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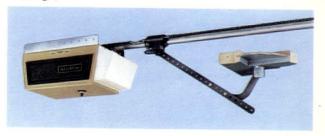
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SENIOR EDITORS Edwin W. Rochon

MANAGING EDITOR Maxwell C. Huntoon Jr.

H. Clarke Wells, Western Editorial Office
ASSOCIATE EDITORS
Thomas H. Allen
Joel G. Cahn
Natalie Gerardi

Elise Platt
June R. Vollman

ART STAFF Joseph Davis, director Cristine Hafner Wong, assistant Jan V. White, consultant J. Dyck Fledderus, illustration

EDITORIAL ASSISTANTS Barbara Behrens Gers Constance S. Russell Mary Sarlo

BOARD OF CONTRIBUTORS Kenneth D. Campbell Carole Eichen Alfred Gobar Edward N. Kelley Robert Mylod John Rahenkamp Lenard L. Wolffe

CONSULTING ECONOMIST
George A. Christie
MCGRAW-HILL WORLD NEWS

Ralph Schulz, director 20 domestic and international news bureaus

ADVERTISING SALES MANAGER Stephen D. Blacker

BUSINESS MANAGER Vito De Stefano

MARKETING SERVICES MANAGER Henry G. Hardwick

CIRCULATION DIRECTOR Hugh Donlan

CIRCULATION MARKETING MANAGER Joseph D. Holbrook

ASSISTANT TO THE PUBLISHER Elizabeth Hayman

PUBLISHER Blake Hughes





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Cover/Amherst Fields (see page 54)
Photo: Martin Tornallyay

THE COST-CUTTING, LABOR-CUTTING TEXTURED SIDING.

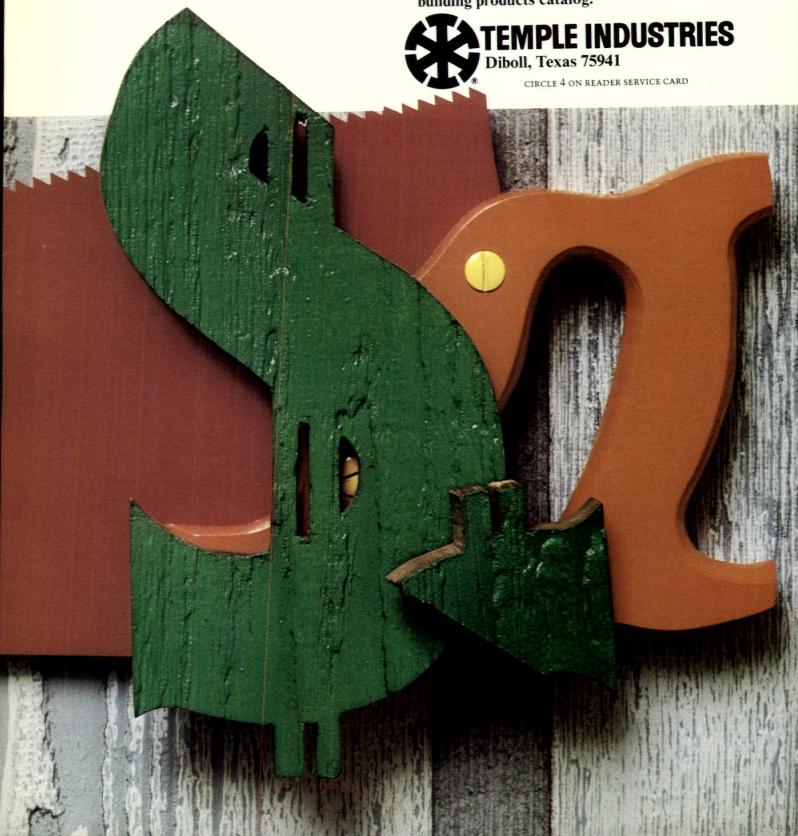
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Tax bill: It takes aim at tax-shelter artist but hits builder too

A fortunate thing—for housing ment, the at-risk rule that finance—happened to the tax bill on its way to being signed by President Ford on October 4. The most damaging provisions were eliminated completely and many less objectionable but still unwelcome features were modi-

"We came out well," was the reaction of NAHB's President ohn Hart to the bill, titled the Tax Reform Act of 1976, alhough many economists and egislators insist that it is a revision, not a reform of the U.S. Tax Code. Either way, it's comolex and long-1,536 pages long.

Modest effect. The legislaion's impact on real estate finance will be: 1) moderately retrictive, but far less so than eemed likely as the measure noved through Congress, and 2) lelayed, allowing both breathng time for the housing inlustry and a period during which Congress might have secand thoughts about what it has vrought.

One major criticism: The tax ill takes a bigger stick to the ull-time builder/developer than t would use on the rich individal who uses real estate simply s a tax shelter for other income. This tax shelterer was the target nost legislators were aiming at, ut legitimate real estate operaors and builders got caught in he line of fire.

'Marked improvement.' Even the 95th Congress, which conenes next January, does not often the new law, the act repesents a "marked improvenent" over both Senate and louse versions that went to onference. That's the assessnent of John C. Williamson, eneral counsel for the National partment Association. While here will be "some effect" on nvestment in multifamily contruction, Williamson said, we doubt that it will be subtantial."

In the last hour of delibertion, conferees working to recncile the two versions of the ill threw out the most onerous eal estate provisions in each neasure. The LAL, or limitation n artificial losses, written by ne Ways and Means Commitee of Rep. Al Ullman (D., Ore.). ras dumped.

The Senate bill was stripped f the Haskell-Kennedy amendwould have reduced the tax deduction of a participant in a limited partnership to the money actually invested or the amount of the partner's personal liability. Tax authorities say this would have been the death blow



SENATE'S LONG Leader in drive for tax law

for real estate syndication. Although the at-risk provision is dead for real estate, Congress retained it to be invoked against "exotic new tax shelters," an area of finance yet to be explored by lawmakers.

'Expensing.' In place of the two controversial provisions, the "expensing" of construction period interest and taxes was brought forward as a compromise by the staff of the Joint Committee on Internal Revenue. This new capitalization and amortization rule stipulates that interest and tax deductions cannot be taken in a single year. but must be spread over a period that will eventually be 10 years.

This concept came in "out of the blue," said Gil Thurm, director of tax programs for the National Association of Realtors, and there is little economic data available on what its effect on investment will be. Fortunately for home and apartment building, it does not become effective until 1978. It takes effect in 1982 for low-income subsidized housing, but it is effective

this year for commercial and industrial construction.

Phase-in period. When the new expensing rule hits housing in 1978, it will allow 25% of construction interest and taxes to be deducted that year. The remaining 75% must be deferred until the building "is ready to be placed in service or is ready to be held for sale." The allowable deduction will decrease in even steps unil 1988, when the 10%per-year goal is reached.

The tax on preference items depreciation above straight line and non-realized capital gainswas raised for both individuals and corporations. The rate went from 10% to 15% and the minimum was cut from \$30,000 to \$10,000, or one-half of federal taxes paid, whichever is greater.

And the deduction of interest for carrying an investment was reduced to the sum of net investment income and \$10,000. These provisions will have some negative effect on real estate investment, although opinion is mixed on how much. Since they inhibit all seekers of tax shelter, they will not drive any housing dollars into oil, gas, farm or exotic new tax shelters.

Full-time partners. Limited partners will no longer be able to join a syndicate on a New Year's eve and claim a full year's tax benefits. Starting January 1, 1977, retroactive allocation of losses or gains will be a memory. From then on, allocation of tax benefits will be prorated for the time the taxpayer is actually a member of a syndicate.

Also, the costs of organizing a syndicate or promoting the sale of interests in a partnership must be capitalized, whether they are out-of-pocket or accrued expenses. This applies to fees paid in taxable years beginning after December 31, 1975.

Recapture. A minor swipe at

real estate was contained in the code amendment that will recapture and tax at ordinary rates, instead of capital-gain rates, all depreciation in excess of straight line, if there is a capital gain when a project is sold. This provision, effective for taxable years beginning after December 31, 1975, places residential construction under the same recapture burden as commercial property.

Hard-pressed REITs were given a raft of highly technical regulations, all designed to help them maintain their tax exempt

Homeowner and condominium associations got tax exemption for dues and assessments of members, but they will still have to file and pay if they earn any other income above \$100.

Developers who rehab historic buildings will be allowed a quick five-year writeoff.

And elderly householders had their tax forgiveness raised from \$20,000 to \$35,000 for capital gains on their principal residence.

Renters. As the tax bill was going to President Ford, the Senate rejected a separate proposal that would have allowed apartment renters to deduct their share of their building's property tax from their income.

Opponents prevailed on a vote of 41 to 29. Senator Long, one of the critics, objected because the bill would have allowed both the renters and the landlord to deduct property taxes.

A sponsor, Senator James Buckley (Conservative, N.Y.), said the current tax law discriminates against renters because it allows homeowners to deduct property taxes from income.

Long time a-coming. The tax bill itself can trace its ancestry back to the recommendation of then Treasury Secretary George P. Shultz on April 30, 1973. Serious drafting began when markup started in Ways & Means on March 17, 1975. Although not so long as the 645 days between conception and birth of an elephant, the 561-day gestation period easily tops the 450 days required for a rhinoceros-and the real estate industry has yet to see what kind of an animal Congress has created. —Trevvett Matthews

Washington

Exec's incentive: Half a million

President Mathias J. DeVito of the Rouse Co. has an incentive.

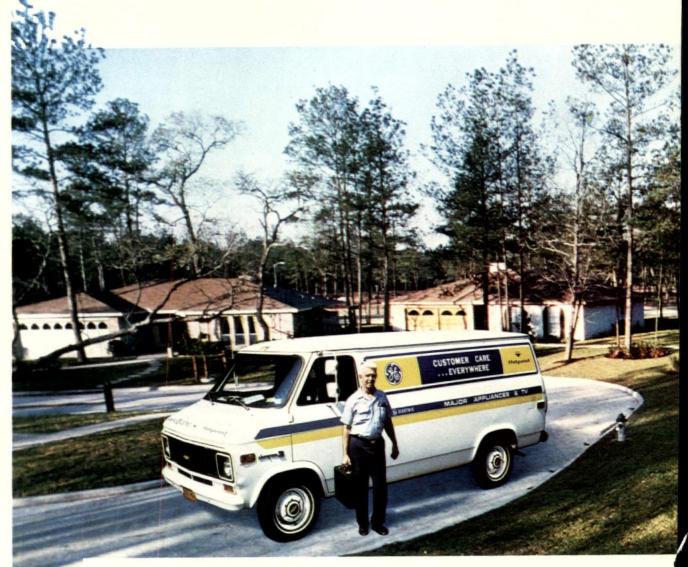
The Baltimore realty development company has just advised the SEC in Washington that company loans of \$500,000 have been granted to DeVito so he can buy 40,000 shares of Rouse common stock. He can also exercise options on another 28,000.

The company will add \$100,-

000 a year in supplemental payments to DeVito's salary through 1980, in effect forgiving the loan over the five years.

The company's proxy statement said DeVito currently earns \$135,000 a year. A spokesman said the company itself expects to earn \$10 million this year. The loan was disclosed in an 8-K filing.

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PPG: a Concern for the Future



For new housing market, new mortgages: Congress rolls up sleeves

Congress is now looking hard for ways to help both homebuyers and mortgage lenders but without widening the federal budget deficit.

Lawmakers cling to the hope that there may be an inexpensive technical solution in the flexible-rate mortgage. The new instrument would be an alternative to the old fixed-rate mortgage.

Both banking committees of Congress will hold hearings on the merits of flexible-rate mortgages early next year. The basis will be a study now being conducted by the Federal Home Loan Bank Board of all questions raised by the numerous proposals for flexibles. Those most often mentioned are the variable-rate mortgage (VRM). which shifts the inflation risk from lender to borrower, and the graduated-payment mortgage (GPM). The GPM tilts the stream of payment by the borrower from small at first to large later in the hope of apportioning payments to the borrower's income

Turnabout. Chairman Henry Reuss of the House Banking Committee is already saying Congress will reconsider the VRM. Twice before the VRM has been blocked in Congress after being proposed by the Bank Board, the regulator and credit source for the federal savings and loans associations. Even now, sentiment in Washington is more favorable to the GPM. In fact, President Ford has highlighted an experimental GPM project that his administration will start as the way to reach his promised goal of "home-ownership for every American family that wants to own a home and is willing to work for it."

Reuss and his Senate counterpart, Chairman William Proxmire of the Senate Banking Committee, will almost certainly have to back away from opposing the VRM.

The legislature in their own state of Wisconsin has just authorized state-chartered S&Ls to write VRMs, and the federally chartered associations there the same right.

The new proposals. The hand guiding the Bank Board study belongs to Chief Economist Donald Kaplan. He believes the basic mortgage can be rede-

signed to offer three or four flexible-payment instruments in addition to the fixed-rate contract. These include not only the VRM and GPM, but mortgages incorporating reverse annuity, deferred interest and shared equity. Kaplan sees these advantages for the housing market:

- Some buyers who can't afford today's house price will be able to buy on a flexible-pay mortgage, so the plan will be socially valuable.
- Those who can afford houses now will be able to buy bigger, better houses than they could have afforded previously, or they will be able to choose one in a better neighborhood.
- The flexible-pay mortgage may smooth out some of the ups and downs of the housing cycle by providing a more stable market.
- And the flexible may become more competitive with the bond market in attracting investment capital into mortgages.

The staffs of the House and Senate Banking Committees are



BANK BOARD'S KAPLAN Cites pros, cons of new plans

sitting in on meetings of the Bank Board's study advisory panel. That means, even though Kaplan doesn't expect to finish his investigation until August 1977, that Congress will be off and running with the Bank Board's findings early in the spring.

Pitfalls. Kaplan is already warning that there will be some "special problems," however. Those loom very large on close inspection.

All flexible-payment mortgages rest ultimately on two assumptions: that the borrower's income and the resale value of his house will rise. The greater the increases, the more likely the borrower will be able to meet his commitments under the various formulas used in flexible mortgages.

But conversely, with only moderate increases, the buyer represents a greater risk of default. In any case, all of the flexible-contract variations would reduce the margin of safety the buyer enjoys under the fixed-rate contract. That makes for a politically uncomfortable risk.

The consumer groups' resistance to flexible mortgages can be gauged by the lawsuit that the Consumer Federation of America has filed in order to halt the Bank Board's study.

Into discard. The several difficulties lend some sense of frustration to the new congressional fervor for change in the mortgage instrument.

After preliminary hearings last August, Proxmire indicated he felt that so far none of the mortgage proposals quite satisfied the housing market's need. And two of them backed by members of Congress got such a rough going-over that they are now doubtful prospects. They were the Housing Investment Incentive Act proposed by Senator William Brock (R., Tenn.) and Rep. Thomas Ashley (D., Ohio), which would give the mortgage lender a VRM, and the Young Families Housing Act, by Senator Edward Brooke (R., Mass.). The Brooke bill would require the government to subsidize a savings account so the young family could accumulate a down payment.

Prospects for passage. Congress is quite likely to approve both VRM and GPM mortgages in 1977 on the theory they will at least help some people. But even though there is now nearly \$4 billion in VRM mortgages outstanding among customers of California's state-chartered S&Ls, it is not yet clear whether flexible-payment mortgages will have much impact on the national housing market.

If they don't, the other way to help borrowers and lenders is heavy government subsidies. Congress will avoid that approach as long as it can.

> —STAN WILSON McGraw-Hill World News, Washington

Three companies admit payments abroad

The furor over illicit payments abroad by U.S. corporations has so far touched only lightly on the homebuilding industry—outside Gulf Oil Corp., whose subsidiary Gulf Oil Real Estate Development Corp., develops the new town of Reston, Va.

Weyerhaeuser. The Weyerhaeuser Co., the lumber producer with a major homebuilding operation, advised the SEC that subsidiaries abroad made these questionable payments: \$103,630 to tax officials, \$171,326 in sales commissions and \$310,000 to purchasing agents. Weyerhaeuser controls Centennial Homes of Dallas and Quadrant Corp. of Seattle through Weyerhaeuser Real Estate Co.

One of the two others affected to date is Dart Industries Inc., a diversified manufacturing company based in Los Angeles with resort developments in northern California. Dart's self-investigation this year found questionable payments totaling \$125,000 since 1970 by subsidiaries in four foreign countries.

Dart had sales of \$1.2 billion and net earnings of \$79 million in 1975.

'Not . . . unusual.' The company told the Securities and Exchange Commission that the payments went to smooth the way through customs for various goods and to obtain local permits.

Standard's spending. American Standard Inc., the heating equipment and plumbing fixtures company with head-quarters in New York City, told the SEC that one subsidiary spent \$175,000 in 1975 and lesser amounts in 1972-74. The parent said it was moving to dispose of that subsidiary.

Standard admitted that "some members of senior management" knew of the payments.

Two other subsidiaries had made payments totaling \$66,000 in 1972-75 and a third was in the habit of making gifts to government employees to the tune of \$5,000 a year, the company added. All of these payments were made overseas and without the knowledge of top management, Standard added.

American Standard had sales in 1975 of \$1.6 billion, and net earnings of \$44.8 million.

—Harold Seneker

Energy code for builders: Bitter pill but perhaps good medicine

The Department of Housing and Urban Development is busily working up an elaborate new document that most homebuilders hoped they would never see: a nationwide federal building code.

The purpose is to insure that all new homes and buildings built anywhere in the United States will meet minimum energy-efficiency standards. When the standards are ready in about three years, all state and local jurisdictions will have to adopt them as part of their building codes or risk halting most new construction.

The law establishing the energy-efficiency building standards specifies that HUD must work with the Energy Research and Development Administration, National Bureau of Standards and the soon-to-be-created National Institute of Building Sciences. No one is completely sure just what will be included in the final standards.

Performance basis. This much is certain: The standards will be expressed in performance terms. That means that only the ultimate value of efficiency efforts is specified, not the means needed to achieve efficiency. Heretofore. most building codes have been prescriptive: they have, for instance, required a certain number of inches of a certain insulation product.

The National Association of Home Builders has been a bitter foe of the Energy Efficiency Standards Act. The association favors the adoption of standards through the model code groups, using consensus procedures, rather than a federalized code. This, the NAHB believes, would permit standards with regional variations. The association also worries about the performance standards because they depend more heavily on sophisticated building inspectors.

Penalties. The NAHB and many other trade groups are also concerned about the penalty provisions for jurisdictions that fail to adopt the standards. The law says that borrowers for building in noncomplying jurisdictions cannot be served by federally guaranteed or chartered lending institutions. In other words, there will be no loans for building in jurisdictions that

have not adopted the standards as part of their building codes.

This hazard was weakened somewhat in a last-minute legislative compromise. The sanctions can be activated only if Congress expressly permits them with a special resolution. And a borrower in a noncomplying jurisdiction can independently seek certification that his design meets or exceeds the standards. He can thereby regain his borrowing rights.

Price factor. An NAHB spokesman, conceding disappointment in the legislation, hopes that the language finally adopted by HUD will not be damaging to homebuilders. Until the final language is written, there is no way to estimate how much the new standards will add to the price of a new dwelling. There is one theory that most new homebuilding already meets the standards and thus they will add nothing to the price of a house.

When it finally sailed through Congress and was signed by President Ford, the standards law was little noticed. It was tacked onto legislation extending the Federal Energy Administration for 18 months.

Spending. The same measure includes these other energyconservation provisions for construction:

- \$200 million is included to pay for the distribution and installation of insulation materials in existing dwellings occupied by poor people.
 - Another \$200 million is in-

cluded for research to determine which method of financial assistance will best encourage owners to retrofit homes for greater energy efficiency. The options are loan guaranties, tax credits and grants.

- · The FEA is directed to demonstrate ways to improve electric-utility load management and ratemaking so as to encourage efficient use of electricity.
- Spending of \$37 million is authorized to permit the FEA to help commercialize solar-energy equipment and to allow HUD to support the retrofitting of homes with solar systems.
- \$7.5 million is included to allow the FEA to create an extension service of agents to counsel home and building owners on efficient energy consumption.
- A \$2 billion loan-guaranty program is set up for large energy users such as local governments, nonprofit hospitals and educational institutions make energy-efficiency provements to their existing fa-

Billions for industry. Taken together, the programs mean billions of new dollars in business opportunities as building owners seek better electrical and mechanical systems. Suppliers of insulation, storm windows, thermostats and mechanical equipment anticipate a tremendous surge in orders.

Despite the impressive dollar amounts in the retrofit programs, it is expected that the standards provision will have the greatest long-term impact on homebuilding and construction. This particular provision took shape two years ago, when the Ford administration proposed it as Title X of the Housing and Community Development Act of 1974. It first passed the Senate last summer as H. R. 8650 and included the tough borrowing sanctions. A House version, without the sanctions clause, followed, but conferees were unable to come to an agreement.

Enter, Ted Kennedy. With the program languishing, Senator Edward M. Kennedy (D., Mass.) masterminded the strategy for lumping the standards measure in with the other energy conservation efforts and the FEA extension bill that was considered vital by the White House.

Kennedy is the principal supporter of the loan-guaranty provisions. He once proposed that the government guarantee up to \$10 billion in loans to home and building owners willing to retrofit with energy-efficiency features. The senator's high-risk strategy of lumping the measures almost failed when committees in the House started squabbling over jurisdiction of the various elements. Pressure to adjourn for the Republican convention in August probably led opponents to ease their objections and permit action on the heavily compromised pro-

Foes into friends. The compromises were so successful, however, that much of the opposition melted away before the final vote.

"When it was all over, we found ourselves in support," said Harvey G. Hallenbeck Ir., construction affairs manager for the U.S. Chamber of Commerce, a group that had coordinated opposition to the standards bill for two years.

Hallenbeck said many of the objectionable features of the bill had been eliminated in compromise. And he added that his group was fearful of halting progress on energy conservation efforts this year, worrying in part that a version that could be produced in 1977 would be more objectionable.

-WILLIAM HICKMAN McGraw-Hill World News, Washington

New York housing gets its heads back on

New York's housing establishment, hit by the resignations of three top city and state officials in quick succession [News, Sept. l. has gone to the bank—the state banking department, to be exact-to fill one of the posts. Another has been taken by an urban renewal expert of national

John G. Heimann, 47, state superintendent of banks since June 1975, has been named as state commissioner of housing and community renewal. The Albany office has been open since Mrs. Lee Goodwin resigned last July.

The city. New York City, meanwhile, has appointed

Thomas Appleby, 52, as its housing development administrator. He directed the urban renewal efforts of New Haven. Conn. and Washington, D.C. before becoming president of the United Nations Development Corp. in 1969.

Appleby replaces the widely known Roger Starr, whose departure signalled the end of an era in the city's housing endeavor. With production of new housing at a virtual standstill, the emphasis under Appleby is already swinging toward rehab.

One post is yet to be filledthe presidency of the Harlem Urban Development Corp. Jack E. Wood Jr. resigned the office.



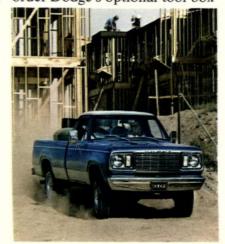
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You've got Dodge. CHRYSLER CORPORATION

Homebuilders propose government-assisted house-purchase program

The executive committee of the National Association of Home Builders has just proposed a government program of homepurchase assistance for young and moderate-income families and for the aged.

The program will be submitted to the Administration and to the Congress after the presidential election. The NAHB executive committee voted full endorsement of the plan at the association's board of directors and builders' conference in Salt Lake City in September. About 12,000 of the NAHB's 80,000 members attended.

The purchase proposal was conceived by NAHB's president, John C. Hart. A front-end subsidy from the government would reduce prevailing mortgage-interest rates by up to three percentage points for the term of the mortgage.

How it works. The government would make a one-time payment to the mortgage lender covering the difference between the market interest rate and a variable below-market rate. This payment would be secured by a non-interest-bearing second trust deed (for the term of the mortgage) given by the buyer and payable to the government. The money advanced by the government would be recap-



Direct line to White House is used by NAHB's John Hart on podium at Salt Lake City conference. Conversation with President Ford lasted five minutes and was amplified on public address system for 12,000 NAHB members.

tured upon the resale of the

Hart, a homebuilder from Indianapolis, said the plan would permit poor families, now excluded from the new-home market, to buy homes they want in locations of their choice. The

costs subsidized by the government would be recaptured, he explained, and repayment by the homebuyer would be accounted for by the equity built up in his home through appreciation.

Employment. If housing opportunities were provided for

100,000 families per year, Hart said, "this program would create 185,000 more jobs for craftsmen, laborers and minorities. It would develop \$600 million in federal personal and corporate tax revenues and \$150 million in state income and local real estate taxes."

Hart's program sets a salesprice limit of \$50,000. It is intended for new and conventionally financed single-family units and condominiums.

The below-market interest rate would vary according to house price: the lower the price, the lower the rate.

Assuming a 9% market rate, buyers of a \$25,000 house would get a below-market-rate mortgage at 6%. The rate would rise 0.25% for each \$5,000 in price up to 7¼% at \$50,000.

Trading up. "A buyer who could afford only a \$25,000 home in the current market would now be able to purchase a \$30,000 home," Hart explained. "This in itself opens up a whole new range of opportunities for prospective buyers.

"Further, the down payment is substantially reduced. The buyer of a \$40,000 house in today's market is often required to pay 20% down—\$8,000. Under our programs he would pay \$2,750."

Put government back to aiding private housing business, an expert urges

Massive federal programs have failed to answer America's housing and urban development needs, and public policy should now be redirected to take greater advantage of the private sector's expertise, imagination and existing institutional arrangements.

That's the advice of Saul B. Klaman, executive vice president of the National Association of Mutual Savings Banks and one of the housing industry's most widely quoted economists.

"The basic goal of public policy in the mortgage and housing area must be to encourage and to supplement—not to preempt—the use of private resources," Klaman emphasized in an address before the National Association of Bank Women in New York City.

Rebuilding councils. Sole reliance on government for funds and programs has not only been unproductive but has "placed severe strains on our federal budget and bloated our federal bureaucracy," Klaman continued. He suggested that a common-sense shift toward more effective public-private cooperation could be implemented voluntary, governthrough ment-established Councils for Urban Rebuilding Enterprises (CURE). Public agencies and private groups would join forces in these councils to develop programs and policies for urban rebuilding.

