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House & Home, September 1974, Vol. 46, No. 3. Published monthly by McGraw-Hill Inc. Founder: James H. McGraw (1860-1948). Subscription rates, U.S. and possessions, Canada and Mexico . . . for individuals within circulation specifications, \$12 per year; for others, \$24 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, 1221 Avenue of the Americas, New York, N.Y. 10020. Telephone: 997-4872. Second class postage paid at New York, N.Y. and at additional mailing offices. Published at 1221 Avenue of the Americas, New York, N.Y. 10020. Title® in U.S. Patent Office. Copyright® 1974 by McGraw-Hill Inc. All rights reserved. The contents of this publication may not be reproduced either in whole or in part without consent of copyright owner.

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This issue of House & Home is published in national and separate editions.

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

House & Home

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

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Congress passes \$11-billion housing bill, ducks stand on subsidies

The Congress and the Administration have finally wrapped up their first omnibus housing bill since 1968, but they left it uncertain whether the new legislation requires the Administration to re-start the housing subsidy programs frozen in January, 1973.

The Senate passed the bill, 84 to 0, August 13, and the House approved it, 377 to 21, the next day. President Ford signed the measure Aug. 22.

After weeks of wrangling behind closed doors, the compromise \$11.1-billion bill was agreed to without specific language sought by the Senate that would order the secretary of housing to re-start the Section 235 and 236 programs. The House members maintained to the end that if these programs were mandated, the legislation would surely be defeated on the House floor.

But the senators still kept the programs in the bill, with \$220 million of spending authority for each. For Section 235, the FHA's insuring authority is extended through June 30, 1976, but the authority to commit funds ends June 30, 1975. For Section 236 the insuring authority also extends to June 30, 1976.

Continued freeze. One House source insisted, however: "The bill makes it clear that the Congress doesn't want any more Section 235."

On Section 236, there is restrictive language that allows the secretary to hold off additional approvals until he is satisfied that the new Section 23 leasing program won't supply the housing needs for low-income families.

At the Department of Housing and Urban Development there seemed to be little doubt, at least in Secretary James T. Lynn's mind. He said flatly, after the conferees made their final decisions, that he would "absolutely not" use any more Section 235 and 236 funds.

In effect, the new legislation allows the Administration to continue the freeze on the old subsidy programs—while the White House and Congress see whether, over the next year or so, the Section 23 leased-housing program will turn out to be an acceptable alternative.

A major legal question is



SECRETARY LYNN
A bill he can accept

whether these programs are subject to the new Budget and Impoundment Control Act, which requires the President to send a message to Congress if he proposes to impound funds—and then cease such impoundment if either house disapproves. In the case of the housing programs, one question is whether the 1973 freeze is subject to this law. If the new Administration continues the freeze, that could trigger a legal battle.

Threat of veto. The threat of a Presidential veto played a large part in the shaping of the bill adopted by the conferees. After passage of the Senate version in March, housing Secretary James Lynn let it be known that such a bill would be vetoed. Lynn then worked with the most influential members of the House Banking Committee to fashion a measure there that was acceptable to the Administration.

As the new legislation took final form, Lynn was again telling homebuilders that the Ad-

Miami builder grants first HOW warranty

The NAHB's new Home Owners Warranty Council, after almost a year of preparation, has signed up its first homeowners. They are Mr. and Mrs. Rick Rose of Saga Bay, just south of Miami, Fla.

The new, three-bedroom, Spanish style house that the Roses bought last month was built by Lazarus Homes Corp., of Miami, which has already built and sold 140 homes in the Saga Bay planned community and wants to develop another 200 or so there.

The Roses' reaction to the

Administration's position on emergency help for the housing industry had not changed.

But at the time—following the collapse of President Nixon's defense against impeachment—there was speculation that a new Presidency might offer another chance to argue for more favorable treatment of housing.

As a consequence, Sections 235 and 236 stayed in the bill. Nevertheless, Gerald Ford's close relations with the leaders of the House, and his record there over the years, made the subsidy revival a slim hope indeed.

Section 23. The new bill's main housing program for low-income families remains the new Section 23 leased-housing program that the Administration has insisted could account for 300,000 new starts over its first 15 months. Under the legislation, HUD officials, rather than the local housing agencies, will have the responsibility for administering the program and selecting developers—although this can be delegated to a local authority. Responsibility for choosing tenants and managing the projects rests with the developer, although he can contract with a local housing authority for these services.

Any type of financing may be used—conventional, FHA or state agency. All units in a project may be subsidized, although HUD can give preference to projects that have only 20% of the units under subsidy.

Lending and codes. The bill contains new provisions on most existing housing programs and lending institutions—on conventional public housing, lend-

ing authority of the savings and loan associations, planning grants and FHA insurance.

It authorizes a National Institute of Building Sciences, a new government-chartered private agency that will eventually have a leading role in promulgating and evaluating building codes.

It creates new authority for HUD to regulate construction and safety standards for mobile homes, overriding state regulation—although enforcement could be delegated to the states.

The new legislation permits savings and loan associations to make mortgage loans up to \$55,000, and for the first time allows them to make short-term, line-of-credit loans to builders. The FHA limit rises to \$45,000.

Block grants. The bill enlarges the role of state housing agencies. A federal interest subsidy of one-third of the interest is authorized for state-agency bonds. The guaranties can go to \$50 million the first year and finally to \$500 million. State agencies may continue to issue tax-exempt bonds or use taxable bonds with the HUD subsidy, with or without bond guaranties, to participate in federal programs.

The big money in the bill is the \$8.6 billion in block grants over three years for a community development program. Funds are to be passed out to cities and other jurisdictions on the basis of population and poverty levels.

The program, replacing seven categorical-grant programs, had been fiercely sought by the nation's mayors. They had suspected the Nixon Administration of anti-urban bias, and they feared a gap in funding that might befall them without permanent legislation to replace the categorical-program frozen and terminated in January 1973.

The compromise version approved by the conferees contains a hold-harmless provision for the cities. This means that, for three years, the same funds they have been getting in the past will be "held harmless" for the cities and distributed to them. After the third year, the grants will drop by one-third each year for three years, to the point at which they reach the level due to the cities under the new formula.

—Don Loomis
McGraw-Hill World News,
Washington

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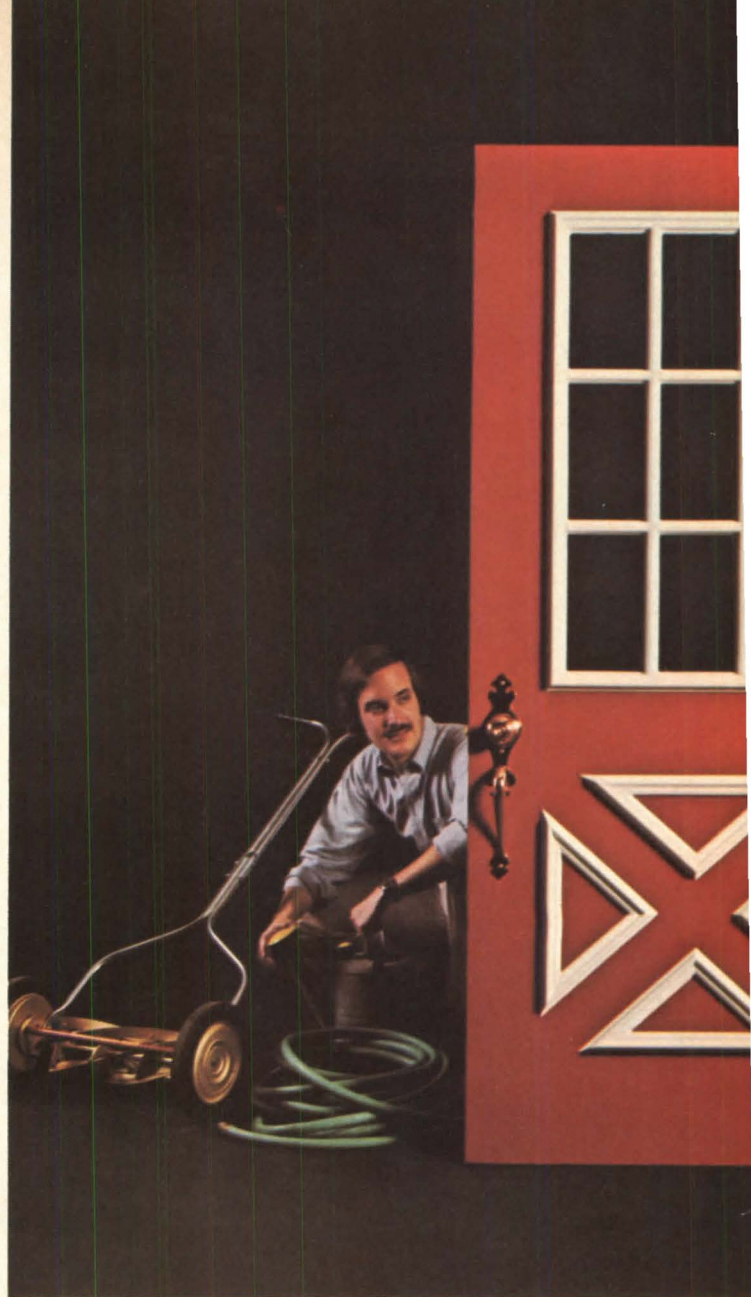


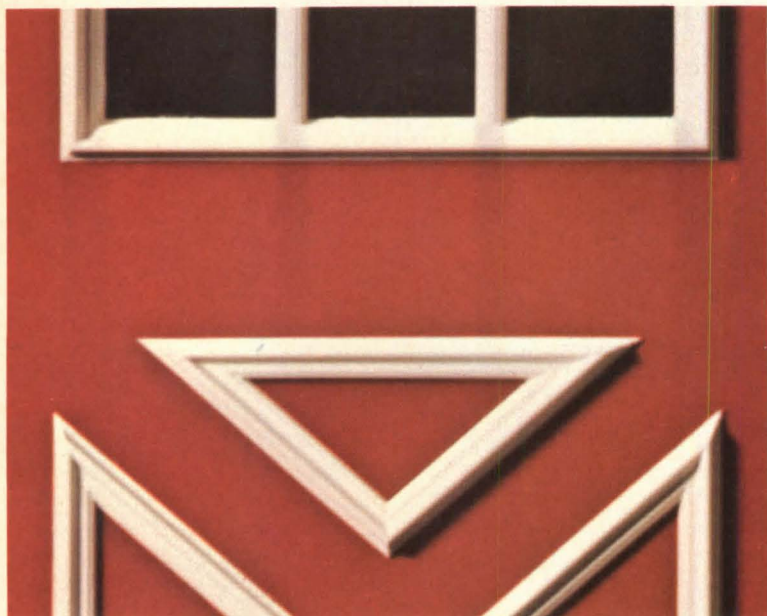
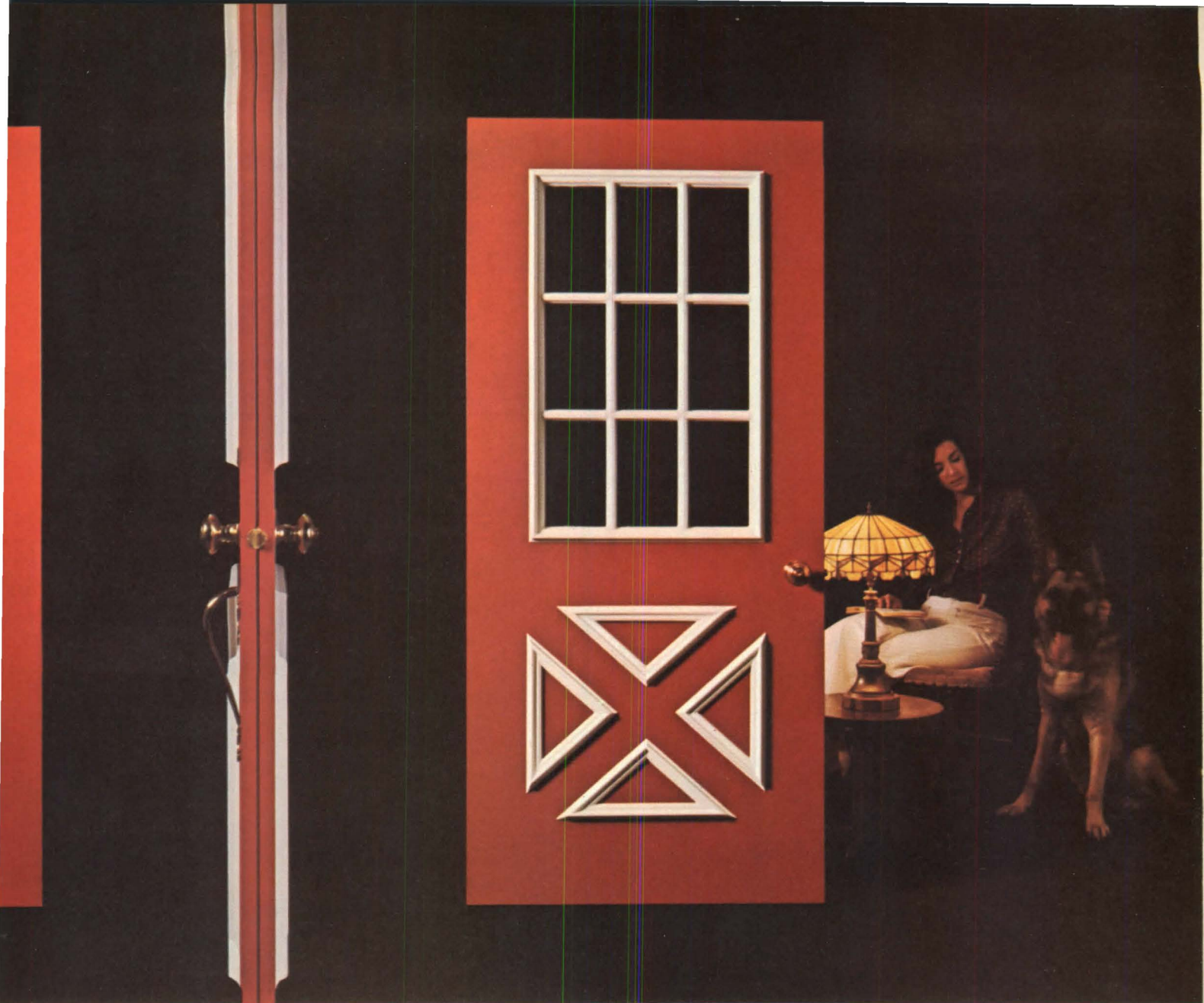
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Housing industry's leaders present their case at the White House

A number of housing issues—but mostly those relating to mortgage money and interest rates—were discussed at the White House by a broad group representing various interests in the housing industry as one of the last acts of President Nixon's Administration.

The meeting was called after Lewis Cenker, the NAHB's president, had protested the administration's alleged failure to include the industry's representatives in its consultation with business leaders about fighting inflation.

One participant noted that industry representatives who attended were invited to put their views in writing and submit them. "Who knows?" he asked. "It might have some impact on the Ford Administration."

Industry's team. The White House session drew 20 representatives of the house builders, the building trades unions, the contractors, the Realtors, the mortgage bankers and the savings and loan associations. The

Administration was represented by Kenneth Rush, President Nixon's chief economic counsellor; Roy Ash, director of the Office of Management and Budget; James T. Lynn, secretary of housing and urban development; and Peter Brennan, secretary of labor.

Among the problems laid before the Administration officials were: the 9% notes that had just been offered in \$1,000 denominations by the Treasury, taking funds from S&Ls; the need for a tax incentive or tax credit for savers in thrift institutions; and in general, the need for some sort of administration policy to prevent the anti-inflation fight from landing its heaviest blows on the homebuilding industry.

Tax incentive. Joseph B. Doherty, president of the National Association of Realtors, for instance, pointed out that tax incentives for savings that finance long-term investments is "not a budget-breaker" and is in accordance with the Administration's own policy.



NAHB'S CENKER
Speaking for housing

While each of the housing industry spokesmen presented the special problems of his segment of the industry, one participant said that housing was a minor aspect of the economic discussion that took place. Another said it was a "back-scratching session," but that he and others were disappointed that Rush mostly listened without getting into any debate or dialogue—except to restate the Administration's basic anti-inflation stance.

Lynn's defense. Lynn de-

fended Administration policies vigorously, asserting that "the day of the small investor is here," suggesting that the answer to the mortgage-money shortage can't be found by trying to keep the saver from earning the maximum return on his money.

Lynn, according to one account, took one step immediately after the meeting. He got in touch with Treasury Secretary William Simon and, according to this account, persuaded him to change the Treasury position on a bill to boost the ceiling on insured-savings deposits. The Treasury had held out for \$25,000, against the industry's goal of \$50,000. Simon, it was said, agreed to \$35,000.

At the meeting, Lynn was asked straight out by Victor Kamber, research director for the AFL-CIO building trades division, if he would use the remaining spending authority available for the Sections 235 and 236 programs.

Lynn's response: "Absolutely not." —D.L.

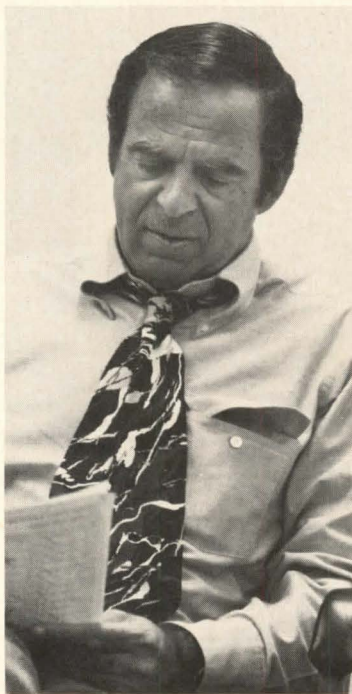
Developer settles no-growth lawsuit; the price--\$100,000 to finance his foes

The battle of the teenagers vs. the developer over a condominium project in San Francisco has ended in a dramatic out-of-court settlement under which the developer, Gerson Bakar, is handing over \$100,000 and an acre of land to his antagonists.

The settlement was granted to a group called Save Lake Merced (SLAM), headed by Jonathan Hoff, 19-year-old sophomore at the University of California at Berkeley.

For Bakar, board chairman of GBI Co., the deal cured a headache that began well over a year ago when young conservationists tried to stop construction of his 200-unit Lake Merced Hills project with lawsuits and appeals to the California Coastal Zone Conservation Commission [NEWS, Aug. '73].

Setback in court. The group won an important court decision in June. Even though Bakar had all his permits and had nearly finished the project, Superior Court Judge Ira A. Brown Jr. of San Francisco ruled that the Coastal Commission had incorrectly failed to allow opponents to comment on the staff report that backed Bakar. The judge ordered more hearings, even



DEVELOPER BAKAR
'It sounds like a lot, but—'

though he refused to issue a preliminary injunction to stop work.

In denying that injunction, Judge Brown declared:

"A decision that would do justice to all the parties would tax the wisdom of a Solomon, and I am not, and do not pretend to be,

he." The developer said he was confident of eventual victory but, he said, he agreed to the settlement because Judge Brown's ruling was playing havoc with the project's financing.

"It put a cloud on the title and we couldn't close any loans," Bakar explained. "Lenders were reluctant to fund their takeouts. It was a terrible hardship on buyers who were ready to move in and who would lose favorable rates under our takeout."

Bakar said a few buyers offered to pay cash in order to move in but that most were dependent on loans. Many, he said, had already sold their previous homes.

Bakar said the alternative to the settlement with SLAM was six months to two years of further delay, more government hearings and possible legal action that would have "unfairly victimized innocent persons." Had he lost, he said, he might have had to tear the project down.

'Harassment.' The settlement came after some hard negotiating, Bakar disclosed.

"It sounds like a lot of money but you can't believe what we went through to get it down to

that," he said. "They asked for over \$1 million."

Bakar called the long-pending lawsuit "not a responsible operation, but just plain harassment."

The builder emphasized that the settlement implies no wrongdoing by his company.

"On the contrary," Bakar said, "we fully complied with all procedures and regulations of the city and county of San Francisco and the coastal commission."

Hoff, spokesman for SLAM, was pleased with the settlement. He noted that a precedent has been set by the trial court's ruling in his favor on Coastal Commission proceedings.

Some of the \$100,000 will pay expenses and attorney's fees, Hoff said, but most will go into a trust fund to set up a foundation to further environmental causes. He said the land will be kept as a permanent open space.

Hoff added that the new foundation does not plan to harass developers, but he did not rule out use of Bakar's money to fight other developments in the future.

