McGraw-Hill's marketing and management publication of housing and light construction

House&Home

OCTOBER 1970

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Why so many mergers are going sour

How to live with permanent inflation

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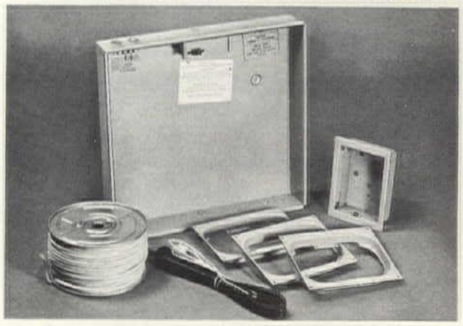

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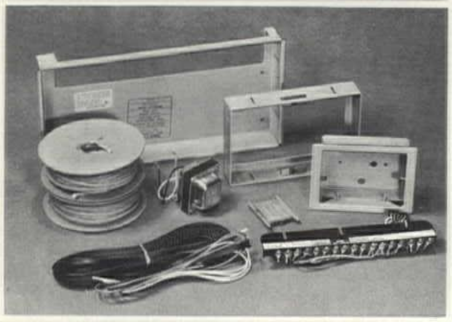

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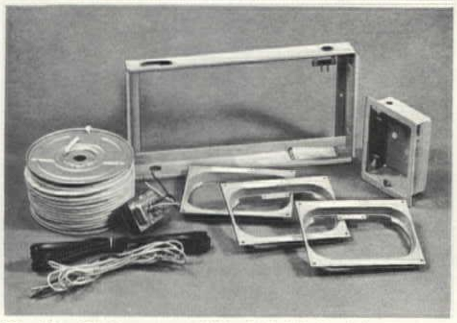

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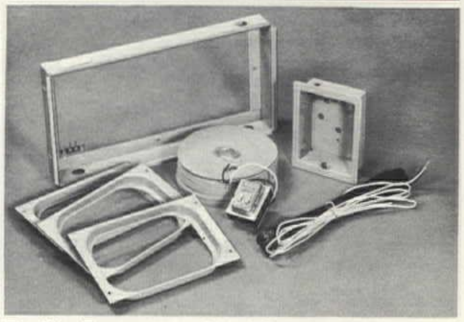

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House&Home

McGraw-Hill's marketing and management publication of housing and light construction

Volume 38 Number 4 / October 1970

Cover Interior of a townhouse model at Village Greens, Staten Island, N.Y.
Builder and developer: Loew's/Snyder. *Architect:* Norman Jaffe.
Photo: Cal and Don Young. *For story, see page 42.*

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House & Home, October 1970, Vol. 38 No. 4. Published monthly by McGraw-Hill Inc. Founder: James H. McGraw (1860-1948). Subscription rates, U.S. and possessions and Canada: for individuals within circulation specifications, $8 per year; for others, $15 per year. All other countries, $30 per year. Single copy, if available, $2. The publisher reserves the right to accept or reject any subscription.

Executive, Editorial, Circulation, and Advertising offices: McGraw-Hill, 330 West 42nd Street, New York, N.Y. 10036. Telephone: 971-3333. Second class postage paid at Washington, D.C. and at additional mailing offices. Published at 1500 Eckington Place, N.E., Washington, D.C. 20002. Title ® in U.S. Patent Office.

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This issue of House & Home is published in national and separate editions noted or allowed for as follows: Western W1-W2, Midwest MA-MB, North Central NA-NB, Southern S1-S2BB.

Postmaster: Please send form 3579 to Fulfillment Manager, House & Home, P.O. Box 430, Hightstown, N.J. 08520.

Operation Breakthrough struggles to avoid becoming Operation Breakdown

"After completion of final negotiation with the housing-system producers, announced today, we will move rapidly to design, testing, and construction of prototype units on the 10 prototype sites previously announced. Construction is expected to start by early summer."

That statement was made by Housing Secretary George Romney at a news conference on Feb. 26, when he announced selection of 22 housing system producers for the Nixon administration's Operation Breakthrough.

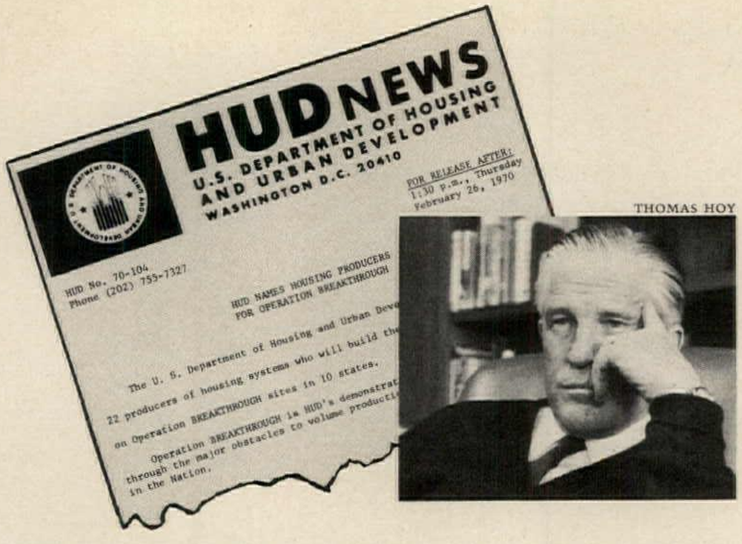
In early September, those ten prototype sites—many plagued by local political problems—had been reduced to eight, and construction "expected to start by early summer" had not yet begun.

The program ran into yet other major setback from Congress, which voted to reduce the Department of Housing and Urban Development's funding for research programs from a requested $55 million to $30 million. And then, because of budget problems in other parts of the HUD money bill, President Nixon vetoed the whole package.

What now? Today, HUD policy planners are trying to work out options on Operation Breakthrough based on a hoped-for Congressional appropriation of $30 million for research – of which $20 million may be funnelled to Breakthrough. That $20 million is $15 million less than the sum originally programmed by HUD for the much-publicized experimental housing program.

Officials at HUD insist the program is not lagging, but they readily concede the funding cut was a serious setback. Bert Greenglass, director of the office of program planning and control, says the department has been relying on a continuing resolution by Congress that permits HUD to spend one twelfth of the $30 million.

"We're spoon feeding our contractors today," Greenglass says, "but obviously we are trying to cut corners wherever possible. We're at the razor's edge right now."



THOMAS HOY

HUD's announcement of Breakthrough builders—and a reflective George Romney.

Cutbacks. Greenglass notes that prototype sites at Wilmington, Del., and Houston, Texas, have already been dropped and he does not deny there may be further site cutbacks because of the spare Congressional funding.

"We didn't have any fat in our $55 million request for funds," he says. "We need the $35 million for Breakthrough and the cut has hurt us. It may hurt us some more."

The director says, however, that the continuing resolution has permitted work to continue at all sites, and, he adds, "we're not behind our schedule of production."

The 22 producers are today operating under so-called Phase I contracts, for design and testing. "The work," says Greenglass, "is well under way."

No Phase II contracts—which call for construction of the prototype units—had been signed in early September, but Greenglass noted that "within the next six weeks" site preparation should begin at some of the eight locations.

He estimated it would be January or February before actual construction of the prototype units got under way at any of the sites.

Fewer units. What HUD is trying to do is to keep all 22 housing producers in the program, even though two major sites have been dropped. One HUD spokesman noted this would require a "rearranging of allocation," but Greenglass said this was no problem.

"We're going to have to make some contractual modifications of allocation in the work for the eight sites," he said. But he explained that this plan has created no special difficulties.

There has been a cutback in prototype units as well as in sites. Assistant Secretary Harold Finger of HUD had increased the projected units some 2,000 to 3,180 before the reduction. Wilmington's program contemplated 200 units and Houston programmed 130. The loss of these sites takes the total back down to 2,850, and officials at HUD say that that figure is not firm.

Local opposition. Breakthrough has also run into stiff opposition at many of the selected sites. Although Houston and Wilmington were dropped after the cut in funding, both areas were embroiled in political conflict before the Congressional action.

Congressman Bob Casey of Houston argued that HUD chose the site in his district without even consulting him. Residents complained to Casey about the proposed project and asked him to get HUD to eliminate the site.

Choice of the Wilmington site provoked a lawsuit. Plaintiffs argued that the property, under terms of a trust, should be used exclusively as a school for wayward juveniles. The trust terms would be breached, the complaint read, if the site were used for experimental housing.

With 275 units planned for Macon, Ga., HUD ran into trouble early in the year. The problems were solved, however, and a site management contract for $2.1 million has been awarded to a local firm, Fickling Walker Inc., and to the National Corp. for Housing Partnerships of Washington, D.C.

Seattle also gave HUD some problems at its site for 150 units. The opposition held that local residents were not given a chance to comment on the selection of the particular site, a right set by local law. Spokesmen at HUD point out that no litigation has developed, however, and they say none is likely.

Confidence at HUD. Romney and Finger have maintained that Breakthrough's problems are not serious. Their aides insist that "whenever you deal with local governments you're going to have some problems. But we don't consider any existing problems as being substantial at any of the sites."

There actually are eight major sites and one subsite in the program today: Macon, Kalamazoo, St. Louis, Seattle, Jersey City, Indianapolis, Memphis, Sacramento, and a Seattle subsite for 80 units.

And HUD has signed contracts with developers for all these sites. It is these developers who will prepare the sites for eventual construction.

Politics. Democrats in Congress have been critical of Breakthrough, and Democratic aides on Capitol Hill are quick to charge HUD with buying publicity with the experimental housing program.

One aide termed the scheme "a bunch of eyewash," noting that the overwhelming problem with this kind of program is that local government building codes and zoning ordinances are painfully slow to change.

Romney has, however, conceded this all along. He has proceeded with Breakthrough on the assumption that local code problems will disappear as modular housing proves its worth.

It is the old saw of crawling before you walk. Clearly, Breakthrough is crawling today. Yet HUD officials believe that it will soon walk, or even run.

ANDREW R. MANDALA
Washington

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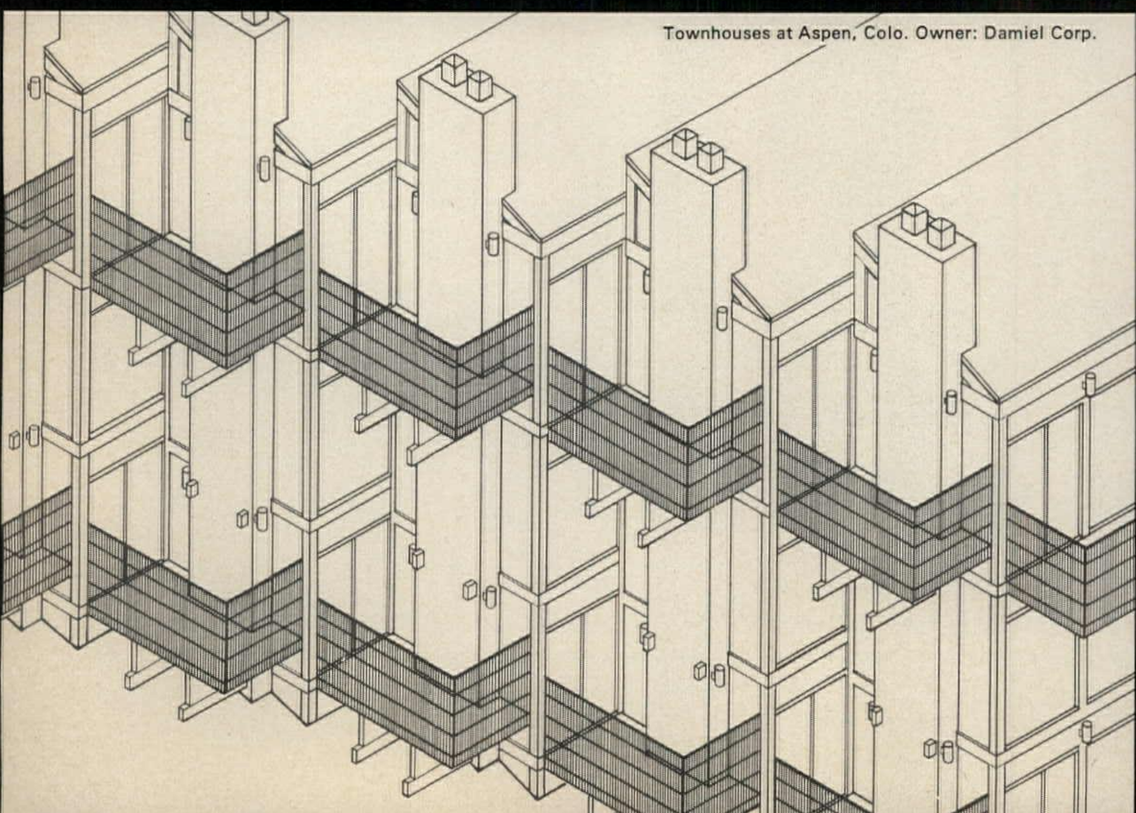
CIRCLE 64 ON READER SERVICE CARD

Townhouses at Aspen, Colo. Owner: Damiel Corp.



With more money in sight, home mortgage rates are making the big turnaround

In Florida, the Dade Federal Savings and Loan Assn. reduces from 8½ per cent to 8 per cent its prime lending rate on home mortgages.

In Washington, the Federal National Mortgage Assn. sells $200 million in long-term mortgage-backed bonds on the heels of a $400 million shorter-term issue—aimed at pumping money into housing.

In New York, savings banks and life insurance companies show a new interest in the home mortgages.

The mortgage market is slowly turning around.

Pressure on yields. With consumer psychology resulting in a sharply increased level of savings, and with loan commitments of thrift institutions beginning to jump significantly, the experts now expect a significant drop in yields later this year or early next year.

None of these observers believes basic rates will fall anytime soon, but an easing of fees and other mortgage conditions is anticipated.

An economist for the Home Loan Bank Board, R. Bruce Ricks, says flatly: "Mortgage interest rates have topped out."

Ricks says that Bank Board data shows that the major changes now are "in the reduction of fees, the lengthening of the average maturity, and an increase in loan-value ratios."

Ricks looks for new increases in savings flows to thrift institutions "to first increase the supply of mortgages, and then to decrease the interest rates on mortgages."

Rise in lending. The higher savings flows have already brought an increase in S&L lending commitments. Inflows for six consecutive months—with a big, and unexpected, $567 million net gain in July—raised commitments by the thrift institutions to nearly $4.4 billion, the highest level since June 1969.

The commitments are turning into loan closings, too. The Bank Board has reported that mortgage loans made at S&Ls in July topped $1 billion for the second consecutive month. During the first quarter, S&L loan closing barely averaged $500 million per month.

BANK BOARD'S RICKS
'Mortgages have topped out'

What happened at banks and thrift institutions is that families began to spend less and save more. Savings in the second quarter totaled 7.6 per cent of disposable income compared with just 5.3 per cent in the second quarter of 1969.

Housing prospects. Adding to the thinking that housing is about to turn around is the mounting demand.

The nationwide vacancy rates in the second quarter was just under 5 per cent (2.7 per cent in the Northeast). The owner vacancy level was only 0.9 per cent at the end of June.

An imminent increase in family formations fuels the pent-up demand for homes. The National Association of Home Builders says family formations, which averaged about 200,000 net additions a year in the decade just ended, will jump to 800,000 net additions annually in three to four years and may go as high as one million in the last years of the 1970s.

Help from bonds. The mortgage market is getting help from the bond market. The Federal Reserve Board has eased credit, and bond prices have jumped. Some experts say the increase will exceed 100 basis points before the end of 1970.

The bond rally has been reflected in mortgage prices in the regular auctions of the Federal National Mortgage Assn. Seller-services have asked for—and received—several increases in price. And, in early September, prices for six-month commitments from Fanny May stood at about 96.70 cents on the dollar.

Top FNMA officials, who have become used to taking the big share of the total FHA-VA market, are now looking to be less active during 1971. While commitments continue to be heavy, agency executives expect other investors will be picking up some of the slack.

If so, homebuilding activity will doubtless follow this market improvement to a higher level of starts in the months ahead and into next year.

U.S. Home will acquire Florida land developer

The U.S. Home & Development Corp. of East Orange, N.J., plans to acquire First Development Corp., a privately held land developer in Sarasota, Fla.

The buyer has contracted to make a downpayment of more than $3 million in stock. The balance will be determined by First Development earnings.

The purchase will take U.S. Home into the modular-mobile home park field.

In August, U.S. Home announced an agreement to acquire East Construction Co. of Cincinnati, a builder of garden apartments. If completed, the acquisitions will give U.S. Home nine divisions.

MBA to convene

The Mortgage Bankers Assn. of America expects some 5,000 participants at its 57th annual convention in Miami Beach.

Apartments will be one of the subjects at the Oct. 26-28 meeting in the Fontainebleau Hotel.

HOMEBUILDERS' MORTGAGE MARKET QUOTATIONS

Reported to HOUSE & HOME in week ending Sept. 4.

FNMA Auction Prices Sept. 8 8½%	FHA Sec. 203b— Min.-Down* 30-year immed.[w] Discount paid by builder: City	Private mkt. 8½%	Trend	Conventional Loan Interest Rates: Comm. banks, Ins. Cos. 75%	Savings banks, S&Ls 80%	Savings banks, S&Ls Over 80%	Construction Loan Rates: Interest+fees All lenders
	Atlanta	3½–4½	Steady	a	8½–8¾+2–4	b	9–9½+1–2
90-day commitment Average 96.24 Accepted bid range 95.10–96.40	Boston	1	Steady	8¾+1–2	b	a	8¾+1
	Chicago	3–4	Down ½	b	7¾–8+1½–2	a	9½–10½+2
	Cleveland	4½–6	Steady	a	8–8½+1–3b	a	9+2
	Dallas	3–4	Steady	a	8½+1	8¾–9+1–2	9½–10+1–2
	Denver	4–4½	Up ½	8¾–9+1	9–9¼+1–1½	9¼–9½+2½–3	9½+1½–2
	Detroit	4	Steady	b	8½–8¾	a	9½–10+1–2
180-day commitment Average 96.62 Accepted bid range 96.25–96.74	Honolulu	4–5	Down 1	9–9½	9–9½+2–3	b	10+2–3
	Houston	4	Steady	a	8¾–9⅜+2	9⅛+3	9–9½+1–1½
	Los Angeles	3½	Steady	b	8½–9	9+3	9½–10+1½–3
	Miami	4½–5	Down ¼	8–8¼+3½	8–8¼+3½	8¾–9+4	8–8¼+3½–4
	Minn.-St. Paul	3–5	Steady	8b	8b	a	b
	Newark	3–4	Steady	8	b8+1	b	9¾–10¼+1–2
12-18 month commitment Average 96.86 Accepted bid range 96.50-96.99	New York	4	Steady	7½b	7½b	a	9½–10+1½–2
	Okla. City	2–3½	Down ⅝	a	8½+1	8¾+1–2	9½+2–3
	Philadelphia	2–3	Steady	8¾–9	8¾–9	a	9½+2–3
	San Francisco	3½–4	Steady	8¼+1	8¼–8½+1–1½	8½–8¾+1–1½	8¾–9½+1–2
	St. Louis	5–6	Steady	8+1b	8+1–2b	8+2–3b	9½–10½+1–2
	Seattle	3½–4½	Down ½	b	8–8¾+1–1½	8½–9+1½–2	9½–9¾+1½–2
	Wash., D.C.	4–5	Down 1	b8	b8	b8	9–9½+1½–2

* Immediate covers loans for delivery up to three months, future covers loans for delivery in three to twelve months.

· Quotations refer to prices in metropolitan areas, discounts may run slightly higher in surrounding towns or rural zones.

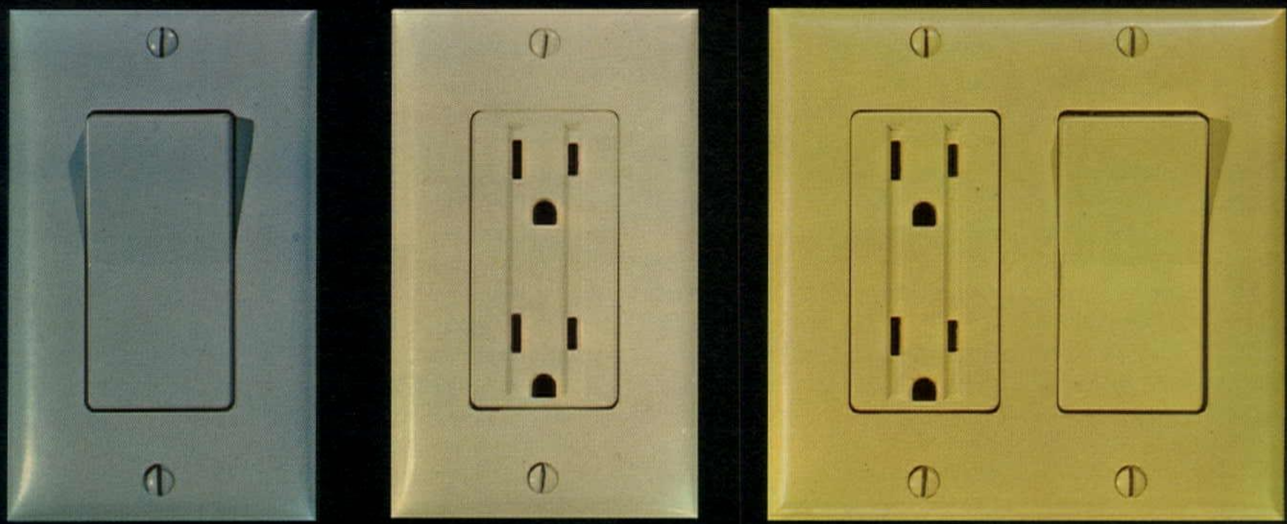
· Quotations refer to houses of average local quality.

* 3% down on first $15,000; 10% of next $5,000; 20% of balance.

Footnotes: a—no activity. b—limited activity. c—Net yield to investor of 8½% mortgage plus extra fees. w—for comparable VA loans also.

Sources: Atlanta, Robert Tharpe, pres., Tharpe & Brooks Inc.; Boston, Robert Morgan, chairman, Boston 5¢ Savings Bank; Chicago, Robert H. Pease, senior vice pres., Draper & Kramer Inc.; Cleveland, Richard J. Quint, vice pres., Jay F. Zook, Inc.; Dallas, M. J. Greene, pres., Southern Trust & Mortgage Co.; Denver, Clair A. Bacon, sr. vice pres., First National Bank; Detroit, Sherwin Vine, vice pres., Citizens Mortgage Co.; Honolulu, H. Howard Stephenson, vice pres., Bank of Hawaii; Houston, Everett Mattson, sr. vice pres., Lomas & Nettleton West; Los Angeles, Robert E. Morgan, senior vice pres., Colwell Co.; Miami, Lon Worth Crow Jr., pres., Lon Worth Crow Co.; Minneapolis-St. Paul, Walter C. Nelson, pres., Eberhardt Co.; Newark, William W. Curran, vice pres., Franklin Capital Corp.; New York, Sigfred L. Solem, sr. vice pres., Dime Savings Bank; Oklahoma City, B. B. Bass, pres., American Mortgage & Investment Co.; Philadelphia, Robert S. Irving, vice pres., First Pennsylvania Banking & Trust Co.; St. Louis, Charles A. Keller, vice pres., Mercantile Mortgage Co.; San Francisco, John Jensen, senior vice pres., Bankers Mortgage Co. of California; Seattle, Kirby D. Walker, vice pres., Continental, Inc.; Washington, Don DeFranceaux, pres., the Berens Cos.

Still using the  old-fashioned kind?



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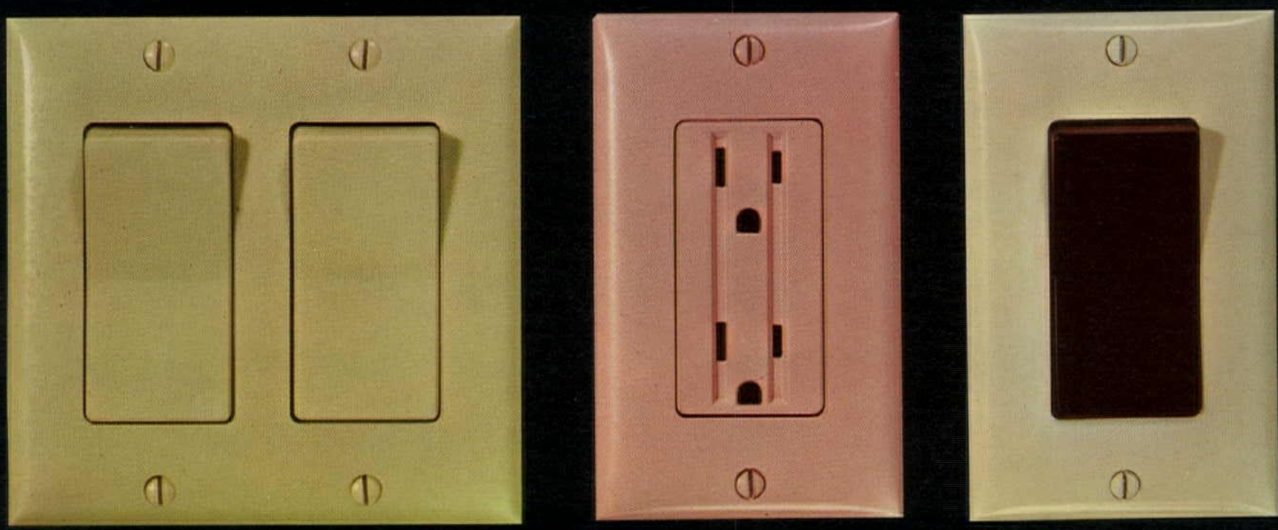

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CIRCLE 66 ON READER SERVICE CARD

Battle royal opens on Uncle Sam's effort to curb conflict of interest in S&Ls

The savings and loan industry and its regulatory agency, the Federal Home Loan Bank Board, have squared off in a toe-to-toe brawl over the board's proposed regulations on the sensitive subject of conflict of interest.

The rules, spurred by the just-published *Study of the Savings and Loan Industry*, a four-volume compendium of 1,822 pages, come down hard on managers and directors of savings and loans who may be in conflict because of ancillary business activities. The regulations, as written, would severely limit many of these activities.

The report that prompted the Bank Board rulings was only one of twenty in the study, written by a team headed by Prof. Irwin Friend of the University of Pennsylvania. Edward Herman, another Pennsylvania University educator, wrote the section on conflicts, which, he says, "are deeply imbedded in the savings and loan industry."

Industry's stand. While most of the Friend study of S&Ls stresses broadening of association authority through greater diversification of assets, it is the conflict-of-interest section that has raised the industry's hackles.

The board's regulations closely follow Prof. Herman's recommendations for limiting conflicts and the industry has let the HLBB know it isn't happy about the proposal.

The regulation was put out for 45-day comment, and both the U.S. Savings and Loan League and the National League of Insured Savings Associations have urged the board to extend this period.

In early September, however, the board had not done so.

Shareholder power. While the board regulations do strike hard at outside activities for savings and loan officers, the board also tied into the conflict proposals a set of rules related to shareholder power at associations.

The regulation would give depositors — or shareowners — a greater say in the running of S&Ls. Provision is made to have the depositors take a more active part in electing directors and in policy-making for the association.

Directors themselves would have broader authority.

FRANK ROSS

IRWIN FRIEND
from Friend into critic

The Herman paper charged the industry with "extensive nepotism" and "extreme shareholder exclusion from information and power." It also scored S&Ls for what it termed "frequent diversion" of association income to officer- or director-owned businesses.

Public meetings. The new regulation, if issued by the board, would require associations to give public notice of annual meetings well in advance to major newspapers, to mail notices to depositors, and to post notices in the association's offices. Today most S&Ls advertise annual meetings in low key, with the result that they are seldom attended by other than officers, staff members, and directors.

The new rules also require the associations to give notice of what issues are to be considered at the meetings.

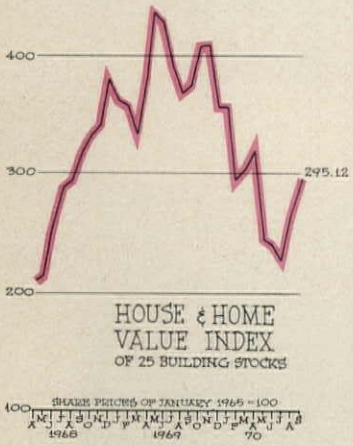
Still another hornet's nest in the conflict regulation concerns proxies. A current practice is to have a saver opening an account sign a proxy in favor of the manager. The new regulation would eliminate this practice.

Counterattack. The savings and loans, for their part, have criticized the findings of the Friend study in this area and the board's proposed regulation.

The U.S. League, in a bitter attack on the Herman paper, said the proposed changes . . . "in the name of 'corporate democracy,' would encourage proxy contests for the control of mutual associations, open the door to takeover by speculators, and make mutual associations vulnerable to assaults for reasons unrelated to business operations . . . threaten continuity of association management . . . create disorder."

Housing stocks up again

HOUSE & HOME's index of 25 housing issues rose for the second straight month, moving from 262.10 to 295.12 in the period ending Sept. 2. Stocks on the index are indicated by bullets (•) in the tables at right. Here's the composite.



How top 5 did in each group:

	Sept.'69	Aug.'70	Sept.'70
Builders	461	351	371
Land develop.	602	329	368
Mortgage cos.	496	449	498
Mobile homes	777	487	590
S&Ls	182	133	150

HOUSING'S STOCK PRICES

COMPANY	Sept. 2 Bid/ Close	Chng. Prev. Month
BUILDING		
Bramalea Cons (Can.)	3.12	+ .52
Capital Divers (Can.) d	1.15	− .25
Centex Corp.	24½	+ ¾
Christiana Oil b	8⅛	+ ½
Cons. Bldg. (Can.)	1.15	+ .05
Dev. Corp. Amer.	10¼	+ 2⅝
Dev. Int. Corp.	7¾	+ 1¾
Edwards Indus.	7¾	+ 1¼
First Hartford Rlty.	3¾	− ⅜
First Nat. Rlty. b	2⅝	.....
Frouge	1½	− ¼
•General Bldrs. b	6¼	+ 1½
•Kaufman & Bd. c	34⅝	− ½
Key Co. b (Kavanagh-Smith)	7	+ 2
Leisure Technology Corp. b	13⅝	+ ½
H. Miller & Sons	4¾	− ¾
McGrath Corp.	7½	+ 1½
National Environment (Sproul Homes)	1⅞	+ ⅝
Nationwide Homes	5⅞	.....
•Presidential Realty A b	9	− ¼
Presley Development	14½	+ ¾
Pulte Homes	6	− ¼
Ryan Homes	41¾	+ 2¼
Standard Pacific Corp. b	5⅝	+ ⅝
U.S. Home & Dev. b	25¾	+ 3¼
•Jim Walter c	29⅝	+ 2⅛
•Del E. Webb c	8¼	+ ⅞
Washington Homes	4½	− 1¼
Western Orbis b	3¾	− ¼
S&Ls		
American Fin.	14⅜	+ ⅞
Calif. Fin. c	9⅛	+ 1⅞
Empire Fin. b	11⅞	+ 2⅝
Far West Fin. c	13	+ 1⅜
•Fin. Fed. c	14⅞	+ 3⅞
•First Char. Fin. c	40⅝	+ 2⅞
First Lincon Fin.	5	+ ¼
First S&L Shares b	14¼	+ 1¾
First Surety	4⅝	+ ⅞
First West Fin.	2⅞	+ ½
Gilbraltar Fin. c	19⅛	+ 4⅜
•Great West Fin. c	21	+ 2¾
Hawthorne Fin.	9¼	+ 2¼
•Imperial Corp. c	12⅛	+ 2
•LFC Financial (Lytton) c	6⅝	+ 1⅜
Trans-Cst. Inv.	4½	− ½
Trans World Fin. c	9	+ 1½
Union Fin. b	8¾	+ 1¼
United Fin. Cal. c	8½	+ 1¾
Wesco Fin. c	18½	+ 4⅝
MORTGAGE BANKING		
Charter Co.	11½	+ 4½
•Colwell b	18⅝	+ 3⅜
•Cont. Mtg. Investors c	16⅜	− 1⅛
Cont. Mtg. Insurance	17¾	+ 3¼
Excel Investment	9	+ 1¼
FNMA c	49⅞	+11
First Mtg. Ins. Co.	7¾	+ ½
•First Mtg. Investors c	22¾	+ ⅝
•Lomas & Net Fin.	8⅛	+ 1⅛
•MGIC Invest. Corp. c	51¾	+ 5⅜
Mortg. Associates	15¾	+ 1¼
Mortg. Trust of Amer.	18	+ ⅜
North Amer. Mtg. Inv. b	21	+ 1⅞
Palomar Finan.	6¼	+ 1⅜
UIP Corp. b (United Imp. & Inv.)	3¼	− ½
Universal Invest. Trust (South. Mtg. Inv.)	2⅛	.....
LAND DEVELOPMENT		
All-State Properties	½	− ¼
American Land	¼	.....
•AMREP b	22¾	+ 5⅞
Arvida	7¼	− ¼
Atlantic Imp.	15	.....
Canaveral Int. b	5¼	+ ⅛
Crawford Corp.	3¼	.....
•Deltona Corp. b	23¼	+ 4⅜
Disc Inc.	3⅞	− ⅜
Don the Beachcomber Ent. (Garden Land)	6½	.....
FPA Corp. (Fla. Palm-Aire)	7⅞	+ 2⅛
•Gen. Devel. c	20½	+ ¾
•Holly Corp. b	1¾	.....
Horizon Corp.	20¼	+ 3¼
Laguna Niguel g	4⅜	− ⅜
Major Realty	5⅜	.....
•McCulloch Oil b	28	+ 3⅛
Scientific Resources c (Sunasco)	3¼	+ ¾
So. Rtly. & Util. b	4½	− ⅛
DIVERSIFIED COMPANIES		
Boise Cascade c	46⅜	− 2⅛
Citizens Financial b	10¼	− ¾
City Invest. c	16¼	+ 3¼
Cousins Props.	27	.....
Forest City Entr. b	14½	+ 1½
Great Southwest Corp.	4¼	+ ¾
Investors Funding b	10	+ ⅜
Midwestern Fin. b	13	+ ⅝
Rouse Co.	27¾	+ 2¼
Tishman Realty c	19	− ⅛
MOBILE HOMES & MODULES		
Con. Chem. Co. b	6⅝	+ ⅝
•Champion Homes b	25¼	+ 5¾
Commodore Corp. b	7	+ ⅛
•Fleetwood bd	28¼	+ 5½
•Guerdon b	14⅜	+ 2⅞
Mobile Home Industries b	15¼	+ 3⅝
Monarch Ind. c	17¼	+ 2⅜
•Redman Indus. c	22¾	+ 4⅞
Rex-Noreco b	15⅞	− ⅝
•Skyline c	25⅝	+ 3⅜
Town & Country Mobile b	9¼	+ 1
Zimmer Homes b	15½	+ 4
Hodgson Houses	4	+ 1
Modular Housing Systems Inc.	10	+ ½
Nat. Homes A. g	14⅝	+ 1¾
Shelter Resources a	12¼	.....
Stirling Homex	17¾	+ 1⅛
Swift Industries	3¼	− ¾

a—stock newly added to table. b—closing price ASE. c—closing price NYSE. d—not traded on date quoted. g—closing price MSE. h—closing price PCSE. k—not available. •—Computed in HOUSE & HOME's 25-stock value index. y)—adjusted for 1-for-5 reverse split. z—adjusted for 3 for 2 split. NA—not applicable.

Sources: New York Hanseatic Corp., Gairdner & Co., National Assn. of Securities Dealers, Philip Beer of Russell & Saxe, American Stock Exchange, New York Stock Exchange, Midwest Stock Exhange, Pacific Coast Stock Exchange. Listings include only companies which derive a major part of their income from housing activity and are actively traded.

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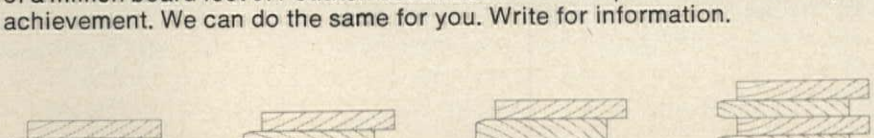

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Engineering: David R. Wittes
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For details see Sweet's Architectural file 1c/Po.

Lock-Deck is available in 4 thicknesses and 2 face widths. Electro-Lam® beams in all sections up to 162 sq. in., lengths to 60 ft.

CIRCLE 67 ON READER SERVICE CARD

Piece-of-the-action mortgaging: It's now a way of life for the life companies

John C. Tibbs

Nine questions were sent to the 167 largest life insurance companies, and 118, or 71%, replied. This high rate of response was accompanied by an outpouring of comment that reflects a new philosophy. Below is a tabulation of answers to seven questions. The eighth is cited in the story and the ninth, on the capital outlook, is the basis of a story on page 24.

We will commit long-term (10 year) capital on a fixed return.
Yes 62% **No 38%**

Given the proper credit and legal ability, we would grant 100% financing on a straight mortgage with no residual benefit to us.
Yes 23% **No 77%**

All long-term investments must have some participation feature.
Yes 43% **No 57%**

Traditional sale-leaseback with return of, and on, capital via the primary lease term is a desirable investment for our portfolio.
Yes 51% **No 49%**

Looking at a 20-year mortgage request on an excellent industrial-warehouse type property, minimum acceptable lease term would be
5 yr 25% **10 yr 21%** **15 yr 43%** **20 yr 11%**

As a factor of input, long-term capital has received less return than it should have (pre-1967).
Yes 89% **No 11%**

Inflation must be considered on all long-term investments, just as are such criteria as risk, security, etc.
Yes 95% **No 5%**

In the good old days Mr. Developer showed his proposition to Mr. Lender and, if the arithmetic and underlying properties proved satisfactory, there it was —a straight-interest loan, typically for 75% of the fair market value.

Forget it!

Just as the depression left memories that some survivors could never erase, the tight-money and high-inflation experiences of recent years have made a permanent impression.

Life insurance lending officers are overwhelmingly convinced that participation, either in the income or ownership of properties they finance, is necessary to protect them against loss from inflation.

In reply to a survey conducted by John C. Tibbs, vice president of the Chicago mortgage banking concern of McElvain-Reynolds Co., the larger life companies make clear a major shift in lender thinking.