"If such organizations had been in existence," Klaman said, "we might well have avoided the near collapse of federal interest-rate subsidy programs for lower-income families, which foundered more because of faulty administration rather than poor concept."

Broad program. Turning to

broader housing problems, Klaman said that realization of national housing goals has been frustrated by extreme short-run swings in the cost and avail-



ECONOMIST KLAMAN 'Encourage...not preempt'

ability of housing credit, together with the continuing longrun diversion of private savings from housing investment. Resolving these problems, he continued, will require an integrated, three-pronged approach aimed at increasing the efficiency of the private sector, with government support where necessary.

He said the objectives would be "to strengthen the ability of savings institutions to generate funds for housing; to strengthen the ability of the mortgage instrument to compete with other types of financial instruments; and to strengthen the structure, breadth and flexibility of mortgage markets.

"To achieve the tripartite objective outlined here—through strengthening institutions, instruments and markets—will require no new injection of government funds," Klaman emphasized. However, legislative or regulatory action is necessary in almost every area, he said, and could be accomplished in a framework of a better balanced private/public partnership.

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Thermatronic II provides five basic cooking methods: microwave, conventional, a combo of microwave-and-conventional, microwave broiling and conventional broiling

The upper oven has the best of two worlds: microwave for thawing frozen foods and cooking meals in minutes. Plus conventional heat for the slower way of cooking. Use both at the same time and get microwave speed as well as golden browning and finer texture provided by the conventional method. A large loaf of crusty bread bakes in 7 to 8 minutes. A 20-pound turkey is juicy and golden in just 1 hour and 40 minutes.

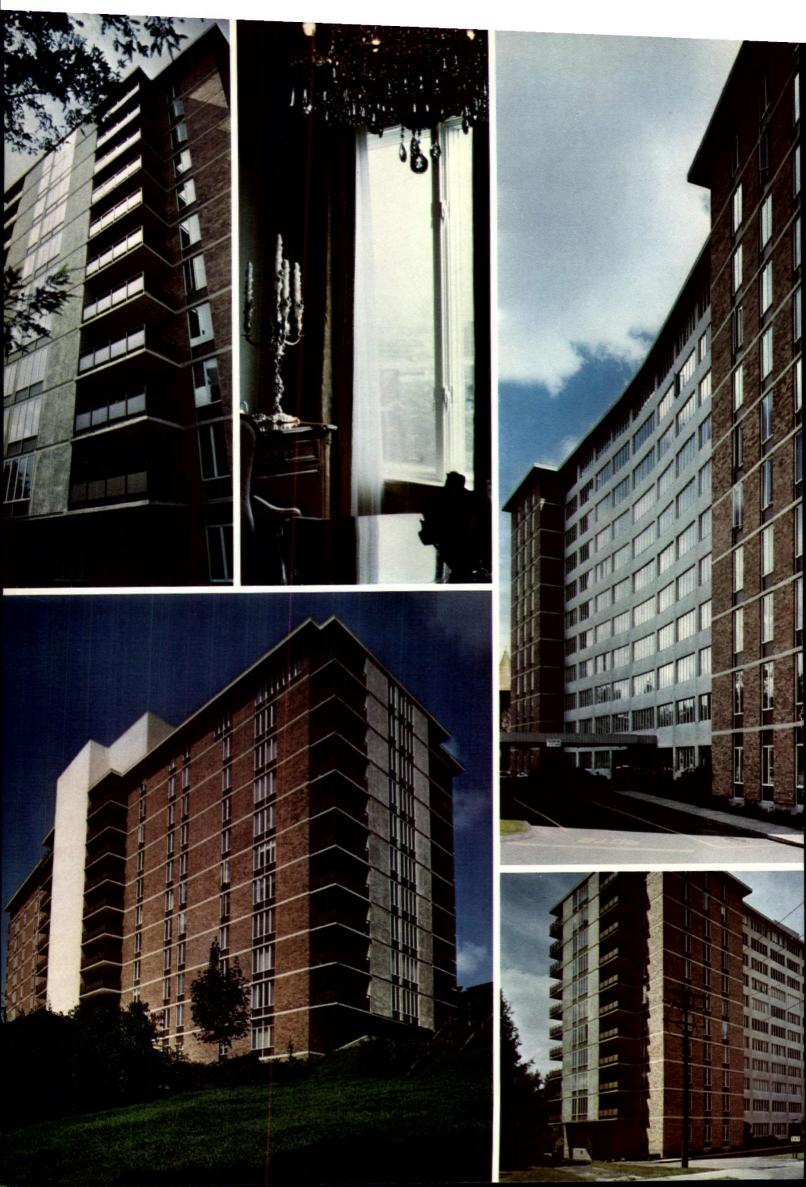
The lower oven operates separately and cooks with conventional heat. Both ovens have broilers, black see-through glass doors. Both are self-cleaning and ventilating. Push-button selector switches are located on the control panel. For customers looking for the best when building, remodeling or replacing, show Thermatronic II, the world's finest cooking system. It's a masterpiece of technological achievement.





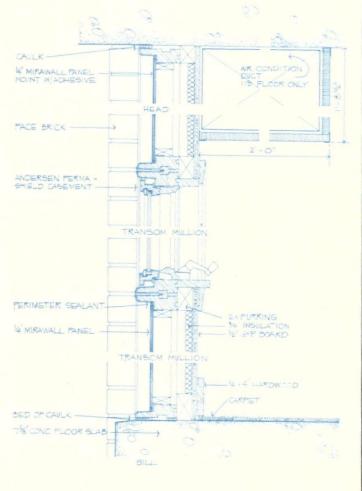
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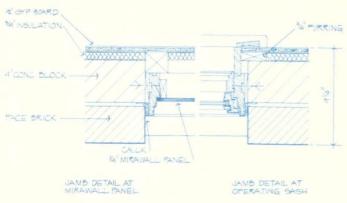
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Five Riverside Towers, Binghamton, N.Y. Architect: George E. Yurchison, A.I.A., Rochester, N.Y.

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Myths debunked: We'll need fewer and smaller houses than we unink

Old ways die hard, very hard. But, like old soldiers, they do eventually fade away.

So may it be with the three methods of measuring potential housing demand.

Two time-honored criteria, removal of units from housing stock and the number of additions to inventory, have long since fallen under suspicion. The third-HUD/Census Bureau forecasts of the number of husband-wife family formations-now joins the list of suspects.

The charge? Inaccurate projections.

The crime? Extravagant overbuilding in the past, and the prospect that more of the same may recur.

The victim? Economists and recent studies suggest it will be the housing industry itself.

One study, compiled by a Wall Street research firm, says single-family home demand "is likely to be half that of the government forecasts."

Inaccurate forecasts may result in overbuilding in a dangerous way-the wrong house for the wrong household.

A new society. The social and demographic fabric of American society is slowly unraveling, and economists such as NAHB's Mike Sumichrast now suggest that the Census Bureau's projections are woefully out of date. A study newly compiled by the prestigious MIT-Harvard Center for Urban Studies comes to the same conclusion.

"Individuals instead couples are acting as households." Sumichrast points out. "Husband-wife households have accounted for less than 30% of the increase in household formations in 1970-75." In the past, he explains, the figures were reversed. No longer, he husband-wife warns, will household formations take the major share of the total on an annual basis.

Homes for singles. The reasons for the statistical reverse are myriad, Sumichrast says. But some things are certain—no longer is divorce a social stigma, nor is it difficult to obtain. No longer are common-law marriages a rarity.

Three divorces for every five marriages "mean a change in the market for our products," Sum-

ichrast cautions. "We must learn how to build for a divorced woman and for a man suddenly living alone."

MIT-Harvard study, The supervised by economist Arthur Solomon, was more blunt. It said the Census Bureau now appears to be overestimating resi-



MGIC'S KARL Two million a year . . .

dential demand in its long-range forecasts. The bureau assumes, the study said, that the increase in new households will parallel the rise in the number of people eligible, simply by age, to form new households.

But times have changed, and the Cenus Bureau has apparently been slow to adjust to those changes.

In 1950, about 80% of all married couples in their twenties maintained their own households. By 1960 the number had ballooned to 91%.

Since the Mini-families. 1960s the trend has reversed. The postwar baby boom is over. And while postwar offspring are entering adulthood by the millions, their values and capabilities are far different from their parents' ways and means.

The postwar babies marry later and have fewer children. And, say economists such as Sumichrast and George Hanc of the National Association of Mutual Savings Banks, their real incomes are steadily shrinking.

They will buy smaller houses than those in which they grew up. The smaller house is all they can afford.

Remodeling. "There are obviously more single individuals adds. Sumichrast "Singles, divorced or otherwise. will not be living in single-fam-



NAHB'S SUMICHRAST '... is an impossibility'

ily homes. We have noticed a trend back to the center cities. We could not have imagined such a trend just a few years

white, middle-class couples and individuals-the people HUD and the Census Bureau may be overlooking-"are making a reverse migration," Sumichrast goes on. "They are not going to want single-family homes." Instead, he says, the trend is toward "condos and the thousands of brownstones that can be remodeled."

George Hanc thinks rocketing costs and declining incomes are as important as demographic change.

"Many who want apartments now can't afford them," he explains. "These are the same people who, earlier, would have been in the market for their own homes in a few years. That whole progression is being disrupted now. We didn't plan for it."

Warning signals. The full

force of these social and demographic alterations will not be fully felt, MIT-Harvard says, until the 1980s. The changes today are only the beginning.

In 1975, for instance, the average number of adults per household rose for the first time in 20 years.

Such an ominous statistic is no revelation for Hanc. "That's just one area where our forecasting methods weren't accurate. Young people who would have been in the market a few years ago, and who figured to be in the market today, are doubling-up and dropping out of the market."

50% less demand. How great is the disparity between the findings MIT-Harvard Census forecasts? The Urban Studies Center's best estimate of households in 1985 is 81.6 million—a big three million under the bureau's lowest pro-

Nor is the MIT-Harvard study the only survey to disagree with Census.

Last summer a reputable New York investment research firm challenged the bureau's findings. In a study distributed by FIND, a New York information retrieval service, the firm discovered that the gap between its findings and those of the Census Bureau is even more startling.

Husband-wife households, the investment firm says, have declined from an average of 53% of the total during 1950-70 to 29% today.

The firm sees a demand for only 650,000 new single-family homes a year for 1976-80. Yet HUD, using Census projections, puts the figure at 1.2 million.

The wrong way. What happens when such a numbers gap develops?

Massive overbuilding, for one

Most experts agree that the country is now overbuilt to the tune of 400,000 units, and that's down from 600,000 only a year

If the outsized estimates go unchecked, several experts warn, then the government will continue to use housing to spur the economy.

The housing industry will then not only overbuild, the experts caution; it will build the

TO PAGE 18

	Potentia	al Housing Demai	na: 19/1	5-80
	HUD		Wall St. firm	
	Total (000)	Annual Average (000)	Total (000)	Annual Average (000)
Single-family	6,122	1,225	3,150	650
Multifamily	4,023	805	6,205	1,221
Mobile homes	1,143	228	2,020	404
Total	11,288	2,258	11,375	2,275

When this builder built his own iream home, he wouldn't use anything but GAF Vanguard vinyl siding.



A man who knows both sides of siding story is builder Ron Gregory, Greenville, South Carolina. GAF nguard® vinyl siding has built such a od reputation with him, he insisted using it on his own home. We ren't surprised, but we asked him

"It goes up very easily, it's goodking, and it's practically indestruce," he answered. We asked him to specific.

"Those lightweight 12-foot panels h their pre-formed nailing flanges slots go up so fast, it's hard to ieve. And there's no painting or fin-

ishing—not even a touch-up. That saves time. Plus now, we have a choice of 6 colors in 8" and double 4" clapboard, and 8" vertical with smooth or textured finish. So Vanguard vinyl siding seems to be a natural for builders."

"Speaking as a homeowner, it stays looking good for years in the worst weather. That means no re-painting. Scratches don't show either, since the color goes clear through. And, it can't rot or rust."

"This siding does make a home easier to sell. I should know. I'm my own satisfied customer."

Thank you, Mr. Gregory.

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Florida builders win in Boca Raton-Court voids limit on growui

Boca Raton's 1972 growth limit of 40,000 housing units has been declared unconstitutional by a Florida court.

Circuit Court Judge Thomas Sholts of Palm Beach County said the people of Boca Raton did have the initiative right to set a population limit, but he said there was nothing except emotional guesswork in arriving at the figure of 40,000.

And the judge attacked what he called an implementation fiasco in the rewriting of the city's zoning laws to fit the growth limit

Boca's city council voted 4 to 0 to appeal the decision all the way to the U.S. Supreme Court if necessary. The council also recommended that the city draft alternative methods of achieving the population cap should the case be lost on appeal.

Residents' initiative. The battle was joined in June 1972, when a small group of conservationists presented to the council a report titled "The Problems of Growth." When a majority of the council ignored the report, the proposal was placed on the ballot by petition. It carried by

a wide margin in November that year.

City planners slashed apartment densities in half to meet the limit. But Judge Sholts said in his ruling that the planning consultants had acted without being aware of "present or potential inadequacy in Boca Raton's facilities, services, carrying capacity of its land, its resources or environment."

Public's welfare. The judge contended the public welfare of Boca Raton was not sufficiently threatened to justify the cap and the zoning changes.

"The evidence concerning the cap's emotional and arbitrary birth," the judge wrote, "its un-

reasonable effects and the lack of a material, factual and substantial relationship to public welfare, is so compelling that fair debate would not really be expected.

"The city was compelled to adopt arbitrary and discriminatory multifamily zoning densities to carry out the cap choice of its citizens. If the across-the-board 50% density reduction bears any reasonable relationship to the characteristic of the properties or areas involved, it is by pure chance."

Developers' stand. The judge was also critical of the surplus of commercial and industrial acreage that resulted from the

zoning cutback on apartments in the Gold Coast community 40 miles north of Miami.

Attorneys for developers complained in their lawsuit that the city's cap had reduced their property values by at least \$50 million. Judge Sholts said this economic loss by itself would not be reason enough to invalidate the growth, but combined with the fiasco, as he described it, it was enough to outweigh any minimal benefits.

Social aspects. Sholts went on to say the growth cap had increased the value of existing housing and smacked of what he described as an attitude of "I'm aboard so pull up the ladder." He said the cap was not in itself exclusionary but that it did mean little or no chance of low and middle-income housing in Boca's future.

All city zoning laws enacted after the growth cap referendum were also declared void. The city attorney is expected to argue that not all zoning changes after 1972 were made to implement the growth cap.

—Fred Sherman McGraw-Hill News, Miami

Big Canadian company buying into Florida

Cadillac Fairview Corp Ltd., the largest publicly held realty company in Canada, has bought 50% of Indian Spring, an 800-acre residential community in Delray Beach, midway between Boca Raton and Palm Beach, Fla.

Cadillac will finish out Indian Spring in a joint venture with EPIC Corp. of Delray Beach, the original developer. The Epic organization has spent \$9 million so far, and three builders are erecting houses selling from \$53,000 to \$100,000.

Cadillac which lists assets of more than \$1 billion, reported cash flow of \$41 million last year from rental properties and sales of housing and land. The company's headquarters are in Toronto.

Myths debunked: We may need fewer and smaller houses continued from page 16

wrong houses for the wrong households.

Optimist's view. Not all economists dismiss the credibility of the HUD Census projections. Robert C. Turner, professor of business economics and public policy at the University of Indiana, is a qualified optimist about housing. His optimism is based on Census forecasts, and he finds a silver lining: a significant rise in the adult population.

In 15 years, Turner believes, the adult population will increase by 32.6 million. It rose only 19.6 million in 1960-75.

Turner is also optimistic about new households between now and 1990. They should form up, he says, at the rate of 1.5 million to 1.6 million a year.

'Strong demand.' "Demographic influences (a larger adult population) alone will mean a strong peak demand for housing for at least ten, perhaps 15 years," Turner insists.

The same influences, he concedes, will dictate smaller families and smaller residential units. But even with smaller

houses and a consequent shrinkage in the market for household goods and building materials, Turner sees housing demand jumping by 32%-45% in the next 15 years.

The reason? He expects real incomes to rise 2% to 2.5% annually "over the next decade or so."

Two million a year? Housing production may be the biggest uncertainty of all, of course. The popular goal of two million units a year is the main point of contention. Chairman Max Karl of MGIC Investment Corp., the big mortgage insurer, thinks two million is attainable.

Real income notwithstanding, Karl believes high mortgage rates are the problem. The interest on a single-family house



NAMSB's Hanc 'It's time to grow up'

Refrigeration company buys Corning division

Amana Refrigeration Inc. of Amana, Iowa, a subsidiary of the Raytheon Co., has bought the Corning cooking appliance division of the Corning (N.Y.) Glass Works

Amana's president, George C. Foerstner, announced the purchase.

The first products of the Corn-

ing line bearing the Amana name are expected to be available this month. Amana manufactures central air conditioning and heating products as well as appliances that include refrigerator/freezers, freezers, Radarange® microwave ovens, room air conditioners and trash compactors.

mortgage, he says, should never exceed 7.5%.

But, Sumichrast cautions, with interest rates believed likely to remain at 83/4 % for the foreseeable future and with real income declining, "I do not think we can ever reach two million units a year. It's an impossibility."

Wisdom for tomorrow. Is there a solution to the dilemma? Hanc thinks so.

"It's time," he says, "for us [the housing industry] to grow up—to become like other sectors of the economy."

He uses the auto makers as examples of flexibility:

"They use sophisticated market research techniques. What matters is what people want and what they can realistically afford."

Before even beginning to think about making marketing changes, Hanc warns, it is imperative that housing forecasters and builders confront the market as it is—not as they think it should be.

—Tom Allen



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Rehab's back in style-and a little boom builds up with U.S. help

in new-house climb prices-17% in the last yearand a new attitude of respect among householders for oldbut-sound homes have combined to spark wider interest in rehabilitation market. Moreover, pushed by counties and cities, the federal government may underwrite more rehab work when the new Congress goes to work.

One of those who sees a new trend is Michael Sumichrast, chief economist for the National Association of Home Builders.

"What you may see is what Europeans have been doing for years," he predicts. "There will be more emphasis on keeping the standing inventory of 76.7 million housing units that we already have."

The young sophisticates. A private renovation, remodeling and rehabilitation movement is already being led by young and affluent middle-class people who don't fit the suburban mold. A survey of major cities by the Urban Land Institute shows that private renovation spending is still insignificant in relation to overall outlays but appears substantial when compared with both subsidized and unsubsidized renovation done in the past. Most important, says ULI, is the upward trend.

Census Bureau data shed but little light on full-scale rehabbing as such, but figures for spending on housing alterations and repairs are up sharply—from \$17 billion in 1972 and \$21 billion in 1974 to an annual rate of \$30 billion this year. The Census Bureau's Allen Meyer sums up:

"Especially in the last two years, I think people have been putting money into rehab because they can't afford to buy new houses."

'Leveraging.' In the last year cities have developed a vogue for "leveraging" the community bloc grants they receive so as to get more rehabbing for the money. They have been luring private lenders into financing the rehab activity by subsidies or by using the bloc grants as compensating balances in institutions that make rehab loans. New Orleans and Baton Rouge have led the way in getting such programs going in the South.

Things have been slowed to some degree by an ideological split in Washington. Both parties are glad to see bloc grants spent on rehab, but the Democrats have fought off an attempt by the Ford administration's Office of Management and Budget to kill the 3% subsidized directloan program for rehab (Section

More money. The need for rehab is becoming so pressing, however, that people on Capitol Hill expect to see expansion next year-to include Section 312-no matter who is in the White House.

Cost is one key. Robert Embry Ir., commissioner of what is generally regarded as the most successful city rehab program in the country, the program in Baltimore, says a unit can be rehabilitated in his city for one-third less than the cost of building a new unit.

Not all cities have Baltimore's blocks of old row houses with depressed prices, but federal politicians have gotten a grassroots message. President Ford proclaimed 1976 as "The Year of The Neighborhood," and Housing Secretary Carla Hills echoes Sumichrast in saying that "this nation has thrown away its existing housing stock for too

Carter's support. Democrats traditionally prefer new construction to rehabbing, but Democratic sources now report that housing aides for Jimmy Carter express more interest in rehab than in new building.

The House Banking Committee has already paved the way for more rehab spending. It held a full day of hearings in September in which the entire witness list was pro-rehab.

Washington is scoring several points for the rehab revival. To bring private lenders into rehab financing, the Federal Home Loan Bank Board and the Department of Housing and Urban Development have put together an urban reinvestment task force. The task force gets high marks on Capitol Hill for a sophisticated program for reviving neighborhoods with savingsand-loan and bank money. The task force is operating in 31 cities and it budgets for 55 in 1977 and 100 cities in 1979.

Mortgaging. The new interest in rehab extends to federal mortgage agencies, and it may very well spread to other lenders. The Federal National Assn. (Fannie Mae) has been doing surveys on rehab and has just committed \$1 million to buying mortgages in a Dallas rehab project. Fannie Mae officials boast that buyers caused traffic jams in the rehab area. Says Vice President Gordon Nelson:

"Once other lenders see what we are getting into it-we have a reputation for being conservative-they will get into it, too."

The Urban Land Institute is starting a two-month series of rehab seminars around the country, hoping to arouse lenders' interest in financing middle-class rehab activity. HUD has several studies afoot.

The NAHB has set up committees for liaison with banking and thrift institutions, for it

would like to get lenders to extend long-term rehab credit as readily as they do on new houses.

Philosophy. Baltimore's Embry thinks the tide is turning toward rehab for a variety of reasons. Not only are new housing costs in the suburbs skyrocketing, he says, but growth restrictions are reducing suburban housing production and transportation costs are rising.

In the cities, meanwhile, Embry points out, a higher percentage of the population is without children.

"These are potential city dwellers," he adds. "And perhaps most importantly, city neighborhoods are rising in the estimation of many of our citi-

The suburban dream is still attractive for many, cautions the American Bankers Association's rehab specialist Paul Carr, "and the return to the city can be overstated. But the cities are being rediscovered. Rehab is a hot item."

Problems. A rehab-oriented housing market would present certain obvious headaches for the building industry. There is a vast array of barriers to entry into this field, including code restrictions, tax credits for building removal and government bureaucracy. There is also a lack of technical knowhow.

The chariman of NAHB's rehab committee, John Knott Jr., warns: "Rehab is a completely different business from new houses. Instead of starting with vacant land and going through steps one to five, it's here and there-and if you pull something out it may cause something else to fall." Indeed, in some parts of the country there are stories about hasty rehab work already starting to tumble

And promise. As other people are beginning to discover, however, the economics of rehab look better and better these days-even to Knott.

'You have no site costs, no new sewer costs. And years ago, builders put more mass into the building. You start with four walls, a roof, a foundationmost of the job. Even if construction costs you \$40 a square foot, instead of \$30 (for a new house), you are ahead."-S.W.

HUD halts sales at ITT's Palm Coast

The Department of Housing and Urban Development has suspended sales in the 48,000-lot Palm Coast project being developed by a subsidiary of the International Telephone & Telegraph Corp. on the east coast of Florida.

Sales were suspended until the company could comply with HUD rules by making a full disclosure to prospective buyers of an agreement on sales practices the company reached with the Trade Commission Federal News, Oct.

Requirements. As part of the agreement with the FTC, Palm

Coast said it would not represent that ITT is legally responsible for Palm Coast's debts; not represent that purchase of a lot is the way to financial security; and not suggest that prices on lots are increasing without disclosing that the increase may be the result of pricing policies.

Limit on lots. The developer also agreed to limit the number of lots for sale to 48,000 over the

next 15 years.

Sales could not resume until Palm Coast made full disclosure of the FTC action in the HUD property report that must be given to all prospective buyers.

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Zip	Phone

☐ None, ☐ 1-10, ☐ 11-25, ☐ 26-50
Units built in past year:
☐ None, ☐ 1-10, ☐ 11-25, ☐ 26-50
☐ Single Fam. ☐ Multi-Fam. ☐ Vac.

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Benj Harrisons Francis Lightfoot Lee

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Builders findeth no better way to offereth authentic detail free from the tyranny of high prices than with Colonist faced doors.

We must count ourselves fortunate that Colonist is the work of honest men. Seeing how they've captured the look of wood stile and rail doors, I give thanks they turned not their skills to counterfeiting money.

George Wythe

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Bot Freak Painte

When Middleton

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Builders and the election: Ecology issue upsets Miami's old guard

Ecology was not on the primary ballot, but it has just played a big part in deciding some hotly contested political contests in south Florida.

The issue was crucial in a majority of the races for the Dade County (Greater Miami) Commission. What little voter interest there was centered on the candidates' views of and dedication to the county's new landuse plan.

The biggest upset came in the race between Commissioner Harry Cain and a carpenters' union official, Bill Oliver. Cain is a former U.S. senator, and he was not expected to have trouble beating a union leader in a city that is certainly no union stronghold. But Cain lost by almost 2 to 1.

Promise to builders. The answer came from civic spokesmen, who said Cain had voted too often for rezoning applications. Oliver campaigned on a promise to honor the land-use plan while working for programs that would help bring Miami's building industry back to life.

In other commission contests decided without a runoff, the environwere winners mentalists. James Redford, a leader of the Izaac Walton League, won easily over a wine merchant, Jay Arnet. And Harvey Ruvin, a lawyer who came to public attention four years ago as a spokesman for Key Biscayne residents fighting to lower apartment density on that presidential island, was elected by a 2-to-1 vote.

Developers' candidate. Incumbents Beverly Phillips, Clara Oesterle and Neal Adams won in the runoff. Mrs. Oesterle had not been expected to face a runoff, but, as the first primary neared, she came under attack from five opponents for her financial support from developers, Realtors and architects.

The bitterest contest was fought in Broward County (Fort Lauderdale) over the issue of a building moratorium in the southwest section of the county.

Mrs. Anne Kolb, a county commissioner and fervent environmentalist, had strongly supported the moratorium, and she made that and energy conservation the basis for her cam-



Commissioners Redford . . . Two of the winners . . .

paign for the Democratic nomination in the twelfth congressional district. Her opponent was Dr. Charles Friedman, a wealthy dentist who got a lot of financial support from national labor unions.

Upset. It was a political surprise when Dr. Friedman came out against the building moratorium, because polls showed that 58% of Broward's residents approved of it. But with Broward unemployment running about 12%, the doctor took the gam-



... AND RUVIN in Miami's elections ...

ble. And he won, beating Mrs. Kolb narrowly. He got 52.8% of the vote.

