical grain Douglas Fir. But there's more to the Voyager series than striking designs and quality wood. Nord craftsmanship makes the difference.
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The skilled hands of one of Nord's artisans put the finishing touches on a carved entry door.

Non-divestiture, or how ITT managed to hold onto a big chunk of Levitt—

—and a chunk that accounts for roughly half of Levitt's profit.

The company being retained is ITT Levitt Development Corp., now busy building the new town of Palm Coast along Florida's eastern seaboard.

Testimony at the Senate's inquiry into an ITT antitrust suit settlement revealed this scenario:

Just before ITT was directed to divest itself of its entire ITT Levitt & Sons subsidiary, the Justice Dept. allowed ITT to buy Levitt's development section.

Quick sale. Officials of the Justice Dept. testified that ITT was told last June 17 of the department's proposal to settle an anti-trust action against ITT by directing it to get rid of Levitt & Sons and two other subsidiaries, Avis Rent-a-Car and Grinnell Corp. In return ITT could keep Hartford Fire Insurance Co.

The *Wall Street Journal,* which broke the first story on the Levitt Development deal, quoted a Justice spokesman as saying that Levitt & Sons authorized the sale of Levitt Development to ITT on June 29, less than two weeks after learning of the divestiture plan. The spokesman said the sale was made retroactively effective January 1, but ITT did not get around to changing its new subsidiary's name to ITT Community Development until Sept. 17.

The rules. The divestiture agreement was published July 31, and the consent decree was signed Sept. 24. The agreement and the decree both forbade ITT to take any action "which . . . impairs the viability of the business to be divested" except on consent of the Justice Dept. The agreements also forbade any disposition of any assets of Levitt "other than transactions in the ordinary course of business."

The Justice Dept. has said it saw no reason to mention the sale in the agreement published July 31, because by that time the development company already belonged to ITT.

The earnings. Analysts have estimated the development company's land sales at $50 million a year and its earnings at $8 million. Levitt's '72 fiscal year ended Feb. 1, but its figures are not broken out in ITT's earnings report. Reliable sources close to the Levitt company have estimated its earnings at $15 million on sales of nearly $300 million in fiscal 1971, however, so the development company would thus be contributing about half of Levitt's net by that measure.

Norman Young, a former senior vice president of Levitt & Sons, is president of the development company. He said last summer that Palm Coast should sell out its 100,000 acres and have a population of 750,000 people by 1984.

Centex names Crossen as its chief executive

The board of directors of Centex Corp. has just promoted Frank M. Crossen from president to the previously vacant post of chairman and chief executive officer.

Paul R. Seegers has been promoted to president and chief operating officer from his post as executive vice president.

Centex, an apartment builder and realty developer on a national scale, operates from headquarters in Dallas. It has just announced an agreement with the Alpha Portland Cement Co. of Easton, Pa., to buy a cement plant and 1,250 acres of land in La Salle, Ill.

Centex says it will enter a joint venture with a Chicago group to construct and operate a multimillion-dollar cement plant in the area.

There's one thing Americans still build cheaper than the Japanese . . .

Homes.

And two Japanese companies have teamed with American firms to take advantage of U.S. methods.

Nippon Homes and B.A. Berkus Associates, a subsidiary of Environmental Systems International [ESI] of Los Angeles, are joint venturing on 181 homes which they expect to build in the space of a month.

Recently they staged a vivid demonstration of their system for TV cameras and Japanese construction officials in downtown Tokyo. Three California carpenters framed and sheathed a two-story house in 68.5 man-hours, a savings of 231.5 man-hours over the post-and-beam method still prevalent in Japan.

Pre-cuts. And Mitsui & Co., a world-wide trading company, has joined with West Coast Orient Co. of Portland, Ore., a lumber exporter, to ship precut American-style homes to Japan.

Japanese contractors buy the homes through Mitsui and erect them in their subdivisions, often next to more traditional Japanese homes.

"We hear from our customers that our houses are outselling the traditionally built homes in the same price range in the same subdivision," said Rychen M. Paddack, a Portland homebuilder who heads the project.

Labor vs. materials. "The Japanese have a different approach to homebuilding," he added. "Building materials traditionally have been scarce and expensive while labor has been cheap and plentiful. As a result the emphasis has been on saving materials rather than labor."

Paradoxically, despite the low cost of Japanese labor, the American labor-saving techniques do save money.

"Their labor may be cheap but it takes five times longer," said Steve Siskind, director of architecture at Barry Berkus in Los Angeles. "And in a country where land may cost anywhere from $250,000 to $500,000 an acre, the interest on the land is so significant that the labor differential does not even come close to counteracting the land price."

Speed-up. Paddack estimates that the Japanese build his house in about a quarter the time it takes them to build a similar house conventionally.

And Philip R. Hill, president of ESI Japan, says that his people can do even better than the 68.5 man-hours it took them to build the demonstration house. They were slowed down by differences in Japanese utilities, and they did not do as much pre-cutting as they normally do in commercial operation. Otherwise they could have done the job in 40 man-hours.

ESI plans to train a crew of Japanese foremen in California and also to send a crew of American foremen to Japan to build the 180 houses in around 30 days "from start to finish, including the recreational areas and landscaping."

"By the time we get this program under way we'll have a net savings of perhaps 10% in material and perhaps 20% to 30% in labor," said Siskind.

Prices. A 1,150-sq.-ft. ESI house on a 50'x60' plot will cost between $50,000 and $55,000, about double what it would in the U.S., because of Japan's high land prices.

Mitsui-West Coast Orient offers 14 models in its "American home" series plus six vacation houses. Some compress living room, dining room, kitchen, utility space, bathroom and bedrooms into 700 sq. ft. Prices, not including land, run from $13,500 to $25,000. The company is shipping about a dozen units a week.

—Jiro Wakabayashi
McGraw-Hill World News, Tokyo

—Ray Bloomberg
McGraw-Hill World News, Seattle

Ecologists' curbs halt or threaten homebuilding in a dozen Florida areas

PHOTOS: RALPH PABST, MIAMI HERALD

A new environment comes to Key Biscayne as builders *(right)* force way into foliage to erect a high-rise condominium similar to towers in background. Such developers were the target of angry Miami voters in March elections *(story below)*.

Government and the homebuilding industry are fighting a battle in Florida that could shape the course of this state's growth and have an impact on environmental decisions in other parts of the nation.

With unprecedented emphasis local and state agencies are assuming the authority to decide what development might be harmful to the public interest—and they are stepping in to stop that development.

Their principal tool is the building moratorium in a variety of forms. In a dozen communities from north Florida to the Keys, officials have halted—or proposed to halt—construction for limited periods or have applied restrictive zoning.

Statewide plan. Now an even more ominous threat has arisen, in the developers' view.

The legislature has passed the Land Management Act of 1972, which will allow Florida officials to regulate or prevent development anywhere in the state. The legislature meeting next spring must set the law's effective date, but the delay in its application is not expected to exceed one year.

The new law imposes only one major restraint on regulators. Their controls cannot cover more than 3% of the state, or about a million acres, at any time. The restriction is scant comfort for builders.

Builders' fears. The state HBA points out that most building is done in urban areas, and it expects these areas to be the main target of the law's application—an assumption that may or may not be valid. If a million urban acres go under control at once, the association estimates, then 95% of all building in Florida could halt. Residential construction permits ran to $2.5 billion for the state in 1971.

Nobody, however, seems to be able to estimate precisely how many units or how much money would be affected, probably because no one knows how much acreage would actually come under control.

Sewer cleanup. The State Pollution Control Board has, meanwhile, adopted an understanding that could produce a building moratorium along virtually all of south Florida's Atlantic coast for at least four months. The action was aimed primarily at Palm Beach, Broward, Dade and Monroe Counties—areas served by nine municipal outfalls that carry sewage into the Atlantic. A new state law prohibits discharge of sewage through an outfall without removal of 90% of the solid material and pollution-causing elements. Almost none of the outfalls will be able to operate under law, so the nine cities will have to come in for variances.

The price of the variances, says board chairman David Levin, probably will be a commitment to add no more sewage to the outfalls until the outfalls meet state standards, which would take months and perhaps years.

"I think our intent," says Levin, "is to hold back development now. . . . This may be the answer eventually to our problems."

Dredging curb. The pollution board also extended a dredge-and-fill moratorium to include all of the Florida Keys (Monroe County) except Key West. The board previously had halted new dredge permits for the upper Keys while a study was made of the coral reefs that were dying.

The board also forbade any new septic tanks in the Keys.

The two actions effectively stop new construction—but not existing construction—until Monroe County comes up with plans for water quality control and sewage treatment facilities, which will not be until June or July.

Zoning freeze. The state is not alone in thrusting itself between developers and the land. Local governments have moved into the fray with a flurry of referenda and ordinances.

Palm Beach County, which is developing into the northern end of the Miami Gold Coast, imposed a year's freeze on rezoning in unincorporated areas to gain time to complete a land-use plan. Four towns in the northern part of the county—Lake Park, North Palm Beach, Juno Beach and Tequesta—have enacted similar moratoria. Three others—Lake Worth, Delray Beach and Boca Raton—are considering them.

Miami restraints. On March 14 Dade County's voters overwhelmingly passed a building moratorium ordinance allowing the county commission to declare a halt in certain areas while environmental studies are made. No halts have been called, but Key Biscayne probably will be affected soon.

Miami Beach suspended construction for eight months last year while a new zoning ordinance was prepared. That ban reduced permit totals from $35 million in 1970 to $31 million in 1971. The only other Dade municipality to ban building was North Bay Village, which did so in 1969 while a land-use plan was developed.

Density ruling. North of Dade, in Broward County, the city of Hallandale has set a density limit of 25 units an acre. The result: The developers of Three Islands, an apartment project for 25,000 persons, have offered the entire 371-acre complex up for sale.

The local moratoria, mostly for small areas last year, do not appear to have had much effect around the state as a whole. The $2.5 billion in residential permits for 1971 was up 33% over the $1.9 billion in 1970. The three places most heavily affected were the Gold Coast counties of Dade, Broward and Palm Beach. Builders estimate that projects worth $100 million will be held up in Palm Beach County.

'Mass hysteria?' The Miami builder Bernard Janis, who is chairman of the environmental council of the Florida HBA, sums up:

"As we review the mistakes of the past, we see that government does have to get involved in regulation. But the government must be reasonable.

"People do need housing. If we're going to provide housing, we've got to be permitted to build at a reasonable price. Government must separate the mass hysteria that has been created by the ecologists and environmentalists, so that it can ferret out what is truly detrimental and what is good planning."

The fight to come. The proponents of moratoria counter that they are not no-growth advocates. Instead, they say, they want to force responsible growth. They do not go as far as the Senate president, Jerry Thomas, who said that Florida could no longer afford the boast that it was the fastest growing state in the union.

The conflict will not be limited to urban areas. The recent development of Disney World in central Florida, and the growth that surrounded it, have convinced government officials that, while they may try to save what is left of urban areas, they must also look out for the grove country in north Florida, the vital water system around Lake Okeechobee in the south Florida muckland, the undeveloped Keys and other portions of the Sunshine State where development has not approached.

"We need a whole new land use ethic," says Harvey Ruvin, who led the campaign for the moratorium ordinance in Dade.

"We need an ethic that says we own the land only as custodians of future generations."

—HUNTER GEORGE
McGraw-Hill World News,
Miami

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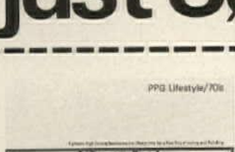

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9 The glass A-frame. Glass walls of an A-frame fourplex unit wrap around an enclosed courtyard to provide indoor-outdoor living with complete privacy.

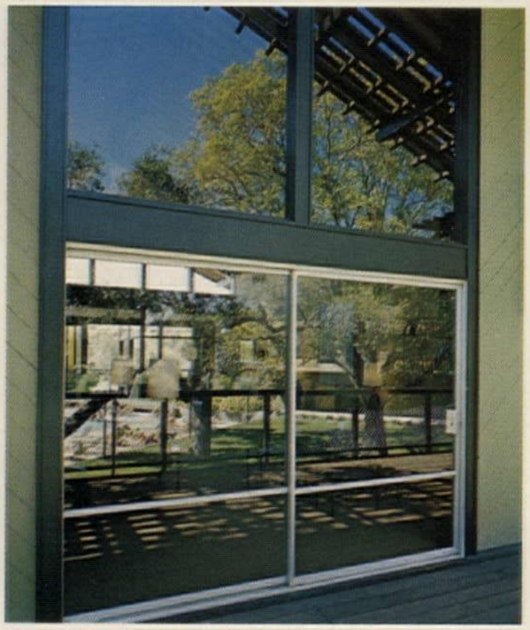
2 **The front-door merchandiser.** A totally glass enclosed vestibule and waiting room in an apartment building are unique design details that can be a successful front-door merchandiser.

3 **The year-round pool.** A retractable glass wall creates an indoor-outdoor pool; makes year-round bathing possible.

7 **The spacious owner's suite.** A full structural mirror wall in this townhouse bedroom doubles the spaciousness.

8 **The sunlit townhouse.** This entire two-story townhouse plan is designed around a glass-enclosed atrium-type courtyard. ▶

10 **The dramatic stairwell.** A private court turns inward to brighten this entry and stairwell, as well as inside rooms.



11 **The effective environment.** Glass walls overlook a private patio and pool. An effective technique for merchandising the environment.

KEY TO PHOTOS: **1, 8:** Coronado Cays, San Diego, Calif. Developers: Cedric Sanders Corp. and Signal Properties, Inc. **2, 6, 11:** Oak Creek, San Francisco, Calif. Developer: Gerson Bakar & Assoc. **3:** Sixty-01, Seattle, Wash. Developer: W-O Associates. **4, 5:** The Meadows, Los Angeles, Calif. Developer: Ring Brothers Corp. (a subsidiary of Monogram Industries, Inc.) **7:** The Bluffs, Newport Beach, Calif. Developer: George M. Holstein & Sons. **9:** L'Atriums, Dallas, Texas. Developer: Devane Clarke & Assoc. **10:** University Park/Village Three, Los Angeles, Calif. Developer: Stanley C. Swartz Co.

PPG: a Concern for the Future

PPG
INDUSTRIES

In Georgia it's now a misdemeanor to give a land sales pitch by telephone

It's also a felony, punishable by a year in jail, a $5,000 fine, or both, to authorize publication of a false statement about a land offering—or even to know that such a statement is being circulated.

These are two major provisions of Georgia's new Land Sales Act, which applies to subdivisions of 150 or more undeveloped lots located in counties that lack strong planning and zoning laws of their own.

In addition the new law:

- Requires that subdivisions be registered with the secretary of state and that the developer post financial guaranties to cover the cost of promised amenities.
- Licenses sales personnel.
- Lets a purchaser rescind his contract if the developer fails to comply with the public property report.
- Eliminates the contract for deed procedure under which buyers got deeds only on final payment and were left without equity in the property if they defaulted at any point.

Abuses. Hundreds of persons have already fallen victim of the abuses at which the law is aimed, says sponsor Elliot Levitas of the Georgia House of Representatives.

Levitas explained that developers often rely on revenue from lot sales to build the clubhouses, lakes, sewage systems and other amenities that they promise. But developers who reneged on their promises often went scot free. Buyers could seldom win lawsuits because of a technicality: It was necessary to prove fraud, legally defined as misrepresentation of an existing fact. What the developer had misrepresented was not an existing fact but a future condition.

The victims. Win or lose, lawsuits cannot make up for the suffering of buyers already victimized. A class action was filed against one developer, Four Seasons of Georgia, and in addition HUD served a show-cause order. The company finally signed a consent agreement to stop advertising, promoting or selling property—and promptly went into receivership.

But three houses had already been built on the 411 lots sold over a three-year period. Two houses stand empty and will probably remain so, for they have no water supply.

Dream house built by Ned North in Georgia's Four Seasons turned into a bad dream when he couldn't get a water tie-in. The house has stood empty since November 1970.

The third house is owned by a disabled war veteran who sold his previous home in order to build at Four Seasons. Too late he discovered that the soil was unsuitable for septic tanks, although the developer's brochure had claimed it was. So now, in addition to the isolation the Four Seasons fiasco has imposed on him, the veteran is paying $20 a week to have his sewage pumped out.

Building delay. Another buyer, the retired owner of a mom-and-pop grocery, invested his life's savings of $30,000 in three Four Seasons lots in February 1971. He was told he could begin building by May of that year, but the county refuses to issue a building permit until there is a water supply and sewage system. That probably won't be built until the courts settle the cases pending against Four Seasons.

Until recently the grocer was liable for taxes based on the full amount he had paid for lots. The tax assessment board has now provided some relief by cutting the tax base to 30% of the purchase price.

Litigation. The legal mills grind slowly. John Ramsaur, the attorney who filed the class action, is himself a Four Seasons property owner.

"I'm amending the suit to get all our money back, because I don't feel the development is ever going to get off the ground," he said.

The defendants, Four Seasons of Tennessee, Four Seasons Acceptance Division, Economy Finance Corp., and Economy Finance Corp. No. 2, are also being asked to show cause why the buyers should continue their payments for the lots. The buyers want the court to appoint a receiver, to whom they can make payments pending a determination of rights to the money, and they want the defendants enjoined from foreclosing.

Treasure Lake. The Four Seasons debacle focused public attention on land-sale abuses in Georgia, and the U.S. District Attorney's office and the U.S. Postal Service began investigations.

The District Attorney's office has received complaints about Treasure Lake, a Great Northern Development Co. community 45 miles west of Atlanta, which has sold $10 million in land. Most complaints allege high-pressure selling and failure to supply projected amenities.

One prospective customer described the sales tactics as tantamount to psychological warfare and detailed this scenario:

On the way to the site the salesman called the office frequently on a two-way radio to get reports on the last five lots sold. The reply always listed different lots, giving the impression that they were selling like hotcakes. Later, the prospective customer showed interest in a particular lot, and the salesman called for a price. The office replied that the particular lot had just been pulled off the market for the price to be raised.

The sellers did everything, said the prospective buyer, to create the impression that he had to buy fast or else he'd be sorry later.

Unfinished amenities. Property owners have also complained that the promised amenities have not been built.

"Treasure Lake's Saddle Club is almost finished . . ." a recent ad proclaims, adding, "and in a few weeks, our campsite, one of the area's finest, will open."

But most of the project's amenities, including two lakes, beaches, a marina and water and sewage systems, are listed by the ad as "under construction or planned to start soon."

The District Attorney's office is trying to determine whether fraud is involved.

The regional HUD office has also received complaints about a third Georgia development, Turtle Cove, on Jackson Lake south of Atlanta. Again, most complaints concern the lack of amenities.

Brighter spots. All is not gloom, however. Two major developments, Bent Tree, a subsidiary of the Liberty Corp., a Greenville, S.C. life insurance company, and Walnut Mountain, a Recreation Unlimited development, seem to have a clean slate in the various government offices.

Don Hare, vice president and general manager of Bent Tree, feels that most of the requirements of the new law are well past due. "The industry has got to go this way," he says. "I think these will separate the fly-by-nighter from those who are serious in producing what they promise to the property owner."

Only one area—the penalty for misrepresentation—appears too stiff, says Hare.

But William Fulton, the developer of Walnut Mountain, the only Georgia resort development in which all the amenities were financed by a major bank before sales, feels that some of the requirements of the new law are going to increase land prices.

"Bringing salesmen under the Georgia Real Estate Commission is all that is needed to stop misrepresentation," he says.

—LYNN RIDELHUBER
McGraw-Hill World News,
Atlanta

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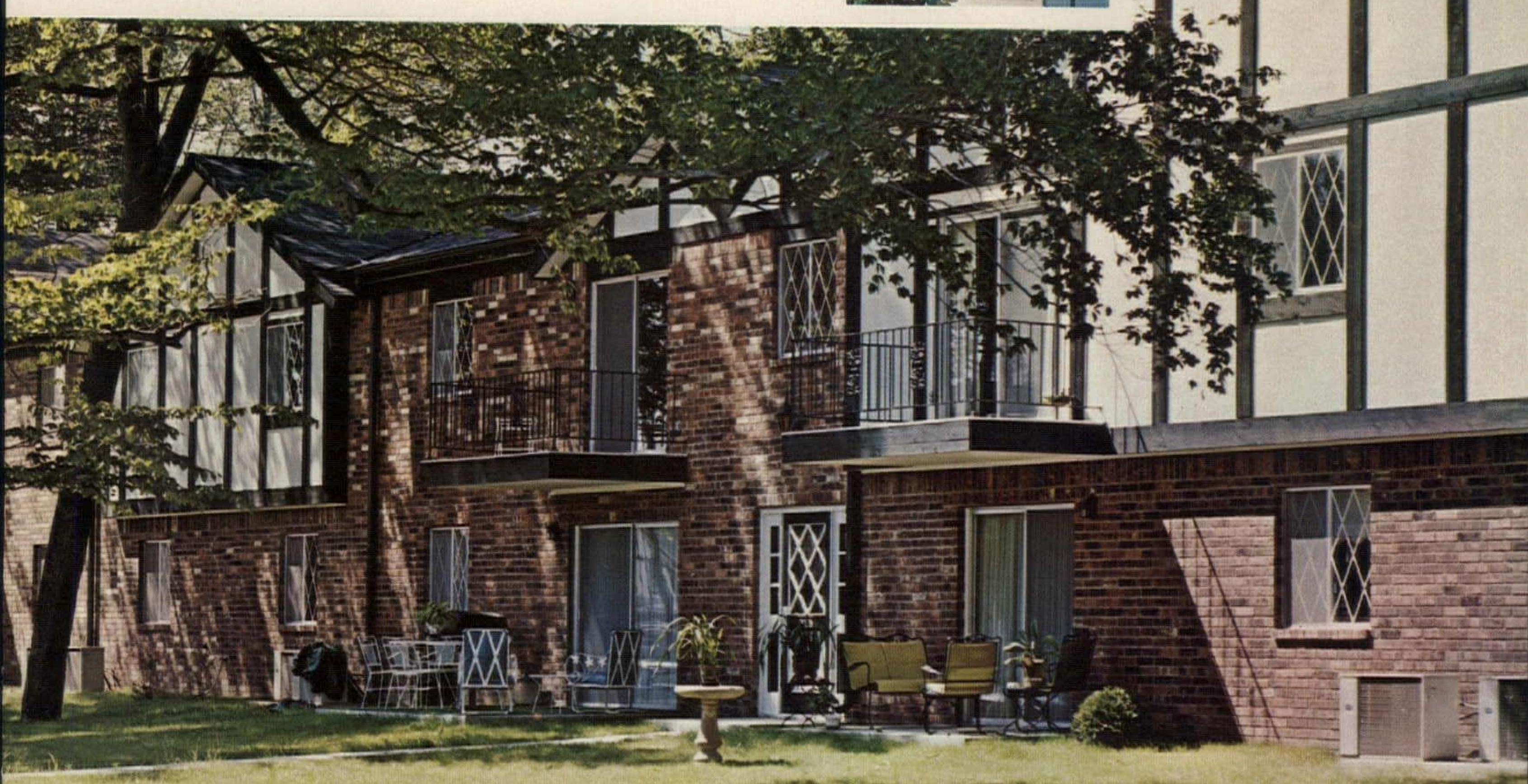

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CIRCLE 33 ON READER SERVICE CARD

San Diego developers to pay $750-a-pupil tax to escape building freeze

The city council had warned the builders that their tracts were overloading schools and roads.

You simply cannot go on building, the city finally indicated, unless you help pay for the schools. Take it or leave it.

The builders took it.

So they will go on building in the Mira Mesa tract that sprawls over the northern rim of San Diego. But they will pay the city $750 for each new pupil their houses generate, and the money will build schools. The builders will also pay for busing students to schools elsewhere.

The council, in turn, has shelved an ordinance that would have halted Mira Mesa construction for two years.

San Diego's school board president, Gene French, calls the builders' agreement "somewhat unprecedented" and adds:

"It will have great reverberations in this city and throughout the nation."

Any number of communities have levied special taxes against builders to finance such facilities, Georgia's De Kalb County among the latest (NEWS, Apr. '71). But builders have usually opposed such assessments from the proposal stage, and they have sometimes upset them in court. The San Diego settlement was believed to be one of the first in which builders agreed to accept such an assessment in order to escape a construction moratorium.

Showdown. The agreement grew out of a dramatic council meeting at which city officials, the school board and the state highway department supported a moratorium.

But 1,500 construction workmen and contractors protested that 3,000 men would lose jobs and that a ripple effect would choke off employment for thousands of others.

"It is the fear of the building industry that this is but a forerunner of other moratoriums," one contractor told the meeting, and the builders offered temporary financing for roads and exhibited vacant houses being used as schools. The builders pleaded for time to work out an agreement.

Compromise. The council postponed the moratorium, but only to allow the school board and the builders to negotiate.

Makeshift school for children in Mira Mesa is vacant house, flying flag, above.

The agreement followed, and the council filed away the moratorium by a vote of 8 to 0. One councilman said, however, that he did not think the agreement went far enough.

San Diego's school superintendent, Tom Goodman, made the announcement that four developers had signed an accord that would bring $300,000 to the school district. They are San Carlos Associates, Hallcraft Homes, Division Highlands Inc. and Pardee Construction.

The Larwin Co. of Los Angeles did not sign, school officials said, but a Larwin representative was reported to have said his company and the school district were nearing agreement. Larwin has already built most of its allotted homes in Mira Mesa.

The payments. Only elementary schools will be constructed with the builders' fees, and the first classrooms will be ready in about a year. The developers will all pay for transporting some secondary-school students to other neighborhoods.

School officials detailed the payment schedule this way:

San Carlos will pay $105,000 in the next year to cover new pupils in its Knollwood Park subdivision. Hallcraft will contribute $56,000 for its Rancho San Carlos development and Division Highlands will add $154,700 for an estimated 221 new pupils in its Valencia Park tract.

Instead of cash, Pardee will provide classrooms and office buildings, and it will post a $300,000 surety bond against default. It will also transport its own high-school students, although the cost can be passed on to home buyers. This busing agreement runs for four years and requires surety bonds of $55,000.

The overload. The San Diego council had readied the moratorium after a community of 10,500 inhabitants had sprung from raw land in two years.

Hundreds of low-cost houses had been crammed into the area north of Miramar Naval Air Station, overcrowding schools and roads, and city officials feared that San Diego was becoming one of the nation's worst examples of urban sprawl.

The community development director, George T. Simpson, said that the permits already issued would allow Mira Mesa to grow to a population of 18,700. He warned that the community would ultimately have 15,446 dwellings and 43,113 persons if developers built to their full projections.

Even Mayor Pete Wilson, author of California's factory housing law and a longtime friend of the homebuilding industry, had pledged an effort to discipline Mira Mesa's explosive growth.

New trouble spot. The Mira Mesa agreement has not ended the city's problems with uncontrolled development. City Manager Kimball Moore has just ordered his staff to investigate the tracts in South San Diego to see if a moratorium is justified.

Several residents have complained to the city council about a lack of schools, libraries, green space and parks. One resident warned that overcrowding could develop the potential for a riot.

The council responded with an order to the manager to investigate.

—DAVE HELLYER
McGraw-Hill World News,
San Diego

Kaufman & Broad's first-quarter net jumps a record 91% over last year

First-quarter results for fiscal 1972 indicate that Kaufman & Broad's net income has leaped 91% beyond earnings for the same period last year. Sales rose 34%.

The company has earned $3.7 million for the quarter ended Feb. 29, 1972 as against $1.9 million for the same period of last year. Some 25% of this amount is attributable to Sun Life Insurance Co., which was added to K&B's financial services group in November 1971.

Predictions. Kaufman & Broad does not expect Sun Life to contribute this high percentage to earnings throughout the year, however. The first quarter is traditionally weak for income from homebuilding.

Eli Broad, the company's chairman, told a group of San Francisco security analysts that the company expects to earn about $17 million for the year ending Nov. 30, 1972.

Best year. The quarterly increase follows a record fiscal 1971 in which the company earned $9.9 million on sales of $227 million, both up 50% from the previous year.

In mid-April the company's stock hit an all-time high of $51. It was first offered in November 1961 at $10.50 and has since split five times.

The company built 14,985 housing units during 1971, including 5,700 on-site homes and 9,285 mobile homes. This is a bit more than 0.5% of the single-family homes built in the United States in 1971.

Kaufman & Broad has 61 housing developments under way in 39 cities in California, Illinois, Michigan, New Jersey, New York, Canada and France. The company's headquarters is in Los Angeles.

How tenant code is shaping up and what it means for apartment operators

Landlord and tenant spokesmen reached an uneasy truce last week after battling over provisions of a proposed landlord-tenant code.

But it may be merely the calm before the storm.

The code is a project of the National Conference of Commissioners on Uniform State Laws. To make sure all interested parties got their licks in, William Schwartz, the chairman of the conference's drafting committee, called together a diverse array of landlord and tenant advocates, ensconced them in a smoke-filled airport hotel room in Chicago, and spent two days listening to them hassle over the second draft of the proposed code. Oddly enough, when it was all over, nearly everyone emerged smiling.

Trouble ahead? The smiles may disappear by August. Views that the commissioners heard attentively may not be written into the code. And, in addition to the input of the advisory committee last week, there will be one or two public hearings, which could throw everything up for grabs.

A hearing scheduled for June in San Francisco is designed to defuse an anticipated August confrontation with the militant Berkeley Tenants Union. Last year, when the code received its first reading at the isolated resort town of Vail, Colo., a busload of the National Tenants Organization's representatives rode in from Denver and disrupted the meeting. And that was mild compared to what the commissioners fear this year if the code doesn't meet the Berkeley union's standards.