Overcaution. "Money can be too safely invested—to the point that it is not properly rewarded."

"High credit leases are still desirable, but yield and inflation protection are important factors in investment analysis now. Mere credit alone, no matter how good, is no longer enough."

These two comments show how lenders have changed their philosophy. They no longer look for what one called "the completely carefree investment."

The big question. Tibbs had asked lenders:

"In the past, the most desirable lease appeared to be the high credit, and it was able to command the lowest possible price in the market. Has this situation changed? Do lessees have to revise their thinking?"

The answers made the case explicit: high-credit lessees must revise their thinking, and as one respondent said, "many seem to be doing so."

There was a minority view. "High credit remains a primary consideration," it held, and most investors are "yield mad and will one day have to pay the piper." The thesis was muted, however.

The new language. The replies abounded in the new language of participations:

"Equity kicker . . . inflation hedge . . . percentage clause . . . competitive yields . . . escalated rents . . . percentage of sales."

One respondent put into focus a development that appears to be a basic change in mortgage lending.

"There are institutions that finance real estate and there are those that finance credit," he said. "The more sophisticated rely on basic real estate values for their safety, and most often they get higher yields for their expertise."

Close to 100%. The inflation experience of lenders cannot be overestimated.

Sample replies:

"Inflation must be accounted for, either by an adequate fixed rate or participation."

"Inflation appears to be with us to stay, and therefore must be considered in any investment."

The minority that said no to the question was not only miniscule but less confident. One comment: "Not necessarily on all investments, but still a factor."

Another noted that inflation is "not too important a consideration for a life insurance company, which has fixed dollar liabilities."

Inflation hedge. About four out of 10 respondents flatly refuse to consider long-term lending that does not have some flexible inflation protection, but the response varied with the wording of the questions *(Nos. 1 and 3 in box, above)*.

While the wording may account for a slight shift in response, the apparent discrepancy may be explained by the number of qualified affirmative answers.

This "yes, but" group stressed the importance of hedging against inflation by getting a high yield on long-term investments.

Fixed-income low. The extreme aversion of some lenders to fixed rates was typified by the respondent who said:

"We would commit subject to a high rate and a completely closed prepayment, plus an option to call the loan after the 10th and 15th years."

The dominant view was clear: participation loans get preference.

"And the participation must be meaningful. In some cases we even get an ownership participation of 10%-15% for making our standard maximum 75% loan," one respondent said.

The 100% loan. Tibbs asked about making 100% loans with no residual benefit.

The 23% minority *(see box)* that would consider such financing made it clear that these loans would be costly.

"Note must be a high rate," said one reply.

"At a sufficiently attractive rate," said another.

The negative view was summed up by: "No, risk is worth something," and "No, not unless it is a joint venture."

Sale-leaseback. Tibbs found the traditional sale-leaseback still attractive to half the lenders *(figures above)*, but many place participation hurdles in front of such deals.

Typical comments:

"Yes, if chances of appreciation are excellent, and no repurchase option is required."

"Yes, if we like the real estate well enough, and renewal option includes escalated rents."

"Provided there is inflation protection via a percentage clause, price-index tie, etc."

Those saying no to sale-leaseback also stressed the damage inflation could do. Comments:

"Not interested unless some inflationary hedge, such as resetting of rents, is provided."

"Not unless there is a short reversion period, or cost-of-living adjustment."

Term of lease. The question on what lease term lenders would consider elicited a few replies of "no minimum."

Most were interested in the land value and its appreciation potential. Said one:

"If area were static or in downward trend, lease would have to cover amortization. If upward, we might consider 5-year or 10-year term."

Tibbs' question on whether capital was properly paid back when investors were pushing their funds after loans was called "hindsight" wisdom that has taught lenders a lesson.

Said one:

"Long-term rates must be flexible, which will work for creditor and debtor." —T.M.

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CIRCLE 68 ON READER SERVICE CARD

These are the houses that Jim Ryan, the Kennedy Brothers, and Fox and Jacobs built.

These are the Andersen windows that helped them sell about 1400 of them last year.

The men who built and sold these houses live in three different parts of the country. But they all share one thing in common.

A preference for Andersen windows.

Jim Ryan in Columbia, Maryland, builds many traditional homes in the \$22,900 to \$50,000 range. His favorite Andersen window is the Perma-Shield® Narroline.™ (That's our new double hung—with a unique combination of rigid vinyl and new polyeura factory finish. Doesn't need painting for at least 10 years.) Customers love them. So does Jim Ryan . . . "We never have service problems with Andersen."

The Kennedy Brothers in Chicago specialize in period homes (French Colonial, American Colonial, and Italian) in the \$75,000 bracket. They like the fact that Andersen windows come in 6 styles and hundreds of sizes—which gives them the freedom to use our windows as "architectural design pieces . . . almost as conversation pieces."

Fox and Jacobs (down Dallas way) specify Andersen windows in *all* their homes from \$25,000 and up. As far as they're concerned, every "quality customer" deserves the finest windows in America.

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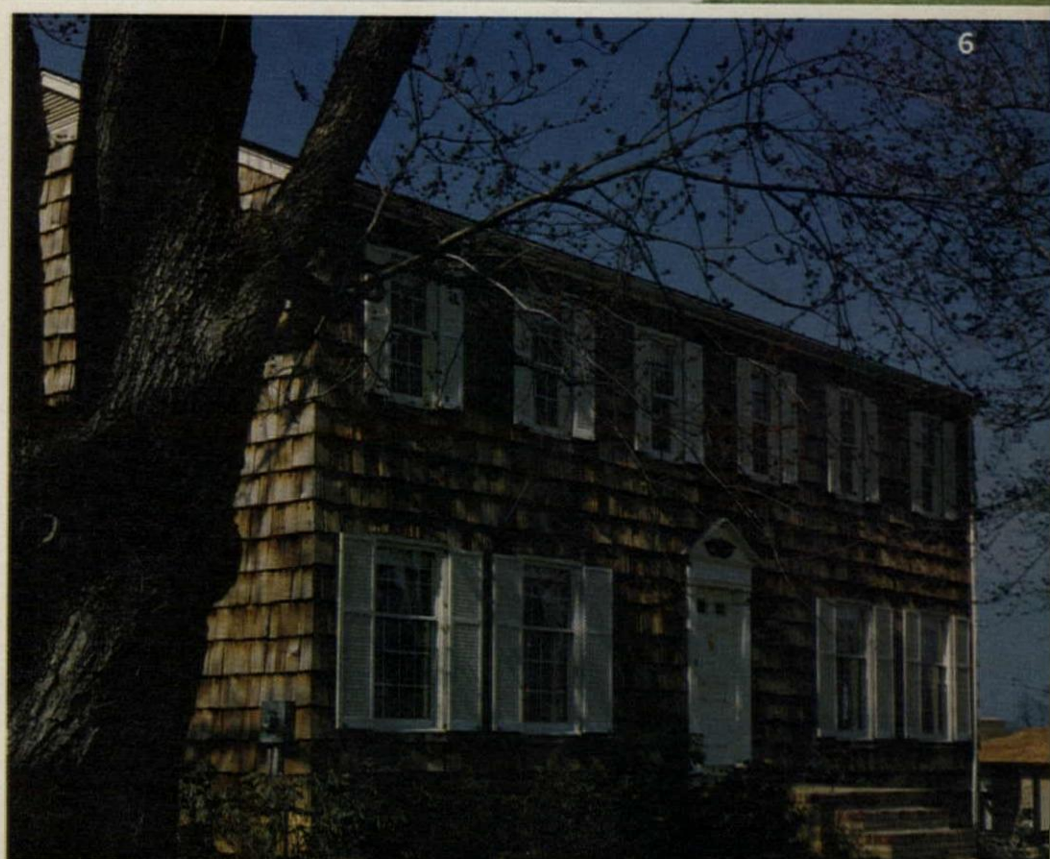
CIRCLE 76 ON READER SERVICE CARD

1 and 4. Builder: Fox & Jacobs Construction Co., Dallas, Texas. 2 and 5. Builder: Kennedy Brothers, Chicago, Illinois. 3 and 6. Builder: James P. Ryan Company, Baltimore and Columbia Md., Washington, D.C.

2

5

3



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4

Lack of sewer facilities balks builders—the problem is widespread and costly

And it threatens to get worse.

Public concern over clean water has now reached a point at which a state board will not hesitate to overide a local water control board and freeze all construction in an area, both residential and commercial.

That's what happened in California. The law there is probably the toughest in the nation, but other areas are beginning to feel pressure for similarly effective solutions to sewerage problems.

The need is for better treatment of sewage and larger, more efficient plants.

These needs were stressed in Environmental Quality, the first annual report of the Council on Environmental Quality, the group that President Nixon has charged with giving "unified direction to our war on pollution."

California confrontation. The problem of raw sewage in San Francisco Bay during periods of heavy rain moved the State Water Resources Control Board to take unprecedented action.

The state board held a local meeting, called the Bay Area Water Quality Control Board guilty of "too much talk and not enough action," and preempted the regional groups authority.

The state board slapped a ban on sewer connections in a large part of the San Francisco area. This effectively halted most homebuilding because the city was unwilling to issue permits. It reasoned that a permit implied the right to a sewer connection, and feared suits by builders whose permits resulted in sewerless buildings.

The drastic move against San Francisco and Bay Area cities worked like a charm.

Within two months the city had pumped $100,000 into improving treatment plants, and had begun to prepare seriously for a $500-million investment in sanitary facilities.

Cleveland impasse. On the local level, as many builders can testify, more coordination is needed.

Cleveland and 33 suburbs were told to stop issuing building permits last May, but the city has ignored the State Water

Says Robert B. Holt of the water board:

"If the big one gets away with it, all the little ones will, so we are going to push enforcement."

Florida's problems. The sins of septic tank subdivisions and rinky-dink sewage treatment plants have been visited on South Florida builders.

One of the areas afflicted with a building ban was Miami's Key Biscayne, winter home of President Nixon.

Dade County (Miami) and Broward County (Fort Lauderdale) have both suffered.

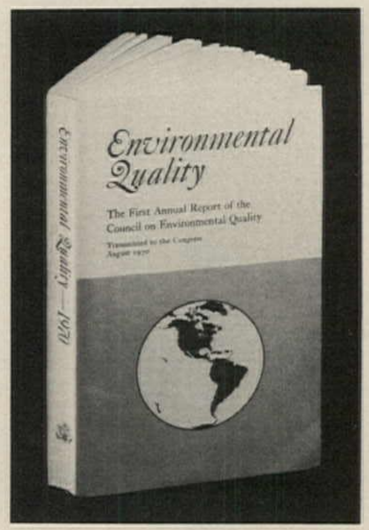
The Builders Assn. of South Florida sent out a bulletin warning members against buying land without checking on the availability of adequate utility service.

Trouble on the Gold Coast. The troubles of Hallandale, just north of Miami, aroused wide interest.

Broward County health officers threatened to get an injunction to ban building permits because Hallandale was overloading the 36-inch line that carries sewage to the treatment plant in adjoining Hollywood.

When raw sewage began pushing the covers off manholes in the streets of Hollywood, officials acted.

The ban lasted two weeks, which is how long it took engineers of the two municipalities to lay an auxiliary 9-inch line. A 48-inch line is scheduled for autumn.



Ocean damage. But, as in other sections of the country, South Florida's problems are large, and larger mains are a stop-gap measure.

Hollywood and most coastal cities have been treating sewage but just barely meeting between 30% and 40% of modern health standards, and then pumping it into ocean outfalls.

The current emphasis on reducing pollution has state officials talking about a ban on oceanfalls and requirements for tertiary treatment plants.

A really stringent regulation, local observers say, could halt all building along the Gold Coast.

St. Louis dispute. St. Louis presents a textbook example of sewer problems.

About 25 builders are caught between sewer operators and the officials who have authority over sewer use.

The sewer operators include two private companies, two municipalities, and the metropolitan sewer district, which serves both the city and St. Louis County communities.

The Missouri Water Pollution Board is the regulator. Because of a lack of long-range planning, the board banned sewer connections and extensions last May.

The ban will continue until comprehensive plans, showing construction, financing, and dates for pollution abatement are filed.

Costs. What the board wants, and is in a good position to get, will cost a lot of money.

The board conceded that it is asking for a lot, but says it rebelled at foot-dragging by the municipalities and private sewer companies.

The outlook is for a long standoff affecting a 25 square mile area that accounts for much of the new house construction and about a third of all building in St. Louis County.

Work is shut down to about 50% its normal volume, and will be 90% shut down by year end if the ban is not lifted, says William S. Cassilly, chairman of the HBA committee on political matters.

Cassilly is pessimistic on the possibility of an early resolution of the problem.

A windfall. Such a costly plan, Cassilly says, would necessitate a federal grant, and that would force the metropolitan sewer district to become a monopoly in sewage treatment.

To do that, it would have to buy out the two independent companies.

Cassilly estimates that builders have constructed and deeded to the companies some $10 million worth of sewer lines in the last 10 years.

He contends that the companies want to sell these capital improvements at full value, and reap a windfall profit on what was to be used for many years.

Loss to builders. There are no figures on what inadequate sewer facilities are costing builders on a nationwide basis, and local estimates appear suspect.

Cassilly declines to speculate on the loss in St. Louis.

In the Washington area, where the sewer problem has affected Fairfax County, Va., and Montgomery and Prince George's Counties in Maryland, a study for the Metropolitan HBA places direct construction losses at a $366 million annual rate with another $38 million indirect loss.

Nationwide the losses must run into enormous sums.

The President's council on environment, in its 326-page report, presents a chapter on water pollution. The findings are not encouraging.

There appears to be no way of handling the sewage problem

Disposing of disposals

Kitchen-sink garbage grinders have been banned from new housing in Delta, B.C., near Vancouver, so the semi-solid waste they produce will not clog low gradient sewer lines. Environmental Quality says such units overload sewers.

Essentially waste is a human invention: natural systems are generally "closed." . . . Man, on the other hand, has developed "open" systems—ending all too often in an open sewer

Land Use is the name of the game for both children and the President's council

from the book ENVIRONMENTAL QUALITY, the first annual report of the President's Council on Environmental Quality

The first men upon this land, the American Indians, treated it with reverence, blended with it, used it, but left hardly a trace upon it.

Misuse of the land is now one of the most serious and difficult challenges to environmental quality, because it is the most out-of-hand, and irreversible.

Many individuals cite selfish profit seekers for environmental degradation, rather than laying much of the blame—where it belongs—on misplaced incentives in the economic system.

As a consequence (of the automobile), thousands of acres of undeveloped land fall prey each year to the bulldozer. More single-family, detached homes shoulder out the open spaces. Many of these developments are drab in design and wasteful of land. They denude the metropolitan area of trees and thus affect climate; they cause erosion, muddy rivers and increase the cost of public services.

The combination of open space with cluster zoning or planned unit development lowers the initial community service costs because of smaller networks of roads and utilities, and it makes a more livable environment for the long term.

"There is a critical need for more effective land use planning."
PRESIDENT NIXON

Children from 10 to 12 years old concentrate on Land Use. Their discovery of the problems confronting a developer generated lively post-game discussion.

And they find the challenge fascinating.

Land Use is the tentative name of a game developed by Education Ventures Inc. for Hill Development Corp. of Middletown, Conn.

Hill, a real estate subsidiary of Wesleyan University, was seeking a means of explaining the concept of Wesleyan Hills, a planned unit development it began in mid-1968. (See *Small cities: Will they be the next big market for housing?* H&H, March).

Before playing Land Use, children learn that there are many desirable—and conflicting—ways to use land. They and the teacher use a book, *Mike's World—Your World*, which elaborates on these conflicts and the basic conflict of an expanding population (which needs housing) and increasing pollution (which calls for conservation of natural resources).

Clash of interests. The book tells of an imaginary city that is considering how to use a piece of land called Denton Acres. A clash develops, involving conservationists, businessmen, social workers, householders, sports enthusiasts, shopping center developers, homebuilders, and the city administration.

Each group advances its plan for the area. The validity of each viewpoint is explained.

With the knowledge that land problems seldom find perfect solutions, but only optimum compromises, the children play Land Use.

The object is to preserve as much of the land's natural quality as possible, while housing a maximum number of people—in developer's terms, high density housing with a maximum of open space.

The lineup. Players divide into groups, three or four to a team, and take such roles as developer, architect, contractor, chief planner, and treasurer.

The teams have 20 minutes to plan a community of 20 houses complete with ponds, recreational areas, and landscaping. Markers, symbolizing houses, trees, ponds, and recreational areas are placed on a board that is divided into marsh, meadow, and forest areas, with a brook running through them.

Each team has 100 points, the value of the land in natural state. It costs one point to build a house in a meadow, two for forest location and three for a marsh. Bonus points are: two for planted trees, five for building a pond, and seven for a recreation area.

The teacher can give 10 bonus points to a team that is imaginative in planning its community. Two teams play at a time, and high score wins.

Enthusiasm. Some 1,200 Connecticut school children played Land Use during test marketing last spring and their response delighted Hill Development.

James E. Lash, president of Hill, says the results were better than expected.

Hill had gone to Education Ventures seeking some means of identifying itself with the growing movement for a better environment, and the game was what evolved.

Land Use is an effective promotional device for telling the community about the benefits of planned unit development. According to Lash:

"Apparently the kids get the message and carry it home."

Youngsters who have played Land Use are stimulated by the discovery that many land problems have no perfect solution.

For instance, a great desire for privacy leads many of them to put houses in the forest before they realize that the costs are high (in points during the game and in natural resources in real life).

Market version. Education Ventures has received inquiries and even a few orders for Land Use, even though it is not yet on the market.

Only a few prototype models have been made, and the board and pieces have yet to be designed with an eye to production costs.

Several publishers of educational material are negotiating for Land Use, and David G. Sparks, president of Education Ventures, hopes that it can be marketed for about $5.

Connecticut's department of education has listed Land Use as a suitable resource for teaching about pollution, so more children may soon be learning about cluster housing and *culs-de-sac.* —TREVVETT MATTHEWS

NEWS/FINANCE

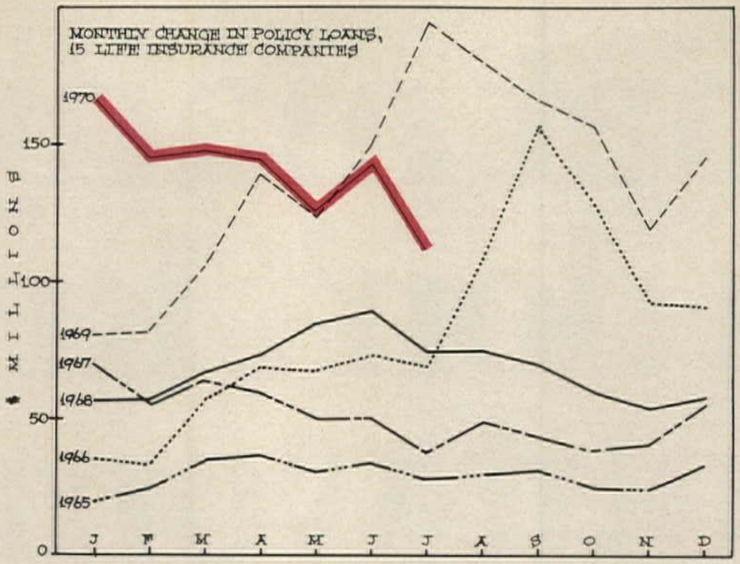
In 1971-72 life insurance companies will have a little more cash for mortgages

But their terms will be strong medicine for borrowers.

That's the picture presented by respondents to the last question in John C. Tibbs' survey of the industry.

Tibbs, vice president of McElvain-Reynolds Co., Chicago-based mortgage bankers, asked loan officers for:

"Personal observations on availability and broad general terms under which long-term capital will be committed for loans in 1971-72."



Cost. No really meaningful lowering of long term rates, replied one lender. Others said:

We will make money available for 1972 funding in 10%-12% range... We will negotiate for high rates . . . Investments will be made on very select basis . . . Minimum 10½% yield with opportunity to share in venture . . . Our rate is 9¾% plus 2% of gross income.

Availability. It is also clear that the life companies expect to have more money to lend.

Not much more, admittedly, but at least the trend is in that direction. There is not a single Jeremiah crying woe, and the few lenders who do expect a decline in funds strike a moderate tone:

Funds will be less readily available . . . Poor outlook for any sizeable volume . . . Funds will be limited as liquidity is rebuilt (assuming a diminution of policy-loan activity).

More typical of the insurance industry attitude on availability is this reply: "Capital in 1971-72 will be less available than pre-1969 (excluding 1966), but it will be more readily available than in 1969-70."

This respondent added that terms will stress some form of equity participation.

No threat. The possibility of government action to bar lender participation in loans was suggested by only one respondent, and he did not mention that legislation had been introduced in Congress, nor that Rep. Wright Patman (D., Tex.) has said he will include an anti-participation measure in the next housing bill.

What this lender did say, was that elimination of participation might peg the whole range of mortgage rates at a higher level than in pre-participation days.

Outlook. The attitude of many lenders was summed up in the answer:

"We will have funds, but they will demand a high return."

The 1970s have been labeled a capital-short decade. Although there is mild encouragement in the Tibbs survey of availability, and the decline in life company policy loans, the modest increase expected by these firms does not appear to herald an end to the capital shortage.

Sanspray. The Great Stone Facing.

Imagine an exterior wall cladding with all the beauty and durability of stone. Plus the low cost, easy installation and maintenance freedom of plywood. And you're into Sanspray.® A natural stone aggregate bonded to plywood. The most exciting thing to happen to exteriors in a long, long time.

That's Sanspray's large aggregate pictured above. There's also a small aggregate (equally distinctive). And a range of colors you have to see to appreciate; like Tangerine, Pearl Gray, Gaelic Green, Monterey Sand . . . and others.

But the hidden beauty of Sanspray lies in its low cost—far less than most stone and masonry wall claddings. Far lighter, too, and much easier to install. Saw it. Drill it. Glue it. Nail it directly to framing members. Then forget it. Because Sanspray is virtually maintenance-free, in all climates. Sanspray. The beauty treatment for all residential, light commercial and industrial buildings. Find out more about it at your local U.S. Plywood Branch Office.

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CIRCLE 74 ON READER SERVICE CARD

Even if you are short of space, here's proof you don't need to skimp on the refrigerator. Look at all the good things Whirlpool packs into 30 thrifty inches.

Take the model at the left. It's just 29¾″ wide but it's 14.0 cu. ft. big, with 11.73 cu. ft. for fresh food storage and a 79-lb. freezer section and slide-out chiller tray.

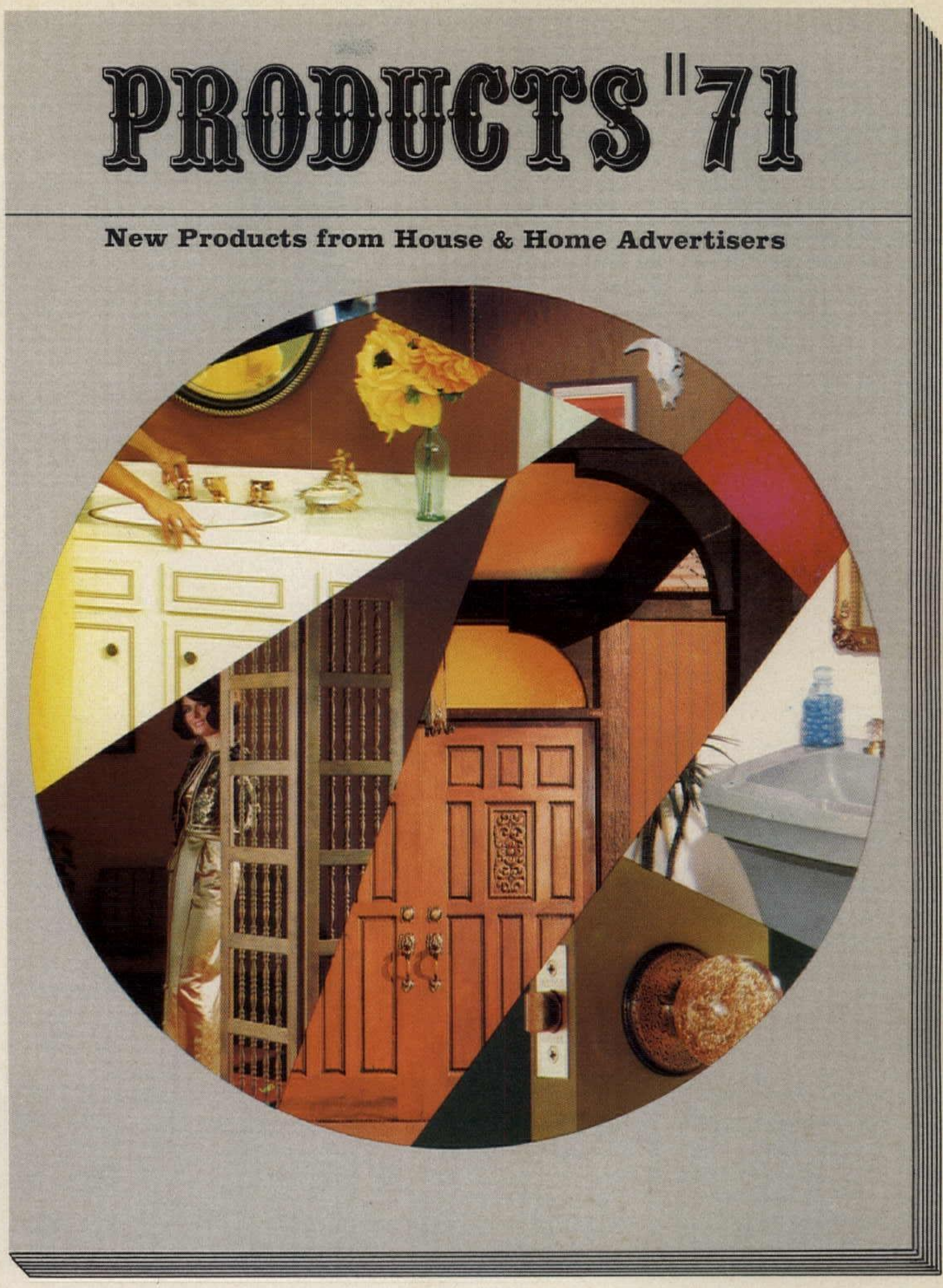
The 2-door beauty on the right boasts a separate, 131-lb. freezer with its own door and storage shelf. It's 13.2 cu. ft. overall, with automatic defrosting refrigerator section and measures 29¾″ against the wall.

Or, depending on your needs, you may want to specify one of our other "13's" — with step-up features like No-Frost for no defrosting, a "zero degree" freezer section, glide-out refrigerator shelf, removable egg bin and more. One even has the IceMagic® automatic ice maker. Three other models (not shown) are a full 15.0 cu. ft. inside but no wider outside.

When the lady is looking for value — and she will be — any one of these Whirlpool Cool Ideas will fill the bill and fit your space, beautifully!

Whirlpool
CORPORATION

CIRCLE 75 ON READER SERVICE CARD



a timesaving guide to the 1971 NAHB exhibits

Builders attending the big sprawling NAHB convention in Houston next January will face a bewildering array of products, new and old, spread out over a huge exhibit area. Products '71 has been created by House & Home and its advertisers to organize your shopping tour of this impressive display and copies will be available free at the show.

see the best, newest, most exciting

This pocket sized guide to the exhibits is a collection of building products, materials, tools and equipment . . . in each case especially selected by the exhibitors themselves as being the best, the newest, the most exciting they will be offering in 1971. Each product will be handsomely illustrated in full color, described in detail and identified by company and booth number.

save time and steps

The order of presentation in Products '71 will be by booth sequence enabling you to move quickly and efficiently through the aisles pinpointing just the specific products of interest to you.

The booth numbers will also be color coded to match the carpeting and banners that identify the different sections of the exhibit area. This means you can start your Products '71 tour at any exhibit and still save hours of time and thousands of footsteps.

can't make the show?

If you can't make the show this year you can use Products '71 to see for yourself just what the participating exhibitors are displaying as their best, their newest, their most exciting. Every copy of Products '71, including those distributed at the show, will have two reader service cards so that you and your associates can request catalog information by mail.

reserve your copy now

If you can't make the show, you can reserve a copy now by sending one dollar along with your name and address to Products '71, House & Home, 330 West 42nd St., New York, New York 10036. Your copy will be mailed immediately on publication in early January.

Be sure to attend the NAHB Convention in Houston: January 17-21, 1971

White House holds up Unger's FCC job pending 'routine' audit of his taxes

Sherman Unger, the former general counsel of HUD, has run into a roadblock on his way to join the Federal Communications Commission.

An audit of Unger's 1968 tax returns by the Internal Revenue Service has caused the White House to delay sending his FCC nomination to the Senate for confirmation.

The President's press secretary, Ron Ziegler, confirmed that an agreement on the delay had been reached with Unger.

Battle over FNMA. President Nixon had named Unger to the FCC when he resigned abruptly from HUD after losing a bitter behind-the-scenes fight for control of the Federal National Mortgage Assn. (NEWS, Aug. *et seq.*). Unger was a director.

Shortly before leaving HUD, Unger had raised a conflict-of-interest question about several FNMA board members. Several directors felt that he was striking back after his failure to be named chairman. Whether this was so or not, Unger's action could have embarrassed the Administration.

The tax audit. The audit of Unger's 1968 return began after he left HUD in late July, although IRS had told him last March that a "routine" audit would be made.

The FCC post has about 10 months remaining. Some Washington sources have reported that the White House now has another choice.

For Ray Lapin—back to mortgage biz

Ray Lapin has returned to private enterprise after three years in Washington. For the better part of two years the self-made millionaire with a master's degree was head of Fanny May.

Lapin has hung out a mortgage banking shingle that says R. H. Lapin & Co. at 155 Sansome St. in San Francisco.

Whether Lapin can repeat his record and build another giant mortgage company is a question, but his enthusiasm at the starting gate is certain.

MORTGAGE MAN LAPIN
New start in San Francisco

"Our company is not going to be content with the old ways of doing business," says Lapin.

Using the old ways, Lapin built Bankers Mortgage Co. from zero in 1956, when mortgage banking was begun, into one of the nation's top dozen firms in 1966, when its sale to Transamerica Corp. was completed. The price was variously estimated from $3.5 to $5 million.

Lapin says his new company will become a partner of large corporations in issuing housing securities.

Ford steering out of modular housing after a year

A year ago Ford Motor bought 30 per cent of Concept Environment of Laguna Beach, Calif.

In August, six weeks after completing the purchase of the rest of the company, Ford disclosed plans for selling Concept, a modular producer.

The Detroit giant paid about $1 million for its ride into and out of modular housing. That was the admitted loss in August.

Negotiations were under way with several large companies and Ford expected to sign and seal the deal this month.

A Ford spokesman emphasized that the sums involved were miniscule for the motor company, which last year reported a gross of $14.75 billion, and a net of $546.5 million.

The apparent wrong turn in modular construction will not deter Ford's real estate operations, carried on by Ford Motor Land Development Corp. under President Wayne S. Doran.

The Ever-Strait Door by Pease. Never a problem. Door after door after door.

It's proven.

In installations like Chicago's famous Marina Towers. Where you'll find 1,600 Ever-Strait Doors.

All functioning beautifully after seven years of tough Lake Michigan wind and weather.

Because an Ever-Strait can't warp, twist, shrink, swell, crack or peel.

It's been designed to cut maintenance, noise, heating and air conditioning costs. And it does.

Ever-Strait's a complete system. Steel-faced door with built-in thermal break. Solid insulating foam core. Prehung in its own frame. With continuous magnetic weather-stripping. And adjustable sill/threshold.

Inside and out, there are features to upgrade any investment, and property.

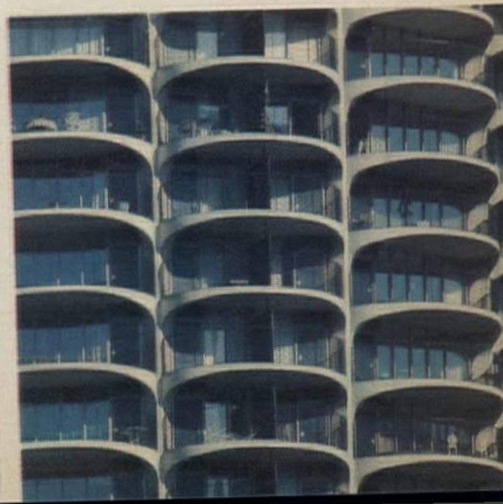
There are 30 door designs in the Ever-Strait collection. Each a beautiful way to end all your door problems.

Now you have a choice. There's an Ever-Strait Door for every doorway.

Pease Ever-Strait Doors®

900 Forest Ave., Hamilton, Ohio 45012

U.S. Patents No. 3,153,817; 3,273,287; 3,238,573. Patented in Canada 1965, 1966; and in United Kingdom 1962. Other patents pending.



day & night®

Day & Night's line of Cool Cube remote air conditioners has been expanded to include cooling capacities of 1½, 2, 2½, 3, 3½, 4 and 5 tons. Those seven sizes are a natural!

And a natural for you to use and specify. The Cool Cube installs simply, with no hard-to-reach service areas, no installation space wasted. All electrical controls are easily accessible, while fittings are conveniently located to eliminate overexposed refrigerant lines.

And check these other features: fully efficient heat removal . . . top discharge . . . L-shaped condenser coils . . . weather-conditioned casing . . . control panel sealed against dust and weather . . . heavy grille guards . . . fully hermetic, top-quality compressors . . . factory-lubed condenser fan motor . . . plus Day & Night's experience and manufacturing dependability.

These are some of the reasons it pays you to specify the Cool Cube line, now expanded to seven sizes. Naturally.

DAY & NIGHT MANUFACTURING COMPANY
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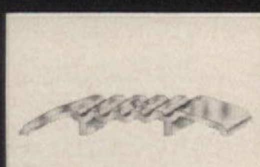
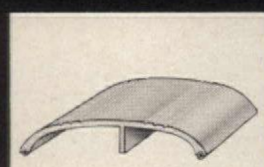
day & night

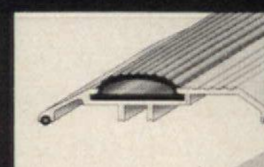
These cubes have come up a cool seven for better air conditioning.

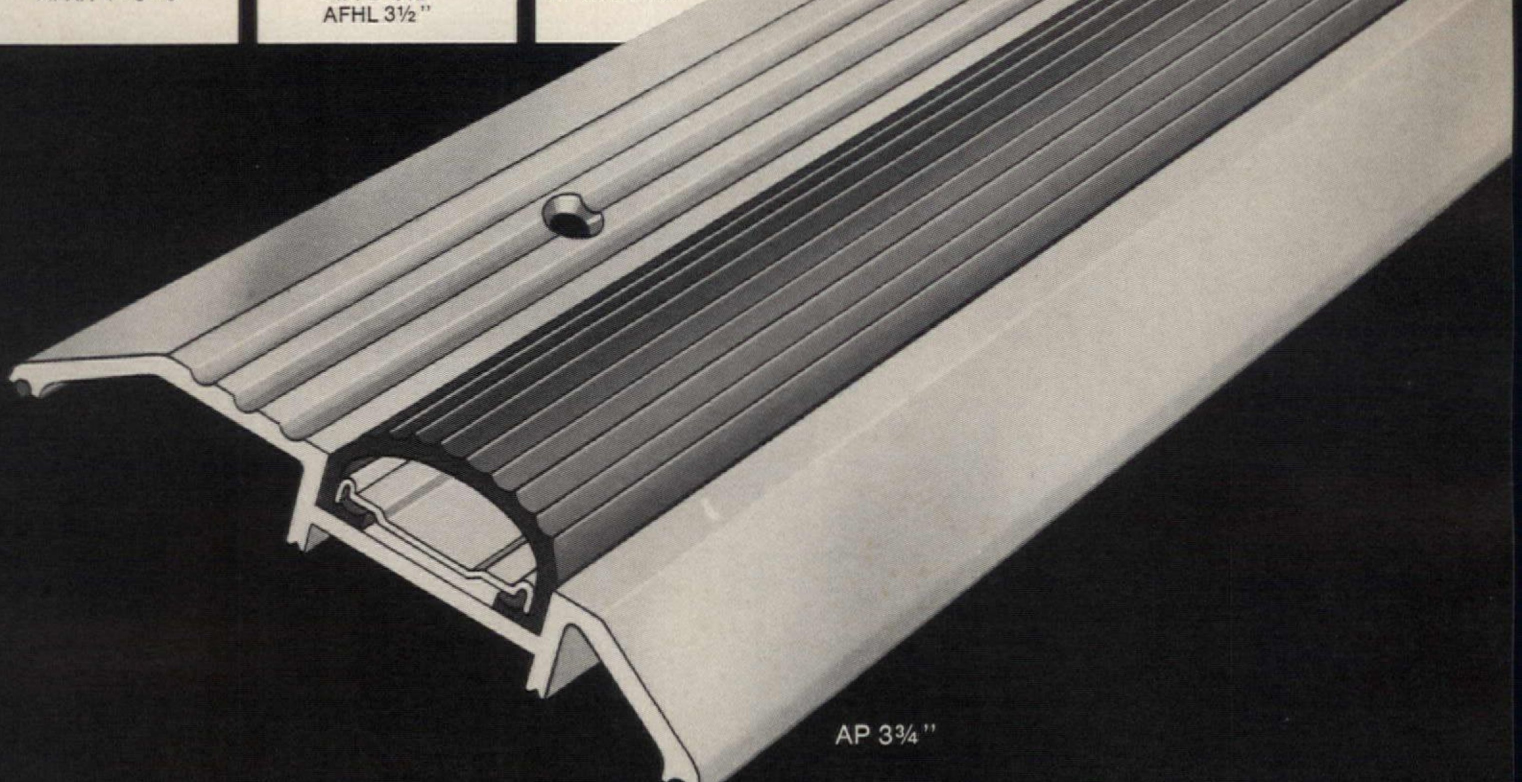
think m-d thresholds

and cut your labor cost


AFXX 4"-5"-6"


AFFL 3½"
AFHL 3½"


AP 375H 1⅛"


AP 3¾"

If you want thresholds that are easy to install and give a perfect seal then look for the famous M-D label next time you buy.