—JENNESS KEENE
McGraw-Hill World News,
San Francisco



House & Home's
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Conference on Resort
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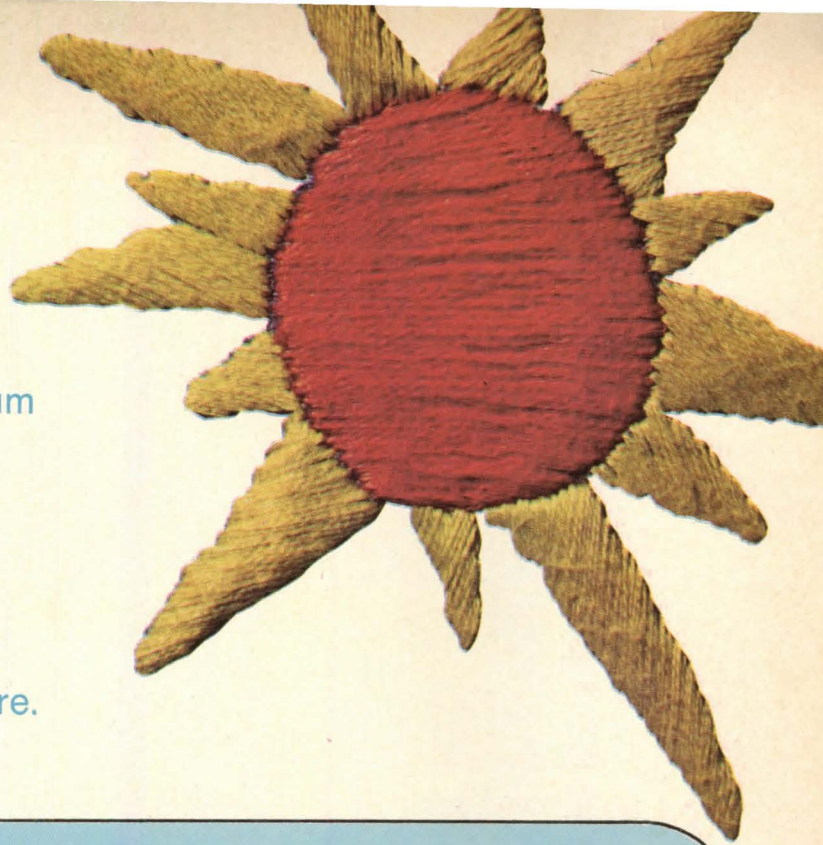
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. . . how the U.S. investment community currently sees the opportunities—and the problems—of resort investment in Mexico

. . . how to identify the Mexican market areas that leading developers—both Mexican and U.S.—have found to be the strongest for resort sales

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ON RESORT DEVELOPMENT OPPORTUNITIES
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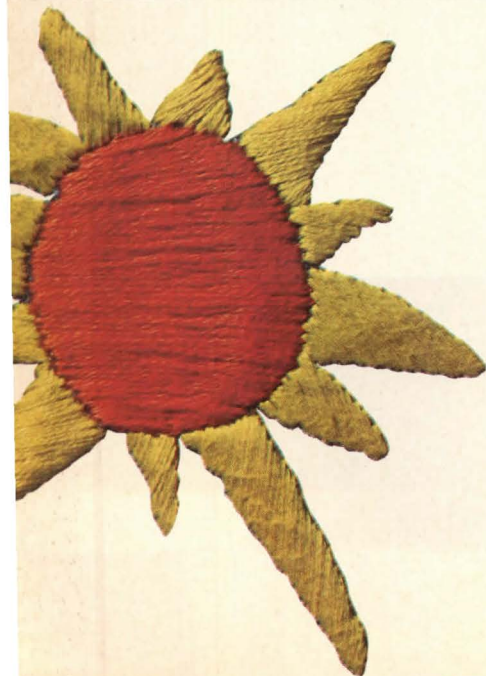
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Appeals court upholds death sentence for subsidy housing programs

"We do not understand the Secretary to claim discretion to suspend or terminate the programs merely because they have not worked, but only because in his judgment, they cannot work no matter how administered."

U.S. Court of Appeals for District of Columbia, ruling July 19 on subsidy freeze.

The Democrats in Congress working to force a continuation of the FHA's Section 235 and 236 housing-subsidy programs took a stunning blow from the federal courts in late July.

A federal appeals court upheld the Nixon Administration's freeze of subsidy programs and the legality of its reasons for terminating them entirely. The decision was an unexpected boomerang for the proponents of Section 235 and 236 who sued in May 1973 to get the courts to force Housing Secretary James T. Lynn to re-start the programs.*

The plaintiffs won a quick victory in the federal district court in July of last year, but the Supreme Court upheld the freeze until the Circuit Court of Appeals for the District of Columbia could decide the case on its merits.

Support for President. The appeals court decision was complete vindication of the actions and legal arguments of President Nixon and former Housing Secretary George Romney in suspending the programs in January 1973 and of Secretary Lynn in refusing to revive them again last September.

The decision strengthens Secretary Lynn's hand in dealing with Congress on proposals for more subsidized-housing programs. Congress could try to make the housing programs less vulnerable to administrative suspension by writing in mandatory language, but that might invite a veto by President Nixon or another court test. Both the language of the appeals court decision and the comment of the top HUD lawyer suggest that the decision may be applicable only to these particular programs under the particular circumstances that brought them into court.

Question of appeal. One HUD official noted that the court said that "we [HUD] had the authority and we acted reasonably." But beyond that, he suggested, "Nobody knows how all this is going to sift out," and he added:

"Legally, it's a mess."

William A. Dobrovir, lawyer for the plaintiffs—which included the Commonwealth of Pennsylvania and the Maine Housing Authority—said the decision would need some study before his clients could decide whether to appeal to the Supreme Court. However, one government lawyer suggested he expected to see the appeals court decision stand, even if the plaintiffs decided to ask the Supreme Court to accept the case on appeal.

The court based its decision on its finding that the HUD secretary has discretion to "withhold exercise of contract authority" for "program-related" reasons that were cited as the basis for the freeze.

The court said, in effect, that the case would have been different if the suspension had been decreed for budget-cutting purposes. As one government source said, "The motive was different here than in other impoundment cases."

Case history. The lower court had held 1) that the legislation did not give the secretary authority to suspend the processing of qualified applications under the programs and 2) that the President's constitutional obligation to execute the laws does not authorize him to refuse

to execute the housing laws involved in the freeze.

The appeals court said that since it found that the housing secretary does have discretionary authority to suspend the programs, it did not have to decide the constitutional question.

The court agreed that the laws did not make it mandatory for the secretary to continue to make contracts under the programs when he "has adequate reason to believe" they are not serving the "lower-income families" that Congress said were to be the beneficiaries.

The plaintiffs had contended that the only course open to the secretary was to continue to operate the programs, and go to Congress to get authority to change or drop them. Maybe so in other cases, the appeals court said; not so in this one.

Billions at stake. The court noted that during the nine-month study period following the freeze of January 1973, commitments involving billions of dollars would have been made. Then it said it doubted that Congress "forbade the secretary to withhold commitments of so vast a magnitude when he has good reason to believe that exercising his authority would be contrary to the purposes for which Congress authorized him to act."

The court also cited various congressional committee actions following the freeze and added that none of those actions questioned the legality of the freeze, although some questioned its wisdom.

After finding the suspension

was legal, the court went on to find that first the Section 235 and 236 programs were not consistent in operation with the congressional purpose of aiding low-income families; and, second, that the programs' failures were more readily attributable to the programs' structural features than to poor administration.

Criticism. The court said that the information on which it based its conclusions came from the report on HUD's nine-month study of the subsidy programs titled *Housing in the Seventies* [NEWS, Jan.].

Of the Section 235 program the court noted that the annual subsidy per unit tended to be higher for families with higher income. One reason for this is that the program "creates an incentive for builders to emphasize larger, more expensive homes, and for families to buy them because they are indifferent to additional cost . . ." up to a certain point, the court said.

These and other operating results, the court said, "do not appear to be the sort amenable to administrative correction."

Incentive to overbuild. As for Section 236, the court noted that costs per unit average were 20% higher than for comparable unsubsidized units, and that the subsidy formula provides an incentive to sponsors to overbuild.

Hard evidence indicates that some Section 236 problems were "attributable to [HUD's] own failure adequately to supervise the private entrepreneurs on whom the program was designed so heavily to rely," the judges said. But they also noted that the "incentive system that concentrates the sponsor's [tax] benefits in the early years of the program may also be a virtually insurmountable obstacle to the goal of building sound housing."

The court said it couldn't determine whether the structure of the program made the bad results of Section 236 inexorable. But the judges said that "we have no basis for saying the secretary acted unreasonably" in terminating the program on the grounds he couldn't "administer it consistently with congressional intent."
—D.L.

"The incentive system that concentrates the sponsor's benefits in the early years [of a Section 236 project] may also be a virtually insurmountable obstacle to the goal of building sound housing."

Court of Appeals, *ibid.*

"The Senate was clear in expressing its disagreement with the executive over the wisdom of the housing suspension, but did not question its legality."

Court of Appeals, *ibid.*

"In March (1973) the housing subcommittee (of the House) held a hearing at which Secretary Lynn and Undersecretary Hyde explained the basis of the action. . . . A few members questioned the degree to which mismanagement accounted for the situation . . . but . . . not a single member drew in question on its legality, even inferentially."

Court of Appeals, *ibid.*

* Commonwealth of Pa. vs. Lynn, No. 73-1835. Decision available for \$1 from Clerk, U.S. Court of Appeals, Washington, D.C. 20001.



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Greenspan plan: To end inflation, housing may have to bite the bullet

President Ford will not significantly change the tough anti-inflation policies he inherited.

One sign of this is Ford's intention of retaining Alan Greenspan, President Nixon's choice to succeed Herbert Stein as chairman of the Council of Economic Advisors. Greenspan, a conservative business economist, firmly believes that the old-time religion of tight monetary and fiscal policies is the only way to fight inflation.

Greenspan has said that he wants to stay on in the new Administration if asked. "It is my view that it is very important that the job of chairman of the CEA not be vacant in a critical period such as this," he explains.

Ford has indicated that he will ask Greenspan to stay, and an aide says that the President "regards Greenspan very highly."

A drag on housing. Greenspan, who is president of Townsend-Greenspan, an economic consulting firm in New York City, concedes that "there will be some costs" to sticking with current economic policy. One of these costs is higher unemployment. Another is continued weakness in the already battered housing industry.

Greenspan believes that the economy must endure several years of slow growth to wring out inflation. This, he says, means reducing the government spending to balance the budget.

Housing's plight. Greenspan is not optimistic about getting all this done quickly.

"The fiscal policies we have been employing for many years are deficient and inflation-biased, but they are not easy to turn around," he says. "The expectation that one can do it quickly is a mistake."

Thus, Greenspan believes that Chairman Arthur Burns of the Federal Reserve, who was once his professor and urged him to come to Washington, should continue to follow a policy of moderate monetary restraint. Greenspan supports such restraint even though this policy has driven interest rates to levels that have sucked funds out of savings banks and savings and loan associations, the major source of funds for housing.

Greenspan acknowledges the plight of the thrift institutions and housing, but he believes that



CEA'S GREENSPAN
Tough medicine for housing

it would be disastrous for the Fed to start pumping out money.

"If the Fed moves in to combat disintermediation, it will have to pump up the money supply enormously," he says. "That will make conventional anti-inflationary policies untenable for the rest of the decade."

Fate of the S&Ls. Greenspan is concerned about the viability of the thrift institutions in a highly inflationary environment. But aside from scaling inflation

NAHB spends \$20,000 on ads to sell its views

The National Association of Home Builders opened a \$20,000 newspaper advertising campaign in mid-summer with the punch-line, "The time for action is now!"

The ads took up two-thirds of a newspaper page. They were all type—no art—and they appeared under a headline, "Open letter to the American People." They ran in July in the *Washington Star-News*, the *Washington Post*, *The New York Times* and *The Wall Street Journal*.

Program. The message was that "we must have a program" to prevent "the disastrous outflow" of funds from S&Ls. This "could include, but not be limited to, credit allocation and

down gradually, he sees no easy solution.

"I do not know if there is any short-term solution to the problems of the thrift institutions that will not create even more enormous problems," he says.

"You can line up the alternatives.

"One, you can liquefy the mortgage portfolios of the thrift institutions as the demand for funds accelerates, but this is inflationary.

"Two, you can subsidize the differential between passbook rates and money market rates in order to make the thrift institutions competitive, but again the needed sums are huge and scarcely in line with where I think Federal spending should be headed."

Free enterpriser. Greenspan, who dislikes labels but considers himself a "strong advocate of free enterprise capitalism," opposes government intervention in the economy. He has an aver-

flexible bank reserve requirements."

The ad campaign was launched shortly after the outgoing chairman of the Council of Economic Advisors, Herbert C. Stein, suggested that the public was really to blame for inflation.

Purpose. The purpose of the ads, one NAHB official said, was to "create an atmosphere" or "show the flag"—in effect, create some kind of industry response to the Administration's stand-fast attitude.

The officers of NAHB were considering placing similar ads, perhaps in other newspapers, at the end of September. These might be keyed to the congressional election campaigns.

sion to wage and price controls as well as to guidelines and jaw-boning.

Greenspan also believes that credit allocation, which has been proposed as one way of easing the financial strains on some sectors of the economy, is wrong and dangerous.

Mortgage agencies. Greenspan also believes that a primary cause of inflation has been the growing role of the so-called off-budget, quasi-government agencies such as the Federal National Mortgage Assn. and the Federal Home Loan Banks. Such agencies channel funds from the private credit markets to the housing industry or to other sectors of the economy designated by Congress as eligible for special assistance.

Greenspan and other Administration advisers believe that the borrowing of these agencies is in effect *no different than borrowing* by the Treasury. They maintain that such borrowing has grown enormously in the past decade, and they contend that it squeezes many private borrowers out of the market.

This ever-expanding demand by government agencies or federally sponsored agencies is a major cause of inflation, Greenspan maintains, because the Fed is forced to accommodate the credit demands of both private industry and the government. When it does, inflation accelerates.

Hunt Commission. In the long-run, Greenspan believes, the problems can be solved only by return to free-market principles. For the thrift institutions, this would involve restructuring along the lines of the Hunt Commission recommendations [News, Jan. '72].

"Much of what has been happening to the savings and loan institutions was foreseen by the Hunt Commission," he maintains, "and I think what will eventually happen is that the commission's solution or a version of it will be implemented."

"If we have to resort to a short-term solution—which is essentially a short-term bailout—we should attempt to come to grips with the structural problems of our thrift institutions."

—EDWARD MERVOSH
McGraw-Hill World News,
Washington

Open letter to the American People . . .

American housing is facing a disaster

Today's housing needs are at the highest levels ever as the postwar generation comes of age and moves into the housing market. Yet the housing industry has been increasingly cut back and handicapped in meeting these needs. Volume is down by nearly one-half from last year; building permits, which foreshadow new construction, are down even more.

Housing costs are rising, propelled by ruinous rates of interest, skyrocketing materials price increases, unsustainable wage demands, and land and building restrictions. Unless changes are made, the postwar generation will not have the same housing opportunities that parents and grandparents did.

The problem is...

The President, on May 10, did take action which reflected an understanding of housing's special social and economic status. That action, under worsening conditions, is clearly not enough.

We must excise the cancerous growth of inflation

To restore a healthy, stable economy, to restore consumer confidence in the nation's economy, requires more than airy platitudes and promises and one-sided monetary restraint which does not affect vast sectors of the business community. Bank lending for business is up sharply despite the supposed restraints in this area.

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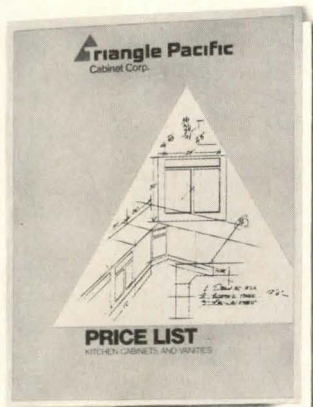
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Savings ceilings are going, and a new era in mortgaging is coming

All signs now suggest clearly that the government's eight-year effort to hold yield ceilings on savings deposits as a means of sheltering housing finance is drawing to an end.

There remains only one question to be fought out in Congress, but it is an all-important question for home builders: What will replace these ceilings, named after the Federal Reserve Board's Regulation Q?

But for impeachment politics, measures might already be moving through Congress to prepare thrift institutions and the housing industry for the day when the rate ceilings are no longer there.

Such legislation, along the lines suggested by ex-President Nixon's Hunt Commission [NEWS, Jan. '72], can be looked for after the new Congress meets in January.

Collapse of defense. Since the 1966 credit crunch, yield ceilings on small savers' deposits have stood as a besieged defense line for the mortgage market. The ceilings set the limit on how far the savings and loan associations and savings banks could go in bidding for money in competition with commercial banks and open-market investments.

In previous tight-money periods the yield curbs kept money in the thrift institutions because small depositors did not rebel against them.

Interest rates have now reached such heights, however, that the old Regulation Q technique of insulating thrift institution deposits from market competition is breaking down. The defense is now being breached so often that, despite the mini-recession in the housing industry itself, Congress is fast becoming persuaded that it is no longer equitable to the small saver to keep him pinned to the lower levels of interest income—or that this is even possible.

Citicorp's note. The rate issue was joined in mid-summer when Citicorp of New York issued a floating-rate note. The instrument was calculated by the holding company for the giant First National City Bank as a deliberate move to tap the small saver market, offering 2% more than the best yield that thrifts could offer under the regulatory ceilings. Other bank holding



Protests against Citibank note were made by the NAHB's Nathaniel Rogg (left) and U.S. League's legislative chairman, Tom Scott Jr., before Senate's financial subcommittee. Said Rogg: "We are faced with catastrophe."

companies rushed in with similar issues.

Significantly, Congress was unwilling to halt the new notes. It preferred merely to instruct the Fed—which is kindly disposed toward the notes—to cripple them if it fears that the thrifts will lose a lot of money.

Subsidy to housing. The timorous approach in Congress traces partly to growing doubts about the equity of the ceilings. Consumer groups have argued that inflation makes the ceilings unfair. Senator Thomas McIntyre (D., N. H.) even complains that the gap between the ceilings and the rates paid elsewhere "results in a substantial subsidy from small savers to large (home) borrowers."

Edward Schmultz, the undersecretary of the Treasury, told Congress, moreover, that even if it stopped bank holding companies from raiding the nearly \$700 billion in thrift-industry deposits, the funds could not be indefinitely shielded from other big money market borrowers.

The Treasury itself has become one of the competing borrowers. Under pressure from some members of Congress, it has switched back to small-denomination security offerings in order to make its high yields available to small savers. That, too, takes deposits out of savings houses.

Bigger threats. There are other competitors potentially more formidable. A Citicorp-style note issue by Standard Oil of Indiana set a precedent for industrial corporations to tap small deposits. An aide of one congressman prominent in leading the frustrated attempt to block

the new notes concedes:

"There's nothing you can do about the industrial corporation that offers [the small saver] a savings bond. All these things push Congress closer to the day of reckoning"—the day when the whole structure of Regulation Q-oriented mortgage finance must be replaced.

Nathaniel Rogg, executive vice president of the National Association of Home Builders, said before the Citicorp note appeared, "We are faced with disaster," and after it appeared, "We are faced with catastrophe."

Edwin Brooks Jr., vice chairman of the U.S. League of Savings Assns., was equally agonized. He told Congress:

"We couldn't possibly match the 10%, 11% or 12% rates (offered to investors) in short-term markets, nor are we equipped for head-to-head savings wars with commercial banks."

Momentum. Housing and the thrift institutions obviously need a phase-out period, but time is against them. Across the board, from the Federal Reserve to the Home Loan Bank Board, Washington regulators have tired of propping up the thrifts' mortgage-lending function with Regulation Q. More than a few would agree with Irving Rose, president of Citicorp's Advance Mortgage Corp. subsidiary, that "a major reason for swings from over to underbuilding is the dependence of the housing market on [lending] institutions with few options for investment other than residential mortgages."

Rose means that when the specialized institutions are flush, there is overbuilding—and vice-versa.

And there is another objection. On Capitol Hill, even those legislators who publicly espouse the goals of the thrift industry's trade associations privately hint that those associations are fighting more for their own survival than for members' interests.

Remedies. All in all, says Senator McIntyre, "in the eight years of Regulation Q, it has become increasingly obvious it has not eliminated disintermediation, but contributed to it."

Such talk fosters a new determination in Washington to see that both the thrift institutions and housing are set on the road to doing without Regulation Q.

Long-term measures to shore up the thrifts seem fairly predictable, up to a point. There is wide agreement that the thrifts have to diversify—perhaps some will simply become full-scale commercial banks, as a staff report prepared for the House Banking Committee would let them do.

More controversial still is Bank Board Chairman Thomas Bomar's effort to hasten introduction of the variable-rate mortgage, which the regulators hope will be the prelude to a day when savings and loans, like savings banks, will be able to offer floating-rate notes in competition with those that commercial banks have proposed.

Mortgaging's future. The important question, however, is:

What will serve instead of Regulation Q as the guaranty that housing will continue to get mortgage money?

Chairman Wright Patman of the House Banking Committee wants his old solution—to force all lenders to reserve a part of their portfolios for mortgage loans.

Very different is the Administration's proposed bonus for housing in its proposals based upon the report of the Hunt Commission. The Administration would give a tax credit to lenders.

It is quite possible that neither of these will win the approval of Congress. In the upshot, some sort of subsidy going directly to home buyers or to renters may become the long-term replacement for Regulation Q.