Dr. Friedman outspent his Democratic opponent by about 3 to 1, and he heated up the campaign with an accusation that Mrs. Kolb's husband worked for a real estate development firm with holdings outside the moratorium boundaries.

Unsold condos. It didn't seem to be a promising point, because there are nearly 20,000 unsold condominium apartments out-



... and Cain ... and a surprise loser

side the moratorium area and these are the real cause of the building slump, not the moratorium.

Political observers credited Dr. Friedman's victory, at least in part, to South Broward's new and growing Jewish population. His support from labor unions was expected to be a key factor in the November race against strongly conservative Congressman J. Herbert Burke.

—Fred Sherman McGraw-Hill News, Miami

Ontario gets mandatory house warranty program for builders

Ontario's builders will be required by law to provide warranty protection for all buyers of new homes and condominiums beginning January 1.

Builders must register with the warranty program to do business in the province.

The program was announced by Sidney Handleman, minister of consumer and commercial affairs in the provincial government in Toronto. The new HUDAC New-Home Warranty Program, a non-profit organization formed by the Housing and Urban Development Association of Canada, will administer the legislation. A representative of Handleman's ministry will sit on the board. Other members will represent consumers, municipalities, builders and mortgage companies.

Builder's safeguards. The provincial government will protect the rights of both builders and buyers by allowing them to appeal corporation decisions to the Commercial Registration Appeal Tribunal, a semi-judicial body which now hears appeals on administrative decisions taken by the ministry.

Builders must meet standards described in the Building Code Act of 1974 and must pay a registration fee of \$350 to participate in the warranty program. An additional \$85 will be assessed for each dwelling unit registered under the plan.

Buyer's coverage. Buyer protection against loss of deposit through bankruptcy or fraud is set at a maximum of \$20,000 and against loss from major structural defects over a five-year period, to the same amount. —WILLIAM CHICHTON

McGraw-Hill News, Toronto

Warning: Don't forget offbeat market

Times change—even boom times. And one of the California housing industry's most energetic public relations men, N. Richard Lewis, thinks builders must change with them.

How? By researching the new and off-beat markets that he says are developing on half a dozen fronts.

Lewis shared his advice with the Sales and Marketing Council of the Building Industry Association of California in a recent speech.

"There are new marketing realties emerging as a result of sociological developments," Lewis warned, and he urged the builders to develop new strategies to cope. These, he said, are just a few of the new developments:

- More unmarried couples are living together.
- Equal lending policies are permitting more single women to buy homes.



California's Lewis
'New marketing realities'

- The limits-to-growth philosophy is becoming more prevalent, so quality is becoming more important than quantity. Consumers "may be living in their homes far longer than in the go-go days of the '50s and '60s."
- The word minority includes more than just blacks. "There are Chinese, Korean and Japanese buyers as well." Don't forget them

Lewis is president of Lewis & Associates, Los Angeles.



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*Bureau of Labor Statistics 1975 average for cities over 100,000 population.



Battle of Alameda ends: 3,200 homes, not 9,200, will be built

Court approval of a settlement between a developer, a city and a port have cleared the way for construction of 3,200 singlefamily homes for a population of 6,000 to 8,000 in California's island city of Alameda (pop. 76,-

Judge Gary Martin Young of Superior Court California signed a stipulated judgment that ends litigation involving Harbor Bay Isle Associates, the developer; the city of Alameda; and the port of Oakland, which operates Oakland International Airport.

The action closes a four-year dispute over the project on Bay Farm Island in Alameda. The intention of the developers to create a whole new planned community, Harbor Bay Isle, on Bay Farm Island triggered the controversy.

Opposition. Alameda residents objected to the proposed development, which was originally planned to have 9,200 units of single and multifamily housing, because of its density and the traffic it would generate. Partly in reaction, the city in 1973 adopted a charter amendment prohibiting construction of multiple-unit dwellings. Further opposition by Alameda resulted in rezoning the property and a scaling down of the project to 4,900 units, and finally agreement was reached on the present limit of 3,200 units.

Harbor Bay Isle Associates



owns 915 acres of undeveloped land on Bay Farm Island, south of the main island of Alameda. About 591 of the acres are zoned for residential and neighborhood commercial development and 324 acres for commercial-manufacturing.

Court's reasoning. Young found that Alameda's general plan and an environmental-impact report provided an adequate basis for allowing construction to start on 475 acres zoned residential and commercial. Harbor Bay Isle can now build on its residentially and commercially zoned property north of a line of demarcation agreed on by the parties, and on all of its commercially zoned property.

One of the issues in the threeway dispute concerned the impact of current and future airport operations on certain portions of the proposed residential development. The port has agreed not to oppose Harbor Bay Isle, while the city and the developer withdrew their opposition to current airport projects being undertaken for passenger convenience, and to expansion and operations of the airport in line with its overall master plan.

'A treaty.' John Goss, Alameda city manager, called the settlement "a peace treaty," with the parties "pulling back from the various battlefronts that had been developed."

Harbor Bay Isle Associates is a general partnership of Doric Development Inc., Alameda, and Bay Farm Island Inc., a wholly owned subsidiary of Utah International Inc., San

Filling and reclamation of Bay Farm Island was completed by Utah-then called Utah Construction and Mining-in 1968, under contract to a reclamation district. Utah was also owner of the land.

Ronald Cowan, chairman of the board of governors of Harbor Bay Isle Associates and president of Doric Development, estimates the holding costs caused by the four-year delay at \$13,000 to \$15,000 a day.

Prices: High \$60s. Harbor Bay Isle will be built in five villages. The developers plan to start with 240 houses in phases of 80 units. Some may be completely detached and others clustered, but the developers cannot build apartments or condominiums. Prices are estimated to start in the "high \$60s," according to Dexter Donham, director of marketing.

Cowan's estimate of the value of the development, when fully built out, is \$700 million.

-JENNESS KEENE McGraw-Hill World News, San Francisco

An outcast for a year, N.Y. state housing agency gets back into bond market

"It's a minor miracle," said Paul Belica, the executive director of New York state's beleaguered Housing Finance Agency.

"It's a glorious comeback after a year of blood, sweat and

He was exulting at the bond market's warm welcome to the first issue the HFA had been able to float in 13 months. The market took \$149 million in State University construction bonds, and more than \$100 million in additional orders were refused.

The agency had stood at the brink of default for most of last year after the market began refusing its "moral-obligation" bonds.

Virtually all such bonds issued in New York state had been tainted by the default of another

of its housing agencies, the Urban Development Corp. [News, May '75].

Guaranty and yield. The state legislature subsequently forbade the issuance of any more moral-obligation paper, which carried no other guaranty than the legislature's own "moral obligation" to support it.

The bonds just sold were fullfaith instruments of the state. They were offered at par and traded at a premium a few days

Much of their welcome traced to a yield of 8.5% on most of the issue, an excellent return in today's market. During its months as a market outcast, the agency had difficulty selling one-year notes at a yield of 10.9%. The new bonds have a 30-year maturity.

New York's state. The warm reception of the bonds was hailed in New York City newspapers as an indication that the woes of the state and city were easing, but financial observers were more skeptical. The state budget director, Peter Goldmark, called the bond sale a step forward, but he warned that both city and state faced problems that could disillusion the bond market again. -E.W.R.

Maule upping price 30% on its concrete

Florida's largest producer of concrete is raising prices about 30% in a last-ditch effort to stay alive.

Now under protection of Chapter 11 of the Federal Bankruptcy Act [News, Sept.], Maule Industries of Miami was a victim of an overly rapid expansion of production facilities four years ago. The expansion, begun at the height of the false boom created by real estate trusts and

their investments in condominium apartments, took Maule \$70 million into debt.

President Maurice Ferre, a member of a politically powerful Puerto Rican family, said of the price rise:

"We will not sell one yard of concrete below our cost. If the customers won't go along, we will just shut the place down."

-FRED SHERMAN McGraw-Hill News, Miami

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Architect: Robert Parker Coffin, Barrington, Illinois.

CIRCLE 27 ON READER SERVICE CARD



Hoffman Rosner tells public builders the merits of going private

"All the advantages of being a public company were gone and the disadvantages were astounding," says Jack Hoffman, explaining the decision earlier this year to return his company to private ownership.

Hoffman is president and principal owner of the Hoffman Group Inc., formerly Hoffman Rosner Corp., the original developer of the western Chicago suburb of Hoffman Estates, Ill.

Hoffman took the company public in 1970 with the hope of raising capital and offering stock options to top management. With the exception of the initial \$1.5 million raised in the first stock offering, he saw both hopes smashed. After going public at \$11 a share, the stock briefly touched \$16 but then sank to book value or below.

"When the tumble of the other builders' stocks came," Hoffman laments, "we couldn't even get book."

Limited horizons. Ever since the boom days of 1972-73, the small Hoffman company—sales in fiscal 1975 were \$33.7 million—has found even partial public ownership to be a disaster. The housing downturn of \$\frac{2}{3}\$ 1974-75 tumbled the Hoffman stock, and it was barely able to muster \$1 bids early this year.

The company was just too small to make public ownership work, says Virgil W. Owings, vice president of finance.

Although Hoffman sells about 150 homes a year in the Philadelphia area, most of its business is in suburban Chicago. Not only did that fact limit the number of people who bought stock; it tied the company's fortunes to Chicago market cycles.

"There's not really the explosive growth potential in a company that's in one market,"

Owings explains.

The buy-back. Buying the company back was possible because only 31% of the shares were publicly owned, Owings says. Using existing credit lines, Jack Hoffman was able to lay out nearly \$1 million for 100% ownership. The selling price of \$4 per share, though less than book value, was still well above the old \$1 bid price. And going private was made easier by a deal Hoffman worked out in 1975 to



Owner Jack Hoffman, at Hoffman Group offices, Hoffman Estates, Ill., explains his decision to go private.

buy another large chunk of stock from three former partners. He is taking eight years to pay, at 8% interest.

Public role's perils. The disadvantages of staying public loomed large. Explains Owings:

"The Securities and Exchange Commission requirements get more and more stringent... We were not getting any offsetting benefits, so on a cost-value relationship, if there is no advantage to being public, why do it?"

Hoffman says public status

hurts a builder in these ways on the housing cycle's downside.

• If the market value of the stock falls much below book, the company cannot go to the equity market; to do so would devalue existing stock (and might violate SEC regulations).

 Lenders do not view low stock values favorably, so being public is no help in borrowing.

• Public status can even restrict access to some lenders because of a poor public image.

• A public builder must try to maintain some semblance of earnings even in a downturn, "whereas a private builder who doesn't have to worry about stockholders will realize that, hell, the best thing I can do is write off everything I can and get a big refund from Uncle Sam."

Private flexibility. A private building company can move quicker and be more flexible in its use of cash, Hoffman insists.

"The style of the building is cash more than earnings," he says. "With rare exception, there isn't a public builder who doesn't wish he was private."

—Dan Brown McGraw-Hill News, Chicago

Proxmire releases GAO report calling HUD a destroyer of neighborhoods

Chairman William Proxmire (D., Wis.) of the Senate Banking, Housing and Urban Affairs Committee, has just released a report by the General Accounting Office sharply critical of Federal Housing Administration practices that destroy neighborhoods.

The GAO report was commissioned by Chairman Proxmire and Senator Adlai Stevenson (D., Ill.) in connection with the Committee's investigation of FHA abuses in Chicago and HUD's management failures nationally. [See Chicago FHA scandal, News, Sept. '75].

"The GAO report shows that HUD's operation of FHA-insured housing in city neighborhoods is a disaster," Proxmire said. "HUD's bungling creates a chain of events whose end result is ruined houses and abandoned city neighborhoods."

Failures. Here is what GAO found, according to the Senator:

"First, FHA fails to supervise mortgage companies adequately. As a result, unqualified buyers or defective houses are sometimes approved for FHAinsured loans. The mortgage companies don't care because the government takes all the risk if the insured FHA loan goes sour.

"Next, when a loan does go into default and FHA has to take back the house, according to GAO's findings, FHA often fails to protect the abandoned house from vandalism. FHA generally refuses to put tenants into the empty house on the ridiculous theory that this will make the house harder to unload. Finally, in order to get the foreclosed property off its books, FHA dumps the vandalized house on the market, as is, at whatever price it will bring, taking an average loss of \$14,025 per house in the Chicago area of the GAO study, and an average loss of \$9,341 for each property nationally."

\$610-million loss. "The GAO found that HUD took a \$610-million bath on the properties sold during the year ending April 30, 1976," Proxmire said. "In the Chicago study, GAO re-

vealed that 86% of the HUDowned vacant homes were not adequately secured against vandalism, or had already been ripped-off by vandals. Yet HUD refuses to heed GAO's advice and put tenants in these houses, even though these houses remain vacant more than a year, on the average.

"Until this year, under intense prodding from the Senate Banking Committee and its own Office of Inspector General to change the policy, HUD had set up a system for monitoring the mortgage companies whose mortgages FHA insures. HUD failed to keep track of which companies had suspiciously high foreclosure rates, which would indicate slipshod or fraudulent practices."

Suspension cited. Proxmire went on:

"In the case of one major mortgage company that repeatedly falsified records in order to get FHA mortgages approved, HUD's own investigators recommended that the company, a subsidiary of the First National

City Bank of New York, be barred from making FHA loans. Instead, Secretary Carla Hills gave the company a light slap on the wrist by putting it on probation for six months and suspending loan originations for 30 days in one branch office." [See Advance Mortgage (Detroit) is put on probation, News, Feb.]

"HUD claims it is finally planning to tighten its supervision of mortgage companies," Proxmire cautioned. "HUD has reorganized FHA once again, in an effort to improve administration. But the reorganization will not help the tens of thousands of houses that have been needlessly lost, the millions of families living in neighborhoods blighted by abandoned FHA homes, or the two-billion-dollar deficit in the FHA insurance fund."

The full report, entitled, "Protecting and Disposing of Single Family Properties Acquired by the Department of Housing and Urban Development," is available from the GAO, 441 G Street, Washington, D.C. 20548.

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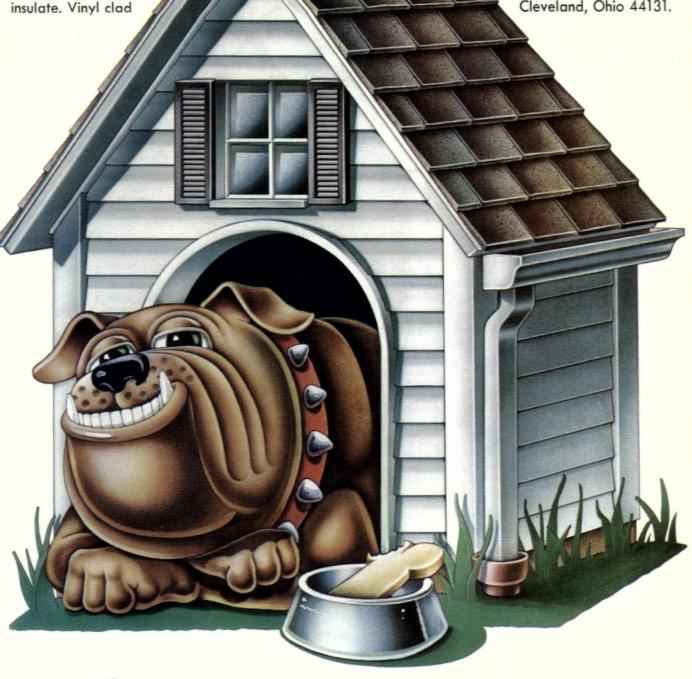
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HOFFMAN ROSNER'S HOFFMAN start building on their own The third generation arrives



McKeon's Clifford Gets three new titles



Sets up shop in Denver

Builders on the move: New companies form up, new execs step up

Two new companies have surfaced in California-one a builder and the other an architectural/land planning firmand new vice presidents have been appointed on both coasts and in between.

A couple of Sunrise Corporation's alumni, William A. Fruehling and Frank H. Countner, have joined forces to form California Community Builders Inc. in Santa Monica. The company's inaugural project is Oak Creek, a 270-unit, \$15-million single-family development in Thousand Oaks.

Fruehling says they're starting on a shoestring "about \$20,-000," but his grand design calls for CCB to "do about \$12 million in volume in '76 in California and Nevada and a total of \$20 million in '77." Fruehling and Countner were senior vice presidents of Sunrise, a builder of planned-unit developments. Its headquarters are in Los Angeles.

In Irvine, Kiyotoki/Bell Associates is the brainchild of Orange County architects Sam Kiyotoki and Stan Bell. The two are former partners in the Newport Beach office of Leitch/Kiyotoki/Bell & Associates. The new company's projects include Rancho San Joaquin for Irvine Pacific and The Terrace for Standard Pacific, among others. All of the firm's West Coast projects are on the Irvine Ranch.

In the veep sweepstakes, Bert

(Buz) Hoffman becomes a vice president of Hoffman Rosner Corp., Newport Crossing, Pa. Hoffman represents the third generation of a homebuilding family. His grandfather, Sam Hoffman, is the founder of the parent Hoffman Group of building companies with headquarters in Hoffman Estates, Ill. The younger Hoffman joined in 1975 as eastern financial officer.

T.G.I. Construction Corp. of Los Angeles names Michael Spiro as executive vice president and chief operating officer. He's responsible for all construction activities of the Titan Group subsidiary. James Francis becomes a T.G.I. vice president. He's been supervising construction of service group buildings at the Long Beach shipyards for T.G.I.

The McKeon Corp. of San Mateo, Calif., adds to its board. E.S. Clifford becomes a director and the builder's newest vice president as well as treasurer. Clifford is also vice president of the California Builders' Coun-

Denver's Witkin Homes, a U.S. Home subsidiary, names Dean Thomison as an assistant vice president. He had been director of land planning and manager of land development. Witkin also appoints John O. Rottler as assistant manager for the company's Shenandoah development in Aurora, Colo. He had directed all purchasing and

production at Witkin's Pheasant Run development in Aurora.

Also in Denver, Nu-West Development Corp. Ltd., a major Canadian builder, names Stanley A. Ward as vice president and general manager of its new U.S. subsidiary, Nu-West Development Corp. Inc. The company's first project in the Denver area is the construction of 95 single-family homes in the \$60,000-\$75,000 range.

Leo Carletti, 52, a 30-year construction industry veteran, ioins Broadmoor Homes' northern California division as general superintendent. Carletti will help supervise the division's initial effort, Crow Canyon, a master-planned recreational community.

West Coast acquisitions continue apace. Harvey Berg and John Winther buy up the Larwin Group's land in California's Marin County. Berg is a former real estate veep for CNA Investment Services and Winther was an F. T. Lathrop Construction vice president. The Larwin holdings, specifically Spyglass Hill, a \$12.5-million, 208-condo development in Larkspur, are already partially built out. Larwin completed the first phase of 106 homes at a cost of \$7.5 million.

LENDERS: CMI Investment Corp. of Madison, Wis., the mortgage insurer, gets a new president. Ralph E. Lautman, 49, a CMI director since 1971, takes over the title from Bruce Thomas, who continues as chairman and chief executive. Lautman, a Long Beach, Calif. financial consultant, is a former executive vice president of the Union Bank of Los Angeles and has served as president and director of Western Mortgage Corp. of Los Angeles.

Across the continent, James S. Dailey takes over as vice president in charge of Aetna Life & Casualty's real estate investment department in Hartford, Conn. He replaces H. E. Ross who retires after 41 years with Aetna. Dailey is a former executive vice president of the First National Bank of Chicago and an ex-president of First Chicago Realty Services Corp.

ASSOCIATIONS: The National Association of Women in Construction installs Pat Pridmore of Houston as president at its convention in Philadelphia. Mrs. Pridmore is executive secretary to Carl W. Wilson Jr., vice president and general manager of Wilson Engineering & Manufacturing, a Wilson Industries division. She succeeds Mary Ann Nall of Atlanta in the association post.

In Washington, Sidney Freidberg, 62, steps aside as executive vice president and general counsel of the National Corporation for Housing Partnerships. He says he will return to private law practice.



BROADMOOR'S CARLETTI California bound



CMI'S LAUTMAN New president takes over



AETNA'S DAILEY ... Takes charge of real estate



Retires after 41 years



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*PATENT PENDING

Shapell leads homebuilding companies' stocks in sharp rally

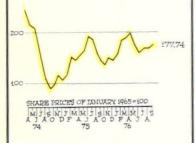
Builders' stocks have advanced sharply on news that housing starts rose in August to their highest rate in six months.

Shapell Industries, building in the red-hot southern California market, led the way. Chairman Nathan Shapell, who referred to himself as the big builders' "Mr. Survival" in a recent interview, saw his shares leap 31/8 to 167/8 in the month ended October 4.

House & Home's index of five leading builders jumped to 174 from 159, but all four other sections of the housing industry lost ground. The H&H index of 25 industry stocks edged to 177.74 from 177.98.

Share values of January 1965 equate with 100 on the index.

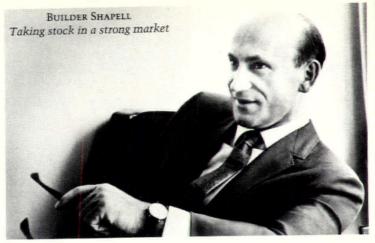
Here's the graph of 25 stocks.



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

	Oct.'75	Sept.'76	Oct.'76
Builders	117	159	174
Land developers	88	75	70
Mortgage cos.	189	228	226
Mobile homes	390	505	485
S&Ls	92	147	146

Company		Oct. 4 Bid/ close	Chng. Prev. Month
BUILDING COMPAN	NIES		
AVCO Comm. Develd	PC	7/16	- 1/8
American Cont. Homes		5/8	- 1/8
American Urban Corp		1/8	_ 3/8
Bramalea Con. (Can.)		57/8	+ 5/8
Campanelli Ind. (New American Ind.)		11/2	+ 1/8
Capital Divers (Can.)—d	OT	1/4	
Centex Corp	NY	103/4	+ 3/8
Cenvill Communities—d		71/2	
Cheezem Dev. Corp		1/2	
Christiana Cos.		27/8	+ 1/4
Cons. Bldg. (Can.)—d		2.65	+ .10
Dev. Corp. Amer.		53/4	+ 11/4
Edwards Indus.		4	+ 1/8
		33/4	- 1/4
FPA Corp.—d		2	+ 1/4
Carl Freeman Assoc			+ 1/4
General Builders—d		11/4	+ 1/4
Homewood Corp		53/4	744
Hunt Building Corp		11/4	- 1/8
 Kaufman and Broad 		81/2	+ 3/4
Key Co	AM	17/8	
Leisure Technology-d	AM	21/4	
Lennar Corp	NY	51/4	+ 3/8
McCarthy Cod	PC	11/4	
McKeon Constd	AM	3	+ 1
H. Miller & Sons	.AM	133/4	+ 2
Mitchell Energy & Dev		37	+103/8
Oriole Homes Corpd		81/4	+ 3
Presidential Realty		27/8	+ 3/8
Presley Cos.		93/4	- 1/2
Pulte Home Corp		61/4	+ 11/8
Rossmoor Corp.		51/4	+ 15/8
•Ryan Homes		191/8	+ 13/8
Ryland Group		143/4	+ 11/4
•Shapell Industries	NV	167/8	+ 31/8
		81/2	- 3/8
Standard Pacific	. MIVI	072	78
Universal House	DC	210	000
& Dev.—d		312	032
•U.S. Home Corp		71/2	+ 11/4
Washington Homes		23/4	- 1/4
Del E. Webb		67/s	*******
Westchester Corpd	OT	1/4	+ 1/8



		Oct. 4 Bid/	Chng. Prev.
Company	_	close	Month
SAVINGS & LOAN AS			
American Fin. Corp C	T	91/4	- 3/8
Calif. Fin	IY	81/8	+ 11/4
•Far West Fin.—d	11	81/8 151/8	+ 7/8 - 1/8
Fin. Corp. Santa Barb A	IVI	143/8	- 5/8
First Charter Fin.	IV	163/4	+ 1/8
First Lincoln Fin	T	35/8	- 1/4
First S&L Shares	M	63/4	- 1/2
First Surety	TC	61/2	+ 1/4
First West Fin	T	2	+ 1/4
Gibraltar Fin	١Y	101/8	+ 5/8
Golden West Fin	1A	19	+ 1/8
•Great West Fin	1Y	20	- 1/4
Hawthorne Fin	TC	111/2	+ 1/2
Imperial Corp.	Y	15	- 1/2
I ransonio Fin	VY	10	+ 1/8
(Union Fin.)—d	13/	4.41/.	
United Fin. Cal	Y V	111/4	+ 1
Vesco Fin	VY	1474	- 72
MORTGAGING	10.7	01/	2/-
Charter Co	NY NY	31/4	- 3/8 - 1
CMI Investment Corp	NY.	55/8	+ 3/8
Cont. Illinois Realty	IV	11/2	T 78
Fed. Nat. Mtg. Assn	NT NV	161/4	- 1/0
Fin. Resources Gp		7/8	7.6
		70	
(Globe Mortgage) *Lomas & Net. Fin	Y	75/8	+ 1/4
•MGIC Inv. Corp!	Y	145/8	- 1/8
Palomar Fin.—d	١M٨	17/8	- 1/4
United Guaranty Corp I	VY	107/8	
(formerly FMIC Corp.)			
Western Pac. Fin. Corp	TC	33/4	********
(formerly So. Cal.			
Mort. & Loan Corp.)			
REAL ESTATE INV. T			
Alison Mtg.—d	NY	2	
American Century	MA	11/2	********
American Century API Trust	O1	33/4	+ 1/4
(formerly Arlen Prop. Inv.	1	47/	
Atico Mtg.		17/8 67/8	
Baird & Warner	OT	57/8	- 1/8
Bank America Rity.	OT	13/4	- 1/2
Barnes Mtg. Inv	MAA	11/2	- 1/4
BT Mort. Investors	NV	11/2	- 1/2
Cameron Brown	NY	13/4	- 1/8
Capitol Mortgage SBI	NY	1	- ½
Chase Manhattan		23/8	- 1/8
Cl Mortgage Group		13/16	- 1/16
Citizens & So. Rity.	NY	15/8	
Cleve. Trust Rity. Inv.	OT	21/8	
Colwell Mtg. Trust		11/4	- 1/4
Conn. General	NY	171/8	+ 3/4
Cousins Mtg. & Eq. Inv	NY	11/2	- 1/8
Diversified Mta Inv	NV	1	- 1/a

Diversified Mtg. Inv. Equitable Life Fidelco Growth Inv.