And if you have an unusual installation, M-D still has the answer with over 60 designs from which to choose.

More builders go for the AP 3¾" Threshold with the tough, long-lasting vinyl insert that stays put, than any other manufactured by M-D. It's a winner!

M-D has thought of the high-pile rug problem too. Three of the most popular thresholds in this line are the AFHL 3½" one inch high, the AP 118 and AP 375H both 1⅛" high. The AP 375H has the popular easy-to-install snap-in vinyl insert.

M-D hasn't forgotten your heavy traffic threshold problems. Among the large selections are the AFXX 4" - 5" - 6" and the AFFL 3½" which is also available without the center leg.

Forget about costly call backs and high labor cost by specifying quality M-D thresholds on your next project.

And thresholds are just a few of the many reliable quality building products bearing the famous yellow and black M-D "house." Look for it at your nearest HARDWARE AND BUILDING SUPPLY dealer. If you need additional information, write direct. We'll be glad to assist you.

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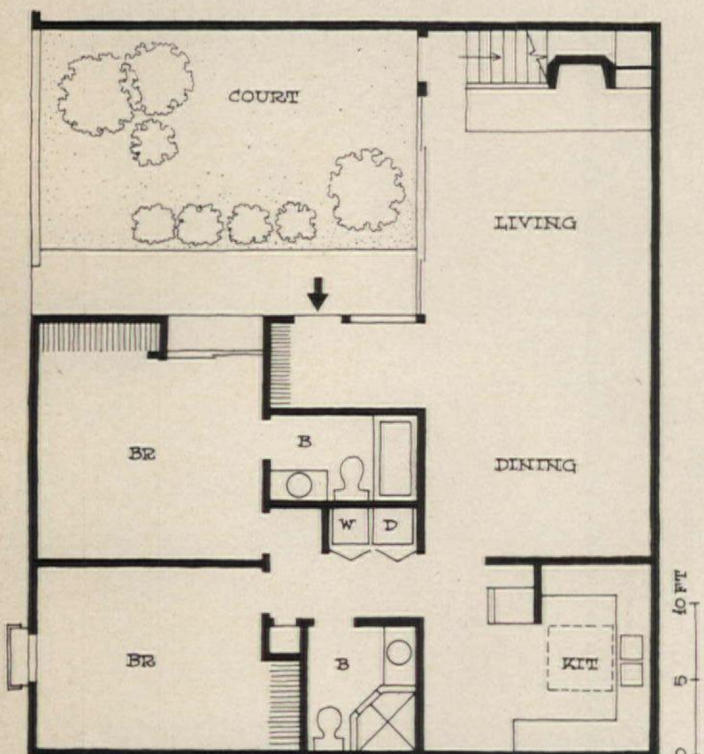
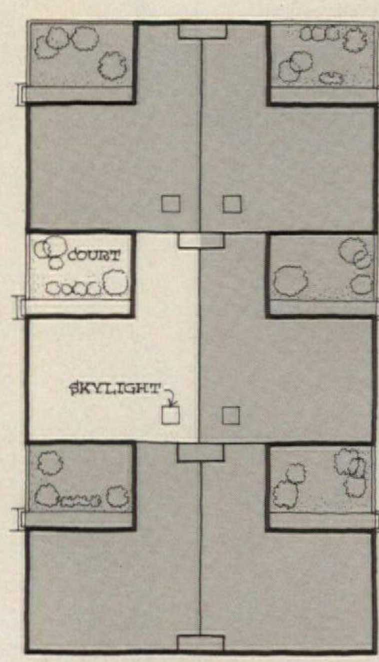
CIRCLE 78 ON READER SERVICE CARD

Exterior is uniform in texture, but wall height varies with units and courtyards. Clapboard siding is brown; doors and window-louver elements are red.

Courtyards and contemporary styling add up to fast sales for these condominiums





Plan (*left*) shows relationship of rooms to courtyard—living room and one bedroom open onto it. All buildings are made up of six units (*above*).

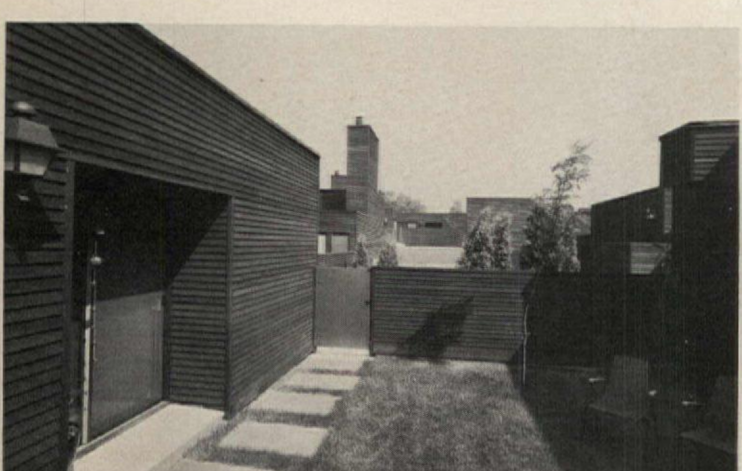
There are 92 units in the project and 70% of them were sold from plans and a model before construction even began. Now it has been completed for two months, and only five units remain unsold.

Veggo Larsen Co., of Hamden, Conn., who designed, built, and sold them, attributes the good sales record to one-level plans and courtyards with unusually good privacy.

Buildings have six units (*plan, left*). Density is 8 per acre, and some of what would normally have been common land is put into courtyards. All are landscaped by their owners, some are paved with stone or brick, and one has an Oriental garden.

Prices at Charlton Hills are about $34,000 (with appliances). Amenities include several fountains and a swimming pool.

PHOTOS: ROBERT PERRON



Private courtyard in each unit is 18' x 24'. End wall allows view out, but retains owner privacy—it is 4½' high inside, 6' high outside (*photo, above*).

Living room looks out on courtyard through sliding glass doors. Identical units have 1,400 sq. ft. Door at rear leads to private full basement.

It's part of the Tappan Package.

One thing's for sure in this business. You can't sell a woman somebody else's warmed-over kitchen.

That's why Tappan makes it easy to add the *custom touch.*

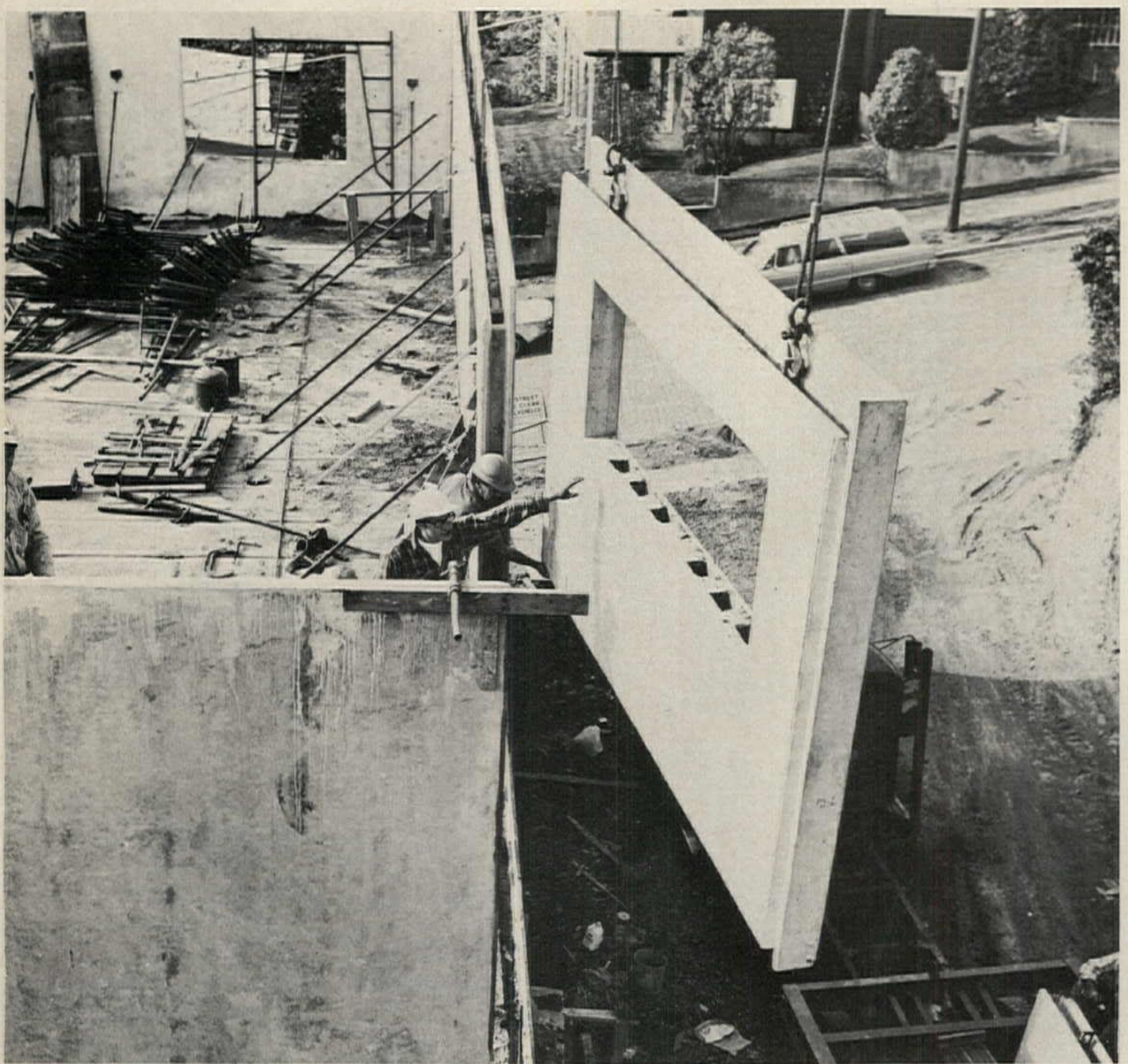
Example: Tappan Allure cabinets. They have no standard hardware, so your customer can choose from dozens of different styles — and create her own YOU-SHAPED KITCHEN.

And while she's picking, you can let her look at our selection of ranges, refrigerators, dishwashers, disposers, vent hoods and vanities. Probably the most complete line you could offer. The Tappan Package. May we show it to you?

TAPPAN
Convenience by the Kitchenful

Send for your free copy of our new full-color book, "THE YOU-SHAPED KITCHEN." Tappan, 250 Wayne Street, Mansfield, Ohio 44902.

Precast concrete panel system cuts condominium construction time in half



Precast wall panel with voids for post-tensioning rods is hoisted into place with tower crane. Crew of six men got building under roof in two months. Temporary bracing holds panels until grout is placed in panel voids.

Grout is pumped into wall-panel voids to form continuous key between floors and walls. Hollow core pumice block floors have concrete topping over them. For second housing project, builder used prestressed lightweight floor slabs.

Using the panels pictured at left, Seattle contractor Ken Gruol erected the eight-story apartment shown below at the rate of a story a week. This is exactly half the time it takes with cast-in-place construction.

The panels, product of the Longview Concrete Co., Longview, Wash., have been used to build another apartment project—this one for the Seattle Housing Authority. Both projects were designed by architect John Y. Sato & Assoc., also of Seattle.

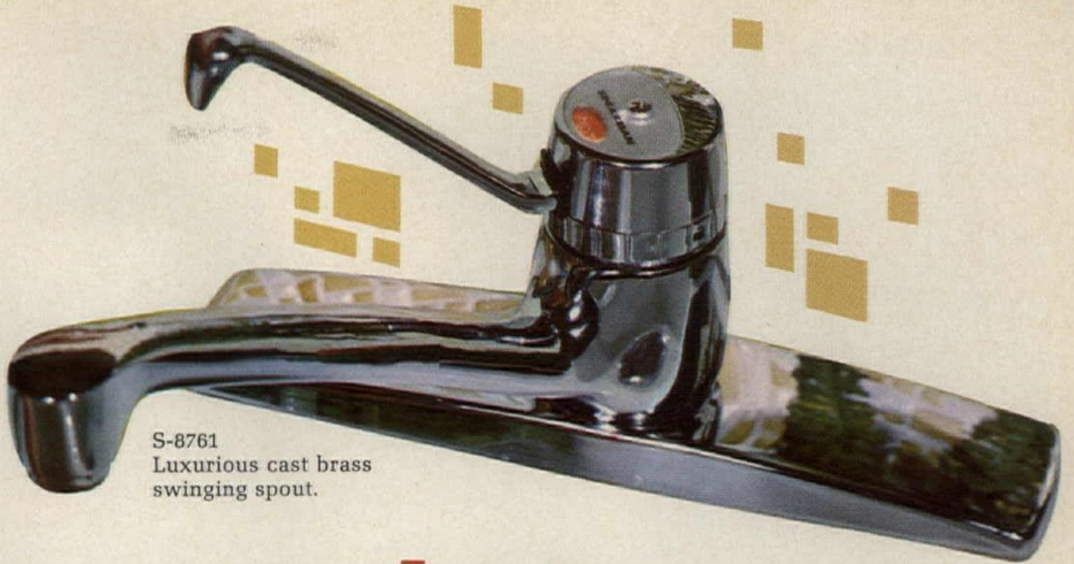
Continental House (*below*), first of the two projects, uses precast panels 16′ long, 9′ high and 8″ thick. Each panel weighs six tons, and 400 of them were required for the Continental House job.

Replacing the usual steel-and-concrete construction for buildings of this size, the precast panel system uses post-tensioning rods and grout at the joints. The panels are hoisted into position (*top photo*), and grout is pumped into the panel voids (*bottom photo*). No special joints other than vertical tie-rods with a 30″ overlap are needed. The panels simply butt against one another, while the grouted tie-rods form a monolithic key between floors and walls.

For the Continental House floor, 24″ hollow core pumice block was laid on top of steel joists 28″ on center. The pumice block provides sound-proofing between floors.

Cost studies of precast concrete panel construction in the Seattle area vary from project to project and depend upon the number of openings per panel and other factors. But at $2.25 per sq. ft., the system does appear to have a future.

Continental House is first of two projects to use precast panels.



S-8761
Luxurious cast brass swinging spout.

SPEAKMAN *colortemp*®

You are looking at some of the finest crafted fittings in the world. Design ideas that go beyond beauty, solid brass luxury, and the precise response to the touch.

Every model is color coded for easy temperature control.

Each one uses Speakman's interchangeable cartridge for minimum maintenance.

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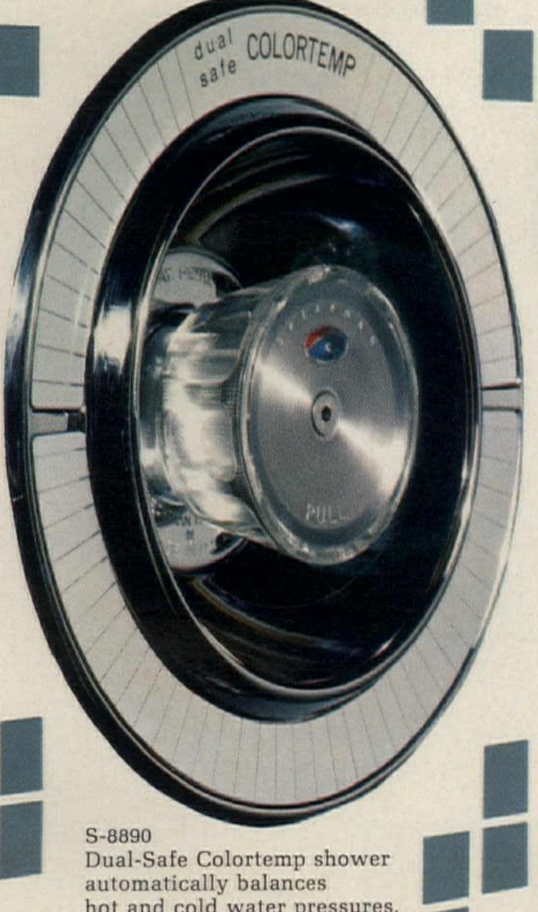

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Dual-Safe Colortemp shower automatically balances hot and cold water pressures.

Speakman cartridge uses DuPont Teflon - fits all Colortemp models.

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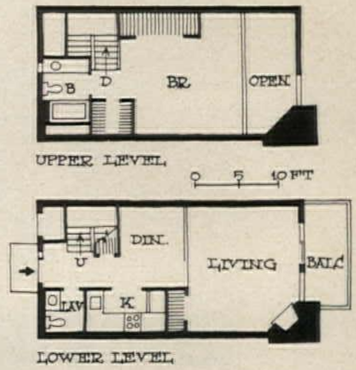


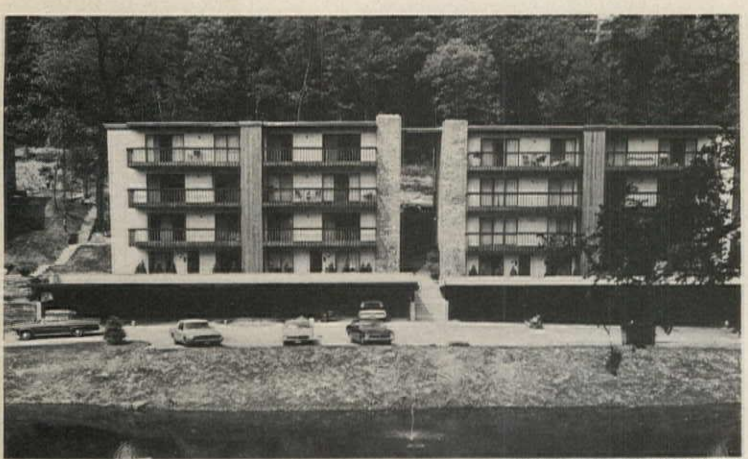
Townhouse building has two levels of two-story units. Entrance to upper units is on higher land at rear.

High buildings are set into steep slopes to make an unusable site usable

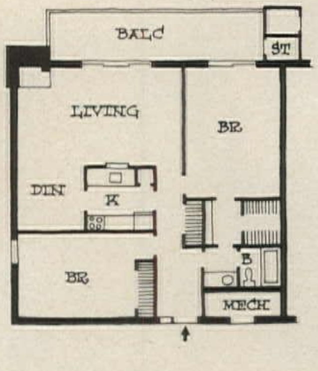
The 50-acre site is in an excellent location, but it had been bypassed by builders for years because it was too steep. Even the city of Kirkwood, Mo., turned it down as a park.

Developers Tom Biggs and Adolph Hanser and architect Rudolph Beuc Jr. came up with the buildings shown here. On the steepest slopes there are two types of four-story buildings. One holds townhouses (*above*) with entries at the front for lower units and at the back for upper units. The other holds apartments (*below*) with entries at the front, side, and rear as the slope rises. And for less steep areas, there are three-story townhouses with entry at garage level (*bottom*).

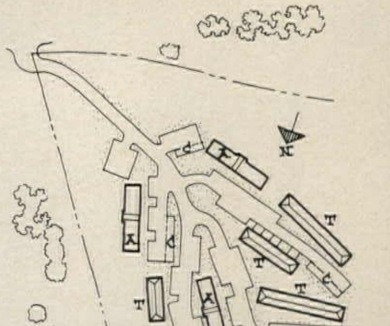
The first phase of Timberlake has 164 units on 16 acres (*plan, below*). Rents are from $200 to $300. Nearly half the units had been rented after the project was open two months.

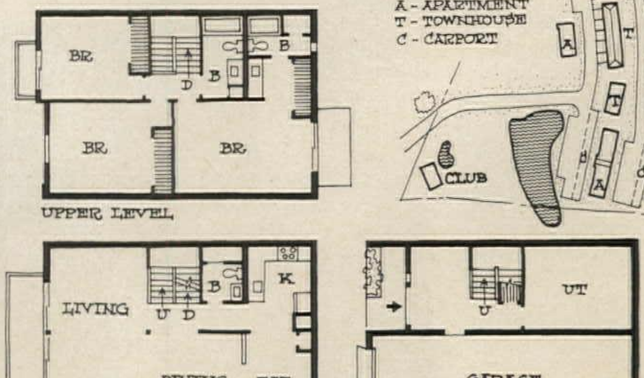


PHOTOS: FRANCIS SCHEIDEGGER



Apartment building has four levels with carport in front. Plan is of third or fourth level.





Three-story townhouses go on less steep slopes. Entry and garage are on bottom, living area in middle, bedrooms on top with patio at rear on slope.

"Landlords in court: will they always be cast as the guys with the black moustaches?"

The popular image of the greedy landlord fleecing the defenseless tenant is never stronger than when the two face each other in court. If the judge catches the full spirit of the mythical landlord-tenant relationship, it's a safe bet the landlord's case is a loser.

The best place for a landlord to sense the futility of some of his legal stances is in Small Claims Court. Arguments that would ordinarily be given objective hearings in Municipal Court may be passed over with disdain by Small Claims judges. Take this recent exchange:

Judge: "Isn't it true that in Whatsis County a prospective apartment tenant has no alternative but to accept the terms of your rental agreement because you have a virtual monopoly on the apartment market there?"

Landlord: "No, sir, that's not true. Our company owns less than two per cent of the apartments in Whatsis County. Furthermore, vacant apartments in Whatsis County stood at almost 7% when Mr. Jones rented at our complex, which gave him a few thousand apartments to choose from."

Judge: "Well, even so, you people do all right."

Taken to the cleaners. The issue involved was return of a cleaning deposit which the tenant had forfeited according to the terms of his signed rental agreement. He had agreed that, upon vacating his apartment, half of the deposit would be refunded and half retained to defray refurbishing costs. But after vacating, he decided to try getting back the whole deposit in Small Claims Court. The judge asked for invoices to establish the cost of cleaning this tenant's apartment, but even though the cleaning expenses did indeed exceed the amount of the deposit, the judge decided to overrule the agreement and make the landlord give back the money.

Small Claims actions by tenants are generally lost causes for landlords. The main purpose of Small Claims Court is to give individuals a chance to sue companies for limited amounts, usually under $300, without need for a lawyer. In the absence of lawyers, the sole legal assistance is the judge, whose help naturally goes to those who appear least able to help themselves. More stress is placed on fairness than on legal rights. So regardless of signed agreements, a landlord is forced to defend the fairness of his policies rather than his right to exercise them after they are subscribed to by tenants.

Another issue landlords have trouble with in Small Claims Court is negligence. Agreements and leases generally specify that landlords are not responsible for tenants' property kept either in apartments or storerooms. But try defending that before a Small Claims judge.

Security leak? Consider the case of a tenant who left his apartment unoccupied for several weeks while he went on vacation. Upon returning, he put in a claim for a few hundred dollars' worth of personal belongings that had allegedly disappeared from the apartment during his absence. He held the landlord responsible after learning that during his absence a roof leak had occurred and maintenance personnel had entered his apartment to move some of his belongings to avoid water damage. The owner was not accused of the theft, but was held responsible for it because his personnel had interrupted the apartment's security for about an hour during the several weeks that the occupant was absent.

No records were produced to prove that the missing belongings had ever existed. The staff people involved were acknowledged professionals in entering and re-securing apartments. And the tenant had agreed in writing that the landlord was not liable. Nevertheless, a Small Claims judge decided the landlord was obligated to pay.

More and more tenants are learning that virtually any kind of apartment deposit can be retrieved in a Small Claims suit regardless of signed agreements. Also, provided their story is believable, tenants have found they can win most landlord negligence claims in Small Claims suits. The landlord —whose maintenance men must enter his apartments routinely for repairs and whose resident managers carry keys to all common storerooms—is a sitting duck in Small Claims negligence cases.

Is it a bum rap? Is the landlord really a dyed-in-the-wool bad guy who needs to be knocked down whenever possible to even up the score with his defenseless tenants?

In actual fact, how defenseless is the tenant compared with the landlord?

When a tenant gets low on money and decides to skip his rent, a landlord can't do a great deal about it. He can serve the tenant with a notice to vacate in the minimum amount of time permitted by local law. But the tenant doesn't have to vacate. He can stay right in his apartment and the landlord can't touch him. If the landlord does touch him—like locking him out or entering his apartment and packing up his belongings—the landlord can be sued.

If a non-paying tenant decides to stick it out, he can enjoy several weeks of rent-free living while the landlord applies for a court order to get his apartment back and then waits for local authorities to execute it after it is served. And any judgment against an evicted tenant for unpaid rent is really worth no more than his ability and willingness to pay, both of which are, in most instances, nil.

Another tactic open to hard-pressed tenants is the intentional bad check which provides a week or two of rent-free living. And for impoverished tenants who are too sensitive to play out the full course of an eviction proceeding, there is the alternative of simply skipping out. Skips don't have to sneak out at night. They can—and do—leave in broad daylight, over the protests of the apartment manager who has no legal recourse until the matter has gone through court.

With all these tenuous legal positions, how can you, as a landlord, hope to defend yourself in courts designed primarily for tenants?

You don't have to take it. First, if you can afford it, appeal every Small Claims judgment that you feel you have lost unfairly. If the tenant honestly believes he has a just case, let him go to Municipal Court with you where lawyers can present the facts, where signed agreements are taken more seriously, and where judges listen with a more objective ear. Most tenants won't follow you above the level of Small Claims Court. And even though it costs money to file appeals, you'll find that appeals will keep new suits at a minimum because your tenants learn that you really aren't a soft touch.

Second, take advantage of Small Claims Court yourself to win unpaid-rent claims that judges are obligated to award you. Instead of absorbing rent losses from skips, delinquents, and bad-check writers, file them in Small Claims Court. The advantages—speed and no legal costs—can work for landlords as well as tenants. And perhaps as landlords begin appearing in Small Claims Court more often as plaintiffs rather than as defendants, judges may shed some of their preconceptions about them.

H. CLARKE WELLS, MARKETING MANAGER, L.B. NELSON CORP., PALO ALTO, CALIF.

Government and housing

The federal role has gotten much bigger, but there may be problems ahead

You may not have noticed yet, but about 25% of all housing starts this year will come under one or another government subsidy program. And if you add in other FHA and VA programs that don't involve any subsidy, a whopping 43% of all starts this year will be under some sort of federal program.

Apart from whatever feelings you may have about that much involvement by the federal government in housing, you should understand the key factors which have pushed the government deeper and deeper into this industry.

The median U.S. family income is now about $9000 a year. Based on the rate of 20% of gross income traditionally allocated to monthly housing, this means that at least 30 million families in this country can afford no more than $150 a month for shelter. (Slum dwellers may have to spend up to 40% of their incomes on housing. But 20% is the figure lenders use; they won't qualify anyone for a mortgage who has to spend more than that proportion of his gross income for housing.)

That $150 includes utilities, maintenance and repair, insurance, property tax, and contingencies. Amortization and interest on the mortgage can only be about $80 a month; at today's interest rates that will only buy a mortgage of $10,000 to $12,000—enough to cover the cost of a one-bedroom apartment in a low-rise frame building in most metropolitan areas. And if it's a rental unit, only $60 to $70 can be allocated to the owner's mortgage; this means an even smaller unit.

To put it another way, if the housing industry is to provide new housing of the quality most of us are used to, then nearly half the families who buy or rent this new housing must have some form of subsidy. The subsidy can cover interest rates, as in FHA section 235 and 236, abatement of property taxes, or perhaps land donated by various levels of government.

Interest rate subsidies have so far made the greatest sense because the biggest single component of current monthly housing expense is interest. But the good sense which created sections 235 and 236 may become an embarrassment for the Nixon administration: they create an on-going and ever-growing commitment in the federal budget, a commitment handed on, still growing, to future administrations. Other types of interest rate subsidies like Title Five of the Emergency Housing Finance Act of 1970 may come to make more budgetary sense because they represent a commitment only in the year of appropriation.

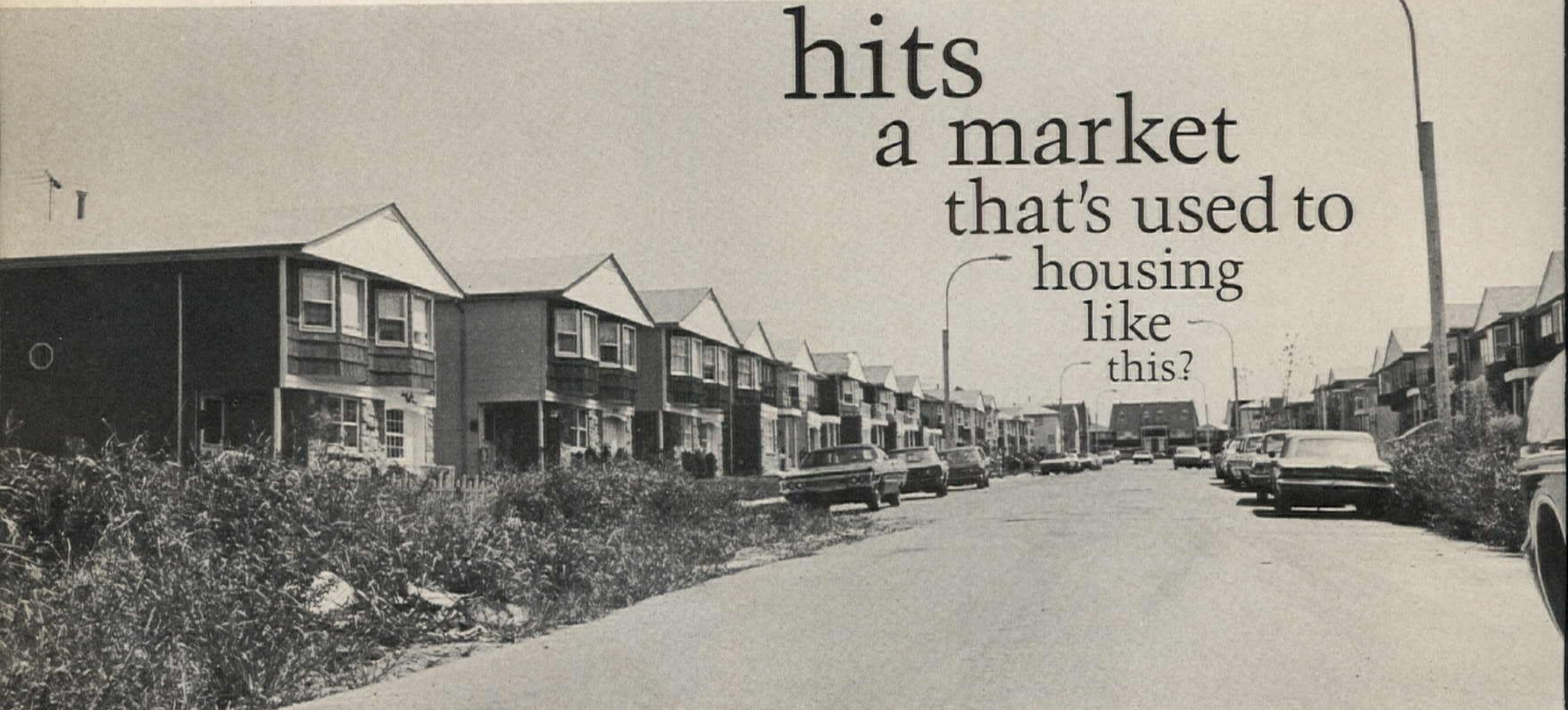
Another possible subsidy area is the property tax which in many cities can be equivalent to a 35% sales tax on a family's housing. In the judgment of many, the property tax is an anachronism. In most communities, it taxes realty on a phony assessment basis instead of on a cost-benefit basis for municipal services rendered.

But even if the property tax were to be changed to a cost-benefit basis, it still would have to carry the municipal cost of health, education, and welfare. Those three things now take up about 70% of all municipal revenues. So at the moment, very few municipalities can abate property taxes at all. The only adequate and fair tax base in our society rests with the federal government via the income tax. If health, education, and welfare were made federal concerns, municipal governments could afford to abate a lot more property taxes, whether levied equitably or inequitably.

In any event, the present decade will certainly see the government playing a mammoth role in the creation of residential realty, particularly in the major metropolitan areas where at least 90% of the action is going to take place. It behooves all of us in the industry to be keenly aware of this development and to watch carefully for signs of erosion of the action of the private sector in the free market place.

RICHARD W. O'NEILL

What happens when a California-style package like this... hits a market that's used to housing like this?



What happens is the most spectacular sales record ever run up on staid old Staten Island, N.Y. Loew's/Snyder of Los Angeles opened Village Greens on August 2; by the end of August nearly 150 townhouses had been sold at prices from $32,900 to $43,900. Local builders had warned president Jerry Snyder that Staten Island was used to detached houses and densities of no more than eight per acre; Village Greens' townhouses, built 12 to the acre, would miss the market. They failed to take into account the power of California merchandising, nurtured in the country's toughest competition. Snyder brought in 1) a California-trained architect, who produced a handsome townhouse PUD, 2) a California landscape architect, who turned the PUD into a well-planted park, and 3) a California decorator, who produced some of the most exciting, colorful interiors ever seen in the New York area. What this team accomplished, and why it jolted Staten Island, is the subject of the next six pages.

PHOTOS: CAL AND DON YOUNG

CONTINUED

Staten Island is like a lot of suburbs around the country's bigger cities: no one knows what its potential as a housing market really is.

Theoretically, it should be a booming market. It is the last relatively unspoiled part of New York City; it has lowish taxes; it is a short drive to Manhattan via the new Verrazano Narrows Bridge; it still has thousands of acres of undeveloped land; and it is right next door to a huge pool of potential buyers.

Yet, despite these seeming advantages, only about 2000 houses were built in Staten Island last year. This is far below even the most pessimistic estimates made after the Verrazano Bridge was finished in 1964 (*see "Bridge to a problem-ridden housing boom,"* H&H, Nov. '64), to give the island its first direct road link to New York City.

Why wasn't the market bigger?

To California builder Jerry Snyder the most likely reason was the island's uninspired housing—and the uninspired way most builders merchandised it. Snyder is a Brooklyn boy who moved to California and, over a 20-year span, produced more than 18,000 houses. His knowledge of merchandising has been honed in the tough California market, and his ability to put it to work is backed by a recent joint venture with Loew's, Inc. (H&H, July '69).

What Snyder saw on the Staten Island market was row on row of single-family detached boxes (and some duplex boxes) jammed eight to the acre on 40'-wide lots. Few builders had seen fit to change from the prevailing grid plan—a relic of the '20s. Houses were lined up with no attempt made to break up the streetscape with setbacks; such relief as there was came in the form of tacked-on facades ranging from English half-timbering to a nondescript mixture of brick, stone, and shingles, with occasionally a half-hearted attempt at Southern Plantation Portico styling.

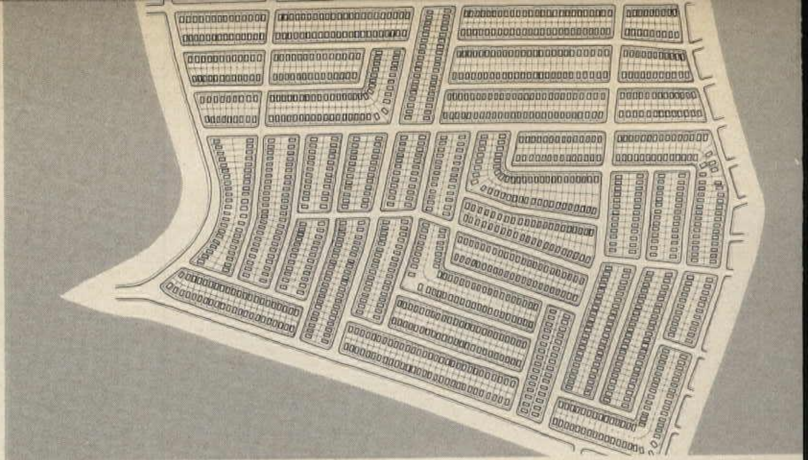
Merchandising almost didn't exist: a few road signs, a sketchily-furnished model or two—in most projects this was the extent of it.

Snyder studied the figures and decided the Staten Island market was better than they showed.

So Loew's/Snyder bought 165 beautifully wooded acres and gave them the full California treatment. Specifically:

Snyder had architect Norman Jaffe (California-trained and now living on Long Island) design a townhouse PUD with a gross density of 12 per acre. This cut the per-unit land costs (prime land is around $50,000 an acre on Staten Island), and also left room for 80 acres of greenbelt and recreation area woven through the 2,025 units.

He had a California landscape architecture firm, Courtland Paul/Arthur Beggs & Assoc., plan the landscaping for the entire

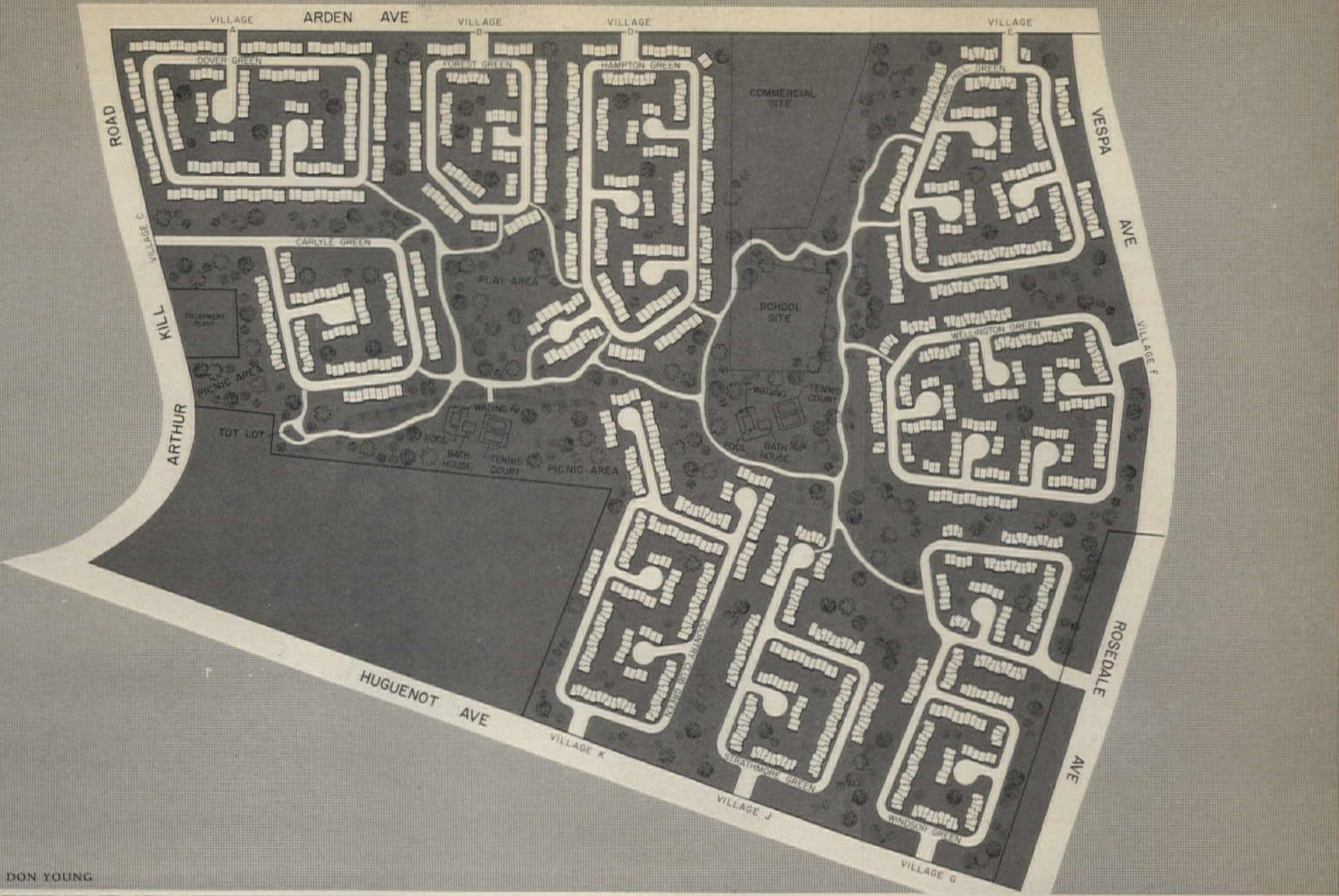


Land plan for Village Greens site was originally a conventional Staten Island grid (*above*). As laid out by architect Norman Jaffe, new plan (*right*) arranges 2,025 townhouse units in nine clustered villages, with plenty of open green area woven among them. Roads are excluded from greenbelt, and serpentine walks connect one village with another. Plan shows future sites of shopping center, schools, recreational facilities.