—STAN WILSON
McGraw-Hill World News,
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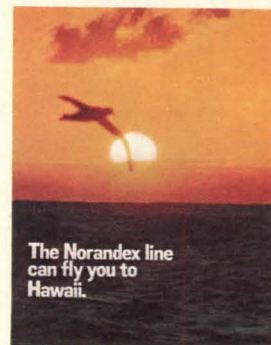
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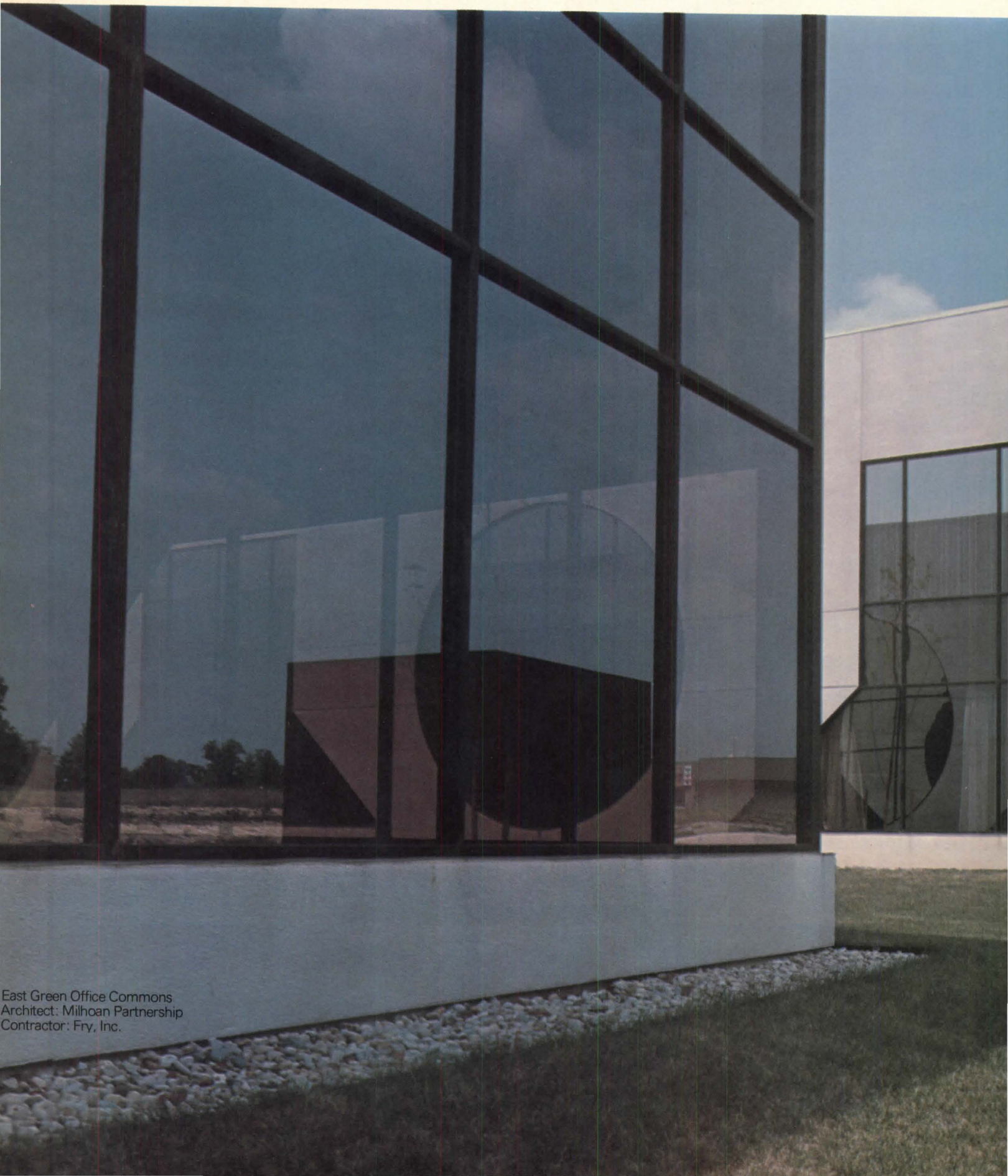
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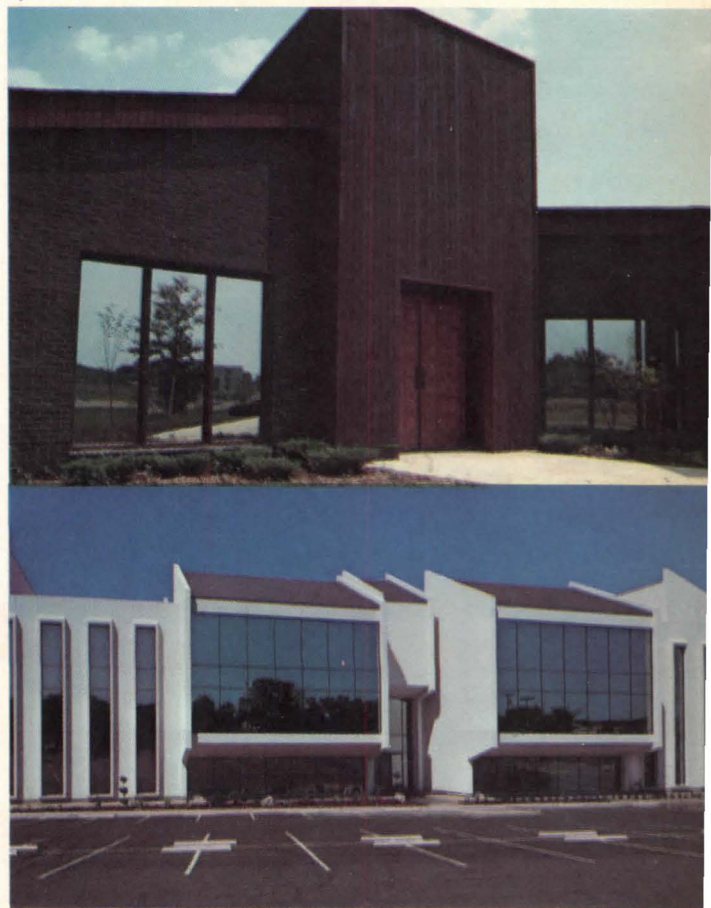
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INDUSTRIES

Fed urges banks to rescue the REITs; banks take on job—at a price

The Federal Reserve has advised the commercial banks to support the deeply troubled real estate investment trust industry.

The banks, in turn, are mounting a massive effort to shore up many trusts.

To do this, commercial banks are combining into consortia to establish large, stabilizing pools of credit for individual REITs in danger. Some consortia include as many as 150 separate banks and credit lines of up to, in at least one case, \$400 million.

These actions initially were inspired by an abrupt—hence dangerous—collapse of the market for REIT commercial paper this year; this crucial financing source, supplying \$4 billion or more to the REITs when the year began, shriveled to an estimated \$500 million by July.

Accord on aid. The rescue effort and its genesis have been confirmed by a high staff official of the Federal Reserve in Washington and by an officer of a major New York bank that is deeply involved in REIT financing.

The Fed official said in part:

"The Fed has encouraged banks to support the REITs where it is prudent to do so, because of their importance to the economy. A collapse of that segment of the construction lending market would be bad for construction and the economy . . .

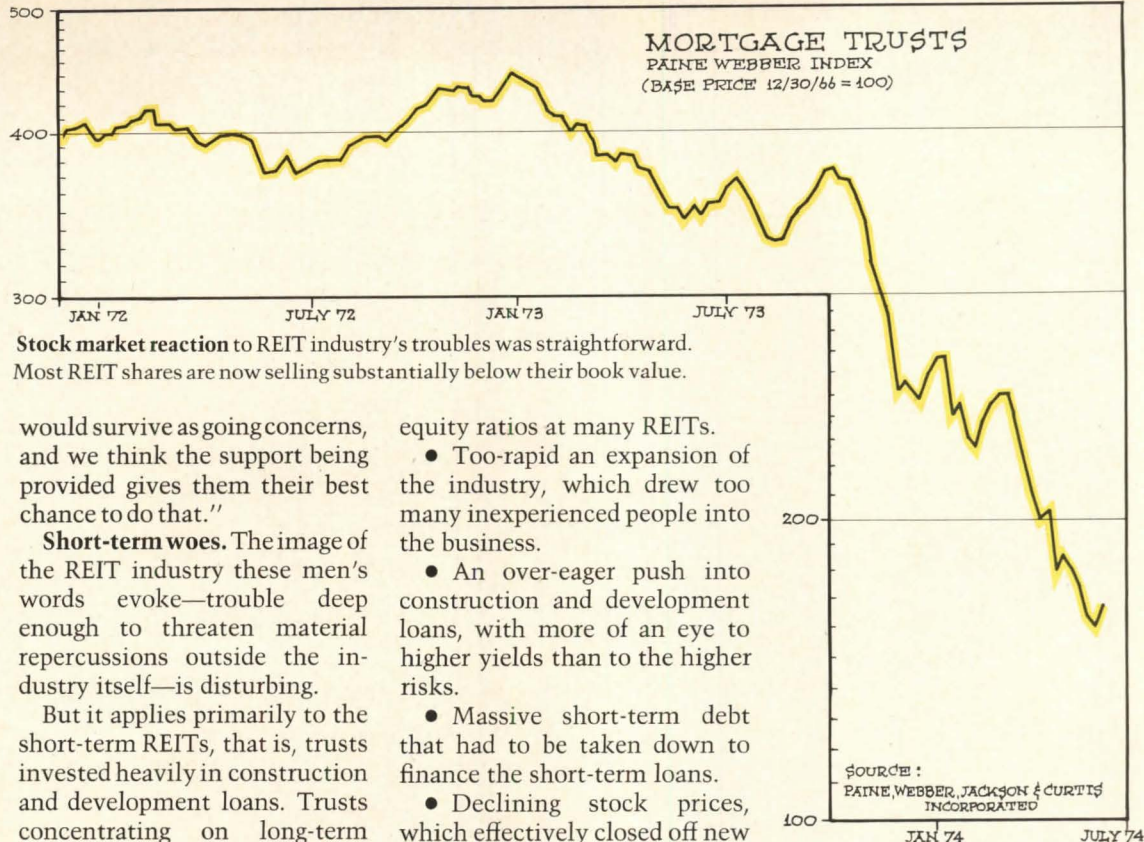
"We advised the banks that we thought they shouldn't shut out the whole industry because some REITs were in trouble, and we said the banks should recognize it's a matter of considerable importance not to have a massive wave of bankruptcies in that industry."

Extent of support. The two officials made it clear that both Fed and banking community intend to limit the rescue operation. The Fed official noted:

"We wouldn't insist that the banks stay in if a REIT is unsound—that is, endangers the bank's investment. There's no reason that a bad REIT should stay in business."

And the New York bank officer explained:

"The banks' basic objective is to recover bank debt. We think this support is the best way out for everybody. Conceivably, the REITs in trouble now may eventually re-establish viability. . . . We would hope these REITs



would survive as going concerns, and we think the support being provided gives them their best chance to do that."

Short-term woes. The image of the REIT industry these men's words evoke—trouble deep enough to threaten material repercussions outside the industry itself—is disturbing.

But it applies primarily to the short-term REITs, that is, trusts invested heavily in construction and development loans. Trusts concentrating on long-term mortgages or equity interests in real estate are feeling a money squeeze too, but generally speaking, they are considered to be in much less trouble.

Nevertheless, the whole REIT industry has apparently pulled out of construction and real-estate lending. Adam C. Heck, president of Chase Manhattan Mortgage and Realty Trust, the nation's largest REIT, says:

"Practically no new business is being written."

That assessment was echoed in interviews all over the mortgage industry.

Trouble's causes. The REIT industry did not get into its present situation overnight.

True, the commercial paper debacle intolerably tightened the rope around the neck of a significant part of the \$20-billion REIT industry. But the rope was plaited in the first place by the REITs themselves, and by the steadily worsening economic conditions during the past year or more [News, May].

The numerous strands of that rope were, according to many people close to the industry:

- The legal requirement to pass through to investors 90% of all net income. This made it impossible to build reserves for lean times or to parcel out earnings over long periods.

- A passion for high debt-to-

equity ratios at many REITs.

- Too-rapid an expansion of the industry, which drew too many inexperienced people into the business.

- An over-eager push into construction and development loans, with more of an eye to higher yields than to the higher risks.

- Massive short-term debt that had to be taken down to finance the short-term loans.

- Declining stock prices, which effectively closed off new equity financing.

- The wholly unexpected appearance of a sustained double-digit prime rate.

- Inflation, pushing building and operating costs up far faster than rentals.

- And finally, child to all the rest, "problem loans" and defaulted properties surfacing throughout the REIT industry, cutting cash flow and profits.

And so the noose: Highly leveraged thus vulnerable REITs were cut off from financing when they needed it most.

High cost of help. It must be emphasized that not all REITs are caught. The equity trusts, for instance, were and are financed fairly conservatively, and have breathing room.

Now the banks are giving the others breathing room too—but at a price. And that price is steep.

An example is First Mortgage Investors (FMI) in Miami Beach, the country's third largest REIT and one of the most deeply troubled. Of its \$657 million or so in assets, carried on a debt/equity ratio of about 4:1, no less than \$119 million was in delinquent loans on June 15—and FMI at the time was active in the collapsing REIT commercial paper market. On June 26, FMI announced it had won a \$400-million revolving credit facility from a consortium of 100 banks. New York's

Chemical Bank was to act as agent.

The interest rate was 130% of the prime at Chemical—plus ½% annual rate commitment fee on any unused balance. This bank line runs until Aug. 31, 1975, and is renewable under certain conditions.

Time limits. The New York bank official, in confirming the consortium arrangements, said FMI's interest rate figures are typical of such agreements.

"However," he went on, "the time span varies. Most consortium arrangements provide for a 12- to 18-month revolving period. Some call for a funding (repayment) schedule thereafter of perhaps 24 months, or a new revolving credit, at the option of the banks and the REITs.

"More recently, consortia have been making agreements that leave the refunding question unanswered; they will decide what to do next at the time the revolving period ends."

He added that such consortium agreements are becoming more general among the short-term REITs, despite the stiffer rates. It assures them, he says, that bank lines will not be pulled unexpectedly.

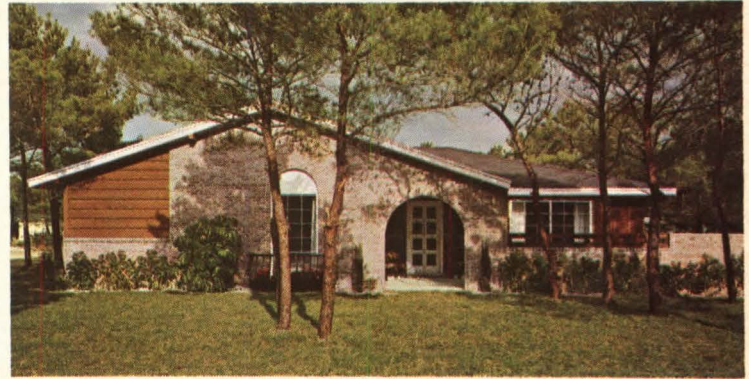
The next hurdle. While the banks have eased the REITs'

TO PAGE 28

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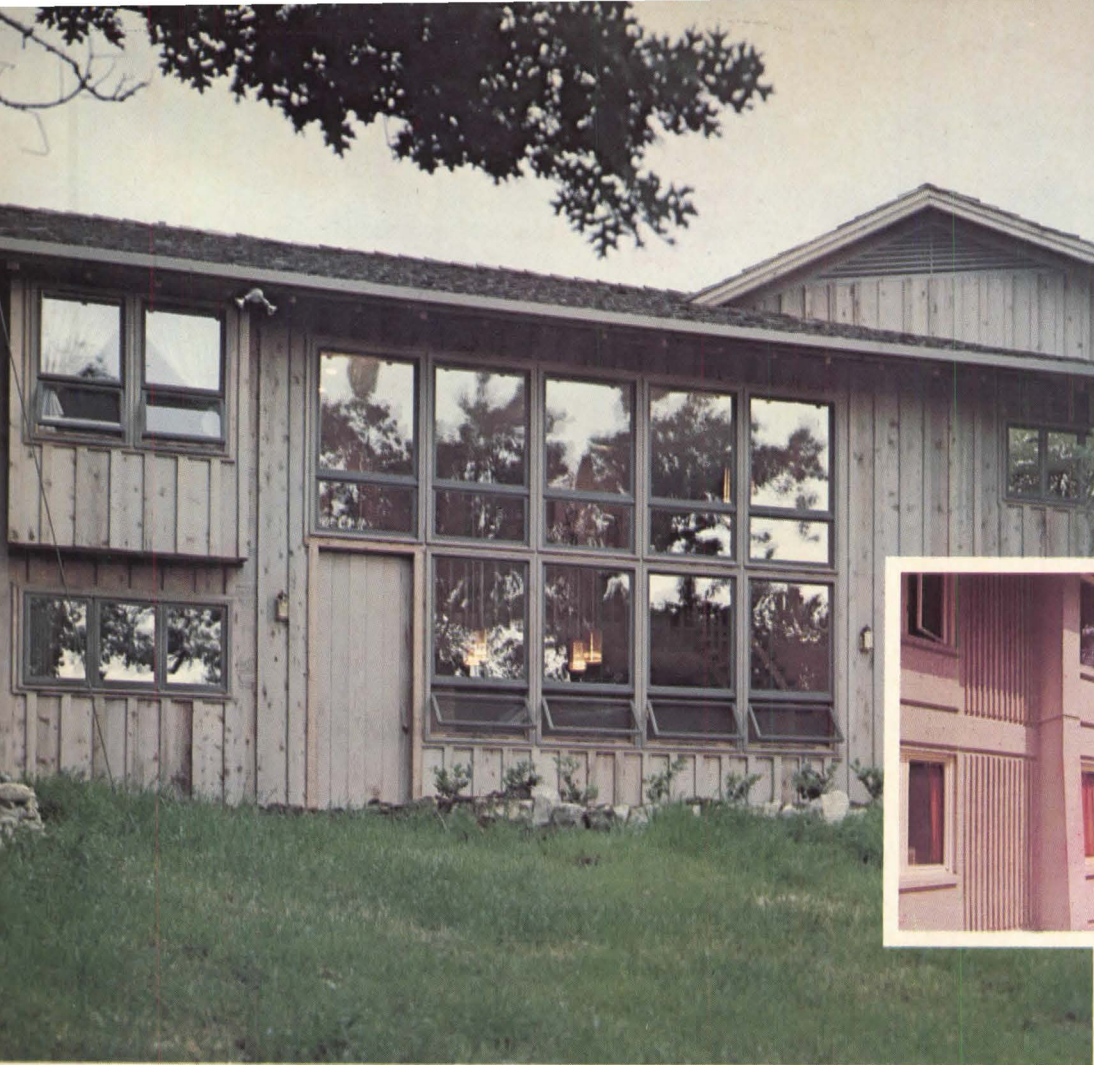
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The energy crisis has finally hit home. Every home in the country. So, the homebuyer of the 70's is giving higher priority than ever to housing that does the best job of conserving energy. And because windows often occupy as much as 30% of an outer wall, homebuyers are looking carefully at the insulation they provide.

A window should insulate.

That's the most important thing consumers look for in a window. It was true before anybody was talking about the energy crisis. And it's truer still today. We've spent five years and \$40,000 studying consumers' homebuying plans and preferences. And every time, our research showed that they give the highest priority to a window's insulation capability (and the lowest priority to its initial cost).

Factors Most Important in Window Selection

	1968	1970	1972
Most Important	Insulation	Insulation	Insulation
Next Most Important	Durability	Durability	Durability
Least Important	Initial cost	Initial cost	Initial cost

Wood windows keep the warm in. And that translates into savings.

After a house is fully insulated, you can cut the remaining heat loss by 30%—just by choosing wood windows with insulating glass. And that translates into important heating bill savings for your customers. And regardless of fuel prices, the savings add up year after year.



In a 16-window Chicago test home, the savings ranged from \$88.40 to \$124.25 last winter, depending on the type of fuel.

Home Heating Cost Comparison

Type of Window	Gas	Oil	Electric
Single glass in aluminum sash*	\$289.50	\$348.68	\$406.91
Single glass in wood sash	260.59	313.85	366.29
Insulating glass in aluminum sash*	225.59	271.70	317.08
Insulating glass in wood sash	201.10	242.21	282.66
Annual savings with insulating glass in wood over single glass in aluminum	88.40	106.47	124.25

*Without a specific thermal barrier
 Figures based on insulation manual developed by National Association of Home Builders Research Foundation. 1,400 sq. ft. home, fully insulated, 6600 degree days.

Wood windows are rated best for insulation quality. Just ask a consumer how he rates wood versus metal windows. We did. And our research showed that 54% rate wood windows as excellent insulators, while only 44% say the same about metal windows.

%Rating Insulation Quality Very Good

	1968	1970	1972
Wood Windows	47%	50%	54%
Metal Windows	45	41	44

You can sell a lot of homes by helping buyers beat the energy crisis.

Don't wait for your customers to ask for wood windows. Specify them. And then use that savings in energy consumption as a way to sell the long-term value of the homes you build.

Our new brochure tells how wood windows reduce home heating costs. It includes a step-by-step explanation of how window insulation works, and a detailed report of actual test results from homes all over the country. Write for your own free copy today. We'll also send you a copy of the latest findings from our consumer research.



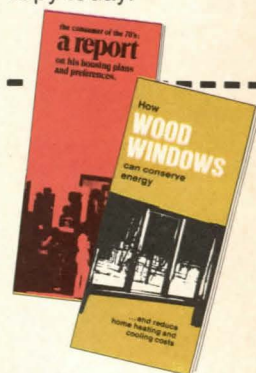
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Fed urges banks to rescue the REITS—and banks take on job *continued*

FROM PAGE 24

near-term liquidity crunch, there is still one big question mark in the REITs outlook: the industry's problem loans.

Morris Mark, REIT industry analyst for the Wall Street firm Goldman Sachs & Co., touched the heart of the matter:

"How many real estate deals make sense," he demanded, "with the prime at 12% and a 20% compensating balance?"

Adding today's brutal interest rates to builders' other headaches, such as materials shortages and extensive construction delays, has pushed increasing numbers of REIT-financed projects into default and even foreclosure.

Counting up problems. Kenneth Campbell, publisher of the REIT newsletter, *Audit's Realty Trust Review*, has a problem-loan survey he compiled in May. It covers the bulk—about \$17 billion—of the industry's assets. Campbell points out: "Just over \$1 billion in nonearning assets was reported, about 6% of the total. It's somewhat higher now, I'd estimate 7%-8%."

"But it varies greatly from trust to trust. Nearly all the problems were in short-term trusts, and nearly half were concentrated in ten of the 112 we surveyed. About a quarter of the REITs said they had no problem loans whatever."

Campbell identified 25 with 10% or more of their assets on a "nonearning" basis, however.