Landlord's duties. Even if changes are made, however, the outlines of the code are clear. Essentially, it will lift the landlord-tenant relationship out of the realm of property law where it has languished since the middle ages, and make it subject to the rules of contracts.

In doing this, the code proposal throws out most of the fine print in standard leases. For the first time, it establishes non-waivable obligations for the landlord to maintain all electrical, plumbing, sanitary, heating, ventilating and air-conditioning facilities in good condition and operating order.

Code's promoters confer at Chicago drafting session. From left: Julian Pierce, executive director, National Conference of Commissioners on Uniform State Laws, and William Schwartz and Prof. Julian Levi of the conference's code drafting committee.

If the landlord neglects the bargain, the tenant can deduct a portion of rent. He can use some of the rent to make minor repairs. He can also deduct the rent for any period he is without heat, water or hot water, and he can sue the landlord for additional damages.

The code stops short of permitting the tenant to withhold all rent, but the final draft undoubtedly will include a provision for depositing rent in escrow with a court if a landlord isn't complying with the law.

Eviction. The tenant advocates at the Chicago meeting argued for stronger remedies. At the least, they said, if the landlord tries to evict for nonpayment of rent, the tenant should be allowed to apply a counter-claim, charging that he was justified in withholding the rent because of the landlord's non-compliance.

The code doesn't go that far. If a tenant fails to pay his rent, the landlord may evict. But a rent-paying tenant who has complained to a governmental agency about a code violation cannot be evicted for six months after his complaint.

Disputed deposits. Security deposit was widely debated at the Chicago face-off. Thomas C. May, representing the National Association of Homebuilders, described the outcome as the code's most onerous provision. As written now, the code requires that security deposits be used exclusively to secure rent. No deduction for damages to the premises would be allowed. The landlord would have to go to court to win damages from the tenant.

Schwartz indicated that the present draft may be too strong. But the draftsman, Julian Levi, a University of Chicago urbanologist, stressed the widespread abuse of security deposits as a justification for the stringent provisions.

Although the tenant advocates present—Florence Roisman of Catholic University, Anthony Henry of the National Tenants Organization and Allan Heskin of the University of California, among others—represent the poor tenant, Levi emphasized that this is not a "slum tenancy act." Its major impact will be on middle class properties, where such luxuries as the air conditioning or the elevators don't work properly. That may be exactly what the landlord spokesmen are worried about.

—JANE SHAW
McGraw-Hill World News, Chicago

Hoap dies for this subsidy scheme

A public coup de grace to the ill-fated Housing Opportunity Allowance Program (HOAP) of the Federal Home Loan Bank Board was administered in mid-March by a federal district court in Washington.

Judge William B. Bryant agreed with the complaint of two Washington-area housing groups that the HLBB had operated the program exclusively for middle-income families. The court found that, contrary to the enabling legislation Congress passed in 1970, the HLBB had no comparable program for low-income families.

The HOAP program had been effectively shut off at the end of last year, when the Office of Management and Budget told the board to drop the operation. No funds were requested for the program in the January budget and of the $62.5 million appropriated for subsidies for fiscal 1972, about $47 million is going unspent.

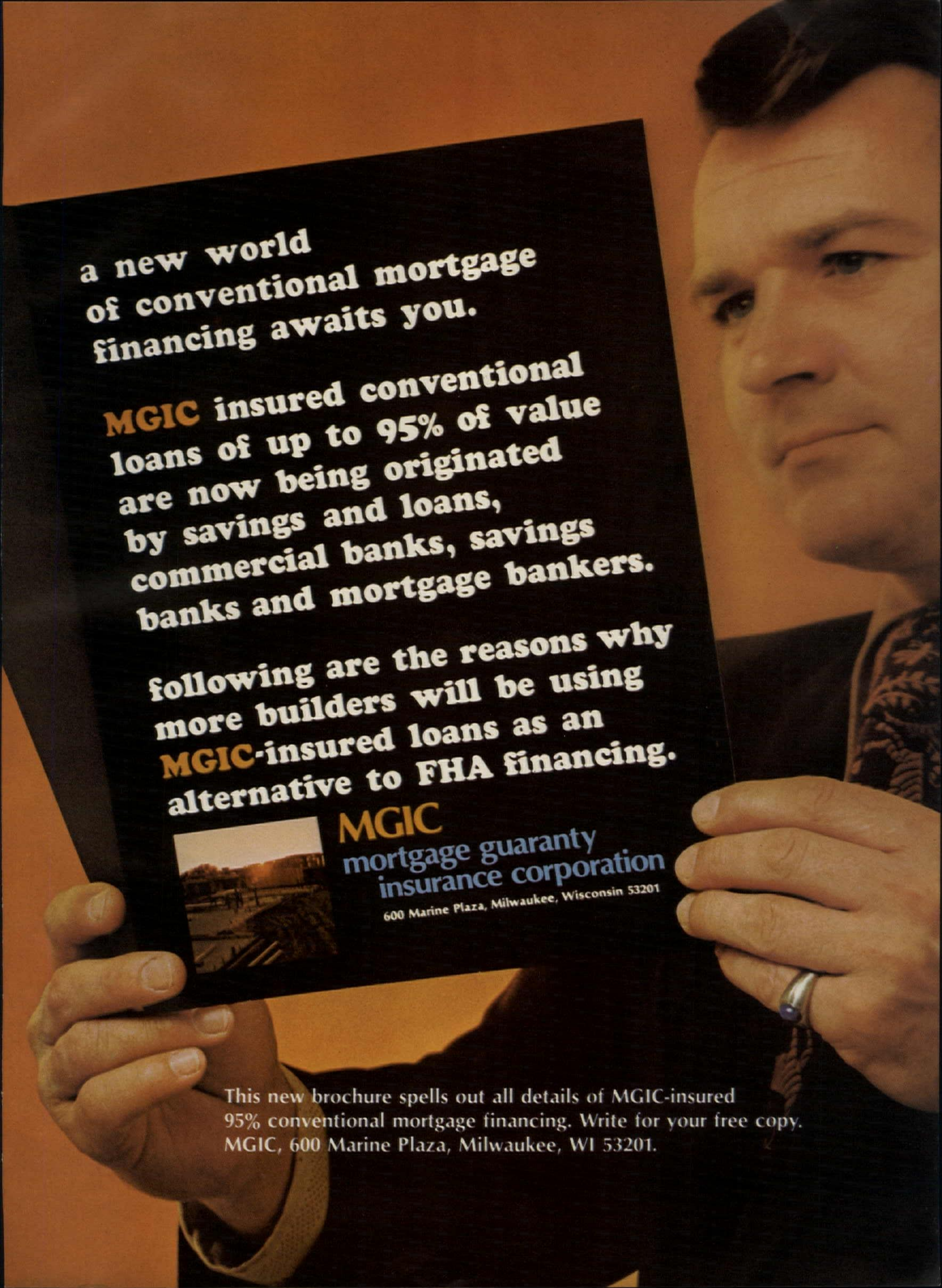
Only about 6,000 home owners benefited and few savings and loan associations that took part in the program. The subsidy paid $20 a month for five years on homes mortgaged at 7½% interest. The program will cost the Treasury about $7.2 million.

—D.L.

Quotation of the month

It is time we stopped avoiding the responsible task of effecting reform of the taxes that are driving businesses out of the inner cities, families off the farm and retired pensioners from their homes . . . A people who keep the concept of fairness and ability to pay before them can surely devise a better system of financing local government than a form that was conceived in the days of the horse and buggy. Legislators and Congress had best start listening to the protests of property taxpayers or they are going to witness a 20th century Boston Tea Party.

Bruce Thomas
President, CMI Investment Corp., Madison, Wis.
March 7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National Homes to be (Jim) Price-less as chief takes six months off to rest

The word in the National Homes offices in Lafayette is that the chief executive is going to take it easy for a while.

The company even issued an official statement saying that "for reasons of his health" Jim Price "had requested and been granted a six-month leave of absence." He would continue as chairman of the board, the announcement stated, but brother George would take over as chief executive.

NATIONAL'S PRICE
Resting at top speed

'Burned out.' "The doctor told him he needed to take a rest," said son David. "He was working 20 hours a day for about nine months of the year without any days off, and he just physically burned himself out."

That seems to be the official word around the company. The only trouble is that Jim Price's schedule contradicts it.

Flying tours. Price's schedule for a six-week period starting shortly after the announcement, from mid-April to the end of May, isn't much of a rest-cure. His itinerary calls for:

• Flights to other parts of Indiana, California, Phoenix, Dallas, Chicago and back to Lafayette, all in three days.

• Another trip to Chicago and one to Washington to round out the week.

• A month's tour of Greece, Finland, the Netherlands, France and England tightly scheduled with visits to European building companies.

Coming back. Everyone insists that Jim Price will be back at National's helm after the six months are up, and that the company made the formal announcement of his leave only out of responsibility to its stockholders.

It could be that Jim Price, at the age of 60, is smart enough to slow down when he has to.

Or it could be that something mysterious is going on in Lafayette—and even in Europe.

New president for savings bankers

The National Association of Mutual Savings Banks has nominated Francis B. Nimick Jr., president and chief executive officer of the $554-million Dollar Savings Bank of Pittsburgh, to be its next president.

The NAMSB membership will approve Nimick's appointment at its convention in Atlanta on May 14-17.

Nimick succeeds Alfred S. Mills, chairman and chief executive officer of The New York Bank for Savings.

John S. Howe, president of The Provident Institution for Savings in the Town of Boston, and Donald L. Thomas, president of the Anchor Savings Bank, New York City, were nominated for vice president and treasurer, respectively.

A graduate of Princeton and Harvard's Graduate School of Business Administration, Nimick joined Dollar Savings Bank in 1952 after 11 years in commercial banking. He became its president in 1959.

Builder Jack Soble dies

Jack M. Soble, a director of U.S. Home Corp. and president of U.S. Home Communities Corp., formerly the Soble Construction Division, died when his company plane crashed into the ocean on takeoff from Atlantic City, N.J., April 16. He was 52.

Soble founded Soble Construction Co. of Pleasantville, N.J., one of the largest builders of government-aided low and moderate-income multifamily homes in New Jersey, Maryland and eastern Pennsylvania. The company merged with U.S. Home in February 1971.

Soble was a life director of NAHB and had recently been named to the National Housing Council.

← CIRCLE 38 ON READER SERVICE CARD

Civil suit charges Alodex with fraud

ALODEX'S CLARKE
Named in suit

Alodex Corp. of Southhaven, Miss., its accountants and its investment banker have been accused of fraud in connection with a 1971 stock offering.

A civil suit was brought by two mutual funds and two major banks against Alodex, the New York Stock Exchange firm of W. E. Hutton & Co., and the accounting firm of Harris, Kerr, Forster & Co. as well as 14 Alodex officers, including its president, Lloyd E. Clarke, a past president of the NAHB, and its chairman and vice chairman, Wallace E. Johnson and Kemmons Wilson, who are also president and chairman, respectively, of Holiday Inns.

The Dreyfus Leverage Fund Inc., Dreyfus Offshore Trust N.V., Marine Midland Bank and the Mellon National Bank and Trust Co. are the plaintiffs.

The suit was filed in Federal Court, New York City.

The complaint alleges that a registration statement covering 800,000 Alodex shares filed with the Securities and Exchange Commission last year contained false statements and omitted "material facts" concerning the company's losses. The four plaintiffs had bought a total of 80,000 shares at \$21.50. The stock has recently been trading at around \$8.00.

Alodex has not yet commented on the action.

For the quarter ended Jan. 31, Alodex had a net income before extraordinary items of \$167,000 on sales of \$6.7 million. A year earlier, the company reported a loss of \$2.6 million on sales of \$5.1 million.

"It couldn't make up its mind . . ." Bill Lyon says of American Standard

"I left American Standard because its management and its whole philosophy of business changed," said Bill Lyon, reviewing his four years with the plumbing and heating giant. "It couldn't make up its mind what it wanted to be in the real estate business."

Lyon resigned from American Standard just weeks after it reorganized its land and shelter operations into A-S Realty Inc., with Lyon as chairman. There have been reports in the industry that American Standard is negotiating to sell A-S Realty's western operations, formerly a part of William Lyon Development Co.

Buy-back failure. Earlier Lyon had tried to buy back the whole William Lyon Development Co., which he had started in 1954 and sold to American Standard for some \$12 million in 1968. The deal fell through, however, when he could not raise the \$44.7 million asking price.

"I wouldn't trade the time I spent with American Standard for anything," said Lyon. "But the other conditions in major corporations and the other things they're doing inevitably reflect in their attitudes toward their building operation.

"The companies that seem to be going in a really big way are the ones that kept their autonomy. Every morning they know what the name of the game is. And they know where their financing is coming from and how large the commitment is."

New venture. Lyon has now formed a new company called WL Builders Corp., with headquarters in Newport, Calif., to build single-family homes, townhouses and fourplexes in the \$20,000 to \$25,000 range. He has bought property from American Standard for his initial projects. —BARBARA LAMB
McGraw-Hill World News, Los Angeles

DIED: Louis Robert Perini, 68, the international builder who bought the Boston Braves through his Perini Corp. in 1946 and moved them to Milwaukee in 1953 in the first franchise shift in modern baseball, after a four-month illness, in West Palm Beach, Fla.

Northwest's biggest builder in bankruptcy court after switch to modulars

Creditors of the McGrath Corp. and the subsidiary McGrath Modular Corp. filed petitions in U.S. District Court in Seattle, Wash., on March 20, asking that the companies be declared bankrupt.

McGrath Corp., with headquarters in Bellevue, Wash., was for several years the largest residential builder in the Pacific Northwest. It is the sole survivor of half a dozen companies that were each putting up 500 or more houses a year during Seattle's boomtime sixties.

An economic tailspin that began when the Boeing Co. cut away two-thirds of its payroll of 100,000 triggered homebuilding's general collapse. But McGrath's switch from traditional to modular construction contributed heavily to its own debacle.

The Boeing payroll has stabilized at about 37,000, but there is scant prospect of any economic upturn for several years.

Up and back down. The Irish-born McGrath brothers, Thomas A. and J. David, turned out thousands of traditional houses at moderate prices in the sixties. Sales peaked at $14.3 million in the fiscal year ended June 30, 1969. The brothers had gone public by then, with Tom as president and Dave as executive vice president. Earnings in that best of years reached $487,000, or $1.40 a share.

But as Seattle's economy softened, sales ebbed to $8.1 million in fiscal 1970, and the company lost $314,000, or 90¢ a share. McGrath's inventory of unsold homes reached $3.6 million.

The inventory has been reduced to 40 homes, including several modular units, at prices from $16,960 to $24,950. The sale of these units and of lots is now the company's only activity in the Seattle area, although housing subsidiaries are operating in Vancouver, B.C., and Alaska.

The company lost $900,000, or $2.50 a share, on sales of $7.2 million in fiscal 1971. A sales increase to $9 million had been forecast for this fiscal year.

Mod failure. When they began losing their market for conventional houses, the McGraths turned to modulars. They leased a 53,000-sq.-ft. assembly plant near Everett, installing $500,000 worth of equipment. Initial capacity was five units a week, with 35 men, to be increased to 20 units with a 210-man crew.

Modulars came on scene when McGrath Corp. lost market for traditional houses. Dave McGrath posed in May 1970 in company's Everett plant, equipped at cost of $500,000.

The corporation won some modular contracts and built a backlog of $4.5 million in orders, but management figures it invested $150,000 in preparing proposals for jobs it didn't get. And the jobs it won failed to turn a profit.

Delivery of 100 units to the Navy in Adak, Alaska, was delayed by a dock strike for a net loss of $300,000. A contract for 182 student housing units for Central Washington College at Ellensburg proved equally costly. The McGraths bid on conventional building methods, tried to change to modular, found that transport costs would eat up the profit, changed back to conventional—and wound up with overtime charges of $285,000.

Outsider in plant. The only project now under way in the Everett plant, which McGrath is trying to sub-lease, is an $801,000 contract to furnish 50 units for Indians in Alaska. The Fred Peterson Construction Co. of Seattle is doing the work for a bonding company that had bonded McGrath for the job.

McGrath is not alone with its modular troubles. Another producer, Northwest Homes of Chehalis, Wash., filed a petition of involuntary bankruptcy in December.

The McGrath inventory of acreage bought to provide building sites for the next three to four years also became burdensome when the economy eased. Last year the brothers worked out an unusual answer, a private placement with a group of investors who would take over the land for subsequent development by the McGraths as a joint venture, but that deal collapsed.

Creditors. The United Pacific Insurance Co. of nearby Tacoma is McGrath's principal creditor, claiming $300,000 for loss payments on surety bonds. Other creditors are the Hugh McNiven Co. for $5,805; Industrial Sealants Supplies, $9,727; Hugh G. Goldsmith & Assoc., $20,912, and Rainier Glass Co., $1,627. All are Seattle concerns.

The McGrath companies are accused of concealing or removing property to "hinder, delay or defraud creditors," and making an asset assignment to the National Association of Credit Management for benefit of favored creditors.

Quotations on the McGrath stock, traded over the counter, were no longer readily available after the creditors' action. From a 1968 peak of 28, it had traded down to 6½ in the week before the creditors filed (NEWS, April). —RAY BLOOMBERG

McGraw-Hill World News, Seattle

Mortgage lenders are now beginning to treat women as people . . . almost

"The working woman or the divorcee or widow with her own financial resources has a far better chance of getting a mortgage today than she would have even two or three years ago," says John P. Farry, president of the United States Savings and Loan League.

There have been no cheers from Women's Liberation, however, probably because Farry's well-intentioned remarks show that the mortgage profession is still not ready to evaluate applications from men and women by the same criteria.

But things are getting better. Until recently, it seems, mortgage lenders regarded women as constitutionally irresponsible.

"Barrier." Now, "as more and more women work and move into positions of greater responsibility, it's becoming obvious their sex is no barrier to handling the obligations of a mortgage," says Farry.

Another barrier still stands, however. It appears that the industry sees all women as pampered creatures who can't handle hammer and lawnmower—or who don't have the sense to hire someone who can. Thus, "the rise of the condominium and the planned unit development has been a major reason why it is now easier for women to get mortgages," according to Farry.

"In the past many lenders have been reluctant to make home loans to women because they doubted the woman's ability to maintain the property. But where the condominium is involved, and all outside maintenance is taken care of, this no longer is a factor. The question now becomes purely one of economics."

Sociology. The question also seems to be one of sociology. Farry lists as other reasons for the trend toward mortgages for women the new birth control methods, changing attitudes toward family size, women's liberation and consumer movements. He also notes the growth of the private mortgage insurance business, which reduces lender's risk, and the creation of secondary markets in conventional mortgages.

But there's still one more catch: "The type of work a woman does will have a bearing on her ability to get a mortgage, especially if she's still of child-bearing age," says Farry.

All of which goes to prove what Farry has already admitted: "It's still not as easy for a woman to get a mortgage as it is for a man."

—N.G.

Is a second home a security? Yes, says SEC, if it's in a rental condominium

Developers of second-home rental condominiums are having to face up to a problem few of them have acknowledged in the past: The Securities and Exchange Commission says that tieing a rental program to a second-home condominium project makes the condominium a security—and thus subject to SEC jurisdiction.

For the developer this involves a series of time-consuming and often costly, requirements. He must:

- Prepare and file a prospectus that meets SEC approval.
- Comply with both securities and real estate requirements of the various states in which he plans to make the offering.
- Sell through a securities broker/dealer or agent as well as a licensed real estate broker or salesman.
- Restrict his advertising to make it palatable to the government.

While the law that covers securities registration has been around a long time, few projects of this type have been registered. In fact research conducted by Keith Romney Associates, Salt Lake City, shows only 21 of an estimated 500 resort condominiums have complied. Research covered the continental United States, Hawaii, Mexico and the Caribbean.

Developers who have spent time and money to register are irked, and they're asking SEC to either change the law or enforce it. If the latter course is followed, developers will have one of several choices:

- They can register.
- They can work toward simplification of the laws.
- They can abandon their rental programs—a move that would put most of them out of the condominium business.

Double-trouble. A further complication on the federal level is that HUD as well as SEC is asserting jurisdiction over these developments.

HUD requires a report and registration in sales of recreational lots, and recently issued an informal legal opinion that a condominium is a lot, even though it is not a subdivision of the land.

Again, virtually no developers of resort condominiums have yet filed with HUD, except perhaps for overall planning of a major project that includes condominiums. But it appears they will be required to.

The seriousness of the problem was demonstrated by the healthy attendance at the first conference/workshop on regulation and registration of second-home rental condominiums in Lincoln City, Ore. Participants included developers, regulators, hotel operators, real estate brokers, lawyers and accountants.

Conference chairman was Peter M. Gunnar, president of Condominiums Northwest Inc. and McMillans Inns Inc., firms which developed and now manage rental condominiums in Oregon.

Gunnar, one of the few developers who has complied with registration requirements, discussed the ever-crucial problem of front money.

Noting that the developer cannot file his registration statements until his job is bid and prices set, he said:

"Then he sits with sales staff hired, model built, interest running, dollars pouring out of his jeans, waiting for the registration process to run its course."

Selling problems. One sticky problem with registering rental condominiums is that SEC holds that the real estate and the rental management contract are inseparable, so units must be sold through a licensed securities broker/dealer or agent. But state real estate commissions say they must be sold by a licensed real estate broker or salesman.

Large developers are in a position to qualify their own salesmen as securities salesmen. Some real estate brokers also are arranging to get securities licenses. But average developers and real estate men at the conference found the problems perplexing and onerous.

Albert Sturtevant (SEC's assistant chief counsel, Division of Trading and Markets) said that the federal securities law requires anyone selling securities to be a broker/dealer or agent. This means passing a securities examination. And for the broker/dealer it means meeting certain minimum financial requirements. He added that there is not presently any statutory authority permitting SEC to issue limited licenses for selling rental condominiums.

It is SEC's viewpoint that when a salesman recommends rental condomiums, he is offering them as an alternative to other forms of investment, and therefore is selling securities.

In fact SEC even claims jurisdiction of resales on projects involving rental agreements, on the ground that once a security, always a security.

But there were questions about whether a broker/dealer would have to be involved if an individual sells his own unit.

Advertising problems. How can a rental condominium developer advertise his project, assuming it's a security? Not much, says James Donovan of SEC's Corporation Finance Office in Washington.

The only advertising SEC allows is the so-called tombstone newspaper ad. But Donovan said SEC is inclined to accept a little more description from developers advertising condominiums than from a company announcing a stock offer.

Jim Cunningham, who is involved in condominium development, hotel management and real estate in the Vail, Colo., ski area, said that rental condominium developers—especially the smaller ones—face the frustrating question of how they can fall within the law and still have a feasible project. Right now, he added, the law is awkward enough so most projects aren't registered with SEC.

In Cunningham's first project, a 30 unit hotel and 12 luxury condominiums, gross sales were just over $500,000 which would not fit SEC's Regulation A (an exemption from full registration which is handled by local offices). Developers can take advantage of this exemption only if their offerings do not exceed $500,000.

"The cost of registering those 12 units would have been somewhere between $40,000 and $80,000, making the project totally unfeasible," he added.

Cunningham says if registration is required, it should be on a reasonable, local basis where the developer and regulator can discuss the proposals face-to-face. And he would like to see a short form registration for small projects.

He told HOUSE & HOME that today's complex registration requirements are a threat to the survival of the rental condominium, which he believes has important social values.

Cunningham's views were echoed by another developer who said he was going to forget about rentals and just sell second-home condominiums.

"Maybe they can get another company to set up a rental program later," he added.

State requirements. The problem of dual registration also exists on the state level. Many states require registration with both securities and real estate commissions. So if the developer wants to reach prospects in several states, it means a load of paperwork.

As an example Gunnar cited the market for his new 140-unit Otter Creek project in Oregon, which, he said, should stretch from Seattle to San Francisco. But this would require registration with eight separate agencies—each with its own particular form of registration.

"As if this volume of paper and legal work were not a sufficient burden, six of these eight agencies operate under fair, just and equitable statutes," he explained.

"What is fair, just and equitable varies from state to state. It is entirely possible that a year could be consumed bouncing back and forth from agency to agency."

Streamlined procedures. Some western state regulators indicated they would welcome uniform procedures, but believe dual filing requirements would remain.

One hope, according to Romney, lies in legislation which the American Hotel & Motel and the American Land Development Associations hope to sponsor.

It would eliminate one federal jurisdiction. The present basic plan, still undergoing study, is an attempt to transfer jurisdiction to HUD, which because of its real estate orientation, is considered preferable—if there must be any federal jurisdiction.

—JENNESS KEENE
McGraw-Hill World News,
San Francisco

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CIRCLE 41 ON READER SERVICE CARD

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CIRCLE 43 ON READER SERVICE CARD

Housing stocks up for fourth month

HOUSE & HOME's index of 25 leading housing stocks climbed to 612.33 from 572.51 in the month ended April 12.

It was the fourth consecutive monthly advance for the list. The issues of mobile home companies and mortgage banking concerns led the way.

The index equates share prices of January 1965 with a base of 100. The stocks on the index are indicated by bullets (•) in the tables below and are overprinted in color.

Here's the trace of the composite index.

Here's how the five companies in each group performed.

	Apr.'71	Mar.'72	Apr.'72
Builders	539	601	609
Land develop.	560	675	687
Mortgage cos.	795	1,057	1,115
Mobile homes	763	1,817	2,033
S&Ls	185	192	211

Company	April 12 Bid/ Close	Chng. Prev. Month
BUILDING		
Alodex	7¾	− 4⅜
AVCO Community Devel.[h]	4¾	+ ⅛
American Urban Corp.	6	....
Behring Corp.[b]	11	+ 3
Bramalea Cons. (Can.)	4⅝	+ ⅜
Building Systems Inc.	24⅛	+ 2⅜
Capital Divers. (Can.)[d]	.60	− .18
Centex Corp.[c]	36	....
Christiana Cos.[b]	7⅜	− 1⅛
Cons. Bldg. (Can.)	2.55	+ .30
Dev. Corp. Amer.[b]	49½	+ 7⅞
Dev. Int. Corp.	6⅜	− 1¼
Edwards Indus.	8¼	− 1½
First Hartford Corp.[b]	4⅞	− ⅞
First Nat. Rlty.[b]	1¾	....
FPA Corp.[b]	12⅝	+ 1⅜
Frouge Corp.	4	+ ¼
•General Builders[b]	5⅜	− 1⅛
Gil Development	1½	− ¼
Hallcraft Homes	23¼	− 1¾
Hoffman Rosner Corp.	10	− 1½
Homewood Corp.	25¾	+ 3
Hunt Building Corp.	16¾	+ 5⅝
•Kaufman & Broad[c]	51	+ 4¼
Key Co.[b]	12⅛	− ¾
Leisure Technology[b]	22⅜	+ 1⅞
Lennar Corp.[ba]	35	+ ⅛
McCarthy Co.[b]	5¾	+ ⅜
McKeon Const.[b]	28⅝	− ⅜
H. Miller & Sons	11½	− 1
National Environment (Sproul Homes)	2⅝	+ ⅛
New America Ind.[a]	20¾	− 2¼

Company	April 12 Bid/ Close	Chng. Prev. Month
Prel. Corp.[b]	24⅞	− ⅜
•Presidential Realty[bd]	12⅜	− ¼
Presley Development[b]	23⅜	− 1⅞
Pulte Home Corp.[b]	14½	+ 2
Robino-Ladd Co.	19⅞	+ 2⅜
Ryan Homes[b]	33⅛	+ 1⅛
Ryland Group	41⅜	+ 1¼
Shapell Industries[c]	30	+ 3
Shelter Corp. of America	25¾	− ⅛
Standard Pacific[b]	5¾	− ⅞
3-H Building Corp.	10¾	− 1¾
Universal House & Devel.[b]	3⅛	....
U.S. Financial[c]	41	+ 2⅝
U.S. Home Corp.[c]	36	+ 2¼
•Jim Walter[c]	34¼	− 1¾
Washington Homes	22¾	+ 2¼
•Del E. Webb[c]	9⅛	− 1½
Western Orbis[b]	3⅜	− ¾
Westchester Corp.[a]	27	+ ⅜
SAVINGS & LOAN ASSNS.		
American Fin.	33½	− 3⅛
Calif. Fin.[c]	9¼	+ ⅞
Empire Fin.[b]	16	+ 2
•Far West Fin.[c]	12½	+ ⅜
Fin. Corp. of Santa Barb.[b]	28	+ 1⅞
•Fin. Fed.[c]	25	+ 3½
•First Charter Fin.[c]	28⅜	+ 2½
First Lincoln Fin.	7¾	+ ¾
First S&L Shares[b]	26½	+ ⅜
First Surety	3⅜	− ¼
First West Fin.	2⅛	....
Gibraltar Fin.[c]	26½	+ 2¼
•Great West Fin.[c]	30⅜	+ 2½
Hawthorne Fin.	16¼	+ ⅛
•Imperial Corp.[c]	16⅞	+ 1⅜
Trans-Coast Inv.	5⅜	+ ⅛
Trans World Fin.[c]	14¼	+ 1⅞
Union Fin.[b]	13¾	+ ¾
United Fin. Cal.[c]	13	+ 1¼
Wesco Fin.[c]	16½	+ ½
MORTGAGE BANKERS		
Charter Co.[b]	29¾	− 4⅜
CMI Investment Corp.[b]	64¾	....
•Colwell[c]	27¾	+ 2¼
Cont. Illinois Rlty.[c]	33¼	+ ⅝
Excel Investment	20½	+ 2¾
Fed. Nat. Mtg. Assn.[c]	24⅜	....
First Mtg. Ins. Co.	24½	+ 6
•Lomas & Net. Fin.	26¼	+ 4½
•MGIC Inv. Corp.[c]	119¼	+ 7
Midwestern Fin.[b]	24½	+ 1¾
Mtg. Associates	35½	− 9¾
Palomar Fin.[b]	13	+ ⅝
UPI Corp.[b] (United Imp. & Inv.)	3	+ ⅛
MORTGAGE INV. TRUSTS		
Alison Mtg.[b]	26½	− ⅝
American Century[b]	28½	....
Arlen Property Invest.[a]	16¼	+ ¾
Atico Mtg.[b]	23½	+ ⅞
Baird & Warner	18¾	− ⅜
BankAmerica Rlty.	27⅛	− ⅛
Bernett Mtg. Tr.	28	+ ⅛
Beneficial Standard Mtg.[b]	23⅞	− 1
Cameron Brown	33⅛	+ 2⅜
Capital Mortgage SBI	29½	+ 1⅜
Chase Manhattan[c]	56⅞	+ 2⅞
CI Mortgage Group[c]	25⅛	− ¼
Citizens Mtg.[b]	14⅛	....
Citizens & So. Rlty.	34	− 1⅛
Cleve. Trust Rlty. Investors	23¾	+ 1¼
Colwell Mfg. Trust[b]	29¾	+ 1⅛
Conn. General[c]	27⅜	− 2¼
•Cont. Mtg. Investors[c]	14¼	− ⅛
Cousins Mtg. & Eq. Inv.[b]	25¾	+ 1⅜
Diversified Mtg. Inv.[c]	29½	+ ⅝
Equitable Life[c]	29¼	− ⅛
Fidelco Growth Inv.[b]	35⅛	− ⅞
Fidelity Mtg.[b]	26¾	− ¼
First Memphis Realty	22	− 2⅝
•First Mtg. Investors[c]	23⅞	− 1¼
First of Denver[b]	20¼	+ 1⅛
First Pennsylvania[c]	26⅝	− ⅝
Franklin Realty[bd]	10	+ ⅛
Fraser Mtg.	24¾	− 1½
Galbreath Mtg.	28⅞	+ 1¼
Great Amer. Mtg. Inv.[c]	33	− 1½
Guardian Mtg.[b]	44¾	+ 4¼
Gulf Mtg. & Rlty.[b]	17⅜	− 1⅜
Hamilton Inv.	16⅛	− ¾
Heitman Mtg. Investors	13¼	− ⅜
Hubbard R. E. Investments[c]	20½	− 1⅛
Larwin Mtg.[b]	32	+ 2½
Lincoln Mtg.	9	− ¼
Mass Mutual Mtg. & Realty[c]	27⅝	− 1¾
Median Mtg. Investors	13⅛	− 1½
Medical Mtg.	30½	− 1¾
Mony Mtg. Inv.[c]	12½	+ ⅛
Mortgage Trust of Amer.[c]	23⅛	− 1¾
National Mortgage Fund[a]	13⅞	− ¼
North Amer. Mtg. Inv.[c]	33½	....