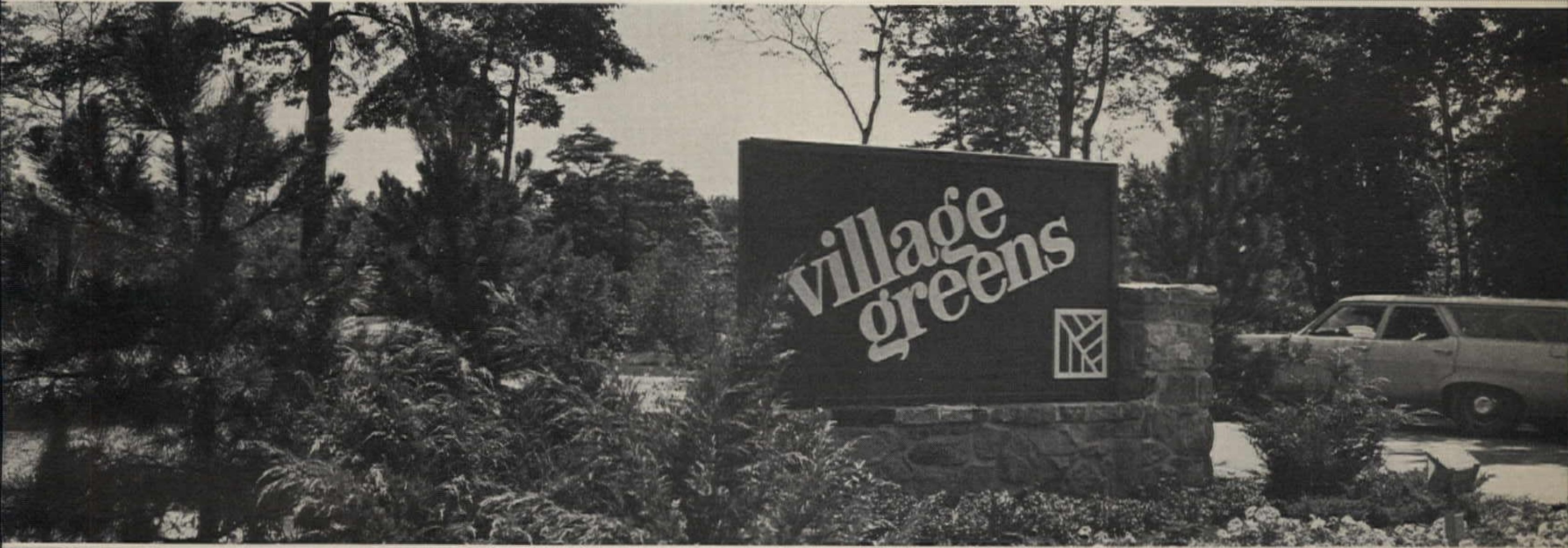
Contrasts like these give Village Greens a big marketing edge

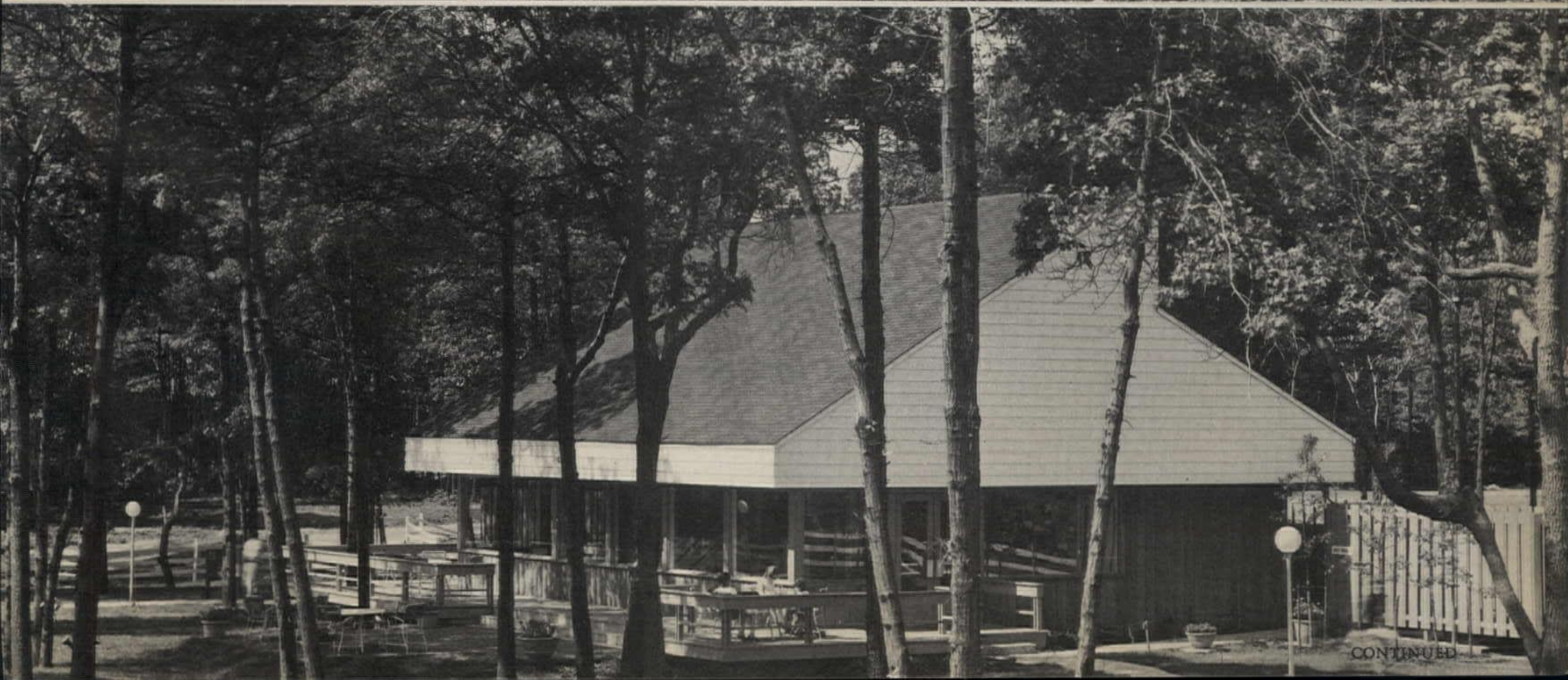
Street sign (*above*) for typical 100-150-unit Staten Island project has size to commend it, but it can't match the lush setting of the entrance sign to Village Greens (*right*). Set on a wall and gate post of the same stone used on its buildings, the sign at the main entrance of Village Greens greets visitors with distinctive lower-case typography. The square symbol at lower right of sign is repeated on all promotion material.

Sales office for typical Staten Island project (*above*) is in a model home. In sharp contrast is the handsome Village Greens' sales pavilion (*right*), with continuous strip of windows and rear deck overlooking the models. Grass was well established when the project was opened, and landscaping was completed. Every effort was made to retain all trees; those that had to be moved were replanted elsewhere. Parking area is beyond the picket fence at right.



PHOTOS: CAL AND DON YOUNG





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project, with particular attention to the model areas.

He had a California interior designer, Carol Eichen, decorate and furnish the project's six models, using all the color excitement and imagination that has become the hallmark of California marketing (H&H, May '68).

Local builders did not seem impressed. One told Snyder that Staten Island wasn't ready for that kind of housing. "People here wouldn't be caught dead in an attached house," he said. Others pointed out that at from $32,990 to $43,990, Snyder's houses were above the norm for the island.

Snyder went right ahead.

Village Greens' opening, on August 2, was announced in a full-page ad in the New York Times; 12,000 people went through the models that day. The last weekend of the month was still seeing heavy traffic—more than 7,000 visitors.

And during the month, 150 people put down deposits of $500 or more.

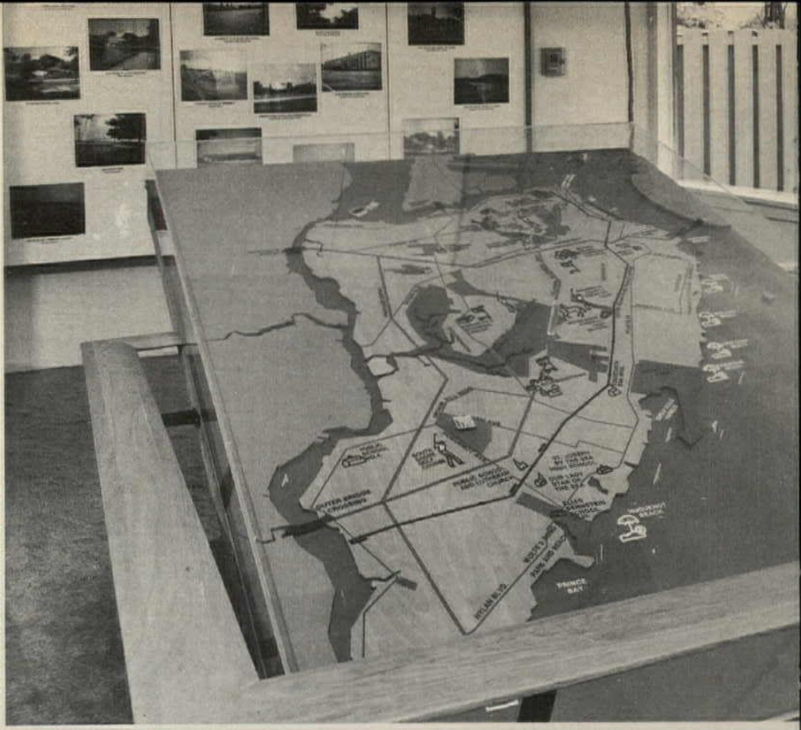
Both prospects and buyers turned out to be pretty much as Snyder had figured them to be: chiefly apartment dwellers from Brooklyn (the closest borough to Staten Island), the Bronx, Staten Island itself, and a few from New Jersey. Many were apprehensive about taking on the responsibilities of home ownership; but the question of owning an attached house rather than a detached house appears not to have been a problem.

Surprisingly, money also turned out not to be a problem. Even with FHA financing, downpayments ranged from $3,000 to almost $11,000. "Yet," says William Oeste, vice president of the eastern division of Loews/Snyder, "it's amazing how many of them had that much cash available." Nor were many deterred by monthly payments amounting to nearly $400, including taxes, insurance, and homeowners' association payments of at least $12.

Finally, it's worth noting that Village Greens' sales record was made under what has been in some projects a serious and even fatal handicap: the recreational and community facilities could not be finished in time and had to be suggested by signs. Traditionally, people believe in such amenities only when they see them.

The key to the Village Greens' surprising sales rate seems to be that it is bringing fresh ideas into an area where housing has changed little in the last 20 years. For example:

Instead of an environment consisting chiefly of streets and sidewalks, tiny setback alleys between houses, and postage-stamp backyards, Village Greens offers neat clusters that open onto green areas both within and between the clusters. Despite its higher-than-usual density, it looks and feels infinitely more open than the typical Staten Island project.

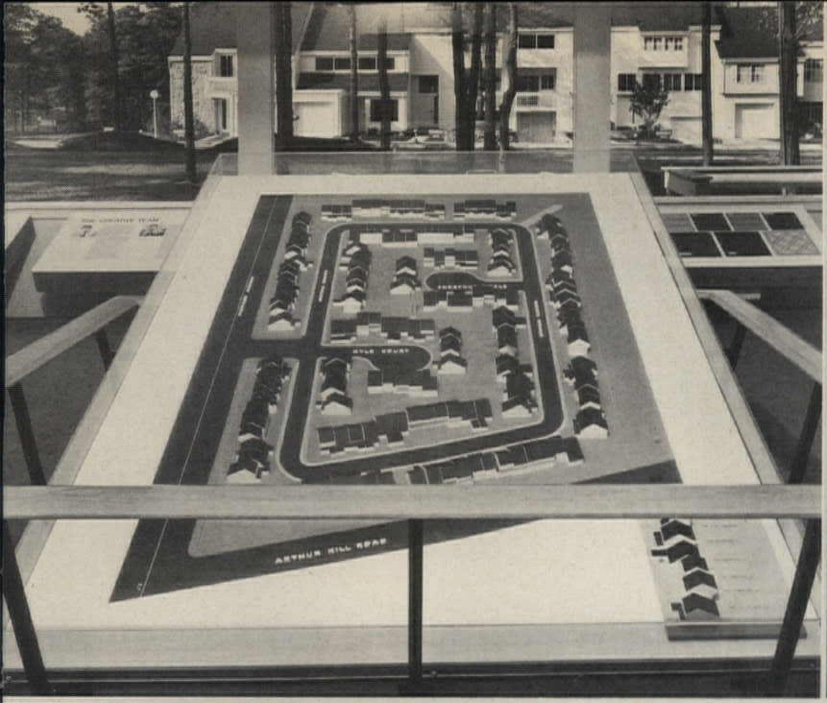


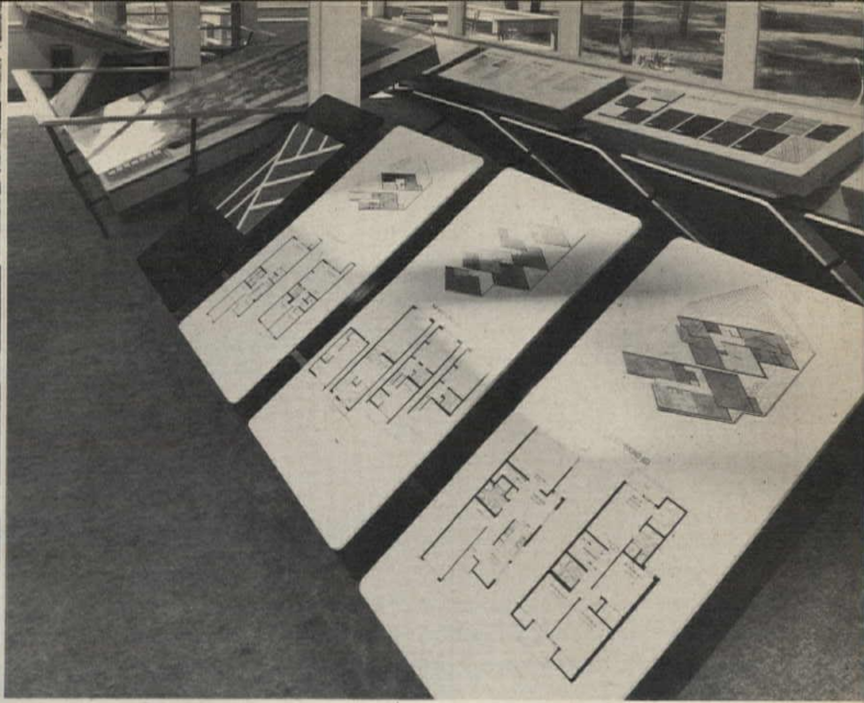
PHOTOS: CAL AND DON YOUNG

Merchandising displays like these point up the features that set

Apologetic sign (*below*) points way to 35-acre village green, which will be in the middle of the community. Signs are also used to point to future sites of tennis courts, swimming pools, and other community facilities which are now only on paper. Merchandising displays like those pictured above show prospects what they will look like when completed.

Model building (*facing page*) includes three of the project's furnished models. At far left is four-bedroom, three-bath unit with fireplace and sunken conversation pit (*see floor plan, far right on p. 48, and bottom photo on p. 49*). Setbacks and front deck are used to give relief to building's facade. Sunken garages are part of split-level models.





Village Greens apart on Staten Island

Three-dimensional displays (*three photos above*) help prospects visualize final form of project. Plywood relief map (*far left*) places Village Greens in relation to principal areas of Staten Island, while scale models (*center*) show layout of typical village cluster. Enlarged floor plans (*above*) show room layouts and arrangement of levels. Samples of various optional finishing materials are also on display.

CONTINUED

Instead of one or two houses with standardized floor plans, Village Greens offers a broad range of models out of which almost any family can find a home to fit its life style. And the models are exciting—levels change, ceilings are high, and facades are broken up—yet at the same time entirely sound from both a planning and a design point of view.

Instead of casually furnished—or completely unfurnished—models, Village Greens offers a presentation job that would be outstanding even in California. Every room in every house gets the full treatment. And decorator Carol Eichen has given each model a distinct theme. Examples: a bright yellow and lime house with complementary earth tones; a so-called "California orange juice" house with brilliant oranges, yellows, golds, and deep wood tones; and a white model (*see cover*), which is decorated in seven different shades of white with green and gold accents.

Instead of sales offices set up in the corner of a model garage, Village Greens has a large sales pavilion, set in the middle of what will later be a townhouse cluster so that it looks out onto the model area. In the pavilion are closing rooms, a display room, and a three-wall stretch of glass that gives prospects a panorama view of the models.

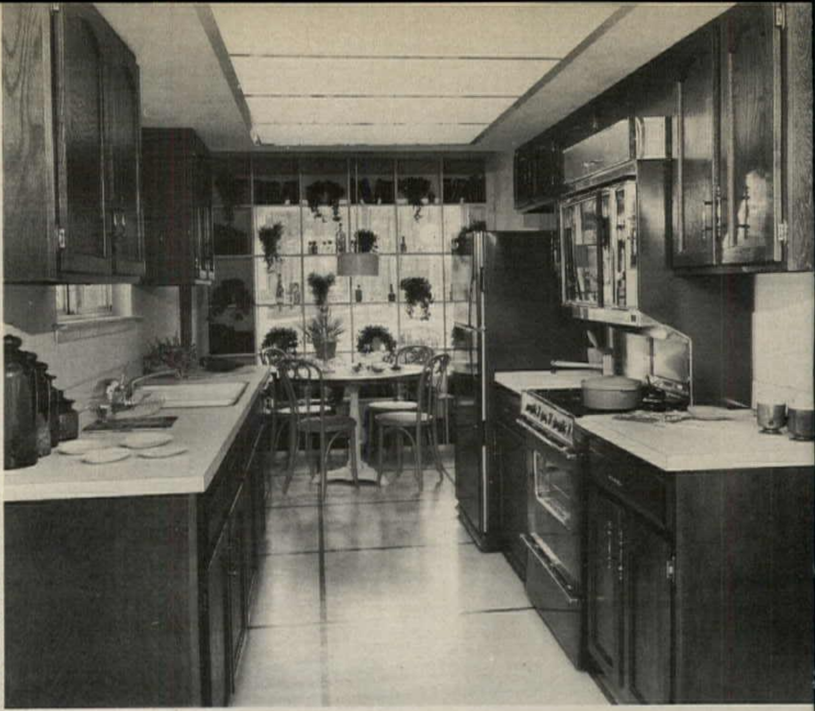
Despite the showiness of the merchandising, there will be nothing garish about Village Greens when it is completed. The facades are broken up, but the materials—white clapboard and fieldstone—are reserved and part of the region's tradition. And while roofs vary with the setbacks, their slopes are always the same, so the profiles hold together visually.

Snyder instituted one change. He saw that in one model *(floor plan, second from left)* the family room was too small and prospects were shying away from it. So he told Jaffe to change it, and Jaffe pushed out the family room wall at the rear and shortened the garage to enlarge the living-dining area. Result: the unit picked up in sales and has done well ever since.

"Snyder has a terrific eye for design," says Jaffe, "but he didn't look over my shoulder. He told me what he wanted and let me figure out how to do it."

Jaffe is also very complimentary about the local FHA office. "This is just about the first PUD on the Island," he says, "and they bent over backwards to keep things moving and coming out right."

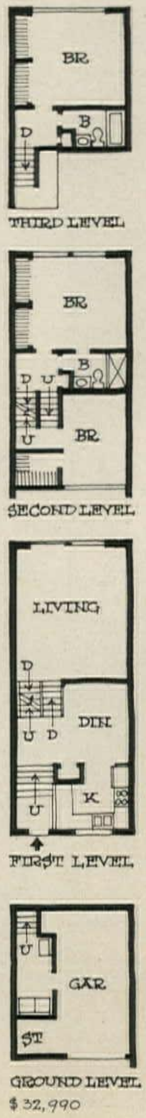
Snyder admits that at the beginning having the first PUD on the island looked like quite a risk. "Now," he says, "I'm convinced that no matter where you build and no matter what the local market is used to, doing the best possible project and giving it the best possible merchandising is the only way."

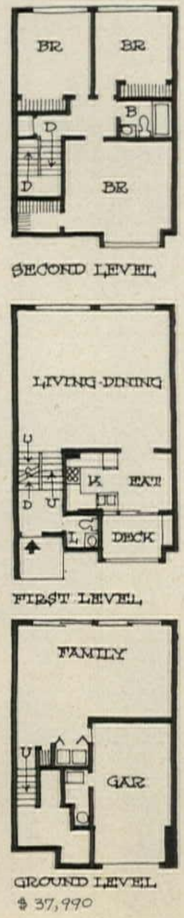


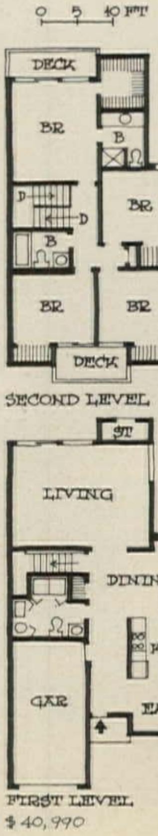
PHOTOS: CAL AND DON YOUNG

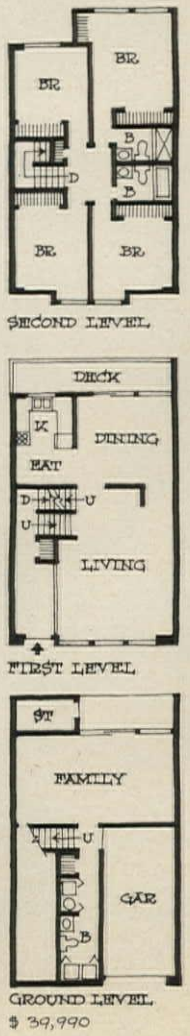
Interiors like these give Village Greens a quality of excitement that's new

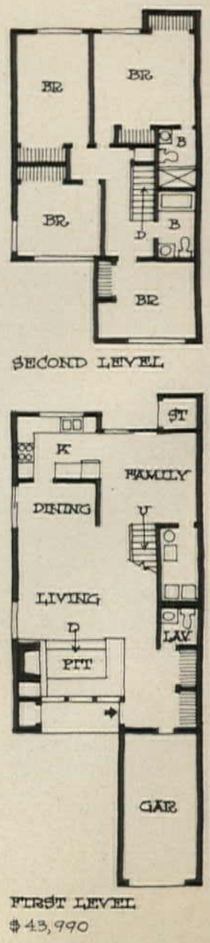
Floor plans of five townhouse units are shown below, ranging from least to most expensive. Models have three or four bedrooms. End unit (*far right*) has three baths, four bedrooms, and a conversation pit (*photo, below right*). Cost-wise, Village Greens units are competitive with higher-priced detached houses on island.











not just to Staten Island, but to all of New York

Interiors of typical kitchen (*photo, far left*), dining room (*center*) and bedroom (*above*), reveal lengths to which decorator Carol Eichen went to get lived-in look in models. Use of floor-to-ceiling mirrors is favorite California device for adding space illusion to rooms. Stone fireplace (*photo below*) is New England-inspired, while conversation pit with black shag carpeting is popular with California builders.

We're losing our best men. One by one, builders who have merged into giant corporations have either quit or been fired:

The high cost of mergers

The tumult and the shouting dies;
The captains and the kings depart
Rudyard Kipling, *Recessional*

Big homebuilders are merging into huge corporations with a fanfare of trumpets—and then departing to the roll of a muffled drum. The trend is clear:

The U.S. is losing its best builders.

It's a heavy loss. For these men were the pacesetters who built the best of the nation's mass-produced houses while leading the construction boom of yesteryear. Their premature departures should frighten anyone who values livable housing for the working man and longs for the return of a healthy construction market.

A thorough review of 20 key mergers, which date to 1964, failed to unearth a single builder who has worked out the standard five-year employment contract with a major corporation. Only six men lasted more than two years; seven left in less than a year.

Two more leading builders have just joined the Lost Generation: Jack Bertoglio and Don Scholz.

Redman Industries forced Bertoglio's resignation a year after buying his $18 million company. Says Bertoglio, a top apartment builder at age 35:

"You won't be hearing much from me for a few years. The merger contract says I can't build without Redman's permission."

And Toledo prefabber Scholz, whose trademark is superb house design, walked out seven months after the $58 million Scholz Homes merged into Inland Steel.

The merger splurge, with its heavy cost in manpower, is sure to continue. Homebuilders want big-company borrowing power to expand in the promising '70s, so many more will surrender control of their companies to munificent parents. "A merger," says Bertoglio, "is the only long-term answer to cash needs. If I had it to do over, I'd sell out again."

Perhaps. But Jack's own case shows that the traditionally headstrong builder has

Builder	Giant	Sales when merged	Merger price	Merger date	Builder's fate	. . . and post-merger tenure
S.V. Hunsacker/Richard Hunsacker	Occidental Pet.	$42M	$4.8M	July 1964	Retired when merger formed/Resigned later	a day/2 yr.
Al Hildebrandt	Boise Cascade	$16M	$11M	Dec. 1964	Fired	3 mos.
Ben Deane	Occidental Pet.	$25M	$4M	Nov. 1966	Resigned under fire; has formed new company	3 yr.
Dan Schwartz	Boise Cascade	—	—	Sept. 1967	Retired when merger formed	a day
Tom Perine	Boise Cascade	$25M	—	Oct. 1967	Quit to form new company outside housing	9 mos.
Bob Simon	Gulf Oil	$15M	—	Oct. 1967	Fired when Gulf took over his new town Reston	a day
Ray Watt	Boise Cascade	$52M	$17M	Dec. 1967	Quit to take government job	1 yr.
Bill Levitt/Dick Wasserman	ITT	$120M	$92M	Feb. 1968	Still board chairman/Chief executive	(2 yr./2 yr.)
Bill Lyon	Amer.-Standard	$20M	$12M	Apr. 1968	Still chief executive	(2 yr.)
Jack Bertoglio	Redman Indus.	$18M	$6.5M	Feb. 1969	Resigned	1 yr.
Herman Sarkowsky	ITT	$25M	—	Feb. 1969	Still chief executive	(1 yr.)
Steve Yeonas	Olin Corp.	$15M	—	Apr. 1969	Still chief executive	(1 yr.)
Don Bren	Int. Paper	$15M	$32M	May 1969	Still chief executive	(1 yr.)
Bert Smokler/Mandel Berman	Dreyfus Corp.	$28M	$14M	May 1969	Still board chairman/Chief executive	(1 yr./1 yr.)
Lawrence Weinberg	CNA Financial	$76M	$200M	May 1969	Still chief executive	(1 yr.)
Lloyd Clark	Holiday Inns	$4M	$8.7M	Aug. 1969	Still chief executive	(1 yr.)
Bud Meyerhoff	Monumental Corp.	$47M	$84M	Nov. 1969	Still chief executive	(11 mos.)
Don Scholz	Inland Steel	$58M	$87M	Feb. 1970	Resigned; plans to become land developer	7 mos.
Pete Edwards	Beth. Steel	$38M	$13M	Apr. 1970	Still chief executive	(5 mos.)
Bob Grant	Santa Anita	$35M	$12.6M	May 1970	Still chief executive	(4 mos.)

Bertoglio

Merged his $18 million apartment company into Redman in '69. Forced out last month.

Deane

Merged his $25 million homebuilding company into Occidental in '66. Quit in '70.

Perine

Merged his $25 million land development firm into Boise Cascade in '67. Quit in '68.

Watt

Merged his $52 million homebuilding company into Boise Cascade in '67. Quit in '68.

...and now Scholz

BY FRANK LALLI

great difficulty finding happiness in the corporate mold.

"The last great day of a builder's career," says consultant Stanley Edge, "is the day he sells out to a giant."

Twilight of the pioneers

Mergers fail because of breakdowns in communication. Neither party deserves all the blame. The corporations don't realize what they are buying, and the builders don't understand what is expected of them. Here's the pattern:

Many of today's established builders first excelled in the booming '50s on the strength of their house designs and marketing skills. (In those days the big question was: Do your houses have curb appeal?) Even after those lush years, builders tended to compensate for erratic management by working harder than their competitors. Ray Watt began work at 5 A.M. and toured all his southern California subdivisions to resolve any problems.

So the corporations bought gifted, hardworking pioneers—but not managers. That became apparent when the corporations asked their builders to branch to other cities for overnight growth. The new demands left little time for doodling floor plans or dreaming up marketing gimmicks, the very techniques that brought the companies success in the first place.

And, the builders found themselves deskbound. They were forced to hire others for the really exciting jobs of pioneering new areas.

What's worse, the builders realized that they were no longer unbridled entrepreneurs. Housing novices at corporate headquarters could—and did—overrule their snap decisions.

So some builders quit. Others failed to perform and were fired.

In the worst mergers, corporations tried to motivate their builders to adapt to their new roles with fat salaries. But most builders got millions (in tax-free stock) when they sold out. An extra $100,000 or so didn't matter.

"Ego is the key," says Edge. "You have to convince them that they are bigger powers in housing than ever before."

Insiders say Steve Yeonas, Don Bren, and Bill Lyon, to name a few, have that kind of motivation and are performing well. Others, notably Larwin's Larry Weinberg and Levitt's Dick Wasserman, are said to be working for promotions to key posts with their parent corporations.

Behind the departures

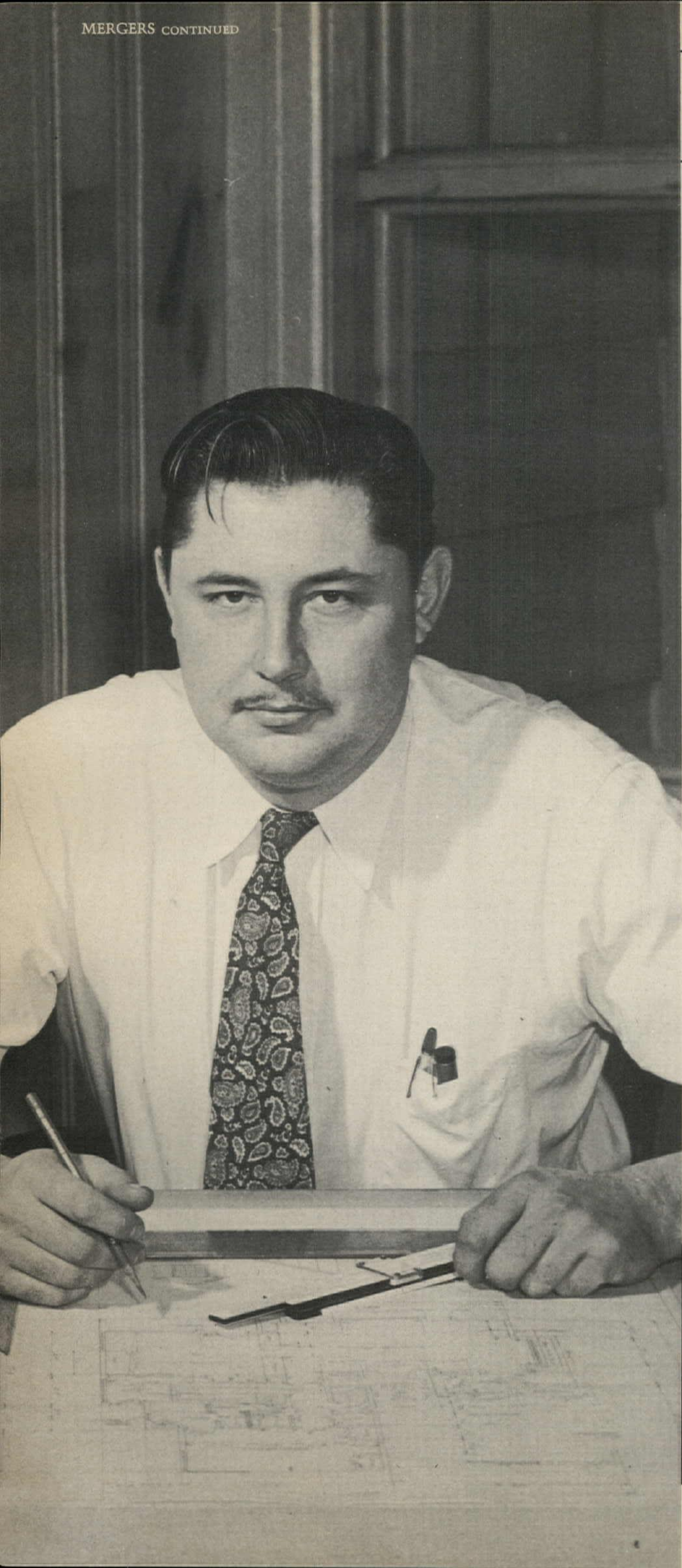
Each merger's story is a variation on the basic pattern. Some specifics:

- Noted homebuilding expert Al Hildebrandt got the job of planning Boise Cascade's expansion into housing after the timber company bought his Georgia prefab company, Kingsberry Homes. Hildebrandt advised against buying builders who would compete with Boise's customers. President Robert Hansberger overruled him. Hildebrandt was adamant. So Hansberger fired him—three months after the merger.
- Boise tried to motivate its first builder, Ray Watt, with high pay and the challenge of branching nationwide. But he quit for a government job after a year. Ken Campbell of Audit Publications says, "Ray is altruistic. He wanted to do something more with his life." Another friend puts it more sharply: "He was bored."
- The man who created the garden kitchen—the indoor-outdoor concept that revolutionized kitchen planning—lasted three years under Occidental Petroleum. The corporation bought Ben Deane to manage its housing division, and then saddled him with the impossible task of unloading S. V. Hunsacker & Son's inventory of raw land and unsold houses. Occidental had bought the troubled Hunsacker operation two years earlier. Despite some effort, Deane couldn't clean up the mess. And as his frustration mounted, he spent fewer days in the office. An insider insists that Occidental urged Deane to take days off, rather than resign —"we need the Deane name." Deane will say little beyond "It's good to be on my own again." He is building with his son. But it's doubtful that he can soon recapture a major role in housing.
- Nine months after Boise bought his land company, Tom Perine quit to form another—this time outside housing. A friend says: "No corporation can hold Tom. He's too creative."
- Jack Bertoglio hoped to expand his apartment business 40% a year after joining Redman, a big mobile home maker. But when some projects soured last year, Redman decided to tighten its rein and move Bertoglio's company from Kansas City to corporate headquarters in Dallas. He refused to go. Redman then moved the company without him. "That left me without much to do," says Bertoglio.

The loss

When these men bow out, no one benefits. The corporations lose inventive minds. The housing industry loses trend setters. And the public loses men who lifted the quality of American housing.

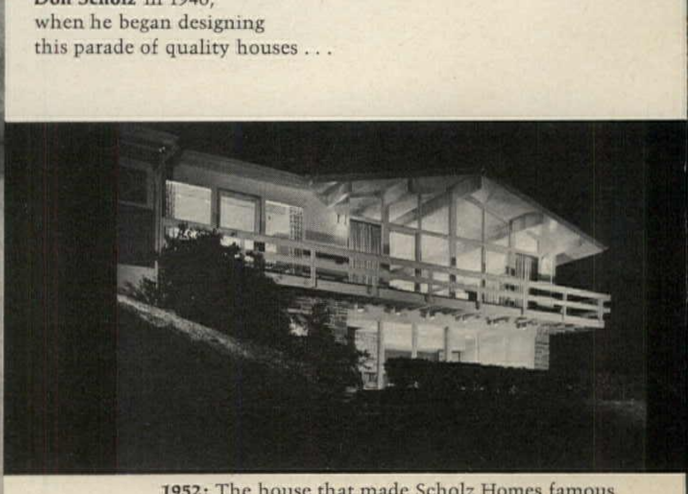
The latest to depart is Don Scholz, and his loss stands for all the rest. For the story of his talents and weaknesses, his vision and failure, is a larger-than-life example of the high cost of mergers. TO NEXT PAGE



The fall of Don Scholz

On the brink of becomin[g] the biggest of them all he merged into obscurity

Don Scholz in 1946, when he began designing this parade of quality houses . . .



1952: The house that made Scholz Homes famous

Don Scholz is a dreamer, who is possessed by a bedrock determination to succeed

Flying home from New York, Don Scholz thought he could touch the stars. Nothing was beyond his reach.