Equity threat. This nonearning trend could become dangerous for the affected trusts. Defaults cut trust income. Delays may force additional financing to complete a project, sometimes more money than the finished structure is worth on today's market. If the trust is driven to foreclosure, it may have to complete and sell a project itself. If it eventually takes a loss on its investments exceeding its income, that comes out of stockholders' equity.

But reducing equity reduces the trust's ability to find and carry debt for itself. When a trust is already leveraged up to a 4-to-1 or 5-to-1 debt/equity ratio—and 12 of the 30 largest REITs already are—it obviously cannot afford to take too many losses.

Stockholders' surprise. One of these large REITs, First Wisconsin

Mortgage Trust, gave its stockholders an unsettling update of the situation last month.

"Most of the major borrowers from the trust," the REIT told them, "are currently in financial difficulty. Loans to these borrowers are now on the watch loan list [that is, considered to represent substantially increased risk] . . . approximately 60-65% of [the trust's] investments are on the watch loan list."

The bank consortia, of course, are well aware of the problem-loan syndrome. The New York bank officer explained:

"Our principal thrust now is to provide the wherewithal for REITs to complete projects that are problem loans, thus increasing their salability and realizations from them."

How salable they will prove to be is an interesting question.

To market. Jack Sonnenblick, president of Sonnenblick-Goldman, the New York mortgage brokerage, and past president of the National Association of Real Estate Investment Trusts, is sanguine.

"Insurance companies are looking at real estate; so are pension funds; and you hear about foreign investors—there's no shortage of equity money, just of mortgage money . . . I think

people will be waiting on line to buy the properties the REITs have to sell."

However, they're not standing in line now. Claude Benner, who oversees GREIT Realty Trust, of Philadelphia, one of the oldest equity trusts, describes what he sees as today's typical buyer.

"Say he's offered an \$800,000 property. He finds a first mortgage, but only for 75% of that. Now, he's not about to put his own money into what he sees as a problem property. So he tells the REIT he wants a junior mortgage for \$300,000 giving him the balance and working money, but at first mortgage rates—9 or 9½%."

"Junior mortgages are at 17% today, so a mortgage like that is worth a lot less than face value."

Sharp buys. Some REITs are dealing with even tougher customers. One is Thomas Gochberg, a vice president of Smith, Barney. He runs the Wall Street firm's real estate partnership known as SB Partners. He has specialized in picking up foreclosed apartments lately, a lot of them from REITs.

"We go for properties at discounts of about a third," Gochberg notes, "either in price or interest rate."

"Thus, we might pay \$10 million for a project that cost \$14

million to build—or more likely take it at \$14 million, but with a 30-year mortgage at 6½%"

Naturally, 6½% mortgages are worth something less than face value in today's market, however they're carried on the seller's books.

Nor does Gochberg like to put up money himself. He confirms that, for four properties he picked up for \$9 million, he paid \$271,000 in cash. Gochberg claims business is booming.

"We were offered 12 deals in the second half of 1973, and this year, through July, we've been offered 150."

The average deal, he estimates, is well over \$1 million.

Bargains' reasons. Explaining it all, Gochberg says:

"Construction costs have outrun capitalizable value. And interest rates have gone up, so a project that was a good deal a year ago when it started might not even be able to get refinancing when it's finished today."

The future? Assuming that the mortgage trusts succeed in working off their current portfolios, what is the long-term outlook?

Gochberg is not an optimist. "The banks will be too scared of them," he predicts.

Sonnenblick, however, thinks differently.

"They definitely fill a big need for the construction industry," he feels. "Generally speaking, real estate is at the lower end of the commercial banks' loan spectrum, and the REITs can fill the gap."

Jim Dowling, an experienced REIT analyst at Hayden Stone, another Wall Street brokerage, sums up:

"There will definitely be a consolidation. The structure of the industry will have to change if it is to survive in the long run. The REITs must regain the ability to raise equity money, and I think they will also become more balanced—there will be a shift away from short-term assets and liabilities."

And the Fed's view of the future of the industry it wants rescued? The Fed spokesman spoke in careful banker's terms but he was quite succinct.

"It is probably true," he said, "that the REITs, in aggregate, should shrink."

—HAROLD SENEKER

What the REITs mean to light construction

Total dollars funded by types of construction (\$ millions)

REIT investments 1973	Residential			Commercial					
	Total funded*	Mobile-home parks	Condo-minium	All other owner occup.	Rental	Office building	Shopping center	Hotel-motel	Other
First mortgages:									
land loans	\$1,024.8								
devel. loans	2,224.1	21.1	224.0	619.3	190.7	41.4	67.5	12.3	551.8
constr. loans on compl. props.	7,675.0	110.2	1,933.6	542.8	2,102.0	897.6	696.2	516.3	476.5
1. 0-10 yrs.	1,414.9	22.4	70.7	29.0	373.1	230.9	111.1	210.5	127.2
2. over 10 years	1,573.6	26.2	23.0	39.1	331.2	199.5	357.8	284.4	193.2
Junior mtgs. (incl. wraparounds**)									
1. land, devel. & construction	314.3	3.2	23.5	31.7	65.5	21.0	27.8	22.0	46.6
2. on completed properties	903.4	5.1	10.7	115.3	246.3	124.9	129.9	69.2	52.5
Land purchase-leasebacks	507.1	2.2	1.3	0.7	195.0	70.1	76.2	38.7	58.3
Ownership investments (except land purchase-leasebacks)	2,804.9	12.3	14.9	12.7	729.4	448.1	571.1	165.4	242.5
		202.7	2,310.7	1,390.6	4,233.2	2,033.5	2,037.6	1,318.8	1,748.6
Other	214.1								
	18,656.2		\$8,128.2				\$7,138.5		

* Column breakdowns do not equal totals due to incomplete reporting by a number of trusts.

** Includes only money advanced by the REITs.

Source: NAREIT

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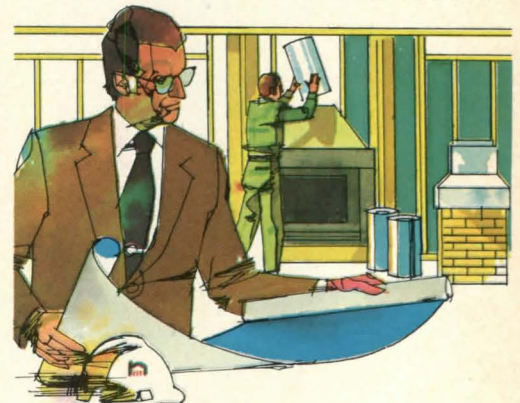
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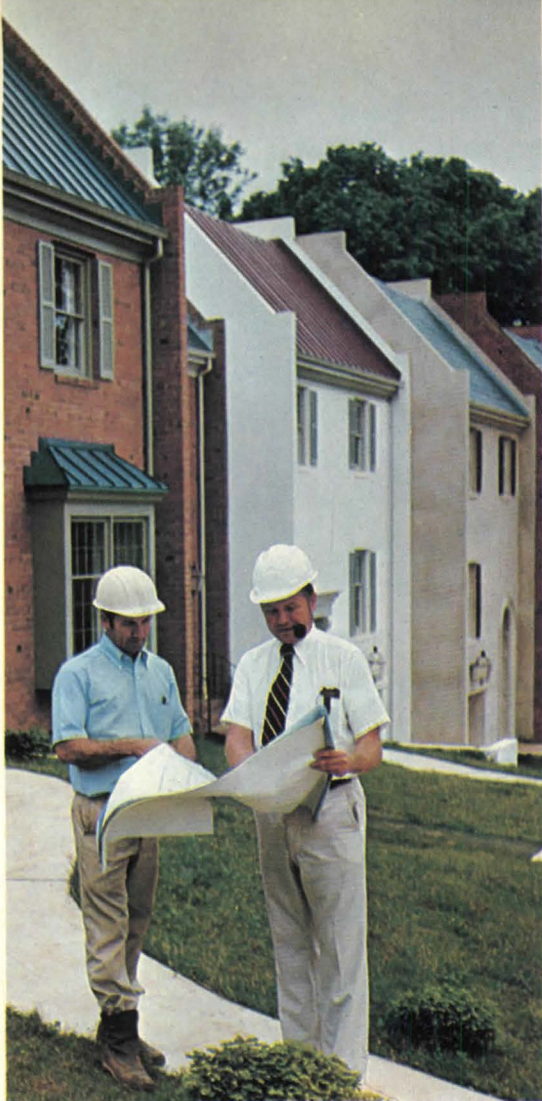
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“Considering the cost of pregrouted Redi-Set® ceramic tile, it’s a wonder everybody isn’t using it.”

Faced with soaring material and labor costs (and who isn’t), builders John and Taylor White of White Construction Company, Monkton, Maryland, had a problem.

Thornton Wood was going to be an exclusive, new, luxury townhouse condominium community. So the choice of materials was critical.

In the baths, the merchandisability of real ceramic tile, with its lifetime value, vs. plastic tubs and showers, or laminated wall coverings, was apparent.

But then, the builders wondered how ceramic tile would affect their costs.

“I thought our tile contractor was kidding when he told us that the tub and shower surrounds for this job would run about \$90 to \$110 a unit, installed!”

“After looking over our specs, Ken Hellman, president of Star Tile in Baltimore, told us that the answer to our problem was Redi-Set® pregrouted systems. And what we needed—tub surrounds and showers—would cost us, installed, just about the same as plastic units. You know, I thought he was kidding. And kidding again, when he

said that he figured each unit would take about 35 minutes to put in. Then, Ken showed us Redi-Set. And we knew right away that our problem wasn’t a problem anymore.” —**Taylor White, President, White Construction Co.**

“Look, Redi-Set’s real glazed ceramic tile; it comes in sheets of up to 64 tiles—pregrouted by American Olean with silicone rubber. It’s waterproof, flexible and it won’t crack out!”

“American Olean says it’s as close to self-cleaning as you can get—because the grout stays white. It’s stain and mildew resistant. All you have to do to clean it is give it a wipe with a damp cloth. American Olean has a great choice of colors, the right sizes for just about any job, and plenty of tile on hand. Fact is, Redi-Set goes in two to three times faster than loose tile, and we don’t have call-back problems.” —**Ken Hellman, President, Star Tile**

Today, pregrouted Redi-Set ceramic tile sheets are going up in all the baths at Thornton Wood, without a hitch, over gypsum wallboard. Since there’s no mixing of mortar or grout, clean-up is easier and faster than in conventional tile installations. What’s more, the installation is waterproof.

Redi-Set. From American Olean. For whatever you’re building.

Redi-Set Systems 300 at Thornton Wood, Riderwood, Md. Tub surround—System 310-56, 18 Pastel Blue; wainscoting—System 350 wall sheets; shower surround and seat—special System 300, shower wall, 9 Autumn Gold; shower floor—1" x 1" ceramic mosaics in Pepper White.



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Please send me all the latest information on your Redi-Set Systems.

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Mortgage industry gets its own hot line for Washington news

The new Washington hot line of the Mortgage Bankers Assn. is already—and unquestionably—a success, says Robert Gray, the MBA's director of public relations.

The hot-line service began in June, and it enables mortgage officials around the country to dial to a taped message at MBA's Washington office. They hear a daily summary of news and Washington developments of particular interest to the mortgage profession.

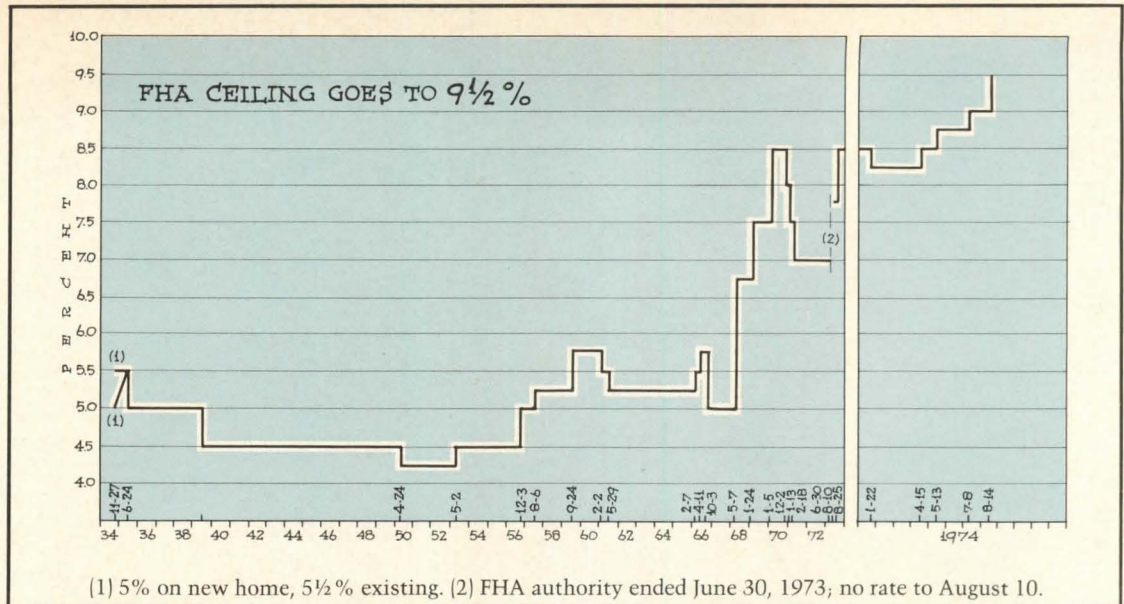
An early test, Gray says, came when the Nixon Administration boosted the FHA and VA interest ceiling to 9%. As the long July 4th weekend began, the hot-line message to callers was that it might be worth a repeat call later on to check if the decision had been made. The announcement came at 4 p.m. on Friday, July 5. The details were put on the tape—and MBA's counter later showed 154 calls between early Friday and 11 a.m. Monday. The rate has now gone to 9½%.

What's the latest? The hot line is designed to handle phone inquiries that—particularly when a major news development is pending or breaking—tend to overload the phone lines into the MBA office. Many callers would seek the same information—"What's the latest on the FHA-VA ceiling?" or "What's the latest figure on the Fannie Mae auction?" The hot-line system seeks to provide the information to the member without his getting busy signals or tying up the Washington staffers.

The highest priority is given to news of Fannie Mae and other government agencies whose activities impinge on the mortgage market.

Behind the scene. The MBA's line is a variation of similar services provided by government agencies and some trade associations—including the Chamber of Commerce of the U.S.

At MBA, it works like this. By 11 a.m. each weekday, Gray or his assistant Mark Serepca dictates the message for the day into a tape cassette. The cassette is inserted in telephone equipment that can play the recorded message to as many as 10 callers at the same time. Normally, the tape runs no more than three minutes, which means the caller—who pays for his own



(1) 5% on new home, 5½% existing. (2) FHA authority ended June 30, 1973; no rate to August 10.

call—gets the message for the minimum charge for calling Washington.

Typical news items have included a note that the House would vote that day on land-use legislation, a HUD announcement of \$100 million being parceled to selected public-housing projects and the House Banking Committee's vote on the housing bill previously approved by the housing subcommittee.

Hot to cold. Some days the news on the hot line isn't all that hot, but does answer a question that members might have in their minds. For instance: the news that the Senate and House conferees did not meet and were not scheduled to meet the fol-

lowing day—which told callers the reason there was no news about the housing bill, the hottest housing development in Washington at the time.

The calls number 80 to 100 a day, although Gray thinks the average is picking up. The cost to MBA runs about \$1,700 a year for equipment rental alone.

The U.S. Chamber of Commerce operates "Washington dial" five days a week. It's a three-minute summary of actions coming up in Congress that day, available at 202-872-1313 after 9 a.m. Washington time. Argyle Campbell, the chamber's lobbyist, says calls run about 300 a day.

Alternate methods. Other housing associations have con-

sidered a hot line service but have not found it useful for their membership.

The U.S. League of Savings Associations (Chicago) notes that 35 member leagues have paid staffs, which are used in a phone relay system to spread important Washington news to members. Washington office staffers phone half the leagues, and their staffs relay the word on to the others. The information is then passed along to members.

The National Association of Home Builders found that their members have no particular need of such instant knowledge of Washington developments and thus have seen no need for such a service. —D.L.

Gurney, indicted for bribery, bows out of Florida senatorial race

Indicted on charges of bribery in an FHA scandal and confronted with a revolt by the Florida Republican organization, Senator Edward Gurney has withdrawn as a candidate for reelection.

The former congressman completes a first term in the Senate this year. He had filed qualifying papers for reelection a few hours before Attorney General William Saxbe announced July 10 that Gurney and six others had been indicted by a federal grand jury in Jacksonville on charges of peddling their influence in obtaining commitments for FHA subsidized housing.

Lack of support. The day of the indictment, Gurney insisted he would stay a candidate "come

hell or high water."

The realities of politics changed that. It quickly became obvious that campaign dollars would be scarce. Mike Thompson, the G.O.P. state committeeman from Miami, explained:

"The party leadership let Gurney know there was no way he could contribute to a Republican victory in November. That's not a repudiation, but just a realization that he had too many liabilities to be a viable candidate for the office."

Denial of guilt. Gurney pleaded not guilty to the bribery charges when he showed up at a surprise court appearance in Jacksonville in July. He said he has done nothing wrong.

In his statement of withdrawal from the Senate race, Gurney

said he recognized there was no "sensible or sound way to conduct a statewide political race and prepare for and go through a major trial." He said his first priority had to be the clearing of his good name, and that after that he would decide whether or not to resume a career in politics and government.

When Gurney qualified for the 1974 campaign with the Florida secretary of state's office, he reported collecting \$123,834 and spending \$117,033. Federal prosecutors said the FHA corruption-bribery scheme brought in \$233,000 in under-the-table contributions from FHA developers.

—FRED SHERMAN
McGraw-Hill World News,
Miami

Wausau Homes Inc. installs all-copper plumbing and copper wiring in the kitchen-bathroom core that's the heart of its manufactured housing unit.

Wausau has found copper essential to the control of installed costs with the assurance of long-term reliability. And just as important to initial consumer acceptance.

The copper plumbing tree for the kitchen-bath core module is assembled in Wausau's plant in half an hour. Wausau reports a conventional installation on the site would take considerably more time.

Copper electrical wiring goes into place quickly

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Lifetime copper plumbing and copper wiring help the builder control costs, and confirm to the buyer that the builder has not cut corners.

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Copper is at the core of homes built with quality and economy.



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In '73, builders bought Color-Side because it was cheap.

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Builders can be skeptical about bargains. So when we introduced pre-painted Color-Side Insulite, and claimed that it offers a lot more for a lot less money, we anticipated some catcalls. But what we got was praise.

One builder told us that our paint job saved him about 8¢ a

foot. Another said our medium density board was a lot less hassle to apply. And everyone's liked our gold, green and two shades of white.

Builders who try Color-Side Insulite usually try it again. And again. It also just happens to be the cheapest buy on the market. That's a fact you skeptics will just have to live

with. You'll come around.

Ask your dealer for proof. Ask him too, about our new color-matched nailing system. Or write us: Boise Cascade Wood Products, Portland, Oregon 97208.

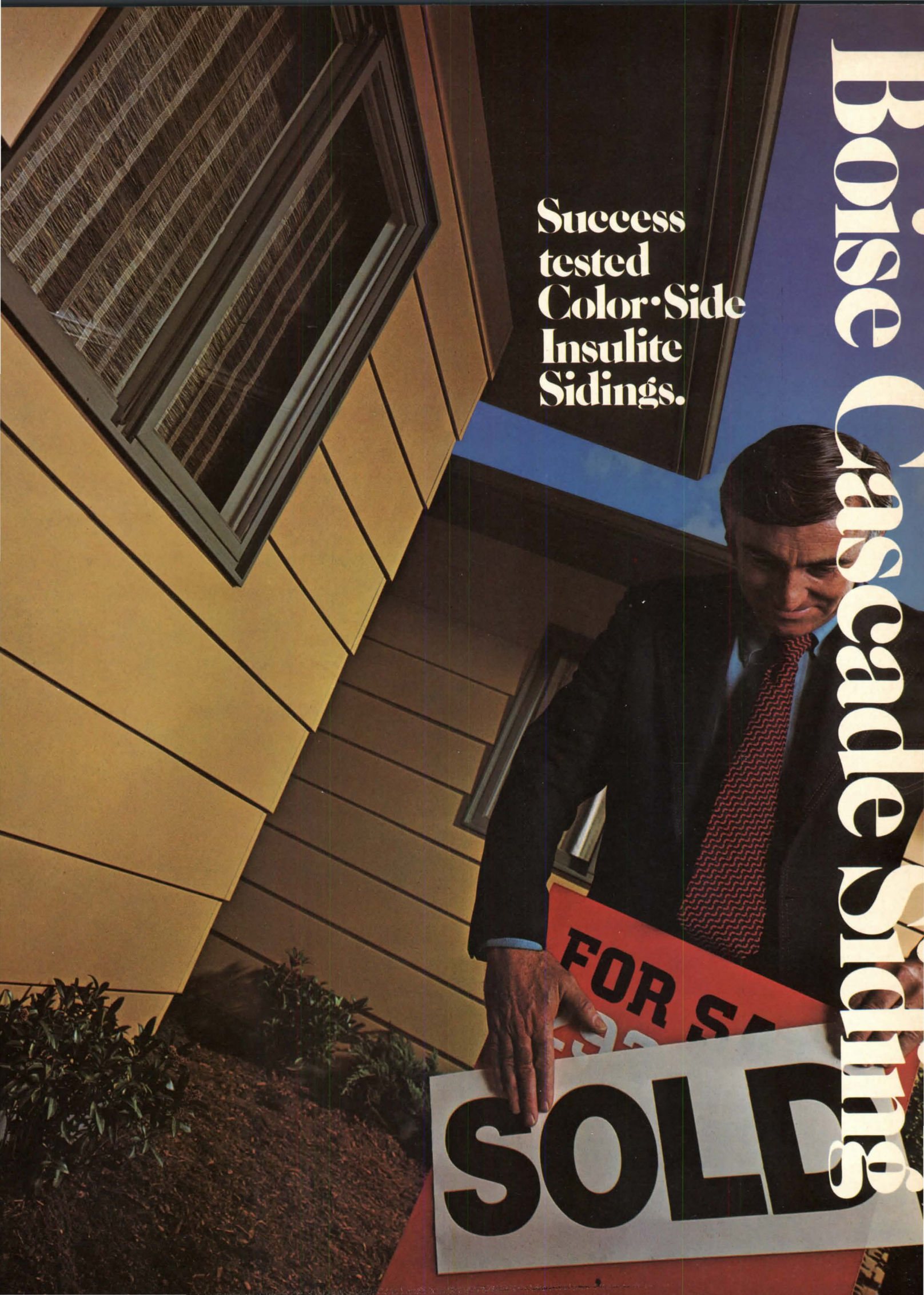


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Plastics industry agrees to publicize fire hazards of its products

The 25 big manufacturers of cellular or foamed plastics have agreed to an extensive plan for publicizing the fire hazards of their products, commonly used by homebuilders for building insulation and by furniture makers for cushioning. Some 200 to 300-million pounds of cellular plastics were sold last year for use in construction, primarily in houses and apartments.