TO PAGE 48

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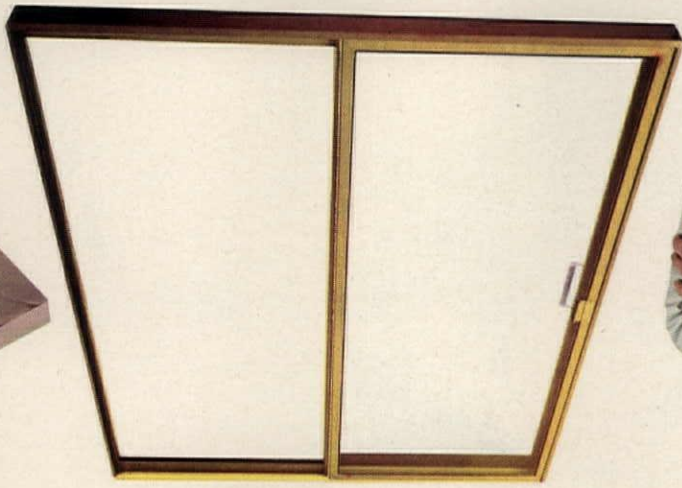

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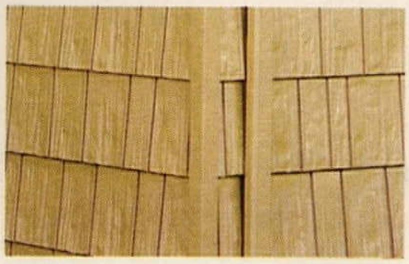

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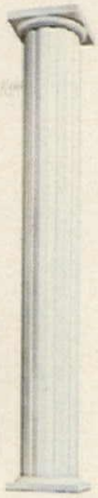

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CIRCLE 47 ON READER SERVICE CARD

Housing stocks up . . . *continued*

Company	April 12 Bid/ Close	Chng. Prev. Month
Northwestern Mutual Life Mtg. & Rlty.[c]	24⅛	− 1¾
PNB Mtg. & Rlty. Investors[b]	25⅜	− 1⅜
Palomar Mtg. Inv.[b]	15⅞	− 1⅛
Penn. R. E. Inv. Tr.[b]	13	− ½
Property Capital	24¼	+ 1¼
Realty Income Tr.[b]	15½	− ⅜
Republic Mtg.[b]	18⅞	+ ¼
B. F. Saul, R.E.I.T.	26⅛	+ ¾
Security Mtg. Investors[b]	17⅝	− 1⅜
Stadium Realty Tr.	11½	+ ⅛
State Mutual SBI[b]	26½	+ 1⅝
Sutro Mtg.[b]	18⅜	− 1⅛
Unionamerica Mfg. & Eq.[b]	27⅞	− 1⅞
U.S. Realty Inv.[b]	18½	− ⅜
Wachovia Realty Inc.[c]	32½	− 1½
Wells Fargo Mfg.	24½	− 1
LAND DEVELOPERS		
All-State Properties	1⅞	....
American Land	.06	....
•AMREP Corp.[c]	28⅞	+ 1⅜
Arvida Corp.	14	− 1⅛
Atlantic Imp.	5½	+ ½
Canaveral Int.[b]	4½	− ⅞
Cavanagh Communities	8⅞	− ⅜
Crawford Corp.	6½	+ 1½
•Deltona Corp.[b]	43	+ 2
Disc. Inc.	3¾	− ⅛
Don the Beachcomber Ent. (Garden Land)	4¾	+ 1
Fairfield Communities	4	− ⅜
•Gen. Development[c]	32¼	+ 1⅞
Gulf State Land and Ind.[bd]	4¼	− ¾
•Holly Corp.[b]	1⅞	+ ¼
Horizon Corp.[cz]	42⅜	+ 2½
Land Resources	4¼	− ⅞
Major Realty	11⅝	− 2⅛
•McCulloch Oil[b]	34	− ⅞
Southern Rlty. & Util.[b]	9	+ 2⅞
MOBILE HOMES & MODULES		
Conchemco[b]	21½	− 1½
•Champion Home Bldrs.[b]	87⅜	+15⅜
Commodore Corp.[b]	16⅞	+ 3⅛
De Rose Industries[b]	11⅜	− 1
•Fleetwood[c]	48½	+ 3⅞
Golden West Mobile Homes[b]	21⅞	+ 4⅞
•Guerdon[b]	30⅛	− 1½
Mobile Americana	12¾	− 1⅜
Mobile Home Ind.[by]	28⅜	+ 3⅝
Monarch Ind.	5⅞	− 1
•Redman Ind.[c]	35¾	+ 2
Rex-Noreco[b]	18⅛	− ⅞
•Skyline[c]	73⅜	+ 8⅜
Town & Country Mobile[b]	12½	− 1⅛
Triangle Mobile	9¼	+ ¼
Zimmer Homes[b]	16½	− ⅜
Albee Homes	3⅞	− ⅜
AABCO Ind.[d]	NA	....
Brigadier Ind.	6¾	+ 1⅛
Environmental Communities[a]	5¼	− ¾
Hodgson House	7	− ¼
Liberty Homes	21⅜	+ 2⅞
Lindal Cedar Homes[a]	32	− ¼
Modular Dynamics	1	+ ⅛
Modular Housing Systems	13¼	− 2¾
Nationwide Homes[b]	16¾	+ 1¼
Shelter Resources[b]	16⅜	+ 4
Stirling Homex[d]	25	+ 6⅞
Swift Industries	5	+ 1⅜
DIVERSIFIED COMPANIES		
Amer. Cyanamid[c]	38¾	− 1⅛
Amer. Standard (Wm. Lyon)	15¼	+ 1⅛
Arlen Realty & Develop.[c]	23⅜	+ 2¼
AVCO Corp.[c]	18⅜	− ⅞
Bethelem Steel[c]	34	+ 1¼
Boise Cascade[c]	17⅞	+ ⅛
CNA Financial (Larwin)[c]	26	+ 1½
Castle & Cooke[c] (Oceanic Prop.)	17¾	− 1
CBS (Klingbeil)[c]	57½	+ 3⅛
Christiana Securities	144	+ 4
Citizens Financial[hz]	14⅜	+ ⅜
City Investing[c] (Sterling Forest)	20½	− 2
Corning Glass[c]	243	+27¾
Cousins Properties	29¾	− 1½
Dreyfus Corp.[c] (Bert Smohler)	24⅜	− 1⅞
Environmental Systems	15½	− ¼
Evans Products[c]	27⅜	+ 2¼
Ferro Corp.[c]	33½	+ ⅞
First Gen. Resources	3⅜	+ ⅛
Fischback & More[c]	58½	+ 9⅛
Forest City Ent.[b]	31⅜	+ ⅛
Flagg Industries[b]	11½	− 1¼
Frank Paxton Corp.[a] (Builder Assistance Corp.)	14¼	− ½
Fruehauf Corp.[c]	42¾	+ ¼
Fuqua Ind.[c]	27½	+ 4
Georgia Pacific[c]	47½	− 2¾
Glasrock Products[b]	8	+ ¼

Company	April 12 Bid/ Close	Chng. Prev. Month
Great Southwest Corp.	2⅜	− ⅛
Gulf Oil (Gulf Reston)[c]	25⅞	− 1⅛
INA Corp. (M. J. Brock)[c]	52⅜	+ 3½
Inland Steel[c] (Scholz)	36⅜	+ 2
International Basic Econ.	6⅛	+ ¼
International Paper[c]	38⅜	+ 3
Internat. Tel. & Tel.[c] (Levitt)	56½	− 4⅜
Investors Funding[b]	12	− 1⅜
Killearn Properties[b]	20¼	+ 1⅜
Leroy Corp.[d]	2½	− 1
Ludlow Corp.[c]	29¼	+ 1
Monogram Industries[c]	17⅜	+ 1
Monumental Corp.[a] (Jos. Meyerhoff Org.)	63	+ 8¾
National Homes[c]	26¾	− 3½
Occidental Petroleum[c] (Occ. Pet. Land & Dev.)	11½	− ⅜
Pacific Coast Prop.[b]	3¾	....
Perini Corp.[b]	4⅜	− ⅛
Philip Morris[c]	91¾	+13¾
Prosher Corp.	5⅞	+ 1¾
Rouse Co.	29⅞	− ¼
Santa Anita Consol. (Robt. H. Grant Corp.)	25¼	− 4¼
Sayre & Fisher[b]	1⅜	− 2⅛
Temple Industries[c]	31⅜	+ 6⅜
Tishman Realty[c]	24	+ 1¼
Titan Group Inc.	5½	− ⅛
UGI Corp.[c]	20¼	− ⅛
Uris Bldg.[c]	18½	+ ½
U.S. Ply-Champion[c] (Lewers & Cooke)	26⅜	− ½
Weil-McLain[c]	24¼	− 2⅞
Westinghouse[c] (Coral Ridge Prop.)	52½	+ 5
Weyerhaeuser[c] (Weyer. Real Est. Co.)	48⅜	− 1¾
Whittaker (Vector Corp.)[c]	13¾	+ 1
Wickes Corp.[c]	45¾	− 3¼
SUPPLIERS		
Alpha Portland Cement[c]	18¾	+1
Armstrong Cork[c]	43½	− ¾
Automated Building Comp.[b]	15¼	− ⅜
Berven Carpets[b]	36	+ 2⅜
Bird & Son	123	+12
Black & Decker[c]	91¾	+ 3¾
Carrier Corp.[c]	50¾	+ ⅜
Certain-teed[c]	53½	+ 4½
Crane[c]	51¼	+ 1¼
Deere[c]	65	+ 5½
Dexter[c]	20⅞	− ¾
Dover Corp.[c]	57½	+ 1⅝
Emerson Electric[c]	85¼	+ ¾
Emhart Corp.[c]	38¾	+ 3
Fedders[c]	41½	− ⅜
Flintkote[c]	34⅜	+ 5
GAF Corp.[c]	26⅜	− ⅜
General Electric[c]	68¾	+ 6⅛
General Motors[c]	83⅜	− ½
Gerber[c]	38⅜	− ⅛
Goodrich[c]	28¾	+ ¾
Hercules	65¾	+ 6¼
Hobart Manufacturing[c]	67⅛	+ 2⅜
Int. Harvester[c]	29⅜	− ⅞
Johns Manville[c]	37½	− ⅜
Kaiser Aluminum[c]	25¾	+ 2⅜
Kirsch[c]	48½	+ 1
Leigh Products[b]	31⅜	+ 7⅛
Magic Chef[c]	58½	+ 4⅜
Masco Corp.[c]	46⅜	+ 2⅞
Masonite Corp.[c]	68⅜	+ 3⅜
Maytag[c]	44¾	− ⅛
Modern Maid[b]	11¾	− ¼
National Gypsum[c]	19	− ⅛
Norris Industries[c]	55¼	+ 1
Omark Ind.[c]	13⅞	− ¼
Otis Elevator[c]	41¾	+ ⅛
Overhead Door[b]	40½	+ 7
Owens Corning Fibrgl.[c]	56¼	+ 2⅜
Potlatch Forests[c]	29⅜	+ 1⅛
PPG Industries[c]	45	− 3⅛
Reynolds Metals[c]	22½	+ 2⅜
Rockwell Mfg.[c]	34¼	+ ⅜
Rohm Haas[c]	142½	− 3¼
Ronson[c]	7⅞	+ ⅛
Roper Corp.[c]	39	+ ¼
St. Regis Paper[c]	44	+ 3¾
Scovill Mfg.[c]	30¼	− 2
Sherwin Williams[c]	57	+ 6⅜
Skil Corp.[c]	33¾	+ ⅜
Stanley Works[c]	45¼	+ 8¼
Tappan[c]	38½	+ 2⅞
Thomas Industries[cd]	34⅜	+ 2
U.S. Gypsum[c]	33	+ 1½
U.S. Steel[c]	33⅜	+ 1⅛
Wallace Murray[c]	21⅜	− 1¾
Welbilt Corp.[c]	3¾	− ⅜
Whirlpool Corp.[c]	118¾	+ 4⅝

a—stock newly added to table. b—closing price ASE. c—closing price NYSE. d—not traded on date quoted. g—closing price MSE. h—closing price PCSE. •—Computed in HOUSE & HOME's 25-stock value index. y—adjusted for 2-for-1 split. z—adjusted for 3-for-2 split.

Source: Standard & Poor's, New York City.


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CIRCLE 80 ON READER SERVICE CARD

FHA faces the issue: Will scandals force it to cut back on the big blue-collar house market?

Two related but in some ways conflicting pressures are forcing HUD and FHA to re-examine and redefine their function.

The outcome of this reappraisal could affect the usefulness of the FHA and VA as mass-marketing tools for builders. The blue-collar, moderate-income market for new homes could be broadened or narrowed according to the way these issues are resolved.

We are not talking here about the subsidized, social-purpose FHA programs, which are undergoing their own agonizing reappraisal, but about the traditional FHA loan, the 203b, which has been a basic tool for almost every mass-production builder we know.

One of the pressures on HUD is an increased consumer-mindedness that is, in part, a reaction to the publicity about abuses in the subsidized programs. In the past FHA and VA have met their social and economic goals, on the whole successfully, simply by making it easy for the industry to follow the agency's social intent.

Settlement cost reforms. One product of this new consumer consciousness is a bill drafted by HUD, and pending in the House subcommittee on housing, to regulate mortgage settlement costs. It forbids kickbacks, requires complete disclosure of closing costs to buyers, and directs HUD to set cost ceilings on virtually every item in the closing transaction from origination fees to attorney fees and title insurance premiums.

It isn't a perfect bill and some amendments are in order. But if it passes with its purpose intact, I think nearly everyone should benefit. It will significantly lower the cash requirements for home purchase and help flatten the enormous regional variations in settlement costs. For the housing market it will be the equivalent of a healthy cut in downpayments.

Although the bill will apply initially only to FHA and VA loans or to conventional loans sold to one of the federal secondary markets, in time the same pattern will probably extend to all residential loans.

Blue-collar loan curb. The other source of pressure on HUD is the heavy toll of recent foreclosures and defaults. I have seen estimates that the ultimate loss to HUD on these defaults will be $2.5 billion.

Very few of these bad loans have been on new one-family homes. Most have been on existing homes or multifamily projects in the cities, and then mainly under such programs as 235 and 236, and 221d2.

One recent reaction to this pressure has been a new HUD administrative ruling on income standards. The guideline is less flexible than the old and, on the average, it reduces the amount of mortgage for which a given income can qualify by 10% to 20%. The average $10,000-income buyer, for example, could qualify for no more than an $18,0000 loan in the North, $19,000 in the South. This could have a chilling effect on the blue-collar market.

(The new guideline: Thirty percent of the applicant's net income after taxes and other obligations must equal or exceed his total housing cost. This includes heat, utilities and maintenance in addition to the mortgage payment.)

This guideline may not, however, be the last word. There is talk that HUD may raise it to 35% of net income, which would enable the average $10,000-income buyer to qualify for roughly a $24,000 loan.

There is talk, as well, of new procedures for unsubsidized FHA loans that will make it easier for the agency to fulfill its mass-marketing function. One procedure under discussion would give mortgagees greater responsibilities for the underwriting of an unsubsidized insured loan.

The agonizing. So the reappraisal and, we may presume, the internal debate goes on. Shall HUD concentrate on cutting its loss potential? Or shall it, while avoiding undue losses, continue its traditional risk-taking function?

What's at stake in this debate is one segment of the new home market—just enough to make the difference between a mediocre and a good housing year.

The largest share of the new-home market—and it's larger than ever now that there are 5%-down loans and secondary markets—is served by conventional lenders.

Another chunk of the market will continue to be served by subsidy programs in one form or another.

But in between these is what I call the blue-collar market, where families have incomes too high for subsidies but too low to be served by the conventional market except at a risk most lenders and market-makers can't accept, even with private mortgage insurance. This is the traditional FHA-VA market.

We have come a long way from the 1930s and '40s, when FHA's willingness to take risks novel for that day created the first mass market in housing. But have we come far enough to dispense with the risk-taking in the unsubsidized FHA program? I think not.

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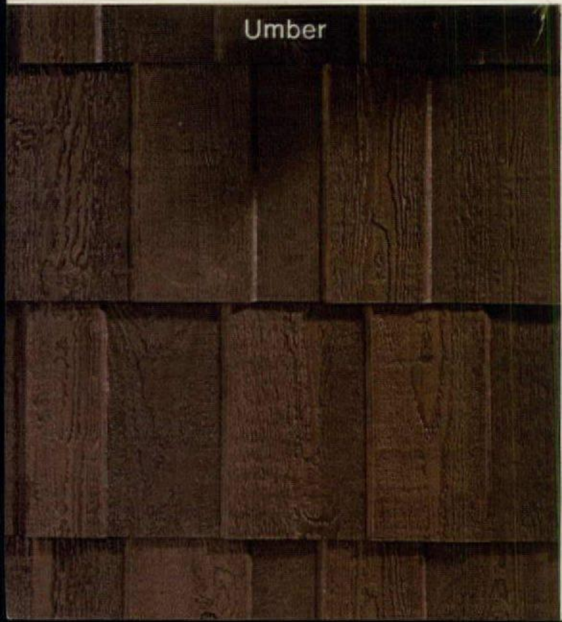
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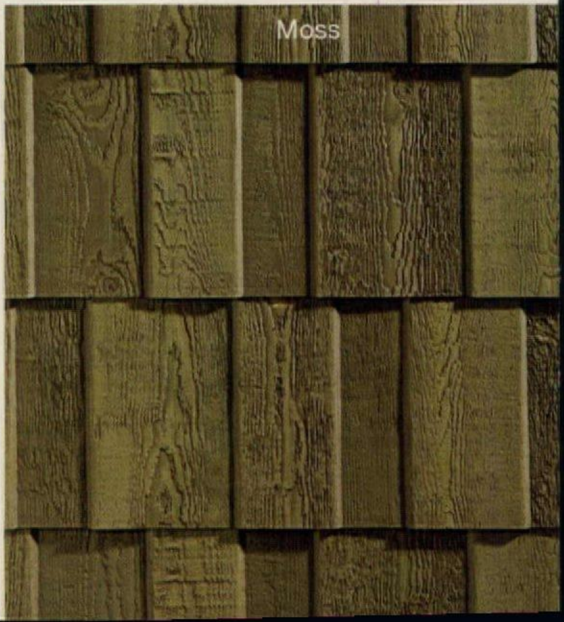
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CIRCLE 83 ON READER SERVICE CARD

How high is up? Are housing starts rising as fast as most people think?

After a sizzling finish to 1971's extraordinary housing production, many analysts expected that 1972's pattern would bring a leveling off, followed later in the year by a declining rate of homebuilding. Instead, the rate of housing starts soared to even greater heights in the opening months of 1972, and the way they're going, will soon be in orbit.

Question: How much of January's and February's amazing rate of housing starts is for real, and how much is only a statistical quirk?

Nobody's denying that the homebuilding industry is really surging right now. It is, and with good reason. Federal subsidy programs are underwriting a base of some half-a-million or more units a year, and mortgage lenders are hard-pressed to put out all the money that's coming in through their savings windows. (Last year's net savings inflow was $28 billion; so far this year it's even greater.) So the question isn't whether or why the housing market is strong, but *how strong* is it?

The Department of Commerce says that in January the seasonally adjusted annual rate of housing starts was 2.5 million (about even with December's rate) and that in February the housing market spurted ahead to a new high of 2.7 million. These are the numbers that are generally regarded as the official measure of the housing market. Of course Dodge also reports on housing activity, and while we are in general agreement with Commerce for all of 1971, a suspicious difference has opened up in the past couple of months. By our measure the rate of housing starts in January and February was flat, not rising, and more like 2.2 million than like 2.5 or 2.7 million.

Two approaches. Interestingly enough, we both draw upon pretty much the same raw material. According to Commerce, the actual number of new dwelling units started in January and February was 150,000 and 153,000 respectively. Dodge Construction Statistics reported 149,000 for January and 147,000 for February. Most of the small differences in these raw totals owe to the fact that Commerce includes some rural (farm) housing that is not covered by DCS. The differences arise when these values are converted to seasonally adjusted annual rates. Somehow, Commerce manages to come up with annualized rates of housing starts for January and February that are 300,000 and 500,000 higher than the ones we calculate. And since we're both starting with similar input, it has to be the statistical process of seasonal adjustment that is responsible for most of the difference. So whose method is right?

We're not making any claims for infallibility. And anyhow, it's not the kind of a situation where one answer is completely right and the other completely wrong. There will always be considerable room for doubt about what the true seasonal pattern of housing starts really is, and this is especially difficult to determine in the months of January and February when the actual (raw) volume of homebuilding is at its lowest point of the year. (Between January—the lowest month—and May—the peak month—housing starts normally increase by as much as 50%. That's what the process of seasonal adjustment is all about.)

An overcount now. It is a fact that Commerce's seasonal adjustment process consistently yields a significantly higher rate of housing starts in the winter months than ours does (or, you could say that ours yields a lower rate). And this year the difference seems even more exaggerated because the whole housing business is operating at such a high level. The true rate of housing starts right now is probably somewhere between Commerce's 2.7-million figure and our 2.2 million, but we feel that if the true rate were known it would propably be a good deal closer to 2.2 million than 2.7 for these reasons:

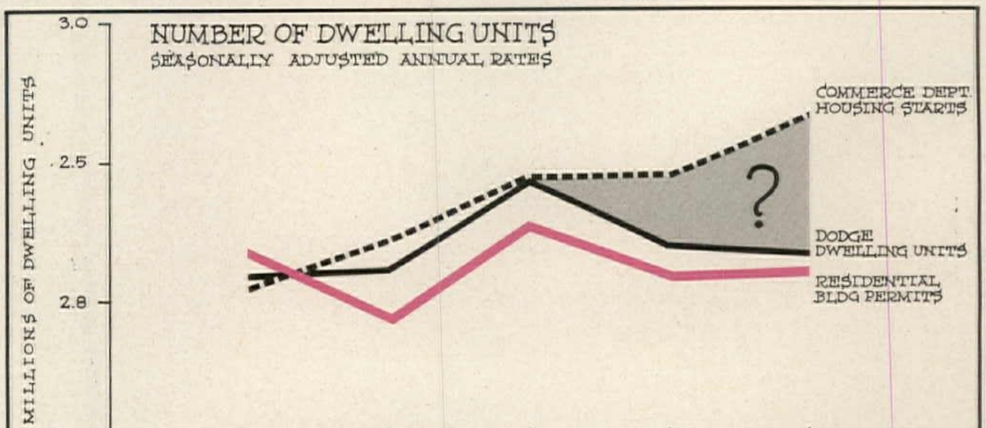
1. We've been observing this January-February difference in the two series for quite a number of years now, and we feel that in retrospect, our adjustment is a more reasonable representation of what really takes place in these months.

2. There's a third series which serves as a test of which measure is telling the truth. It's the seasonally adjusted rate of residential building permits. This series doesn't quite cover the whole housing universe, but taking in about 90%, it doesn't miss much, either. More important, the seasonal adjustments for this series are also done by Commerce—same as for housing starts. What this building permit series shows casts some serious doubt on the Commerce housing start data. Since December, when permits reached their peak, the seasonally adjusted rate declined in January and held even in February—almost exactly the same pattern as the Dodge series shows *(see chart).*

Of course there is a difference in *timing* between permits and starts (normally not more than a month), so that a certain amount of temporary divergence between these two series is normal and expected. But we've been watching them over a long period of time, and the current divergence is quite out of line with all past experience.

And a cutback later. What does it all mean? Nothing earthshaking. It doesn't take away from the fact that the housing market is booming right now. But it does suggest rather strongly that the current seasonally adjusted annual rate of housing starts—as reported by the Commerce Department—may be overstating things by a couple of hundred thousand dwelling units.

There's more to it. The mechanics of seasonal adjustment are such that by over-adjusting in one period, you automatically set up a compensating underadjustment somewhere else in the same year. Prepare, then, for the possibility of a sharp decline in the rate of housing starts—as reported by Commerce—sometime later in 1972.