Men at Lehman Brothers, the prestigious Wall Street investment house, had just spent the day encouraging him to make Scholz Homes Inc. an overnight giant by acquiring nine building companies.

Such a creation—a $220 million General Motors of Housing—would fulfill the promise of Scholz's 25-year career in housing.

The next day a Scholz Homes board member phoned—and shot him from the sky:

"We have a merger with Inland Steel. The deal is all set."

So instead of Scholz being the acquirer, he was acquired. There would be no General Motors for him. No crowning achievement. Within months he would resign from the company he founded in 1946, and say:

"I have no incentive to stay."

• • •

To grasp the larger meaning of his story, one must first understand Scholz—a complex individual, whose personality was forged by a childhood attack of polio and a lifelong passion to excel.

Scholz is racked by ingrained contradictions: he is an artist by temperament and an engineer by training; an informal man, who demands rigid loyalty; a dreamer, possessed by a bedrock determination to succeed; and an unrepentant optimist, who can be surprisingly practical.

The conflicts make Scholz difficult to characterize. Yet, perhaps the image of him behind the wheel of his car comes close to reflecting his many sides—his optimism and determination, his flair and penchant for training.

His feet stay on the floorboards as he jabs the gas and brake pedals with a cane held in his right hand. He steers with his left. The car is a ghostly grey Cadillac convertible, and he drives it fast, with the top down.

When Scholz goes out with business friends, he always drives. He likes being in the driver's seat.

If there is a key to Scholz, that is it—he likes being in the driver's seat.

The artistic engineer

Scholz's talent for house design made his company exceptional from the beginning.

After World War II, Scholz and thousands of other young men bet their life savings on the country's demand for houses. His $15,000, earned doing government engineering, got him land in his home town of Toledo, a set of models, and a builder's headaches. "Every other Friday," says Scholz with a smile, "I'd hock my car."

By the early 1950s, his land-hugging contemporary houses were attracting national attention (H&H, Jan. 1953: *Look what's selling in Ohio—California-style houses*). Builders wrote for his designs, and soon Scholz was selling precut houses from his Toledo factory to builders in 31 states.

As business increased, Scholz recruited dozens of hard-working, home-town boys, like himself. Most came straight from college and high school, and stayed on to prosper with the company.

Today these men, the middle-class leaders of middle-class Toledo, have an old-fashioned loyalty to Scholz. For some, pushing 50, he is the only employer they have ever known—the boss and a friend.

The loyalty and fellowship give Scholz Homes an atmosphere of genialty. All decisions are debated, often at dinner, where the boss gets the final word and the check. There is little second guessing and no backbiting.

Yet, outsiders describe the Scholz men more often as willing workers, rather than truly effective administrators. A Wall Street analyst says: "They aren't yes men, but they aren't no men either."

Perhaps the critics have a point. The company has had its share of lean years. But Scholz never let bad times or criticism get him down. He had what he wanted—loyalty, a national reputation, and plans for a brighter tomorrow.

The determined dreamer

By the mid-'60s, Scholz Homes was a solid $11 million company that dominated the luxury prefab market.

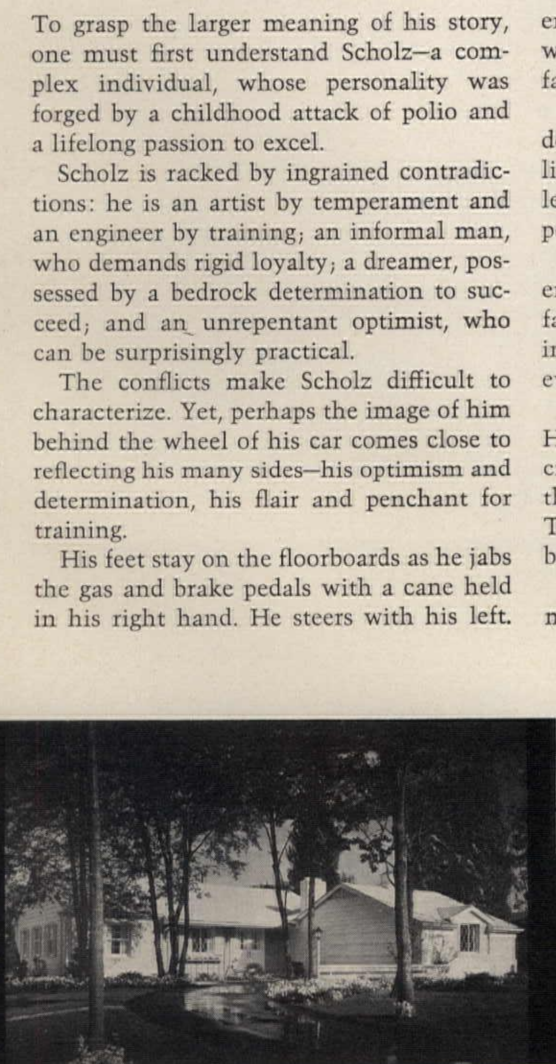
Scholz could have stood pat. After all, he was approaching 50, an age when many successful men choose to slow down. But not Scholz.

He re-evaluated his life and decided in 1966 to expand his goals. A friend says, "He wanted another hurdle." And he picked a dandy—the creation of a General Motors that would build houses nationwide for every pocketbook.

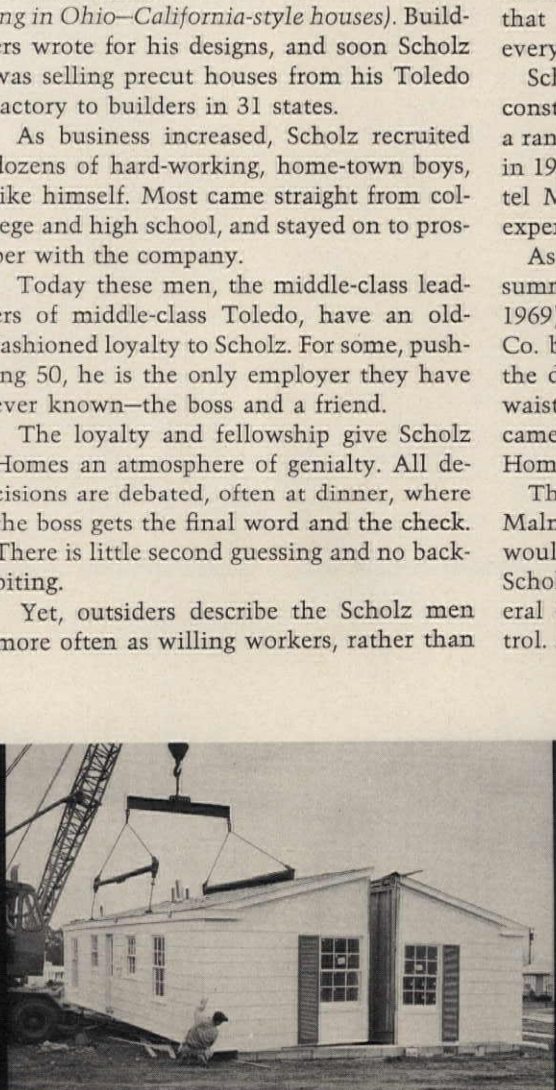
Scholz began by shifting into apartment construction and by exploring mergers with a range of builders. The twin aims led him in 1967 to Chicago investment banker Bertel Malmquist, an apartment and merger expert.

As Scholz's stock began climbing that summer from $3.75 (on its way to $44 in 1969), Malmquist and his McCormick & Co. bought in heavily and profitably. Soon the dapper financier—who affects pinched-waist jackets and bell bottom slacks—became the power broker within Scholz Homes.

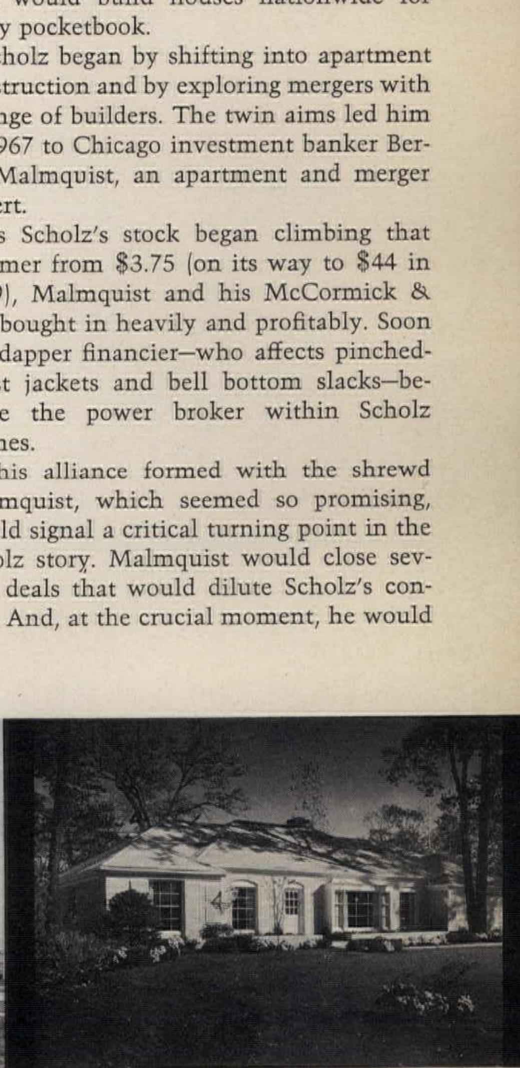
This alliance formed with the shrewd Malmquist, which seemed so promising, would signal a critical turning point in the Scholz story. Malmquist would close several deals that would dilute Scholz's control. And, at the crucial moment, he would



1953: A volume prefab for the mass market



1956: Scholz pioneers sectional housing



1957: Scholz Homes's all-time best seller

A dapper financier—with bell bottom slacks—became the power broker within Scholz Homes

take a decisive step—without Scholz's knowledge.

Malmquist always acted for the good of Scholz Homes, rather than only Don Scholz. And in that context, his moves seem to have benefited the company and all its shareholders. Including himself. For services in 1967 to 1969, Malmquist and close associates received $713,250, plus 50,000 shares of Scholz common ultimately valued at more than $2 million.

Surrender of control. The first target of Scholz's acquisition program was a mobile home manufacturer. His staff found two likely candidates: Monarch Industries, formed through the merger of three young companies; and Schult Mobile Homes, an original mobile maker that had a modest growth record but a reputation for quality. Scholz chose Schult in 1967, and then spent a year convincing its executives to merge.

During that time, Schult's sales and profits soared 50%. So when Malmquist finally closed the deal late in 1968, Schult was the

Blueprint for Don Scholz's General Motors of Housing

New Entity Operating Divisions	Sales 12 Months Ending 12-31-69 ($ Million)	Estimated Sales 12 Months Ending 12-31-70 ($ Million)	Earnings 12 Months Ending 12-31-69 ($ Million)	Estimated Earnings 12 Months Ending 12-31-70 ($ Million)	NET WORTH 12-31-69 ($ Million)	1970 Initial Share Distribution*	1971 Contingent Share Distribution*	Shares to be Cashed Out*
Scholz Group:					$ 9.0			
1. Schult Mobile Homes	$ 30.0	$ 45.0	$1.20	$ 1.8				
(a) W. Wells								500,000
(b) Other Officers						800,000		
2. PFA	6.5	8.0	0.30	0.6		440,000	360,000	
3. Allstate Homes	3.0	4.0	0.13	0.2		116,354	23,000	
4. Scholz Homes	20.0	45.0	0.75	2.0		1,431,815		
(a) B. Malmquist								220,450
Jewel Builders of Columbus	7.0	10.0	1.00	1.0	4.0	600,000		
Stiles-Hatton of Grand Rapids, Mich.	1.0	9.5	0.10	0.5	0.3	30,000	59,000	
Republic Development Corp. of Detroit	14.6	20.0	1.00	1.3	7.0	850,000	350,000	
Fine-Bilt Homes of Lansing, Mich.	2.7	3.0	0.14	0.2	3.8	87,000	145,454	
L. B. Nelson Co. of Palo Alto	15.0	20.0	1.00	1.3	5.0	500,000	500,000	
Betker-Fredericks Co. of Los Angeles	10.0	12.0	0.50	1.5	3.0	350,000	350,000	
Ranier Manufacturing Co. of Oregon	13.0	18.0	0.60	1.2	3.4			318,200
Imperial Components of Chicago	6.0	10.0	0.20	0.4	0.6	120,000	120,000	
Mitchell Corp. of Mobile	14.3	18.0	0.80	1.1	3.0	350,000	350,000	
TOTALS	**$143.1**	**$222.5**	**$7.72**	**$13.1**	**$39.1**	**5,675,169** Shares	**2,257,454** Shares	**1,038,650** Shares

*[Based on $22 a share value, as of Nov. 1969]

1958: Scholz taps luxury prefab market

1962: Nation's first mass-produced atrium

1965: "The best house I ever designed"

"In giving up control, Scholz violated a cardinal business rule..."—Len Harlan, investment banker

dominant partner. Schult's Walter O. Wells became board chairman and chief executive of the combined operation. Scholz, as president, continued to run his prefab business.

Some observers have asked whether Scholz realized that he was surrendering so much control. He says he did, but merged anyway for three plausible reasons:

First, he assumed correctly that Wells would not interfere with his prefabs. Second, he believed that Malmquist, by now one of the company's board members, would side with him against the more cautious Wells. And third, and most important, he was sure his General Motors needed the mobile company. Scholz was willing to trade down-to-earth control for a shot at the stars.

"In giving up control," says investment banker Leonard Harlan of Harlan, Betke & Meyers, "Scholz violated a cardinal rule of business. From then on, he was on the defensive."

A wiser Scholz says today: "I made a mistake. I should have picked Monarch. It wasn't any bigger than we were, so we would have come out on top."

A muted voice. Scholz Homes, with Malmquist's aid, acquired two more builders for stock in 1969, and that tipped the scales even more heavily against Scholz. His voice became one of many.

The mergers made significant shareholders of the principals of Wisconsin turnkey builder Public Facilities Assoc. (PFA)—football coach Vince Lombardi and politician Dave Carley—and of Detroit's Allstate Homes. They inherited a power to help shape Scholz Homes' future.

Those details never seemed to bother Scholz. The company still carried his name, and that was good enough for him. He continued to line up acquisitions. And by the fall of 1969, nine candidates, ranging from a $1 million sectional house manufacturer to a $15 million apartment developer, seemed more or less willing to join his General Motors.

But while Scholz pressed his patient search for the right collection of builders, his new partners were busy with an entirely different plan. They decided among themselves to sell out Scholz Homes to a giant industrial corporation—for two reasons that made good sense to them:

1. Scholz Homes was short on cash and its short-term debt was a building. But Scholz himself still wanted $100 million for land and new apartments. So the company would need the amounts of capital that giant corporations could guarantee.

2. Scholz's partners wanted to cash in their shares for blue chips. Wells, and others, feared the Scholz stock was overpriced (at 25 times earnings) and would soon level off.

The Inland deal. Some giants (General Development, Gulf & Western et al.) were looking at Scholz Homes in August, when a banker steered PFA's Carley to Inland Steel (1969 revenues: $1.2 billion).

The Scholz executive committee, including Don Scholz, met the top executives at Inland's Chicago headquarters on September 12. The informal discussion lasted less than two hours. And Scholz thought that might be the end of it.

Not quite. Two days later, Inland's board chairman phoned Wells.

Wells then asked Malmquist to begin merger negotiations.

And only a week later, Wells signed over his proxy to Malmquist, giving the financier authority to close the deal.

Wells promptly left for a month's vacation in Europe.

Scholz maintains to this day that he had no idea of how truly serious the talks had become. Says Scholz: "Malmquist knew how I felt about selling out. So he didn't want me around to gum up the works."

Malmquist concedes that Scholz didn't learn of the deal "until it was well in hand." But Carley, who attended the negotiation sessions, adds: "I don't think Don wanted to know anything."

On Friday, September 26, while Scholz was busy on Wall Street planning his nine acquisitions and Wells was relaxing in Switzerland, Malmquist quietly signed a letter of intent to merge Scholz Homes into Inland Steel.

On Saturday, Malmquist phoned Scholz.

On Sunday, Scholz hastened by jet to Malmquist's palatial home outside Chicago for his first look at the signed papers.

Scholz agreed to the merger, in principle, that Sunday. Then, he rushed back to Wall Street and started a month-long effort to scuttle the deal.

A losing fight. A Wall Street executive, who saw Scholz during those hectic October days, says: "I felt sorry for him. He was like a fish out of water, just floundering around."

One investment house told Scholz Inland's offer of dividend-paying stock valued at $22 a share, or about 25 times earnings, was too low. Scholz's fellow board members merely shrugged. So did Inland, which refused to add a nickel to its $87 million offer.

Then Lehman Brothers tried to preserve Scholz's original acquisition plan by adding a twist—Scholz's partners could sell out to the public. Here's the plan: Scholz Homes would first acquire the nine companies to expand from a $58 million concern to a $220 million colossus. The new corporation would then float stock, allowing Wells, Malmquist, and others to sell their shares at $32 each, or $10 above Inland's price. (Inland's stock deal, however, was tax free.)

TO NEXT PAGE

1966: Scholz builds first prefab apartment

1967: Smash success with Chicago apartments

1968: Toledo's largest project—462 units

"The day Don merged with Inland Steel was the saddest day of his life..."—Mrs. Don Scholz

That plan would have made Scholz the titular head of his General Motors *(see chart on p. 54.)* But despite phone calls and face-to-face meetings, Scholz couldn't sell the idea to the board.

"They wanted the bird in the hand," says Scholz. "And they were smart. With delays to close all the mergers, we would have run smack into the 1970 bear market. No one knows where we would be today."

The rejection of Lehman's plan left Scholz only one other card to play. He could threaten to resign and take his loyal employees with him. That, he was sure, would force Inland to drop out. And, with Inland gone, perhaps the Scholz board would reconsider Lehman's plan.

Here was Scholz's last chance to recapture his company. And he knew it. If he did nothing, his colleagues would merge him into obscurity. If he played his ace, he would be plunged into a corporate free-for-all and his head might roll anyway. Either way, his whole life's aim and purpose were on the line.

"It would have been bloody," says Mike Taylor, a former Lehman analyst. "Everyone would have been on Don's neck. But it could have worked."

After careful thought, Scholz decided it was a "stupid, bull-headed idea," and he abandoned it.

Inland executives and Scholz board members now insist that the strategy would have failed. Don Rothfelder, who supervises Inland's housing division says flatly: "We had decided to merge without Don, if necessary. There were lots of goodies in Scholz Homes; Don was only one."

The unrepentant optimist

Scholz decided to join Inland in November. "It was the saddest day in Don's life," says his wife. Scholz disagrees:

"I looked at the positive side and said: 'Why shoot Santa Claus?' Inland was giving me \$2 million worth of dividend-paying stock. Furthermore, I became convinced the merger could work."

Part of his optimism was based on his belief that Inland had consented to 1) create a mortgage system to finance Scholz Homes' expansion, 2) buy land for future development, and 3) acquire those nine companies. Says Scholz, flashing his old optimism:

"With that kind of action, we could have knocked Levitt off the map."

Inland wanted Scholz. Company executives, however, deny making any such promises to keep him happy. That basic misunderstanding alone made discontent on both sides all but inevitable.

Scholz's hopes began fading even before shareholders ratified the merger in January. Rather than building, Scholz found himself in meetings or writing reports for Inland.

In one bizarre incident, Scholz executives had to explain why the company had not purchased a certain land parcel early in 1969, months before the Inland deal. And oddly enough the question was raised by the landowner himself. When the Inland-Scholz merger was announced, he asked his friend, Philip Block Jr., Inland's board chairman. The chairman asked the president, who in turn queried Rothfelder, who then sent a memo to Scholz. Scholz executives then invested 200 man-hours preparing a detailed apologia that built to this thundering conclusion: the man wanted too much money for the land.

"In the old days," says Scholz, "I would have handled the question with a two-minute phone call. I would have told the landowner to - - - - - - -."

To make matters worse, Scholz broke a leg on the way to Inland's annual shareholders meeting in January. That kept him under wraps for three months. In his place, lieutenants argued for various projects during weekly Inland meetings. "That added to his frustration," says Rothfelder. "His men didn't get every cent he wanted, so Don felt he was losing the fights without ever getting his trunks on."

Embarrassing decision. The clincher for Scholz was Inland's rejection of a merger with the Ranier Manufacturing Co. of Oregon, one of his nine companies. "We didn't see the fit with the lumber company," says Rothfelder.

As for Scholz, he calls Inland's 40-page report on Ranier a "masterpiece of asininity." But more to the point, the decision embarrassed Scholz, for he had assured Ranier executives that a deal could be made. Says Scholz:

"I don't know what their reaction was. I can't bring myself to call them."

Inland did buy Jewel Builders Inc. of Columbus in June. But Inland won't buy any of the others Scholz wanted.

"We paid a high price for Scholz Homes," says Rothfelder. "Now we want to sit back and enjoy the movie." He also says:

"If we err this year, it will be on the side of conservatism. We already know that earnings will be flat. But we don't want any big boners that will scare off our top men. By the way, none of our other housing executives has complained about our decisions. Only Don."

Scholz knows Inland must be cautious. "The executives are making the right moves for their shareholders," he says. "But I had to decide whether to become a guardian of the public trust, or return to being a builder."

1969: Scholz's first modular apartment

1970: Modular that won Breakthrough award

1970: One of today's best-selling houses

Don Scholz in 1970,
back on his own again

He left Inland on September 15. His successor is Julie Cohen of Jewel Builders, who sounds something like a young Scholz:

"This merger has to work. I could have retired. But this is the next logical step in my life. If it fails, I'll consider my career a tragedy."

Back in the driver's seat

Inland tried to convince Scholz to stay—"You haven't given this enough time," said President Fred Jaicks.

But Scholz got his freedom, or at least the freedom allowed him under terms of the merger. Scholz can't manufacture housing for two years; nor can he build under the Scholz Homes name.

So he will develop land that he already owns in Toledo, Chicago, Washington, D.C., and Charlotte, N.C. He will become one of Scholz Homes' 300 builders—with a difference. He expects to design the units the company will manufacture for him.

Scholz will break ground for an 1,800-unit development in Toledo this year. A friend says the new enterprise will be "small potatoes" compared to what Scholz had, but adds:

"He'll be back in the driver's seat."

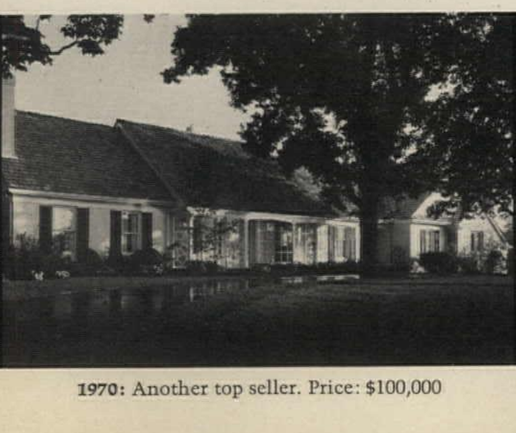
• • •

Outsiders who visited Scholz in 1969 and again today can see a difference in the man. He still works long hours. ("Don will always work," says his wife.) And he has a new burden—a nagging sense of guilt about deserting his loyal employees.

But he is more relaxed. The days of struggle and hard decisions are behind him. And he has a fortune in Inland stock, which yields him a dividend of $150,000 a year.

Yet, something is missing.

Don Scholz has peace of mind, but he wanted something more. —F.L.



1970: Another top seller. Price: $100,000

PHOTOS: EDMUND LEE

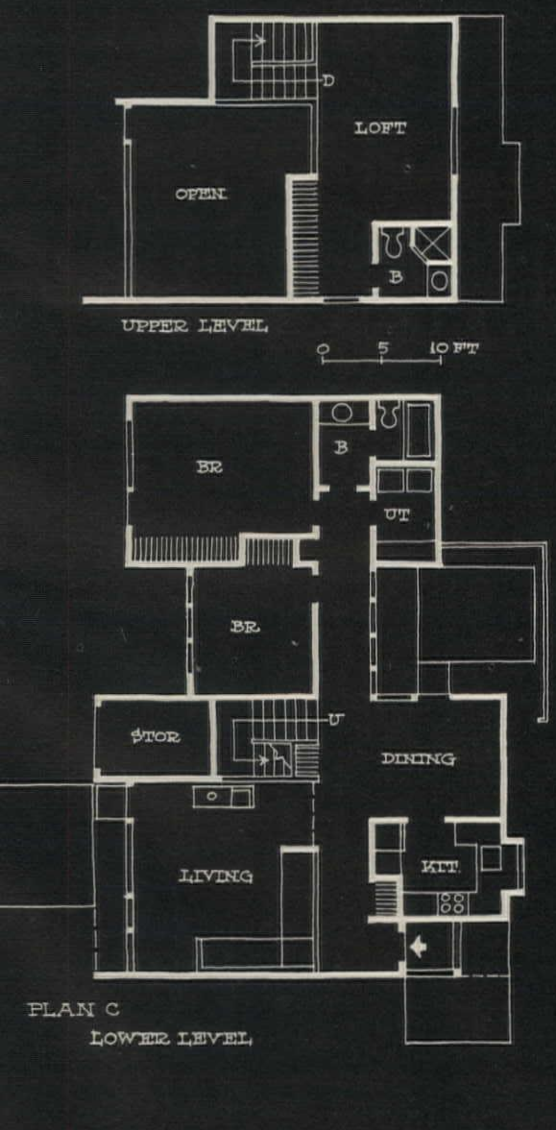
Clustered units leave open much of a wooded resort site

A wilderness atmosphere is the prime sales feature of this year-round resort project. It lies three hours over the mountains east of Portland, Ore., and to compete with shore areas and ski resorts closer to the city, it offers land that is less developed looking and houses that are designed for vacation use all year round.

Houses are built in two-, three-, and four-unit groups around the perimeter of the oval, four-acre site. Result: a feeling of natural openness and excellent privacy for a seven-per-acre density. The buildings, designed for year-round use, have double roofs – with air spaces between – that ventilate the houses in the hot dry summers, keep heavy snow loads from melting during the cold winters.

These 27 units *(plan above)* are the first phase of a 77-unit project within the 7,700-acre Sun River resort area. Units range from one bedroom with a loft to four bedrooms, are priced from \$30,000 to \$42,000. Architect: Zaik/Miller. Builder: Vik Const.

Two-story living room has precast concrete fireplace. Stairs lead to sleeping loft above dining room (*plan below*).

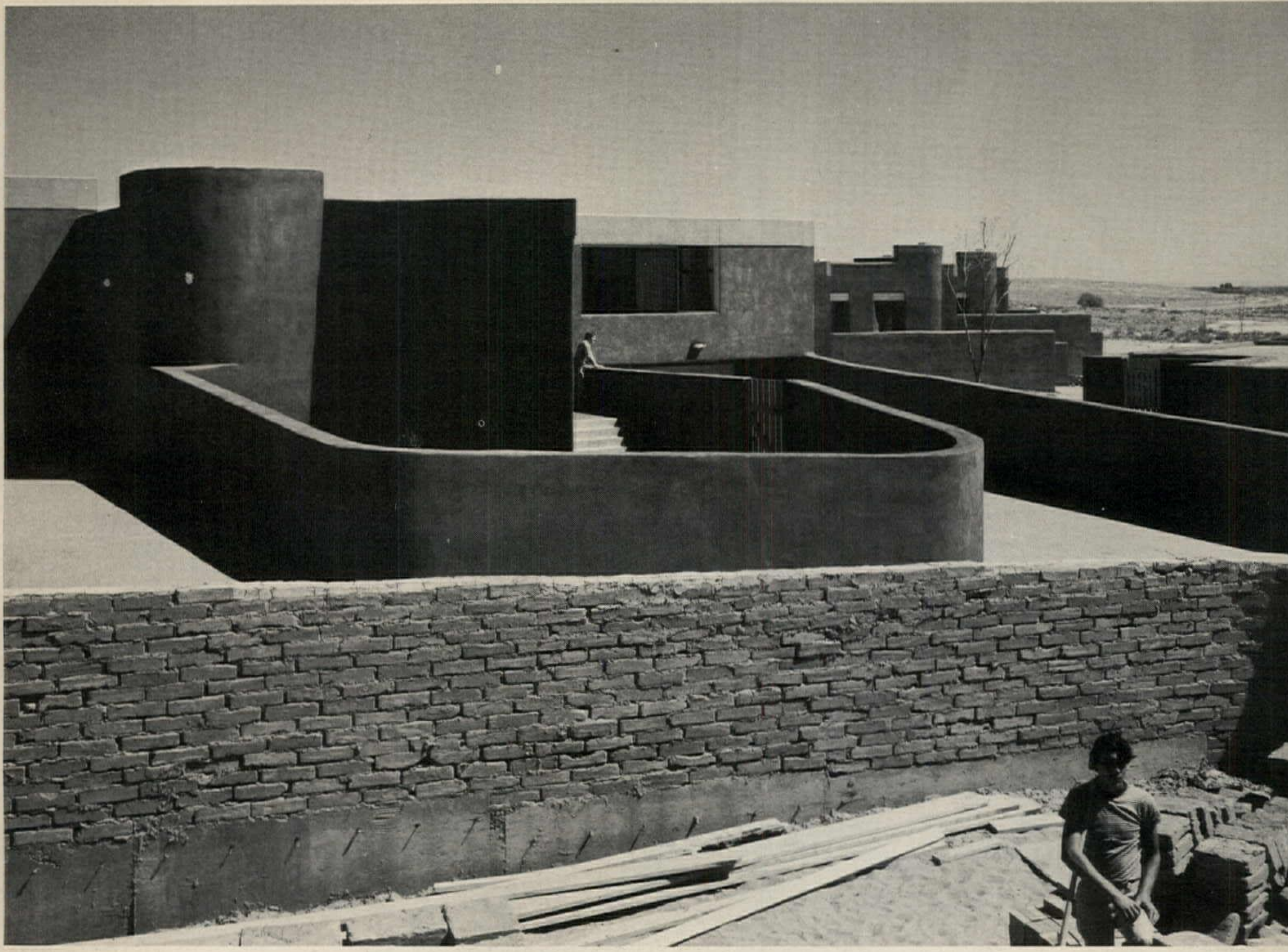


3 TOWNHOUSE PROJECTS THAT SELL ENVIRONMENT

Land prices continue to soar; resort areas—particularly those on the water—have shown increasing market appeal; and the whole concept of better environment is becoming more and more important to the buyer. Add all these factors together and you have the reason why imaginative land planning is more important than ever if a project is to realize its full profit potential.

The townhouse projects shown at left and on the next four pages are all good examples of just such land planning, and of the kind of design that exploits it—in the positive sense—to the full: a small resort project that needed openness, a desert project whose view was a prime asset, and a waterfront project that had to squeeze as many units as possible onto very high-priced waterfront land without losing the amenities that buyers expect in higher priced housing.

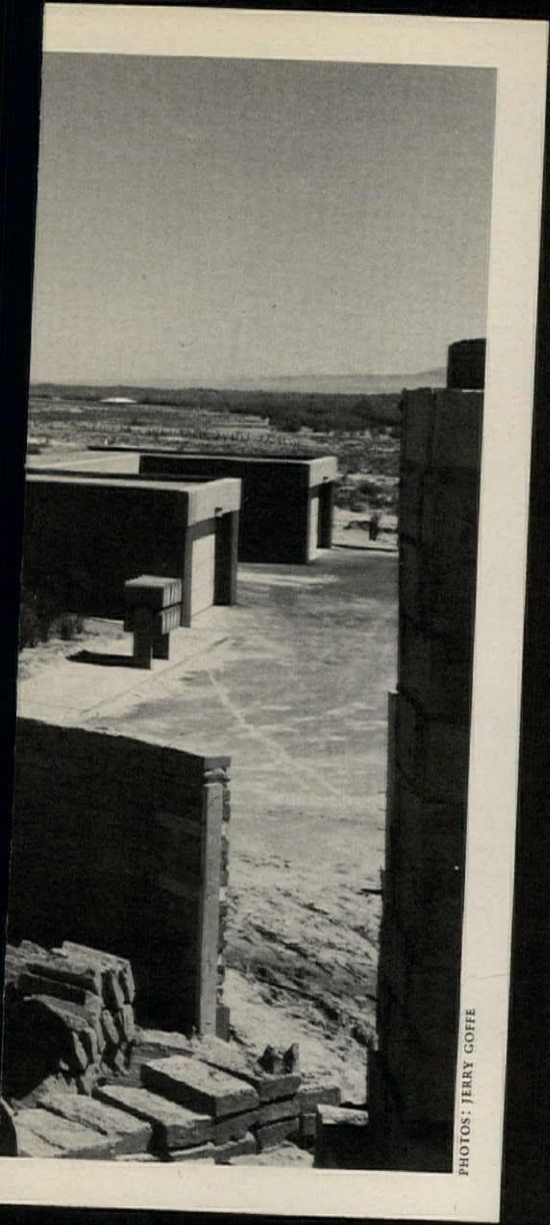
The two projects on the next four pages received Honorable Mention in the 1970 Homes for Better Living Awards program, sponsored by The American Institute of Architects in cooperation with HOUSE & HOME and *American Home*.



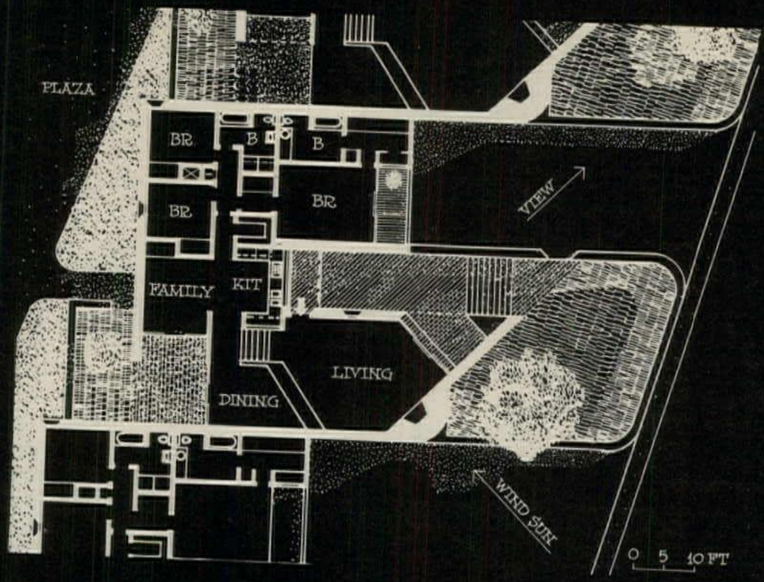
Angled units capitalize on the view from a mesa's edge

Raised dining area looks over living area and out through fully glassed end walls. Fireplace wall angles in to block western sun and wind.

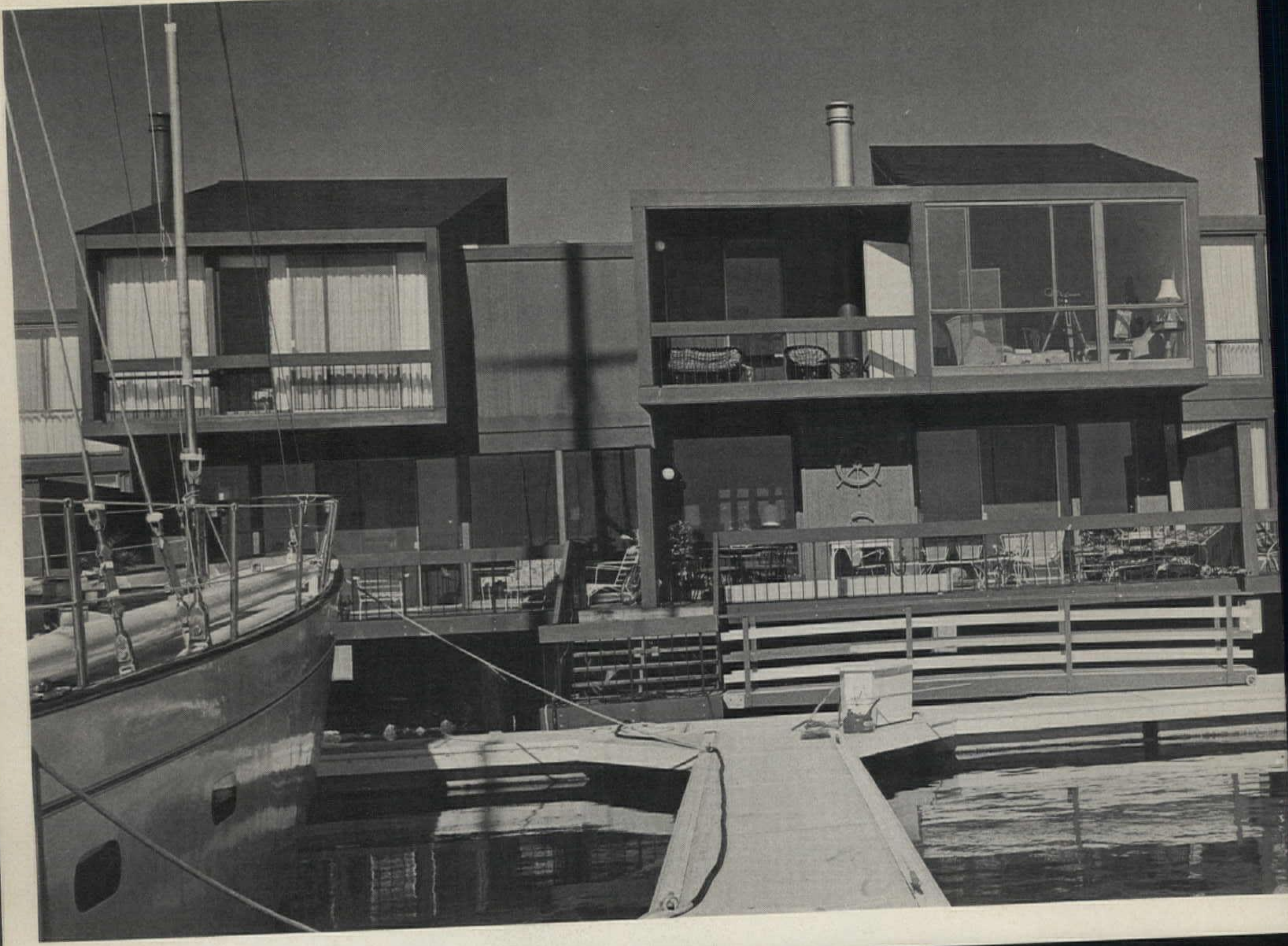
By day the panorama encompasses a low-lying plain that runs down to the Rio Grande, downtown Albuquerque across the river, and mile-high mountains in the distance. And by night, the lights of the city are clearly visible. To take advantage of all this splendor, these 31 townhouses are angled so that 1) all have glass walls facing the view and 2) no house blocks its neighbor's view. To preserve the view itself the development is ranged along the mesa, leaving the 200-acre flood plain part of the 500-acre community completely undisturbed ecologically. The angled siting also presents solid walls to western sun and desert winds. Large patios (*photo, above*), sunken so their high walls don't block the view, trap the winter sun. The walls also provide privacy from adjoining pedestrian plazas (*site plan, right*). All walls are made of 16"-thick adobe brick, made locally and laid up by unskilled local labor. Three plans range from 1,500 to 2,150 sq. ft. and from $30,000 to $43,000. Another 18 out of a planned 300 are underway. Architect: Antoine Predock; Builder: Ovenwest Corp.