The manufacturers and the Society of the Plastics Industry (New York City) have signed a provisional consent agreement with the Federal Trade Commission. The industry agrees to take these actions:

- Stop advertising its products as non-burning or self-extinguishing.
- Alert buyers that, once ignited, the plastic products burn intensely, producing intense heat and dense smoke unless special precautions are taken quickly.
- Advertise in 22 special journals and four commercial publications, warning of the hazards.
- Alert recent major buyers to the hazards.
- Establish a \$5-million research program to study the

flammability of these products and develop safer ways of using them.

Industry's own effort. The society said the agreement would supplement an effort already under way to enhance the fire safety of plastic products. The SPI also pointed out that its member companies have been conducting research for years into the relation of synthetic materials to fire and life safety.

J. Thomas Rosch, director of FTC's Bureau of Consumer Protection, said the consent agreement would spur local building-code officials to prohibit the use of plastic insulation unless it is confined in a fire wall. Many local governments have already adopted such regulations.

Rosch would not speculate on whether cellular plastics already in place should be removed. He said this was a matter that could involve liability laws of the various states. He and other FTC officials suggested that fiber glass might be an adequate substitute as insulation, but he said the FTC had no recommendations for a furniture cushion substitute.

The FTC's probe. In June 1973 the FTC said an eight-month in-

vestigation had prompted it to issue a notice of intent to file a class-action complaint against 26 major companies and two organizations. It later dropped Rohm and Haas (Elmwood Park, N.J.) from the list, saying the company was not actually involved in cellular plastics manufacturing.

The FTC had also named the American Society of Testing and Materials (Philadelphia), but it has temporarily dropped the organization from action. The staff of the commission, however, was instructed to continue an investigation of ASTM and of others engaged in standards-setting and production certification that the commission thinks "may result in deceptive or unfair standards and certificates."

The SPI's announcement said that by underwriting and cooperating with the research program, the industry is seeking to "provide data that will lead to a thorough understanding of all aspects of cellular plastic combustibility, plus improved product safety, improved techniques of application and installation of cellular plastics and improved test methods, thus enhancing consumer safety and confi-

dence."

Product warning. Until research is complete, the plastic products will have to carry this precautionary label:

"Warning! This product is highly flammable and may constitute a severe fire hazard. Consult specific instructions for use accompanying this product."

The 25 companies named in the agreement are:

Allied Chemical Corp., Morristown, N.J.; Arco Polymers Inc., Pittsburgh; BASF Wyandotte Corp., Parsippany, N.J.; Baychem Corp., Pittsburgh; Cook Paint and Varnish Co., North Kansas City, Mo.; Dow Chemical Co., Midland, Mich.; E.I. du Pont de Nemours & Co., Wilmington, Del.; Flintkote Co., White Plains, N.Y.; Foster Grant Co., Leominster, Mass.; General Tire & Rubber Co., Akron, Ohio; W. R. Grace & Co., Cambridge, Mass.; Hooker Chemicals & Plastics Corp., Niagara Falls, N.Y.

Also Jefferson Chemical Co., Houston; Millmaster Onyx Corp., New York City; Mine Safety Appliance Co., Pittsburgh; Monsanto Co., St. Louis; Olin Corp., Stamford, Conn.; Owens-Corning Fiberglas Corp., Toledo; PPG Industries Inc., Pittsburgh; Tenneco Chemicals Inc., Saddle Brook, N.J.; Union Carbide Corp., New York City; United States Steel Corp., Pittsburgh; Uniroyal Inc., Middlebury, Conn.; Upjohn Co., Kalamazoo, Mich. and Witco Chemical Corp., New York City.

—WILLIAM HICKMAN
McGraw-Hill World News,
Washington

Senate, House split: should HUD keep club over closing costs?

A 1970 law allows HUD to set standards—and perhaps maximums—for the closing charges that hit the home buyer just as he's signing the final documents that give him title to his dream house.

The officers of HUD would like to be rid of the law, and so would the settlement industry—lawyers, title insurance companies, bankers, real-estate dealers and the like.

But repeal is having a hard time in this Congress. By a solid vote of 55 to 37, a bipartisan block of Senate liberals washed a repeal provision out of a relatively mild bill to reduce costs. The bill would have HUD standardize settlement forms, make another settlement-cost study and put out a booklet.

House action. A similar repealer narrowly passed in the House, 202 to 199. It was approved by the House Banking and Currency Committee over the objections of Chairman Wright Patman (D., Tex.) and

half a dozen members. Even though the provision is approved by the House, the housing industry's lobbyists say it will never emerge from the conference committee. The senators, they say, would rather have the bill die.

Consumers' position. The consumerists in the upper chamber, led by Senator William Proxmire (D., Wis.), said they wanted the 1970 law kept on the books as a club over the industry and an incentive to state governments to move in with regulations before the federal government does.

Proxmire contended that the home buyer was being ripped off for hundreds of millions of dollars—even billions—in closing costs each year. He cited a 1972 HUD study of closing costs as of March 1971 and said it showed "settlement charges accounted for 10% of each residential transaction."

Proxmire said that the HUD study showed the "average total

settlement charge was \$1,937 on homes with an average sales price of \$19,397." He then estimated that the average settlement charge would now be \$2,816—"updated to reflect the increase in prices."

\$2,816 per house? The figures mean that the total cost of settlements comes to \$14 billion a year—if, as Proxmire calculates, you multiply \$2,816 by the "approximately 5 million sales of one-to-two-family homes in a normal year."

Proxmire noted that "title insurance companies alone receive a billion dollars a year in premiums" with "less than 3% paid out in losses." That, he said, "could almost be construed as a 97% rip-off."

Senator William Brock (R., Tenn.) chief sponsor of the repealer, called Proxmire's 10% figure "absolutely ridiculous."

Proxmire's \$1,937 figure on total settlement charges includes such items as sales commissions, recording fees,

transfer taxes and pre-paid items such as real-estate taxes, insurance and points, Brock said.

Or only \$207? The closing charges covered by the HUD law are for only a part of the total settlement bill, Brock told the Senate—for such things as credit reports, title examination, title insurance, closing fees and termite inspections. The HUD report that Proxmire cited shows the total average charge for these items amounted to "only about \$207," Brock said, and about half these costs "are typically paid for by the seller, not the buyer."

In July 1972 HUD published proposed maximum closing charges for six metropolitan areas. That triggered a massive protest from settlement lawyers and the other interested parties, however, and since then, HUD has made no attempt to implement the 1970 law. The White House, according to Senator Warren Magnuson (D., Wash.) has "indicated it would never allow" enforcement. —D.L.

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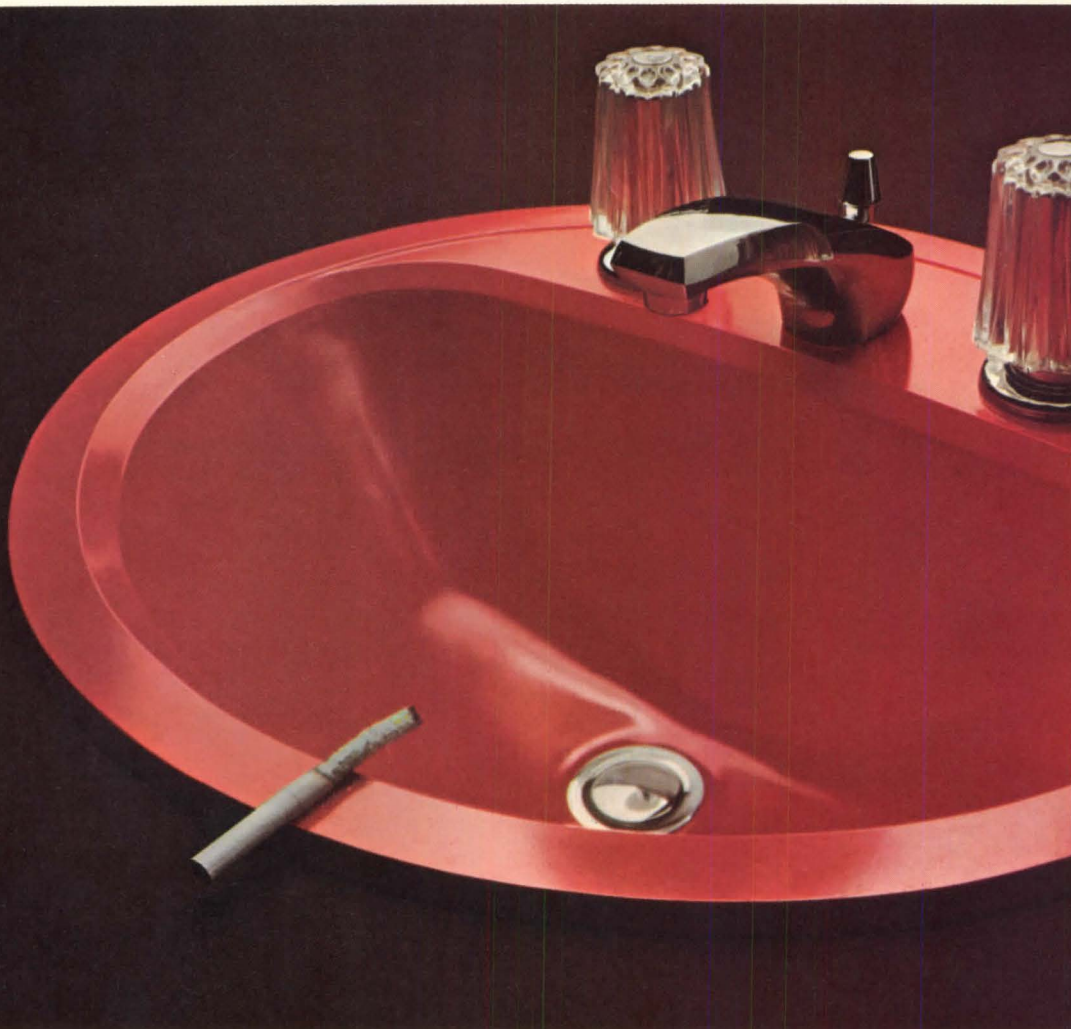
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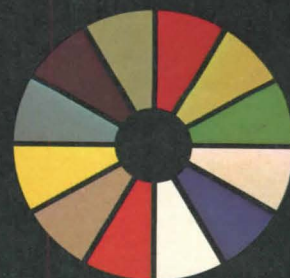
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Bombtown revisited: Blasts wreck another non-union builder's houses

Four explosions in 20 minutes destroyed two houses and damaged four others at the Hunting Meadows development in Strongsville, Ohio early on Sunday, July 14.

These were the latest of several subdivision explosions that have gone unsolved in Strongsville. Since 1968, the bombings have caused \$120,000 in damage.

Officials investigating the latest incident have suggested that use of non-union labor may be the motive of the bombing.

The president of the Cleveland Building and Construction Trades Council emphatically denies that the unions had anything to do with the blasts.

Mayor as eyewitness. Mayor John F. Pearce was riding with a Strongsville police officer when the first bomb exploded at 2:20 a.m. The mayor tells this story:

"We responded along with all other Strongsville police units.

"As we were investigating, a second and third explosion occurred in rapid succession a short distance away within the subdivision.

"We went to our vehicles to seal off the area.

"About the time we were in our vehicles, the house in front of which we had been standing blew apart.

"Assistance from neighboring communities arrived and the entire area was sealed off in minutes. However, these hoodlums had time fuses and had been able to make their escape apparently well before the first explosion."

Builder's reaction. The first and last blasts destroyed two homes that were being built by John B. Hootman Builders.

John Hootman, 25, said: "This was so out of the blue, I couldn't conceive it would happen."

Both three bedroom split-levels, valued at \$48,000 each, were so badly damaged that the builder will raze them.

"We'll have to strip them down to the footers and start over," Hootman said.

The blasts caused structural cracks, drywall crumpling and broken windows in two Hootman houses near by. That damage was estimated at \$8,000.

The other two explosions damaged two houses an eighth of a mile away. They were being built by Delmont Builders. According to Sylvester Yockey, of



Bombed split-level had been finished by John B. Hootman Builders and was to have been scene of open house on day of blast. An identical house, under construction, was also bombed. The three-bedroom models sell for \$48,000.

the U.S. Bureau of Alcohol, Tobacco and Firearms, which is investigating the incident, explosives set at the side of each house caused damage totaling \$20,000. Yockey said preliminary investigation indicated that dynamite was used.

Police: 'Don't know who.' The police said they have made no arrests. A police spokesman said all of the houses that have been damaged by explosions and fire since 1968 have been built with non-union labor, but he declined to blame the unions.

Builders vs. unions—The front line

Strongsville, at the intersection of the Ohio Turnpike and the Interstate 71 route that links Cleveland and Columbus, bills itself as the "crossroads to the nations." Population exceeds 20,000—a 33% increase in four years.

Strongsville is on another crossroads. Both union and non-union developers are trying to cash in on a builders' bonanza of private homes.

Strongsville is the southernmost community of Cuyahoga Co.—without question the most unionized county in Ohio. Yet to the immediate south, in Medina Co., and to the west, in Lorain Co., builders make extensive use of non-union labor.

Bomb roll. While no arrests have been made in any recent incidents, all of the housing developments listed below that were burned or bombed have one common characteristic—they were being constructed with the partial or exclusive use of non-union labor.

• November 25, 1968: A

"We don't know who did it," the spokesman said. "We don't know if it was another builder, or a personal grudge from family, friends or business associates."

Hootman said: "I've never seen anyone from the unions. I've never received a threatening letter. That's what scares me about this whole deal . . . No warnings. They just blow you up."

'100% convinced.' Mayor Pearce said: "I can't say that the bombings are tied to the unions. However, the stories I've read in

house under construction in the Ledgewood Estates development was severely damaged when unknown vandals set off dynamite. Bob Schmitt Inc. Homes & Woodlawn Estates Inc. employed only non-union craftsmen. Damage estimated at \$12,000. [NEWS, Dec. '68: *Strongsville, The Story of a Homebuilder's Living Hell.*]

• October 22, 1971: Two houses under construction at the Forest Park division of Bob Schmitt Homes Inc. damaged by fire. Arson was suspected.

• August 19, 1972: Fannin Builder's Co-Moor Colony of condominiums damaged by an unknown explosive.

• February 22, 1973: A model house at the Oakland Park development set on fire. One Strongsville police spokesman described the blaze as "unsuccessful arson." Little damage, but on April 2, 1973 the same house and another in the development were dynamited. Oakland Construction was the builder. —C.C.

the various newspapers, and the articles that have been published so far, would indicate there is a strong feeling that the unions are involved either directly or indirectly.

"I personally feel that it is time for the unions, if they are not directly involved, to take a stand and let the people know that they are not involved. If they don't, I think the people are going to come to the conclusion that it is union. In fact, I think they have. The general public, the people I have spoken with, are 100% convinced that it's union."

Labor's reply. Charles N. Pinzone, president of the Cleveland Building and Construction Trades Council, representing the unionized building crafts in Cuyahoga County, said:

"There are always innuendos that someone is putting on the local unions when there is a problem of this type, but no one has come to me—the Treasury Department, housing, the sheriff's department. I have very little knowledge about what is going on out there, (in Strongsville), except what I read, and certainly you don't expect us to wear the jacket for any problem they might have."

—CHRIS CAIN

McGraw-Hill News, Cleveland

Joe Eichler, creator of Eichler Homes, dies

The builder who made Eichler Homes a household word in the San Francisco Bay area died of heart trouble July 25 in a Redwood City, Calif. hospital.

Associates say that Joseph L. Eichler, 74, had built 12,000 detached houses and highrise units.

Eichler entered homebuilding at 47 in 1947. He founded Eichler Homes Inc. shortly afterward, and in 1949 he unveiled the first architect-designed Eichler Home. It set a new style in California homebuilding.

Eichler built two of San Francisco's highrise apartment complexes, Geneva Towers and the Eichler Summit. He was one of the first developers to sell to blacks and Orientals, announcing a non-discrimination policy in 1957. He had sold two companies and was head of AlSCO Homes Inc. at his death. —J.K.

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CIRCLE 41 ON READER SERVICE CARD

H&H SEPTEMBER 1974 41

NAHB's ex-President Larry Blackmon fined \$10,000 in FHA fraud case

Lawrence William (Larry) Blackmon, president of the National Association of Homebuilders in 1966, pleaded guilty on July 12 to making false statements to the Department of Housing and Urban Development both on the cost certification for an apartment project in Pine Bluff, Ark. and on the income tax return for the corporation that built the apartments.

A federal district court in Little Rock fined the 51-year-old builder from Fort Worth, Texas \$10,000 and placed him on probation for two years. He received the maximum fine of \$5,000 on each offense.*

The U.S. attorney's office in Little Rock said Blackmon was charged with inflating his actual costs by \$75,000 (later reduced to \$50,000) on the cost certification for an FHA mortgage guaranty in violation of Title 18, U.S. Code. He was also charged with falsifying job costs on his corporate income tax return, including an illegal transfer of a \$30,000 credit balance for materials.

Specifics of charges. The complex involved, the Jane Oliver Apartments, was built by Piney Woods Apartments Inc., a non-profit corporation, for students and faculty members at Arkansas A.M. and N. college in Pine Bluff. The corporation asked Clyde Smithwick, a Pine Bluff contractor, to undertake the \$1.7-million project. Smithwick brought in Blackmon because of his experience in constructing low-income apartments, and the two formed Smithwick-Blackmon Inc. to handle the job.

The three-count indictment by the federal grand jury for the eastern district of Arkansas charged that Blackmon, on June 12, 1969, as vice president of Smithwick-Blackmon Inc., had falsely stated that the cost of the heating and ventilation work by a subcontractor, Allied Mechanical Contractors, was \$145,000; that the actual costs incurred by an electrical subcontractor, JOBCO Electric Materials, was \$27,200; and that the cost of site utility work by Allied was \$85,810.

Plea. According to Assistant U.S. Attorney O.H. Storey III, who prosecuted, Blackmon pleaded guilty to the first count, where the cost was inflated by



Press conference is held by Blackmon after election as NAHB president on Dec. 7, 1965, in Chicago. He was reported to be President Johnson's choice to head a new Department of Housing. Post went instead to Robert Weaver.

\$50,000. The other two were dismissed, the second because the statement involved proved not to be a misstatement, and the third because the costs specified proved to be properly a part of the first count and not a separate item.

Blackmon waived indictment on false statements in the corporation income tax return for 1970 and a criminal information was filed, to which he pleaded guilty.

Blackmon said in open court that Smithwick had also participated in the fraud. According to Storey, Smithwick maintains his innocence but is still under investigation.

Secrecy. Blackmon, always something of a mystery man with a phobia against publicity, almost went through his legal difficulties unnoticed.

Although issued in March, the Blackmon indictment was kept sealed at his request until he ap-

peared in court July 12. While his arraignment and sentencing were held in open court, even this 30-minute proceeding would probably have gone unreported, according to the *Arkansas Gazette* reporter who broke the story, if she had not received a tip that "this might be an interesting case you'd want to watch because it involves a man with close ties to LBJ."

The investigation itself also was based on an informant's tip.

Politics. Blackmon had been a power in Democratic politics as an intimate of the late President Lyndon B. Johnson. He had been LBJ's full-time campaign director when Mr. Johnson sought the presidential nomination in 1959, and some observers read political influence and special treatment into the fact that the Blackmon indictment was kept sealed.

Attorney Storey said, however, that a sealed indictment is

not unusual if an out-of-state defendant requests it and there is no risk that he will not appear.

The delay between indictment and arraignment, Storey said, was because the prosecution was waiting for the IRS to complete its investigation on the tax return.

Blackmon's principal attorneys were Morton Susman, a U.S. attorney in Houston during the Johnson administration, and Will Wilson, a former Texas attorney general and former assistant attorney in charge of the criminal division of the Justice Department in Washington.

A man of seclusion. Throughout his career Blackmon has assiduously avoided the press, and even in Fort Worth little is commonly known about him or his company. He was unavailable for comment about the charges or about his present business activities.

At the time he headed the NAHB, Blackmon said he was building at an annual volume of \$20 million in low-income apartments, a field in which he was considered an authority. He also developed land in several parts of the United States and abroad. His land holdings were valued at \$2.5 million, and he had extensive interests in banking, insurance, oil, real estate and finance.

Always a loner and a compulsive worker, Blackmon operates with a remarkably small staff. His headquarters were for years in a converted two-story apartment in a complex he owned in West Fort Worth. But Blackmon lives in a palatial ranch house about 30 miles out of town.