OT NY AM OT AM

AM NY AM

43/4

+ 11/2

First Memphis Realty First of Pennsylvania Franklin Realty

Fraser Mtg. Gould Investors—d... Great Amer. Mgmt. Inv. (formerly Great Amer. Mtg. lnv)—d Guardian Mtg. Gulf Mtg. & Realty Hamilton Inv. Heitman Mtg. Investors Hubbard R. E. Inv.

ICM Realty ... Mass. Mutual Mtg. & Rity. Mission Inv. Trust (formerly Palomar)

Mony Mtg. Inv. Mortgage Trust of Amer.

Mortgage Trust of Amer. NY
National Mortgage Fund OT
Nationwide R.E. Inv. OT
(Galbreath Mtg. Inv.)

Company		Oct. 4 Bid/ close	Chng. Prev. Month
North Amer. Mtg. Inv	NY	31/4	- 3/8
Northwest Mutual Life		1016	1/-
Mtg. & Rity.	NY	121/8	- 1/8 - 1/8
PNB Mtg. Rity. Inv. Penn. R.E. Inv. Tr.—d	AM	117/8	+ 5/8
Property Capital—d	AM	10%	+ 11/4
Realty Income Tr.—d Republic Mtg. Inv.	AM	101/4	+ 2
B. F. Saul R.E.I.T.	NY	31/4	- 1/8 - 1/8
Security Mtg. Inv.	AM	15/8	+ 1/8
Stadium Realty Tr.—d	OT	3	+ 1/8
Stadium Realty Tr.—d State Mutual SBI	NY	2	- 1/8
Sutro Mtg.	NY	63/8	+ 3/8 - 1/8
UMET Trust	- NY	67/8	+ 1/2
(Larwin Realty & Mortgage Trust)		078	
U.S. Realty Inv	NY	17/8	*********
Wachovia Realty Inc Wells Fargo Mortgage .	NY	31/8 71/2	- 1/8 + 1/8
LAND DEVELOPER	RS		
AMREP Corp	NY	11/2	
Crawford Corp.	01	31/2	3/
Deltona Corp. Fairfield Communities	NY	35/8 21/4	- 3/8 + 1/4
•Gen. Development	NY	43/4	74
Horizon Corp.	NY	13/8	- 1/2
Horizon Corp. Landmark Land Co.	AM	17/8	+ 1/2
(Gulf State Land)			
Land Resources	OT	5/8	- 1/8 - 1/8
Major Realty •McCulloch Oil	AM	27/8	- 1/4
Sea Pines Co.	OT	5/8	- 1/8
MOBILE HOMES &		ULES	
•Champion Home Bldrs Conchemco—d	. AM	35/8	- 3/B
Conchemco-d	AM	10	- 11/8
De Rose Industries	AM	11/2	- 1/8 - 1/8
•Fleetwood •Golden West	NY	16% 8¾	- 1/4
Mobile Home Ind	NY	41/8	+ 1/4
Monarch Inc	OT	3/4	
•Redman Inc	NY	31/4	- 5/8
Rex Noreco—d	NY	15/8	- 1/4 - 1/4
Rex Noreco—d Skyline Town and Country	AM	21/8	+ 1/8
Zimmer Homes	AM	63/4	- 11/8
Brigadier Inc.	OT	1	- 1/4
Hodgson Houses—d	01	5/8	- 1/8
Liberty Homes	01	2	- 1/8
Lindal Cedar Homes	OT	13/4	- 3/4 + 15/8
Nationwide Homes Shelter Resources	AM	23/4	+ 198
Swift Industries	OT	1/8	- 3/8
DIVERSIFIED COM	IPANI		
American Cyanamid	NY	271/8	+ 1/2
Amer. Standard		281/8	+ 17/8 + 1/4
Arter Realty & Develop		25/8	- 1/8
AVCO Corp.	NY	145/8	+ 11/2
Bendix Corp	NY	411/2	+ 23/8
Roise Cascade	NY	27	+ 1
Building & Land Tech	-d OT	1/8	- 1/8
CNA Financial (Larwin)	TP	63/8	- 2
Campeau Corp. Castle & Cooke (Oceanic Prop.)	NY	16	+ 7/8
Champion Int. Corp (U.S. Plywood-Cham)	NY	23¾	+ 3/4
City Investing	NY	107/8	+ 1/8
Cousins Properties	OT	11/8	- 1/4
(Midwestern Fin.)	01	2074	74
Evans Products	NY	11	+ 5/8
Ferro Coro	NY	321/2	+ 1
First Gen. Resources	OT	1/4	- 1/8 + 1/8
Forest City Ent.	AM	5½ 13/8	+ 1/8
	AIVI	178	78
Flagg Industries—d Frank Paxton Corp	OT	12	- 1/4

Compay		Bic/ close	Prev. Month
		20.00	
Fuqua Corp. Georgia Pacific	.NY	91/2	+ 1 + 1
Glassrock Products		33/4	+ 1/8
Great Southwest	ОТ	53/4	- 63/4
Corp.—d—c Gulf Oil (Gulf Reston)	NY	267/8	- 1/4
Gulfstream Land & Dev.	.AM	43/8	+ 1/2
(Bel-Aire Homes)—d INA Corp. (M.J. Brock)	NY	435/8	- 7/8
Inland Steel (Scholz)	NY	491/2	- 11/4
International Basic Econ.	OT	17/8	+ 3/8 - 35/8
International Paper Inter. Tel. & Tel	NY	317/8	
Ludlow Corp	NY	71/8	- 1/2 + 5/8
Monogram Industries Monumental Corp	. NY	143/8 93/4	+ 9/8 - 3/8
(Jos. Meyerhoff Org.) Mountain States Fin.		0.4	
Corp.	.OT	3	*********
National Homes National Kinney	NY	41/2	+ 1/2
(Uris Bldg.)	AM	15/8	********
Pacific Lumber	NY	305/8	+ 11/8
Perini Corp. Philip Morris	AM	7% 61%	+ 15/8 + 37/8
(Mission Vieio Co.)			
Pope & Talbot	NY	17	+ 1/2
Republic Housing Corp.—d	.AM	15/8	+ 1/4
House Co	01	41/2	- 1/4
Santa Anita Consol (Robert H. Grant Corp.		81/4	+ 11/4
Tenneco Inc.	NY	34	+ 3/4
(Tenneco Realty) Thor Corp.—d	NY	7/8	+ 1/8
(First Realty Inv. Corp.)		+ 1
Time Inc.—b		331/4	+ 1
Tishman Realty	OT	151/8	+ 3/8
Titan Group Inc UGI Corp	01	2.00	+ .40 + ½
Westinghouse	NY	181/8	+ 15/8
(Coral Ridge Prop.)	NY	431/4	+ 1/4
(Weyer Real Est. Co.)	IN T	4374	+ 74
Whittaker (Vector Corp.)	NY	63/8	+ 1
Wickes Corp.	NY	12	+ 1 - 5/8
Wylain Inc. (Weil McLain)	, 14 1	3	70
SUPPLIERS			
	NY	263/4	
Armstrong Cork	AM	4	+ 7/8
Bird & Son	OT	30	- 2
Black & Decker Carrier Corp		201/8 167/8	- 11/8 + 1
Certain-teed	NY	171/4	- 11/4
Crane	NY	273/4	+ 11/4
Dexter Dover Corp.—b	NY	37	+ 53/4
Emerson Electric	NY	371/4	+ 1
Emhart Corp.	NY	33% 5%	- 3/8 - 1/2
Flintkote		193/8	+ 1/8
GAF Corp	NY	14	- 1/8 - 11/2
General Electric	NY	52 27	- 1½ - 13/8
Hercules	NY	28	- 21/8
Hobart Manufacturing	NY	223/4	- ½ - 2
Int. Harvester	NY	29 1/2 29 5/8	+ 7/8
Kaiser Aluminum	NY	363/4	- 17/8
Keene Corp. Leigh Products—d	NY	8½ 11¼	+ ½ + ½
Masco Corp.	NY	24	+ 1/4
Masonite	NY	333/4	- 2
Maytag National Gypsum	NY	335/8 151/4	- 1/8 + 1/8
Norris Industries	NY	391/2	+ 13/4
Overhead Door	NY	93/4 561/4	+ 11/8 + 41/4
Owens Corning Fibrgl Potlatch Corp	NY	593/4	+ 33/4
PPG Industries	NY	463/8	- 41/8
Reynolds Metals Rohm & Haas	NY	391/4 501/2	- 13/4 + 41/4
Ronson	NY	4	- 1/2
Roper Corp	NY	19	+ 11/4
St. Regis Paper	NY	38½ 17¾	+ 5/8 + 1/4
Sherwin Williams	NY	371/8	- 17/8
Skil Corp.	NY		+ 7/8
Stanley Works	OT	6 30½	- ½ + 1½
Tappan	NY	81/8	+ 3/8
Thomas Industries	NY	10	+ 5/8 + 3/4
Triangle Pacific		113/4 221/2	+ 3/4 + 3/8
U.S. Steel	NY	483/4	- 1
Wallace Murray	NY	17¾ 33⅓	+ 1/8 + 11/4
Whirlpool Corp.	NY	231/2	- 15/8
	-		

AM—closing price American Stock Exchange. NY— New York Stock Exchange. OT—over-the-counter bid price. PC—Pacific Exchange. PH—Philadelphia Stock Exchange. TR—Toronto Stock Exchange. a— stock newly added to table. b—adjusted for 2 for 1 stock split. c—adjusted for 1 for 20 reverse split. d—not traded on date quoted. •—Computed in HOUSE & HOME's 25-stock value index. Source: Standard & Poor's, New York City.

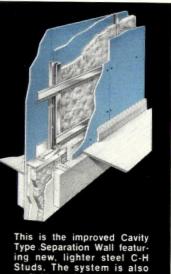
Builder drops block, picks up \$150 per unit with new gypsum firewalls.



USG® Area Separation Wall

Before starting the 64 townhouse units in the Salem Park, Mechanicsburg, Pa. project, EME Development Corporation did an extensive comparison study of 8-inch concrete block vs. the new USG® Area Separation Walls for firewalls.

Both systems met the 2-hour fire-rating code. Both seemed to cost about the same. But a closer look showed big benefits that made the U.S.G. system the logical choice. Faster erection in any weather in which men will work. One-trade installation vs. three for block. No wall bracing needed because the U.S.G. system went up along with the wood frame. And quicker con-



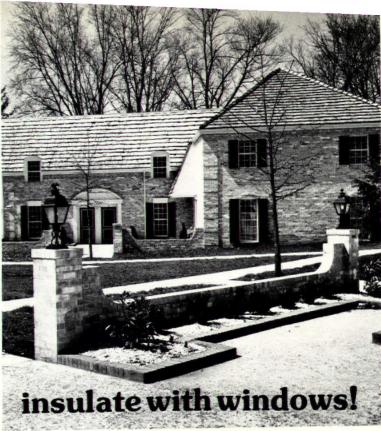
ing new, lighter steel C-H Studs. The system is also available in Solid Type Wall.

struction meant quicker sales and less construction loan interest. Based on EME's own cost analysis, the U.S.G. system, which had a 2-hour fire rating, 53 STC sound control rating and 41/2" thickness, cost \$150 less per unit than a comparable block assembly of 11" thickness!

Make your own cost comparison. For full details, send for our new CS-18 brochure which outlines design and construction features for wood-frame apartments, townhouses and condominiums up to three stories. The address is 101 S. Wacker Drive, Chicago, III. 60606, Dept. HH-116.

UNITED STATES G





using a leading insulated glass, double hung, vinyl clad-

If you are concerned about energy savings for your new homes—and money and maintenance are no object, then certainly purchase one of the fine wood-vinyl clad windows available. It will do an outstanding job . . . and will definitely save on fuel costs.

If, however you are concerned about saving dollars, eliminating maintenance and still want an

using the "best" aluminum, 4-track, thermal-break, single hung window-

excellent energy-saving window, then your first choice must be the Capitol E-500*window.

Unlike many manufacturers, Capitol feels obligated to prove statements regarding our window qualities and costs-thus, we offer the independent laboratory test results shown below. If more detailed results and further proof are required ... please contact, Mr. Wallace Fremont, V.P. Sales ... call collect (717) 766-7661.

COMPARISON TEST (bot)	RESULTS AS RUN h windows amply ex	BY A LEADING INDEPENDENT LAI cceed industry standards)	BORATORY
WINDOW TYPE	PRICE1	TOTAL AIR INFILTRATION ²	TOTAL "U" VALUE
Capitol Products E-500 Series Single Hung	\$50.75 + tax	.38 cfm	.60
A Leading Insulated Glass, Wood/Vinyl Clad, Double Hung	\$97.00 + tax	.73 cfm	.66

- Prices are those quoted in the Harrisburg, Pa. area (effective to July 1, 1976). Prices obtained in other areas (such as New York and Chicago) showed an even greater price advantage to buying the Capitol E-500.
- 2 Total air infiltration is the leakage in cubic feet per minute thru the window, when a 15 mph wind is applied to the outside. Capitol's single hung has the advantage over double hung design because there is less operating sash for leakage to occur.
- 3 Total "U" value determines Energy Usage. The lower the "U" value the greater the energy savings. Conductive heat loss/gain plus the heat loss/gain due to air infiltration (15 mph wind) establish the total "U" value. Similar energy savings apply to both heating and air

Additionally . . . Capitol's highly rated thermal barrier virtually eliminates frame and inside glass condensation



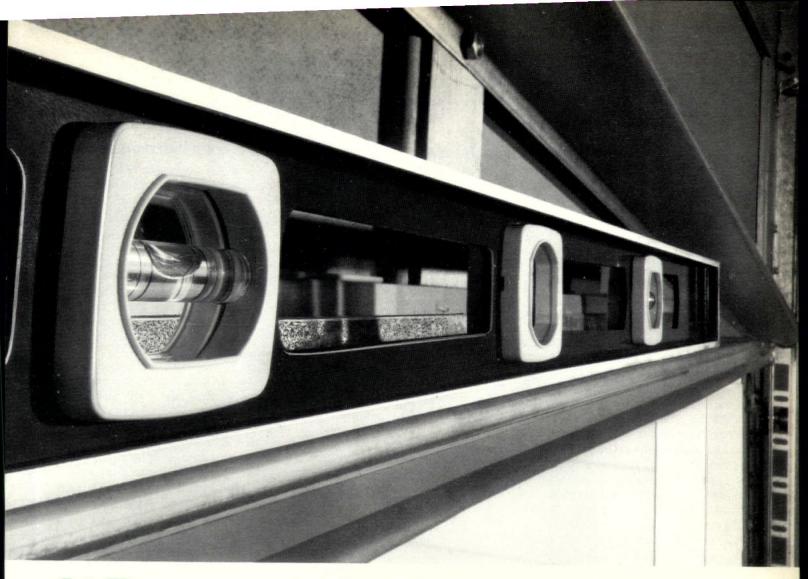
CAPITOL PRODUCTS CORPORATIO Mechanicsburg, Penna

Capitol invites your inquiry for more comprehensive details

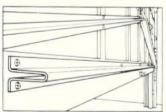
See us at the

NSDJA SHOW New Orleans Booth 88 & 89 **BUILDERS SHOW** November 17 - 19 Chicago Booth 300

^{*} Capitol's E-600 horizontal rolling window affords similar energy saving qualities.



At Raynor we give it to you straight ...and that's the way it stays!



Most overhead type doors look great when they're first installed. But given some time and

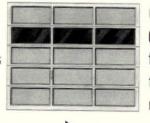
plenty of ups and downs they begin to sag in the middle.

Raynor doors won't sag . . . and for a very good reason: U-Bar reinforcement. We engineer and fabricate this special reinforcement in our own plant for all extra-wide doors.

It's this extra concern for quality that's made Raynor a brand you can depend on for residential, commercial and industrial doors made of wood, aluminum, fiberglass or steel.

Call us for more specifics.

815/288-1431.



Or write Raynor Manufacturing Company, Dept. HH, Dixon, IL 61021 for the name of the Raynor factorytrained distributor/installer near you.



Raynor Manufacturing Company, Dixon, Illinois 61021

Revive housing with a bang: Forgive tax on savings deposit income



A simple change of federal law would achieve these results?

- 1. Produce a 50% interest rate on residential mortgages.
- 2. Guarantee adequate money for housing.
 - 3. Eliminate disintermediation.
- 4. Eliminate any need for variable-rate mortgages.
- 5. Solve the problem of allocating bank and savings and loan funds for housing.
- 6. Lower the rate of interest for subsidized housing and subsidized interest programs (e.g., a rate of 5% or lower).
- 7. Reduce government involvement in housing by providing lower-cost housing through the private sector without direct government subsidies, and thereby reduce government employment and regulation in government housing programs.
- 8. Stabilize the housing industry by avoiding contractions of money supply and increased rates when the Federal Reserve Board is trying to cool the economy.
- 9. Reduce the monthly payment on a \$40,-000 mortgage by \$100 a month.

Solution. To understand the solution, one must understand the cost of money, or interest, paid on mortgages. The first component is the cost of the deposit in the instance of a bank or savings and loan, and it is paid for use of the depositor's money. The second component is the mark-up,, which includes all expenses and profit for the lending agency. The second component remains relatively constant at 1½% for savings and loans.

The mark-up is the component that can be altered the least. Therefore, the answer resides in reducing the price paid to the depositor for the use of his money. The depositor has as his ultimate objective disposable income, which to him is defined as after-tax income.

By giving tax-free treatment to interest earned by depositors on deposits used for residential mortgage purposes (the same tax-free treatment given municipal bond interest), the total problem is solved.

That 5% rate. A bank or savings and loan deposit insured by the federal government is better than almost any municipal bond or note. Recently the interest paid on municipal-bond issues has been affected adversely by the credit problems of local governments involved.

One close equivalent to a deposit of the type we are discussing is a housing authority construction note, guaranteed by the federal government. Such notes were marketed in June of 1976 for 3.45%. Take these notes as a benchmark. For the cost of depositors' money, add 1½% mark-up. You have a resi-

dential mortgage rate of 5%!

An end to disintermediation. This proposal would eliminate disintermediation of the funds that would otherwise be used for housing.

Disintermediation occurs with deposits in savings and loans and in banks, when the interest limits which they are permitted to pay (by law) is exceeded by the rate offered by government issues or by the commercial market. The money for housing then diminishes and the cost (interest) increases.

This proposal, by giving an after-tax advantage where the deposits are used for residential mortgage purposes, establishes a constant *spread* in favor of such deposits so that disintermediation *cannot occur*.

Interest Paid on Residential Deposit	Equal to Before-Tax Rate	
6%	50%	12 %
6%	25%	7.1%
7%	50%	14 %
7%	25%	9.3%
8%	50%	16 %
8%	25%	10.6%

Defects of variable mortgages. The only reason for the promotion of variable-rate mortgages is to provide a tool to enable mortgages to compete with the demand for funds for other purposes at a time of inadequate money supply for both.

Variable-rate mortgages are important only if there is a need to compete for the money supply, particularly in periods of disintermediation and when no other tool is available. The only function of variable mortgages is to increase the price paid for money to depositors (so as to increase their after-tax yield) and authorize an increase in the price to be paid for the cost of money for mortgage purposes.

Social cost of high interest. It is rudimentary that this price increase defeats the objective of meeting the *need* for housing. As the cost of money increases, and, therefore, the cost of housing increases, the number of persons qualifying for mortgages decreases and the availability of housing decreases. Also, those who do buy get less for their money. There is a concurrent decrease in direct employment in the housing industry and a related decrease in employment within industries supplying the industry. There is also a decrease in tax revenues from all these sources. For all sectors of the society variable mortgages are self-defeating:

- For consumers with a need for housing.
 Fewer can qualify, and those who do get less house at higher cost.
- For builders, who lose business because fewer houses will be built.

- For labor, because the unemployment rolls rise. Jobs are lost in construction and in the plants that manufacture furnishings and materials for housing.
- And for lenders, who do less business and reap less profit.

Government savings. This proposal would eliminate the need for several government subsidy programs. Several programs attempt to subsidize interest rates in the range of $6\frac{1}{2}$ % to $7\frac{1}{2}$ %. This proposal would have produced an interest rate of 5% in July 1976.

The direct savings to the government would come first in the amount saved by eliminating the direct subsidies and, secondly, in the amount saved on financing these subsidies. And money would be saved by eliminating the administrative costs of the programs.

The most important impact of this proposal would be to reduce substantially direct Federal government involvement in housing. Since 1968 the Federal government involvement in housing has accelerated and the housing market has been federalized. (See *Business Week*, October 12, 1974, "What's Wrong with the Mortgage Market?" This proposed solution is the type of new solution described in that article as being needed.)

Tax return. Government has acted in the past in certain areas of housing by direct subsidies. In other areas, such as government-owned public housing, it has exercised direct ownership. Both methods have involved the collection and disbursement of taxes, with the inherent administrative costs and inefficiency. Considering the cost of collection, administration and government-supported housing, probably less than 50% of the tax dollar collected for housing is put to housing's use.

By using the proposed tax incentive, there is automatic allocation of funds and resources to housing in a more efficient and effective manner, while the actual cost of housing of all types would be substantially reduced. All the tax dollars involved would be directly effective in making more housing available at a lower cost, there would be no inefficiency in collection, disbursement, allocation of funds, or administrative overhead. There would actually be a direct reduction in the cost of government by virtue of reduced direct government employment and reduced debt service attributable to government borrowing.

Smith, a Pittsburgh builder and developer, presented his plan to NAHB's economics committee at the fall board meeting in Salt Lake.



Front loading means they're stackable. Just 70" high. So you don't need a whole laundry room to do the laundry.



Put them in the kitchen, or laundry, side-by-side under a counter. In the bathroom, under a vanity.

Just give us a little space and we'll help you sell your homes.

The Economical Space Mates from White-Westinghouse.

The solidly built Space Mates front-loading washer and dryer fit into places no other full sized washer and dryer can. Each unit is just 27" wide by 27" deep and 35" high.

And, you'll save more than space. Because of the exclusive tumble action washing system, the White-Westinghouse front-load washer uses 36% less water than conventional top-load machines. For example, in a typical 72 unit complex the White-Westinghouse Space Mates can save over 500,000 gallons of water every year (based on 8 loads per unit per week). With the prices of water going up like everything else that's a big saving, not to mention the energy it takes to heat the water.

And because the Space Mates are backed by Sure Service anywhere they're installed in the U.S.A., your job will be over once they're in your home.

Stack up the reasons and you'll choose the Space Mates from White-Westinghouse. And so will your customers.

Mail the coupon below for the full story.

White-Westinghouse P.O. Box 44168 Columbus, Ohio 43204 Name_		Н
Address		_
CityState	Zip	_

White-Westinghouse

One of the White Consolidated Industries. Wall

Some reflections on using mirrors to dress up your model homes



Creative, yet restrained, use of mirrors in a model-home merchandising program can be one of your most effective sales tools.

Mirrors, as shown in photo A, can visually expand a small room. They also can help, create eye-catching talking points(see photo B) or emphasize the mood you're trying to create; for example, in photo C the traditional decor is reinforced by the arched-mirror-and-shelf built-in. (The photos are from three decorated model houses at The Springs, a luxury condominium in Palm Desert, Calif.)

On the other hand, excessive mirroring—used to deliberately make a house seem much larger than it is—may give prospects a feeling that you're trying to cheat them; and they'll walk away from your models.

For that reason, except in rare instances I am opposed to using fully mirrored walls in model homes. A possible exception: a bathroom wall, where you could use full mirroring as a memory jogger—something to set your model apart from all the others prospects see during a long day of house-hunting.

Here are a few more creative ways you can integrate mirrors into your model-home design without going overboard.

As a decorating tool, mirroring really shines in bedrooms. But restraint is the watchword: installing a mirrored ceiling over the bed is in bad taste.

Instead, you can blend mirrors and wood to form novel treatments around headboards. Specifically, mirrors that are framed with arches can be placed behind night stands on either side of a bed. Or, if there's a window on one side of the bed, simulate a second window on the other side by using a 3'x5' sheet of mirror covered with shutters. A shuttered mirror creates the illusion of depth.

A windowless galley kitchen is another good place to put mirroring to work. You can add a feeling of depth by closing off one end of the kitchen with a floor-to-ceiling builtin constructed with staggered, extended shelves interspersed with 2"-wide sheets of mirror. Wood and glass used this way is far more effective esthetically than mirror alone. It's also a practical way to show prospects how to add storage space for spices and kitchen accessories.

Two other ways to catch prospects' eyes with mirrors: Use them as accent panels inserted at random behind shelves in built-in bookcases, or between wood panels on living-room or entry-hall walls. They'll add depth to a room without artificially inflating its size, and you'll also have created a conversation starter.

However you decide to use mirroring, here are a couple of technical points to keep in mind.

- Small mirror squares butted together on a wall have a temporary, do-it-yourself look. And while I usually favor decorating ideas a prospect can duplicate himself, I don't think mirroring should look like an afterthought.
 - Mirroring comes in 3/16" and 1/4" thick-

nesses. Whenever possible, use the thicker size: It's less easily broken and only costs about 10% more.

 Mirroring should be installed by a professional who will make sure it fits correctly, stays up permanently and matches the room decor. Your decorator or mirror dealer will be able to recommend an installer.

Summing up, to be truly effective mirrors should not reach out and grab a prospect's attention. The more passive mirroring is as an integral interior design element, the more persuasive it becomes in subconsciously selling your product.

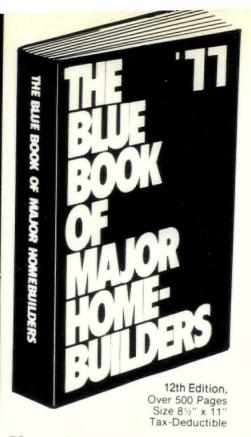
Ms. Eichen is president of Carole Eichen Interiors, Fullerton, Calif.