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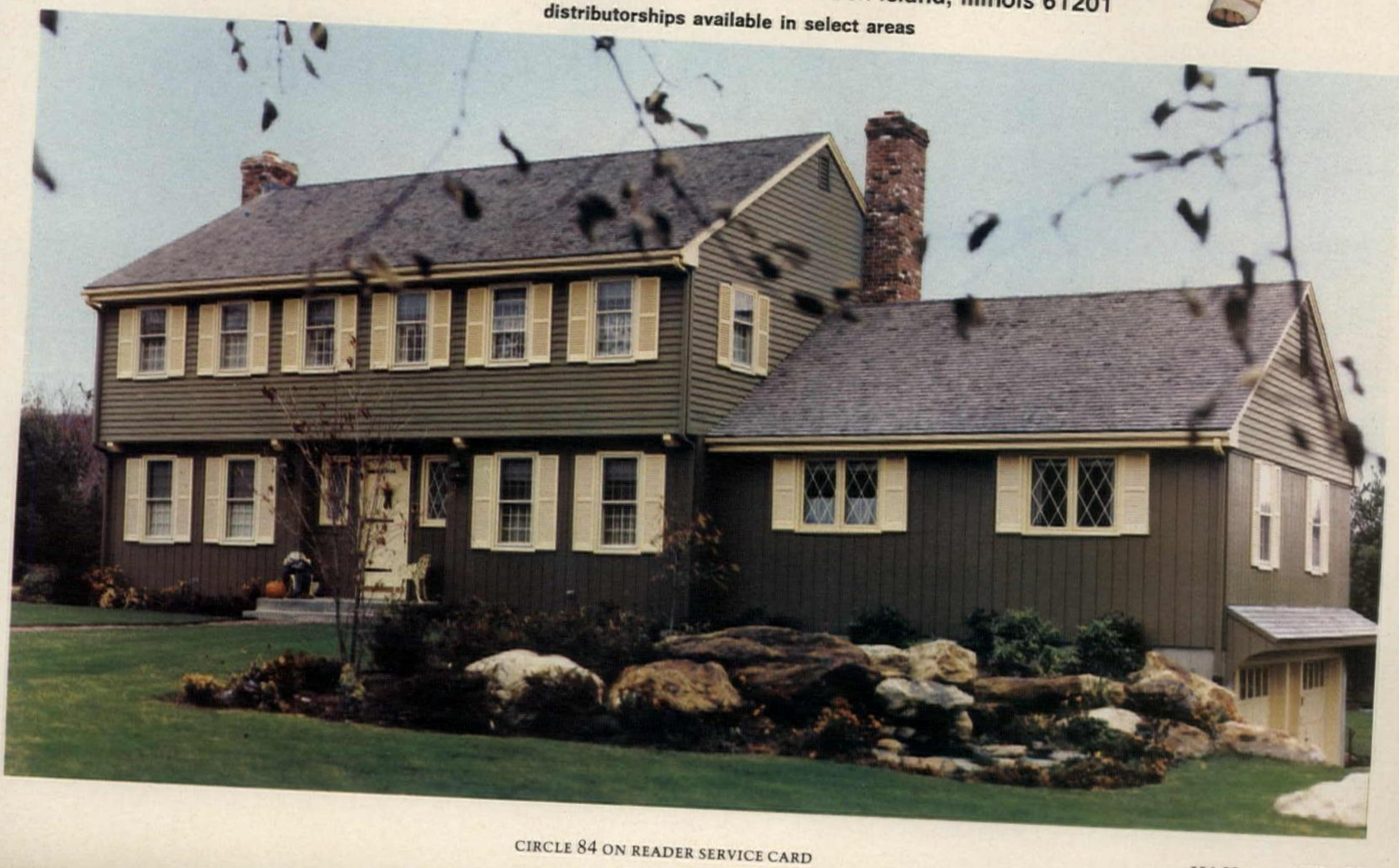
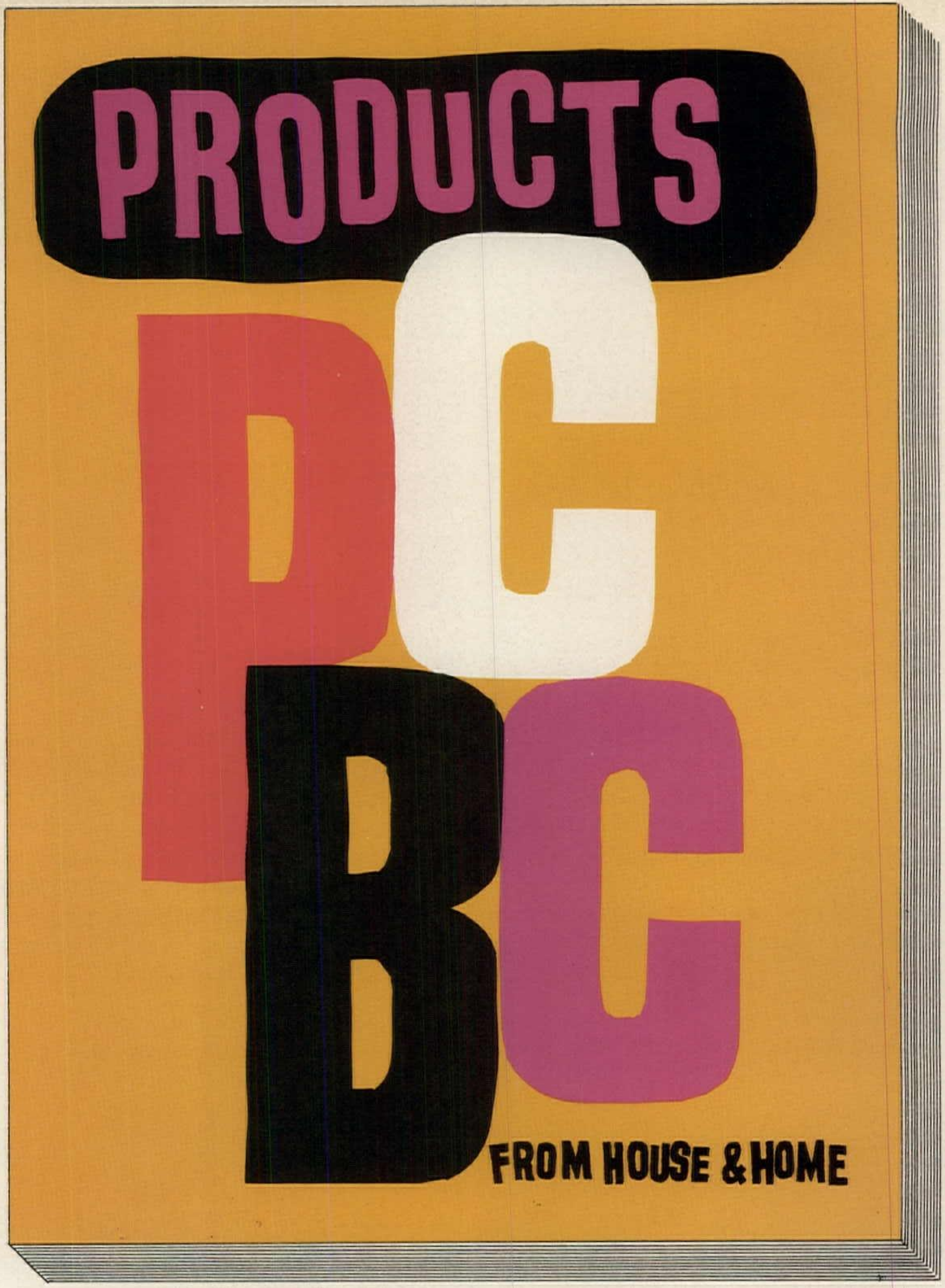


CIRCLE 84 ON READER SERVICE CARD

a timesaving guide to the 1972 PCBC exhibits



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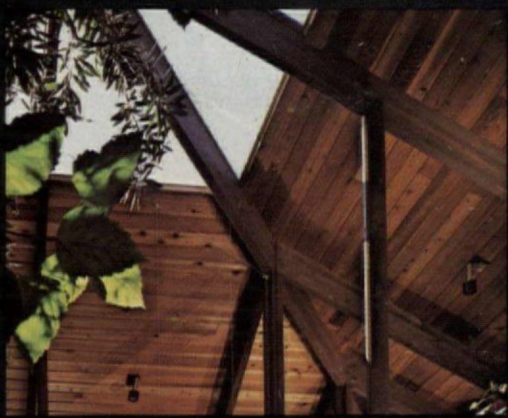

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CIRCLE 85 ON READER SERVICE CARD

"Every suburb can absorb a share of lower-cost housing—and with a minimum of impact. . . The answer lies in making sure it's on a fair-share basis"

Most American families cannot afford the purchase of a new home in today's market. This situation is not the result of unwillingness or inability on the part of the housing industry. Primarily it reflects the fears of today's suburbanites.

True, the courts have invalidated exclusionary zoning, and further, they have sustained planned unit development ordinances. Nevertheless, if we are to make a dent in the current housing shortage, government and the housing industry must find practical ways to allay local fears—fears that the adoption of large scale P.U.D.s will destroy the quality of suburban communities.

In today's market it is almost impossible to conceive of a solution to the lower moderate income housing shortage in terms of traditional single-family development. Because of development costs in land, site improvements and construction—not to mention municipal costs including education—single-family homes carry price tags generally above $40,000.

However, under P.U.D., higher densities and economies of construction have made the $20,000-$25,000 townhouse a reality. Given existing subsidies most of our families making $7,000 or better could be housed in P.U.D.-style developments—if and when we can build enough of them. Admittedly, low-income families (those making less than $7,000 annually) may require some new form of subsidy or government aid program. But the purpose of this column is to suggest what can be done to increase satisfaction in the moderate-income range.

Equalizing the burden. Clearly, suburban acceptance is the critical element in expanding housing in the $20,000-$30,000 price range. And the key to suburban acceptance of this housing is a fair-share solution. Even in large Eastern metropolitan areas, we are not at a loss for buildable land. But local people must be assured that having accepted their fair share of regional growth, they will not then be required to accept an additional burden which their recalcitrant neighbors would like to avoid. The lack of such assurances is a tremendous deterrent to any accommodation.

A variety of studies is necessary to develop an acceptable allocations formula. However, by examining the following analysis based on the nine-county Delaware Valley (Metropolitan Philadelphia) region, we can quickly demonstrate that the result will be a minimal burden on the typical suburban township.

Demand for housing can be projected by historical surveys of population growth. On that basis an average annual growth rate of 83,000 persons has been predicted in the Delaware Valley Regional Planning Commission's nine-county area for the 1970-85 period. We are presently averaging 3.14 persons per unit. This yields an estimate of 26,500 units needed annually for population growth. Housing growth needs also include the replacement of substandard stock, a vacancy factor and an adjustment for overcrowding. Annual demand in the region is therefore approximately:

83,000 persons per year / 3.14 persons per unit	=	26,500 units/year for expanding population
1,633,302 (15%) / 15-year period	=	16,500 units/year to replace substandard stock
	+	10,000 depreciation, overcrowding & vacancy
Regional housing needs		53,000 units/year for the 1970-85 period

(Obviously, since these estimates include the replacement of all substandard stock and elimination of overcrowding, estimates for years following 1985 would be lower by more than one-third.)

Land-use break down. With the projected number of needed units established, the next step is to subject the supply of undeveloped land to State Land Use regulations. These would protect resources such as farmland, wild life, timber, water and recreational uses which are essential to regional populations. From the remaining undeveloped land in local jurisdictions, subtract acres of land in the following uses: land owned by the state, county or township; existing roads and schools; public utilities; areas developed in excess of one du/acre; registered historic sites; and land with natural restrictions (Class I and II farm soil, hundred-year flood plain, 25% + slopes).

The remaining area can be assumed to be available for development at a minimum density of one du/acre (based on an interpretation of current Pennsylvania Supreme Court decisions). It is reassuring to note—considering the approximate supply of land in the region—that the impact of needed housing on any given community will be minimal.

The regional planning commission reports approximately 2.5-million acres in the region. After present development, state- and local-owned land and natural restrictions are taken into account, approximately one million acres remain for development. If the housing projected above was fully satisfied at one du/acre, we would use only 53,000 acres annually. And after the 15-year period, this figure could be cut by more than a third.

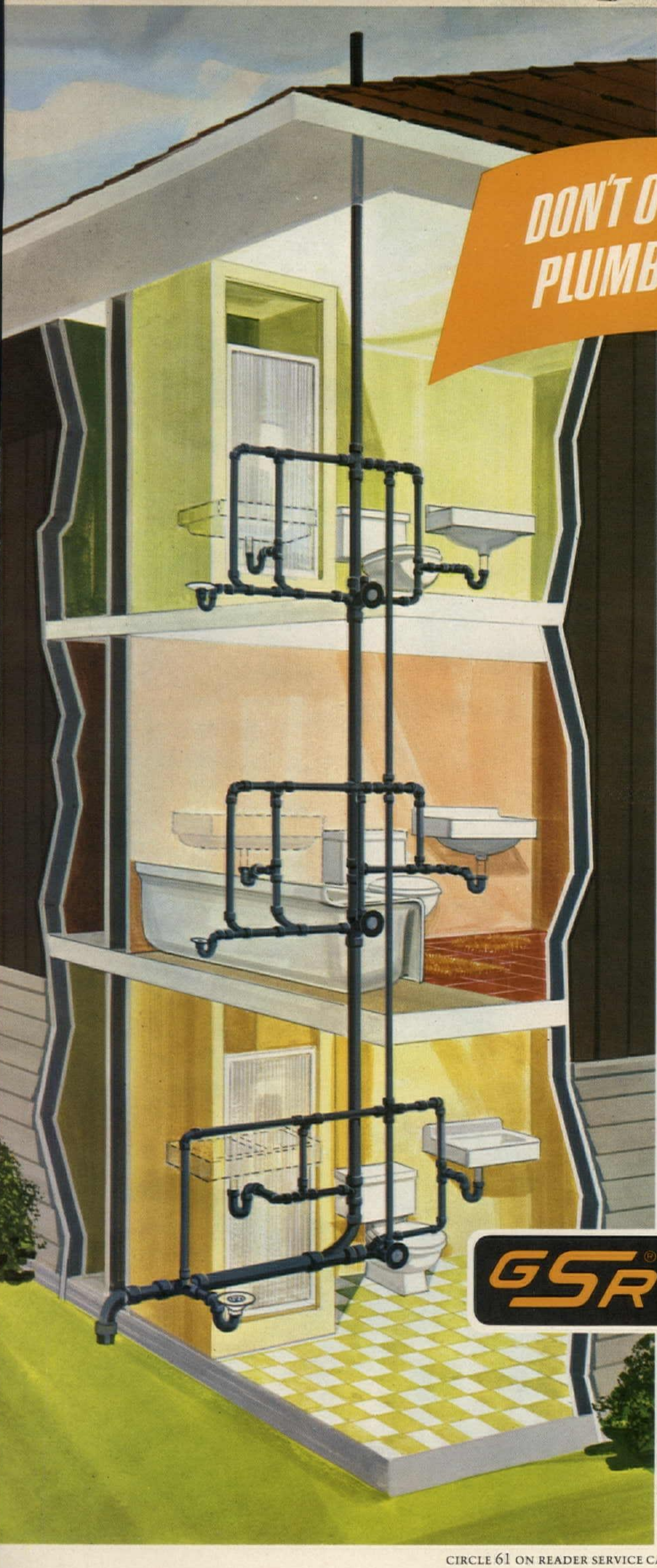
A more realistic approach would be to estimate with a typical P.U.D. density of six du/acre, which would satisfy our needs on 8,800 acres annually. Since there are about 183 townships in the suburban rings of the metropolitan area, the average township using P.U.D. could meet these needs on less than 50 acres annually.

Tentative data from Mount Laurel, N.J., a fast-growing suburban community in the Camden-Philadelphia area, indicates that this level of development can be comfortably achieved under P.U.D. Mount Laurel is an average size township of 14,000 acres, about 7,000 of which are developable after allowances for present development and natural restrictions.

Three P.U.D.s are projected to be developed which will absorb a total of 1,745 acres and produce 9,014 units; however, this would occur over varying time periods so that even at this rapid pace, Mount Laurel would be using only about 1% of its developable land annually while adding 450 units to the housing supply. It is difficult to imagine that if these facts are presented anyone could consider this growth alloca-

TO PAGE 62

JOHN RAHENKAMP, PRESIDENT, RAHENKAMP SACHS WELLS AND ASSOCIATES INC., PHILADELPHIA, PA.



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CIRCLE 61 ON READER SERVICE CARD

THE ZONING SCENE

FROM PAGE 60

tion a clear and present threat to his chosen way of life.

To further community acceptance, federal and state financing of transportation, utility and open-space systems could be allocated on a basis that would favor those municipalities that accepted such a program.

Providing for flexibility. Obviously, any plan that involves so many townships must be flexible to some degree. So adjustments should be made for existing conditions in individual townships to assure an equitable burden for each. Thus the plan might:

- require one less dwelling unit for each existing unit under $20,000 in value.
- require one additional dwelling unit for each 500 sq. ft. of industrial/commercial use.
- give consideration to capacity factors like access, utilities, schools and municipal services.

The last factor is of great importance, and an inventory of natural systems and physical capacities is crucial to fair-share allocations on any basis.

This kind of information is also crucial to the establishment of a reasonable national land-use policy.

For just as a community must balance its growth and conserve its natural and economic resources, the larger regions and the nations must do so as well. Population concentrations should be scaled to the capacities of natural and man-made systems.

When a large population is concentrated in an area where natural systems either cannot support it with water, fuel, etc., or cannot dilute its effluent, society must foot the bill.

This subsidy may take the form of federally financed dams and viaducts, the extraction and transportation of minerals, enormous subsidies for regional sewer treatment systems or any of a number of federal programs which support development where natural and physical systems would restrict it.

A case in point is the costly transportation of water from Colorado to California.

Water volume may ultimately be a critical planning control in that certain volumes will be required to provide domestic water, dilute sewage effluent, and reduce heat from atomic plants.

Both nationally and locally we must devise land-use policy which measures growth in relation to the ecological and fiscal impact of new development. Policy should then be adopted which effectively taxes those who gain by over-straining the balance. Equity must replace subsidy.

Correction

Because of a typographical error in our Modular Survey table [Mar.], the estimated 1972 production of the Continental Homes Division of Weil-McLain Co. was incorrectly listed as 550 units. The correct figure is 1,550—ED.


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"We're designing too many look-alike subdivisions across the country . . . Why can't we do a better job of reflecting regional conditions?"

One would think that with the emergence of planned unit developments each new housing project would be vastly different. It appears, however, that we are moving more and more towards standardization of design in both architecture and planning.

The wide exposure to builders across the country of such fast selling layouts as the McKeon plan or the Roundtree approach has led to these concepts being copied over and over regardless of geographic area. And as more of our housing stock is factory-produced, the problem could grow at a rapid rate.

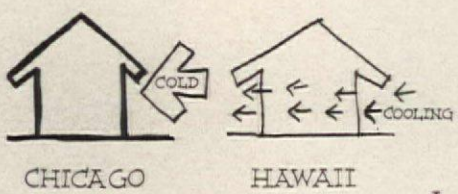
Assuming that such copying is becoming widespread, what problems are generated? Chiefly, they are problems that evolve from attempting to satisfy different regional characteristics with one product.

Each area within our country has different basic qualities—some natural, some determined by custom. To outline just a few: There is different weather, topography, natural landscape, local materials, historic background and the life style of the people.

Let's take some simple examples of how current housing tries to cope with these variations but doesn't succeed very well.

Weather is one of the most obvious variations, and we'll use the two extremes of Hawaii and Chicago for clear examples.

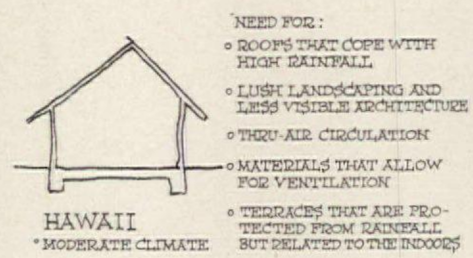
One major factor to be contended with in both areas is wind. In Hawaii its presence is the prime factor in creating ideal living conditions. But in Chicago, when the wind blows across Lake Michigan in the winter, plenty of protection is needed. So, housing in these two areas must meet these varied conditions as best it can *(Figure A)*.



A

Although this would suggest the need for a vastly different window wall treatment in one region versus the other, houses in both areas currently look almost the same. But the difference in basic climate—constantly moderate or seasonally hot and cold—actually calls for a completely different set of design criteria. These, in turn, should be reflected in the house itself *(Figures B & C, above right)*.

SOME DESIGN DIFFERENCES



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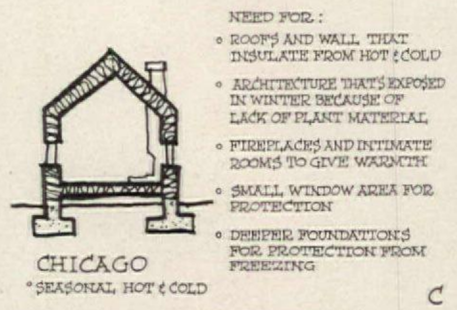
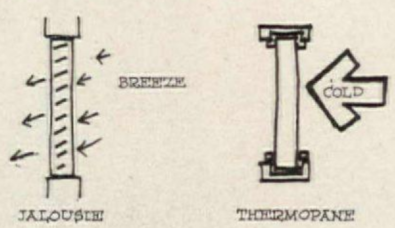


C

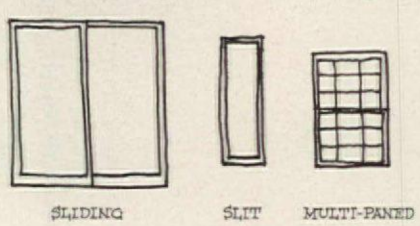
How can our future housing (including units produced in the factory) meet local variations better than they are now being met? The key word is flexibility in design. Walls, roofs, foundations and windows must be designed to do different jobs in different areas, while still working in an overall system. We've been doing this for years, to a degree.

Take windows for example. Windows are now designed to perform different functions: They can let in air to a maximum degree as the jalousie does, or they can be air-tight and insulate as the thermopane window does *(Figure D)*.



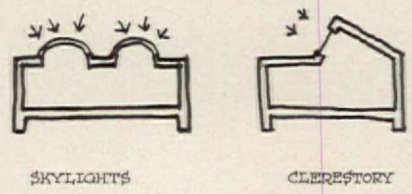
D

They can give a feeling of openness as a sliding glass door does, or they can create a feeling of protection or coziness such as with slit or multipaned windows *(Figure E)*.



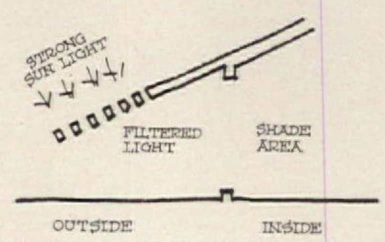
E

These are but variations within a system. But they can change the resultant character of the house tremendously. Because of a predominance of overcast days, some regions need all the natural light that can possibly be directed into the house. Skylights and clerestories are two solutions *(Figure F)*.



F

Where the sun is intense, as in the desert or plains covered with snow, frequently needed protection from the light can be supplied by large overhangs, trellises, etc. *(Figure G)*.



G

These variations again can take place within a basic structural form—say an industrialized factory product. By reflecting regional needs such as climatic conditions, we will begin to achieve a basic architectural character for each area; one that is the result of intelligent solutions based on the actual needs of the people who will be living in the housing.

Thus if different windows and roof overhangs are used to solve different local conditions, the architectural character is *automatically* different in different geographic areas, *even if* the structural system of the house is the same. And such obvious solutions as the use of materials native to each region also will inevitably reflect that local area.

Thus the regional character of an area is automatically expressed in many different ways when the problems of that area are adequately solved. Housing today is ignoring many of these local characteristics, and yet we already have the tools at hand to solve them.

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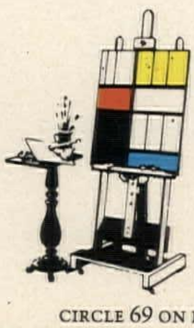

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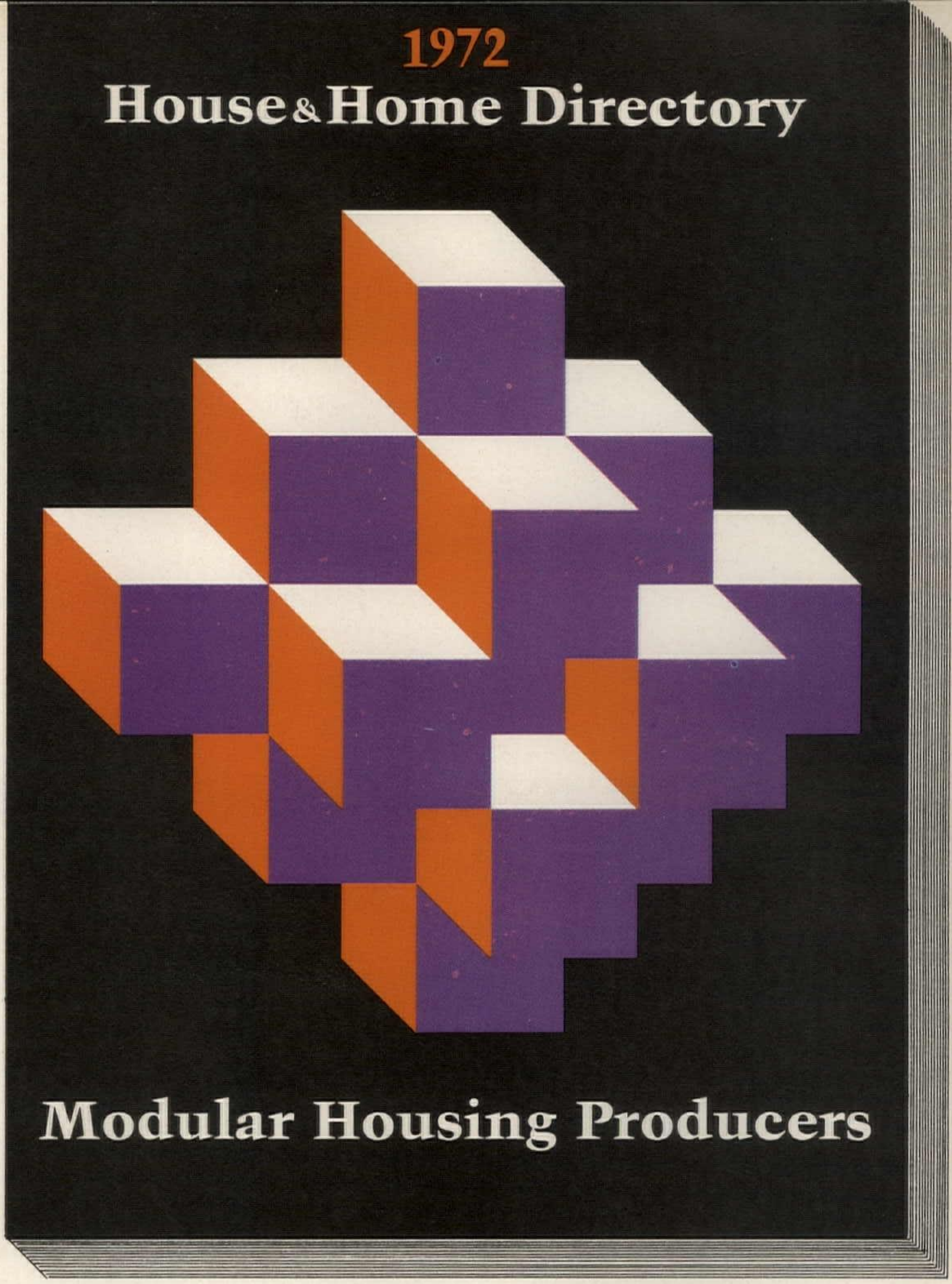

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"If you want to keep your tenants from being transients, then you'd better stop making them feel like they are transients"

Landlords don't mind spending money to find tenants, but surprisingly few are willing to spend money to hold onto them. Considering how much it costs to replace a tenant, common business sense calls for at least some small investment in keeping tenants around as long as possible.

The cost of tenant turnover lies not just in getting the apartment ready for the next renter. It's the rent money lost during the period the apartment stands vacant—perhaps two weeks or two months. It's the money spent on advertising during the period you're trying to rerent the apartment. It's the money spent on accounting overhead to process the departing tenant's deposit refund and close out his paper work. It's the overhead devoted to worrying about the vacant apartment and helping the resident manager rerent it. It's the wear and tear on hallways and stairs in moving out the departing tenant and moving in the new one—damage costs that the landlord must absorb himself because he can't assess either tenant for it.

Total up all those costs and multiply them by the number of vacancies you have to rerent each month. That is the true cost of tenant turnover.

You can't eliminate tenant turnover, but you can minimize it.

The best way to start is by thinking of tenants as people who are going to stay rather than people who are going to leave. That means thinking of them as residents rather than tenants.

A negative approach. Too often, the process of renting an apartment has too much of the aura of temporary occupancy about it. From the moment you sign up a new tenant, you work under the assumption that in the not-too-distant future he is going to leave. You make preparations for this the day he moves in by collecting a deposit to defray the cost of cleaning and repairs when he leaves. You spell out the period of time you expect him to stay, and you stipulate that when he gets ready to leave you want 30 days' notice so you'll have a head-start in rerenting his apartment.

Of course all these legalities and mutual understandings are necessary, but their tone that denotes temporary occupancy doesn't have to dominate the tenant/landlord relationship. A landlord can make real progress toward catering to residents (instead of roomers) by simply working under the assumption that a tenant will stay in his apartment as long as he likes it there.

At least one major landlord has softened the cold formality of lease signing by rewriting all his leases in common, everyday language. And landlords with enough apartments and big enough budgets try to generate interest and esprit de corps among tenants through recreation programs.

But with or without a big budget, it's within any landlord's means to communicate with his tenants and let them know they're deserving of his attention and concern. Communications is the most effective tool you have for holding onto tenants, and it's cheap. Yet, communications is one of the most overlooked aspects of apartment management. In fact lack of communications is probably the biggest complaint tenants have against landlords.

Have you ever sat in a stalled commuter train for 30 minutes on your way home from work wondering what's causing the delay and how long it's going to last? As the minutes go by, you grow furious not only with the delay but with the fact that no one appears to tell you what's going on. Why doesn't the conductor tell us something? Where is he? How late are we going to be?

That's how an apartment tenant feels when a landlord shuts off his water or his electricity for three or four hours without warning. And the landlord, unlike the train people, generally knows in advance that plumbing or wiring work has to be done but still doesn't make the effort to forewarn his tenants.

A matter of courtesy. Bulletins to tenants don't take much effort. You type up a letter, Xerox it, and have a resident manager hand it out. And you don't write the letter as if it were addressed to an opponent in a law suit, i.e., "Be advised that on April 2, 10:30 a.m. . . ." You write as though you were addressing a next-door neighbor: "We're having some problems with drainage in building 5, so next Tuesday. . ."

Landlords' communications efforts generally are remiss even in responding to complaints. If a tenant asks for a needed repair in an apartment, there are only three possible answers a landlord can give him: We'll fix it right away . . . We'll fix it in X number of days . . . We're not going to fix it.

Whatever the answer, even "no", it should go back to the tenant right away. Being told no is better than being ignored. It's being ignored that does most to make an apartment renter feel like a roomer instead of a permanent resident.

Communications with tenants is particularly important when a project is new and people are moving in during construction. The main piece of information the early renters want is the date construction will be finished so they won't have to keep driving through ruts and sweeping dust off their patios. And if they've rented apartments that are going to look out on artificial ponds or a recreation center, they want to know when these amenities will be completed so they can start enjoying them.

Keeping tenants informed is critical during this period, especially when you find out that a promised completion date can't be kept. Forewarn people that they can't use the new swimming pool next week as promised and they'll grumble. But let them show up unnotified on the promised date, ready to swim in an uncompleted pool, and you may have a strike on your hands.