'Not building now.' A long-time employee who answered the phone at the present Blackmon Associates office said:

"Mister Blackmon is not doing any building now, and he has not done anything in the way of building in about three years."

Asked about Blackmon's present activity, she replied: "I really don't know what he has been doing, but he is not doing any building."

—LORRAINE SMITH
McGraw-Hill News, Dallas

HOUSE & HOME names a western editor

He is H. Clarke Wells, who rejoins the magazine as senior editor in charge of its western editorial offices in California.

Wells has spent the last five years with the L. B. Nelson Co., the apartment builder. He was senior vice president, marketing and communications. He was an editor with HOUSE & HOME from 1964 to 1969.

Two articles by Wells appeared in August—The Specialty Shopping Center and Apartment Acquisitions. His story on problems of running condo associations is on page 78.



SENIOR EDITOR WELLS
A House & Homecoming

* U.S. District Court, eastern district of Arkansas, western division, Judge J. Smith Henley, indictment LR-74-CR 61; criminal information LR-74-CR 97.



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CIRCLE 43 ON READER SERVICE CARD

Promotions, appointments and changes in the homebuilding industry

Ralph D. Wenger leaves Transamerica Development Co., Los Angeles, where he was president and chief executive for five years. The inducement: the chance to run his own company, Universal Properties, also based in Los Angeles, which he has formed with Lee National Corp. of New York City. The company's first undertaking is a joint venture with Equitable Life Assurance Society to develop a 1,200-acre industrial park in Kansas City, Mo. Back at Transamerica Development, **John W. Magee** succeeds Wenger as acting president.

Another new California company is Yerby and Associates of Burlingame, a consulting concern organized by **George P. Yerby**, until recently national marketing manager for Kaiser Aetna's business centers division in Oakland.

Sunrise Corp., a Los Angeles-based developer, promotes **Bill Fruehling** to senior vice president. Fruehling, who joined the company in 1970, is in charge of all new project development.

Gulfstream Land & Development Corp., headquartered in Plantation, Fla., imports a California man for the new post of vice president, marketing. He is **Don Sichel**, an alumnus of Avco Community Developers of La Jolla.

Champion Realty, a subsidiary of Champion International Corp. in Atlanta, also gets a new vice president of marketing, **Michael J. Daughn**. Daughn held a similar post with L.T.V. of Dallas before switching to Champion last October.

General Development Corp. of Miami sets up GDV Financial Corp. as a mortgage subsidiary with **Lawrence W. Farmer** as president and chief executive and **Louis H. Ferkin** as executive vice president. Farmer comes from Rexford National, the mortgage banking division of The Larwin Group (Beverly Hills, Calif.). Ferkin is the former vice president in charge of mortgage financing for Levitt and Sons (Lake Success, N.Y.).

General Development is also reorganizing its public relations. **Kenneth V. Knight** steps in as director of corporate communications, a new title. Knight, who comes from Deltona Corp. (Miami) will concentrate on corporate and financial PR, leaving



GULFSTREAM'S SICHEL
Trading California for Florida

other work to **Jim Wallace** and to **Del Olson**, who was assistant vice president in charge of PR before the reorganization.

Levitt and Sons' Levitt Construction Systems in Fountain Valley, Calif. names **Malcolm Lewis** as general manager. Lewis, president of the Industrialized Housing Council of California, has been assistant to the company's president for two years.

Hunt Properties, the big Dallas developer and property manager, divides into a management division run by **George R.**

Baseball and building's Del Webb is dead

Del E. Webb, founder and chairman of the nationwide building company that bears his name, died July 4 in Rochester, Minn., of complications following surgery for lung cancer. He was 75.

Webb founded his Del E. Webb Corp. in 1928 in Phoenix, Ariz., where the company still has its headquarters. Starting virtually from scratch, he built it into one of the country's major contractors.

Baseball. While construction brought him great wealth (which he estimated at \$75 million a dozen years ago), Webb won fame for his lifelong devotion to sports. A professional baseball player until that career was interrupted by typhoid in his youth, he became a co-owner of the New York Yankees in 1945. He remained an owner of that team for 20 years, and he played a prominent role in pro baseball for all of that time.

And building. Sun City, the resort-retirement community of about 30,000 residents outside Phoenix, is one of Webb's biggest and best known building projects.

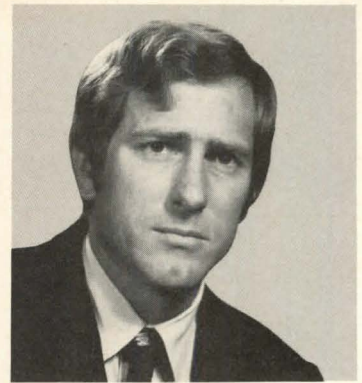


UNIVERSAL'S WENGER
Transamerica to trans USA

McVay, who has headed Hunt for 13 years, and a development division managed by **William L. Hamm**, formerly with Coldwell, Banker and Co. the big Los Angeles-based real estate broker.

Cleveland's Forest City Enterprises appoints **Harlan Youngflesh** as vice president and general manager of the West Coast modular housing operations of its subsidiary, Forest City Dillon Inc. of Irwindale, Calif.

Multivest, the real-estate investment banking partnership from Southfield, Mich., announces that **Stanley F. Guski** is



SUNRISE'S FRUEHLING
Up to vice president

the new vice president, real-estate acquisitions, succeeding **Charles L. Gordon**, who moves to vice president, real estate investment. **Richard A. Willis** becomes vice president, real-estate property management. Willis retains his posts as vice president and general manager of M.V. National Properties, a Multivest subsidiary.

NAHB's Home Owners Warranty Council selects **Quinton R. Wells** as its vice president of operations. Wells was the director of FHA's Office of Underwriting Standards.

Commodore Corp. files in bankruptcy

The Omaha-based producer of mobile homes has filed for reorganization under Chapter 11 of the Bankruptcy Act.

Chapter 11 allows a company to operate under its own management with court protection from creditors.

The parent corporation and all eight U.S. manufacturing subsidiaries are included in the Chapter 11 proceeding; the Canadian subsidiaries are unaffected.

Paul Peterson, Commodore's secretary-treasurer, said the action was forced by substantial losses in the last year, including \$5.3 million taken in discontinuing a recreational-vehicle manufacturing subsidiary, Banner Homes Corp. of Elkhart, Ind., and seven mobile-home plants.

"Sales are down 40% to 50%," he explained, "because retail customers can't find financing for mobile homes. And dealers, in turn, are having trouble financing inventories.

"It all goes back to the problems of high interest rates and tight money."



BUILDER WEBB
He constructed an empire

Construction led him into other areas; an agreement to accept equity in lieu of construction fees brought him the ownership of the Hotel Sahara in Las Vegas, Nev., for example. The Webb business empire had also widened into oil, banking, mining, airlines and manufacturing before his death.

He is survived by his wife, Toni, and a brother, Halmer J. Webb of North Hollywood,

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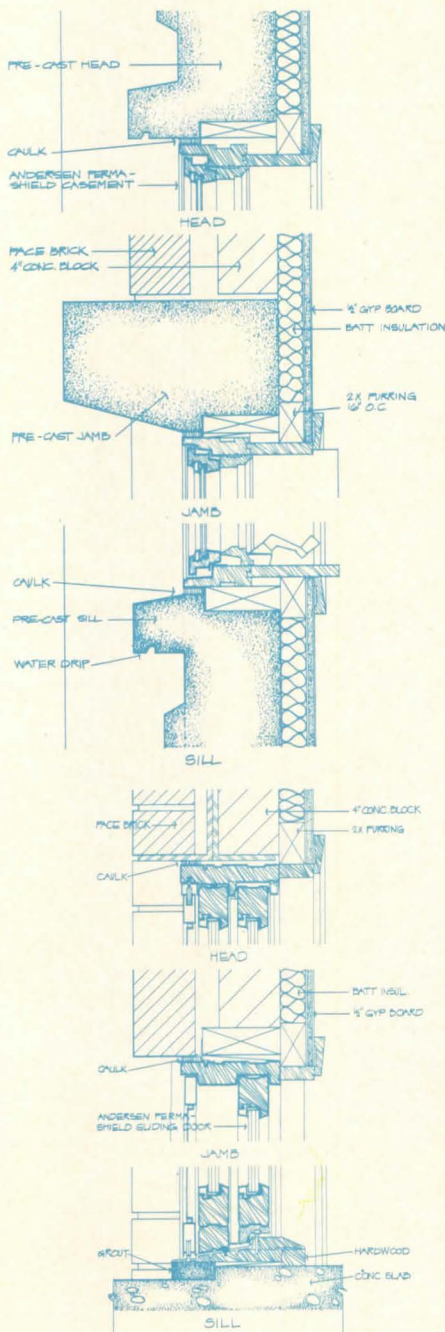
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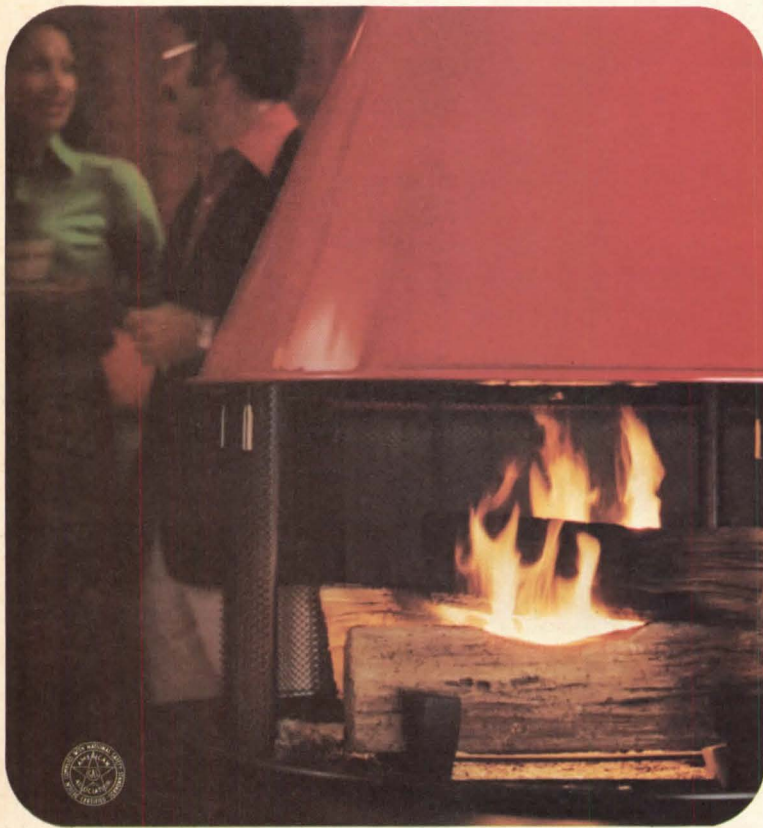
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NEWS/CODES

In Illinois, the state steps in to force local compliance with codes

Indian Head Park, Ill.—near Chicago—is an established suburb noted for its abundance of tall shade trees and finely appointed custom homes. The village has only 200 single-family houses and an equal number of townhouses. Asking prices for the single-family dwellings start at \$70,000.

Indian Head Park is also the focus of a civil suit by the Illinois state's attorney that promises to set a precedent on whether the state can step in to enforce building codes, a job formerly left to local authorities. The suit has infused the opulent atmosphere with controversy as village officials, home owners and builders try to cope with this new state scrutiny.

Owners' revolt. Problems arose years ago, when a minority of home owners formed a committee to deal with complaints about shoddy construction. A major builder was the Boise Cascade Building Co., which has since folded its operation.

The homeowners hired a plumbing consultant to assay the plumbing in their houses, and they ultimately encouraged village officials to call in state inspectors to judge whether builders had adhered to prescribed codes.

Shortly thereafter, State's Attorney Bernard Carey announced that 5,300 violations of codes and laws had been uncovered in the village subdivision known as Acacia.

State's action. Carey announced a civil suit that alleged violations of the village building codes, the state code, sanitary district ordinances and the regulations of several state agencies.

Those named as defendants were the Boise Cascade Building Co. of Chicago, a division of Boise Cascade Building Co. of Los Angeles; Medema Builders of Crestwood, Ill.; the J.H. Snyder Co. and L. Acacia Inc. of Hinsdale, both satellites of the J.H. Snyder Co., a national builder with headquarters in Los Angeles; Keystone Mechanical Industries of Skokie, Ill.; and the Skyline Plumbing Co. of Markham, Ill.

Builders' position. Clarence Medema, president of Medema Builders, says that owner complaints stemmed from problems

with the Boise Cascade homes. "About two years ago we bought the subdivision from Boise Cascade when they pulled out of the building business," he said.

Medema said that both his company and Boise Cascade were settling complaints when the state stepped in.

"The village had adequate codes and we were building to them," said Medema. "The group of dissident homeowners was small but now the state has come up with a number of accusations.

"The state was looking for things and, when they couldn't find any, they cited us for such picayunish violations as placing hangars at intervals of 4' 2" instead of at the 4' specified in the state code. It's all a political matter, and we're incensed that the state's attorney has suggested that there was bribery of the village officials involved."

Charge of laxity. Peter Wolff, president of Skyline Plumbing, said the entire controversy may have resulted from a small village's lethargy in enforcing codes.

"We asked the village for a copy of the code when we started building there and they couldn't give us one," said Wolff. "The work we've done there is no different from what we've done elsewhere, and we've been in the business 20 years."

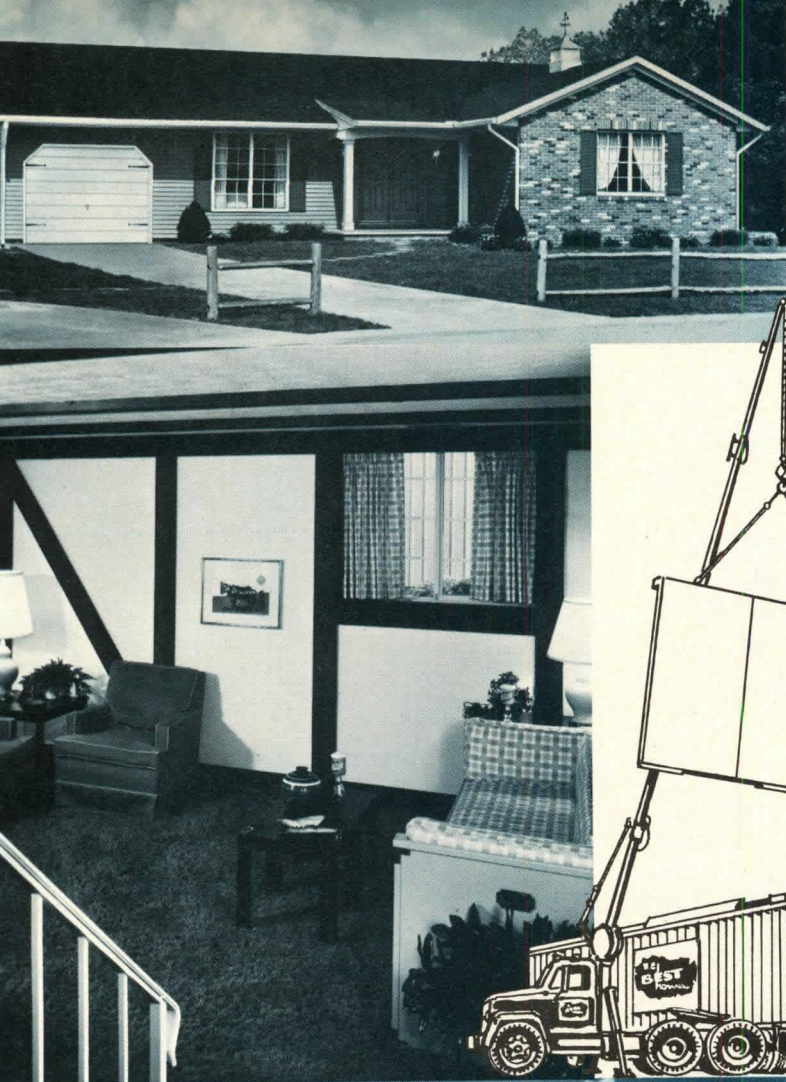
Developer's protest. Elliott Badanes, division manager for the J.H. Snyder Co., the Chicago builder-developer, contended:

"We should never have been included in the suit. We have been unfortunately damaged. We're doing a good job but we've been lumped together in the suit because homeowners of other builders got unhappy, they got no satisfaction and the state's attorney entered the picture."

State's new role. Observers on the scene say that Indian Head Park is a typical example of the small municipality faced with rapidly expanding state building codes. To date, while the Illinois state plumbing code has applied to all municipalities, the state has not attempted to enforce compliance.

Now the state says it intends to do just that, and builders and developers have been caught in the middle

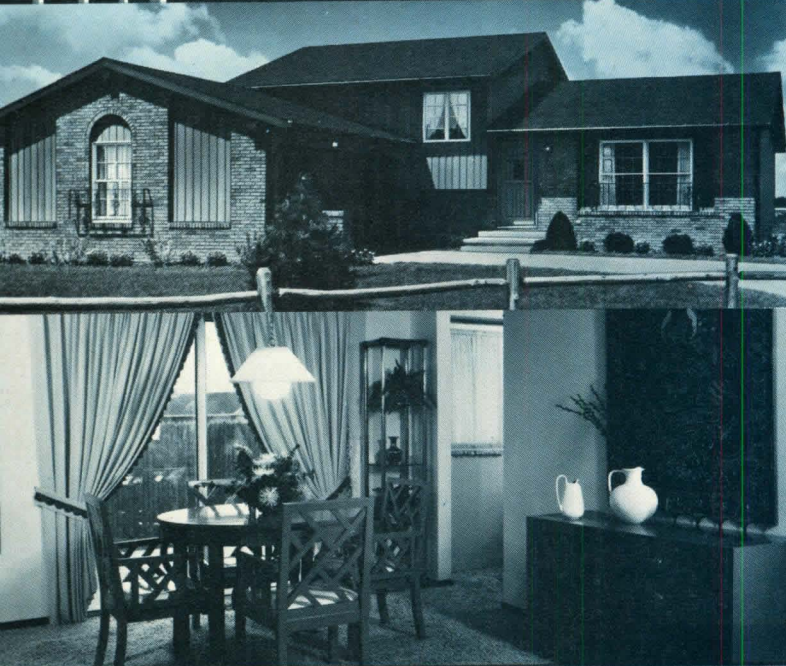
—M.K.



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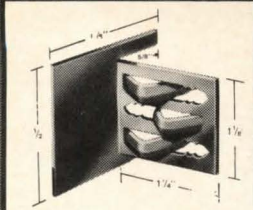
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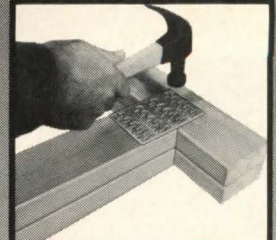
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Townhouses _____ Apartments _____ I have _____ lots.

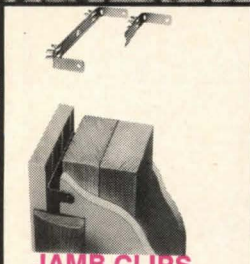
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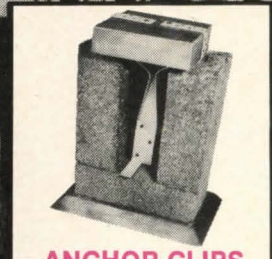
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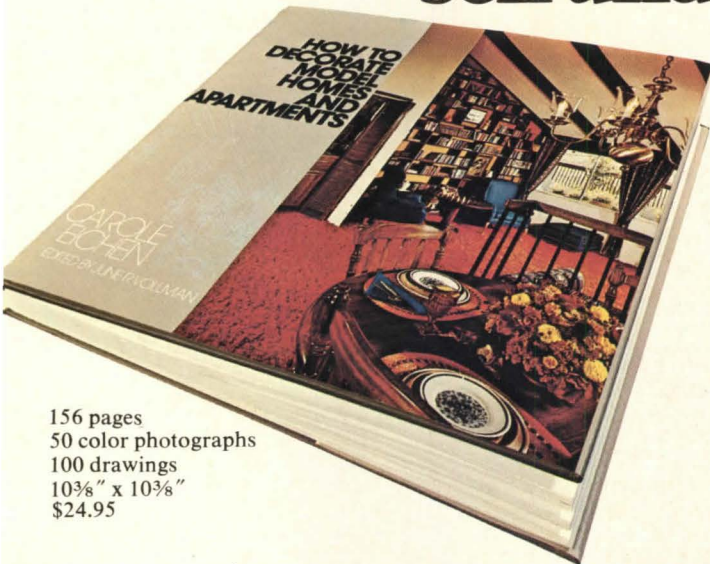
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Drawing from long years of experience, Carole tells not only *why*, but also *how* to put more sell into model homes and apartments.

Her best-selling designs are presented in clear-cut text illustrated with *fifty* large, full-color photographs, each accompanied by before-and-after schematic diagrams moving your mind from the design *problem* to the design *solution* to the ready-to-sell *results*.

HOW TO DECORATE MODEL HOMES AND APARTMENTS explains the key factors to be considered in creating best-selling interior designs for

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- Bathrooms
- Living Rooms
- Dining Rooms
- Master Bedrooms
- Children's Bedrooms
- Family Rooms
- Built-ins
- Dens
- Sewing Rooms
- Sales Offices
- Patios & Balconies

Presenting an array of interior design ideas adaptable to your own condominiums, rental apartments and single-family homes, this masterful guide also gives you special insight on the major elements of residential design: *color, lighting, built-ins* and *accessories*.

Carole Eichen, prominent interior designer for the housing industry and Contributing Editor to House & Home.