50 good ways to use the Blue Book

Building Product Suppliers

Develop sales leads on key accounts
Pre-qualify prospective customers
Estimate quantities of products used
Cross-check salesmen's accounts
Increase the number of accounts by territory
Target productive calls for salesmen
Support regional sales managers
Make public relations calls on builders
Introduce new products and materials
Select sample areas for market research
Encourage dealers, distributors & salesmen
Prepare direct mailings
Survey product use
Keep marketing managers informed

Architects & Engineers

Market your professional services Locate Blue Chip developers by city Evaluate the status of prospective clients Determine a builder's housing mix

Builders & Contractors

Demonstrate your standing in the industry Judge the performance of competitors Compare operations in your peer group Check the movement of key personnel Pinpoint activity in specific markets. Spot trends in major Metro areas Acquire timely statistical market data

Planners & Consultants

Provide clients with timely marketing data
Questionnaire—key people in key firms
Keep a finger on the Pulse of the market
Make sound marketing and management decisions
Detect market patterns and trends
Save big money on your research budget
Get comprehensive statistics unavailable elsewhere

Realtors & Developers

Select companies interested in development Locate joint venture partners Spot multi-family builders Locate potential land buyers in Metro areas. Find successful builders for current projects Estimate land requirements by type of construction Contact potential clients for services.

Investors & Lenders

Discover companies previously unknown Develop new target accounts for services Sell real estate to major builders Learn names of key executives Appraise company stength in the market

Double-check names for credit purposes

Measure market penetration
Find acquisitions
Judge strength of earnings & level of operations
Implement bonding program for builders
Isolate multi-family operations
Define commercial industrial activities

to help you recover lost ground in 1977:

all-new marketing intelligence on the nation's most active builders

in the workbook that gives you ready contact with 3,000 key executives at over 1,000 locations in all 50 states

To recover lost ground in 1977, you need all the help you can get. The Blue Book of Major Homebuilders gives you all the help you need with all-new marketing intelligence on your best possible prospects, customers and clients.

The Blue Book tells you who they are, what they're building, where they're building, how they're building—and all you need to know to serve them best.

The new Major Builder Index pinpoints any major builders you're looking for. The new State Selector guides you straight to any state for major builders you should be looking for. And page-by-page Market Tabs locate major builders you want to know in any City or Metro area.

But names alone are not enough. The Blue Book gives you telephone numbers and addresses of key executives both at headquarters and branch offices.

Still not enough when you need to know what these important prospects are thinking and doing. That's why The Blue Book also fills you in on their construction methods . . . areas of operation . . . type of organization . . . single- and multi-family production in the last four years, plus plans for 1977 . . . sales prices and rental ranges . . . participation in government housing programs . . . other business activities and sources of income. Even more: their land requirements, money requirements and sources of financing.

With The Blue Book in your hands, you're now ready to talk business with the nation's most active builders. Contact! *Call up, call on* or *write to* these heavy users of building products, materials, services and equipment for a deal that helps both you *and* them to make up for lost ground in the past two years.

The Blue Book of Major Homebuilders is not a book to read. It's a workbook to use for profit. It's a nationwide research report organized and packaged to provide ready contact with some 3,000 key executives at 1,000 building locations in all 50 states. It's the problem-solver you need to save wasted time and effort—no less aggravation—of trying to contact builders turned over and out by the disastrous upheaval of the past two years.

Your best bet is the National Edition offering a complete collection of all the major homebuilders possible to locate during many months of extensive, expensive research packaged for easy use. But if your interests focus on one or two regions, The Blue Book offers four regional editions to accommodate your need to know who's who and what's what:

- NORTHEAST EDITION covering 12 states and D.C. Me., N.H., R.I., Vt., Conn., Mass., N.J., N.Y., Pa., Del., Md., Va. and District of Columbia.
- SOUTH EDITION covering 12 states. Texas, Okla., Ark., La., Ky., Tenn., Miss., N.C., S.C., Ga., Ala. and Florida.
- MIDWEST EDITION covering 13 states. Ohio, W.Va. Mich., Ind., Wisc., III., Minn., Iowa, Mo., N.D., S.D., Neb. and Kansas.
- 4) WEST EDITION covering 13 states. Alaska, Hawaii, Cal., Wash., Oreg., Idaho, Nev., Utah, Ariz., Mont., Wyo., Colo. and New Mexico.

There are well over 50 profitable wasy to use The Blue Book. But one good contact is all you need to repay your tax-deductible investment in the 1977 Blue Book of Major Homebuilders—now available through the order blank below.

YES! SHIP 1977 BLUE BOOK AS INDICATED BELOW	THE BLUE BOOK OF MAJOR H CMR Associates, Inc. 1559 ETON WAY	OMEBUILDERS*
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IN CHERRY HILL, N.J. 'Youngsters' snap up empty-nester

townhouses The townhouses are at Uxbridge, a condominium planned for the move-down market.

Surprisingly, however, roughly half of 84 buyers to date are move-ups-more specifically, 20-to-40-year-old executives, professionals and creative people who find the project's contemporary design a welcome change from the Early American architecture that dominates the south Jersey-Philadelphia area.

"Our new look is more in keeping with the sophisticated lifestyle of these young families," says developer Arthur Stein.

The project's top seller-a particular favorite with 20-to-30-year-old singles and childless the ranch/loft couples—is model (plan and photos right).

"We expected it would be the first choice of empty nesters who'd want the extra space for visiting relatives," says June Baldwin, vice president marketing and sales for Stein-Ridgeway. "Instead, empty nesters seem to prefer the one-bedroomand-den plan."

Uxbridge's first phase, which opened in the late spring of 1975, also included a two-story, three-bedroom model shown) that was popular with the few larger families who have moved to the project.

No three-bedroom plans are available in the current (second) section; but an alternate threeversion of bedroom ranch/loft, with the loft converted to a master suite, has been designed for the third phase, Ms. Baldwin "We've had a lot of interest in that kind of plan from empty nesters who have a lot of furniture."

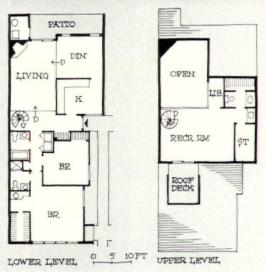
Was low price a factor in the decision of either young families or empty nesters to move to Uxbridge? No, says Ms. Bald-

For one thing, most buyers' family incomes are up in the \$25,000 to \$35,000 range; for another, the prices-\$42,000 to \$53,000—are above average for condo townhouses in the area.

—J.R.V.

Contemporary townhouses incorporate some of today's most popular design features—for example, roof terraces, skylights and clerestory and tall, narrow windows. The 25-acre project, being developed under a three-year build-out program, will consist of 201 units when completed in 1978. Recreational facilities include a swimming pool, two lighted tennis courts and a clubhouse with a lounge, a kitchen, a bar and crafts and card rooms. Consulting architects: Kanalstein, Duca & Thron.







Top-selling ranch/loft model features a spiral staircase and multipurpose loft. In the project's third section, this plan also will be available with the loft converted to a master suite and an easier-to-climb straight staircase, more suitable for the empty-nester market.



Empty-nester favorite to date has been this one-bedroom-and-den plan. They like the vaulted ceiling and cornered fireplace. Interior designer: Dreyfuss-Childs.



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How to ease the squeeze on apartment profits

It's common knowledge that for most apartment investors, the bottom line has been deteriorating steadily. And the chief reason is that apartment operating

costs are climbing out of sight.

It's hard to believe, but according to the Institute of Real Estate Management, operating costs have now reached a painful 50% of gross possible income for the average apartment complex. To make the pain even worse, debt service for many of those complexes is also 50% of gross income. Result: a profit spread of zero.

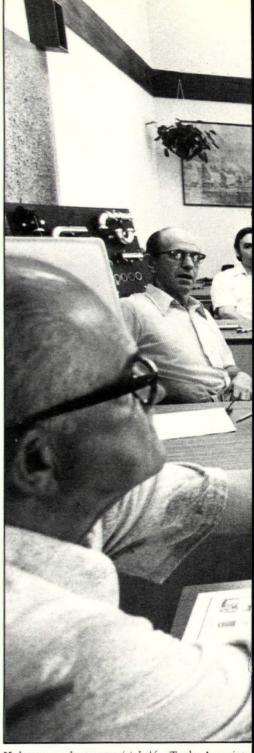
One reason expenses are proportionately so high is that owners and managers haven't been raising rents fast enough to compensate for cost rises. In most areas it takes an annual 6% to 7% rental increase to catch up with expenses and widen the profit spread. Some owners can't manage that because their markets are still too weak; others, maybe a majority, are afraid to try.

But the major reason expenses are so high is that owners and managers just haven't worked hard enough at bringing costs down. They're still wasting money on under-used, under-trained resident managers. They're still learning about their problems and mistakes too late because their reporting systems are so poor.

These are all correctable problems; how to correct them—and thus pull down expenses and pull up profits—

is the subject of the next six pages.

For builders and investors planning new apartment projects, there's another way to attack the problem of the bottom line: build apartments whose design and landscaping attracts tenants and makes possible higher rentals. That's the subject of the last four pages of this special report.—H. CLARKE WELLS



Maintenance instructor (right) for Taube Associate



rthern California apartment management firm, lectures resident managers on garbage disposer maintenance, one of the common trouble areas for managers.

To see how resident-manager training can help ease the squeeze, turn the page

Broaden the resident manager's job -and define it better

Traditionally, managers haven't been expected to do much more than occupy their apartments or offices, collect rents and keep an eye on things. With luck, they might also know a little about replacing faucet washers and unsticking garbage disposers.

But these days, fewer and fewer apartment owners can afford such vague job definitions.

Industry associations helping to improve them. Three national certification programs are now offered for resident managers by the National Association of Home Builders, the National Apartment Association and the Institute of Real Estate Management. Managers who complete these programs, which combine classroom training and on-the-job experience, have a great deal more to offer than the manager of old.

But for some of today's costsensitive management companies, the skills acquired in certification programs are just a start.

"We want a lot more out of our resident managers," says Ken Ambrose, vice president of Taube Associates, which manages 6,000 northern California apartments. "The days of putting a new resident manager on the job by simply handing over the keys to a \$5-million project and saying 'go' are over."

Resident managers who apply for work at the Taube company are thoroughly tested and rated for a variety of job skills. If they're hired, they immediately begin expanding their skills by attending weekly two-hour training classes for new managers. Later they move up to weekly advanced and refresher classes for experienced manag-

Taube puts heavy emphasis on managers' maintenance skills. Reason: Managers of fewer than 200 apartments, who are always married couples, are expected to do their own minor maintenance. Only managers of projects with more than 200 units enjoy the luxury of a separate maintenance man.

To Taube, minor mainte-

nance means considerably more than replacing faucet washers. The company's checklist (opposite pagel for rating an applicant's maintenance skills lists some 70 work items in 15 categories, ranging from rewiring stove tops to replacing toilets.

"We've added a couple of ringers to the list to flush out phonies," says Ambrose. Example: Under the kitchen appliance category, applicants are asked if they know how to recharge Freon, the refrigerant, which actually is a factory operation. "If they say 'yes' to that one, we know they're probably conning us on the rest of the list, too," says Ambrose.

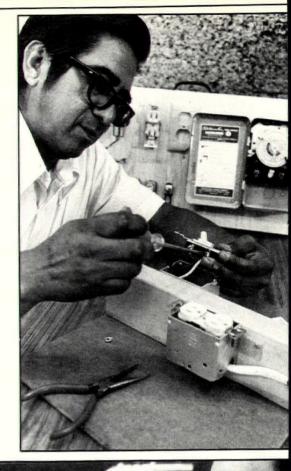
After the maintenance-skills test, the applicant is handed a suitcase containing a recirculating pump and motor plus tools. His instructions: "You've just discovered that this pump is making a lot of noise. Here's a new bearing assembly. Take it all into our conference room and let's see how long it takes you to make the correction."

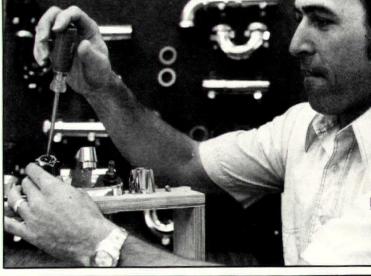
In a similar test, given to maintenance men as well as resident managers, applicants are handed three motors and an electrical circuit tester. None of the motors work, but there are enough usable parts among them to make one operative motor. "If the guy knows his business he should be able to build the good motor in 20 minutes," says Taube's maintenance manager, Matt Conway.

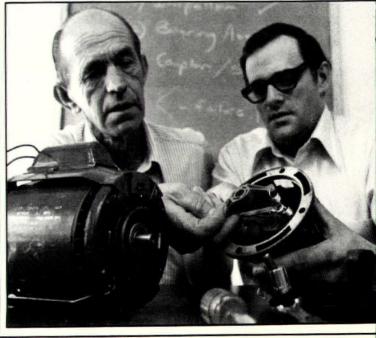
In the weekly classroom sessions, working managers get advanced training on a variety of practice equipment, including plumbing assemblies, electrical fixtures, kitchen appliances and swimming-pool equipment (photos, right).

"We teach managers a lot of jobs they didn't think they could do." says Ambrose. "We have to. We can't afford to hire plumbers and electricians for every nickel-and-dime repair on a project. So we've got to get as much mileage out of the resident manager as possible."

Financial Systech Corp. which manages 10,000 apart-











A variety of skills is taught to resident managers by Taube Associates under the direction of company vice president Ken Ambrose (seated in photo at left) and Matt Conway (standing), maintenance manager and supervisor of the training program. Included are (counterclock-wise from above) rewiring a range top, replacing an electrical switch, replacing a faucet washer and rebuilding a hot-water circulating pump.

MAINTENANCE SKILLS CHECKLIST

MAINTENANCE SKIL	LS CHE	CKLIST	ſ
	EX	PERIEN	ICE
	NONE	SOME	MUCH
SPRINKLERS			
Replace sprinkler heads Adjust heads			
GARDENING			
Trimming and pruning			
Feeding and fertilizing			-
GLASS/WINDOWS Glass cutting	-		
Glass installation			
SCREENING			
Repair screens by patching Rescreen windows/patio doors			
retaining old frames			
HOT WATER HEATERS/CIRCULAT	ING PUM	PS	
Maintenance, hot water heaters			
Install hot water heaters Oil circulating pump			
Install circulating pump			
Flush out hot water heaters			
Sweat copper lines Replace thermocouple			
APPLIANCES			
Install oven element			
Install stove element Rewire stove (partial)			
Install oven timer			
Recharge freon			
Patch refrigerator Install oven thermostat			
DISPOSALS			
Unstick			
Disassemble and reassemble Rewire			
Replace gasket			
Install new disposal			
DISHWASHERS Bemove impeller			
Remove impeller Rewire			
Adjust timer			
Install new timer Install new dishwasher			
Install new pump			
LOCKS			
Install deadbolt			
Replace lock core Interchange two cores			
FURNACES/WALL HEATERS			
Replace filters			
Clean filters Replace gas valve			
Rebuild gas valve			
Check/test gas valve			
Replace fan motor Replace blower in electric heater			
Check/test pilot generator			
ELECTRICAL			
Rewire shorted fixtures Replace circuit breaker			
Operate testing meter			
FLOORING			
Subfloor work—replace all			
Subfloor work—replace partial Lay tile			
Lay sheet goods			
Repair carpet with patches			
PLUMBING Replace washers			
Replace faucet and handles			
Replace pipes under sink			
Remove J trap and replace Remove and reseal toilet			
Repair ball-cock assemblies			
Install new ball-cock assemblies			
CEILINGS/WALLS			
Wall boarding and preparation for painting			
Wallboard installation only			
Acoustic spraying			
Pools			
Backwashing Disassemble filter			
Clean/vacuum			
Replace heater			
Balance chemicals Replace shutoff valve			
APPLICANT'S NAME	D	ATE	

ments in Texas, Florida, Virginia, Maryland, California and Oregon, takes that policy a step farther. All of Systech's office personnel, including executives, take turns working as resident managers in Systech-managed projects. The chief purpose is to promote better understanding between office and field em-

The "swap" program, as it's called, serves another very practical function: Office workers usually serve their stints in the field when resident managers take time off for vacations.

Says Gene Powell, vice president in charge of Systech prop-"We've management: created a relief staff and an emergency work force that can take over projects. Even my secretary could run one; she's had the experience."

Office staffers new to on-site management spend a few days working with a resident manager before soloing. And area managers and supervisors stay close at hand in case the novice runs into problems. "But so far we haven't had any," says Powell. "In fact, we often see an improvement in the project's performance because the new guy tends to jump on top of things that have become dull routine for the regular resident manager.

Office workers serve at least a week in the field about once a year. Systech's president has done it, and so has a corporate attorney. "He took over a particular project that had an inordinate amount of legal problems," says Powell. "He wanted to find out why."

Systech also draws on its executive staff to train resident managers in the classroom. Vice presidents in charge of personnel, marketing, maintenance and legal affairs present different segments of basic and advanced courses.

Systech's basic course, in ten parts, takes 28 classroom hours. Sessions are held in centrally located apartment complexes and office buildings that Systech manages around the country.

"We minimize the resident managers' travel time," says Powell, "by bringing the instructors to them."

Using hard-pressed executives as classroom instructors does present scheduling problems. The instructors aren't always available when needed. To solve that problem, Powell keeps the course loose. "We can shift around the sequence of subjects," he says, "so in case one instructor is out of town, we can use another."

Lessons are also videotaped so that recorded presentations can be substituted for live instructors. "That's not nearly as effective as the real thing," says Powell, "but we use the tapes in a pinch.

A better use for the videotaping equipment is sales training. Systech managers try out sales techniques on one another in role-playing situations before the TV camera, then play back the tapes for classroom critiques (photos, right). "That's the part of our classroom training that the managers find most fun," says Powell. "Or at least they do after they've shed their inhibitions."

Managers are tested on each section of Systech's training course. If they flunk a section, they have to repeat it. "The trouble with most certification programs," says Powell, "is that they give just one test at the end of the entire course. If a manager is weak in one section-accounting, for example—he can still pass. If one of our managers flunks accounting, he repeats that section until he passes. If he has to take it two or three times, he probably won't be working for us."

The resident manager's role is changing, says Powell: "Three years ago, when rental markets were soft, you wanted people who were good renters. Today you want managers with good judgment who are good at screening out bad tenants—the nonpayers, the high-turnover people. That kind of manager is hard to find. We have to develop them through training."









Sales training is part of an extensive training program for resident managers run by Systech Financial Corp., an apartment investment and management company. Key to teaching managers to rent apartments is role-playing, which is videotaped by the instructor (left), then played back and critiqued by both the instructor (above) and the participants themselves (top of page).

But it may pay to relieve the manager of some jobs. Here are two examples:

A credit bureau can cut bad debts legal fees

Like most other apartment operators, Taube Associates used to rely on its resident managers to screen rental applications, check out credit references and reject prospective renters who were obvious credit risks.

But Taube found the system unreliable. As Ken Ambrose explains: "When a manager is under heavy pressure to rent apartments, credit checking gets neglected, bad tenants sneak in, and your bad-debt losses and legal fees for evictions go up."

So Taube took the job away from the resident managers and hired its own experienced credit manager to work full-time at company headquarters, passing judgment on all rental applications and tracking down non-paying tenants.

For bad-debt collections the credit manager has the support of a full-time legal secretary and a part-time attorney, who also handles evictions.

Taube pays for the new credit

department by charging prospective tenants a \$10 rental application fee. "It's not unlike the loan application fees charged by banks," says Ambrose. "We've had no resistance to the fee from prospective renters, but that's because we spent a lot of time teaching the resident managers how to present it."

Taube rents about 3,000 apartments a year, so the fee generates an additional \$30,000 for credit-checking expenses. More important, the intensified credit checking has accomplished two key goals:

- It has reduced bad-debt losses significantly. That's because Taube is renting to fewer flaky tenants and because its own credit manager is much better at collecting unpaid rents than are the independent credit agencies it once resorted to for bad-debt collections.
- It has reduced evictions to such a small percentage that Taube has stopped billing its

property owners for eviction legal fees. "We absorb the legal costs ourselves now," says Ambrose. "We can afford it because our collections are so much better."

The in-house credit bureau brings three other benefits to Taube and its owner/clients:

- Resident managers, now freed from credit-checking duties, can devote more time to renting apartments.
- Prospective renters find it easier to rent a Taube-managed apartment. They no longer have to pay all or part of a \$100-plus security deposit to hold a unit, which is standard practice in Taube's market area. All that's required now is the \$10 application fee.
- Unqualified prospects are automatically discouraged from filling out applications. "Deadbeats aren't going to pay a nonrefundable \$10 to have their references checked out because they know they'll lose it," says Ambrose.

Rent reports by exception can help keep a rein on vacancies

"Getting our rents up to the level we want and keeping them there was always one of my most frustrating jobs," says Gene Powell of Systech Financial Corp. The reason: Resident managers persisted in making rent adjustments on their own without reporting them, so rent collection totals rarely agreed with budgeted projections.

There are four common causes for the rent variances:

Compensating for temporary apartment deficiencies. For example, when a tenant's heat or air conditioning fails for a day or more, the manager feels obligated to allow an arbitrary rent discount.

Moving rental furniture. Managers let tenants rent furnished apartments without the furniture. The furniture is moved to a storeroom and thus stops producing rental income.

Omitting scheduled rent increases. When rent raises are ordered to take effect only as apartments are rerented, managers often forget them.

Stealing. Not all managers are above reporting rented apartments as vacant and pocketing the rent money themselves.

Powell's monthly computer printouts for each apartment complex clearly showed that, for one reason or another, rents collected were not equaling rents budgeted. But with 10,000 apartments to look after, he didn't have time to pore over columns of numbers searching for the variances, much less find out the reasons.

But a Systech controller came up with the answer: A monthly rent reconciliation report programed to print out a separate column showing only uncollected rent.

Now Powell can find the variances he's looking for by skimming through columns of zeroes until a dollar amount pops up. "I can glance at a rent collection printout for 300 apartments," says he, "and see immediately the dozen or so that didn't pay the proper amount of rent."

And now that Powell has isolated the exceptions, he insists on a written explanation for each one. "That keeps the computer in balance, keeps me from guessing, and keeps the managers thinking about rents."

Set up a system to spot problems before they do damage

For the Gene Glick Management Corp., a computerized reporting system is the best way to do this.

Glick manages almost 12,000 apartments in 12 states and hopes to be managing 25,000 by 1980. And the key to handling that volume is the company's nitpicking computerized reporting system. It was developed during the apartment boom, prior to the 1974 crash, when Glick built and managed 16,000 rentals of its own.

The two best indications of the Glick system's effectiveness are an overall vacancy average of about 1% and average bad debt and collection losses of less than

For apartment owners, Glick's computer delivers these monthly statements:

Income and expenses for the current month and year to date, comparing the actual dollar amounts with what's been budgeted and showing the right). variances (top, owners' tax-planning purposes, this report shows a revised projection of net income or loss for the year by combining the actual year-to-date amounts with the budget for the remainder of the year. For close financial all year-to-date analysis, amounts are shown as a percentage of gross possible rent, and projected totals for the year are shown in per-unit amounts.

Detailed expenses for the current month and year to date, also showing favorable or unfavorable budget variances and projected totals for the year, covering 28 major expense items in four categories: administration, operating, maintenance and utilities.

Cash flow from operations. This report (bottom, right) starts with the last line from the income and expense statement, adds back the non-cash expenses, and deducts cash payments not included in the income-and-expense statement.

Owners also get a monthly condensed balance sheet showing all major classifications of assets and liabilities, including amounts held in escrow by the mortgagee and the current mortgage balance.

Reports for Glick's own management staff include:

Fixed rent billing. Tenants are billed for each month's rent on the 25th of the preceding month. A billing report for each project goes to the property manager, showing him in advance 1) the collections owing for each apartment, 2) how much each apartment's rent is to be raised at the next lease renewal and 3) which apartments are vacant and for how many months.

Tenant delinquent reports. At periodic intervals throughout the month, property managers get a project-by-project listing of all tenants who have failed to pay, how much they owe, and the date of their last payment. The report includes any amounts owed by former tenants.

Overdue tenant receivables. At the end of each month property managers get a complete report on each project's tenants showing any rent or extra charges owing, and the amounts owing are broken down according to how long they've been due: up to 30 days, 30 to 60 days, 60 to 90 days and more than 90 days. The list also shows the amount of security deposit and includes held amounts owed by former tenants who may still be in the process of settlement or collec-

Lease expirations and income recertifications. Two and a half months before leases are due for renewal, or a tenant's income is due to be recertified (in the case of HUD-subsidized projects), a list of those tenants is printed out for the property manager. To help decide whether a lease should be renewed, the report shows in separate columns the number of times a tenant has 1) paid with a bad check, 2) been billed for a late-payment charge, 3) been billed for damages and 4) requested a service call.