Stimulating renewals. Poor communications hurts landlords most when they fail to offer tenants direct encouragement to extend their occupancy. Despite conscientious bulletins to keep the tenant informed about what's going on, don't forget that you did make him sign a lease or agreement specifying a fixed term of residence.

Smart landlords write to a tenant a month or two before his lease expires and encourage him to continue living in his apartment. He may be flattered to know you care, but friendliness alone won't do the trick. You need some kind of inducement, and there are several possibilities. Some examples:

- If a tenant is on his first lease, you can offer to renew for an additional period of time at the same rent he is currently paying.
- If he lives in a particularly expensive apartment and you might have trouble rerenting it, you can offer him a new lease that includes a month's free rent. A month's rent might sound like a lot of money, but considering the expense of refurbishing the apartment and advertising it, plus the rent you could lose waiting for a new tenant to come along, a month's free rent could be a bargain for you in the long run.
- If he's a long-term tenant, maybe the best inducement you can offer is a free refurbishing of his apartment: carpet shampooing, drapery cleaning and repainting. If the tenant leaves, you're going to have to do this work anyway, so why not do it for him now and save the other expenses of a moveout?

H. CLARKE WELLS, SENIOR VICE PRESIDENT, L.B. NELSON CORP., PALO ALTO, CALIF.

Editorial

A new market is burgeoning, but it's going to take a new kind of builder to handle it

As a business magazine, we don't set trends, we reflect them. Keeping this in mind, consider the import of some of our recent articles.

In last month's issue several of the country's biggest rental-apartment builders, noting that the rental market is in trouble, said that they planned to change their operations. They are turning, however, not to single-family homes but to condominiums, another form of multifamily.

If you go back over several months' issues, you'll see that the big majority of the outstanding and successful projects we've shown from all over the country have been multifamily projects in some form.

And in this issue three out of the five marketing case studies you'll read about are on multifamily projects.

It would be perfectly reasonable to say simply, the multifamily market is booming. It is. But the real significance goes much deeper than that. What's happening is that the whole thrust of suburban development is changing direction, and higher-density, multifamily living is being accepted at a constantly increasing rate.

This has large implications for the builder and developer, especially if he has been working chiefly with single-family housing.

For one thing his orientation has to change. Instead of looking at the house as the basic unit and the land as simply a raw material to support housing production, he now must see the land as the basic element. The way it is planned and developed will determine the project's environment, and this can be equally or more important than the housing units themselves.

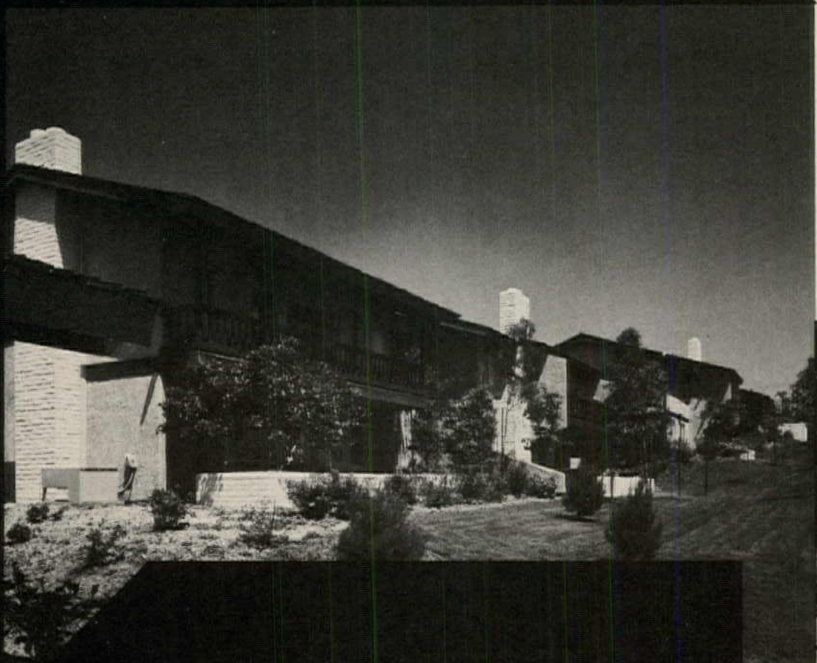
Also, the multifamily project is no longer just a bunch of houses the builder can build, sell and walk away from. It is an interlocking group of elements that includes land, houses and recreational amenities, and it has to be managed. The builder may eventually turn the management over to a professional, but he has to start it off on the right foot and handle it during the project's early months, or even years.

Planning and design become paramount. They usually get short shrift in a conventional subdivision because not much imagination is needed to turn out rows of 70' x 120' lots or reasonably acceptable house plans and facades. But it takes real professionals to plan, design and landscape even a moderate-sized multifamily project.

Finally, the builder is going to have to learn to work with the community in which he hopes to build. Buyers and renters may like the new higher-density projects, but many communities don't, and their zoning regulations reflect their dislike. Granted that much of this opposition is irrational, it is nonetheless real. Builders who hope to get their rezoning in these circumstances are going to need good plans, lots of statistics, patience, willingness to compromise and staying power—much of it financial.

Changes like this can't be made overnight. But those builders who start preparing for them now stand a pretty good chance of getting the cream off of this new market.

MAXWELL C. HUNTOON JR.





CALIFORNIA GOES TO MARKET

You wouldn't get too much of an argument anywhere in the country if you said that marketwise, California builders and developers are, as a group, the best. They don't have much choice. They have to be the best if they want to survive.

From a housing point of view California has long provided the most murderous competition anywhere. It started after World War II, and during the past two decades it has produced an awesome number of tough, market-wise builders. And now that California's growth has all but stopped, these builders are battling for a slimmer market. To make things even rougher, a lot of the bigger boys have been taken over by major corporations. This gives them more financial clout, plus the spur of boards of directors whose eyes are glued to the bottom line.

Finally, the strong housing areas of California are caught in a brutal squeeze between galloping land inflation (you can pay $30,000 an acre for relatively ordinary land in Orange County) and adamant communities that won't allow multifamily housing no matter how much the land costs. Under those conditions there's no room for marketing error; the builder who doesn't build the right product at the right price is going to get creamed.

It follows that the marketing techniques—all the way from initial research to the final product—which have been proven in California's rough-and-tumble should be even more successful in the comparative calm of most other housing markets. So this issue spotlights some of the key elements of California's marketing. They include:

Case studies of five successful projects, showing how their markets were identified, what kind of products were planned and built to meet the markets and what the results were.

An in-depth look at all-important market research: what it can do for you, how to go about it, what it should cost.

Finally, a story on a Southern California real-estate firm that specializes in selling new homes for builders.

CASE HISTORY NO. 1:

For a market that needed apartments: amenities and a park-like environment

Shelter Creek Apartments in San Bruno, Calif., contain 1,296 rental units on 50 acres, five minutes from the San Francisco airport and 15 minutes from the city itself. The complex is an adult community; children under 16 are prohibited. Developer is the Lewis W. Douglas Co., Los Angeles. Rentals range from $188 for a bottom-floor studio to $350 for a top-floor, two-bedroom unit with a view of the Bay.

The market:

Lewis Douglas, who heads up the developing company bearing his name, says he didn't aim his project at a particular slice of the market; rather, he looked for a community desperately needing rental housing. The 50 acres he bought met that goal: Competing apartment projects in the area had a vacancy rate of less than ½ of 1%. "Even the older buildings were full up," he says.

Based on 280 rentals to date, Douglas says he has a "normal adult mix." He says he has single males and females (about equal in number), working marrieds and retired senior citizens.

The product:

Douglas says his apartments were designed for people who like apartment living but who dislike that cramped feeling often associated with apartments. "We've eliminated that problem by installing lots of windows which, in turn, admit plenty of light."

Landscaping and location are the key to Shelter Creek's sales, says Douglas.

Landscaping: Douglas built a garden environment for his eight-building complex. Brooks, streams and waterfalls abound throughout the property. And transplanted full-grown trees give the area an established look.

Location: The apartments are within easy commuting distance to San Francisco, are close to the airport and a shopping center.

Shelter Creek's amenity package includes two outdoor swimming pools, one indoor pool, five tennis courts, several whirlpools, a gym and a social center—with a fireplace—for dances.

Marketing effort:

Douglas' advertising agency does not believe in running display advertising for rental units in the real-estate pages. "That's for homebuyers," an agency official says. Instead, Douglas runs his display advertising on the entertainment pages. The agency long ago discovered that such pages get a higher readership. (However, Douglas did run some conventional classified advertising in the classified section, under real-estate.)

Results:

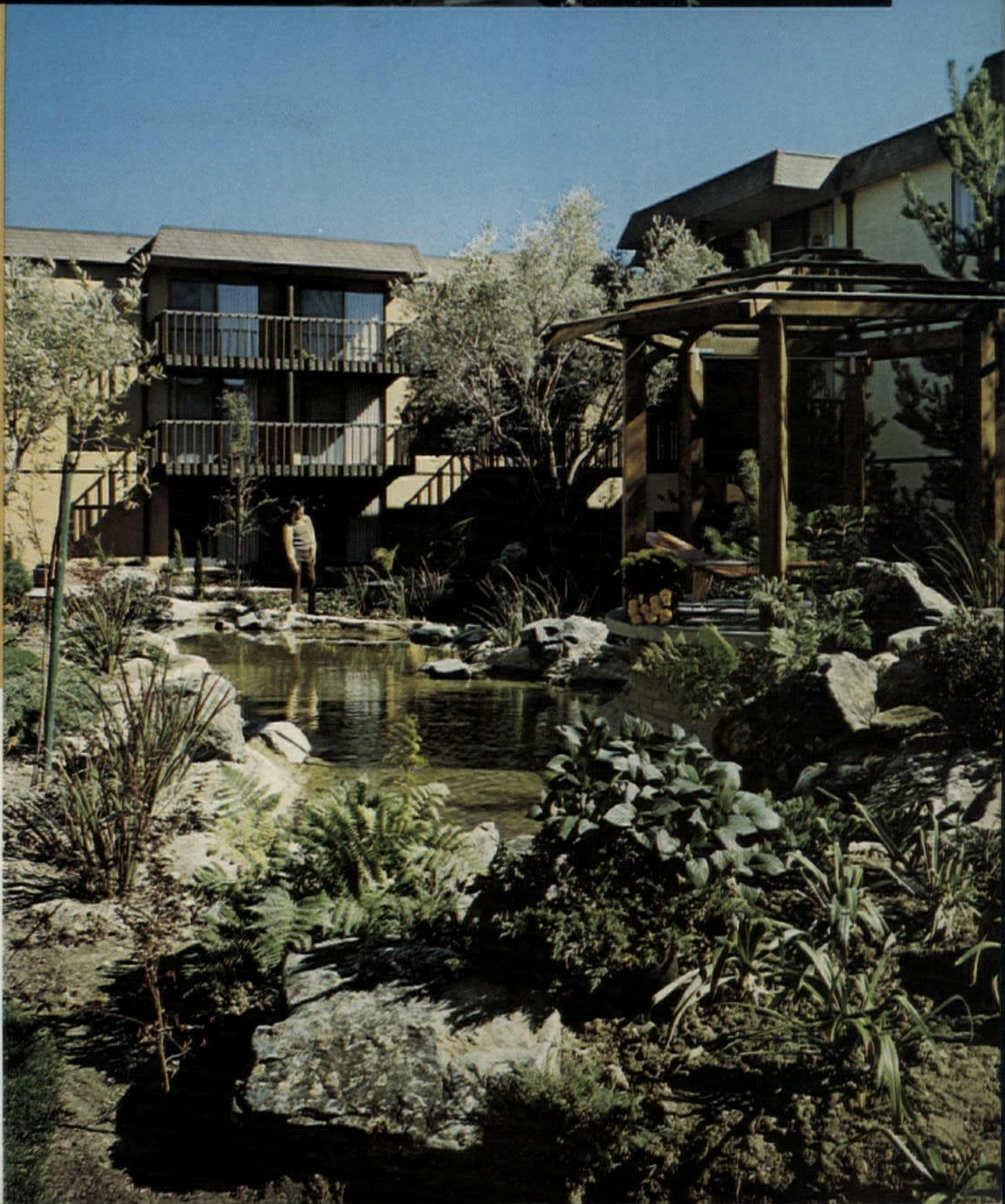
It's too early to tell, says Douglas. Construction won't be fully completed until next month. But to date 280 units have been rented, and 260 families have moved in.

Afterthoughts:

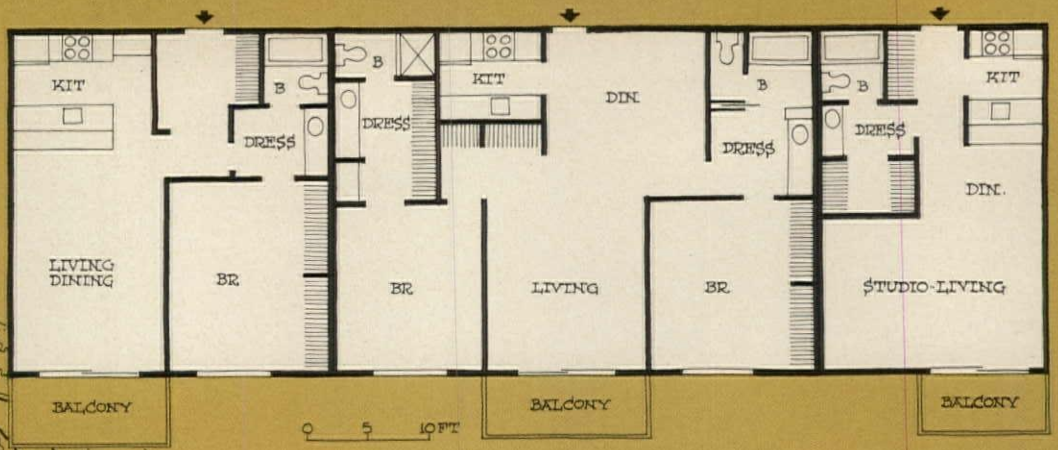
Shelter Creek contains 384 studios, 528 one-bedrooms and 384 two-bedrooms. And that, says Douglas, turned out to be a wrong mix.

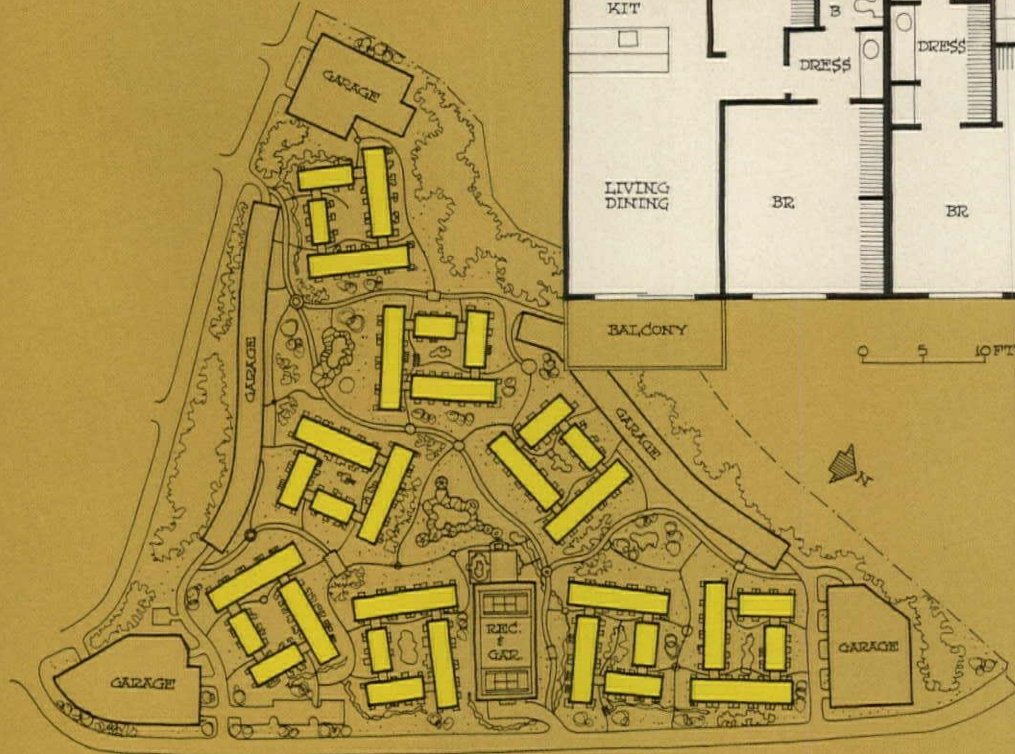
What he should have had, he now understands, is more studios and two-bedroom apartments.

Lavish landscaping is major feature of Shelter Creek rentals. Photo at left shows how land was sculptured and planted to provide changing vistas within building clusters *(site plan, overleaf)*. Above is one of the project's two outdoor swimming pools. Lushly-planted ponds *(right)*, brooks and waterfalls are spotted throughout the development.



PHOTOS: JULIUS SHULMAN





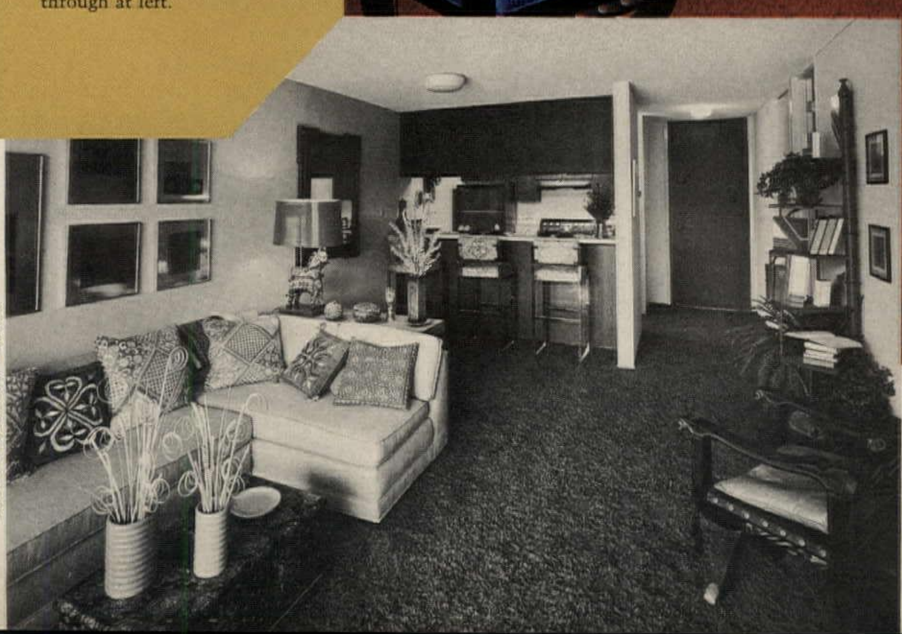
Site plan shows how three-story buildings are clustered in groups of four to achieve necessary density (1,296 units on 50 acres) while maintaining a high level of open space. All parking is at the perimeter, yet close to each cluster. Typical studio, one- and two-bedroom units are shown in floor plans.

Country-like setting *(below)* mitigates compact grouping of apartment buildings. Gazebos, set at random throughout the project, invite outdoor living.

PHOTOS: JULIUS SHULMAN

Indoor pool is an important feature in San Francisco's sometimes raw climate. Two outdoor swimming pools, five tennis courts, a couple of hydrotherapy pools and a gym round out the amenity package at Shelter Creek.

Private balcony *(photo, right)* or patio opens off of living room in each apartment so that all tenants have private outdoor living space plus a panoramic view of landscaped areas. Photo below is of same one-bedroom unit as seen from the patio. Door to bedroom is at right rear, kitchen with pass-through at left.



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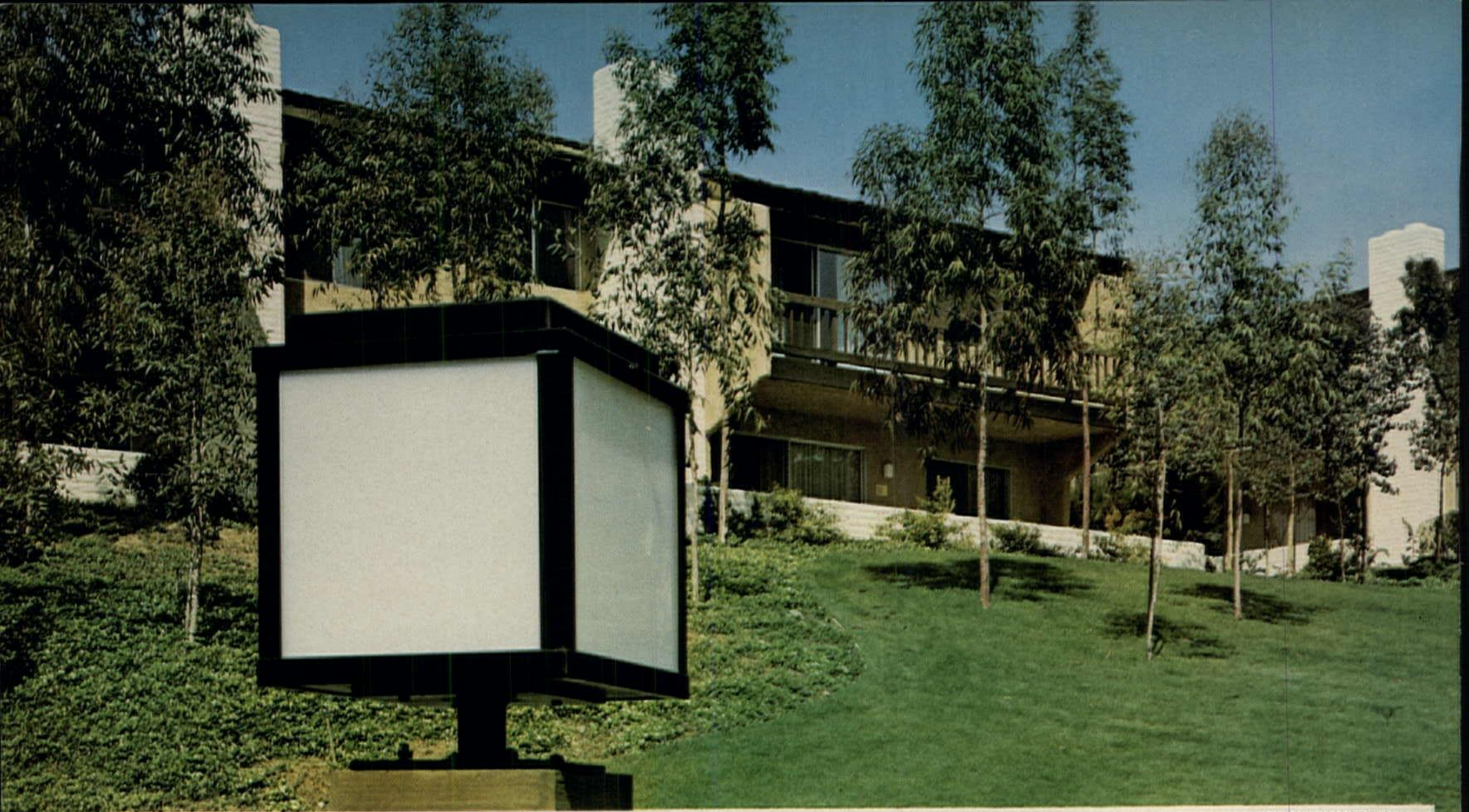


PHOTOS: DAVID ROSS

CASE HISTORY NO. 2:

For the well-heeled and over-40 market: houses that stress a prime site

Mount La Jolla is a 61-acre upper-income condominium that was begun in late 1969, opened in April 1970, and is now about half completed. The finished project will have 234 units, most of them duplex townhouses priced from $50,000 to $70,000. The developer is A. J. Hall Corp., San Diego; architecture by Walter Richardson Associates, Costa Mesa.

The market

La Jolla is an ultra-prestigious town, with residents who are old-line, conservative and rich, but very quiet about it.

Hall's market analysis convinced him that about 6% of the San Diego region's 3-million people fit this category. They are basically of two types: the affluent executive from 45 to 65 and the old-line Social-Register type of substantial means.

The product

Both site and house were planned to convey an air of solidity, dignity and understatement. Since buyers were accustomed to the amenities of expensive single-family housing, Hall took especial care to maximize the feeling of privacy while also retaining the spectacular mountaintop views that turned out to be the main selling point.

The key is the use of trees. At the entrance to the project is a ring of coral trees which have thick trunks and dense foliage. Hall says that when they're fully grown, visitors will have the feeling that they are driving under an umbrella that will conceal the buildings. Once past the entrance, the trees will have higher leaflines that will open the buildings to view.

The trees near the houses were just as carefully selected—short trees with dense foliage to separate buildings and line pathways and tall trees with high leaflines where there's a view from the window. Careful placement of trees between 4' and 10' from the windows gives the feeling that the room's dimensions extend to the treeline, while increasing privacy.

The dwelling units and the furnishing of the model homes are likewise designed to give a quiet, understated and solid look, with oak, leather and subdued decoration predominating in the models.

Interiors are equipped with such elegances as a $300 chandelier in the entry and top-line kitchen appliances. Moreover, plenty of options are available, including wet bars, double self-cleaning ovens, etc.

The site itself, atop a mountain, provided the dual challenge of planning so that as many houses as possible could have a view, while doing as little violence as possible to the natural contours.

The marketing effort

Like many other developers, Hall found that, once started, word-of-mouth was his best sales tool. The problem was to create early traffic, since at first there was no through road to bring in drive-bys.

Periodic open houses proved to be an important sales tool; they were publicized both by newspaper ads and by direct-mail invitations to selected mailing lists. A prime source of mail leads turned out to be rental projects in the vicinity. They turned up a number of ex-homeowners who had tried the rental route and didn't like it. And a few of these prospects were recent arrivals who were only renting while they looked for permanent quarters.

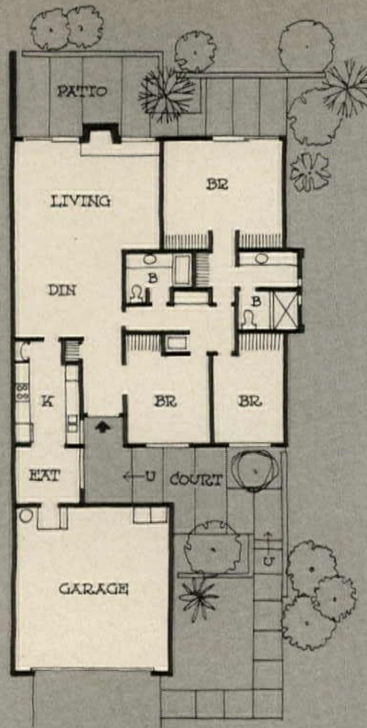
Results

Largely because of the initial problem of attracting traffic, the project was a little slow getting going. But, as of last month, virtually all of the first 120 units had been sold.

Afterthoughts

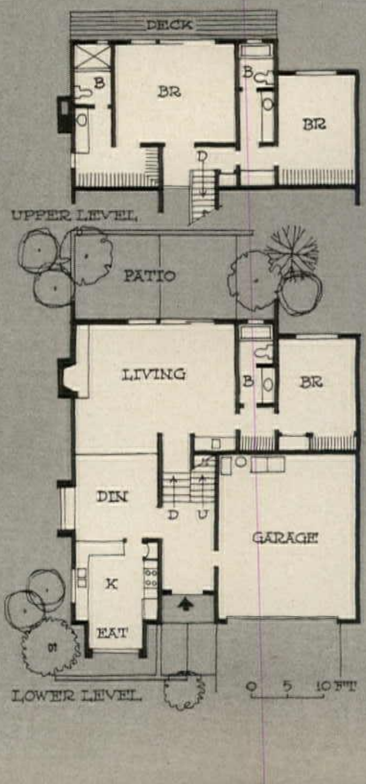
The big surprise was that buyers were putting the view at the top of their list of priorities. Hall is meeting this need by modifying both the land plan and one of the floor plans in the third phase to give even more units a view.

Circular pattern of 61-acre site *(right)* has two functions: it provides a view for the greatest number of units while retaining original land contour as much as possible. Elevation drops 400′ from hill at right to left end of plan, as seen in photo at bottom. Recreation area shown in section of plan *(right)*, geared to upper-class taste, includes tennis courts and swimming, hydrotherapy pools. Note circle of coral trees framing entrance at lower left corner.

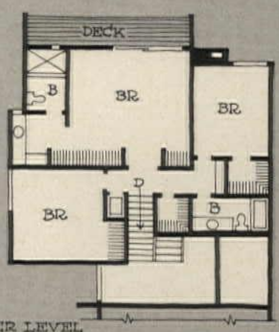


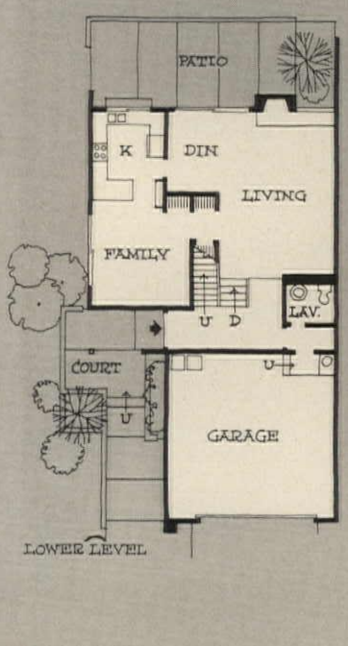
Single-story unit, only one in the project *(top),* has three bedrooms. Model home interiors *(right and bottom)* have oak and leather furnishings that bespeak a slightly understated luxury.