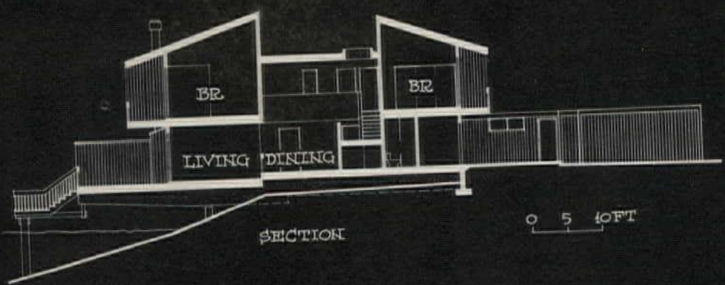
PHOTOS: JERRY GOFFE

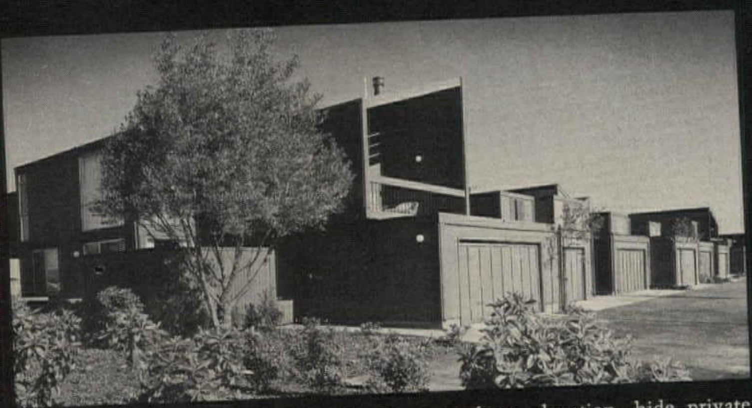


Angled sites put large patios towards the view (top of page). Garage courts are at back.



Blocks of units make the most of costly waterfront land

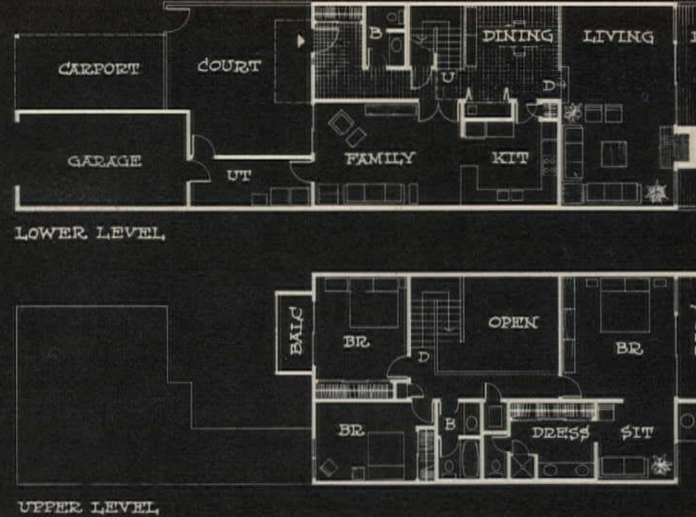


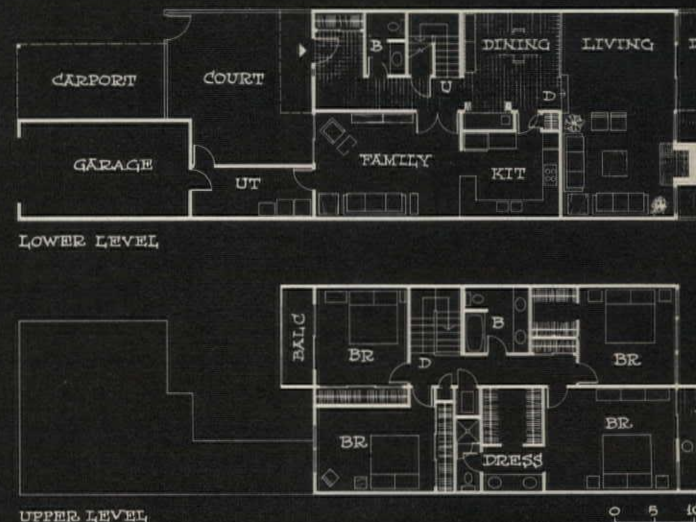


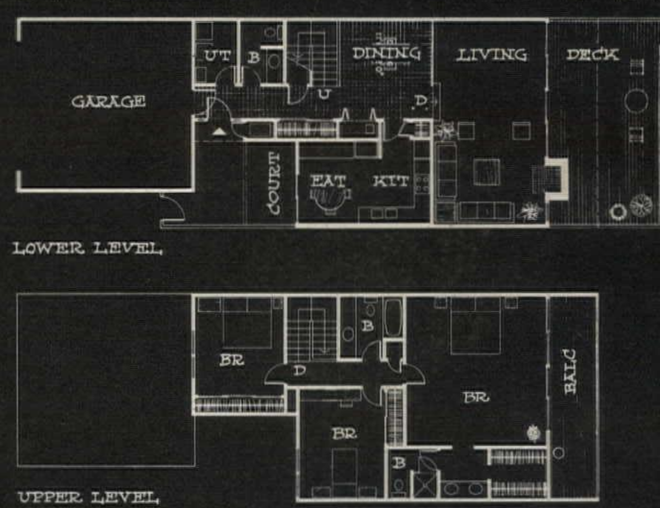
Rear garages, varied in setback like the waterfront elevation, hide private courtyards. Upper-level balconies open off master bedrooms.

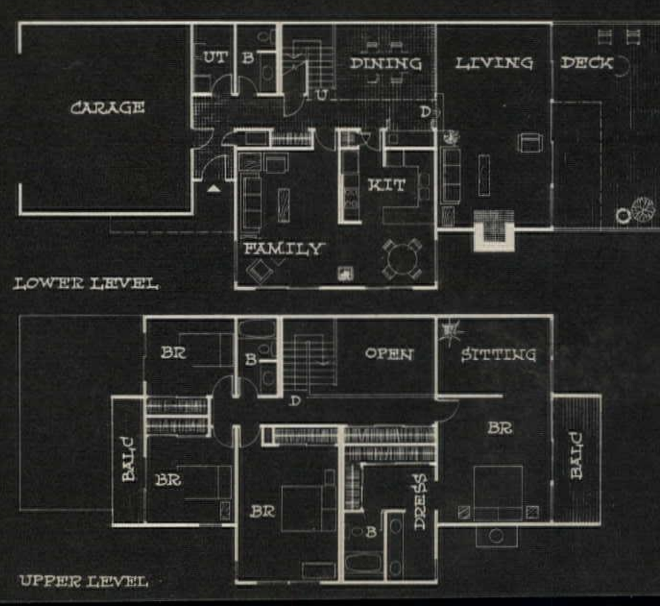
To squeeze as many units as possible along the expensive frontage, blocks of eight units like the one above are set close together along the waterfront (*plan, right*). But the 26′-wide townhouses retain some measure of privacy from their neighbors because: 1) their front and rear facades are varied in setback, 2) their balconies have blank side walls, and 3) their rear garages hide private courts (*plans, far right*). Also at the rear on the upper level are bedroom balconies and large windows looking away from the marina towards San Francisco. To give owners direct access to the deep-water boat channel, each house is set on two concrete front-to-back beams, laid across concrete piers, and cantilevered 17′ out over the water. And each has gangways down to its own 30′ concrete boat slip. The units are 80′ or 90′ long, sell for $58,000 to $72,000. They are part of a 44-unit group that is the first part of a 50-acre, 800-unit project around a yacht harbor in Alameda, Calif. Architect: Fisher-Friedman. Builder: Williams & Burrows. Owner: Pan Pacific.

PHOTOS: JOSHUA FREIWALD







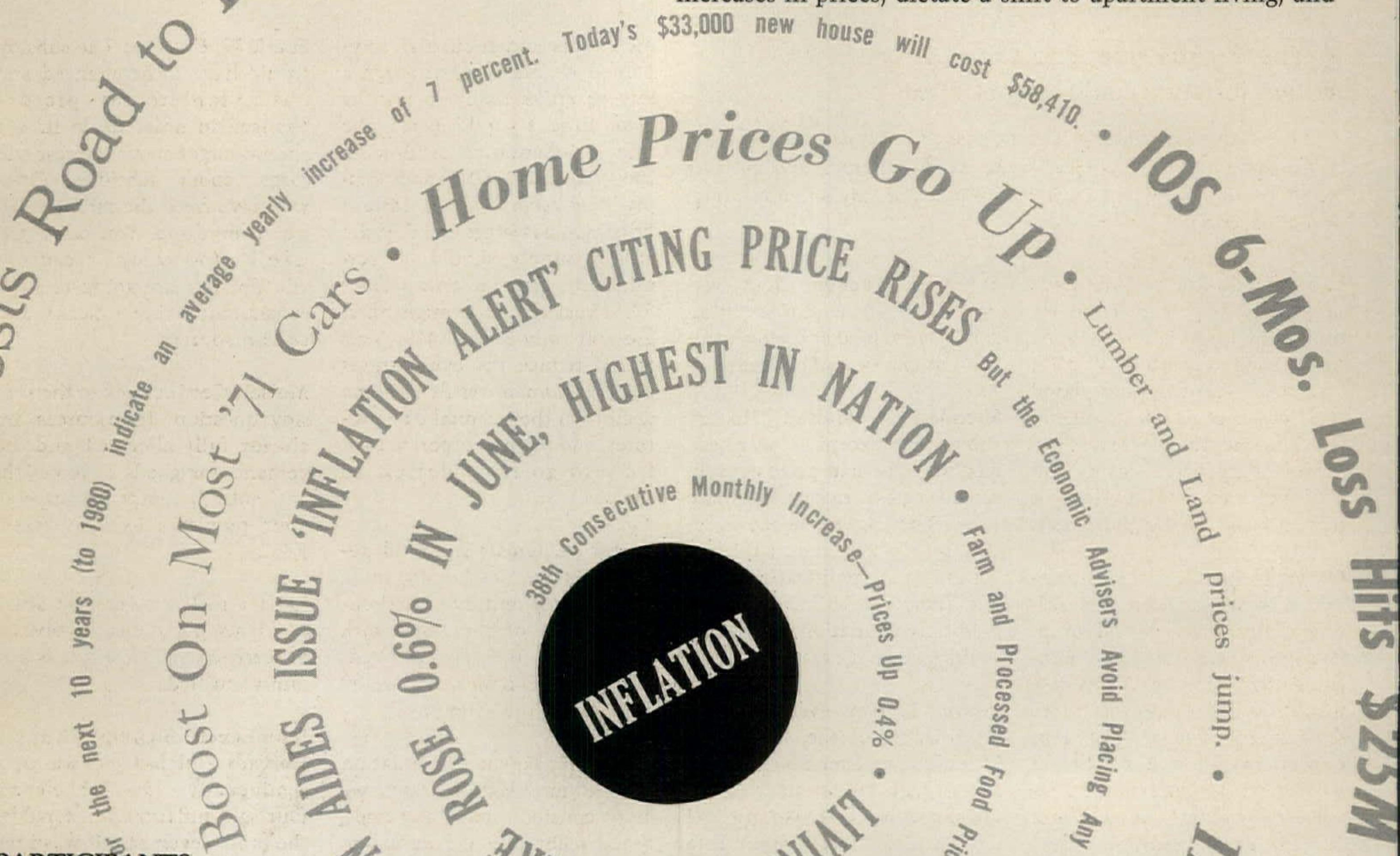


How

That is the single most important challenge for today's homebuilding industry.

For inflation now threatens to become a permanent feature of the economy, and it raises chilling prospects.

It could dislocate mortgage markets, force tremendous increases in prices, dictate a shift to apartment living, and



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housing can cope with permanent inflation

even doom the single-family house. Inflation might well bring an end to the housing market as builders know it.

So House & Home assembled 38 leading figures in the fields of homebuilding, lending, and government to determine ways in which the housing industry can cope with permanent inflation. The Round Table, entitled "Inflation and Beyond," was held in mid-March with Senior Editor Edwin W. Rochon as moderator.

The panelists developed some compelling answers—new mortgage techniques, lending reforms, higher densities and a more singular suggestion, new life styles and a complete change in outlook. Their discussion follows.

1 The brighter side—just suppose that inflation could be controlled

The panel assumes, purely for purposes of analysis, that inflation could be contained. Mortgage flows would improve and housing would attain a new and lasting stability. The single-family house would be saved.

Leslie Goldstein: Let's be optimistic and assume that the annual rate of inflation will be diminished to 2½% or 3%. We can then see corporate bond rates down at 6½%. Suddenly the 5% rate paid to savers becomes competitive again, and you might see a shift in flows of money back toward mortgages.

Norman Strunk: The single-family house market has suffered unusually as a result of inflation because it is a long-term thing and there is no equity protection. If the investor becomes convinced that a long-term commitment is desirable, I would think some of the reverse psychology would obtain and the single-family mortgage would become an attractive investment. If you take care of the inflation problem, you get a lot of things going for you in terms of the availability of money.

August M. Strung: There is no doubt that, if we could control inflation, we could attract funds.

Morgan G. Earnest: If it does occur, then I do think we are going to have more money come back, available for mortgages at lower prices.

Paul J. O'Brien: The degree of inflation is important. If we can control it and bring it down to something like 2½%, something we could probably live with, the fixed return might become more attractive again. I think we will start to get our savers back if they are shown encouragement by some reports of inflation coming under control.

Edwin W. Rochon: Does anyone else believe that inflation can be contained and price equilibrium can be established?

Sherman J. Maisel: History shows that, except for war periods, we have had price equilibrium a great majority of the time. The argument for inflation is primarily that it is more desirable on political grounds and therefore will continue. I doubt that inflation is as good politics as many assume.

Strunk: Perhaps even with the termination of the war, there are so many demands that it is almost fair to assume that we are not going to have any real change in the forces that create this inflation. Am I right on that?

Maisel: If you assume that for the coming decade GNP will average at least $1½ trillion a year, then the question of getting sufficient resources into housing doesn't look too difficult. The resources that would have to be shifted to meet our housing goals are really rather minor—on the order of $5 or $10 billion a year. Just talking as an economist, there is no technical problem here. This is why I think you are saying we don't have the political desire really to do something about housing. If we can't face difficult political problems of setting priorities within our existing resources, then obviously inflation is a major problem.

Goldstein: The initial reaction to inflation was a buyers' panic. From talks we have with retail merchants and industrial companies, we are going through a buyers' strike likely to last for some time. I would expect the rate of inflation to decline. In the 1950s and 1960s money supply grew at an 8% rate. Milton Friedman has suggested that the money supply should be permitted to grow at only 4% or 5% a year. The GNP might then grow at only 3% to 4%. This would reduce the expectations of businessmen, result in some decline in their capital expenditures, and permit corporate cash flow to go from deficit to surplus.

Jenard M. Gross: It would appear that we are hoping for a cessation of inflation without having any of the framework for getting it accomplished. How do we halt inflation by stimulating the economy?

Max Karl: To contain inflation in the mortgage market, we must consider some non-traditional techniques. If we are to have an ample supply of mortgage money, it must have an anti-inflationary impact on housing. I suggest subsidy on the one hand, but not subsidy in the usual way. I would recommend a tax incentive for institutional investors who, because of the additional yield, would show a greater interest in a secondary marketing operation.

The tax credit could be as much as 50% for institutional investors of $100,000 or more. If the effect of bringing a billion dollars into housing from non-traditional sources is to create a billion dollars of new housing or more through tax legislation, then certainly the GNP must benefit to the extent of twice that amount. When it is all over, I think a closer analysis will reveal that there really is no revenue loss by the federal government. The taxes on the increase in the GNP would compensate.

Frank M. Crossen: The subsidy would have to be changed and our complete tax picture changed in order to do it. We should forget about interest and forget about subsidies. Once you have freed the market, you free everything. You can't just take it spot by spot because if you do, you are going to have subsidies that direct money into certain sources.

Maisel: Getting back to the subsidy question. If resources are already fully allocated, and the demand for goods is too high, any subsidy tends to increase your problems two- or three-fold.

Karl: I realize it creates some problems, but it also involves a priority to which housing is certainly entitled.

John Lynch: A group talk at the Harvard Club last year was split significantly. Out of eleven, four said inflation was terrible; the other seven said it was fine. It seems to me that the cure for inflation is much worse than the inflation—creating more of a problem now than the small amount of inflation we had each year.

Edmond C. Tonti: Why can't the federal government get just a little bit of flexibility in the system?

I can borrow money from John Hancock or Metropolitan for 9⅝% interest and 2% of the action, and if it is good enough for them, it is good enough for a homestead. But I am not allowed to compete for that dollar at all here on a local basis. I have a feeling that the same situation prevails around the country.

O'Brien: The shortage of money in many instances has been overemphasized. Today a builder in California with a good, rapidly selling product can get

GOLDSTEIN STRUNG STRUNK EARNEST O'BRIEN GROSS ROCHON

all the money he needs from some source. There is no real shortage for a fast-selling tract that I know of.

The things that really upset the applecart are predictions of lowering the mortgage rates in the immediate future. In one tract we had 13 cancellations and the builder said 11 said they would come back when the rate dropped. The expectation of a lower rate is a real deterrent to new home sales.

Alan S. Borstein: A good many of the inflationary problems have been caused by the builders themselves. The psychology over the past 20 years in the building industry has been that the buyer will continue to be willing to pay an ever-increasing price for the product that he buys. The tendency of most builders has been to go along.

Woodward Kingman: The important priority that the administration definitely is pushing is the effort to stop inflation. We have to stop inflation if we are going to do something about non-subsidized housing.

2 But inflation is here to stay... this is the consensus of the experts

This judgment by Chrysler's Edwin Homer summarizes a key session of the New Orleans Round Table. Only the degree of inflation remains in dispute. The conference finds that wage settlements intensify inflation.

Rochon: Are we truly getting anywhere in controlling inflation, particularly in the housing and mortgage markets? Do you feel that inflation is under control or that it will be?

C. W. Ford: I think some progress is being made, but we have a long way to go. The rate of inflation is a very significant factor. There has been a decline in the rate, but there is still enough there to be a serious problem. I don't think there will be complete control or elimination of inflation. I don't think the people are willing to pay the price.

Earnest: I think the inflation psychosis we are dealing with is a very important factor. I question that we are going to stop inflation. We may slow down the rate, but with the commitments that we have around the country, I don't see any real reduction in inflation.

William C. Gow: The inflation problem is psychological as well as financial, and until you beat the psychological aspect of it, I don't think you can solve the problem. You have to strike at the basic roots, and one of them is fear; nobody is going to starve to death.

C. W. Smith: There is no question but what inflation will be eased somewhat. We have a lower rate of inflation ahead than we have had during the last year or two. Business volume in most lines, as it is in housing, has fallen to the point where prices will soon rise at a slower rate, at least, than they have risen in the past.

As for housing, the answer is for us to try to live with the economy we have and to come up with answers that will enable home buyers to compete for funds rather than to hope that the government is going to do something to make more money available to housing. If home buyers and the homebuilding industry cannot compete, then I see no reason why the government should single out this industry and say it is more important than national defense or pollution or crime in the streets or other equally important items. There have to be other answers.

Raymond H. Lapin: Everybody expects prices to keep going up at a rate that's high enough but that won't be troublesome for years and years to come. I see no real strong signs that there is any reason for anyone to think differently. I think we will have this problem with us for years.

David G. Zellner: I believe we will continue to have inflation.

The direct construction cost in a \$30,000 house in Southern California is about 50% or \$15,000. About \$7,500 of that is material and \$7,500 is labor. We have labor contracts that will take us through the year 1972. The average increase is 8%. We can assume that 8% will apply to nearly all the labor that goes into houses in the next few years. That's \$600 per house on a \$30,000 house, or 2%. We can assume therefore that for three years running, houses will increase at \$600 a year and for five years, that's \$3,000.

So we have built-in inflation. There is also inflation in the other \$7,500 of materials not included in the \$600 increase.

Strunk: The statistics say the economy has been cooled somewhat. But so far as inflation in housing is concerned, I can't see any evidence that this is slowing. Wage settlements and everything else seem to be just as galloping as last year.

L.B. Nelson: I don't think the statistics that inflation is cooling are true. It is cooling temporarily, but basic demand is not cooling. I don't understand why we try to restrict the money supply in this country and thereby stop production because basically production must keep pace with demand if you want to cool inflation.

Gross: The recession, while probably temporarily producing some declines in subcontractors' bidding, in fact sets the stage for a much more rapid inflation in the future in the housing industry, because we are in an unusual situation.

Every time we have a slowdown in housing starts, two things occur: a lot of marginal lumber mills go out of business; a lot of plumbers or carpenters go to work in other areas.

When housing picks up, these lumber mills don't come back into production; the workmen don't return to the industry. Therefore, on the next round, the lumber prices and the wage increases go sky-high. The next time we reach the same level in housing that we had in early 1969, prices will be much higher than they were then, and labor, which is not flowing into our industry, will demand greater wages and get them.

Recession merely represents accelerating inflation in the future.

Richard O'Neill: The chairman of the Council of Economic Advisers said to me in November or December that, because of the wage increase rate in 1969—a level of about 15% as opposed to only 4% to 6% in prior years—the housing industry couldn't handle any more starts because it didn't have the labor and that's why the wages were bid up 15% or 16%. A corollary is that nobody wants his kids to be plumbers except a plumber and nobody wants his kids to be carpenters except a carpenter, so wages are bid up and they will go higher and higher.

Tonti: I agree. I just can't see any feed into the labor market at all, skilled or unskilled.

KARL KINGMAN LYNCH FORD CROSSEN TONTI BORSTEIN

Edwin N. Homer: My company feels that inflation is here to stay, and it is just a matter of the degree of control. We can all live through it, but this labor market is a strange situation.

We have thousands of people that have been laid off in the Detroit area, and it is a very serious situation. But we are facing a new round of labor contract negotiations in September and as sure as we are sitting here, there are going to be increased manufacturing costs and cars are going to cost more money. Even if Detroit made only a million dollars, 1971 cars are going to cost more. So, you will be buying new cars and they will cost more and building less houses and they will cost more.

Wayne S. Doran: In comparing the auto industry to the homebuilding industry, there is quite a difference that may not be recognized in dealing with labor. The auto industries are dealing with labor in the form of one union and one location. Labor in the homebuilding industry has many unions in many locations. The economy may put pressure on the auto industry that affects the labor industry, but in the building industry the economy may change and not reflect itself in wages.

The makeup of the building business has changed drastically in the last few years, not because of land prices or labor increases or material increases; it was real estate taxes that the buyers found they had to pay. With the increased tax burden on the single-family dweller, there has been pressure in the market to change the type of unit being built and with that demand comes a change in the demands for money.

Preston Martin: I think that, underlying all this inflation talk, there is the reality that national housing goals are still going to be met. I am not talking about the specific goals in the 1968 HUD Act. But we know that during this decade the housing demand of the country has to be satisfied. We are not sure what the product is going to be except that it is not going to be the detached single-family residence of the 1950s. We don't know how we are going to finance it except that it is not going to be the 4½% or 5½% rate of the 1940s.

Lewis Cenker: Housing for low-income users depends on federal subsidy. Inflation of costs and prices retards production of low-income housing because subsidy dollars (always in short supply) are used up by fewer units. In the absence of some major shift in national priorities generally, price stability might prove short-lived under pressure of higher goals for production. The demand would develop further shortages of manpower and material and . . . up go prices. Stability is not possible under such demand.

You might see a bad situation develop in this narrow segment of the market. It is a market resting on federal funds; it is politically important; and it is socially important. If production is to be made *THE* goal we may need political courage to temper or move aside for a while and other goals and priorities expected in this market.

Rochon: Are you saying that the over-ambitious statement of goals is making the goals themselves self-defeating? Time to de-escalate the rhetoric?

Cenker: Perhaps it is time. It seems to me that an oversupply of rhetoric on housing the disadvantaged and producing the so-called "modest" home is available at all levels. It is safe to say that every candidate for public office at the federal and the state and the local level will have something to say this year about poor families and high costs of housing. Yet who will say that the goals of economic mix, employment quotas, racial mix, higher wage and job standards, regulated builder fees, or other socially desirable ends should in many cases yield to the pressing goal of production?

Carmen Pasquale: The President indicated that he was going to control inflation by sound monetary and fiscal policy. I realize he does not have control of the monetary policy, but he does control the fiscal policy of the government. A sound fiscal policy should provide, as part of the budget, adequate funds to meet housing goals. At the present time it would appear that the Economic Council, which meets with him, does not establish a high priority for low-cost housing. Therefore, money appropriated for housing to date has been insignificant. To alleviate the housing problems it will be necessary to place pressure on the White House to change its priorities and change its thinking in order to provide funds.

3 The causes of permanent inflation —the war, wages, a rising money supply

The panelists examine the reasons for permanent inflation, among them the Federal Reserve's monetary policy. Governor Sherman Maisel of the Fed leads a lively debate on the theories of the economist Milton Friedman. The panel discusses the kicker mortgage and the youth rebellion.

Ford: As long as we continually raise wages and do not increase productivity, we will have inflation. I anticipate that we will have inflation as a way of life.

But there is another problem contributing to inflation and that is our list of desires. Unless we take a different look at what we can afford and cannot afford, and then establish plans and priorities, it will be impossible to control inflation within any reasonable limits.

Housing is basic and it is the number one domestic problem in this country. If we solve it, there are a lot of social ills that will be solved by virtue of the fact you can give a decent home to every family. There are a lot of other problems and commitments we now have that won't be nearly so serious if we first solve the problem of housing.

Bundy Colwell: If people are thinking inflation, there will be inflation and, if they think contrary, there will be something to the contrary.

Cenker: I wonder if that doesn't equate with the past experience of boom and bust. Inflation has deflation as its opposite condition. What would happen to housing in a situation of inflation leading to deflation?

Maisel: I don't think there has ever been a runaway inflation in a really industrialized economy except as a result of war. You have runaway inflations in Latin America and some other non-industrial countries. But at least in terms of history, it is unlikely that we will have a runaway inflation.

Lynch: Is there really a dangerout inflation? Are we talking about 18% and 20%? I don't think we are.

Money costs in the last two years have gone up but that's not because of inflation. That's because of the attempts to contain inflation, the restraints on the money supply. If you cut back on the money supply, it is going to be more costly. That's

LAPIN GOW SMITH ZELLNER HOMER NELSON O'NEILL

not inflation. That's an attempt to disinflate that's causing that.

Strung: John Lynch said that high interest rates are a result of trying to contain inflation. It seems to me that high interest rates are a result of inflation.

Maisel: You are right, it's the easiest way to say it.

Henry J. Paparazzo: As to how bad inflation is—it affects the lower-income level the most and the higher income bracket is more in a position to cope with it or keep pace with it.

Rochon: Milton Friedman's position is precisely that of Mr. Strung. If we decrease the money supply, we cause a temporary rise in rates; but the rates rise only temporarily and then demand is contained. The push on the economy will have the effect of lowering rates, so that by Dr. Friedman's definition, the control of the money supply is within tolerable limits and should control rates.

Maisel: But not in housing. It could well mean mortgage rates of 25%. Friedman's theory is basically an anti-housing theory. In 1966 the monetarists thought it would be a very good thing if mortgage rates went up, but as we know, it's the housing industry that gets hurt. If interest rates have to absorb all unusual increases in demands for expenditures and credit such as those brought on by war, the height to which rates may rise could be such as to wipe out all thrift institutions.

Strung: Is that the result then of your policies in the last year or so?

Maisel: Yes. I think that everybody should be very leery of assuming that the present system guarantees that housing will suffer more than under a Friedman-type system. Under current policies, some types of investors have to give up investments, some consumers have to give up consuming, some government projects are postponed, etc. But if the monetarists' theory worked, it would call for virtually all the deferred expenditures to be centered in housing.

Lapin: I think we can try to get a fair share of savings for housing, but I don't see how we can get a fair share and also have higher rates. That means that we have to pay the freight; that the homeowners have to pay the freight. The only exception to that I feel is that we should conserve all the appropriated funds of the government for low-income families and subsidies should only be for low-income families.

O'Brien: The reason we are in this situation today may be apparent if we talk about kickers. The insurance companies thought up kickers when inflation got to a rate of, say, 6%, and they were paying a dividend of 4½%. They were forced into some situation to protect their industry. I think the difference between 1965 and 1970 is the increase in the rate of inflation. If we hadn't applied tougher monetary and fiscal policies in '68-'69, where would we be now? Would it have gone to 8%?

Robert W. Hayes: We seem to have two basic groups in the country: the main payers and the demanders or non-payers. The young people are demanding education, are anti-Vietnam, even anti-space. Are the payers really willing to pay? I think the serious question is that once the young people do start burning down the cities and we start reacting, we are going to have to pay whether we like it or not, and that, in a way, is going to mean some changes.

Milton E. Kettler: That is one of the more important issues that is in front of us, and we are going to have to write it into all of our thinking. I think that we are going to have changing values and our interest as businessmen is to create a customer. To create a customer you have to figure out what his values are and satisfy them.

Lynch: All the studies I have seen would indicate that the young people are not savers, that they are inclined to take what they want now, reject what they don't want, not think in terms of ten years from now. If you displace 10% of our older population with 10% of the younger population, I think you lose a lot of saving potential.

Strung: How long are we going to keep the depositors from dealing this way? How long can we keep that money coming in the window? How long is it going to be before it falls to such a degree that we won't be able to supply housing? Is this not then a real function or need on the part of the federal government?

William Collins: Housing may be at the bottom of the list now, but traditionally all investments run in cycles. Sometimes municipal bonds are favored, then corporate bonds, then mortgages and all of this relates to sections of the economy.

I don't think the mortgages are always going to be at the bottom of the list. We can't keep making shopping centers, and office buildings and plants can't keep expanding if people don't have anywhere to live. Eventually these people will quit building shopping centers because there will be no houses available. So, they won't be borrowing the money for these purposes and residential mortgages will come back in favor.

4 Inflation could dislocate mortgage flows and perhaps doom the single-family house

"It will be a whole new ball game"—Panel examines inflation's threats to the building industry. Experts discuss the federalization of mortgage markets, a topic even more timely today than at the time of the Round Table in March, and debate the future of the single-family dwelling.

Rochon: Mortgage money now flows outside its normal pipelines, using new conduits—the Home Loan Bank Board and Fanny May.

Any number of S&LS now fear that they will become mere adjuncts or fingertips of an expanded Bank Board, that they will be nothing more than agencies that pay out government money with one hand and take in mortgages with the other, that they will lose the savings function entirely.

And the mortgage bankers, at their last New York convention, feared that they might become mere Fanny May traders.

So—could we talk about the reconstitution of this dislocated mortgage market?

Karl: I don't think that running money through government agencies is a complete answer. It is a substantial contribution, but you can't overlook the private approach. If HUD is going to control Fanny May offerings, and if the Federal Home Loan Bank system is going to be controlled by administration policy, and if perchance that administration policy were to be charged with something less than a benevolent attitude toward housing, maybe what we

DORAN PASQUALE COLWELL PAPARAZZO HAYES PRESTON MARTIN KETTLER CENKER

really fear is benign neglect.

Turning to techniques, if you look at the last half of last year, the fact that more than half the mortgage money came out of the money market (through Home Loan Bank issues and the FNMA) indicates that you are not going to get much further by merely using techniques. You must tackle the basic problem. At $11 billion on an annual basis, I think you have done about as much as can be done with new borrowing techniques, even though introducing some new ones might stave off problems for another six months or so. But eventually, you will run out of techniques and have to get back to basics. That's why I am skeptical of the impact which a secondary conventional mortgage market and the GNMA mortgage-backed bond might have. They may help a bit, but not much.

Robert J. Gale: Our company experienced a slight leveling earlier this year in sub-contractors' prices and material costs. But this has been offset by rising land costs, interest charges, and other overhead factors. Thus, it has been impossible to maintain prices of our single-family homes within the range of many of the home buyers for whom our suburban communities have been planned.

We don't think that the single-family home is on its way out, however, or that it will be available only to the very affluent. We're now expanding into other areas of the shelter field including planned unit developments—which will contain single-family homes, townhouses, and garden apartments —and our modular housing plants will soon be turning out units that can be used in our own communities or sold to other builders.

Nelson: We have to change our methods of design for the so-called single-family home. After World War II, when we had a lot of subdividable land available for single-family houses, builders were able to produce living units at a reasonable price and on a large scale. Now most of that land is used up, and people are forced to go into multiple-family housing. This will be a continuing trend in areas that are substantially built up.

Also, you have to get a rapid form of transit so you can move people to the outlying areas where there is land. Until the time comes when we use our transportation facilities to outlying areas, a great percentage of the people will be forced to live in multi-family units. But as soon as we solve our transportation problems, then I think we can reach these outlying areas where there is land available at more reasonable prices.

Tonti: I think it is going to be an entirely new ball game. I would be amazed if we were sitting here in 1980 and could make any comparison whatsoever of this decade or 1950 or 1960. I think the housing industry is going to have to find some way to get its fair share of money. I think if you try to find the answers back in the prior decade, they aren't going to be there.

Hayes: The stereotype single-family house is a house put down in the middle of a lot with five-foot side yards. It is this single-family house that is dead. It is a very poor utilization of the land—when you have alternatives that are also single-family. Townhouses can be designed and sold at 40 units to the acre, although normally we are building garden townhouses at about 8 per acre in the San Jose area.

Nelson: With the proper planning, as you pointed out, you are still going to have to go to the outskirts because, from what studies we have done—and I'm talking about housing families with children—it is pretty difficult to get much more than 15 or 20 units per acre and be effective, especially if you have the requirements of parking and play areas. I do agree with you that there is a change in the architectural content, but I don't think you can achieve that unless you have rapid transportation.

John Rahenkamp: There is going to be a need for single-family living for people with children, but as long as the birth rate is going down, we are going to house them in a different way. The utility cost is far too high to justify spreading out any further.

In addition, there is an imbalance in ratio that relates environmental concerns and the economic status of the country. Maybe national resources have to be looked at a lot more closely than in the past. It may very well work out that the users of the environment are going to be taxed at a much higher rate. For instance, if you wish to put down a square foot of pavement, you are going to have to justify every square foot of pavement you put down and if you put down an excessive amount, you are going to be back-charged for it.

The trade-offs between what we give up in terms of environmental quality against what we are getting back in economic return have to be equitably balanced. They are not now.

Hayes: We have access to a very sophisticated report that was done for a city in California by Arthur D. Little. It demonstrates that the single-family house as we know it today on a 6,000 sq.ft. lot costs the city $100 per acre per year. Contrasted to that, multiple family earns the city $3,500 per acre per year. Now on the face of that kind of economics, how can the typical single-family house stay alive?

Rochon: How high will housing costs go? And won't we, if inflation persists, become a nation of renters instead of home owners?

Borstein: Labor rates will accelerate next year and the year after. You are going to have a constantly spiraling cost of land. When production picks up, you are going to have higher costs of materials. All this says to me that the cost of housing must increase.

To assume it is to be 2% or 3% is going to be completely unrealistic. It is going to be a minimum of 5% per year and maybe even more.

There are a number of ways to attack the results of that inevitable increase. One way is an earnings-potential mortgage. Most people in an inflationary economy are pretty well convinced that their earnings will increase tomorrow over that which they make today and they are not willing to buy housing that they are not satisfied with.

Thomas McComb: I think we are going to see the picture in real estate change drastically. We are still thinking in terms of the small builder who, as I see it, can no longer keep up with the market realities that are going to confront us in the 1970s. This does not mean that he will not have a useful role, but he simply will not have the tools at his disposal which will enable him to keep up with the market conditions that we have today. If you look at the opportunities in housing and real estate, we say we are on the threshold of something unlimited. The only question is, do we have the manpower?

TO NEXT PAGE


COLLINS


TARAVELLA


McCOMB


RAHENKAMP


GALE


LONG

J.P. Taravella: Too much emphasis is placed on innovative engineering and production-line techniques as cure-alls for our housing problems. Innovation in housing systems will come normally during the course of active production in a free market without government edict.

The current shallow analogy is that assembly-line techniques gave the American public the automobile, and now we demand that industry turn to production of houses by industrialization of building techniques. What they overlook is the innovative automobile financing and monthly payment plans which put the car within range of the average family.

The same approach must be taken in solving the housing demand. Why not consider a 40- to 50-year mortgage on a brand new quality built home? Obviously, this would bring more homes within the financial means of more people.

With all the talk about the necessity for building a second America over the next 20 years, let's not forget who built the "first America." It wasn't the large volume builders, who accounted for less than 3% of construction. Instead, it was the small, independent builder—some 50,000 members of the NAHB, who build anywhere from 20 to 200 homes a year, and these smaller builders, in my opinion, will build most of the second America.

Rahenkamp: We are doing studies in the relatively urban areas simply to balance out water requirements. The water level is constantly going down and we can't support the population growth that we have with the water levels we have now. So, it is totally ridiculous to think we can keep sprawling out without getting some repercussions.

Ford: With the way the size and the mix of the population is going we are going to have to learn to live closer together. I am not agreeing with our architectural friend that the single-family house will disappear, but I do agree that we need better land utilization. We must put that 10 ft. or 15 ft. space alongside the house into a better environmental area.