Builders and developers turn to Carole Eichen—President and Chief Designer of Carole Eichen Interiors—for decorating ideas to match their market for condominiums, rental apartments and single-family homes.

Carole is one of those rare people who know people. With an uncanny sense of merchandising, she designs model homes and apartments in the mirror-image of what homebuyers are really looking for.



HOW TO DECORATE MODEL HOMES AND APARTMENTS also details the design decision-making process involving fundamental judgments on

- How to match interior decor to your markets,
- How to make interior design costs pay for themselves,
- How to keep abreast of current decorating trends,
- How to bring your models in on schedule,
- How to plan for effective model maintenance,
- How to coordinate salesmen with the marketing team, and
- How to put it all together for total impact.

Equally important to the workings of successful interior design are Carole Eichen's suggestions on what builders should expect of designers . . . what designers should expect of builders . . . how to draw up a good contract with the interior designer . . . how to control schedules, deadlines and the countdown for installations.

Inexpensive ways to avoid costly mistakes, budgeting do's and don'ts, and matching design to your market parameters are other practical aspects which make this new book an effective working tool for selling condominiums, rental apartments and single-family homes successfully in *any* locale at *every* price level.

Builders and developers who have profited from Carole Eichen's services would readily agree that your model homes and apartments will never look quite the same after you get your hands on this practical book of successful interior design ideas. Order the book today and add Carole Eichen's expertise to your own experience in selling homes.

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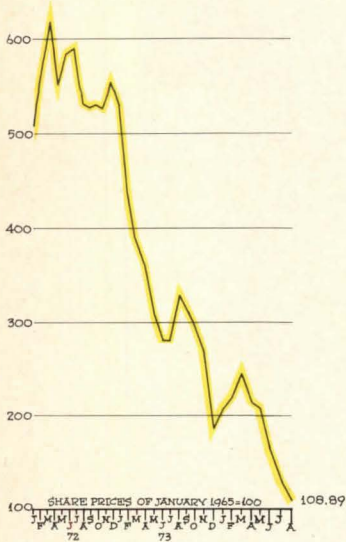
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Homebuilding industry's stocks plunge again

HOUSE & HOME's index of 25 housing stocks recorded its fifth straight month's loss in the period ended August 5.

All five sections of the list showed sharp declines, and the composite index for all 25 issues fell to 108.89 from the 127.08 registered in July. Mortgage companies were hardest hit.

Here's the graph of 25 stocks.



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

	Aug. '73	July '74	Aug. '74
Builders	283	107	91
Land develop.	153	94	84
Mortgage cos.	1,183	244	204
Mobile homes	662	365	312
S&Ls	119	72	62

Company	Aug. 5 Bid/Close	Chng. Prev. Month
BUILDING		
Alodex—d	OT	3/8 - 1/4
AVCO Comm. Devel.—d	PC	7/8 - 1/8
Ambina Corp.—d	OT	3/4 - 1/4
(American Housing Sys)		
American Cont. Homes	OT	3 1/2 - 1
American Urban Corp.	OT	7/8 - 1/8
Bramalea Con. (Can.)—d	TR	4 1/4 - 1/2
Campanelli Ind.	OT	1 1/2
(New America Ind.)		
Capital Divers (Can.)—d	OT	408 + 069
Centrex Corp.	NY	6 1/8 - 2
Cenvill Communities	AM	6 1/8 - 1/4
Cheezem Dev. Corp.—d	OT	1 1/8 - 1/8
Christiana Cos.	AM	1 1/8 + 1/4
Cons. Bldg. (Can.)—d	TR	2.6 + 1
Dev. Corp. Amer.	AM	4 1/8 - 1
Dev. Int. Corp.	AM	.03 - .095
Edwards Indus.	OT	2 1/2 - 1/4
FPA Corp.—d	AM	4 - 1 1/4
Carl Freeman Assoc.	OT	2 1/2 - 5/8
Frouge Corp.	OT	5 1/4
General Builders	AM	1 + 7/8
Hoffman Rosner Corp.	OT	2 - 1/4
Homewood Corp.	OT	4 1/4 - 1
Hunt Building Corp.	OT	1 1/8 + 1/2
Kaufman & Broad.	NY	3 3/8 - 3/8
Key Co.—d	AM	2 3/8 + 1/8
Leisure Technology	AM	2 - 3/8
Lennar Corp.	AM	4 3/4 - 3/8
McCarthy Co.—d	PC	1 3/8 - 5/8
McKeon Const.	AM	1 1/2 - 3/8
H. Miller & Sons	AM	9 1/2
Mitchell Energy & Dev.—y	AM	14 1/2 - 2 1/2
National Environment	OT	7/8 + 1/8
(Sprout Homes)		
Orlone Homes Corp.—d	AM	6 1/8 - 1

Company	Aug. 5 Bid/Close	Chng. Prev. Month
Prel Corp.	AM	1 3/8 - 5/8
Presidential Realty	AM	6 1/4 - 7/8
Presley Development	AM	2 1/8 - 3/8
Pulte Home Corp.	AM	1 1/2 - 1/4
F. D. Rich Hous. Corp.—d	OT	1 3/8 - 1/4
Robino-Ladd Co.	AM	1 3/4 - 1 1/4
Rossmoor Corp.	AM	5 1/8 + 1 3/4
Ryan Homes—d	AM	10 1/4 - 1 3/8
Ryland Group	OT	5 1/2 + 1 1/8
Shappell Industries	NY	7 - 1 1/8
Shelter Corp. of America	OT	1/4
Standard Pacific—d	AM	2 3/8 + 1/4
Universal House & Dev.—d	PC	1 1/8 - 1/4
U.S. Home Corp.	NY	3 1/8 - 3/8
Valley Forge Corp.	OT	3/4
Washington Homes	OT	3/4 - 1/8
Del. E. Webb	NY	3 3/8 + 1/8
Westchester Corp.	OT	5/8 - 7/8

SAVINGS & LOAN ASSNS.

American Fin. Corp.	OT	10 3/4 - 1/4
Calif. Fin.	NY	2 1/2 - 1/4
Empire Fin.	AM	9 1/4 + 1 3/4
Far West Fin.	NY	5 1/4 - 1/2
Fin. Corp. Santa Barb.	AM	7 3/8 - 1 3/8
Fin. Fed.	NY	7 3/4 - 5/8
First Charter Fin.	NY	6 - 2
First Lincoln Fin.	OT	1 1/4 - 5/8
First S&L Shares	AM	8 1/8 - 2 1/8
First Surety	OT	2 7/8
First West Fin.	OT	1 1/2 - 1/8
Gibraltar Fin.	NY	7 1/2 - 1 1/8
Golden West Fin.	NY	7 1/4 - 1 1/4
Great West Fin.	NY	10 5/8 - 3/8
Hawthorne Fin.	OT	5 + 1/4
Imperial Corp.	NY	6 1/8 - 5/8
Transohio Fin. (Union Fin.)	NY	4 1/8 - 1 1/8
Trans World Fin.	NY	5 - 1
United Fin. Cal.	NY	5 7/8 - 1/2
Wesco Fin.	NY	13 1/2 + 4

MORTGAGING

Charter Co.	NY	26 7/8 - 2 1/8
CMI Investment Corp.	NY	11 1/2 - 1 1/4
Colwell.	AM	2 1/8 - 1 3/8
Cont. Illinois Realty	NY	5 7/8 - 5/8
Fed. Nat. Mtg. Assn.	NY	13 1/8 - 1 1/2
Financial Resources Gp	OT	1 - 3/8
(Globe Mortgage)		
FMIC Corp. (formerly First Mtg. Ins. Co.)	OT	5 3/8 - 1/8
Lomas & Net. Fin.	NY	4 1/4 - 1/4
MGIC Inv. Corp.	NY	12 3/8 - 2 1/4
Palomar Fin.	AM	1 1/8 + 1/8
Western Pac. Fin. Corp.	OT	1 1/2 - 1/4
(Formerly So. Cal. Mort. & Loan Corp.)		
UPI Corp.	AM	2 + 3/8
(United Imp. & Inv.)		

REAL ESTATE INV. TRUSTS

Alison Mtg.	NY	10 5/8 - 3 1/4
American Century	AM	3 1/8 - 1/2
Arlen Property Invest.	OT	3 1/4 - 2 3/4
Atico Mtg.	NY	7 3/4 - 1 1/4
Baird & Warner	OT	7 1/2 - 3/4
Bank America Rty.	OT	12 1/8 - 1 1/8
Barnes Mtg. Inv.	OT	5 - 3 1/4
Barnett Mtg. Tr.	NY	7 3/4 - 3 1/8
Beneficial Standard Mtg. AM	13 1/4 + 5/8	
BT Mort. Investors	NY	5 1/8 - 1 1/8
Builders Investment Gp.	NY	9 1/8 - 7/8
Cameron Brown	NY	5 - 1 1/2
Capitol Mortgage SBI	NY	5 3/4 - 1 1/4
Chase Manhattan	NY	18 + 1 1/4
CI Mortgage Group	NY	4 1/8 - 5/8
Citizens Mtg.	AM	4 7/8 - 2 1/8
Citizens & So. Rty.	NY	12 1/8 + 1 1/4
Cleve. Trust Rty. Inv.	OT	5 - 3/4
Colwell Mtg. Trust	AM	4 7/8 - 3 3/4
Conn. General	NY	14 + 1 1/4
Cont. Mtg. Investors	NY	1 1/8 - 1 1/8
Cousins Mtg. & Eq. Inv.	NY	6 1/8 - 1 1/4
Diversified Mtg. Inv.	NY	4 3/4 - 1 1/4
Equitable Life	NY	14 1/4 + 1 1/8
Fidelco Growth Inv.	AM	9 1/4 - 4 1/8
Fidelity Mtg.	NY	2 1/8 - 3/4
First Memphis Realty	OT	9 - 3/4
First Mtg. Investors	NY	2 1/2 - 3/8
First of Denver	AM	10 1/8 - 1 1/2
First Pennsylvania	NY	8 1/2 - 1 1/2
Franklin Realty—d	AM	3 3/8
Fraser Mtg.	OT	8 1/2 - 3/4
Gould Investors	AM	6 7/8 + 3/8
Great Amer. Mtg. Inv.	NY	5 1/8 + 5/8
Guardian Mtg.	AM	7 1/8 - 2
Gulf Mtg. & Realty	AM	6 1/8 - 2
Hamilton Inv.	OT	5 1/4 - 2 1/2
Heitman Mtg. Investors	AM	6 7/8 + 1 1/8
Hubbard R. E. Inv.	NY	14 1/2 - 7/8
ICM Realty	AM	10 1/2 - 3/8
Lincoln Mtg.	OT	4 3/8 - 1 1/2
Lincoln Mtg.	OT	7/8 - 1/2
Mass Mutual Mtg. & Rty.	NY	9 1/2 - 3/8
Mony Mtg. Inv.	NY	6
Mortgage Trust of Amer	NY	5 1/8 - 1 1/2

Company	Aug. 5 Bid/Close	Chng. Prev. Month
National Mortgage Fund	NY	3 3/4 - 5/8
Nationwide R.E. Inv. (Galbreath Mtg. Inv.)	OT	7 - 1 1/2
North Amer. Mtg. Inv.	NY	9 1/2 + 1 3/4
Northwest Mut. Life Mtg. & Rty.	NY	13 3/8 - 3/4
PNB Mtg. Rty. Inv.	NY	5 3/4 - 3/8
Palomar Mtg. Inv.	AM	1 3/4 - 1
Penn. R. E. Inv. Tr.	AM	9 7/8 - 1 1/8
Property Capital	AM	7 + 1 1/8
Realty Income Tr.	AM	10 1/4 + 1 1/8
Republic Mtg. Inv.	NY	4 1/4 - 2 1/4
B. F. Saul, R.E.I.T.	NY	6 7/8 - 1 3/4
Security Mtg. Investors	AM	1 1/8 - 1 1/8
Stadium Realty Tr.	OT	2 1/4 - 1 1/2
State Mutual SBI	NY	7 3/4 + 1 1/4
Sutro Mtg.	NY	6 1/8 - 1 1/2
Unionamerica Mtg. & Eq.	AM	4 1/2 - 3/8
U.S. Realty Inv.	AM	5 1/8 - 3/8
Wachovia Realty Inc.	NY	8 - 1 1/8
Wells Fargo Mortgage	NY	8 1/8 - 2 1/2

LAND DEVELOPERS

All-State Properties	OT	1 1/4 - 1/8
AMREP Corp.	NY	2 1/8 - 1 3/4
Arvida Corp.	OT	5 1/2 - 1 1/2
Atlantic Imp.—d	OT	3 1/2
Canaverl Int.	AM	1 - 1 1/8
Cavanagh Communities	NY	1 1/8 - 1 1/4
Crawford Corp.	OT	5
Deltona Corp.	NY	4 1/8 - 1 1/2
Disc Inc. of Amer.	OT	7/8 - 1/8
Fairfield Communities	OT	1 3/4 - 1 1/4
Gen. Development	NY	4 3/8 - 1 1/4
Getty Financial Corp.	OT	1 1/4 - 1 1/4
(Don the Beachcomber)		
Horizon Corp.	NY	3
Landmark Land Co. (Gulf State Land)	AM	2 - 3/8
Land Resources	OT	7/8 - 3/8
Major Realty	OT	2 1/2 + 1 1/8
McCulloch Oil	AM	3 1/8 - 3 1/4
Sea Pines Co.	OT	4 1/2 - 2
South Rty., Util.—d	AM	4 1/8 - 1 1/8

MOBILE HOMES & MODULES

Champion Home Bldrs.	AM	3 1/4 - 1 1/4
Commodore Corp.—d	AM	1 1/4 + 1 1/8
Conchemo	AM	9 1/4 - 1 1/4
De Rose Industries—d	AM	1 3/8 + 1 1/4
Fleewood	NY	5 - 1 1/8
Golden West	AM	2 1/8 - 1 1/8
Moamco Corp.	AM	1 1/16 + 1 1/16
(Formerly Mobil Americana)		
Mobile Home Ind.	AM	3 1/8 - 3/8
Monarch Inc.	OT	7/8 - 1
Redman Inc.	NY	3 3/4 - 3 1/4
Rex Noreco	NY	1 1/8 - 1 1/8
Skyline	NY	13 - 2 1/4
Town & Country—d	AM	1 1/2 + 1 1/8
Zimmer Homes	AM	2 1/2 - 1 1/2

DIVERSIFIED COMPANIES

Amer. Cyanamid	NY	18 - 1 3/4
Amer. Standard	NY	12 3/8 - 1
Amterre Development	OT	1 - 3/8
Arlen Realty & Develop.	NY	1 7/8 - 3/8
AVCO Corp.	NY	4 1/4 - 1 1/8
Bethlehem Steel	NY	30 3/8 + 1 1/2
Boise Cascade	NY	13 3/4 - 1 1/4
Building & Land Tech.	OT	1 1/4 - 3/4
CNA Financial (Larwin)	NY	7 + 1 1/4
Castle & Cooke	NY	11 1/8 - 1 1/8
(Oceanic Prop.)		
CBS (Klingbeil)	NY	36 + 1 3/8
Champion Int. Corp.	NY	15 1/2 - 5/8
(U.S. Plywood-Champion)		
Christiana Securities	OT	137 1/2 - 15 1/2
Citizens Financial	AM	1 3/4 - 1 1/8
City Investing	NY	8
(Sterling Forest)		
Corning Glass	NY	60 1/2 - 18 1/8
Cousins Properties	OT	5 1/4 - 1
Dreyfus Corp.	NY	5 1/4 - 7/8
(Bert Smokler)		
Environmental Systems	OT	1 1/4 - 1 1/8
ERC Corp.	OT	17 - 9 1/2
(Midwestern Fin.)		
Evans Products	NY	6 1/4 - 3/8
Ferro Corp.	NY	21 1/4 + 1 1/4
First Gen. Resources	OT	3 1/8 - 1 1/16
First Rty. Inv. Corp.	AM	1 1/8 - 3/4
Fishback & Moore	NY	21 7/8 - 12 1/8
Forest City Ent.	AM	4 1/8 - 3/4
Flagg Industries	AM	1 1/2 - 1 1/2
Frank Paxton Corp.	OT	8 1/2 - 1 1/4
(Builders Assistance Corp.)		
Fruehauf Corp.	NY	20 - 7/8
Fuqua Corp.	NY	7 1/8 - 3/8
Georgia Pacific—x	NY	32 1/2 - 2 1/4

Company	Aug. 5 Bid/Close	Chng. Prev. Month
Glassrock Products	AM	2 1/2 + 1 1/4
Great Southwest Corp.—d	OT	1/4
Gulf Oil (Gulf Reston)	NY	19 1/8 - 5/8
INA Corp. (M. J. Brock)	NY	23 3/8 - 2
Inland Steel (Scholz)	NY	34 + 1
International Basic Econ.	OT	2 1/2 - 3/8
International Paper	NY	47 - 1 1/8
Inter. Tel. & Tel.	NY	18 7/8 - 1 1/8
Investors Funding	AM	1 3/4 - 1 1/4
Killeam Properties	AM	1 1/8 - 3/4
Leroy Corp.	OT	2 1/4 - 1 1/2
Ludlow Corp.	NY	10 1/8 + 1 1/4
Monogram Industries	NY	5 + 1 1/8
Monumental Corp.	OT	11 7/8 - 1 1/8
(Jos. Meyerhoff Org.)		
Mountain States Fin. Corp.	OT	5 1/2
National Homes	NY	2 1/8
National Kinney (Uris Bldg.)	AM	2 1/2 - 7/8
NEI Corp.	OT	2 1/8 + 1
Occidental Petroleum	NY	9 1/4 - 5/8
(Occ. Pet. Land & Dev.)		
Pacific Coast Prop.	AM	1 1/2 - 1 1/4
Perini Corp.	AM	4 3/4 - 1 1/2
Philip Morris	NY	48 - 7 1/2
Pope & Talbot	NY	13 - 5/8
Republic Housing Corp.	AM	2
Rouse Co.	OT	3 7/8
Santa Anita Consol.	OT	8 1/2 - 1 1/4
(Robt. H. Grant Corp.)		
Shareholders Capital (Shareholders R.E. Group)	OT	.15 - .08
Tenneco Inc.	NY	19 1/4 - 1 1/2
(Tenneco Realty)		
Time Inc.	NY	36 1/2 - 2
(Temple Industries)		
Tishman Realty	OT	14 3/8 + 3/8
Titan Group Inc.	OT	3 1/4
UGI Corp.	NY	12 1/8 + 3/4
Weil-McLain	NY	6 7/8 - 1 1/8
Westinghouse	NY	12 1/8 - 1 1/8
(Coral Ridge Prop.)		
Weyerhaeuser	NY	34 1/2 - 3
(Weyer. Real Est. Co.)		
Whittaker (Vector Corp.)	NY	2 1



Frederick C. J. Schnabel, General Partner,
Schnabel—Andrichyn
Kulpsville, Pennsylvania

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“We’re installing CORIAN vanity tops and bowls in all the baths,” says Mr. Schnabel. “In addition, our top-line ‘Sequoia’ model has CORIAN as a



Custom shower walls of CORIAN.

standard for kitchen counters, a tub surround in the main bath, and a shower in the master bath.

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“We like CORIAN so much we’ve even worked out a way to use it as trim around the fireplace. It’s a real seller.”



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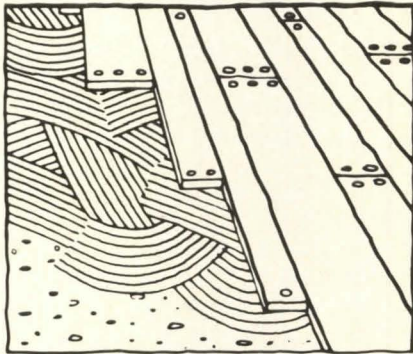
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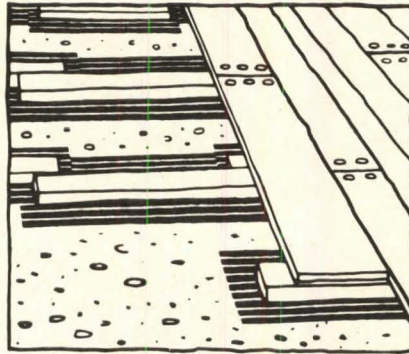


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"The economy needs... 2 million housing units a year. Yet as a direct result of Fed policy, output is being smashed down to recession levels..."

The most serious economic problem facing the American people today is inflation. Yet we have in operation no effective program to solve this problem, and our principal monetary agency has nothing to propose but a replay of the unsuccessful policies of the past.

The Federal Reserve Board has misjudged the true nature of the inflation virus infecting the economy. Because the board has not diagnosed the illness correctly, its attempted monetary cure is proving completely ineffective. Worse still, the tight-money, high-interest medicine that the board is administering has serious side effects, among which are the blocking of the economic body's natural defenses against future attacks of the inflationary disease. The current restrictive monetary policy will prove a failure on two counts: It will not exercise an effective curb on inflation today, and it will build the forces for continued, serious inflation in the future.

In imposing on the American economy a monetary policy so restrictive as to drive interest rates to the highest levels in this century, the Federal Reserve is acting on the assumption that today's inflation is primarily a demand-pull type, arising from a situation in which money-flows are so great as to exceed the productive capacity of the economy as a whole. In such a classic kind of inflation, both the plant and the labor of the economy are fully employed, end-product demand is vigorous, the price influence of agencies outside the national economy is minor and the solution to inflation is therefore clearly to restrict the growth of the money supply until we no longer have the case of "too much money chasing too few goods."

The fact is that today's inflation is not demand-pull at all, but a new kind of cost-push inflation stemming from a world-wide shortage of basic commodities.