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•	INCOME GROSS POSSIBLE RENT	\$70,62
۵	LESS VACANCIES	5,61
	NET RENTAL INCOME	\$65,00
•	INCOME FROM INVESTMENTS MISCELLANEOUS INCOME	2,24
•	TOTAL INCOME	\$68,14
	EXPENSES	\$2,12
•	OPERATING & MAINTENANCE	15,16
	UTILITIES	4,73
	MANAGEMENT FEE	3,41
	INSURANCE DEPRECIATION	11,12
•	REAL ESTATE TAXES	7,8
	OTHER TAXES	
	PAYROLL FRINGE BENEFITS	4
•	INTEREST ON MORTGAGE	14,8
	OTHER FINANCIAL FEES	
•	TOTAL EXPENSES	\$60,5
	NET INCOME / LOSS-	\$7,6
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	NET INCOME / LOSS - PLUS PROVISION FOR DEPRECIATION AMORTIZATION FINANCING FEES	****** ACTU/ \$7,604 11,12 5 \$11,18
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	NET INCOME / LOSS - PLUS PROVISION FOR DEPRECIATION AMORTIZATION FINANCING FEES TOTAL LESS MORTGAGE PRINCIPLE PAYMENTS REPLACEMENT RESERVE PAYMENTS NET PROPERTY ADDITIONS	****** ACTU/ \$7,604 11,12 5 \$11,18
	NET INCOME / LOSS - PLUS PROVISION FOR DEPRECIATION AMORTIZATION FINANCING FEES TOTAL LESS MORTGAGE PRINCIPLE PAYMENTS REPLACEMENT RESERVE PAYMENTS NET PROPERTY ADDITIONS TOTAL	****** ACTU/ \$7,604 11,12 5 \$11,18 \$8,77
	NET INCOME / LOSS - PLUS PROVISION FOR DEPRECIATION AMORTIZATION FINANCING FEES TOTAL LESS MORTGAGE PRINCIPLE PAYMENTS REPLACEMENT RESERVE PAYMENTS NET PROPERTY ADDITIONS TOTAL	****** ACTU/ \$7,604 11,12 5 \$11,18 \$8,77

Statement of income an	nd expenses
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	PERIOD END	ING 7/31/76				NO OF UNI	TS 318	
	TH ******	******	YEAR TO DA	TF *****				•
BUDGET	FAVORABLE UNFAVOR * VARIANCE	ACTUAL	BUDGET	FAVORABLE UNFAVOR * VARIANCE	PROJECTED TOTALS FOR YEAR	ANNUAL PROJECTED PER UNIT	YTD PCENT OF GP	•
69,332	\$1,290	\$487,701	\$475,418	\$12,283	\$837,665	2634.17	100.0	•
3,233-	2,383*	8,072-	22,169-	14,097	24,389-		1.7-	
66,099	\$1,093*	\$479,629	\$453,249	\$26,380	\$813,276	2557.48	98.3	•
2,643	399*	15,513	18,501	2,988*	28,728	90.34	3.2	
525	367	5,177	3,675	1,502	7,802	24.53	1.1	
69,267	\$1,125*	\$500,319	\$475,425	\$24,894	\$849,806	2672.35	102.6	•
\$4,661	\$2,540	\$26,578	t22 201					
11,220	3,941*	89,426	\$33,391 71,999	\$6,813	\$49,511	155.69	5.4	•
4,144	586*	46,176	46,276	17,427#	145,078	456.22	18.3	
3,331	38*	25,370	22,843	100	72,473	227.90	9.5	
822	69	5,312	5,754	2,527*	42,185	132.66	5.2	•
11,123	Ö	77,861	77,861	442	9,422	29.63	1.1	
7,889	0	49,960	55,223	5 363	133,476	419.74	16.0	
0	0	265	0	5,263	89,405	281.15	10.2	•
529	118	4,997	4,793	265* 204*	265	.83	.1	
14,874	0	104,538	104,537		7,398	23.26	1.0	
57	0	397	399	1* 2	178,182	560.32 2.14	21.4	•
58,650	\$1,888*	\$430,880	\$423,076	\$7,804*	\$728,077	2289.54	88.3	
		\$69,439			*1201011	2237.74	00.3	

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):	PERIOD END	ING 7/31/7	6			NO OF UNIT	\$ 318	•
RENT MON	FAVORABLE UNFAVOR * VARIANCE	******** ACTUAL	YEAR TO D. BUDGET	ATE ****** FAVORABLE UNFAVOR * VARIANCE	PROJECTED TOTAL FOR YEAR	ANNUAL PROJECTED PER UNIT	PCENT DF GP	•
,617	\$3,013*	\$69,439	\$52,349	\$17,090	\$121,729	382.61	14.3	•
1,123 57	\$0 0	\$77,861 397	\$77,861 399	\$0 2*	\$133,476 682	419.74	16.0 .1	
1,180	\$0	\$78,258	\$78,260	\$2*	\$134,158	421.88	16.1	•
0	\$0 0 2,917	\$60,445 0 5,125	\$60,444 0 20,419	\$1* 0 15,294	\$105,058 0 19,710	330.37 .00 61.98	12.4 .0 1.1	•
,694	\$2,917	\$65,570	\$80,863	\$15,293	\$124,768	392.35	13.5	•
,103	\$96*	\$82,127	\$49,746	\$32,381	\$131,119	412.34	16.9	

And if you're building rental projects, note this: Good design fills apartments despite hard times

If any apartment owner or manager didn't know that prior to 1974, chances are he knows it now. Well-trained resident managers and well-thought-out cost reporting systems can make apartments run efficiently, but product design keeps them occupied. Some cases in point:

Ron Lavan manages 900 apartments in four projects in southern Florida, near Miami, and his market area is a disaster. Specifically:

- Some 15,000 new apartments were vacant there earlier this year, and the number has not been diminishing with any noticeable speed. Many large projects have 40% to 50% vacancies.
- Developers and lenders have been inundated with foreclosures. From September 1974 to November 1975, a 14-month period, over \$1-billion worth of real estate was foreclosed in Lavan's market, and another half-billion dollars' worth is expected to suffer the same fate.
- Lenders who have taken over projects want to recover as much cash as they can as quickly as possible, so they have cut rents an average of \$30 to \$50. Maintenance has been reduced and property improvements all but halted.

But Lavan's four projects didn't go into foreclosure—far from it. At the end of 1975 they were 92% occupied overall, and this year they've been running close to 100%.

What's more, Lavan didn't cut rents, so his projects are priced 20% to 30% higher than most of the competition's.

Lavan's apartments were built in 1972 and 1973 when financing and renting couldn't have been easier. But the developer, Meadows Communities Inc. of Fort Lauderdale, didn't build the conventional stripped-down project other Miami-area developers were building.

Meadows brought in a southern California landscape architect, Walter Lewis, and spent so much money on mounds, mature trees, winding walkways and gazebos that it exceeded the landscaping budget for at least one of its projects by 100%. For another 296-unit complex, the landscaping bill was \$200,000.

But it paid off. Renters are attracted by the landscaping even at above-market rents. Lavan encourages them to plant gardens of their own on their patios, and runs contests with prizes (a restaurant meal) for the best ones. The result is an array of plants, shrubs, vines and flowers surrounding each building, strengthening the effect of the developer's mature trees and rolling lawns between buildings. Says Lavan: "Once a tenant gets a prize-winning garden established, he's likely to stay around for awhile."

Mayer Construction Corp. of Downey, Calif. built more apartments in 1975 than any of the 72 other largest apartment developers in its southern California market. In fact, Mayer built almost as many apartments as all of the 72 others combined (1654 units for Mayer vs. 1698 for the rest).

What's more, Mayer's volume was about the same even in disastrous 1974, and this year's level is 2,500 apartments in planning and construction.

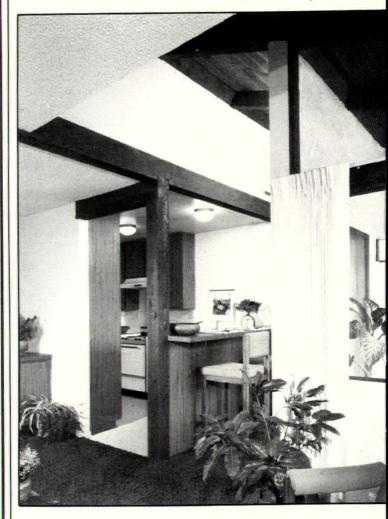
How did Mayer get money to start new rentals in '74 and '75 when most apartment developers found it impossible to get financing? Because Mayer's long track record for successful rental projects persuaded lenders that its new projects could be run efficiently enough and command high-enough rents to pencil out.

Previous Mayer apartment investors confirm the lenders'



Strong design that helps at tract tenants and support higher-than-normal rents is exemplified by The Huntington, a garden apartment complex built and managed by the M. David Kelly Co. of New port Beach, Calif. Key design elements include heavy use of wood, especially in heavy wood beams, valances and kitchen cabinets. Secondfloor units (photos below) have cathedral ceilings with exposed wood planking, popular enough to command \$10 rental premium.

Fenced patios (or decks in upper units) are also appealing to tenants; in The Huntington, each corner unit has two decks or patios.





confidence. One group of investors is so pleased with its yield from Mayer projects that over the years it has bought 14 complexes from Mayer. Another group has bought five.

Mayer investors keep coming back because its projects rent up fast, stay rented and, according to Mayer's records, operate for less than 40% of gross possible income.

And the price to the investor is right because, as president Bob Mayer puts it, "We build an efficient unit with no waste space that can rent profitably at moderate rates [currently 30¢ to 40¢ per sq. ft.]. We do our homework, so we don't have cost over-runs, don't have to go back into our projects and redesign them, and don't have to raise our rents."

Mayer, who started as a contractor 20 years ago and has developed some 12,000 rentals, says he has "squeezed all the fat out of his apartments but left the frosting." The frosting shows in three areas:

Construction. Mayer builds staggered-stud double walls, with double beads of caulking between units for good sound proofing. Codes don't require that, but it minimizes tenant turnover.

Most Mayer projects have heavy tile roofs—expensive but attractive, and trouble-free for the life of the project.

Another low-maintenance feature that costs more initially: Low-voltage lighting systems are used for outdoor illumination because they make bulbs last longer.

Landscaping. Mayer was one of the first apartment developers to use man-made lagoons, streams, waterfalls and fountains to enhance landscapes in moderate rent complexes. He also plants mature trees and heavy foliage, using an in-house landscape architect and doing his own landscape installation.

Design. Buildings are sited so that all living areas overlook a landscaped courtyard or pool area. Upper-level apartments have cathedral ceilings. Decks and patios are kept private by solid side walls. At least one interior wall in every apartment is wood-paneled.

Dave Kelly started in the apartment business when everyone else was getting out. He broke ground for his first complex, 258 units in Costa Mesa, Calif., in 1974, opened the rental office in January 1975, and six months later was 100% occupied.

Kelly started his second project in 1975—276 units in Huntington Beach—opened the rental office in March 1976 and was 100% rented in 3½ months. Now he has a third project of 304 units under way in Anaheim scheduled to open in 1977.

Renters are attracted to Kelly's units largely because of interior features. Examples:

- Heavy rustic beams are used throughout the main living areas as valances for draperies over sliding glass patio doors, valances for fluorescent lighting over bathroom vanities, archways that delineate kitchens and dining areas, and in combination with exposed decking on sloping ceilings in second-floor apartments.
- Corner apartments have patios or decks off both the living room and the dining area. Patios and decks are provided with outside lighting and lockable storage closets for outdoor furniture and barbecue equipment.
- Rental furniture, available for an extra \$50 a month in onebedroom units and \$60 in two's, custom-made to Kelly's specifications and built to last. Table and chair frames are made of solid oak and have bolted joints so they can be tightened periodically by a maintenance man. Table tops are made of butcher block so they can be sanded and refinished as needed. Lamp bases are hand-blown, chair and sofa fabrics are coordinated with carpet colors and made of extra-durable material.

Kelly is a former customhome builder with a formal business education and working experience as a real estate loan officer. He combines a builder's eye for finishing details, many of which he works out on the job, with a financial man's eye for economic feasibility. His rental range: 30¢ to 40¢ per-sq.-ft.

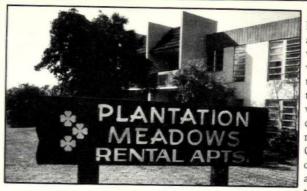




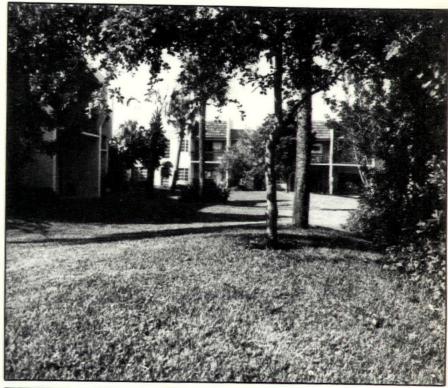
Heavy landscaping brings above-average rents (38¢/sq. ft. for average-sized units) at this project in Downey, Calif., built and managed by Mayer Construction Co. Features include winding walks (top), fountains (above) and large trees (right).

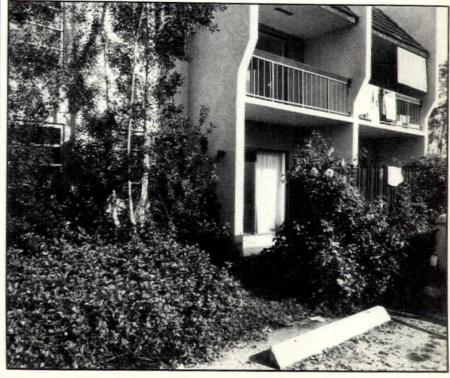






Mature landscaping helps keep this Miami-area project at 95% occupancy or better while nearby projects suffer vacancies of up to 40%. When the project was built in 1973, the landscaping budget was very high compared with the competition; it is paying off now, according to Meadows Communities Inc. of Ft. Lauderdale which owns and manages Plantation Meadows. Extensive land contouring (below) gave character to otherwise flat Florida land. And the now-large trees and shrubs are both an attractive feature and effective screening for the project's outdoor living areas (bottom of page).







That will buy either a 1,240-sq.-ft., three-bedroom home or a 1,600-sq.-ft., one-bedroom-and-family-room model with an unfinished 640sq.-ft. second floor.

What's more, the houses are sited on one-fourth to one-third acre lots in a neighborhood of

\$55,000 homes.

The catch?

The builder-and his lendermust be willing to wait awhile for their profit and the cost of the land, both of which will come from a 50-year, \$50-amonth land lease.

Land leases are nothing new in commercial development or expensive resort properties. But developer Otto Paparazzo has adapted them to reach the opposite pole of the market-the young couples and retirees who don't have the money for high down payments and monthly costs. Paparazzo is using the scheme to create a market for Amherst Fields, in Amherst, Mass. [H&H Mar. '74], which opened in 1974 as a condominium, was closed down by a sewer moratorium, and has now reopened in a depressed housing market.

Paparazzo is so sure that there is a large market for his lowpriced homes that he intends to build developments in other areas utilizing the same floor plans and marketing program.

Briefly, here's how the leasing arrangement works: The buyer acquires title to the house and leases the land on which it is built. The price of the house is kept low because the developer offers it at break-even and looks to the land lease for his profit.

For the initial term of the lease-50 years-the land is owned by a trust. This was created so that the land would remain free and clear of any obligations of either developer or buyers-in other words, so that there could be no liens on it.

The rent is set at \$50 a month and can never be increased. The rent does not include land taxes,

however, and these are prorated among the homebuyers.

At the end of 50 years the land is turned over to an association of the homeowners, and they can decide to charge less rent or no rent at all, but never more than \$50 a month. Because of legal complexities, Amherst Fields is set up so that the land can never be divided and deeded to the homeowners; however. other developments may be set up so that each homeowner can eventually own his lot.

The lease affords the buyer the same privileges and obligations as owning the land. He can add a room to his house, for example, or build a garage (both with the approval of a design review committee made up of other homebuyers). And he pays for utilities, insurance, sewer and water and real estate taxes.

If someone wishes to sell his house, the land can be transferred to the new owner provided it is done in writing and has the approval of the land trust. Paparazzo believes that upon resale the homebuyer will recoup some of his rent payments in the increased value of the house.

In the event of foreclosure, the land trust will forgive both land rent and land taxes until either the developer repurchases the house or the bank sells it to someone else.

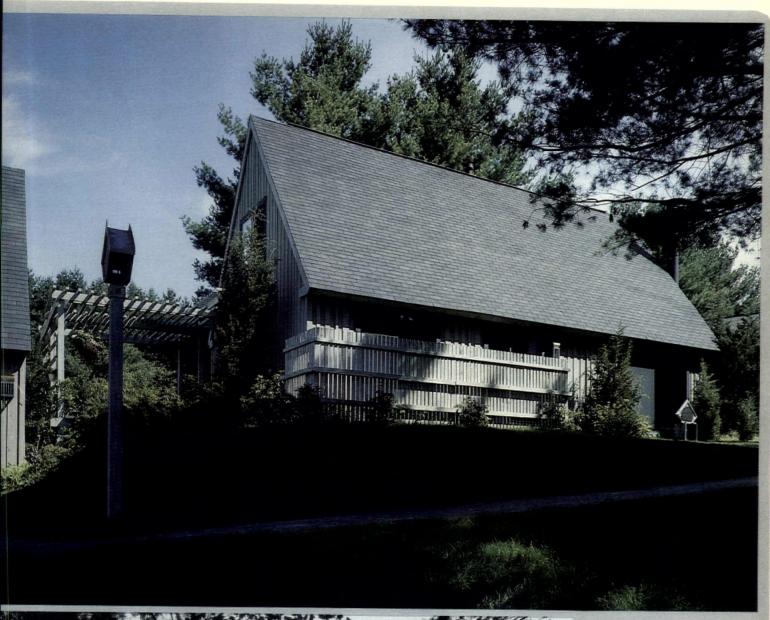
For the developer, a chance to generate new sales

The ability to tap a market he couldn't ordinarily reach is probably the biggest advantage to the developer.

But there are other advantages, too. For example, he is not stuck with financing a whole program, as with a condominium. Paparazzo hopes to deliver a house in 60 days and to roll over the same financing dollars three or four times a year.

And for many developers there will be tax advantages to realizing small pieces of income over a long period of time rather than having to recognize large

TO PAGE 56





Low-priced homes don't force the buyer to sacrifice style. The larger model (above), for example, has a two-story entryway. And both models have large glass areas that were obtained at minimum cost by using six-foot sliding doors with insulated glass even where no patios were intended.

Construction costs came to about \$19 a sq. ft., which was achieved mainly by designs that were easy to frame and by foregoing such details as expensive siding (stained roughsawn plywood with battens blends nicely into the wooded surroundings), concrete stoops (wooden steps provide a rustic touch) and kitchen cabinets (open shelves are provided instead, and they also make the kitchens seem larger).

PHOTOS: MARTIN TORNALLYAY

Single family for \$25,800

lumps of income all at once. Paparazzo compares it to the advantages of an annuity.

Of course this also carries with it the danger that the income will be eroded by inflation, although some provision for moderate inflation was built into the rent.

"If there were runaway inflation, our profit could be reduced," says consultant Gordon Pfersich, who is working with Paparazzo. "But I can't imagine

it reaching the point where we received no net return."

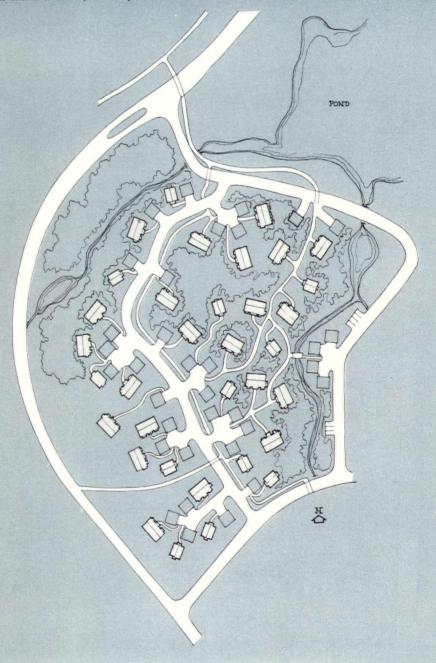
Because of these variables, it is hard to compare the return from a project of this type with the return from selling conventionally. Pfersich estimates, however, that the value of the income from the land rents is between \$6,500 and \$7,000 in terms of today's dollars. This would be roughly equivalent to the \$5,000 or \$6,000 that a developer would expect to make

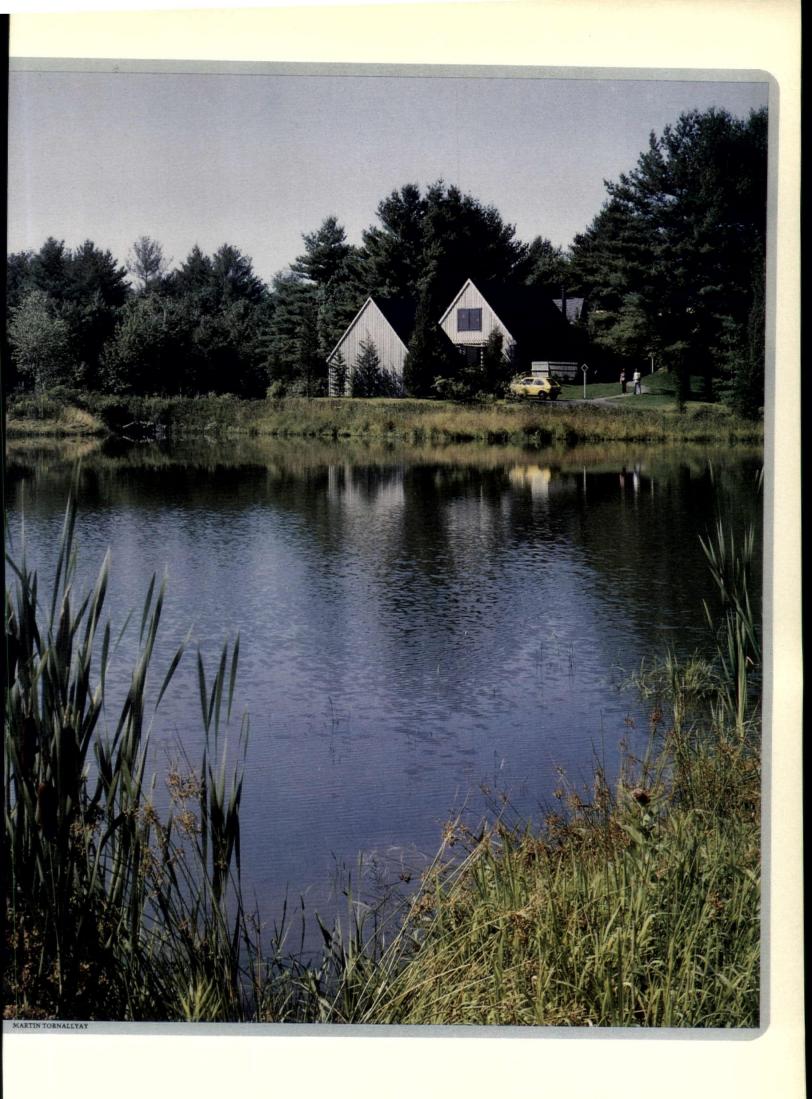
on the sale of a \$40,000 house with land, plus a cushion to cover the added risk of allowing the return to be spread over 50 years.

At this point, the return at Amherst Fields is further diminished because the start-up costs—particularly legal fees—were substantial. Thus the price of the homes does not cover the developer's expenses as it will once sales get rolling and the

Wooded site was part of an old farm located just a couple of miles from the center of Amherst and adjoining Amherst College. Homes are sited to preserve the natural contours of the land and to provide maximum privacy, which is why lots aren't uniform, but vary from one-

quarter to one-third of an acre. Overall density is about 3.75 du/acre. Optional garages (outlines shown) are sited so that a minimum of paving is necessary. The ponds and small streams are not natural but were created by the developer to handle drainage.





Single family for \$25,800

start-up costs can be spread among a larger number of units.

For the buyer, a quality house in a quality area. And at a price he can afford.

Down payments may be as low as \$1,290 with an insured mortgage. For a 30-year term, that would mean monthly mortgage payments of about \$197.31 plus land rent and taxes of about \$141.23 a month. And of course inflation works to the benefit of the buyer because of the fixed land rent.

The buyer also has the advantage of tailoring his purchase to his purse, and not all of the homes sold at Amherst Fields are stripped-down economy models. The first buyers, a young Connecticut couple both of whom are professional musicians, tailored the largest model to their needs by eliminating a wall and a closet to create a living room that would accommodate both a grand piano and a harpsichord. They also added a window and a fireplace, upgraded the carpeting, elected to have all the appliances and had the second floor finished by the builder.

Other options available to buyers include air conditioning and garages.

The young couple who must economize, however, can do without most of the options, adding them later when there is more income. (The exception, of course, is the appliances. But even here it is an advantage to have a choice of perhaps buying them secondhand or of financing them separately from the mortgage.)

And unlike a condominium, the home itself can be added to as a family's needs change.

But perhaps the biggest advantage to the plan is that it offers people with little money a chance to live in a good neighborhood.

"If you buy a \$25,000 home in a strip development and spend another \$15,000 fixing it up, you've still got a \$25,000 house," says Pfersich. "But here the guy who buys a \$25,000 house has a lot more than that the day he starts."

Paparazzo estimates that similar homes in Amherst would cost at least \$40,000, which is about what he would have to charge to cover land cost and a normal builder's profit. A local builder, however, quoted a prospective buyer a price of \$65,000 for reproducing the largest model elsewhere in Amberst

For the lender, an important new source of business

"And if all goes well we would expect to get an above-average return," says Michael Moschos, vice president and general manager of Wornat Development Corp. Wornat's parent bank has been the land lender since the start of Amherst Fields, but Wornat is now also an equity venture partner in the new product.

"Paparazzo has come up with a quality product that families with average incomes can afford," says Moschos, "and to my knowledge it isn't equaled anywhere in this country."

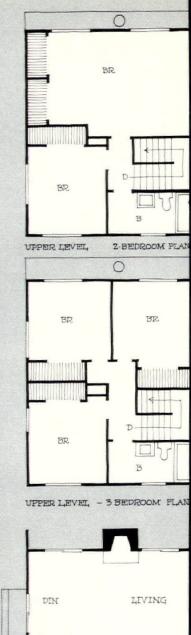
Moschos admits, however, that the concept is being tried in Amherst because the land loan had already been made. He would prefer to see it tried near large urban centers, such as Chicago, Milwaukee and Cincinnati.

"The problem is that we've come up with something that the public should know about," he says. "And in the Amherst area, not enough of the public is going to be able to come in and see and buy this product."

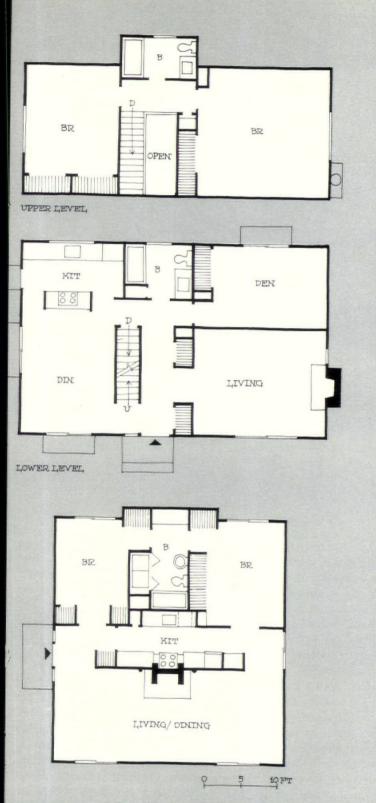
Carl McKay, executive vice president of Wooster County Institute for Savings, which is financing the construction and end loans, is equally enthusiastic about the concept.

"We think there will be quite a bit going on in this leased-land concept, even in staid old Massachusetts," he says.

The bank committed itself to 50 loans before the project even got off the ground. And it offers



Three plans are being built on the leased-lot site. A 1,240-sq.-ft. model (above) has a second floor with either two or three bedrooms. The largest model (top, right) comes with just the 960-sq.-ft. first floor finished and the den used as a bedroom. For an extra \$3,850, the second floor can be completed with either two or three bedrooms; hence a buyer can



get a 1,600-sq.-ft., three-bedroom, two-bath house for under \$30,000. The third plan (bottom right), a 1,-100-sq.-ft., one-story model designed for the adult market, is just being built now.