To a greater degree, we will become a nation of renters, considering the population we are dealing with. We will have perhaps a 50% increase in the under-thirty age group. These people have not earned or saved enough money to make a downpayment. So, we will have to accommodate them in the rental shelter.

This situation will be aggravated by the increasing cost of housing because for every increment in the cost of that shelter, we are postponing the day when the 25-year old, who may want to buy a home at age 27, has to wait until he is perhaps 29 or 30.

Strunk: Do they buy this concept or do they resist this kind of housing versus the single-family house?

Ford: Our experience has been that the young couple that wishes to start a family still wants wide open spaces. Lately the condominium and cluster housing concepts with the environmental recreation area, are becoming more popular. But this is still with an older group and not the younger people who still have small children and need larger areas. I think we will find that they will become accustomed to smaller areas with common recreation facilities provided for the children in the residence.

Strunk: How about the lenders? Do they have any hang-ups at the moment?

Ford: We have a slight hang-up in most condominium concepts. I feel this is because, for a family with children, the density is too high. Perhaps in the 10 to 12 units per acre, you can accommodate the children. You can get up into much higher densities with people whose children are grown and who wish to get rid of the maintenance and care.

Strunk: How about the other lenders?

Ford: I think generally speaking, that among us in California it is becoming a more common approach. We look at many of these potential developments and others are beginning to look at them in the same way.

Strunk: You may be 100% right, but you have to finance them.

Strung: We too have found a reluctance on the part of the people to go into condominiums. I don't think that this necessarily condemns the concept. I think it is something for the future and will be the way of the future.

What we have found is that they are highly successful in areas where land is extremely scarce. They are successful in Hawaii and Puerto Rico. As land becomes more and more scarce and people are educated to it, I think the condominium is going to be a very important method of housing people.

Maisel: I visited a condominium development in Phoenix recently. Only two families had children, and the others considered them a great nuisance and were wondering how to get rid of them because, while there was a common swimming pool and recreation area for the children to play in, they preferred to play in the street.

The thing I would stress is that if the system is left to itself, the system will adjust. It may take a little time, and there may be a little trauma during the period that it is adjusting, but some of us here are really saying that we don't think the system can or should adjust.

John Long: I think we ought to take another long-range look at high density, too. Some of the present social problems exist because of high density. A lot of the unrest in minority groups has been in the high density areas and invariably they have a lot of children. Now if these areas could be built up without children, then probably they wouldn't have the same impact. But maybe what we save today on land development costs may be spent 15 or 20 years from now on social problems.

5 So builders must cope with inflation via loan reform, equity deals, new ideas

Lending methods may change almost beyond recognition. The experts propose new mortgaging methods, equity participations, a private secondary market for conventional loans. One of the more startling suggestions: dweller may buy merely the use of house and land, leaving actual ownership to investor.

Rochon: Let us then suppose that inflation will not be contained but will become a permanent feature of American life. Oliver Jones of the Mortgage Bankers Assn. suggested the parameters for this discussion: "How will the building industry and the mortgage industry contend with permanent inflation?"

Goldstein: The fixed-income, long-term investment has become increasingly unpopular with many institutions in re-

STAYMAN

RANDOLPH

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cent years because there is no one who has bought one in the last 25 years who has made a profit on it. We are faced with a reaction to this adverse experience, not an examination of what the future is likely to mean for long-term debt investment. The money is there in aggregate but the mortgage is not competing for it now.

How do you make the permanent mortgage competitive? How do you get its yield 50 to 100 basis points over other fixed income securities? I don't think the variable interest rate is an answer. The tax-exempt concept for mortgages is not an answer either. You have an increment of $10 billion of tax exempts annually—maybe less last year. You are talking about a $30-billion annual increment to this tax exempt market if you make mortgages tax exempt. That is too big an increment for the market to absorb.

Perhaps the answer is a secondary market for mortgages at competitive interest rates, and I think this solution is being very actively worked on. The REIT is only a partial answer.

Karl: I propose a true secondary market for conventional mortgages that can react properly to money rates and can go into the market whenever it wants for as much money as the public will supply. Certainly, the REITS have demonstrated this.

I don't think that the shopping centers and the motels should get priority in financing over housing. If a secondary market for conventional mortgages were to be given this kind of encouragement, it could make a great contribution. It could buy mortgages from institutions like S&LS in substantial amounts. If discounts are needed to compete, why not the discounts in the conventional market?

Of course, a key to secondary marketing of conventional mortgages is mortgage insurance, because the investor will be looking for some protection. But that kind of financing can be done for less than what we see in the FHA market.

Edward H. Dreher: Perhaps the housing industry should direct some attention to the development of new methods to make the mortgage instrument more palatable and competitive with other investment opportunities. Investors have been attracted to mortgages on income-type properties because they can participate in the equity, rental income and other benefits, but single-family dwelling financing does lend itself to these techniques.

In the area of making the single-family mortgage more attractive and competitive, some thought might be given to such changes as increasing the principal indebtedness periodically based upon some fairly reliable formula that would correspond with the changes in the purchasing power of the dollar, amending the usury laws of the various states or having a single usury law for the entire country, developing a mortgage instrument that can be used country-wide, eliminating the problems of making investments under the various state laws, and simplifying foreclosure.

O'Brien: I think one of the greatest savings factors is that of forced savings. The pension fund is probably the greatest, fastest growing industry in the United States. For the first time we have a concrete way of tapping this pool of funds with the new mortgage-backed security. I would think the real estate industry could tap that multi-billion dollar reservoir and will tap it in the future.

If we have a secondary market in conventionals, I think they will tap it via conventionals. If we have the GNMA certicate, I think it is a perfect beginning, and when mortgages resume their yield differential, the pension funds may be big buyers.

Clarke C. Stayman: I am probably the most unwelcomed human being in our trust department. We have no assets in our pension trust that are in as bad shape as the excellent mortgages I bought from these gentlemen. We thought a 5½% return was great. It is going to take our trust investment boys a long time to forget the millions and millions of dollars that we, Chase, Citibank, etc. have poured into mortgages.

I oppose forcing trusts to do this. I can make eloquent arguments to the contrary for the simple reason that when you start saying you are going to put X % into it, and the next year, when we have a student loan problem Congress says, "Well, I think maybe the pension is going to put 5% in student loans this year," you have destroyed the purpose of the trust. If you can develop an instrument that will be attractive to the trust, then the trust will come in.

Cenker: Should inflation remain continuing and predictable, undesirable changes in housing will accelerate. Some of the Yankee ingenuity mentioned earlier is already at work. Equity participation, joint ventures, variable rate mortgages, are all likely to blur the lines separating lender from borrower. Expanded use would bring lenders into the role of institutional developer-builders selling a home user an "estate for years" with payments and prices fixed by skilled actuaries. Ownership may become a minor consideration.

The user may be willing to leave ownership of land and building to the investor, pay him for wear and tear, and buy only the use, the convenience to school or shop, the environment, both cultural and physical. The user may barter, sell, or bequeath his estate, and the investor will adjust for inflation when next selling the use. I don't like it. Private institutions must find a better response.

Borstein: The investment banker or the traditional lending institutions that want to convert into institutions that look more like investment bankers, and who can go out and secure long-term permanent locked-in capital and combine the advantages of short-term construction lending with long-term mortgage lending and partial equity participation (possibly to the public), such as the insurance companies are now beginning to do, could bring us a combination, one-stop system that makes a lot more sense than everybody doing his little thing. It doesn't make sense to have part of our structure, like the mortgage investment trust, demanding a minimum yield of 13% or more so they have no desire to lend at 8% or 9% for permanent mortgages.

Earnest: As a builder-developer, primarily interested in this type of financing, I would like to say that I do not believe the people in this country are going to let the single-family mortgage die even though some of the investment bankers, insurance companies, and mutual savings banks are beginning to think in that direction.

The mortgage we are now using, with the refinements that are beginning to be adopted, is the mortgage-backed security we will use in the future.

Rahenkamp: People using housing over the last 20 years have been coming from rural areas; therefore, requiring larger areas. They are still reacting to the

Depression. They depend on the single-family house as an island of security.

Most of the people coming into the housing market today are suburban, so they are used to very much tighter living accommodations. They are inflation people and they have seen this thing continue on for a number of years. They simply aren't going to require outright ownership.

It seems to me as well that there will be a good deal less of their disposable income available for housing. They will require very much broader community investment and will depend on the community to establish value rather than on their individual house.

The whole marketing aspect is changing and I don't think you can base any mortgage financing on the single-family house. It is dead and it will never come back again because it will cost us too much.

Roblee B. Martin: What about speculation as a cause of inflation?

Maisel: There's another problem here. We appear to believe that Americans have a fundamental right to speculate on their homes. If you try to do away with that speculation, you are removing a basic right from every person. It seems to me that this idea is in conflict with the concept that housing is a necessity. If housing is a necessity, then you worry about getting a better house, and you don't say, "Yes, he has a house and he also has a good speculative investment."

Furthermore, I don't think you can have a system in which the person who owns the home has all the rights to any benefits arising out of changes in the price level and the lender has no rights. If you make the basic assumption that prices are going to rise 2% or 3% a year, you have to provide a way in which any capital gain is split between the lender and the home owner.

James P. Gallagher: Could you give us your view of subsidies?

Maisel: There is the critical question of whether or not a person who lives in a house is going to pay the going rate for it. If you assume that he is not going to pay the going rate, then I think you can handle the problem for a short period. You can do it when you have a large existing stock, since the stock will be large compared to any yearly increment to it. But as time goes on, the required investment will become larger and larger, and the harder it will be to obtain the necessary investment if artificially low rates prevail on the existing stock.

The best and most efficient policy is to introduce government subsidies into the market mechanism. I think that's far more efficient than controlling credit or forcing investment.

Trevvett Matthews: Have private lenders done their part?

Maisel: The housing financing institutions have been inflexible in terms of short-run adjustments. I have been very critical of the lending institutions in the past because I don't think they paid enough attention to their portfolio policies, and this has resulted in their inflexibility. If they had had decently balanced portfolios, then they would have been in a position to adjust to the market as it varied. The risky nature of their portfolios didn't show on the books, but eventually it became evident.

John H. Randolph Jr.: There is a new Presidential commission and it appears to me that one of its significant jobs is to take a look at the mortgage picture and the thrift institutions and come up with something that will fundamentally improve the portfolio policy: do something with respect to the availability of mortgage credit so we don't have these ups and downs.

Strunk: It is not all the savings and loans' fault that we are structured the way we are. It is Congress' fault and it is the fault of the bankers, too.

Hayes: I couldn't agree more that we have a fantastic problem of education in outlying areas. In fact, at this point, I would like to commend the U.S. Savings & Loan League, which is trying to do just this right now. But while they are trying to educate the outlying areas, the cities of a quarter million or half a million population don't even know the word PUD. I think the federal government or someone that has an overall knowledge should be getting the word out.

Rahenkamp: It seems to me that the leveraging potential and the trade-off potential between the public and private companies are very substantially in favor of the developer. Obviously, the public agencies that you are going to are in very nearly the same position as the private companies. They have no money, they are going to the bond market and paying very high interest rates, so they are not able to accommodate the growth that we need. It seems to me the developer is going to have to bear the burden of putting this thing through and taking advantage of the potential profit that he can get. It is certainly not going to come from the public agencies. They can't move.

O'Neill: I don't think that in any discussion now or in the future it would be wise to get hung-up on single-family versus multifamily or their demise. Any smart developer today will do anything—mobile homes, single-family, multifamily, townhouses, high rises, parking lots, shopping centers, motels, department stores. All he wants is an opportunity in the real estate market.

Goldstein: Milton Friedman has suggested that a steady 4% growth rate in money supply will ultimately succeed in dampening inflation and smooth the very wide fluctuations in demand for money. I believe the future will bear out his theories and result in more orderly growth of the economy. As a result, perhaps the housing market will get toward the hind quarter of cash flow and away from the tail a bit.

Fed's Sherman Maisel on prices and inflation

To go to specifics: from 1955 to 1965 the wholesale price index went up at 1% a year. If the economy can increase its production of goods and services at 4% a year, then there is no logical reason why prices can't stay fairly stable in such a period; this is what happened between 1955 and 1965.

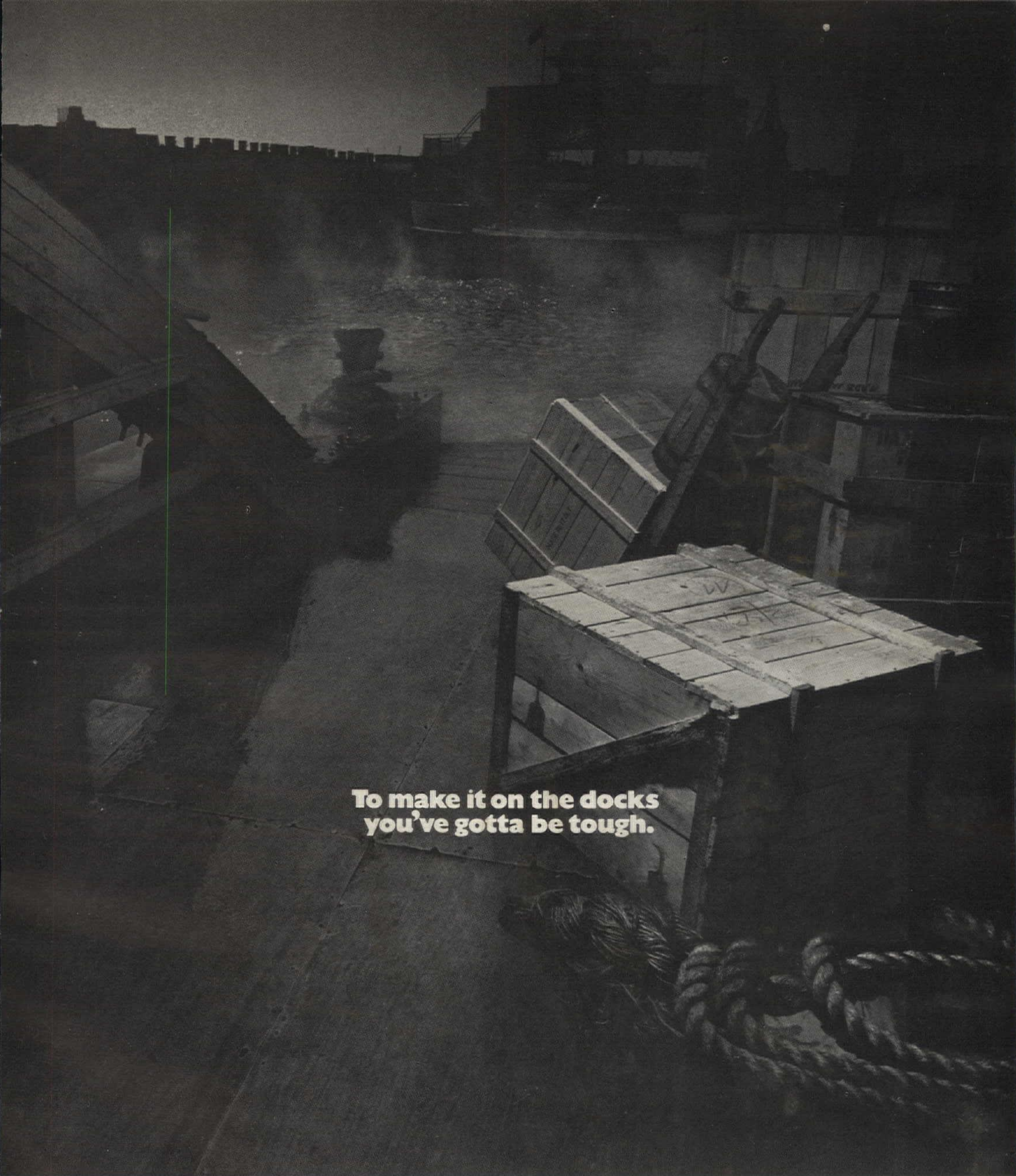
Why did prices go up? Basically, because we went to war in Vietnam. We increased our military budget by $30 billion at a time when the economy was almost fully employed. Since taxes weren't raised initially, we had a period in which we were demanding more than could be produced. The available output was then rationed among the demanders by inflation. Prices went up. Those whose incomes failed to rise as fast as prices had to buy less. This is the way inflation works.

We really have two questions. In the first case, must we assume that we are going to have excess demand during the next 10 years, or do we think that the government will use its tax and expenditure policies so that we won't have a condition of excess demand? Unless we have a fair amount of excess demand, we are not going to have rapid price increases.

The second question is more difficult. If we are in an economy where the demand for goods and services increases at 4% a year, and productive capacity grows at roughly the same rate, and resources are fully employed, can we picture prices going up at 2% or 3% a year as a result of price and wage policies, high interest rates, rising land prices, and so on? If this comes about, will the populace as a whole want the government to increase the cost of money, or to increase unemployment in an attempt to halt the upward drift in prices?

Housing itself is a somewhat different problem. In the past five years we have gone from easy to tight money. The question is, has the institutional structure of the housing industry, and its financial sector in particular, adapted itself to living with a 2% or 3% yearly inflation, or does such a condition mean that we won't get the sort of housing we want? Can the present structure handle a 3% increase in prices? If the norm is going to be 5%, I think probably everybody would have to say, "No."

Aside from a government subsidy, there just isn't any way in which you can both reduce the cost of financing to home buyers below the competitive price of money and still attract investment.



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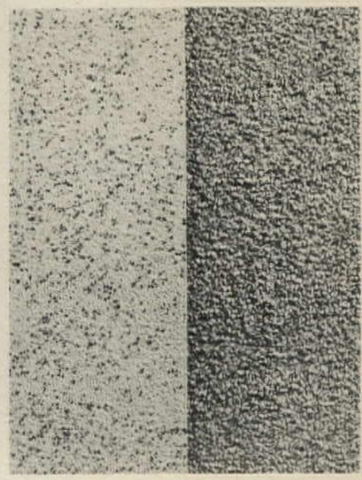


Stone siding that compares in cost to conventional sidings

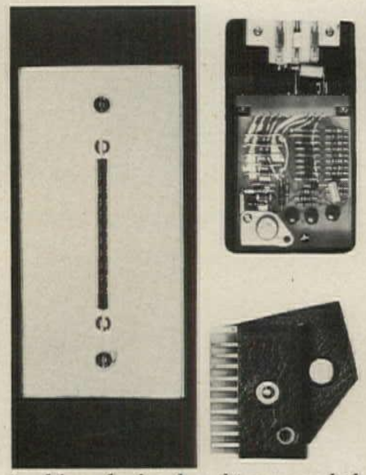
Though the stone-on-plywood panels on the house above may cost more initially, enough labor costs are cut to make them compare favorably with other sidings. They don't need any finishing coat, for instance, and may even be applied directly to studs without sheathing. Panels are light in weight, come in standard 4′ x 8′, 4′ x 9′, and 4′ x 10′ sizes, may be sawn, nailed, or glued. Large or small crushed stones (*inset*) are applied to a wet film of an epoxy. Sansspray panels now available nationally through U.S. Plywood, New York City.

CIRCLE 250 ON READER SERVICE CARD

This seamless flooring has a water base

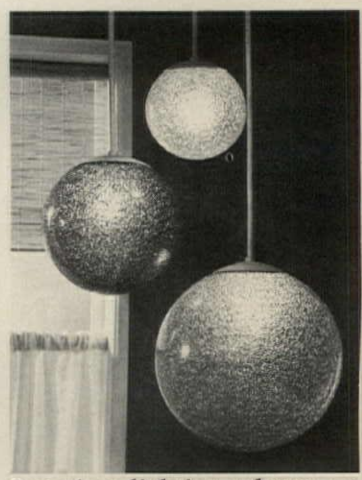
So it adheres to almost any surface, including a damp one. A base coat is rolled, sprayed, or brushed (*upper left*) onto wood, concrete, linoleum, vinyl tile, Formica, or metal. Color flakes are strewn over the sticky surface (*upper right*), marked into one of many optional designs (*large photo*), and left to dry four hours. Finally, a sealer and three coats of glaze are applied. Result after 24 hours: a durable, economical flooring. American Chemex, Decatur, Ga.

CIRCLE 251 ON READER SERVICE CARD



Locking device has binary coded key (*lower right*) which is inserted in outside key receptacle (*left*), and compared to factory-programmed code in inside control panel (*upper right*). If codes are identical, a signal activates door opener. If not, door won't open. Security Electro, Burbank, Calif.

CIRCLE 252 ON READER SERVICE CARD

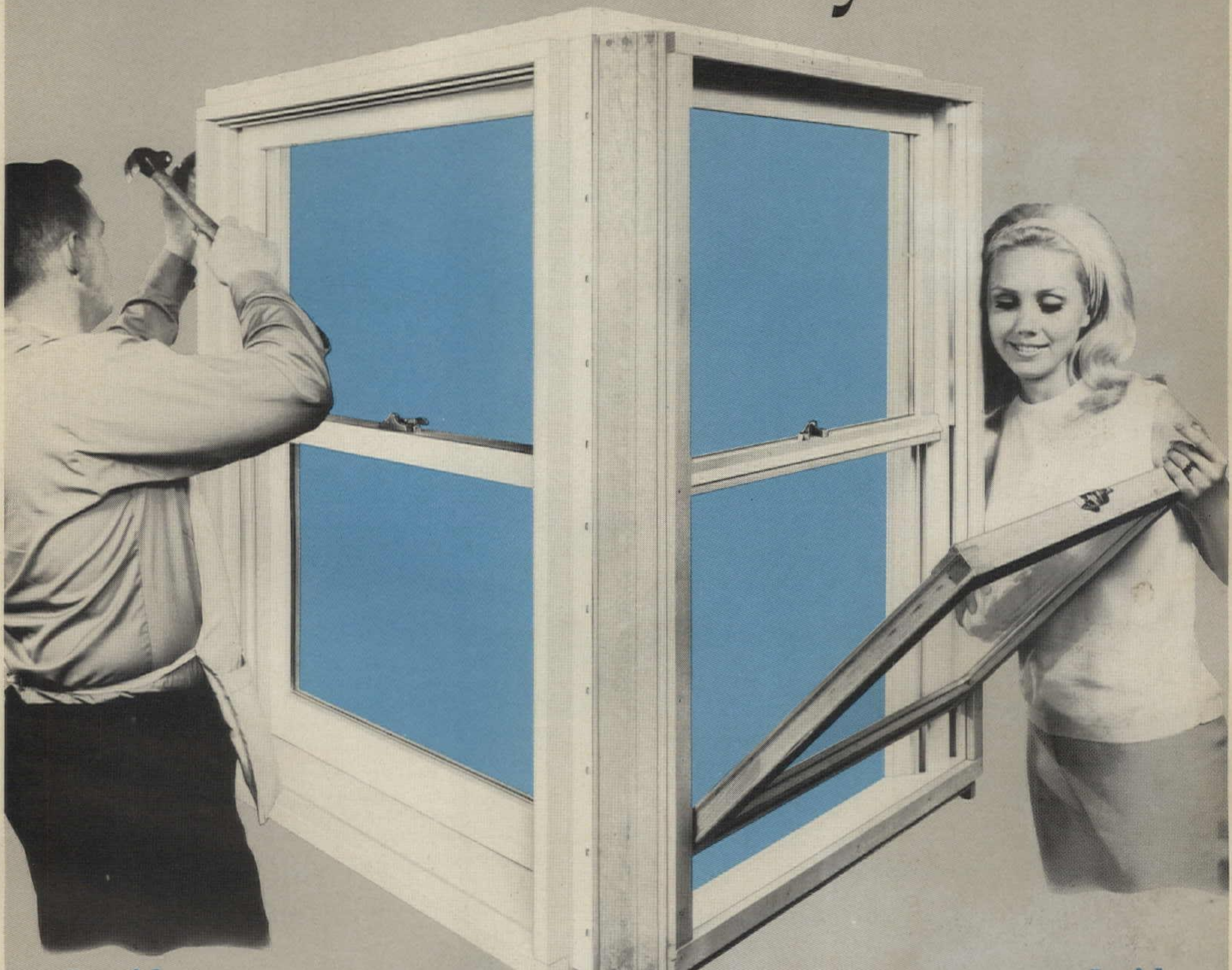


One-piece lighting spheres are only one third the weight of glass and are less likely to break. Outer surface is smooth, easy to clean. Inner surface is textured with light diffusing particles. Available in six colors and eight sizes from 8″ to 24″ in diameter. Plastics Inc., St. Paul, Minn.

CIRCLE 253 ON READER SERVICE CARD

Anti-pollution products *are very much in the news this year. Some companies have tried to capitalize on the public's interest—and gullibility—by changing their corporate or brand names to include the word "environment." Many either have nothing whatever to do with environment as we now think of it or are, in fact, contributors to pollution problems. We will not knowingly publish any of these products in these columns. Instead we will try to present any new products designed to prevent or help to clean up pollution of any kind. Some of these appear on page 92—ED.*

Malt-a-tilt, the window that's on your side



Outside

Malt-A-Tilt windows slash installation costs because they require no painting. Exterior frame parts are vinyl clad and weather strip is rigid P.V.C. Vinyl. Sash is factory finished by a special process that insures paint won't wrinkle or crack. Windows are virtually maintenance free.

Inside

Malt-A-Tilt windows save time and effort during cleaning and routine maintenance with the exclusive Malta Tilt-in/Take-out feature. Both sash tilt inward and are removable with a minimum of effort. Outside screens can be installed from roomside and need not be removed during cleaning.

Outside and Inside *Malt-A-Tilt* wood windows are the most versatile on the market today with time and cost saving features that will appeal to both you and your customers. Circle reader service number below for complete details.

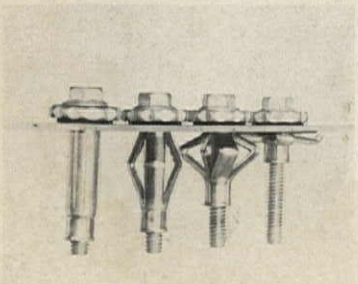
Malta

MALTA MANUFACTURING COMPANY, Inc.
261 Johnstown Road, Gahanna (Columbus) Ohio 43230

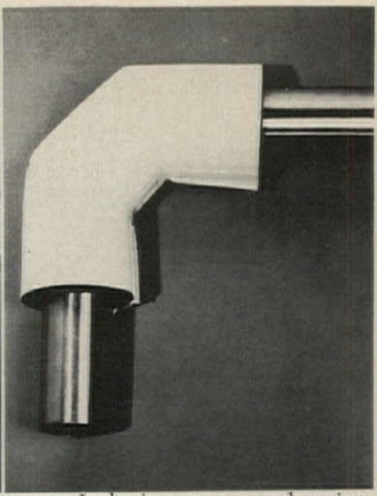
CIRCLE 91 ON READER SERVICE CARD

Wood structural system combines glue-laminated arches and beams of southern pine with laminated red cedar decking. Framing members form an A-frame-like shape over which decking is applied. Saw-textured surface is visible both outside and inside this two-story Florida recreation center by Architect Harvey Erlich. Potlatch Forests, San Francisco.
CIRCLE 200 ON READER SERVICE CARD

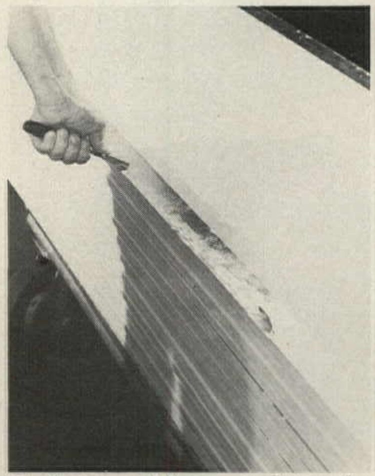
Roof framing system uses galvanized metal saddle braces with side anchor brackets. The saddle brace is placed over the ridge pole, and a pair of uncut rafters are placed in the side brackets and nailed. Manufacturer claims three men can frame an average roof in less time than it usually takes five men, since all plumb and plate cuts are eliminated and square end lumber is used. Bostitch, East Greenwich, R.I.
CIRCLE 201 ON READER SERVICE CARD



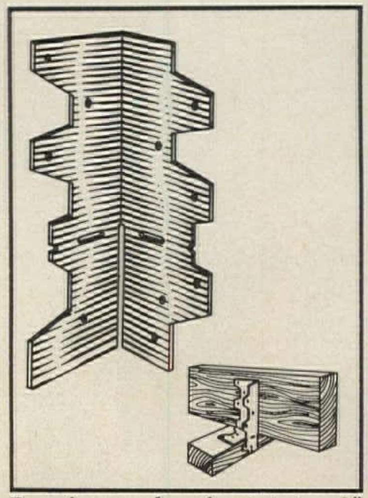
Clamp-up fastener is a machine screw with a slotted sleeve and sealing washer. Turning the fastener head draws up the sleeve to clinch sheet material such as insulated building panels, fiberglass, stainless steel, aluminum, or flashing. Driving time: three seconds. Clamp-up capacity: 900 lbs. Fabco Div., Townsend, West Newton, Pa.
CIRCLE 202 ON READER SERVICE CARD



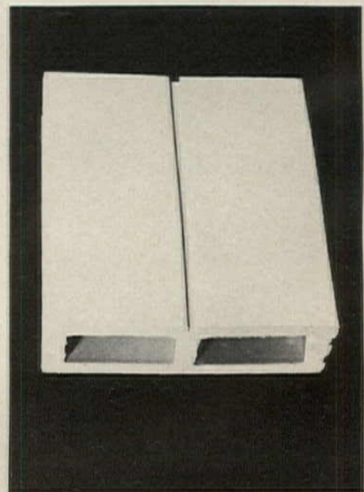
Insulated jacketing now comes in a kit of precut shapes that snap on around pipe elbows, need no cutting or fitting. The jacket snaps in place and is sealed with plastic tape. Jacketing never needs painting, can be wiped or hosed clean, fits standard piping. Accessible Products, Los Angeles.
CIRCLE 203 ON READER SERVICE CARD



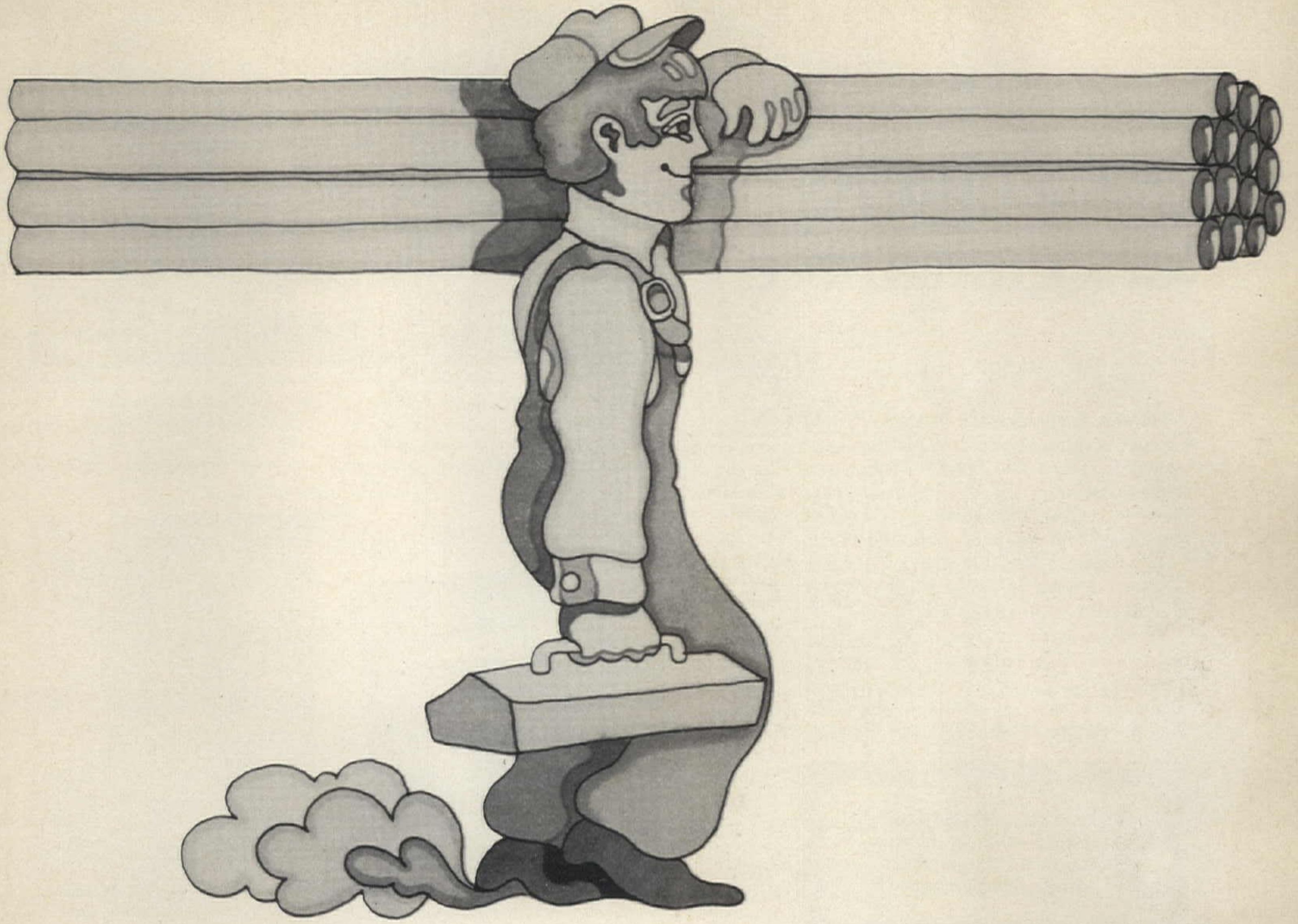
Hook-on partitions speed installation. After ceiling and floor runners are installed, the first steel stud is twisted in place. Workman bends up hooks on the edge strip 90° (*left*), lifts the vinyl-faced gypsum panel into place, and engages hooks in the stud. The next stud is then put in place and the hooks on the other edge engaged. Panels on the other side of the wall are simply lifted into place (*right*). Kaiser Gypsum, Oakland, Calif.
CIRCLE 204 ON READER SERVICE CARD



Framing anchor for joining 2" members, can be bent into six different configurations, eliminates toe nailing, shimming, or special fitting. The right-angle anchor is 1½" wide and 4⅝" long, has six nailing holes in each leg. Timber Engineering, Washington, D.C.
CIRCLE 205 ON READER SERVICE CARD



Structural ceramic tile, once installed, looks like a conventional 5" x 12" unit but is really 10½" x 12". Tested on the job, it produced up to 30% savings in labor and time. It comes in standard colors with one or both sides glazed. Arketex Ceramic, Brazil, Ind.
CIRCLE 206 ON READER SERVICE CARD



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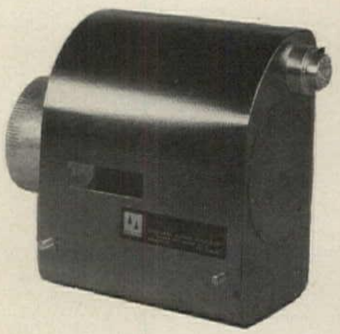
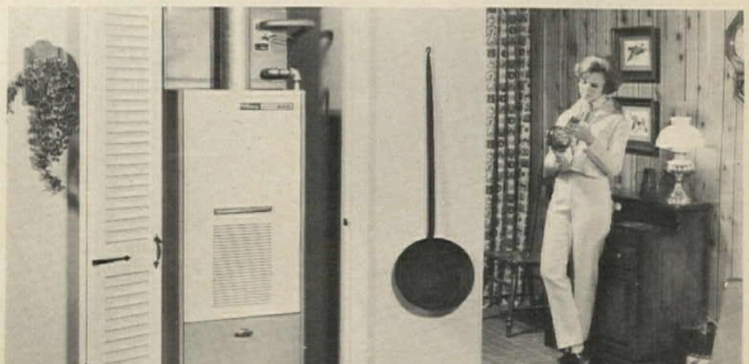
hi-temp Geon CPVC

One-ton condenser teams up with a one-ton indoor air handler to centrally air condition an efficiency garden apartment. It draws air in from four sides, discharges it along with noise upwards, so won't damage plantings or annoy neighbors. General Electric, Louisville, Ky.
CIRCLE 207 ON READER SERVICE CARD



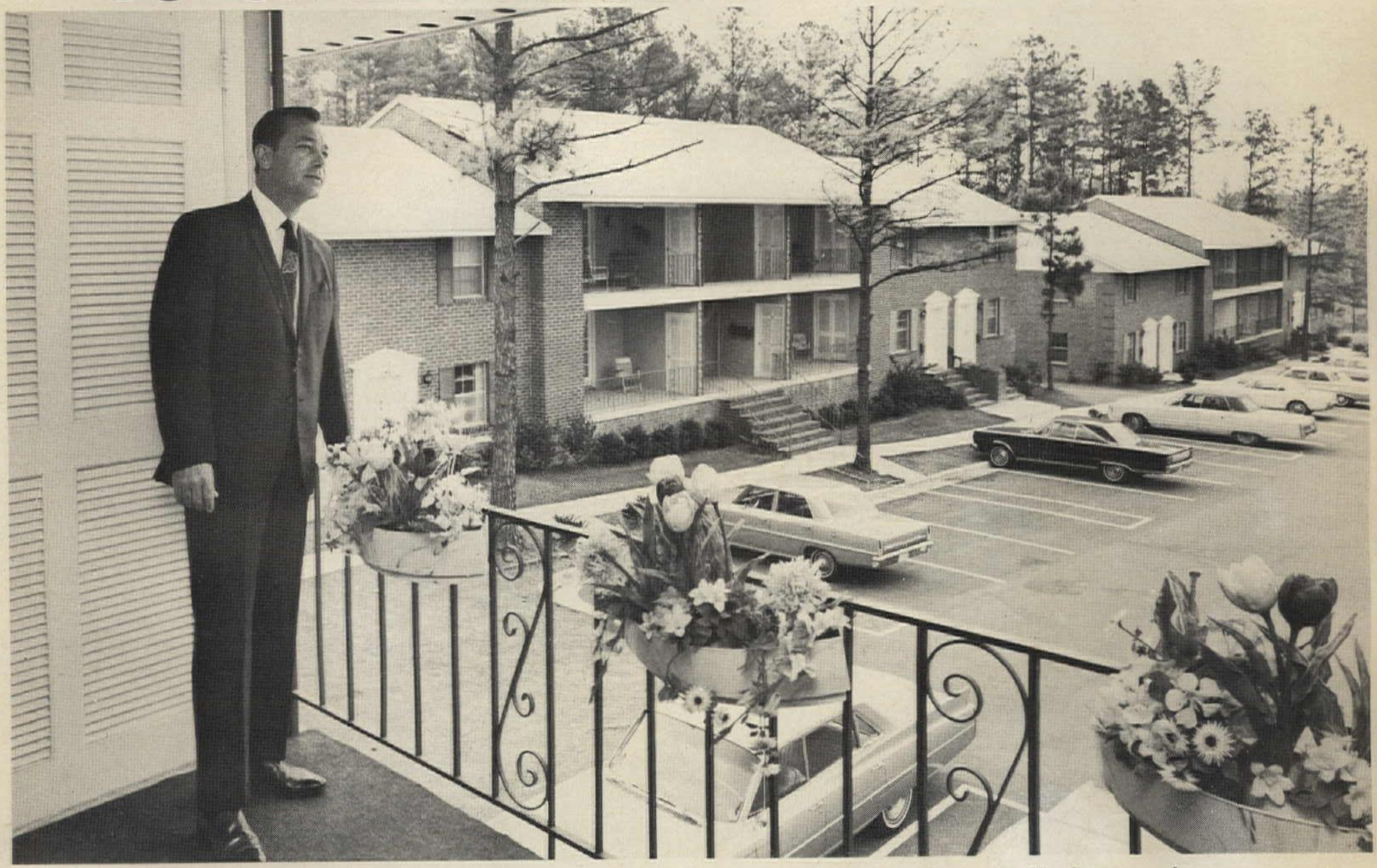
Humidifier is 10" wide, 11" high, and 6" deep, will fit all warm air furnaces. It can humidify a house of ten to 14 rooms. Its polyurethane foam evaporator pad rotates slowly through the reservoir, and warm air is forced through it twice. Capacity is more than one gal./hr. Thermal Specialties, Pine Brook, N.J.
CIRCLE 208 ON READER SERVICE CARD

Air cleaner may be ducted or, since it is self-contained, used on casters as shown. It weighs 80 lbs., is 30" x 22½" x 10¾" deep. A charcoal filter and 6,000 sq. in. of electrostatic collecting plates remove up to 95% of smoke, dust, and pollen particles, plus fumes, bacteria, and viruses. Air Control, Nashville, Tenn.
CIRCLE 209 ON READER SERVICE CARD



Oil-fired furnace comes in this compact model, suitable for installing in a closet-sized space, plus 18 other upflow, downflow, and horizontal models. They range from 80,000 to 250,000 in Btu capacity. All can be equipped to cool and totally condition the whole house. Chrysler, Dayton, Ohio.
CIRCLE 210 ON READER SERVICE CARD

"I build what people want. What they want is Total Electric."