Trilevel *(below),* with midlevel entry, originally had bedrooms on top. When it became apparent that the view was Hall's biggest selling point, he flopped the plan to put the living room on top.



Clubhouse is seen *(top)* from street and *(right)* from pool area. Tennis courts *(not shown)* are to the right of pool. Dense, low shrubbery is used in tight spaces throughout the project.





PHOTOS: DAVID ROSS

PHOTOS: JOSHUA FREIWALD

CASE HISTORY NO. 3:

An apartment project planned and run for together-minded people

The Plaza is a 500-plus rental project in the Mission Bay Park section of San Diego. The three-story buildings contain apartments ranging from studio to two-bedroom size; all studio units are furnished, with furniture optional on larger units. Parking structures are separated from living units. Rentals range from $175 to $345 furnished or $305 unfurnished, including utilities. The project is located one mile from the ocean and within a ten minute drive of major business centers.

The project's builder and owner is Barrett, Hibbard & Co., of which Richard D. Hibbard is the general partner.

The market

Hibbard aimed for the upper-middle-income rental segment. His population data indicated that many such prospective tenants were moving into the area, and that many already there were ready to upgrade their quarters.

Hibbard decided not to go after any one particular age group, but to aim at adults of all ages (he has them from 18 to 80) who want to mix with other adults of all ages.

The product

The site selected was not only adjacent to a large shopping center, but was just two blocks from a junior high school which offered the largest evening adult education programs in the city.

It was partly because of this that Hibbard went in heavily for recreational and educational activities which have included, in addition to the usual round of bridge, barbecues and brunches, such exotica as stitchery, self-hypnosis and facial exercises—not to mention trips to the races and other sporting events.

All this is handled by a young woman who is professionally trained as a recreation director; she is assisted by several students whose employment gains them college credits in the same major.

The marketing effort

Drive-bys and word-of-mouth have accounted for the majority of rentals. During the initial stages Hibbard used the usual classifieds, but cut them back when they came out a poor third in effectiveness. One useful promotional item is a giveaway piece which serves as a check-list of things to ask when apartment hunting. By implication it conveys the message that The Plaza has everything needed in the way of conveniences.

The results

The project has done very well, Hibbard says, despite a timing problem. Six months or so after it was finished interest rates dropped and gave a huge boost to single-family and condominium housing. Thus The Plaza's initial high occupancy rate dropped off. But as of last month it was at 95% and climbing, while the average for the area, Hibbard says, is around 88%.

As a check on his original market analysis, Hibbard surveyed his tenants and asked them to indicate how much the recreational facilities had weighed in their choice. No less than 71% rated this factor as "relatively important" or better. Further, the apartments that overlooked swimming-pool or lagoon courtyards easily command a $5 to $10 premium over those facing street, ocean or bay. Hibbard's conclusion: "Our tenants are so much interested in having a good time that even when they aren't participating, they'd rather watch than not."

Single and married tenants are divided about 50-50; 35% are in the 20-29 age bracket, 28% are 30-49 and 37% are 50 years and older.

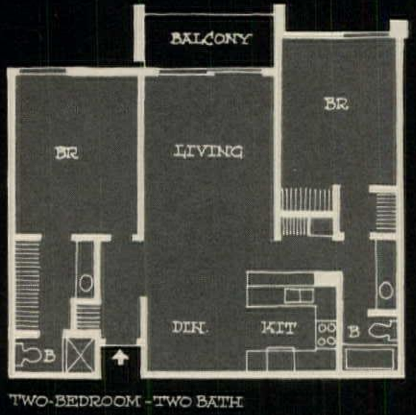
Afterthoughts

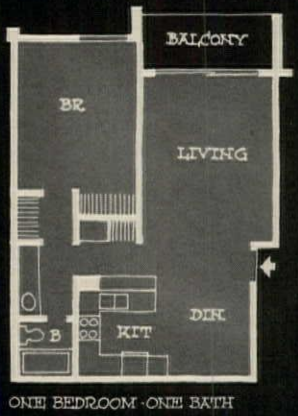
The major marketing problem has concerned the 30% or so of two-bedroom apartments. Since children are verboten, these are mainly occupied by older people or singles who want separate bedrooms, plus a few who have frequent visitors. And their $300 tag gives them steep competition with condominiums.

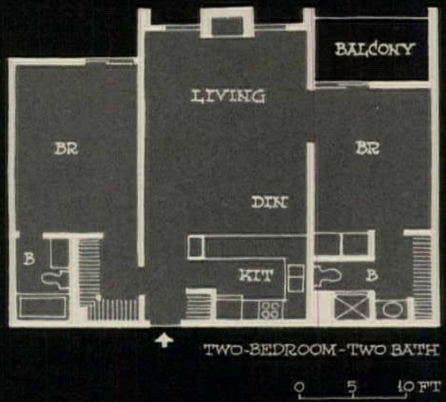
Key areas in The Plaza are *(left)* entrance mall and *(bottom)* landscaped lagoon. They are located respectively at top-center and center of site plan *(right)*. Painted stucco and tile roofs give building high-priced look. Density is 50.8 units per acre; buildings cover 56% of the 9.9-acre site.

Pool court *(left)* is one of four in the project. All are off-limits to visiting children except during specified hours.

Floor plans *(left to right)* include: studio; 2-bedroom, 2-bath; 1-bedroom, 1-bath; 1 bedroom, den, 2-bath; *(below)*: 1-bedroom, 1-bath; studio.







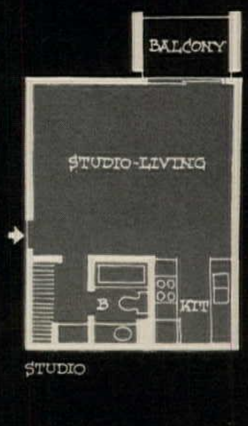


PHOTO: JOHN WAGGAMAN

Lounge *(left)* is adjacent to main entrance. View is toward main lobby; billiard room is located to the right.

PHOTOS: JOSHUA FREIWALD

Trilevel patio at rear of clubhouse is a popular place for alfresco gatherings. Project also has four tennis courts, two hobby rooms, hydrotherapy pools, putting green, coed gym, sauna. Lagoon is stocked with a Japanese species of carp called koi.

PHOTOS: GEORGE LYONS

CASE HISTORY NO. 4:

Single-family living with extra privacy attracts a wide range of buyers

The Shores at Laguna Niguel consists of 111 one- and two-story patio houses on 20 acres. It is part of Laguna Niguel, the 7,936 acre (12 square miles) new town, midway between Los Angeles and San Diego, being developed by Avco Community Developers Inc., of La Jolla, Calif.

Price range of the units: $40,950 to $64,950. Architects were Jones & Hom of La Jolla.

The market:
Buyers at the Shores are for the most part beach-oriented. Half of them, says Don McMullen, Avco's marketing director, came from either nearby Laguna Beach or from one of the other beach towns within 15 miles of the Shores. They represent all age groups from 25 on up: Twenty-three percent are 25 to 35 years old, 31.5% are 35 to 45, 31.5% are 45 to 55 and 14% are 55 or older. Nearly half the families have no children.

Most are well off: Sixteen percent earn $15,000 to $20,000; 28%, $20,000 to $25,000; 16%, $25,000 to $30,000; and 28%, over $30,000. The remaining 12% earn below $15,000. They are all white collar workers—either professional managers or owners of their own businesses.

Roughly 60% of the buyers owned another home at the time they bought a unit at the Shores, says McMullen. Hence they were critical shoppers. Only 28% bought on the first visit. The remainder—78%—came back anywhere from two to four times before reaching a decision.

The product:
Each house is built on a 45' x 90' lot and uses zero lot lines for maximum use of outdoor space. In most models there's room in some part of the walled section of the yard for an outdoor swimming pool.

"Tremendous privacy and sea-orientation are what the buyers wanted most," says McMullen. Specifically:

Privacy: Each street—called a bay—contains approximately 12 houses and has its own entrance *(plan, facing page).*

A seven-foot wall surrounds the outdoor living area.

Master bedrooms are apart from the children's sleeping areas. In the two-story homes, for example, if the master bedroom is upstairs, the other bedrooms are downstairs. And if the master is downstairs, then the children sleep upstairs.

Sea-orientation: A county beach is at most a 15-minute walk from the Shores. Avco built a private parking lot adjacent to the beach and installed a private walk from the lot to the beach. And there is a marina nearby for those who own boats.

The marketing effort:
Sales were generated three ways:

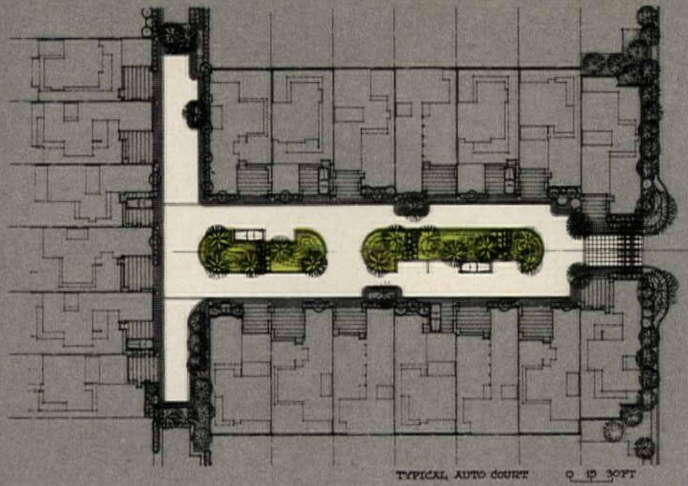
1. Ads were placed in local newspapers.

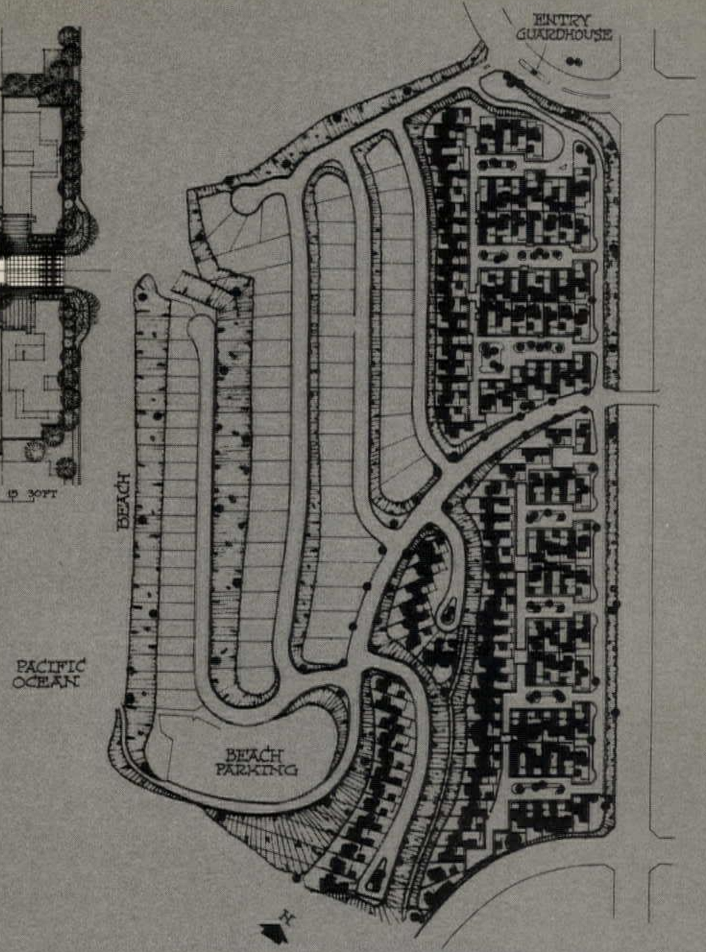
2. An 8-page monthly newsletter was delivered by hand to 6,000 nearby residents. It contained no advertising as such but devoted 20% of its editorial space to stories about Avco and its future plans.

3. Avco gave trading stamps worth $60 at retail to anyone referring a family that eventually bought a house.

Results:
"We were right on target," says McMullen. Construction of Phase I began January 1970, and sales started two months later, even before the models were done. Construction on Phase II started in June 1971 and sales were launched one month later—using the original Phase I models. All units were sold out by March 1972.

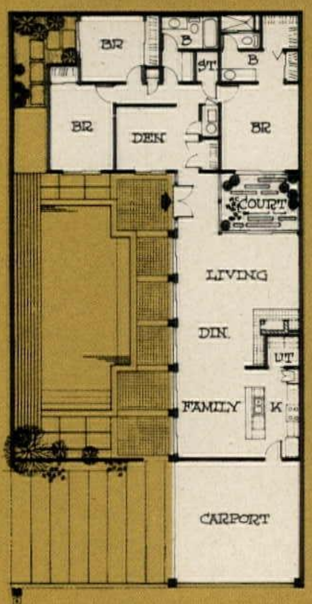
Afterthoughts:
McMullen says he underpriced those houses which have unobstructed views of the Pacific by about $6,000. He had set the price range—$54,000 to $64,950—after studying the competition. But the competition consisted exclusively of existing homes. Today McMullen is building 19 additional houses with excellent views. However, the starting price this time: over $70,000.

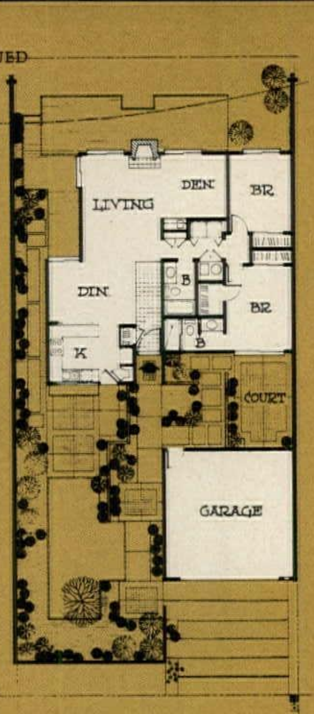


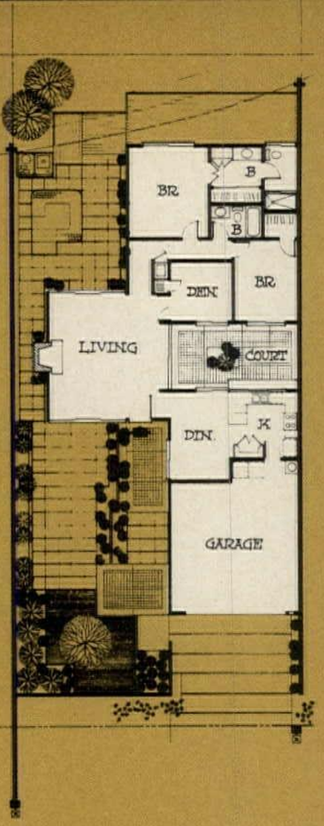


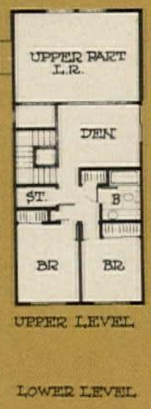
Landscaped island *(left)* eliminates closed-in streetscape that otherwise might result from walled facades. Twelve houses are situated in bay—some of which are cul-de-sacs.

Living area *(below)* has cathedral ceiling—15′ high at apex—and fireplace. Sliding glass window wall opens to private swimming pool. For another view of the walled-in swimming pool area, see overleaf.



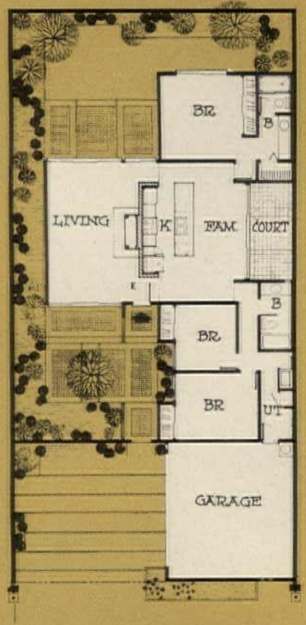






Private swimming pool *(below)* is made possible by zero-lot-line siting of patio house on 45'x90' lot. Glass-walled gallery extends full length of house on one elevation, ending at small study seen just to right of entry doors *(background, left)*. Bedroom wing is at right of study.

Typical plans *(above and on facing page)* show variety of layouts available in one- and two-story patio homes. All lots allow for the construction of a pool within the walled garden.



Open kitchen *(plan, above, and photos)* features a breakfast bar with carpeted platform for seating. At right kitchen is seen from family room. Photo below shows how kitchen is lighted from court formed by 7'-high wall which surrounds property.

PHOTOS: GEORGE LYONS

Recreation units are available in two types and price ranges: low-priced condominium apartments *(above, left)* selling from $22,000 to $29,000 and high-priced two-story condominium townhouses *(above, right)* selling from $32,000 to $49,000. The apartments are located one-half mile from the ski lifts; townhouses are just minutes away.

Loft over living room and kitchen in top-floor condominium apartments *(plans, page 101)* provides 225 sq. ft. of extra sleeping space for upwards of 8 to 10 guests. Ladder—seen near door *(rear, left)*—provides access to loft.

PHOTOS: JULIUS SHULMAN

CASE HISTORY NO. 5:

For the affluent ski market: good location and wide price range

The project is a series of high-priced condominium townhouses amd medium priced condominium apartments on the eastern slope of Mammoth Mountain in California's Sierra Nevada range. Prices vary from $22,000 to $49,000. The builder is Dempsey Construction Corp., Mammoth Lakes, Calif. Tom Dempsey, the firm's president, grew up in the area, has taught skiing.

The higher-priced units—$32,000 to $49,000—are:

Mammoth Points—36 single-family townhouses on three acres.

Mammoth West—43 single-family townhouses on five acres.

Mammoth Estates: 78 units on five acres.

Lower-price units—$22,000 to $29,000—are:

Discovery 4: 64 units on four acres.

Seasons 4: 100 units on five acres.

Horizons 4: 190 units on 10 acres.

Since only the eastern slope of Mammoth Mountain contains privately owned property (the Government owns the rest), land is expensive. Dempsey pays $1 to $2 per square foot for raw land, or $4,000 to $6,000 for each higher priced unit, $2,800 for the others, including each unit's share of common land.

The market:
Few can afford $40,000 to $50,000 for a second home. Thus, the upper end of Dempsey's market is slim: 40 units a year at best. But, the market for the lower-priced units is strong: 100 units a year.

Here is a rough profile of Dempsey's buyers:

- They're young family people from Southern California.
- They either own their own business or they're professionals—chiefly doctors and lawyers. (School-teachers sometimes buy a low-priced unit jointly.)

The product
Units of both price groups are shown on the pages that follow. Top-priced units are a short walk from ski lifts, while less expensive models are one-half mile away, and owners typically need to drive to the lifts.

Regardless of price, all units have ski lockers outside their doors. And each owner has at least one lockable interior storage cabinet so when he rents his unit or lends it to a friend, he can lock up his valuables and personal papers.

(An owner may rent his unit privately or through a real-estate broker. But because of SEC regulations he cannot rent it via the professional resident manager.)

The marketing effort:
Dempsey advertises in *The Wall Street Journal,* medical magazines, skiing publications and the sports pages of the *Los Angeles Times.* He also uses direct mail. Moreover, he will invite up for a free weekend (including air fare) any couple answering an ad for further information. About one-third of those who show up buy.

Local real-estate brokers contribute about one-third of Dempsey's sales. They get a very heavy walk-in trade— people who have been up skiing and suddenly decide to ask a broker what housing is available in the neighborhood.

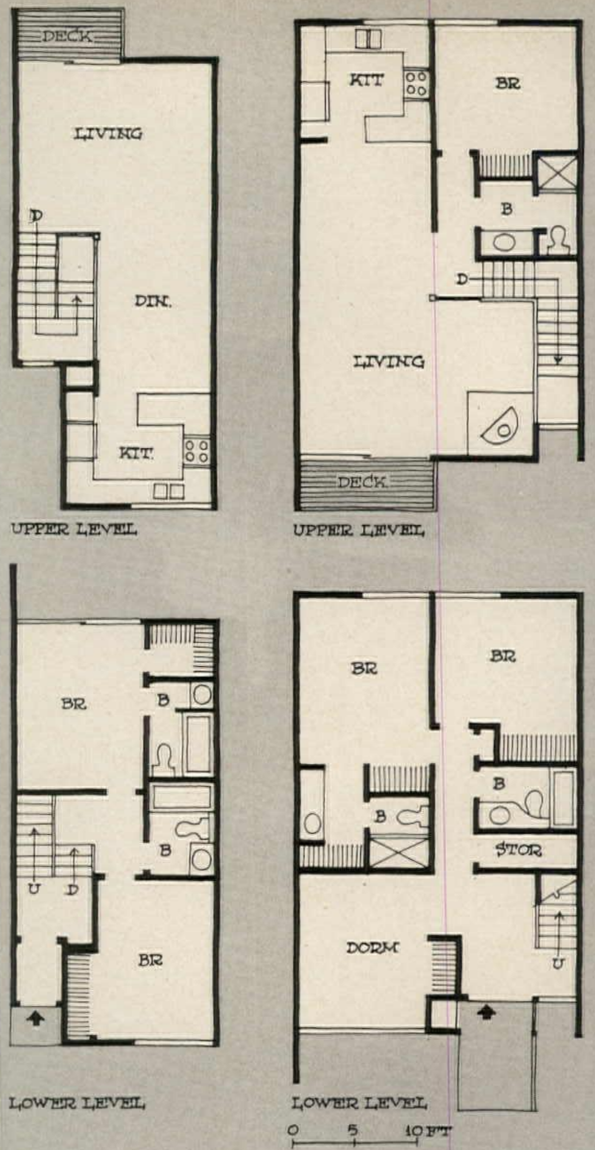
Results:
Dempsey sold out each of his three high-priced projects in a year. Of the low-priced units only Seasons 4 went quickly. The others also took about 12 months.

Afterthoughts:
Dempsey says that the less costly vacation apartments are more profitable. Upshot: He's not building high-priced townhouses this year.

He also learned he can't abandon a project once it's completed —as he did at his first ski project. He knows he must provide management services; otherwise, the project will deteriorate.

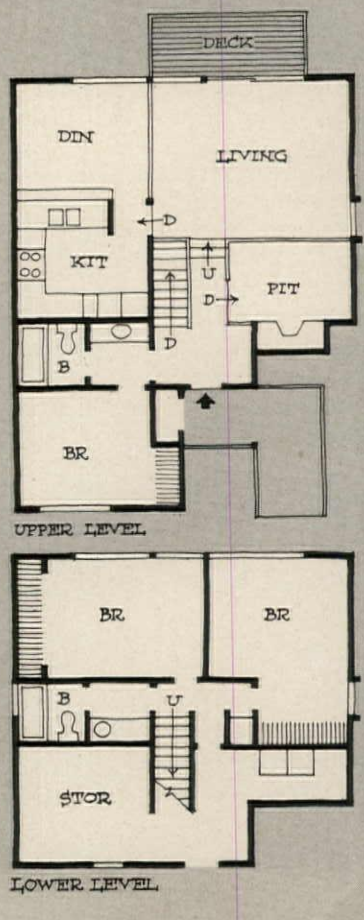
He's discovered that any project smaller than 20 units can't support a professional manager.

Finally, he's amazed at the size of the second home market among skiers. He'd anticipated in 1964 that he'd sell only about 20 units annually. He now has ski projects underway in Aspen, Colo., Sun Valley, Idaho and Huntington Lake, Calif. And he's eyeing 1,000 acres still available on the eastern slope of Mammoth Mountain.

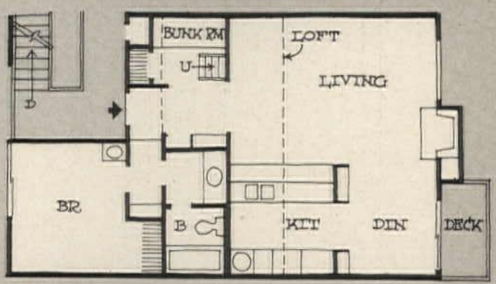


Condominium townhouses *(above)* are typical of higher-priced units found at Mammoth Points, Mammoth West and Mammoth Estates. Each complex has its own swimming pool, hydrotherapy pool and recreation room. The two-story townhouses are built in sections in a Fresno factory, then shipped by truck to the site. Living rooms in all townhouses are on the second floor to give the best view *(background, photo, right)*. Most bedrooms are on lower levels *(floor plans)*.

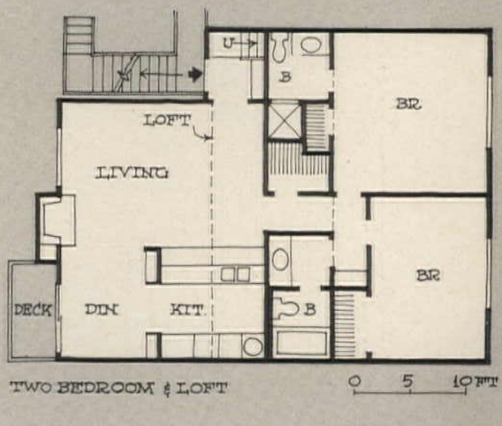
PHOTOS: JULIUS SHULMAN



Condominium apartment buildings, *(above)* called Discovery 4, contain a minimum of four units each. Upper-floor apartments have 225-sq.-ft. lofts *(shown on previous overleaf).* Typical living room *(left)* features beamed ceiling and a fireplace *(floor plans).*



ONE BEDROOM & LOFT



TWO BEDROOM & LOFT

Market

Who should do it? What are its pitfalls? What should it cost? What should it tell you?

More and more developers are finding that the seat-of-the-pants, or gut-feeling, method of deciding what to build and where is a short cut to disaster. The logical alternative is a market-research program. But bad research can be worse than no research at all. So HOUSE & HOME asked two experts—one the head of a market-research firm and the other an executive of a major building company that relies heavily on research—for guidelines on how to get and evaluate effective market research.

Herbert L. Aist heads up his own market research firm, Herbert L. Aist & Associates, which he started in 1969. His experience in the field has been extensive: He has worked for a large research firm and as an in-house researcher for one builder and executive vice president for another.

Bayne Sparks is marketing vice president of Grant Co., one of the country's larger builders with an anticipated volume of $75 million in 1972 *(News, April)*. The firm now builds in Southern California, Las Vegas and Hawaii and plans to start operations in San Jose and Phoenix later this year. Sparks is a strong advocate of market research, and often uses Aist's company to get it.

Research

The aim of research: to find holes in the market

In the language of the market researcher, a hole is an unfulfilled market demand—a particular price range, housing type or any other element that represents a market opportunity for the developer or builder. The aim of market research is to find holes, identify them accurately and give the builder, with considerable precision, the market's absorption rate—the number of units he can expect to sell in a given period of time.

This is not, says Aist, as simple or direct a process as it may sound, because demand is by no means always translatable into opportunity.

"For example," he says, "a recent market study of San Diego County showed that there was fantastic demand in some areas. But there was also a great deal of construction in those areas, both in progress and in the planning stage. By contrast, in some of the areas with much less demand, there was also far less building activity, and much of what there was wasn't directed toward the best market.

"So the highest demand doesn't necessarily mean the greatest opportunity. Opportunity lies in the least satisfied demand."

Sparks agrees, and offers as an example Bradford Place, a 560-unit townhouse project priced from $21,000 to $25,000 that was a howling success in one Los Angeles suburb (H&H, Dec., '71).

"We asked Herb to find out if we should try the same project in another area. He came back and said no, because while there was a huge demand for it, there were already some 4,000 units either under way or planned. If we went in we'd be much too late, and our absorption rate would have been only ½ unit per week. It would have been a very costly mistake."

Such mistakes, says Aist, are often caused by research that doesn't go deep enough into a market.

"It's very easy," he says, "to forecast new family formations in an area and call that demand. But that doesn't cover the demand brought about by new types of housing which isn't related to growth. Take condominiums for example. About 75% of all condominium buyers are coming out of rental apartments right in the same area. So you don't have to have population growth to have good condominium demand."

But opportunity can mean much more than just price range, type of housing or particular markets like empty nesters or young marrieds. For example:

Features or amenities can represent a hole in the market. Says Aist: "Take one of those situations where there is strong demand in an area, but also strong activity to meet it. Even though there's a lot of overbuilding, and a lot of builders are getting hurt, you'll always find one or two builders dominating the market because their product is superior."

And says Sparks: "We can forecast the type of feature that will make the product superior—turn people on. It can be done through consumer preference studies, asking people if they'd rather have a living room or a family room, or a dining room or a family kitchen, and if they had to give up one, which would it be? By the proper structuring of questions like that, we can find out what people really want—and hopefully, what they're not getting from houses currently on the market."

Adds Aist: "Maybe your research will show that people will take more expensive rental apartments if there is, say, a day-care center so the widow or divorcee can work."

Merchandising can represent a hole in the market, although it's a hard one to pin down with any precision.

"It has to do with buyer emotion," says Aist. "You have to try to psych out the market, and your research should show you how well your competition is doing this.

"For instance the greatest emotional trauma a normal consumer goes through is buying a home. In particular there's the problem of buyer remorse that arises between the time he buys the house and when he actually closes the deal: Should he have bought that house? Is it too much money? Would he be better off renting an apartment instead?

"The smart builder will have a program of contact with the buyer during this period to relieve the trauma—to make him aware that the builder is thinking of him, that his house is moving on schedule, that he made a wise choice buying it.

"So we have to translate our statistics into an emotional purchase through merchandising. If no one else in the area is doing this well, there's an opportunity."