All houses are offered with full basements that have extra large windows so that they can be finished to make attractive recreation rooms. Paparazzo anticipates, however, that after the first 50 units he will have to make basements optional to hold the line on prices.

The homes have gas hot-air heating systems, and are insulated with 3½" of glass fiber in the walls and 6" in the roof. The exterior doors are insulated steel and all windows have insulated glass.

variable-rate mortgages with the guarantee that there will be no change in the first year and that after that the maximum change in any six-month period can be only ¼ of 1%. The mortgages are assumable and there is no prepayment penalty.

McKay knows of three or four other builders in the area who are looking for land so they can try similar projects. His one concern is that some attorneys may advise their clients against the land-lease concept without investigating it properly. Unfortunately, some of the buyers report that this is indeed happening.

What does it take to build under this plan?

The main things are availability of cheap land, flexible zoning and an understanding lender.

Land costs can be held down if the landowner is willing to come in as a limited partner or to act as a land bank.

"We couldn't pay \$10,000 or \$15,000 for a site," says Paparazzo. "And in today's market, the land would cost more than the house if we had to build on a normal subdivision lot and meet setback, side-yard, street and curb requirements."

High land costs would mean not only higher land rents but higher sales prices, because the price of the house covers land development and carrying costs. And of course this would narrow the market considerably.

Zoning should not only relieve the developer of the burden of subdivision-type regulations, but it should also allow him to site his units attractively and without destroying the land. This, after all, is one of his main selling points. PUD or any zoning that permits clustering is ideal, according to Paparazzo.

Finally, the whole scheme would be impossible without an understanding lender. He must be open-minded enough to investigate a different concept, and patient enough to recoup his investment and take his profit over the term of a land lease.

What's been happening at Amherst Fields so far?

"The response has been excellent," says Paparazzo, "although we have had a couple of people turn around and walk out without listening when they realized that the land was leased."

Paparazzo is pleased to have 16 deposits so far, considering the depressed state of the Amherst market, the newness of the concept and the small amount of promotion that he has done. But the returns aren't in yet; Amherst Fields has only been open for a couple of months.

Paparazzo is hoping to broaden his market with a plan that will appeal to older couples. A model is now under construction.

And he is pushing ahead with plans to build similar projects in another part of Massachusetts and in Connecticut, Long Island, New Jersey and Pennsylvania, capitalizing on the legal work that has already been done and the marketing schemes and floor plans that have been prepared.

The first buyers—Ed and Denise Merck—have just moved into their new home. The Mercks had originally come to Amherst Fields to look at a condominium that was offered for rent at \$375 a month. They never got to see it, however, for they stumbled on the new units and were captivated by the setting, the plan and the low price.

Did they hesitate about buying a house on leased land?

"No," says Denise. "We're from Connecticut and we're familiar with Paparazzo's Heritage Village, so we're sold on his style."

But then she added: "The local lawyers were more hesitant than we were."

-NATALIE GERARDI



TOWNHOUSES ARE SCORING BIG BROAD-BASED MOVE-UP MARKET

And it's not that the buyerseveryone from childless couples to families with two, three and children-can't single-family houses for themselves. According to Salt Lake City developer H. Roger Boyer, there are plenty of comparably priced (\$54.800 to \$62,000) detached houses in the area.

The reason the townhouses are selling well (107 sales in 18 months) is, he says, because the buyers are a relatively new breed of move-ups-people whose lifestyles are outward oriented instead of home-centered.

"They'd rather spend their leisure hours on recreation, hobbies and community affairs than on time-consuming chores that go with single-family living."

That doesn't mean they're any less fussy about the quality of their homes than other moveups. On the contrary, Boyer says, this market ranks architecture and environment high on their list of priorities.

The developer believes there are three primary reasons why Park Place, the 143-unit project shown here, is attracting this new breed of move-ups.

First, although buyers do get title to the land under their townhouses, service is as complete as it would be if the project were a condominium. The homeowners association handles all maintenance-exteriors, common areas, etc.-and management responsibilities.

Second, even with a density of slightly over seven units per acre, the project's environmental quality is a lot higher than what's found in conventional single-family communities. There are broad open areas between buildings; streets are kept out of all but the perimeter of the 19-acre site; and each owner has outdoor living space completely private from his neighbor's.

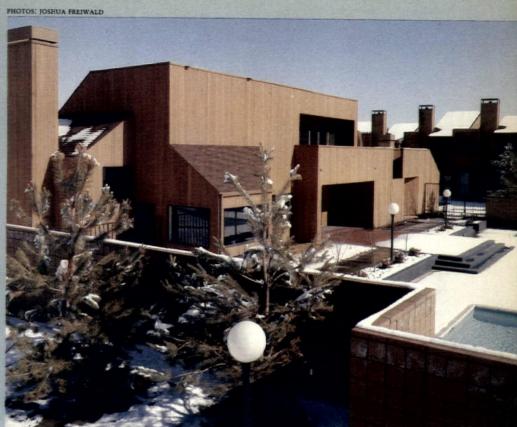
Third, the project's contemporary design is a major break with the box-like, split-level design that marks most of the single-family stock in the area.

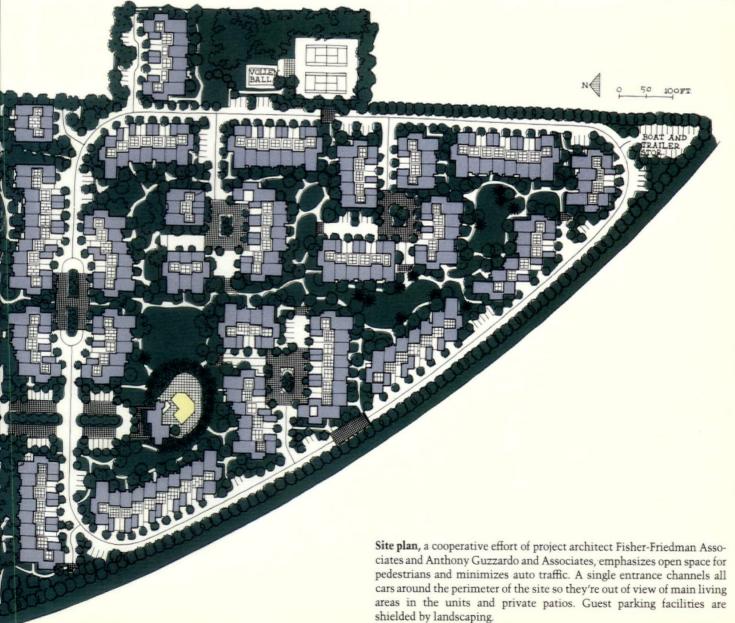
Park Place is planned to bridge a generation gap

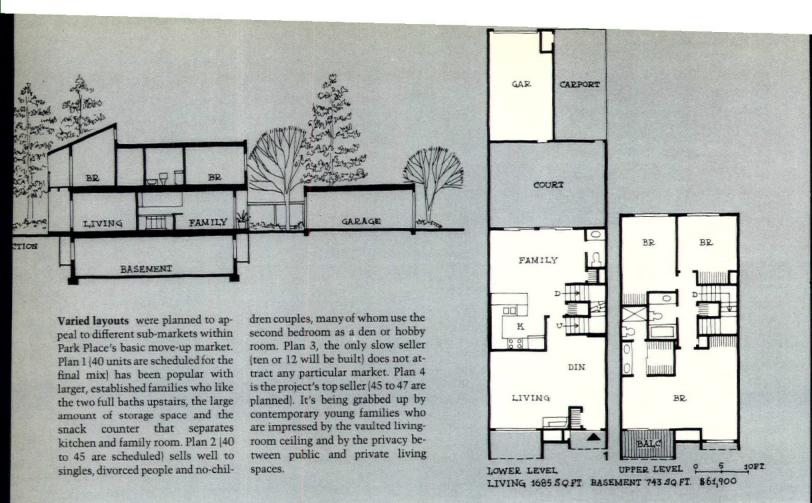
Historically, market acceptance of condos has been high in Salt Lake City, which helped pioneer the concept. But until the Boyer



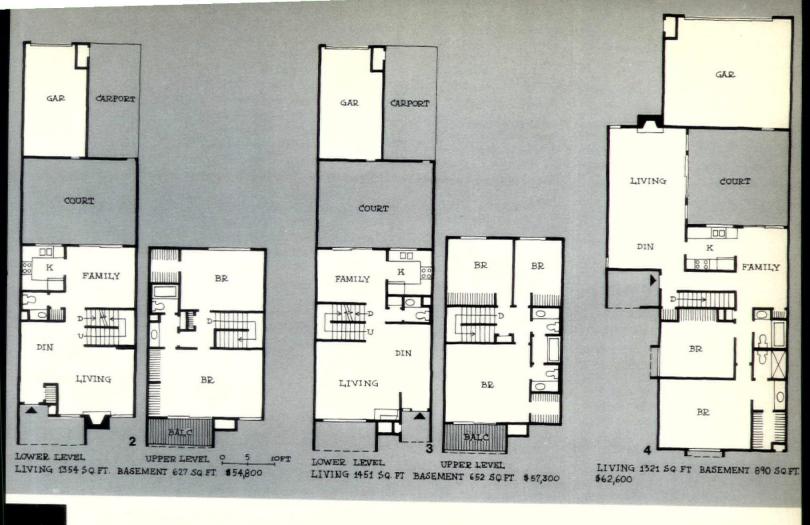
Redwood-clad townhouses, shown at left, are designed on a 22' module; thus they can be pulled in or out of townhouse groups to match market demand. To counteract the static visual effect that a single module might have produced, each of the project's four models is designed with multiple elevations, and units are set back from each other. The project's clubhouse (right) contains the management office, dressing facilities and a community











OWNHOUSES FOR MOVE-UPS

Co. developed Park Place, all condos in the area were marketed to empty nesters.

"Yet market research shows there are many young families who don't want to wait until their children are grown to enjoy the benefits of no-maintenance living," Boyer says.

Condo has such a positive image with this market that Park Place advertising does not mention the fee-simple form of ownership. Salesmen explain the difference when prospects visit the models.

If condos are so acceptable, why go fee-simple? Because the strict regulations that surround condo filing procedures increase front-end costs and decrease marketing flexibility, Boyer says. Specifically:

With condo filings a developer must list every detail of each building; at Park Place, Boyer merely filed a typical subdivision plat. Engineering costs are roughly one-third or one-fourth what a condo's would be, he estimates.

terest & carrying charges 783,000 with condo filings a developer must specify such things as common walls, etc. So he's

locked into a building plan before he begins. "But with our subdivision plat, we can plug in whatever model a buyer wants."

This has been an important part of Park Place's success—especially since one of the project's models (*plan 3, above*) has been a slow seller.

Boyer discovered another plus with fee-simple in talking with his buyers.

"They really prefer owning their land. It strengthens their pride-of-ownership feelings."

Park Place offers a wide choice of floor plans and recreational facilities

And it's this choice that's making the project popular with so many different kinds of move-up families.

The four available models, for example, range in size from 1,400 to 1,800 sq. ft. And they also vary in the way living space is handled: There are three distinct kitchen/family-room arrangements, three ways of treating living/dining-room relationships and four different bathroom set-ups.

Each unit also has an unfin-

ished basement (see section above), which if finished, can increase living area by 627 to 890 sq. ft. So far, 35% of Park Place's buyers have paid \$5,000 to \$7,000 to have the space finished as bedrooms or rec rooms.

Although rec facilities at the project are relatively modest in size, there's nothing limited about their variety. In addition to a small clubhouse, there's a swimming pool, a children's play area, a combination volleyball and basketball court, a picnic area and two tennis courts (the most popular facility).

The kind of buyers who are moving to Park Place expect a wide choice of facilities, Boyer says. But they also want to keep maintenance costs low. (Right now monthly association fees are \$36.)

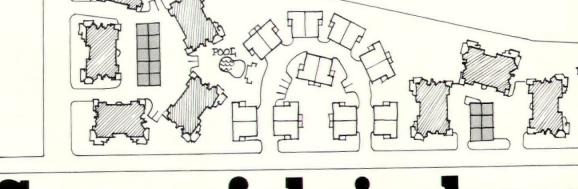
Park Place's build-out schedule is right on target. Sales started in the summer of 1975, and will be completed next spring, Boyer says. The buyers: primarily middle-management people (average family income is \$25,000) who are moving up in their jobs as well as in their housing. —June R. Vollman

onstruction & development costs

aw land	415,000
evelopment & landscaping	598,000
rchitectural & engineering	92,000
ec facilities	145,000
onstruction costs	4,362,000
larketing & sales	305,000
terest & carrying charges	783,000
atal aslas (assiss as 1)	7 460 000



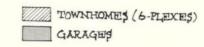
Sixplex buildings (above right) are grouped around motor courts and angled to take advantage of views of nearby ocean and marina. Their arrangement was dictated by the extreme narrowness (only 350 ft. at the widest point) of 10-acre site. Garage buildings shown at left in photo below were designed to blend in with project's architecture. Duplexes (see site plan right) totalled only 18 units, less than 20% of the project, and went to primaryhome buyers. Harborwalk is a joint venture of Raznick & Sons, Woodland Hills, Calif. and Wood-Bergheer & Co., Newport Beach. Site plan: Kenneth Johnson A.I.A., Covina, Calif. Landscape architect: Lawrence R. Moss & Associates, Glendale, Calif.

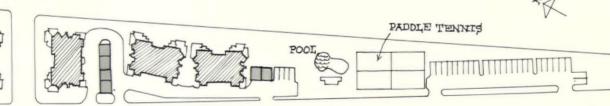


Successful sixplexes









out of a buyer survey

They're in the redesigned third phase of Harborwalk, a beachfront condominium project in Oxnard, Calif. More than 90% of them were sold out within 30 days of opening. And their success is the direct result of asking buyers in the project's first two phases what they'd change if they could.

Those first two phases sold well enough-148 units in the 12 months from August '74 to August '75. About 50% of the sales were to investment and second-home buyers and 50% to

primary-home buyers.

But Harborwalk Associates wanted the third phase to go even faster. So they set out to redesign the units (mostly flats and townhouses in eight- and twelve-unit buildings). To find out what direction to go, they went back to their early buyers.

The first source of information: an easy-to-complete survey that had been mailed to every move-in.

The questions were few and basic, e.g., What was the main reason for buying the home you

purchased? What were the methods you used in shopping for your new home?

"We'd kept it short," says Raznick, managing partner in the joint-ventured project, "since nobody wants to fill out a long questionnaire. And we'd enclosed a brand-new dollar bill as added incentive."

The response to this survey was so good that Raznick and his partners, Karl Bergheer and Fred Wood, were encouraged to keep on questioning.

"At first we just talked to

people informally in the sales office," says Raznick. "We'd ask buyers waiting to take possession what changes they'd make in their new unit if they could, and then record their comments later on.

"We talked to our service department, too. If owners were complaining about the gas fireplaces, for example, we made a note of it."

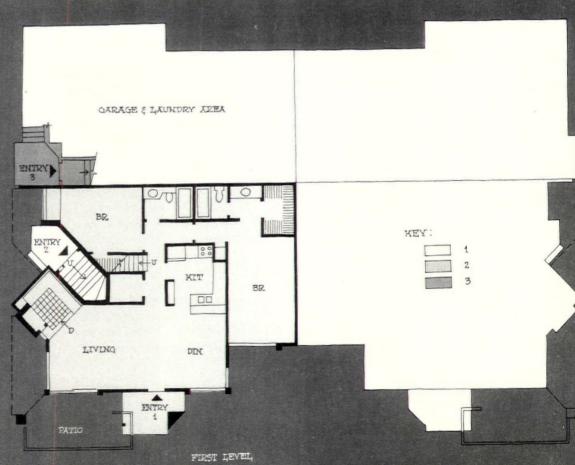
The final step was formal interviews with some of the more cooperative new owners after

TO PAGE 67

Sixplexes



Three different floor plans are included in each sixplex. The most popular was the smallest—1,130-sq.-ft. plan 3, originally priced at \$45,000. Buyers liked the feeling of spaciousness when they walked up the stairs from the ground-level entry and had a ground to the third entry and had a view to the third-level loft. Most plan 3 buyers were looking for a second home, as were many buyers of next-largest plan 2. With 1,400 sq. ft. and prices beginning at \$55,000, it features a loft with deck and adjoining bath—virtually a private suite. Angled volume ceilings in its living area /photo above) are typical. (Shown is model with interior by Cher-ron Associates, Woodland Hills, Calif.) Buyers in search of both primary homes and vacation homes were attracted to 1,500-sq.-ft. plan 1 (starting price: \$60,000). It's the largest and was the slowest seller until a "bonus" loft, big enough for a bunk bed, was added. Twenty-six of each plan were built.



they'd lived in their units for four to six months.

"This is when we really got precise," says Raznick. Questions focused on owners' feelings about specific features of their units—e.g., Do you use the loft? How do you use it? Do you use the conversation pit?

From these responses and the mail-survey and informal-interview results, emerged a composite idea of what Harborwalk buyers were looking for.

"They all want a corner unit with an above-ground-floor view of the harbor or the beach," says Raznick, "and it should have a loft, a conversation pit and an enclosed garage."

They get all this with the sixplex design that architect Kenneth Johnson of Covina, Calif. produced.

There are no inside units in the sixplex. The two groundlevel units each get one of the front corners of the building (garages take up the back) and the four second-floor units are each allotted a corner.

Yet all the units have views-

Item	Cost	% of Sales Price
Land	\$45,000	13.25
Site improvements	9,900	2.91
Common area	10,000	2.94
Direct construction	161,000	47.35
Indirect construction	6,000	1.76
Financing	18,400	5.41
Marketing	6,000	1.76
Sales	10,700	3.15
General administration	10,000	2.94
TOTAL COSTS	277,000	81.46
TOTAL SALES	340,000	100.00
NET PROFIT	\$63,000	18.53

and lofts. This is accomplished by giving the ground-floor units a loft with balcony that fits up into the second floor jigsaw-puzzle fashion (see building plan below). On the same level are the balconies of the second-floor units. Their loft space is tucked up at the top of the building, and enclosed decks in window wells give two of them extra outdoor space adjoining the loft.

The enclosed-garage preference posed a problem. The architect couldn't fit a two-car enclosed garage for each of the

units into his sixplex scheme. The solution: Owners of two of the units must go to separate garage buildings. They hold two to ten garages and have pitched roofs and exteriors designed to blend in with the project's architecture.

Fifty-two of the 78 sixplex units include the popular conversation pits. "It helps overcome today's smaller living rooms," says Raznick. "Popping one into a corner gives the room added dimension."

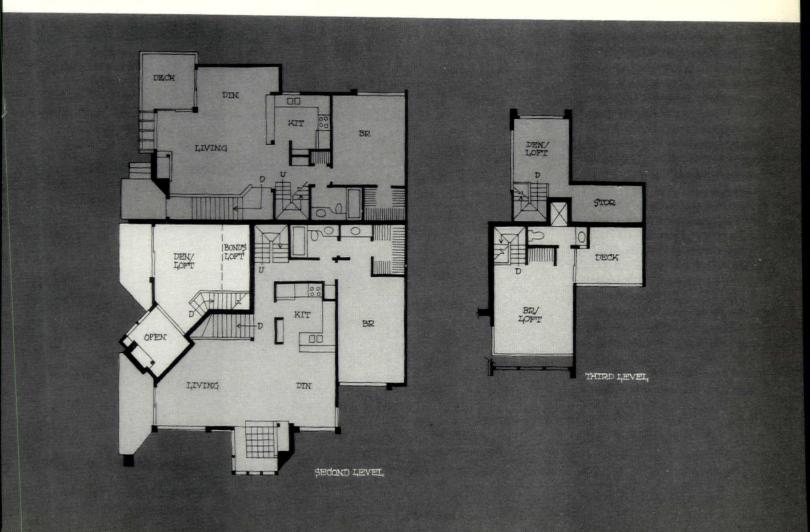
Other buyer-influenced design features: all the fireplaces

are woodburning and every unit has one; each unit has a private ground-level entry; and every unit has at least one bedroom plus a loft which can be used for extra sleeping space. (One-bedroom units were the early-phase slow sellers.)

Another lesson learned from the buyer surveys: Harborwalk was wasting money on advertising. Radio and direct-mail campaigns were dropped, as were newspaper ads in every paper except the wide-circulation Los Angeles Times.

As it turned out, these efforts were on target—50% of the third-phase buyers were drive-bys.

More of the buyers are secondhome and investment buyers than in the first two phases, and 63% of them lived within an hour's drive in Ventura County or the San Fernando Valley. Most are affluent couples (median income \$42,615). The men are professionals, 58% of the wives stay at home and the children, if any, are usually teenagers.—Barbara Behrens Gers





From hospital to apartments at f the cost of new housing

From Indianapolis comes one more argument for meeting today's housing needs by recycling old inner-city buildings.

In this case, the structures are a vacant hospital complex, part of which was erected in 1911.

An experienced rehabber-Dayton-based Federal Property Management Corp.—bought the four hospital buildings for \$1 million. Aided by FHA 236 financing, Federal spent \$3.5 million to turn the complex into a 296-unit rental project at an average construction cost of \$12.20 a sq. ft. (\$11,150 a unit). Comparable new Type I construction in downtown Indianapolis averages \$30-35 a sq. ft.

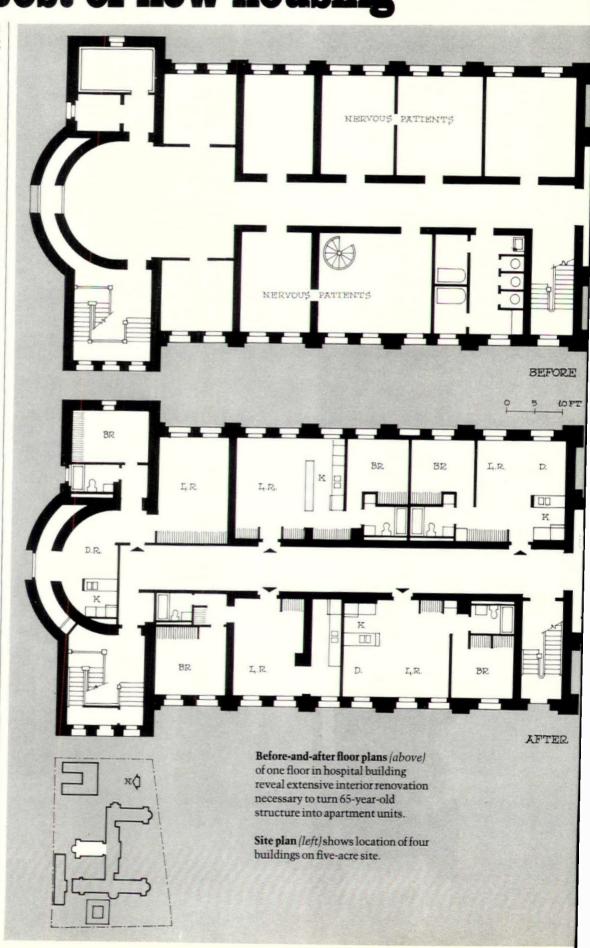
The buildings lent themselves to housing," says Federal President Paul Tipps. "They were structurally sound, situated on major thoroughfares and didn't look institutional."

The buildings—hospital facility, nurses quarters, convent and power house-yielded 16 efficiencies, 201 one-bedroom and 79 two-bedroom units. Efficiencies average 500 sq. ft., one-bedrooms 600 sq. ft. and two-bedrooms 700 sq. ft. In one building, the six-story former nurses quarters, extra height provided by a gym and auditorium was used for duplexes averaging 900 sq. ft.

Building exteriors were virtually untouched, so the new apartment project-named Weyerbacher Terrace—looks pretty much like the old hospital complex from the outside. Inside, however, plans by the architect — Indianapolis-based Woollen Associates-called for almost complete renovation.

Specifically:

- The buildings were gutted. "Getting rid of the unneeded interior walls alone," notes Woollen's Lynn Molzan, Weyerbacher project architect, "accounted for nearly \$200,000 of the renovation costs."
- The heating/cooling plant was updated and modernized with more efficient boilers. A





PHOTOS: IACK HENRY



Typical bathroom (upper left) and kitchen (lower left) installed throughout buildings.

Supplemental heating system (below) is comprised of individual electric furnaces placed in each apartment. Resembling unit ventilators, the thermostatically controlled furnaces boost temperature of hot water flowing through heating coils.



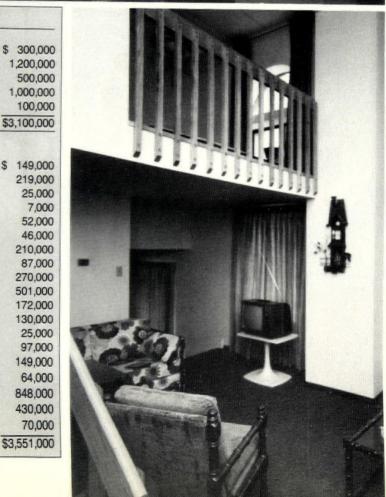
COST BREAKDOWN

Preconstruction costs	
Architectural & legal fees	\$ 300,000
Debt service	1,200,000
Builder's profit & risk	500,000
Acquisition	1,000,000
Contingency allowance	100,000
Total preconstruction	\$3,100,000
Construction costs	
General requirements (site	

overhead, security, phone, etc.) \$ 149,000 Demolition 219,000 Site work 25,000 7,000 Concrete Masonry restoration 52,000 Metals 46,000 Carpentry 210,000 Roofing 87,000 Doors, windows, glass 270,000 Dry walls 501,000 Floor coverings 172,000 Ceilings 130,000 Ceramic tile 25,000 Painting 97,000 Appliances, cabinets, fixtures 149,000 Elevator modernization 64,000 Mechanical systems (H/AC/Plumb.) 848,000 Electrical wiring 430,000

Office overhead

Total construction costs





Aluminum-framed thermal windows (above), used throughout complex, conserve energy and reduce interior condensation. Windows' heat- and cold-retention is estimated to save about \$9,000 a year over new, single-glazed aluminum windows at current fuel

Duplexes (left) created from gym and auditorium in former nurses quarters building.

supplemental heating system consisting of small individual electric furnaces in each apartment (see photo) was added.