Georgia builder-developer Jim Bible rented his first electrically heated apartments before the roof was up. Since then, he has built over a thousand more.

"As a builder," Jim Bible tells you, "I have a very simple philosophy: When people see what they want, they buy it."

"Which is exactly why I've been building Total Electric apartments since 1963. Total Electric units have the quality features that people like, the features that mean quick rentals.

"The big benefit, of course, is the pure comfort of electric heat: flameless, draft-free and clean, with temperature controls you can set separately in each apartment. And there's no fuss and bother with maintenance and repairs—which I like as much as my tenants do.

"Another big selling plus with Total Electric is convenience—with kitchen, laundry and appliances all planned for good household organization and maximum efficiency.

"Together with electric heat, it gives you quite a selling package. It's what people want."

Jim Bible knows what he's talking about. To date, he has put up 1,500 Total Electric apartments in four Georgia cities, with plans underway for 750 more. (His own apartment is Total Electric, too.)

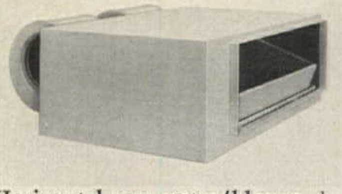
Find out how Total Electric construction and flameless electric heat can give you better-quality, faster-selling apartments and homes. Start now by getting all the facts from your electric utility company. They'll be glad to work closely with you.

TOTAL ELECTRIC GOLD MEDALLION HOME LIVE BETTER ELECTRICALLY AWARD

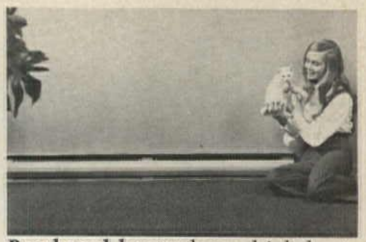
...where everything's electric, including the heat.

Live Better Electrically

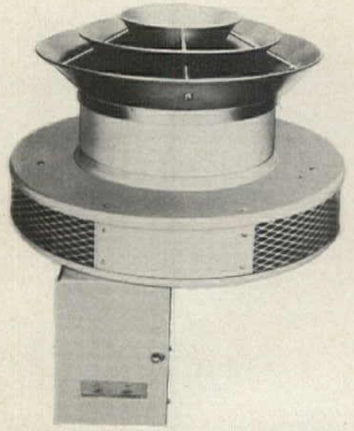
Edison Electric Institute, 750 Third Ave., New York, N.Y. 10017



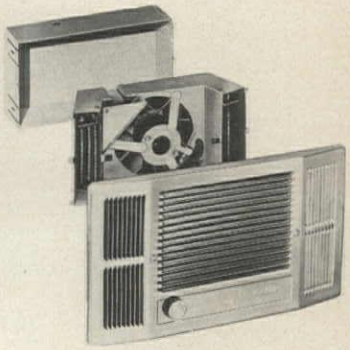
Horizontal evaporator/blower, designed especially for tight spaced apartments, can be installed in a closet or in a dropped ceiling. It is only 9¾" high. Twin blowers send a maximum amount of air across cooling coil. Capacity: 1½, 2, or 2½ tons. Fedders, Edison, N.J.
CIRCLE 211 ON READER SERVICE CARD



Baseboard heater has a high heating capacity but maintains a low surface temperature. Unit cannot overheat because an automatic cut-out turns heating element off at a pre-set level. The compact unit can be wired from either end. Emerson, St. Louis, Mo.
CIRCLE 212 ON READER SERVICE CARD

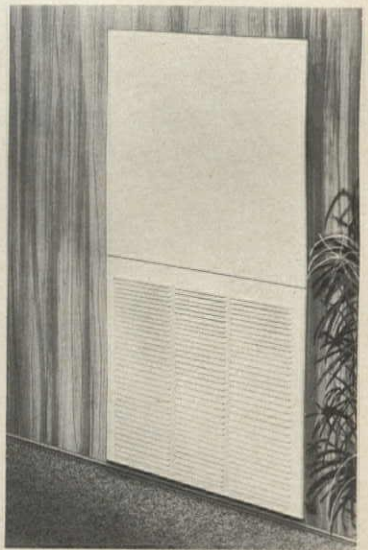


Vertical discharge heater, suspended from the ceiling, can heat a large area without taking up valuable floor space. It can heat areas where central heating can't reach, such as building additions or loading areas. Or it can be used as an air barrier at a drafty entrance. Singer, Auburn, N.Y.
CIRCLE 213 ON READER SERVICE CARD

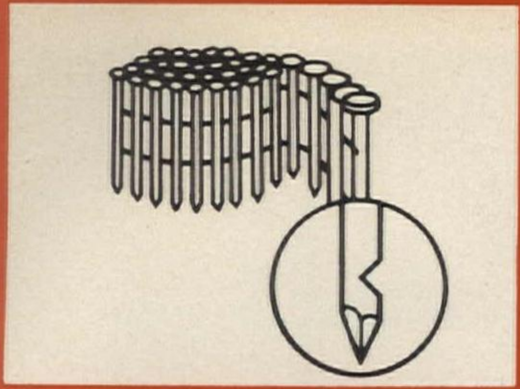


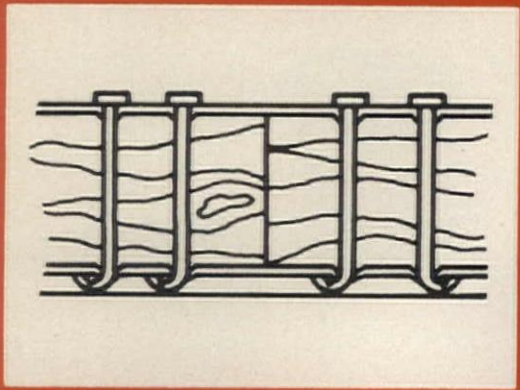
Wall heater, with one adapter, can be installed in walls only 2" thick, with another adapter, can be mounted on the surface of masonry walls. Heater generates from 1,000 to 2,400 watts, comes with built-in or wall thermostat, and is available in 120v, 208v, or 240v models. Berns Air King, Chicago.
CIRCLE 214 ON READER SERVICE CARD

Large-sized gas furnace comes in 150,000; 175,000; and 195,000 Btu/hr. capacities, delivers more air—from 1,250 to 3,000 cfm—with less noise at a lower speed. Installation requires only wiring up the pigtails on the transformer and making connections in the junction box. Trane, La Crosse, Wisc.
CIRCLE 215 ON READER SERVICE CARD



Apartment unit both heats and cools, mounts in a wall or closet, is designed for quiet operation, attractive appearance, installation ease, and operating economy. It can be serviced easily by removing the access panel. Capacities range from 18,000 to 24,000 Btus. Donmark, Dallas.
CIRCLE 216 ON READER SERVICE CARD





BOSTITCH TRUSS SYSTEM GIVES "RIVET-JOINT" STRENGTH AND DURABILITY

The Bostitch Clinch-Nail Truss System answers the need of residential, light commercial, and apartment builders for a strong, dependable system of assembling wooden roof truss components. The system is also ideal for remodeling contractors because changes from one size truss to another can be made quickly and easily.

Simple, space-saving Bostitch system locks wooden truss members between two 20-gauge galvanized steel plates. Each truss nail (comparable to a full-head 8d nail) is power-driven through the truss joint and clinched on the opposite side. Two-ply construction of the Bostitch clinch-pad truss plates insure precisely controlled clinching every time.

Truss assembly is remarkably fast because trusses don't have to be back-nailed. And Bostitch clinch-nailed truss joints shrug off racking abuse often encountered when completed trusses are handled during shipment and at job sites.

The Bostitch Clinch-Nail Truss System is designed for flexibility, durability, and economy. For complete information, talk to the man with the fastening facts—your Bostitch man. Or write Bostitch, 250 Briggs Drive, East Greenwich, R.I. 02818.

BOSTITCH
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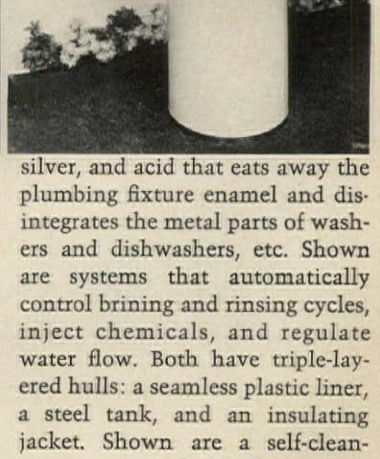
Bostitch will find the way

CIRCLE 96 ON READER SERVICE CARD

Automatic compactor runs unattended for long periods of time, freeing apartment maintenance personnel for other jobs. Refuse falls down the chute, enters the machine, is sprayed with disinfectant and deodorizer, crushed into a solid block by a hydraulic ram with 25,000 lbs. of force, and inserted in a plastic bag. The carousel feeder holds from four to ten bags, each of which holds compacted refuse that would have filled four to six garbage cans. When all the bags are full, the machine shuts itself off and signals the custodian to unload it. The model shown is being installed in three New York City projects—involving 12,482 apartments in 122 buildings—owned by Metropolitan Life. International Dynetics, South Norwalk, Conn. CIRCLE 220 ON READER SERVICE CARD

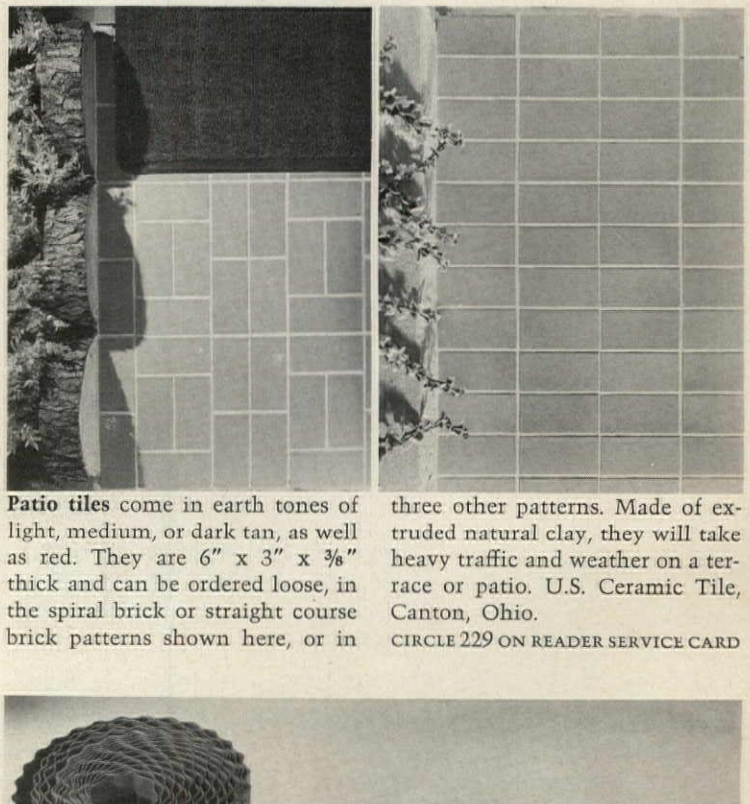


Water conditioners help prevent pollution because water that has had the hardness removed doesn't need detergents with phosphates to do its work; just soap, and little of that. Installing conditioners in a project of houses or townhouses would help local anti-pollution efforts and might also prove a valuable sales aid these days. A briefing of the prospective buyer could include something about the other things conditioners do besides softening: like removing the iron that causes rust stains, the sulfur that makes it taste bad, corrodes plumbing, and tarnishes silver, and acid that eats away the plumbing fixture enamel and disintegrates the metal parts of washers and dishwashers, etc. Shown are systems that automatically control brining and rinsing cycles, inject chemicals, and regulate water flow. Both have triple-layered hulls: a seamless plastic liner, a steel tank, and an insulating jacket. Shown are a self-cleaning system and a self-contained unit that has softener and brine tank combined. Culligan (*left*) Northbrook, Ill. Bruner (*right*) Milwaukee, Wis. CIRCLE 221 OR 222 ON READER SERVICE CARD

PRODUCTS/OUTDOOR LIVING

Pool enclosure of translucent fiberglass diffuses sunlight and provides year-round use of pool. Roof sections are motorized, can be opened or closed at the touch of a button. Sliding glass doors can open side and end walls. Aluminum-framed enclosure comes in widths of from 22′ to 50′ and in any length. Ickes-Braun Glasshouses, Deerfield, Ill.

CIRCLE 228 ON READER SERVICE CARD



Patio tiles come in earth tones of light, medium, or dark tan, as well as red. They are 6″ x 3″ x ⅜″ thick and can be ordered loose, in the spiral brick or straight course brick patterns shown here, or in three other patterns. Made of extruded natural clay, they will take heavy traffic and weather on a terrace or patio. U.S. Ceramic Tile, Canton, Ohio.

CIRCLE 229 ON READER SERVICE CARD

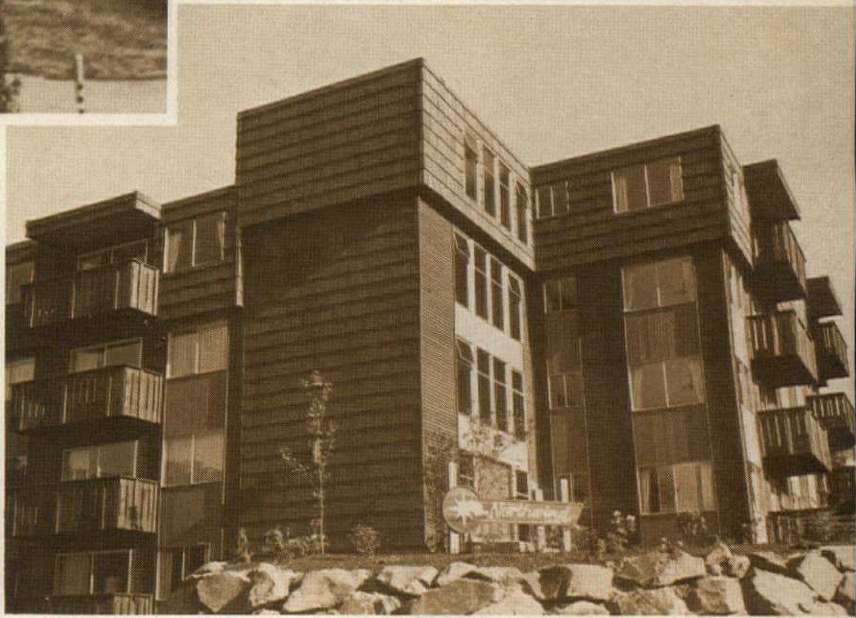
Lawn edging comes in plastic so there are no sharp edges to cause cuts, there is no danger if it's hit by a mower, and it won't rust or corrode or lose its integral grass green color, nor crack from freezing or thawing. It comes 4″ or 6″ wide on 25′ rolls. Patrician Products, Brooklyn, N.Y.

CIRCLE 230 ON READER SERVICE CARD

MEASURE UP TO THE JOB... 8 FEET AT A TIME

Shakertown 8' shake and shingle panels measure up in all respects!

Western Red Cedar Shakes and Shingles are always preferred by owners for their natural, rustic beauty. Now they are bonded into a 3-ply panel, 8-feet long to apply faster and save time on the job. Self-aligning panels are applied with matching color, annular threaded nails for further application efficiency. Shakertown Panels are ideally suited for Mansard or Sidewalls and A-Frame construction. Quality, appearance, speed of application and savings . . . by any gauge . . . Shakertown 8-foot Shake and Shingle Panels measure up!



Builders: C & G Construction Co., Seattle, Wash.

VISIT BOOTH #300 AT NATIONAL APARTMENT ASSN. CONVENTION

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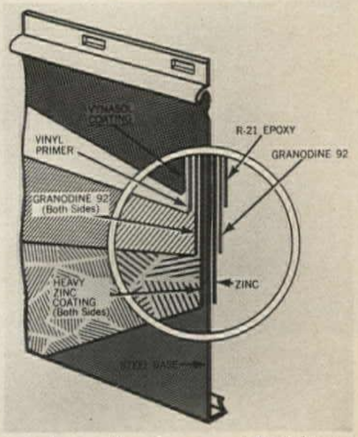
Barn Shake Texture

Rough Sawn Shingle Texture

Shingle Texture

Distinctive color blends of ceramic surfaced mineral granules duplicate redwood and cedar shakes in these weather- and fire-resistant shingles. Double layer lamination and random butt design recreate in asphalt the dimension and depth of natural wood or stone roofing. Other colors available are slate, charcoal, and heather. GAF, New York City.

CIRCLE 240 ON READER SERVICE CARD



Steel strength and durability are now available in metal siding. The exposed surface is baked vinyl bonded to steel; it has less than half the contraction and expansion of other metal sidings. Made of four separate layers, it is available in several designs and colors. Alside, Inc., Pittsburgh, Pa.

CIRCLE 241 ON READER SERVICE CARD

Deep-textured siding adds interest and individuality to traditional or contemporary homes. Primed or unprimed panels available in horizontal lap, vertical grooved, reverse batten, or plain. Easily installed, they hold paint or stain well, are resistant to peeling and blistering. Boise Cascade, Boise, Idaho.

CIRCLE 242 ON READER SERVICE CARD

How do you give your customers that special effect *for little or no extra cost?*

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You can dress up your new construction with the rugged enduring beauty of stone by spending about $1.00 more per square foot than you do for face brick. In-the-wall costs vary by area, but one ton of FEATHEROCK Veneer equals the coverage of five tons of other stone. Special footings are unnecessary, and the light weight along with flat back make FEATHEROCK go up faster. Acoustical and insulation values are plus benefits.

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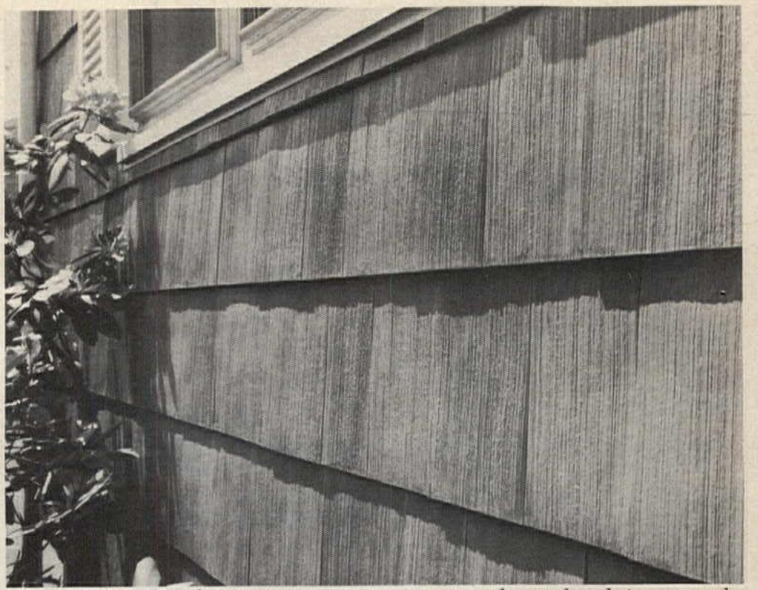

Vinyl siding in colors is now possible through a process in which pure acrylic plastic is fused, color-bonded, to a solid vinyl base. Thus these wood-textured vinyl shakes can now be ordered in avocado green and charcoal gray as well as traditional white. Bird & Son, East Walpole, Mass.

CIRCLE 233 ON READER SERVICE CARD

Textured aluminum siding has a deep sawn-grain finish guaranteed for 30 years. The several coats of baking enamels are applied electrostatically *after* the pattern is impressed to eliminate cracks and breaks. Beige, green, olive, gold, driftwood, weathered wood, ivory, or white. Alside, Akron, Ohio.

CIRCLE 232 ON READER SERVICE CARD

Rock-faced panels are rugged in appearance but light in weight. The volcanic stone, which weighs only 1/5 as much as granite, is bonded to standard 32" x 48" or 4' x 8' hardboard panels for exterior or interior use. In charcoal or silver gray, in smooth or rough finish. Featherock, Los Angeles.

CIRCLE 231 ON READER SERVICE CARD

 CIRCLE 104 ON READER SERVICE CARD

The Great Indoors System. One installation leads to another installation.

Give the homes you build all the comforts of home. With Bryant's totally integrated system of heating, cooling, air cleaning and humidification.

It will make your homes more saleable.

Start with a Bryant Quietline® gas, oil, or electric furnace, and you're on your way to The Great Indoors.

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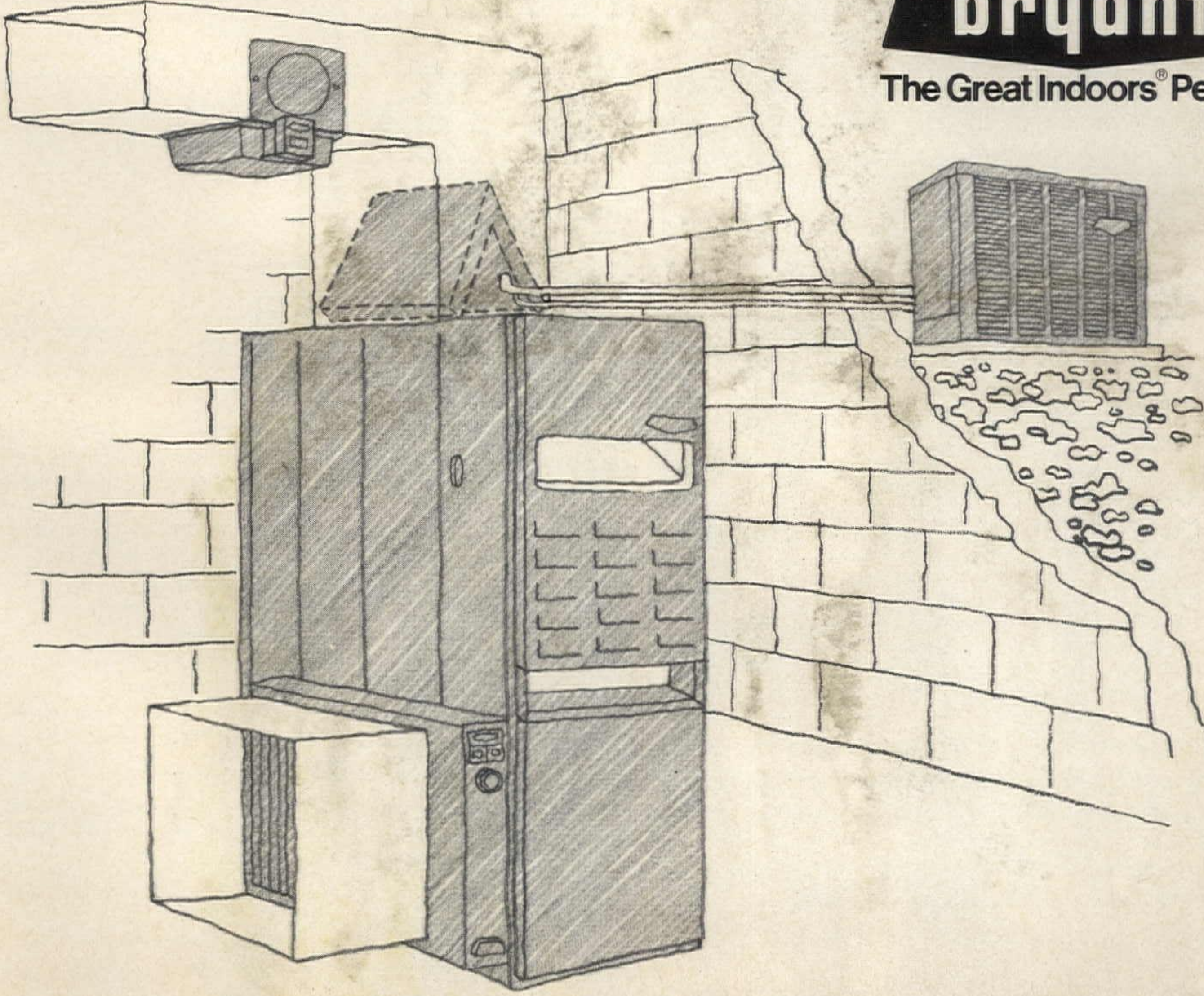

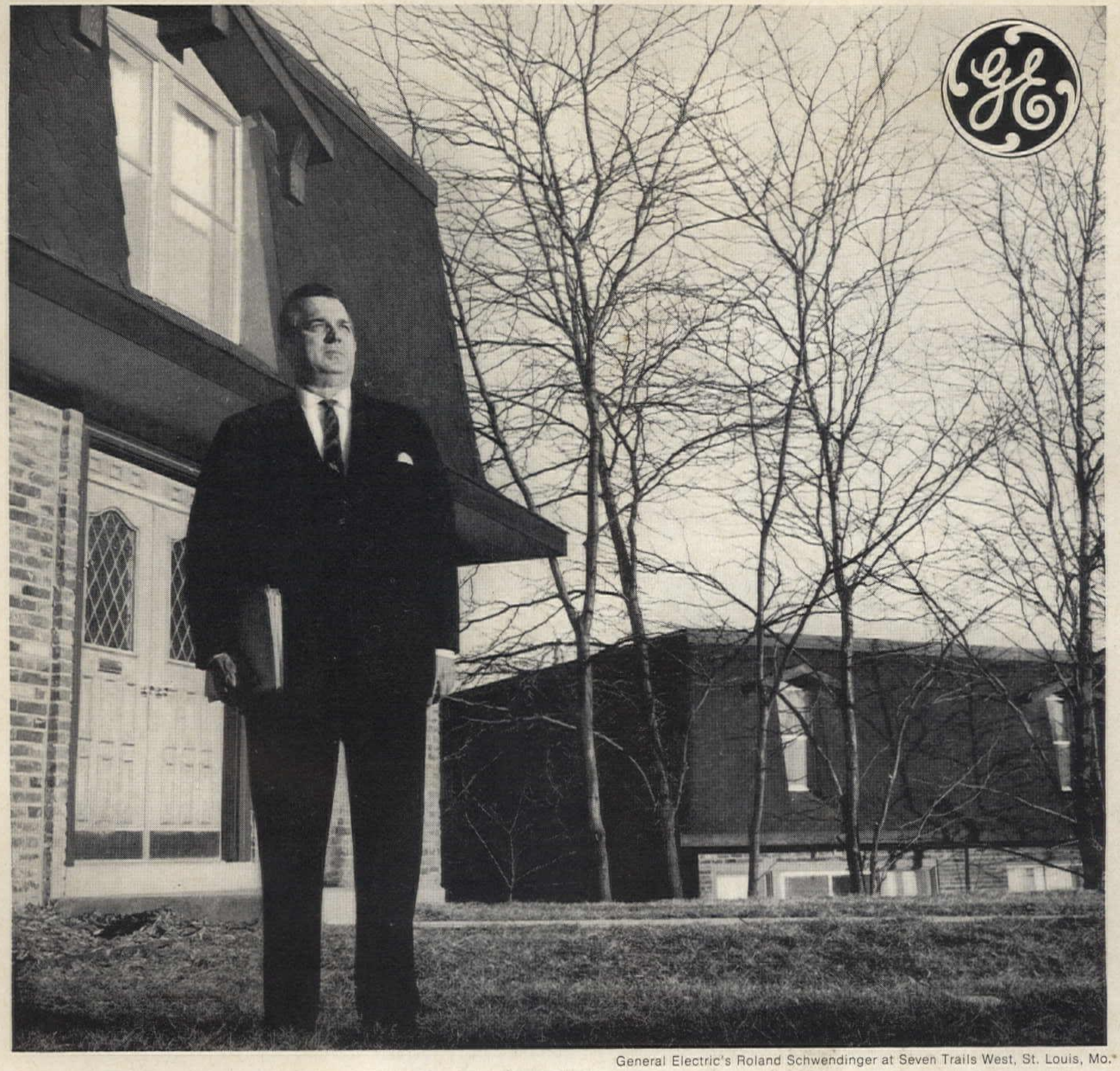
General Electric's Roland Schwendinger at Seven Trails West, St. Louis, Mo.

First he made the sale. Then he really started work.

Seven Trails West include some 700 studio apartments and town houses—each featuring a GE all electric kitchen.

General Electric equipped the development's laundry centers, too. For GE Contract Sales Representative Roland Schwendinger, making the sale was only the beginning of his job.

"He had a highly professional outlook," said Stanley Multin, President of the Seven Trails West Company. "It was a total concept approach."

For example, Roland provided design and layout ideas from GE's Kitchen-Laundry Planning and Design Service.

He personally coordinated equipment deliveries to coincide exactly with building schedules at Seven Trails West.

He had the whole resources of the General Electric Company at his call.

For service that just begins when the sale is concluded, contact the General Electric Contract Sales Representative in your area. Said Stanley Multin, "He's a real professional. I couldn't have asked for more."

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CIRCLE 108 ON READER SERVICE CARD

H&H

LITERATURE

Architectural index. The 1969 edition of the Architectural Index, listing articles on architects and designers, buildings of all kinds, and such subjects as acoustics, masonry, metals, hardware, etc., is now available. The index categorizes the industry news of '69 and is a great help in referring to that article you know you read somewhere! The Architectural Index, Berkeley, California.
CIRCLE 300 ON READER SERVICE CARD

Cabinet hardware. Room settings for twelve kitchen areas decorated in different period designs are featured in a 28-page four-color booklet which emphasizes the design merits of this line of cabinet jewelry. Another feature is the finish selector which includes true color reproduction of 18 major metal finishes in which the hardware is available. Ajax Hardware Corp., City of Industry, Calif.
CIRCLE 301 ON READER SERVICE CARD

Stainless steel. A new eight-page brochure features information for designers, specifiers, and production engineers, and contains mechanical properties of stainless at room temperature, nominal properties—such as elongation and tensile and yield strengths—at low temperatures. Also included: mechanical properties at elevated temperatures, recommended temperature ranges for thermal treatment, recommended forging temperatures, and characteristics and typicial applications. The Committee of Stainless Steel Producers, New York City.
CIRCLE 302 ON READER SERVICE CARD

Bathroom design service. Since the bathroom has been receiving increased designer interest as one of the exciting, modern, designable rooms in the home, a new bathroom planning guide is available. Based on studies which emerged from the Cornell Report, this portfolio contains complete architectural floor plans and interior design suggestions for six integrated bedroom/bathroom concepts for "The Changing Living Mode." American-Standard, New York City.
CIRCLE 303 ON READER SERVICE CARD

Piping for mobile homes. Photographs and detailed descriptions of asbestos-cement pressure pipe for water supply and irrigation, storm drain and underdrain pipe, and electrical ducts are included in a three-color folder covering all types of piping applicable to mobile homes and mobile home sites. Also illustrated are typical mobile home connections and ways to save in material, installation, and operating costs. Johns-Manville, New York City.
CIRCLE 304 ON READER SERVICE CARD

Outdoor lighting. A 70-page booklet which covers basic design criteria for most outdoor lighting applications is now available. Part 1 of the booklet deals with lighting for tennis courts, parking lots, golf courses, highways, etc. Each application is illustrated and tables of recommended equipment for the desired illumination are shown. The second part lists and illustrates the types of equipment with individual specifications and applications. Floodlight design is also described. Westinghouse, Cleveland.
CIRCLE 305 ON READER SERVICE CARD

Institutional furniture. Everything from safety cribs for hospital nurseries to lecterns, chairs, pews, study centers is included in a recently released 36-page four-color catalog. Coat-racks, cafeteria tables, stadium seats, chalk boards, bulletin boards, file cabinets, and projection screens are also featured. Everything for equipping a school, office, or church in metal, wood, or wood-grained plastic. Adirondack, New York City.
CIRCLE 306 ON READER SERVICE CARD

Boutique carpets. This new 12-page full-color brochure illustrates an exciting line of 100% wool broadloom carpets and area rugs designed for both residential and commercial use. The designs have been drawn from traditional patterns from all over the world and have been updated with contemporary colors. There is a pattern for every decor—from period design to modern motifs. Hardwick and Magee, Philadelphia.
CIRCLE 307 ON READER SERVICE CARD

Concrete. Suggestions for successful cold weather concreting are made in a handy 8½" x 11" placard that is just right for quick on-site reference. Temperature specifications for plain concrete, concrete with calcium chloride, and high early strength concrete are provided. A helpful guide for building in the coming months. Master Building, Cleveland.
CIRCLE 308 ON READER SERVICE CARD

CIRCLE 109 ON READER SERVICE CARD

ADVERTISERS INDEX

W denotes Western edition
M denotes Mid-Western edition
N denotes North Central edition
E denotes Eastern edition
S denotes Southern edition
SW denotes Southwest (Swing)

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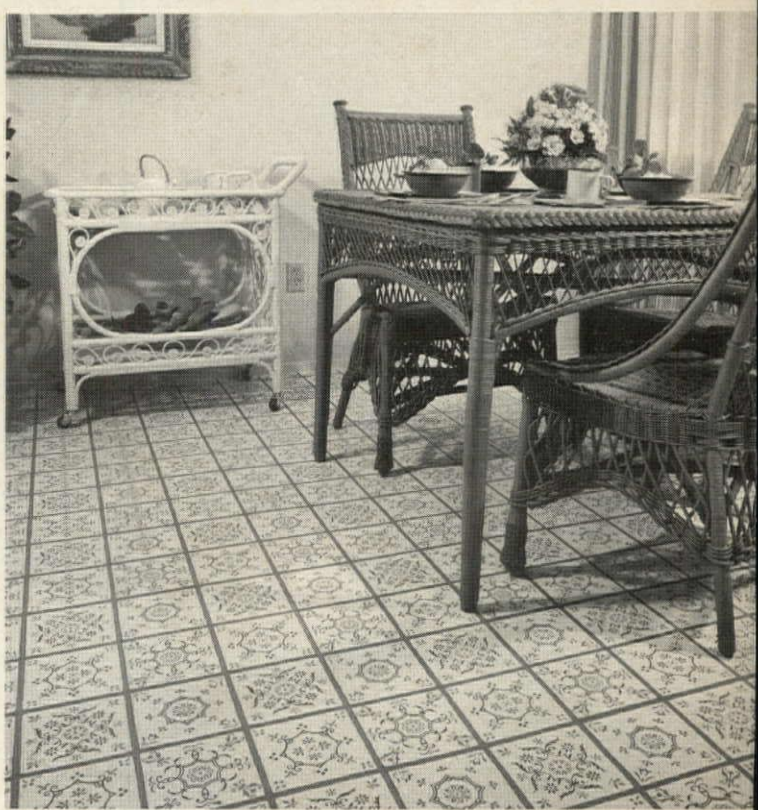

". . . we feel it's important to have a good, strong, working relationship with our suppliers. Our relationship with Armstrong goes back 14 or 15 years."

Mr. Tom Brooker, Purchasing Manager of Fox and Jacobs Company, Dallas, Texas, believes that the interior of the model home is what prospects remember most, and he depends on Armstrong to do its share of the selling job. You can, too.

When it comes to choosing the floors for your homes, your Armstrong man offers a line that runs the gamut of styles and colors—from the distinctly traditional to style-setting innovations. (For the model home shown here, Fox and Jacobs chose two of the newest styles in Excelon® (vinyl-asbestos) Tile: in the kitchen-dining area, the richly-detailed Adelphi™ design from the Craftlon® Collection; and in the hallway, the bold Decoresq® design.)

Armstrong floors help mark you as a builder who cares about quality, and vigorous national advertising makes your prospects feel right at home with Armstrong.

To learn how Armstrong can help you get more sales power in your model homes, ask for our sample floor styling kit. Write to: Armstrong, 510 Sixth Street, Lancaster, Pa. 17604.

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