As a rule a research report is aimed at verifying and fine-tuning a market. For example the builder feels quite sure that townhouses in the $25,000 range will do very well on a particular piece of land, but he wants to make sure he's hit just the right price range, and he wants to know his probable absorption rate.

But sometimes the builder gets a surprise. The report may show that the anticipated hole doesn't exist. And this can make difficulties if he already has money tied up in his land.

"At that point," says Aist, "he can either drop his options and take his loss, or ask himself, what other market might be attracted here? Then he has to do more research.

"Suppose, now, his research shows that while his original townhouse concept won't sell fast enough to be viable, there is a market for high-priced condominiums on that site. Maybe he isn't oriented to a market like that, even though it would be a good use for his land. Maybe it wouldn't fit his method of operation. On the other hand, he now has a chance to expand into a new type of housing that is non-competitive with his present line, and which maybe doesn't require him to go one-on-one with his competitors to squeeze the last dime out of his costs. It could be a fine opportunity.

"Again, the hole in the market has been found."

TO NEXT PAGE

Who should do the research—the builder or an outside researcher?

It depends. Aist and Sparks agree that either way can work well, and that both offer advantages and drawbacks. Sparks, who is in the best position of the two to face the question objectively, feels that all things considered, the independent researcher has a slight edge.

"But it depends to a large degree on the philosophical makeup of the building company," he says. "Take Grant Co. for example. At the corporate level we want to keep a tightly-knit group which will work with and oversee our various divisions. We don't want a lot of corporate personnel and the heavy overhead that goes with it. We have so many projects that doing our own research would give us another whole division to supervise. So we feel it's better to use outside research consultants."

On the other hand many companies, including some Sparks has worked for, have used in-house marketing research with considerable success.

"I don't think they get any better research," says Sparks, "but they may be a little more flexible. If I want Herb to do a study for me, I may have to wait a couple of weeks till he finishes another project. If I had my own research group I could do it whenever I wanted."

Sparks does feel that when he hires Aist, or any other independent research consultant, he wants that consultant's personal evaluation of the study. And this, Aist says, raises one of the potential dangers of using an outside researcher.

"In a big market research firm—and I've seen this happen—often the actual research is done by some kid just out of college. Meantime the principal of the firm, the guy who really turned you on in the first place, is off somewhere selling other studies. The analysis gets done by people you never heard of. And when the study is finished and the principal comes in to make his presentation, he turns up with an entourage you never knew existed.

"So the builder should demand to know—in advance—exactly who will be doing the actual research, then talk to him and find out how good he is."

Aist himself purposely keeps a small staff. "If someone hires my company, he gets me. That's the kind of operation I want.

"Other research firms have small, capable staffs to gather data, and then the analysis is done by the head of the firm,

Market research has its limitations—and its pitfalls

"It can come up with a reasonable forecast," says Aist, "but it's not a crystal ball. It can't foretell that there will be a war, or that a sudden strike will cripple the country. It may be possible to anticipate that President Nixon will do something drastic to heat up the economy before election time, but it couldn't forecast the wage-price freeze.

"And finally, when all the facts are in and all the analyses made, a residential project really comes down to value judgments by both the researcher and the builder."

It's just in this area of value judgments that most of market research's pitfalls lurk. Aist and Sparks feel that these are the most dangerous ones for the builder:

Don't take the report as the absolute last word. It may indeed prove best for the builder to follow the report's recommendations right to the letter, but that's no excuse for the builder not to scrutinize it very carefully indeed.

"The report," says Aist, "provides data on which the builder makes his management decisions. If he feels the report's recommendations are right on, fine. But the same data might give him another idea just as marketable. And if the researcher is honest and not on an ego trip, he'll confirm an idea that's better than the original.

"And remember, it's very hard to communicate ideas. The report describes a buyer or a product in one set of terms, but those same terms may conjure up a very different image in the builder's mind. So he should question the researcher closely about anything that isn't absolutely clear."

Use the researcher for all he's worth. The research process shouldn't stop with the passing over of a research report, says Aist. If the researcher is familiar with homebuilding problems and operations, as he ought to be, he can and should be asked to critique such things as floor plans and designs, amenities, and promotional and merchandising campaigns, to make sure that they are in line with his recommendations.

"Here's an example," says Aist. "I did a report on a family-oriented apartment project, and the builder asked me for a follow-up critique of his plans. He had provided a child-care center for pre-school kids, which my research showed was very important. But he had also arranged for an adult recreation center for the parents, and I knew they couldn't have cared less about it. All they wanted was a place to put the kids while they went to work.

"I showed the builder this, and he was able to eliminate a $175,000 item from his budget."

Sparks is a firm believer in such follow-up service. "We ask Herb to go over all our plans and designs. We ask him things like, 'Is this what you meant by a California-type exterior, but with materials native to this community? Is this the kind of architecture that will work, in, say Phoenix? Why?' We want to be sure to get our money's worth out of him."

Take pains not to pre-influence your researcher. Says Sparks: "Unless you know him well, you may unconsciously convey to him what you would really like to do. And you don't want him simply to feed this back to you. You need a report that's as coldly objective as possible. So when you talk with him, try to be objective youself, and don't give him any intimation that you want him to find that such-and-such a decision would be great."

Make sure the researcher is dealing with the real world. "Sometimes," says Sparks, "he'll come back with a recommendation that if you build in this particular price range, you'll have a very high absorbtion

The practicalities of research: how fast and how expensive?

The time it takes to produce a research report can be crucial to a builder. For one thing, holes in the market can close up comparatively quickly, so the sooner the builder can locate and verify the holes the better. For another, tieing up land is often a problem; a 60- or 90-day option may be relatively inexpensive, but anything much longer is apt to run into real money.

"A report always takes longer than the builder would like," says Aist, "but actually it can be done quite quickly. It usually takes about 45 days for a complete study—and that means that you would be handed a finished, printed document.

"But it's possible to take action on a report a lot sooner than that. In about three weeks I would have enough data to be able to phone you and say, it's a go condition for this product in this price range, or forget it, the risk is much too great.

"At about the 30-day mark we usually have a meeting with the builder to go over our conclusions and recommendations and explain why we made them. At that time we can go into any specific statistics that the builder is concerned with. And if there are considerations that weren't available when the study started, they can be brought up then and incorporated in the final report.

"What we try to do is reach the go, no-go decision as quickly as we can, so that if it's go, the builder can start plans and designs.

or the person who is in contact with the builder. So the builder isn't working with just a figurehead or a salesman."

Another potential danger, says Aist, is that the builder may not use the outside consultant properly. He may not pass on to him all the data available, holding some back because he feels it's the researcher's job to get it. Or he may not give all his own ideas, because ideas are up to the researcher too.

"But if you have confidence in your researcher—and you shouldn't be using him if you don't—you should give him everything. There may be things you've thought of that he hasn't; after all, you know your operation better than anybody. And the more data he has, the more comprehensive the report he'll be able to give and the more helpful it will be."

There are also potential dangers in a builder having his own research staff.

"Objectivity is all important," says Aist, "and the researcher who is on the staff of a building company will ipso facto be subjected to pressures, either by osmosis or more directly.

"Suppose, for example, you are an in-house researcher making a study of a piece of land. You happen to know that the company has escrowed $30,000 to hold that land. That's going to affect your judgment. Or maybe you know that the company's overhead is based on 1,000 units a year, but it's now building only 300, so new projects have to get started, and there's that land just waiting. This kind of pressure could persuade you to force the use of the land, when a more objective viewer might say no, this could mean trouble, so let's take the time to find the right land."

Sparks feels that a lot of problems could be eliminated if the builder himself took the time to understand market research, even though he planned to use an outside consultant.

"I think he should go out and do as much horseback research as he can on his own. It's easy to get data like population, growth and employment statistics.

"Then he should shop his competition, analyze what other builders are doing, and ask himself, 'Are these sound decisions?'"

"If he does things like that he can't help but become more market-oriented. And he'll understand better what his researcher is doing for him."

rate. He knows he's safe as a church because the price range he set is so low you can't possibly build to it. He's simply saying that if you buy land cheap enough and build at a low enough cost per square foot, you'll sell everything you can build. We already know that. What we want are recommendations that we can actually follow."

And Aist adds: "Of course the builder must provide the researcher with all the information necessary to work in the real world—costs, land prices, etc. If I think the Grant Co. paid $16,000 an acre for some ground, but it was actually $30,000 an acre, there's no way I can come up with a feasible recommendation."

Insist that your researcher be specific. "What we really do," says Sparks, "is ask our researchers to put their heads on the block. We want definite, clear recommendations. A lot of researchers will hedge. They'll leave themselves a sort of escape clause—'But you didn't do exactly what I recommended.' The trouble is, what they recommended was so general that it couldn't be followed exactly."

"However," says Aist, "there are times when a builder is moving into a new area where he doesn't know his land costs yet because he's just started negotiating. Suppose he has some site in mind. We can recommend, say, three different products for each site, based on three hypothetical land costs, and figure absorption rates for each. We are as specific as we can be, but we base our recommendations on as many what ifs as possible."

A reverse twist on the problem of specificness, says Aist, is that the researcher, considering himself an expert, may feel he always has to come up with an answer—even when a definite answer simply isn't possible.

"Of course a definite yes or no is the most desirable kind of report. But sometimes the builder will say, 'Here is a piece of property, what should we build on it?' and there will simply be too many unknowns for the research consultant to come up with an exact answer. In this case the consultant, if he's honest, won't try to force anything definite. He'll say he doesn't know.

"What he will be specific about, however, are the reasons why he doesn't know. He'll explain why a certain kind of product *might* be successful there, but also why there *may* be too many risks for him to make a definite recommendation."

Specificness should not be confined to recommendations only, says Aist. Specific background data should also be included so that the builder can see exactly why the researcher came to his conclusions.

"The report should say—and in clear language that any layman can understand—why the fact that there are more widows in an area than divorcees is significant; why there are more empty nesters in a certain area and what this means; why there are so many one- or two-person households vs large families; or why present economic conditions will affect certain building programs in the area.

"Take that last point. Should poor economic conditions rule out building in the area? Maybe not. Maybe an opportunity has been created instead. People have to live somewhere, and if there is job insecurity, then although discretionary housing would be a bad risk, basic shelter might be a very good program.

"A simple yes or no in the research report wouldn't necessarily uncover this opportunity. But if all the background reasons were there, the builder could find his way to that, or perhaps some other equally valid decision."

"Of course if the builder is going to use the report to convince a lender of the feasibility of a project, he's going to have to wait the full 45 days for the final document."

The cost of a study can vary widely, depending on its scope and complexity.

"It also depends on the research company itself," says Aist. "I've seen reports that cost as little as $2,000, and as much as $35,000.

"But say you're a builder going into a new market area that you know very little about. You want to know if the general concept you're planning is sound, and you want very specific recommendations as to what type of housing you should build, what the price range should be and what you can expect as an absorption rate.

"Generally speaking, a report like that should cost somewhere in the neighborhood of $3,000 to $5,000."

Reports that are unusually comprehensive can cost more. For example, a study for the Grant Co. in Hawaii cost $12,000.

"But it was a really big one," says Sparks. "We had seven pieces of land on several islands, so Herb did a report on all the islands from the standpoint of feasibility and economics and made very definite recommendations for all the parcels."

"Granted, that would be a lot of money for many builders," says Aist. "But it might be possible for several smaller builders to get together and share the cost." ■

Here's a new kind of realty service for builders —

Data banking

How would you like to have, in dollars and cents, a constantly updated report on just how your models compare in value with those of your competition?

Or a computerized buyer-profile bank that can match buyers and houses on thousands of sales?

Both of these services are part of a service package offered by Walker & Lee, of Anaheim, Calif. Walker & Lee is one of the relatively rare realty firms that specialize in new-home sales for merchant builders, and it does it on a large scale: from 25 to 30 clients at a time who sell anywhere from 50 to 2,000 homes a year (the average is between 100 and 200).

This volume of client sales furnishes Walker & Lee with an enormous volume of statistics, and it is out of this that the company's data banking operations have grown. Here's what they are and how they work:

Value-ratio analysis. This tells the builder how his project stacks up against his competition. There's a lot more to it than can be gotten just by dividing the price by the square footage, though this is the basis of the analysis.

The house is measured against a frame of reference—a standard house—by compensating in dollar terms for elements in the house being evaluated that are of greater or less value than the norm.

Referring to the table on the facing page, the standard house includes a front lawn (or landscaping) but no property improvement in the rear. If house *A* has no lawn, the sum of $150 is *added* to the base price, since this would be the approximate cost of bringing it up to the standard. House *B*, on the other hand, has both front and back lawn; since the back lawn is an added value, the same amount is *subtracted* from its base price to make it directly comparable to the frame of reference.

After all these allowances are made, the resulting figure is an adjusted price for the house. When this is divided by the square footage, comparison of the end figure with that of the competition produces an accurate measure of the builder's competitive edge—or lack of it.

To keep abreast of both price and standard-feature data, Walker & Lee staff members each month visit some 40 tracts containing four or five models each. The updated information they get is then fed into a computer and the new value ratio calculated instantly.

Just to make it completely clear how the client stands vis-a-vis his competition, Walker & Lee also prepares a graph *(facing page)* on which the average value ratio for all houses in the competitive area is plotted. The points representing the client's houses which are to the left of the plotted line represent a higher, more favorable adjusted value, and those to the right, a lower, less favorable value.

Example: One client's unit came out with an adjusted value that was $3,500 higher than the competition's model of identical size. Although the location was unusually good, the Walker & Lee staffers pointed out to the builders that it was not a $3,500 better location.

Buyer-profile bank. No less than 7,826 profiles from Walker & Lee's 1970-1971 new home sales are currently in computer storage. Information comes from the same sheet that evaluates the salesmen's performance *(page 108)*, and contains such information as job description, location of job, mari-

How Walker & Lee became marketers for merchant builders

Since its opening (not too auspiciously on December 7, 1941), Walker & Lee has grown into probably the largest real estate company in the country. Last year it posted a $298-million volume on 10,303 sales, of which 5,209 were new houses.

The firm's marketing services division started out in 1965 under much humbler auspices, simply as a way of generating new business for the company. Then, it was called the residential marketing service.

It was in 1969 that George Fulton took over the group and saw the possibilities involved in building a complete marketing service around the group. The idea has taken off since then. The division now offers a wide range of services to builders in addition to the unusual ones detailed in this article. These include marketing strategy and budget, public relations and advertising and a review of general economic conditions as they relate to the specific project.

One other somewhat unusual service is an analysis of the builder's plans. Fulton calls on three or four of his account managers—there are 12 altogether—who have the most experience with the specific type of housing; they get together with the builder and point out both the strong and weak features of his house plan.

About four-fifths of the division's work is connected with new projects: The rest comes from builders who are having trouble selling off existing houses. These, of course, pose the bigger problem, since the options on a finished product are considerably restricted.

tal status, age and income of head of household, total family income, number and age of children, reason for moving, type of old house, with monthly payment, sale price of old and new home, etc.

Computer data can be retrieved in any format, such as average number and age of children, income, or comparison of a week's sales to last year's over the equivalent time period.

The computer can even help decide how to decorate a model. The computer spits out all data on every customer who's bought a house matching the size and price range; with this information the builder can give the decorator an accurate profile of the model's potential buyers.

Here's an example of how the profile bank helped one builder in the Bay area. His sales had been only so-so for a year and a half on a $35,000 to $45,000 tract next to a university. Walker & Lee's analysis showed that while the tract residents were mostly older professional couples with few children, most of the buyers for the equivalent house were younger (average age, 37) and had several young children.

So Walker & Lee aimed for that market with a new advertising campaign, and the builder began to draw these buyers as well as keeping the original ones.

The buyer-profile bank can also help evaluate the strong and weak points of project salesmen. For example, one development had two salespeople: a woman and a man, both in their 50's. Since the product and the general market conditions were the same for each, the only variables were the different prospects, who were taken in rotation.

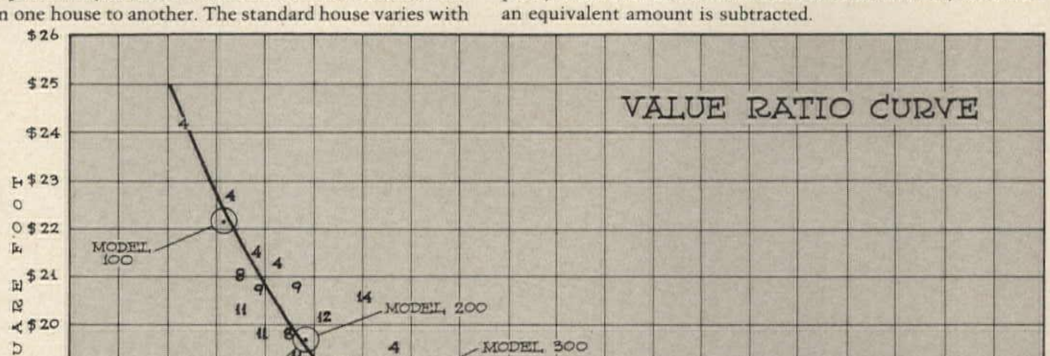
TO PAGE 108

Methodology of adjusted price analysis

Standard Features	Features Below Standard	Dollar Amount Added To Sales Price	Features Above Standard	Dollar Amount Subtracted From Sales Price
Concrete Driveway	Asphalt Driveway	$100	N.A.	N.A.
Front Lawn or Landscaping	No Lawn or Landscaping	$150	Back Lawn or Landscaping	$150
Front Sprinklers	No Sprinklers	$150	Back Sprinklers	$150
Partial Carpeting	No Carpeting	$400	Complete Carpeting	$250
One Fireplace/ Home	No Fireplace	$650	Two or More Fireplaces	$650 each
Wood Shake or Shingle Roof	Composition Roof	$750	Tile Roof	$500
Dishwasher	No Dishwasher	$200	N.A.	N.A.
Two-Car Garage	One-Car Garage Two-Car Carport One-Car Carport	$800 $800 $1,600	Three or More Car Garage	$800 each
6,000 Square Foot Lot Size	Less than 6,000 Square Foot Lot Size	$0.75/ Square Foot	More than 6,000 Square Foot Lot Size	$0.75/ Square Foot
2 Baths if Home Less Than 2,000 Square Feet	1½ or Fewer Baths	$450/½ Bath $800/Full Bath	2½ or More Baths	$450/½ Bath $800/Full Bath
3 Baths if Home 2,000 or More Square Feet	2½ or Fewer Baths	$450/½ Bath $800/Full Bath	3½ or More Baths	$450/½ Bath $800/Full Bath
No Air Conditioning	N.A.	N.A.	Air Conditioning Evaporative Cooling	$1,200
No Drapes	N.A.	N.A.	Partial Drapes Complete Drapes	$250 $500
Single Oven	N.A.	N.A.	Double Oven	$200
No Self-Cleaning Oven	N.A.	N.A.	Self-Cleaning Oven	$100
No Patio	N.A.	N.A.	Patio	$200
No Wet Bar	N.A.	N.A.	Wet Bar	$400
No Fencing	N.A.	N.A.	Fencing	$450
No Bonus Area	Unfinished Bonus Area	$2,000	N.A.	N.A.
	Partially Finished Bonus Area	$500		

N.A.—Not Applicable, None

Adjusted price analysis sheet lists most common features that vary from one house to another. The standard house varies with price; dollars are added to model if it lacks an item, otherwise an equivalent amount is subtracted.



Value ratio curve is plotted from the average adjusted price of all competing models surveyed. Numbered points represent client's individual models; points to the left of the curve represent better values than the competition offers.

Computer analysis showed that the woman was more successful in selling to the 25-30 age range, to people in the $8,000 to $12,000 income bracket, and to apartment renters. The man, on the other hand, had more success than the woman with customers in the upper income bracket and to those who already owned a home.

Each was therefore able to learn from the other how to sell the prospects they had been having the most trouble with, and subsequent analysis showed both to be stronger salespeople generally.

What's the tab for all this? Surprisingly little. Costs are just now being refigured, but they should come out about like this:

For the buyer profile and salesman analysis, which is issued quarterly: $50 per development per quarter, plus $1.00 for every sale. Comparison of the development profile with others in the data bank carries an additional charge, which varies with circumstances.

The tab for the value ratio survey ranges from $750 to $1,500, depending on the number of competing subdivisions shopped. It costs about $25 to research a subdivision.

What happens when a new client turns out to be competing for the same market as an existing one? George Fulton, manager of Walker & Lee's marketing subdivision, says, "It's no different from the situation where an architect designs houses for two or more builders.

"For one thing, there really are no secrets in this business. For another, there are many differences, based on product and marketing aims, between what I recommend to one builder or another. And, naturally, no builder sees another's report."

—BARBARA LAMB
McGraw-Hill World News
Los Angeles

Buyer profile takes but a minute to fill out. Salesman's part is at top, buyer's at bottom. Data go from there into computer memory storage, from which they can be retrieved and analyzed in many different ways.

DATE OF SALE ________, 19____

DEVELOPMENT Name ________
Tract # ________

PLAN NAME/NUMBER ________

LOT NUMBER ________ W☐☐☐ 1-3 P☐☐☐☐ 4-7

YOUR NEW ADDRESS
Number ________ 8-12
Street ________ 14-48
City ________ C☐☐ 49-50
State ________ S☐☐ 51-52
Zip ________ 53-57

FINANCING 58
FHA or FHA-VA ☐ 1
VA ☐ 2
Conventional ☐ 3
Cal-Vet ☐ 4
Insurance ☐ 5
Other or None ☐ 6

TOTAL SALES PRICE
DOLLARS ONLY
(include options purchased)
$ ________ 59-64

SQUARE FOOTAGE
(include bonus areas)
________ 65-68

NUMBER OF BEDROOMS
________ 69

BATHS 70
One ☐ 1
Two ☐ 2
Three or more ☐ 3

SQ☐☐☐☐☐☐☐ C 73-80

SALESMAN ________

NAME—HEAD OF HOUSEHOLD SL☐☐☐☐☐☐☐ 1-7
First ________ 8-15
Last ________ 16-33

CITY OF EMPLOYMENT
________ C☐☐ 34-35

SPECIFIC JOB DESCRIPTION
________ J☐ 36

AGE
(Head of Household) 37
Under 25 ☐ 1
25-30 ☐ 2
31-35 ☐ 3
36-40 ☐ 4
41-45 ☐ 5
46-50 ☐ 6
51-65 ☐ 7
Over 65 ☐ 8

CHILDREN
(Write in number in each age group)
None ___ 38
0-6 ___ 39
7-12 ___ 40
13-18 ___ 41
19-22 ___ 42
Others ___ 43

ANNUAL TOTAL FAMILY INCOME
(Past 12 months) 44
Under $8,000 ☐ 1
$8,000-12,000 ☐ 2
$12,001-15,000 ☐ 3
$15,001-20,000 ☐ 4
$20,001-25,000 ☐ 5
$25,001-35,000 ☐ 6
Over $35,000 ☐ 7

INCOME OF 45
Husband/wife only ☐ S
Both, combined ☐ C

REASONS FOR MOVING
(Check all which apply)
Tired of renting ☐ 46
Closer to work ☐ 47
Larger home ☐ 48
Job transfer ☐ 49
Better schools ☐ 50
Better area ☐ 51
Other Specify below ☐ 52

ADVERTISING
(Check all which made you aware of these homes)
Friends-relatives ☐ 53
Los Angeles Times ☐ 54
Other newspapers ☐ 55
New Homes of Calif Mag ☐ 56
Homebuyers TV ☐ 57
Homebuyers Magazine ☐ 58
General radio/TV ☐ 59
Signs ☐ 60
Other Specify below ☐ 61

SQ☐☐☐☐☐☐☐ A 73-80

D☐☐☐☐☐☐☐ 1-7

YOUR OLD ADDRESS
Street number ________ 8-12
Street name ________ 14-48
City ________ C☐☐ 49-50
State ________ S☐☐ 51-52
Zip ________ 53-57
Phone ________ Area Code ________ Number

DO YOU LIVE IN A 58
Rented single home ☐ 1
Own home ☐ 2
Apartment/duplex ☐ 3
Mobile home ☐ 4
Other Specify below ☐ 5

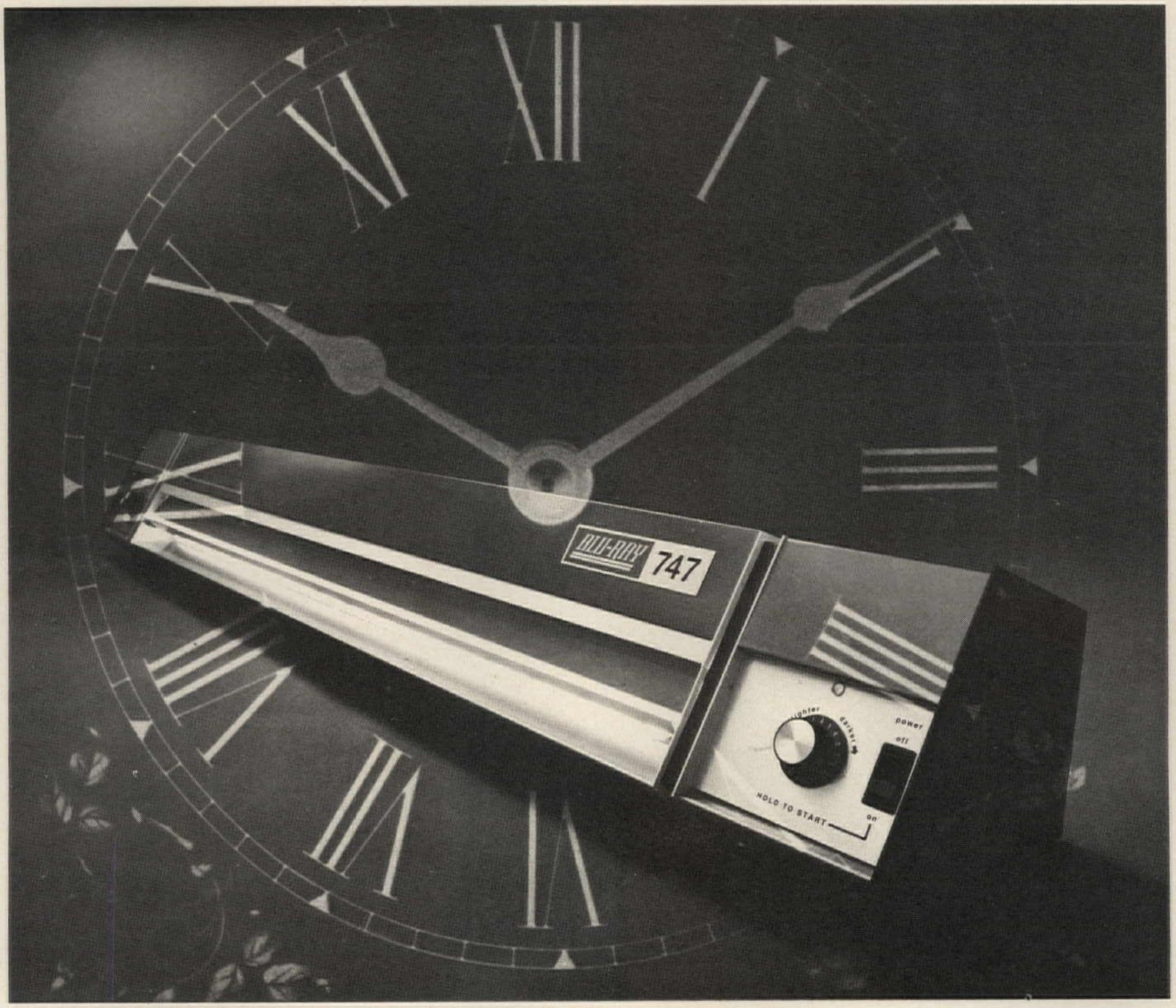
TOTAL MONTHLY PAYMENT/RENT
DOLLARS ONLY
(On old residence)
$ ________ 59-61

If you RENT your home or apartment, leave these questions blank.

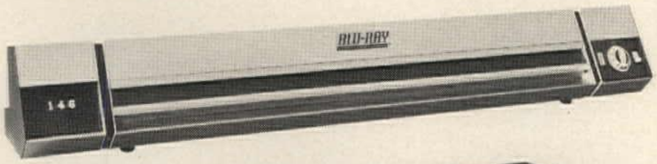
VALUE OF OLD HOME
DOLLARS ONLY
(Price at which sold, or will be sold)
$ ________ 62-67

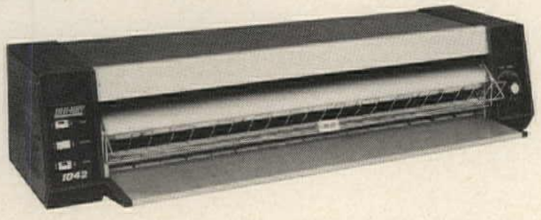
STATUS OF OLD HOME 68
Sold ☐ 1
Guaranteed listing ☐ 2
Listed, no guarantee ☐ 3
Not listed, must sell ☐ 4
Other ☐ 5
Not selling ☐ 6

☐☐☐☐☐☐☐ B 73-80



We make time savers. We call them Blu-Ray Whiteprinters. We back them with a 1-year warranty.