- The old single-glazed wood windows were replaced with aluminum-framed thermal windows.
- Masonry was restored and stairways and the elevator system were modernized.
- Hung ceilings were installed to lower original ceilings, some of which rose 14 feet above the floor.
- New interior partitions, insulation, dry walls, roofing, doors and electrical wiring were put in; also added were kitchen appliances, bathroom fixtures and closets.
- Laundry rooms and community rooms were installed in two of the larger structures.
- An old porch which linked two wings in the six-story hospital building was enclosed to provide sunrooms for apartments on the floor.
- Floors were tiled and carpeted and painting was done.

The buildings were opened for rental between November 1975 and May of this year. Rents, supported by Section 8, include:

- Subsidized rents amounting to 25% of renters' incomes.
- Basic rentals which start at \$115-125 for efficiencies and range upward to \$172-178 for two-bedroom units.
- Market-rate rents which run on a sliding scale up to \$255 for two-bedroom apartments and are charged to occupants whose incomes exceed FHA limits.

Federal's Tipps estimates that 75% of current occupants are eligible for subsidies, 20% pay basic rents and the remainder are charged market rates. All buildings in the complex, he adds, rented up immediately.

The rehabber views Weyer-bacher Terrace as typical of the opportunities available to builders interested in the conversion area. Federal has been converting old structures into new housing since 1969; its projects range from a high school to a union hall.

"Builders tend to look past structures that were not designed originally for housing," Tipps says, "and they're foolish in doing so. All it takes to convert them into profitable investments is an imaginative architect, quality renovation and intelligent management."

—IOEL G. CAHN



Rental office (left) includes TV monitors providing surveillance of entrances and parking lots.

Grand stairway *(below)* was retained from original construction.





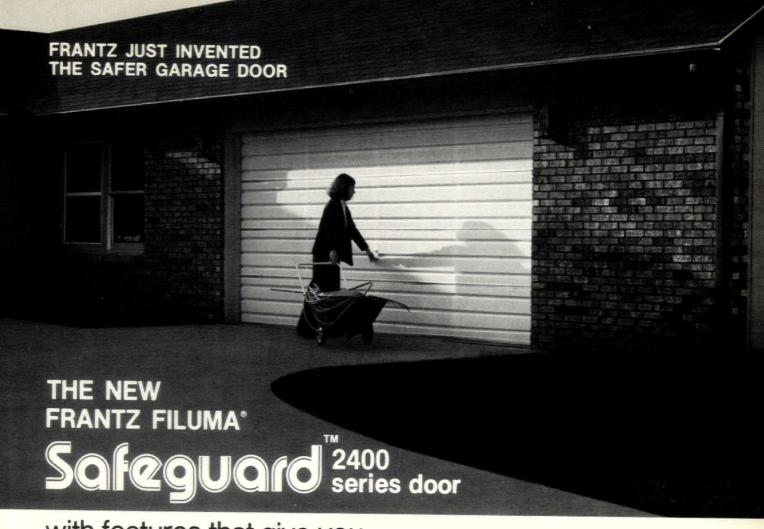




Entrance to wing of hospital building (above/reveals new facade and protective awning.

Community room (upper left) was formed from old chapel area.

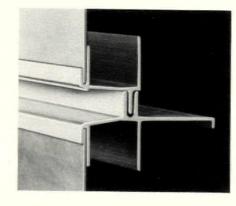
Laundry room *(lower left)* installed in hospital and nurses buildings.



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Fiber glass greenhouses offer a choice of styles and control systems

"The Plantworks" available in traditional (top right) and contemporary designs (lower right) can be supplied with a complete hydroponic (non-soil) gardening system and an automatic year-round environmental control system or just a simple environmental unit. Greenhouse accessories and hydroponic options may be also added later if desired. Structures, erected of Filon fiber glass with frames of square steel tubing, are not susceptible to cracking due to ground heaves. High-impact material is resistant to damage by falling objects, wind or weather. Fiber glass transmits as much light as clear glass and diffuses rays evenly eliminating both hot and shady spots. Easy-to-assemble units can be washed down by hosing. Tiffany Industries, Maryland Heights, Mo. CIRCLE 276 ON READER SERVICE CARD





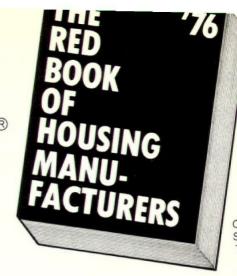
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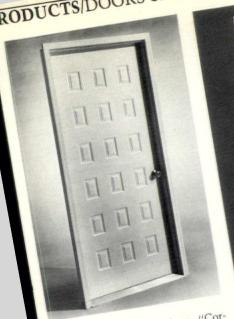
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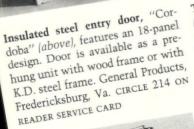
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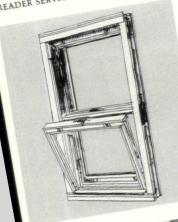
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Traditionally styled storm door (above) is prehung and easy to install. Unit features spring-loaded double oilite hinges and reinforced corner construction. Season-all, Indiana, Pa. CIRCLE 215 ON READER SERVICE CARD

Thermalized replacement window,
"The Protector" (left), is double
"lazed for increased insulation. Tilt
glazed for increased insulation. Tilt
feature allows for easy cleaning.
Unit has a crack-resistant finish.
Repco, Cornwell Heights, Pa.
CIRCLE 216 ON READER SERVICE CARD

"Chateau Orleans" (below) is one of 20 distinctive wood entry doors in the traditional "International" series. Unit has leaded glass inserts and scrollwork carvings. Simpson Timber, Seattle, Wash. CIRCLE 217 ON READER SERVICE CARD



One-piece overhead garage door (above) features solid frame and panel construction. Side-mounted 3" vinyl weatherstripping provides protection from bad weather conditions. Holmes-Hally, Los Angeles. CIRCLE 218 ON READER SERVICE CARD

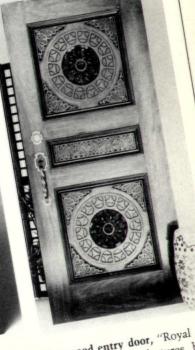


Double-hung wood window, "Easy Out" (above), features ½" insulating glass. Unit has spring and shoe balances in both sash and primed exterior surfaces. Louisiana-Pacific, Barberton, Ohio. CIRCLE 219 ON READER SERVICE CARD

High-density pile weatherseal for storm windows (above) has a greater resistance to air infiltration. Constructed of nylon fibers, pile is suitable for a range of applications. Schalegel, Rochester, N.Y. CIRCLE 220 ON READER SERVICE CARD

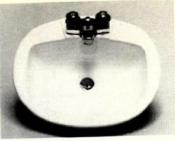


Entry door, "The Continental" [above], is crafted from Ponderosa Pine and assembled with 5%" dowel joint construction. Unit, featuring nine raised carved panels, is supplied unfinished and sanded. Ideal, Waco, Tex. CIRCLE 221 ON READER SERVICE CARD



Rosewood entry door, "Royal Ambassador" (above), features handsarved solid timber. Unit has stile/rail dowled construction and is kiln dried and stable. Coordinated side panels are available. Elegant Entries, Worcester, Mass. CIRCLE 222 ON READER SERVICE CARD





Molded lavatory, (above), is of Celcon acetal copolymer. Self-rimming unit with a molded-in soap dish fits into a standard cutout. Lavatory, offered in five colors, will not chip, corrode or scratch. Arundale, St. Louis, Mo. CIRCLE 201 ON READER SERVICE CARD

"Woodlake" vanity (below) adds storage space to any bathroom. Unit contains wood drawers with sidemounted roller bearing suspension and self-closing hinges. Vanity features a maintenance-free finish. Excel. Lakewood, N.J. CIRCLE 202 ON READER SERVICE CARD

Fiber glass whirlpool bath, "Paragon Spa" (above), is 8' square and 3' deep. Independent heater and filter pumps allow for soaking without whirlpool action when desired. Unit is easy to install. Jacuzzi, Walnut Creek, Calif. CIRCLE 200 ON READER SERVICE CARD

Wall-mounted shower head, "Elite Massage" (below), provides a wide range of sprays plus a massage action. Sprays can be adjusted by turning the ring at the bottom of the selfcleaning head. Interbath, El Monte, Calif. CIRCLE 203 ON READER SERVICE





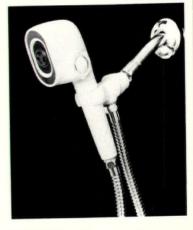






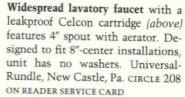
Widespread lavatory faucet (above) fits all 8" and 16" centers. Easy-to-install unit features an aerator and acrylic handles. Brass end valves connect spout via a vinyl hose. Streamway, Westlake, Ohio. CIRCLE 205 ON READER SERVICE CARD

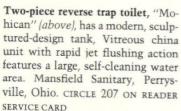
Pecan-tone wood vanity (left), part of the "Anniversary" line, is available with storage drawers and shelves. Door panels are hardwood veneer. Long Bell, International Paper, Portland, Ore. CIRCLE 204 ON READER SERVICE CARD



Pulsating hand-shower (above), part of "The Clean Machine" line, features complete spray selection plus water volume control. Unit has 5'long flexible hose. Chicago Specialty, Skokie, Ill. CIRCLE 206 ON READER SERVICE CARD

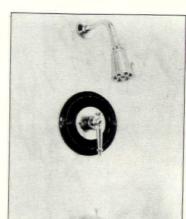






Bath/shower control, "Antique Rite-Temp" (right), maintains selected water temperature regardless of pressure changes in water supply. Single-handle unit features script lettering on a china dial plate. Kohler, Kohler, Wis. CIRCLE 209 ON READER SERVICE CARD







Laminated plastic surfacing, "Lalique" (above), simulates the look of real marble. The deeply-veined pattern in opalescent hues is part of "Design Group I." The material is suitable for horizontal or vertical use. Wilson Art, Temple, Tex. CIRCLE 211 ON READER SERVICE CARD

Rounded-foot vitreous china bidet, "Juanita" (right), matches Briggs one-piece toilet. The bidet is available in twelve decorator colors and white. A squared-foot unit, "Carmen," coordinates with two-piece toilets. Briggs, Tampa, Fla. CIRCLE 212 ON READER SERVICE CARD





Marbleized vitreous china lavatory, "Vanessa" (above), is an oval, self-rimming unit. Chemical- and stain-resistant lav can be used with any standard 24"x21" or 18"x16" cabinet. Eljer Plumbingware, Pittsburgh, Pa. CIRCLE 210 ON READER SERVICE CARD



Decorative medicine cabinet, "Mini Trio" (above), features three-way viewing and three storage areas. Surface-mounted unit, available with or without lightcap attached, has full-width shelves behind each of its three doors. Williams, Elkhart, Ind. CIRCLE 213 ON READER SERVICE CARD





Self-ballasted mercury vapor lamps, "Var-O-Merica" (above), engineered to replace conventional incandescent bulbs, can operate in standard incandescent sockets. Energy-saving lamps have an extra-long life of 12,000 to 22,000 consumer hours. Verd-A-Ray, Toledo, Ohio. CIRCLE 233 ON READER SERVICE CARD



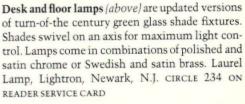
Line of handcrafted hanging fixtures includes the six models shown above. Each is constructed of solid brass with mirror glass panels that reflect the bulb. Offered in a choice of finishes, fixtures are suspended from a ball swivel for easy relamping. Georgian, Lawrenceville, Ga. CIRCLE 230 ON READER SERVICE CARD



Contemporary chandelier, "Focus" (above), has a tall open center column formed of 3/8" rectangular tubing finished in soft bronze. Chain and ring are finished to match. Five sweeping arms support 7" topaz globes. Fixture is 26" wide and 25" long. Lightcraft, Nutone, Cincinnati, Ohio. CIRCLE 231 ON READER SERVICE CARD



Bracket-mounted sphere luminaire, "Delaware" (above), can be used with mercury vapor or incandescent lamps. Unit features a seamless one-piece, 12"-diameter acrylic globe with an all-aluminum bracket assembly offered in black, green or bronze finish. J.H. Spaulding, Cincinnati, Ohio. CIRCLE 232 ON READER SERVICE CARD





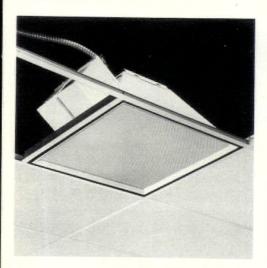
"Compact 80" sharp cutoff outdoor luminaire (above) accepts a wide range of HID ballasts and lamps. High-efficiency, patented optical system provides a uniform illuminations pattern on the pavement regardless of the type light source. Prescolite, U.S. Industries, San Leandro, Calif. CIRCLE 235 ON READER SERVICE CARD



Outdoor lighting fixture, "Light Block" (above), features a precast concrete pad with an integral cast-aluminum splice box. Easy-to-install block is equipped with two bend-out wire loops which can be spiked into loose soil or anchored to a wire form. Keene Lighting, Union, N.J. CIRCLE 223 ON READER SERVICE CARD



Chain-hung fixture, "Wings of Eagles" (above), is inspired by the nation's bicentennial celebration. Crafted of oxidized bronze, unit comes in four styles of varying widths and heights. Candelabra base bulbs are standard. Custom sizes are also available. Feldman, Los Angeles. CIRCLE 224 ON READER SERVICE CARD



Versatile 2'x2' HID fixture, "Innovator II" (above), is designed for mounting in inverted "T" suspended ceilings or in plaster ceilings which can accommodate air return or static function. Unit has a heat-treated glass refractor and a clear prismatic acrylic lens. Hi-Tek, Conyers, Ga. CIRCLE 225 ON READER SERVICE CARD



Outdoor luminaire (above) features a diffuser in a champagne glass shape. Offered in clear, translucent, bronze or smoked glass, unit can be mounted directly to a 11/2" diameter tenon or with a cast-aluminum slipfitter, set onto poles of larger diameter. ITT Landmark, Southaven, Miss. CIRCLE 226 ON READER SERVICE CARD



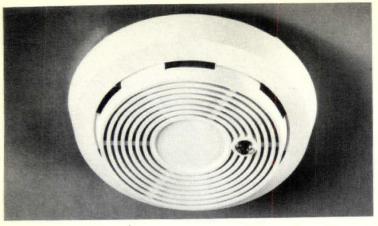
Clean, contemporary hanging fixture, "Quadrille" (above), incorporates six smoked-bronze acrylic rectangular shades in two tightly grouped rows. Shades which slip off for easy cleaning cover satin chrome cups holding up-and-down lights. Lightolier, Jersey City, N.J. CIRCLE 227 ON READER SERVICE CARD

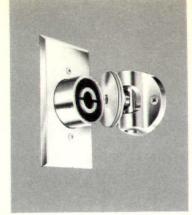
Striking contemporary pendant light (left) is made of heavy-gauge spun aluminum. The cylinder shape flares to a 14" diameter at the bottom. A matte white inner surface provides optimum reflectance. A choice of outer finishes is offered. Habitat, New York City. CIRCLE 228 ON READER SERVICE CARD

Bright Stik™ (below) is a one-piece 33w, 25" fluorescent light fixture that installs in minutes without special wiring. Unit with a 6' cord has no removable or repairable parts but the entire fixture can be inexpensively replaced when it burns out. General Electric, Cleveland, Ohio. CIRCLE 229 ON READER SERVICE CARD



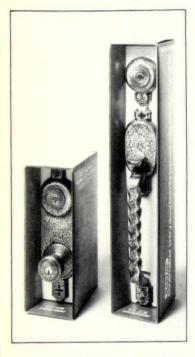
PRODUCTS/SECURITY





Lectro-Mag® (left) holds a fire-barrier door open under normal conditions but closes it automatically in emergencies. Release mechanism can be activated in a number of ways. Emhart, Berlin, Conn. CIRCLE 246 ON READER SERVICE CARD

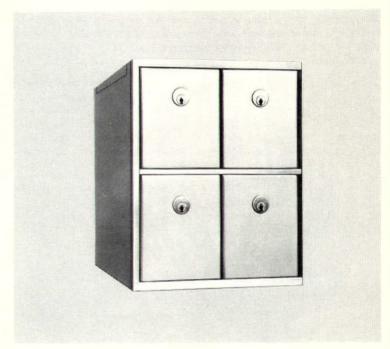
Vault-type horizontal mail boxes for high crime areas (below) feature heavy-duty tamper-resistant construction. When the compartment door is closed the hinge is not visible or accessible. American Device, Steeleville, Ill. CIRCLE 247 ON READER SERVICE CARD



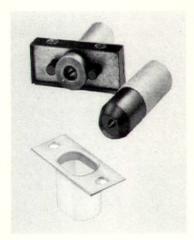
Solid state smoke detector (above) is a self-contained ionization-type device. Unit, which detects fire at its earliest stages, sounds a long 85-decibel alarm. UL-listed device meets FHA and HUD requirements. Mountain West, Phoenix, Ariz. CIRCLE 243 ON READER SERVICE CARD

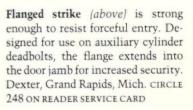
High-security entry door locksets, "Monaco" (left), feature a mediterranean motif. A double-security lockset and a thumb-latch handle set are offered. Both feature rugged steel and brass working parts. Harloc, West Haven, Conn. CIRCLE 244 ON READER SERVICE CARD

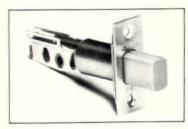
Combination-lock floor (below) protects valuables from theft and fire. Available in 6"-, 12"and 18"-deep models, unit is installed under the floor in concrete. Secret Safe, Long Beach, Calif. CIRCLE 245 ON READER SERVICE CARD





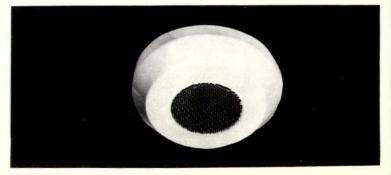


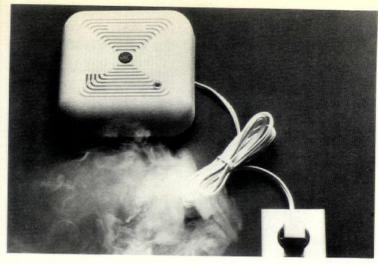




Heavy-duty deadbolt (above) features a 1" jimmy-resistant throw with hardened steel inserts that can't be cut through. Unit has a rugged bolt spring and heavy side plates. Weslock, Los Angeles. CIRCLE 249 ON READER SERVICE CARD

Ionization-type smoke detector (below) is part of the "Sav-A-Life" line. Units feature metal housings, double-shielded dual ionization chambers and internal power supplies. KF, Philadelphia. CIRCLE 250 ON READER SERVICE CARD

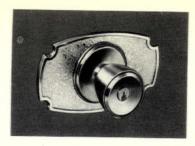




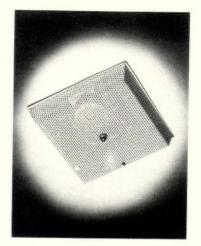


Sentry Home smoke (above) is an ionization-type unit that detects fire in its earliest stages. A 9' cord, an operating signal indicator light and a test fire-drill button are standard. General Electric, Bridgeport, Conn. CIRCLE 236 ON READER SERVICE CARD

Electronic pushbutton lock system, "Digikey" (left), is coded and run by a mini-computer. The combination system eliminates keys and conventional locks. A back-up emergency power source is provided. Security and Service, Santa Ana, Calif. CIRCLE 237 ON READER SERVICE CARD

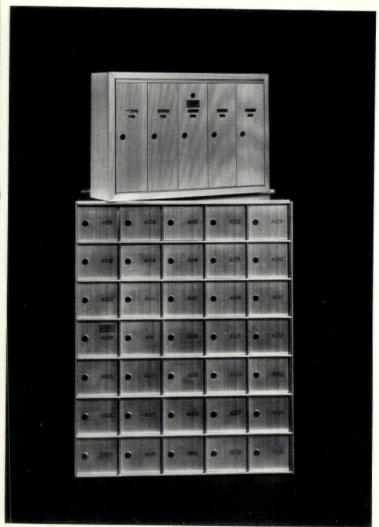


"Sheraton" decorative escutcheon (above) can be used on interior and exterior doors. Adaptable for vertical or horizontal installation, unit measures 6"x3½" and comes in a range of metallic finishes. Weiser. South Gate, Calif. CIRCLE 239 ON READER SERVICE CARD



"Doublelock" set (above) provides maximum security while allowing for immediate exit safety. One turn of the inside knob retracts both lock bolts. A recessed cylinder resists jimmying, prying and cutting. Arrow Lock, Brooklyn, N.Y. CIRCLE 240 ON READER SERVICE CARD

Early warning smoke detector, "Unitec" (left) is a battery-operated unit. A continuous blinking light indicates that unit is operational. A beep sounding every 30 seconds warns that batteries are losing power. Westel, Hartsdale, N.Y. CIRCLE 241 ON READER SERVICE CARD



Horizontal and vertical locking mailboxes for multifamily installations come in a range of sizes, materials and finishes. Available in front- or rearloading models, easy-to-install boxes are maintenance free. Bommer Industries, Landrum, S.C. CIRCLE 238 ON READER SERVICE CARD



Neighborhood mail delivery and collection boxes carry U.S. Postal Service approval. Cluster units come in sections of 8, 12 or 16 individually locking boxes that can be grouped to meet specific needs. Superior Marine, College Point, N.Y. CIRCLE 242 ON READER SERVICE CARD

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Advertising Sales Staff ATLANTA 30309

Matthew T. Reseska Jack Moran 1175 Peachtree St. McGraw Hill Bldg. 607 Boylston St. (404) 892-2868 (617) 262-1160 HOUSTON 77002 John Strong Dresser Tower 601 Jefferson Street (713) 659-8381 **DENVER 80203** lay Johnson

LOS ANGELES 90010 Donald Hanson 3200 Wilshire Blvd. South Tower (213) 487-1160

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Stephen D. Blacker

425 Battery Street

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CHICAGO 60611 Charles M. Crowe, Ir. Thomas McElhinny (312) 751-3700

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NEW YORK 10020 Matthew T. Reseska 1221 Avenue of the Americas (212) 997-6925

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Pre-filed catalogs of the manufacturers listed above are available in the Sweet's Catalog File as follows:

A Architectural File (green) I Industrial Construction File (blue) L Light Construction File (yellow) D Interior Design File (black)

Ten booklets help answer questions about heating/cooling equipment

Solar heating/cooling systems are the subject of two recent HUD pub-

The first, an illustrated design manual, covers the basic theory of solar energy utilization and, in textbook fashion, gradually presents more sophisticated concepts. Topics discussed include: solar system components; site planning for solar energy use; and factors influencing solar dwelling design (e.g. climate, human comfort zones, thermal conductivity of the building itself). The concluding chapter presents prototype solar dwelling designs-singlefamily, multifamily and mobilehome-for various climatic conditions and with different solar heating/cooling equipment.

The second book is a descriptive summary of HUD-funded demonstration houses. Fifty-three projects incorporating solar systems for heating, cooling and/or hot water are listed. Technical information about the solar installation is given in brief, accompanied by sketches of the dwelling and the solar system used.

Solar Dwelling Design Concepts (stock no. 023-000-00334-1) costs \$2.30; Solar Heating and Cooling Demonstration Program (stock no. 023-000-00338-4) is \$1.15. To order them write to the U.S. Government Printing Office, Washington, D.C.

Heat-pump performance is the subject of a 16-page publication intended for heating/cooling contractors. The booklet summarizes a study of a 60-house Pennsylvania development where buyers had been given a choice of heat pumps or oilfired equipment, and it presents in table form projected operating costs for various heating systems in 18 U.S. cities. Also discussed: why heat pumps cool more efficiently in southern areas than they heat in northern ones; why heat pumps sometimes cause homeowner discomfort: and what factors are involved in some heat-pump mechanical failures. "The New Heat Pump" (BHC-194) can be ordered for 75¢ from The Better Heating-Cooling Council, P.O. Box 262, Berkeley Heights, N.J. 07922.

Solving heating problems is discussed in a hydronic heating system brochure. Eight pages include illustrated suggestions for heating a converted porch or basement, a small bathroom or any room where a projecting radiator is undesirable. Kickspace, surface-mounted and wall units are described, as well as high-capacity consoles. Specs are given. Beacon-Morris, Boston, Mass. CIRCLE 301 ON READER SERVICE CARD

Window/floor vector for installation along window walls or sliding glass doors is featured in an illustrated flyer. Operation of the hydronic heating system is explained briefly. Also included are complete installation instructions for 3', 4' and 5' models. Beacon-Morris, Boston, Mass. CIRCLE 302 ON READER SER-VICE CARD

Fan-coil air conditioning units can cut installation time and costs according to a six-page product bulletin. Illustrated step-by-step installation instructions are given for the units, which can be stacked up to 40 units high in a single water riser. ARI-approved standard ratings are included. McQuay-Perfex, Minneapolis, Minn. CIRCLE 303 ON READER SERVICE CARD

Three heat pump lines for residential and light commercial applications are covered in four illustrated pages. One split-system and two packaged heat pump lines (including wall-hung units) are described in detail. To simplify selection, performance data for all models is combined in a single chart. Westinghouse, Pittsburgh, Pa. CIRCLE 305 ON READER SERVICE CARD

Gas heating appliance catalog presents ten models-all for residential or light commercial applications. Baseboard units, direct-vent wall furnaces and freestanding room heaters are included in 21 illustrated pages. Detailed information is given on size, capacity, finish, etc. Empire, Belleville, Ill. CIRCLE 306 ON READER SERVICE CARE

An electric heater designed to fit tight spaces is described in an illustrated data sheet. Specs and dimensions are given for the low-profile unit which can be mounted above cupboards or under cabinets or vanities. I-T-E Imperial, Spring House, Pa. CIRCLE 307 ON READER SERVICE

Fans for residential and commercial applications are cataloged in 18 pages. Circulating, ceiling, gable and attic vent fans are among the models pictured in black and white. Text gives capabilities of each unit. Specs are included. Phil Rich, Houston, Tex. CIRCLE 308 ON READER SERVICE

Room air conditioners are shown in a full color flyer. Ratings and specifications for ten 26" through-the-wall units are presented in chart form. Illustrated text gives installation and accessory information. General Electric, Louisville, Ky. CIRCLE 309 ON READER SERVICE CARD



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