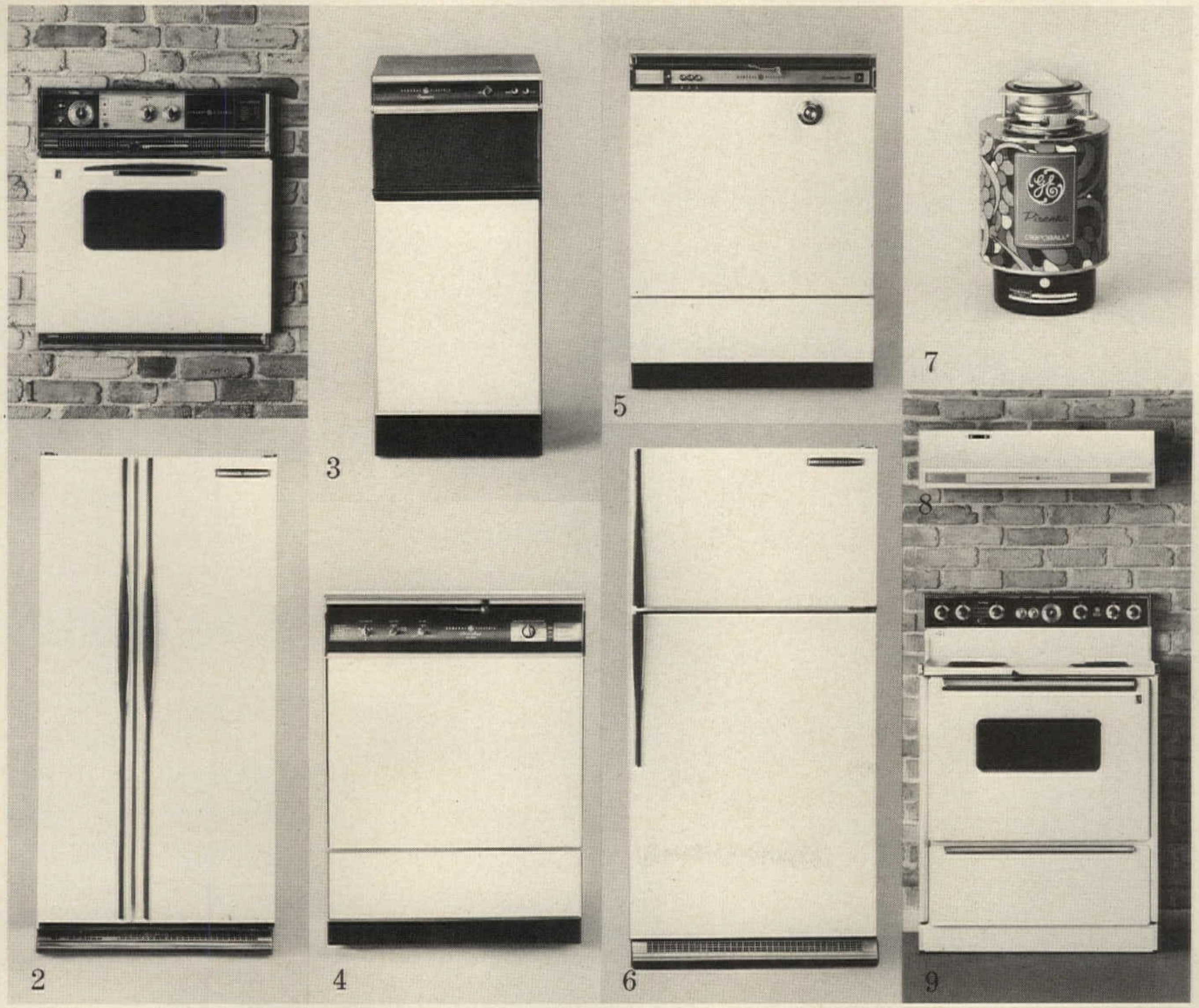




Our tabletops are time savers and money savers, but equally (or even more) important, they perform as they should. They must, because they're the *only* tabletops backed by a full year warranty.

You don't save time when your copier doesn't work. Ours do. A couple of others may be lower cost, but not by much. Others cost more, by much. None come better, nor near as good. Our leadership in tabletop sales says so. But see all three models yourself. Send for our brochure. Blu-Ray, Incorporated, 844 Westbrook Road, Essex, Connecticut 06426. Telephone (203) 767-0141.

BLU-RAY



So give her what she wants... from General Electric.

frost top freezer model (6) or eighteen cubic foot no-frost side-by-side (2) model fit into the same space as our fourteen cubic foot cycle defrost model.

Finally, women look for the convenience of a dishwasher, garbage disposer and waste compactor.

Here, too, they'll be looking for a little more. They'll be looking for the GE Disposall® unit (7), our new Compactor (3), and our sound insulated Potscrubber dishwasher (4-5).

With these three products a woman can put the scraps into the Disposall unit, the trash into the Compactor and the dirty dishes (without rinsing) into the Potscrubber.

These days convenience sells. When it comes to appliances, this means the models with the most convenient features.

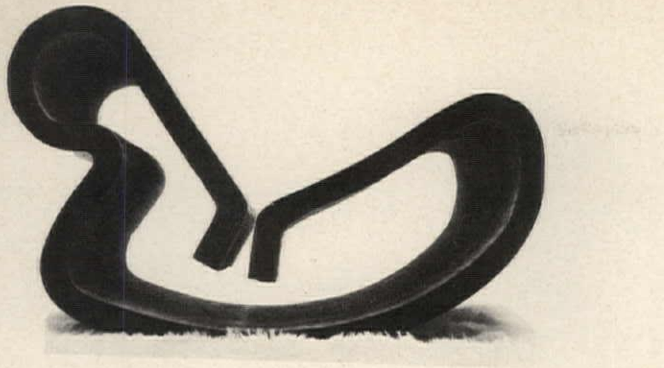
That also means General Electric. An independent poll has shown that more than three times as many American women think General Electric makes better major appliances than any other manufacturer.

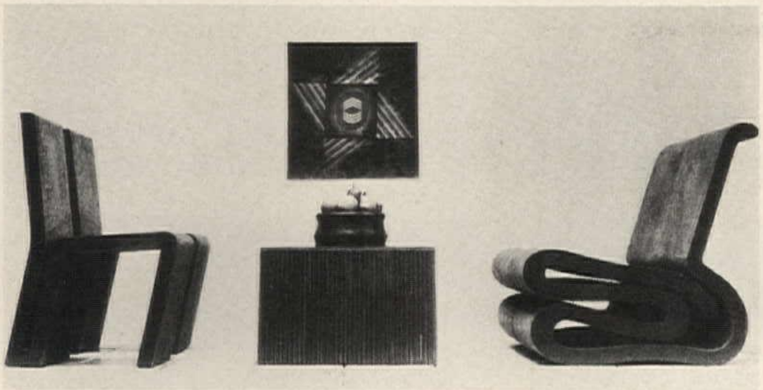
If you install a convenient GE kitchen, the lady is going to want to move into the house or apartment that comes with it.

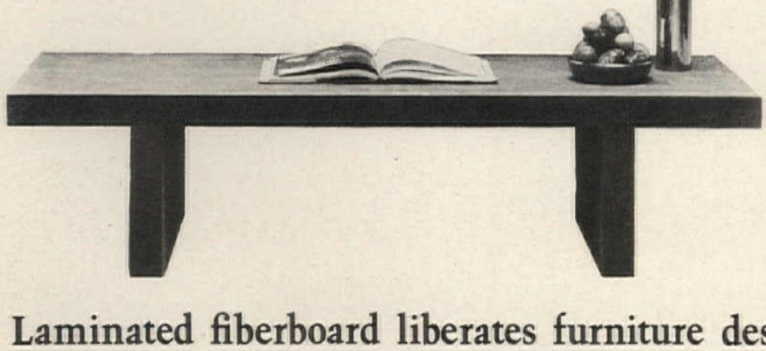
And when that happens, you can make money.

GENERAL ELECTRIC


LOADSTAR 1600
INTERNATIONAL
72 H34B







At first glance potential buyers going through a model home or apartment might be turned off by "Easy Edges" laminated fiberboard furniture. That's okay. It's my bet that if you'll let them try it, they'll like it, and it's tough enough so that you can do just that. Let the people wander. The durable, sculptured pieces look like cardboard but feel like rugged suede and have the firmness of hard wood. If folks burn your chairs you can brush away the scars. If they dance on your dining room table you'll never know it. Children's spills and kicks can't mark this stuff. In fact, let them turn the wiggle stool of the free-form "Fantasy Bar" (shown with designer Frank O. Gehry) *on its side and use it as a hobby horse. I tried it, I liked it. And I wouldn't be surprised if the people who go through your models like it too.* —*Elise Platt*

Laminated fiberboard liberates furniture design

An entirely new concept in furniture construction, laminated fiberboard is one man's revolution against high prices and the furniture market in general. Award winning architect, now designer, Frank O. Gehry creates each piece in the "Easy Edges" line for both shape and structure. Layers of corrugated fiberboard are laminated in alternate directions of corrugation. Edges of lamination form a soft suede-like surface that is practically indestructible. Cigarette burns can be brushed out, spills sopped up with a sponge and dirt quickly vacuumed away. Original rich natural tone can be maintained with regular waxing, or furniture can be spray painted or wood stained. The economy-priced line, with most pieces under $100, consists of a full range of seating including wiggle chairs that bounce back when sat in, a series of tables and cubes—from dining to occasional, desks, pedestals and tops, bedroom and children's furniture and decorative accessories. Easy Edges, New York City.

CIRCLE 250 ON READER SERVICE CARD

massive study of 233,982 sales leads from House & Home readers confirms that sales action in housing & light construction comes from every segment of the industry

To identify all the important people in housing and light construction who are active in the selection of building products, materials, and equipment, House & Home followed up 233,982 advertising inquiries from its reader service cards and received a 32% return involving 74,657 inquiries.

Survey questions were designed to determine what, if any, "sales actions" were taken as a result of readers having seen advertisements in several issues of House & Home.

For the purpose of this study, "sales actions"—that is, those actions bringing products and prospects closer to a sale—have been defined as *specifying, recommending, approving, purchasing,* and *still investigating* further.

For each sales action, of course, the unknown multiplier is the number of residential or other units for which the sales action was taken. For example, a single *purchase* mention could involve a 10-house development, a 280-unit apartment complex, or anything in-between.

Results indicate in the clearest possible manner that sales action comes from every segment of the industry, as shown in the table below.

				SALES ACTIONS TRIGGERED BY ADVERTISING						
Industry Classification	Literature Requested by Readers Surveyed	Literature Requested by Survey Respondents	Literature Received by Survey Respondents	Specified Product	Recommended Product	Approved Product	Purchased Product	Still Investigating Product	Total Sales Actions	Sales Actions as % of Literature Received
Architects & Designers	48,229	17,029	15,103	2,465	2,509	1,652	504	4,062	11,192	74.1%
Builders & Contractors	97,913	29,299	25,568	2,428	3,048	2,720	3,190	8,576	19,962	78.1%
Commercial/Industrial	4,120	1,363	1,187	85	135	75	81	421	797	67.1%
Engineers	7,812	3,014	2,657	227	331	175	133	849	1,715	64.5%
Financial	3,970	1,567	1,361	93	154	64	79	467	857	63.0%
Government	5,173	2,311	2,040	121	209	138	100	648	1,216	59.6%
Realty	9,828	3,256	2,949	184	303	254	179	1,103	2,023	68.6%
Retail Dealers	4,606	1,273	1,108	117	130	83	114	340	784	70.8%
Subcontractors	8,194	2,206	1,924	165	235	201	246	604	1,451	75.4%
Wholesale Distributors	2,553	789	687	46	81	54	49	235	465	67.7%
Others not identifying self	41,584	12,550	10,941	734	1,127	754	587	3,424	6,626	60.6%
TOTAL	233,982	74,657	65,525	6,665	8,262	6,170	5,262	20,729	47,088	71.9%

McGraw-Hill's marketing and management publication of housing and light construction

House&Home

330 West 42nd Street, New York, N.Y. 10036

Hotpoint Hustle: It's a self-cleaning oven that can make the difference.

Your customers give up a lot with a self-cleaning oven. Like broken fingernails. Scrub brushes and oven cleaners. And sore knees and arms.

And we think that's a very good way to make your houses or apartments too tempting to pass up.

And there's a very good reason why that self-cleaning oven should be a Hotpoint: all of ours are pyrolytic. It's the only method that automatically cleans every part of the oven interior completely: floor, inner window, door, and racks. It even cleans the reflector pans from the surface unit.

And we make Hotpoint self-cleaning ovens in almost every size and style your plans can call for. In drop-ins, slide-ins, and hi-lows. And cabinet ranges and single and double built-in ovens.

Your Hotpoint builder representative will tell you more about our full line of ranges, ovens, and hoods.

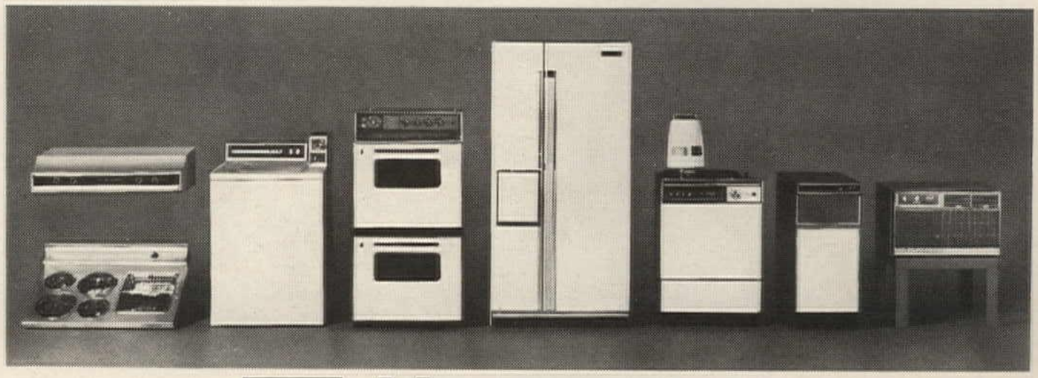
And about all the other appliances Hotpoint can bring you: refrigerators, air conditioners, dishwashers, disposers and compactors, washers and dryers. And besides appliances, there are a lot of extras we can bring to your project.

He'll also tell you about the largest company-owned, company-trained service organization in the business.

It all adds up to even better appliances and services for you and your customers.

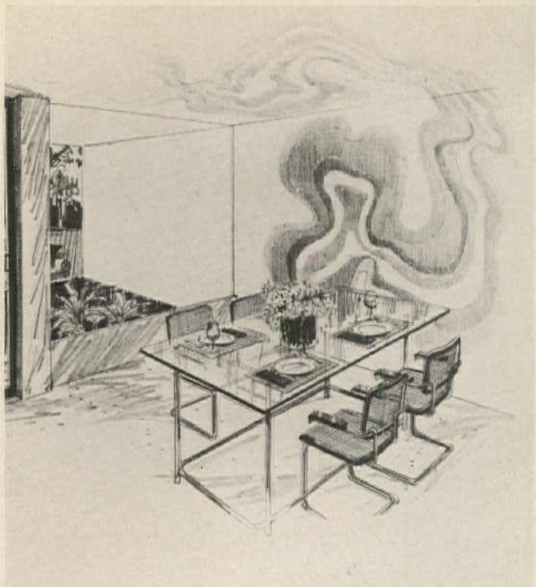
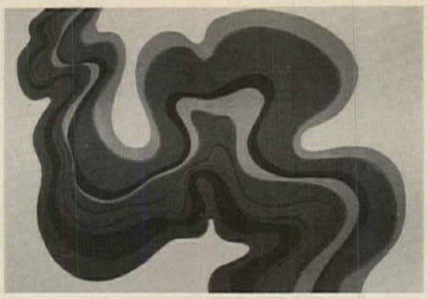
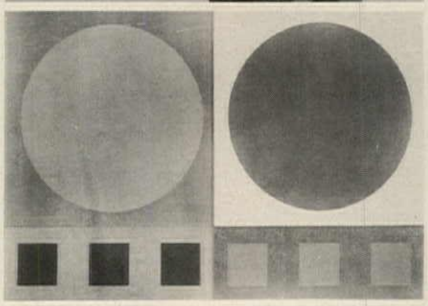
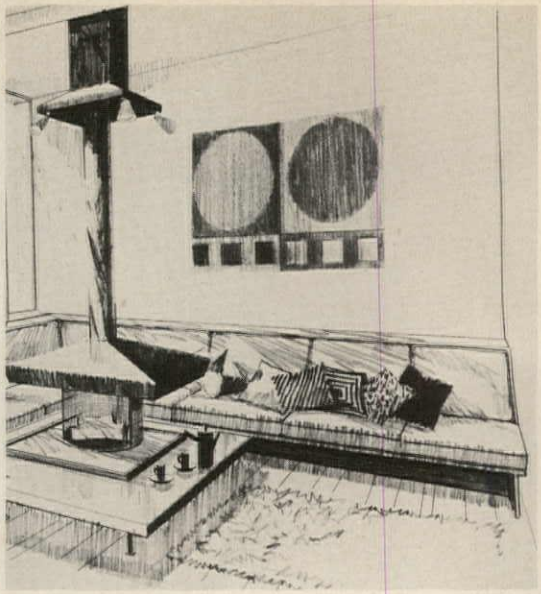
Call your Hotpoint builder representative. And watch him come running.

Hotpoint. The difference is hustle.



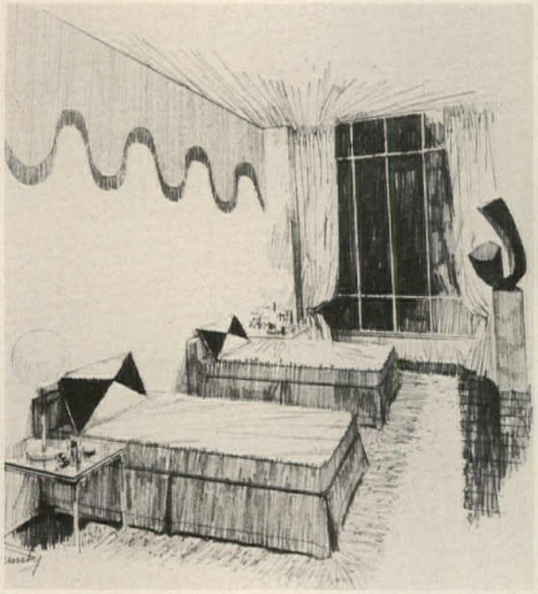
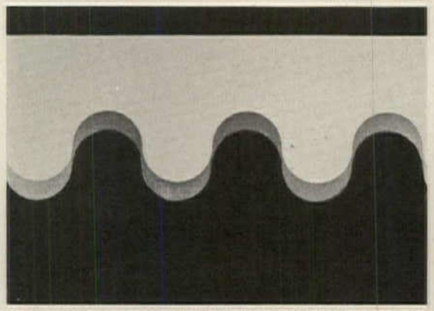
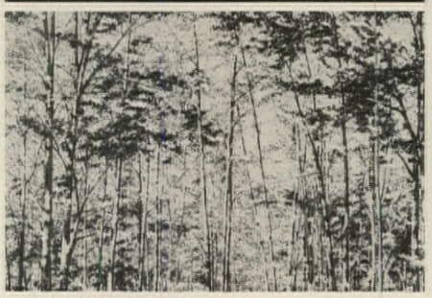
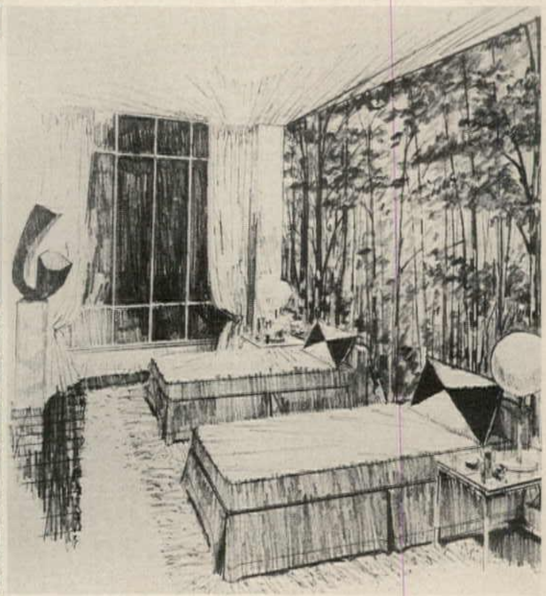
Hotpoint
A QUALITY PRODUCT OF GENERAL ELECTRIC COMPANY

CIRCLE 149 ON READER SERVICE CARD

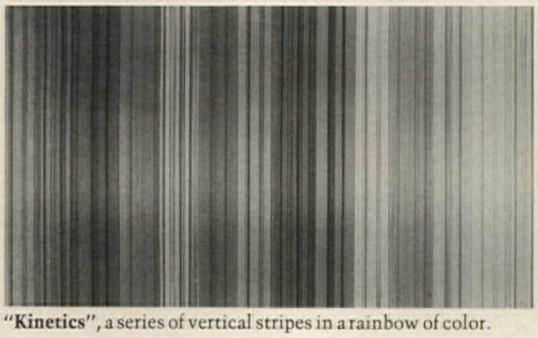





"Isadora" *(above and center panel, top)*, a free flowing expansive design is available in five contemporary color combinations that come facing either left or right.

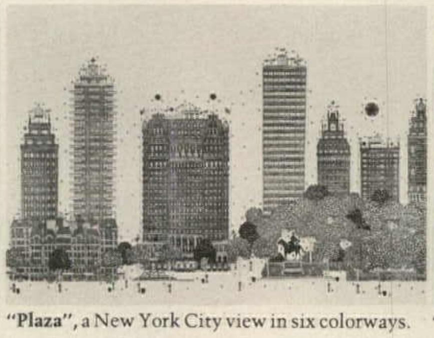
"Il Sole" *(above and center panel, bottom)*, a two panel design in four colorways can be used as a unit or separated by background strips into individual graphics.

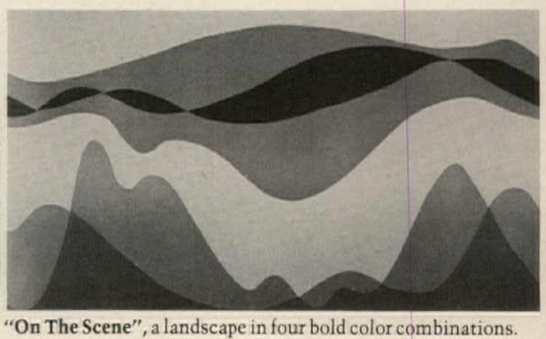
An overall change in appearance is provided by the use of different accent murals on the walls of these otherwise identical room settings. "Il Mare" *(left)*, a free form representation of ocean waves gives the room a spacious airy feeling while "Forest" *(right)*, a back-to-nature design of tall birch trees adds freshness and warmth.



"Kinetics", a series of vertical stripes in a rainbow of color.



"Plaza", a New York City view in six colorways.



"On The Scene", a landscape in four bold color combinations.

Striking wall treatments lend excitement to model units

Liven-up model homes and apartments with accent walls of supergraphics and murals. The wallcoverings, which serve as art work as well, add individuality and draw attention to rooms that might otherwise be uninteresting. The "Kaleidoscope Collection" consists of 14 designs handprinted on a variety of foils and vinyls in a wide range of color combinations. Styled to cover the entire accent wall, contemporary patterns come in stripes keyed to fit together with matching background rolls. Most are adaptable to long or short walls. Super-graphics such as "Il Sole" *(top right)* are most versatile since they can be used together as shown or split into separate graphics divided by background strips. Line drawing designs such as "Plaza" *(lower center)*, provide a city view for a room that may lack such a luxury. James Seeman Studios, Garden City Park, N.Y.

CIRCLE 251 ON READER SERVICE CARD

The Aquarian™ fitting you just installed is one of the second million

The first million Aquarian fittings were sold in less than 18 months after introduction.

Strong evidence that homeowners like the contemporary design and the crisp, accurate single-lever control. That contractors find Aquarian to be trouble-free. That with American-Standard fittings, the best keeps getting better.

No problem with drips. No metal to wear against metal. No rubber to wear against metal.

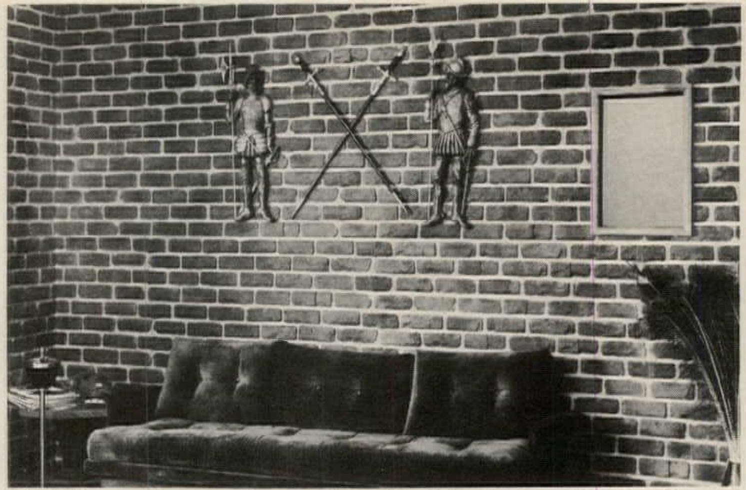
Two ceramic discs sealed in Ceramix cartridge control the flow and temperature. Hard as jewel stones and smoother than glass. Nothing to wear out. No washers to replace. Tested for equivalent of 50 years of normal use.

American-Standard, P.O. Box 2003, New Brunswick, N.J. 08903.

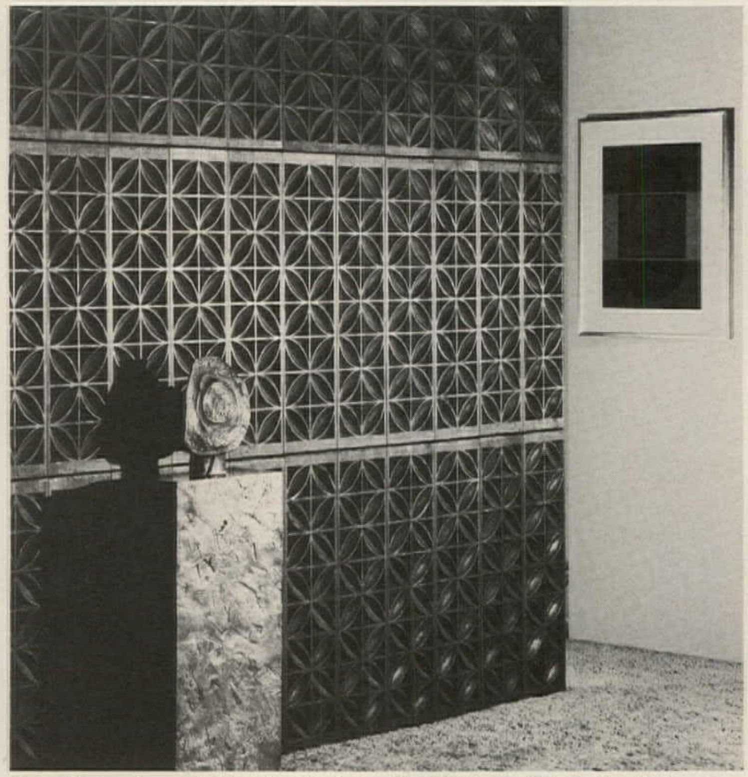
AMERICAN STANDARD
PLUMBING / HEATING

CIRCLE 151 ON READER SERVICE CARD

Authentic-looking beams are made of lightweight polyurethane foam deeply embossed to simulate the rough textured surface of wood. Complete with knot holes and saw and ax marks, beams can be installed with structural adhesive. Offered in standard sizes and a variety of finishes, they are rot- and termite-proof. Reichold Chemicals, Cleveland, Ohio.
CIRCLE 207 ON READER SERVICE CARD



Brick-like panel system for exterior or interior use is of compression-molded Fiberglas. Patented four-sided interlock conceals joints. Premortared 1'x4' panels require no on-the-job grouting. System is offered in four used-brick colors including red, buff, gray and charcoal black. Trim and corner sections are also available. Medow, Hialeah Gardens, Fla.
CIRCLE 208 ON READER SERVICE CARD



Carved wood panels in classic designs can be used for doors, walls or furniture applications. Sculptured forms are carved of clear all-heart redwood. Module panels, 9"x36", have T&G detail for easy assembly. Custom woods and lengths are available. Forms & Surfaces, Santa Barbara, Calif.
CIRCLE 209 ON READER SERVICE CARD

Wall covering with a tent-look, "Riviera Stripe" is available on fabric or paper-backed vinyl. Part of "Classics I", it was created as a vertical stripe but is used here horizontally for effect. Scrubbable design is offered in four colorways. Classic Wallcoverings Connoisseur, New York City.
CIRCLE 210 ON READER SERVICE CARD

Contemporary wallcovering of bold large scale tulips in a 19" repeat, "Wilhelmina" is part of the "Glendura Blue Collection". The fabric-backed vinyl design is strippable, scrubbable, scuff-proof and stain resistant. It carries a five year no-fade and cleaning replacement guaranty. The pre-trimmed 24"-wide wallcovering is available in three colorways. Imperial Wallpaper, Cleveland, Ohio.
CIRCLE 211 ON READER SERVICE CARD

Wallcovering of large scale swirls and flowers, "Wizard's Wand" provides a subdued yet contemporary look. Part of the "Sophisticate Collection", the wallcovering has a shiny wet-look on fabric-backed metallic vinyl. Scrubbable, with an 18" repeat, it is pretrimmed on 27" wide rolls. Available in three colorways, the pattern sells for about $12 a single roll. Columbus Coated Fabrics, Columbus, Ohio.
CIRCLE 212 ON READER SERVICE CARD