The symptoms of the shortage first appeared as a sharp rise in the price of grains and other foods. Then came the huge jump in petroleum prices, followed by dramatic price increases in other raw materials and foods, from bauxite to bananas.

Significantly, this overextension of the basic commodity industries exists side by side with other broad areas of the economy that are nowhere near capacity and in fact are operating at rather depressed levels. This is the distinguishing characteristic of today's inflation—prices are being forced up by rising costs despite a complete absence of vigorous final demand.

Tight money as a cure. The Federal Reserve has decreed that, whatever the nature of the inflation, it intends to fight the evil with tight money and high interest rates, and has let it be known that the squeeze will continue until inflation is broken. What will be the result?

The result will be that the whole economy will be dragged down in a misguided and unsuccessful effort to reduce the prices of raw materials and basic commodities. This is in fact what is happening now. The economy needs, and the construction industry is capable of producing, approximately 2 million housing units a year. Yet as a direct result of Federal Reserve policy, housing output is being smashed down to recession levels and, despite the emergency program designed to offset Federal Reserve policy, output will probably not exceed a 1.4 million annual rate over the rest of the year.

In addition to housing, another vital sector which is beginning to feel the credit squeeze is business expenditures on plant and equipment.

Housing and plant and equipment have a special significance for output and prices. Housing is the principal example of what is sometimes called consumers' capital, and plant and equipment is of course business capital. The loss of 600,000 housing units this year will unquestionably mean that home prices in the years ahead will be higher. And the restriction of business capital expenditures will directly affect our ability to raise productivity and lower the unit cost of goods. *To the extent that tight money is curbing the output of housing and new plant and equipment in 1974 and 1975, it is depriving us of our most effective means of combatting inflation in the future.*

The primary effect of the current high-interest, tight-money policy is thus to reduce output, not prices. Even if tight money is pushed to the point of a severe recession, it will not be successful in curing today's inflation. If it were really true that deliberately provoked recessions are the cure for inflation, how did it happen that, following the 1970 recession, inflation accelerated at so serious a pace that an Administration committed to the free market was forced to accept direct wage and price controls within a few months of the end of the recession? If one thing is clear, it is that we do not need in 1974 a repetition of the wasteful and unsuccessful experiment of 1970.

A workable anti-inflation program. What, then, can be done about inflation? I suggest

these steps as a practical and effective program.

1. *Incentives to capital creation.* We must increase incentives to business capital creation. A more liberal investment-tax credit, depreciation allowances adjusted to take account of inflation, and other similar changes in business taxation are necessary to spur plant and equipment expenditures. The more we are able to step up our creation of real capital, the more will we be successful in accelerating productivity gains and thus holding down unit costs and prices.

2. *A national commodity reservoir.* The U.S. should establish a national commodity reservoir, which would serve many purposes including price stabilization. Stocks of raw materials and basic commodities would be accumulated through government purchase during times when supply was ample and prices weak. Stocks would be released to the market in any year when the price of a particular commodity rose by more than, say, 10%. In addition to stabilizing prices, the reservoir would render the U.S. less dependent on foreign sources of supply and would reduce the ability of foreign countries to exact blackmail prices.

3. *An agricultural production bonus program.* Congress should establish an agricultural production bonus program, designed to lower the price of farm products while at the same time maintaining the prosperity of the farmer. Current price supports would be lowered, and bonuses paid to farmers for increased production above the base period. No greater blow could be struck against inflation than a drop in the price of food.

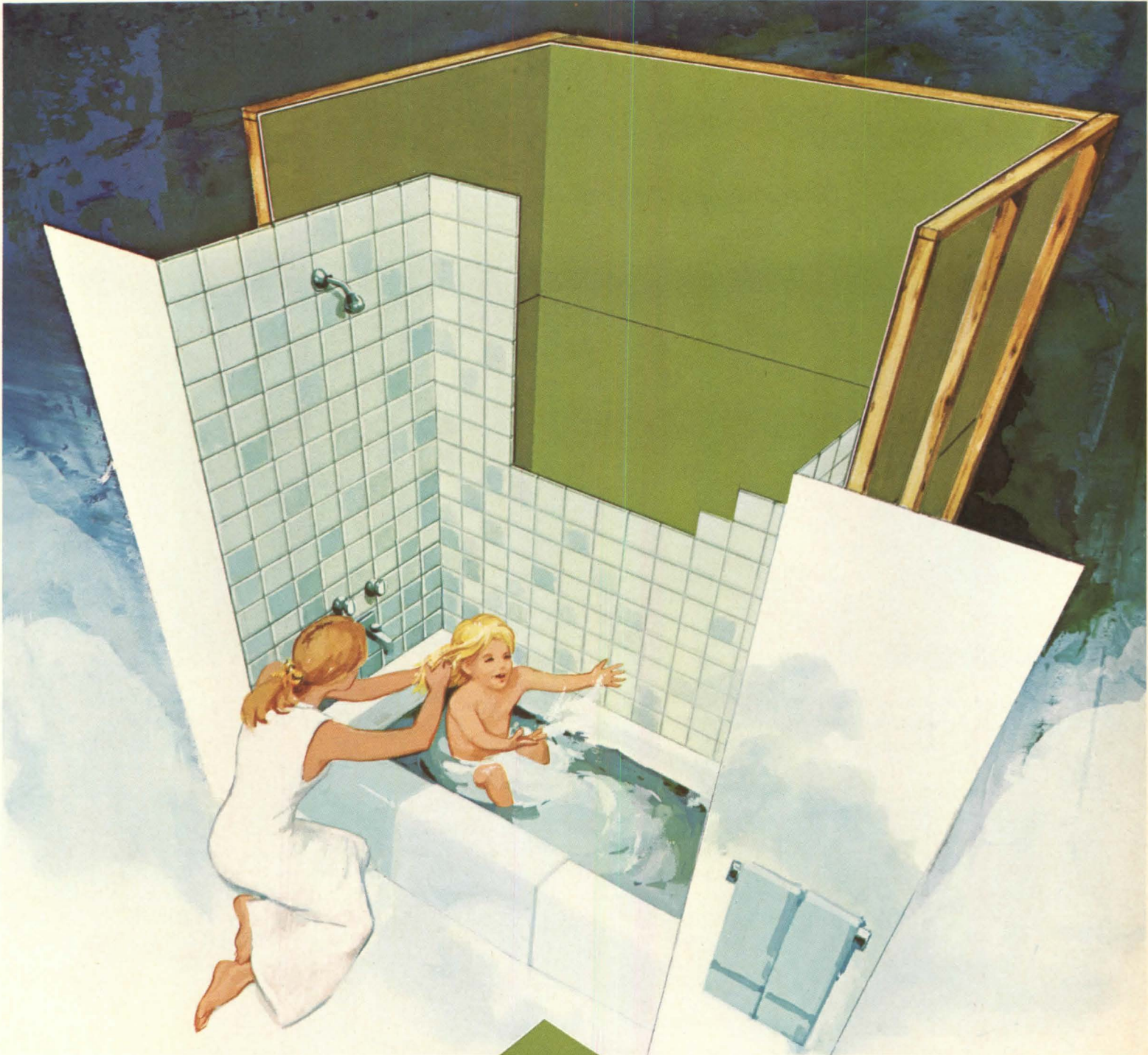
4. *National commission on free market prices.* Congress should establish a commission charged with enumerating the many existing laws and regulations that forbid price competition or encourage conspiracies to raise prices, and recommend to Congress solutions that will permit the repeal of these laws.

5. *Ceiling on federal expenditures.* Congress should impose a three-year ceiling on total federal expenditures.

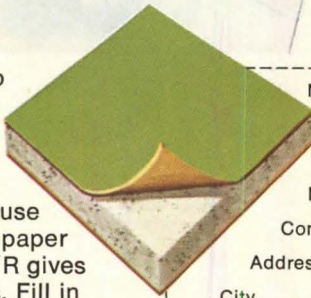
6. *A more expansive monetary policy.* The Federal Reserve should abandon its current high-interest, tight-money policy and move promptly to reasonable rates and a more accommodative credit stance.

If we continue to rely on monetary policy as our principal defense against inflation, the economy will suffer many years of low output, poor productivity, rising unemployment and extremely high inflation.

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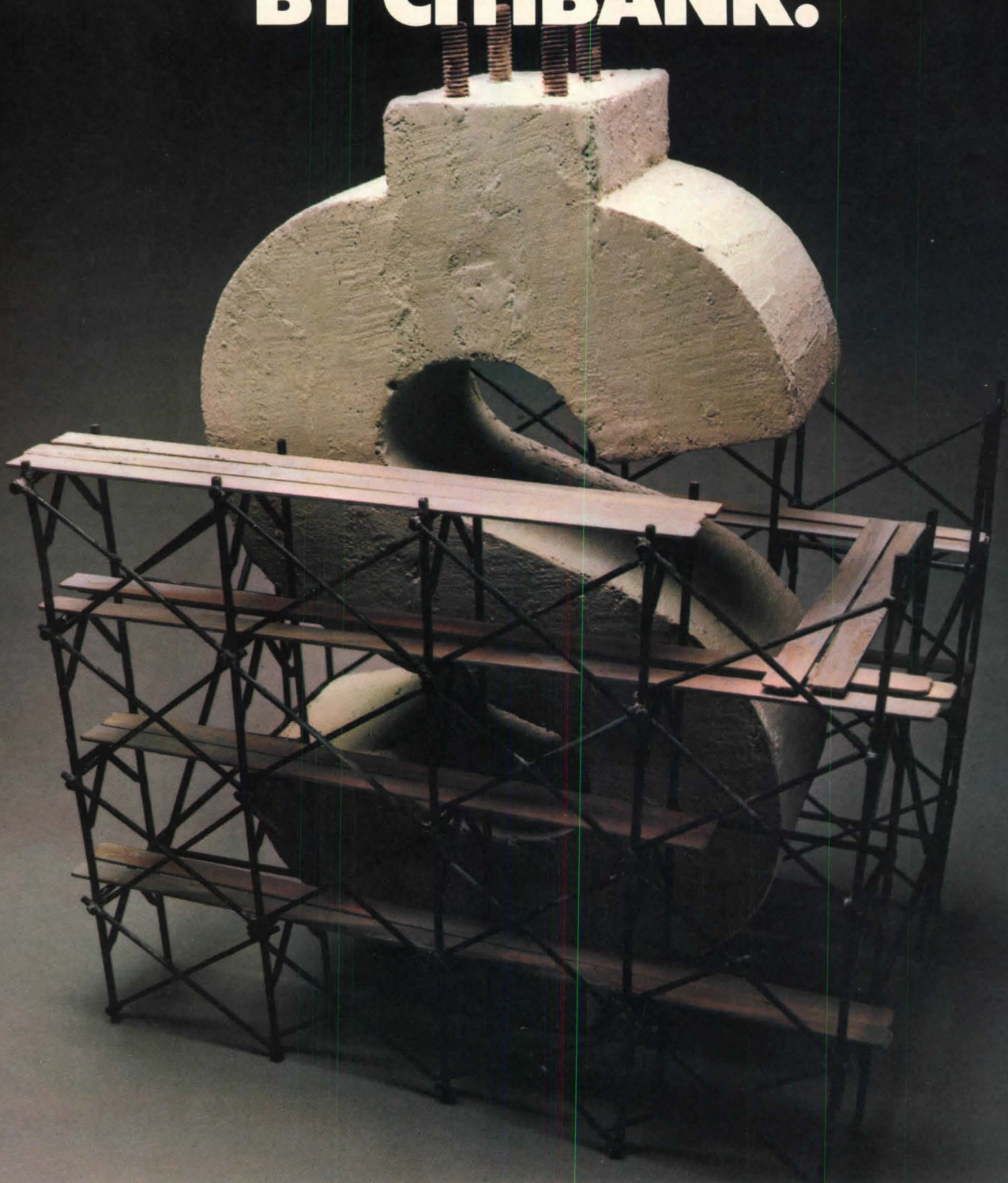
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"You can cash in on the trend towards stay-at-home entertainment if you design your rec center with the same flair as your model homes and apartments"

With the increasing cost of transportation and entertainment keeping more people at home these days, a warm and inviting recreation center can be the pivotal point in swinging the buying/renting decision in your favor. Conversely, a psychologically cold center can be a turnoff that sends prospects running to your competition.

What makes the difference? Generally, it's a matter of design skill.

Whether your center is a simple social room that doubles as a game room, or is an elaborately equipped facility providing a variety of diversions, it should offer more than superficial glitter. It must be a functional, emotionally satisfying amenity that radiates exclusivity and comfort. In other words, it should be packaged and tailored to your prospects' age and interest levels the same way your model homes and apartments are.

One approach is to continue your project's overall theme into the rec center. If you're close to the water, nautical appointments such as wharf wood, captain's chairs, planked flooring, copper or brass lanterns and ships' wheels all should be woven into the design. Additionally, there should be a feeling of spaciousness and freedom.

An example is the main recreation building at Coronado Shores (*top photo*), the Lowes/Snyder Corp. condo project at Coronado, Calif. Here we created a beach club theme to capitalize on a smashing view of the Pacific Ocean. The club invites movement in and out and around the facilities.

Comfort and durability. Designing the interior of a rec center is a trickier assignment than designing model interiors. Although the main purpose of both is to present a livable look that sells, a rec center also must be able to withstand years of rugged use. This has an important bearing on the selection of materials and furnishings.

For example, sofas and chairs must not only be comfortable to promote social interaction, they must be rugged as well. Thus, they should be upholstered in a highly durable commercial fabric.

The tremendous traffic in a rec center calls for long-wearing, heavy-duty carpeting and pure vinyl or high-quality vinyl asbestos flooring. We recommend carpeting for the seating and conversation areas and hard-sur-

face flooring for most entries, corridors, teenage centers and crafts rooms.

What about table tops? You don't want them to be easily scratched so that they'll soon need replacing or resurfacing. So forget about chrome and glass. (There's also a danger of accidents with glass.)

The best bets. Wingback chairs with chess tables are perfect for a rec center. Contemporary, traditional or country French styles are all homey and practical. This kind of setting is ideal for checkers, gin rummy or backgammon.

Clusters of circular or square wooden game tables should be spotted around a main lounge area. They promote informal gatherings—a particularly important factor in a singles- or adult-oriented project where meeting people is a prime goal of many residents.

You might also consider an upright piano for your lounge. It can trigger a singalong and a good, neighborly feeling. A full-size pool or billiard table won't stand idle for long either.

Colors? They should be on the bright and cheery side. Two schemes I recommend—schemes that appeal to almost everyone—are yellow and brown and beiges and rusts.

Auxiliary areas. The design of secondary rec rooms is as important as in the main area. If you're building a project for empty nesters or mature singles, consider a crafts room for residents who are into ceramics, photography, macramé and painting. Bright, decorative colors, plastic counter tops and built-in display areas are musts for such a room.

You might give a multi-purpose room (for lectures, meetings, films) an old-Hollywood look by using blowup scenes from unforgettable movies as wall covering. You can enhance this theme with canvas director's chairs, which are surprisingly sturdy as well as inexpensive.

Depending on your market, you'll want to consider a teenage center. An always popular motif is the turn-of-the-century ice cream parlor theme with Gay 90s wallpaper, ice cream chairs and tables, a jukebox, plus a soda bar or vending machine. And don't forget to leave some space for dancing.

In a family-oriented project, it's important to have an area set aside for children. One interesting approach can be found at Northbrooke, in Stoughton, Mass., where Kaufman & Broad renovated a two-story farmhouse and turned it into a recreation center.

Judith Wilson, general manager of our commercial division (which specializes in recreation centers) felt that all upstairs bedrooms in the farmhouse should be exclusively for children. So with help from a child psychologist, the rooms were converted into a series of mini-centers. They include a learning center for pre-schoolers (*bottom photo*), a craft center for five to ten year olds, a card and game room, a study center and a ping pong room that can be converted for dancing.

A final word on the marketing value of a well designed rec center: While many families can't afford membership in a private club or country club, they're eager for some kind of group recreational facility. It follows, then, that the time and effort you spend on designing a top-notch center will pay off in sales and/or rentals.

WAGGAMAN/WARD, PHOTOGRAPHERS



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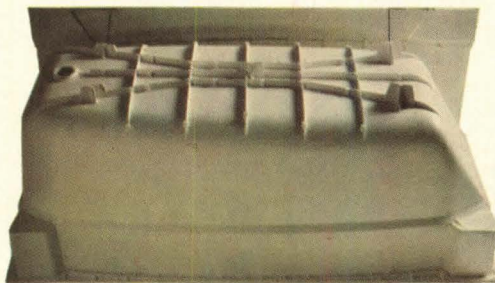
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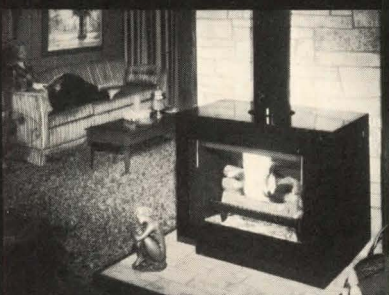
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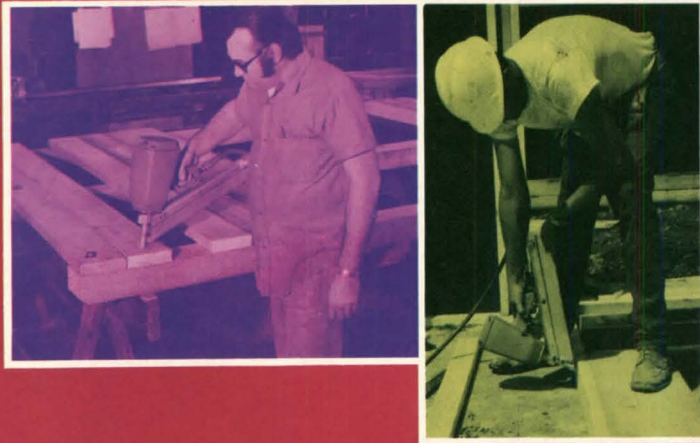


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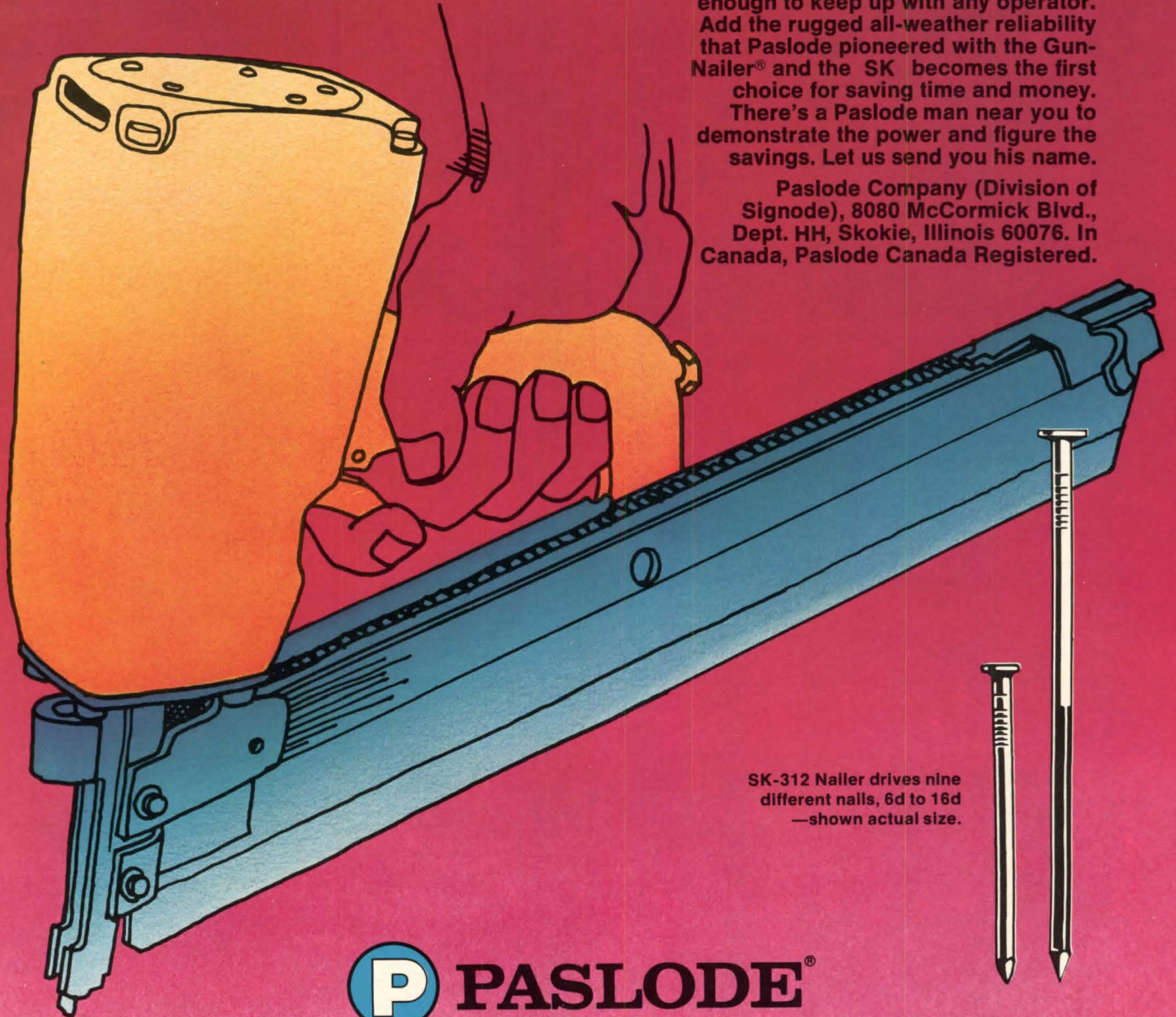


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SK-312 Nailer drives nine different nails, 6d to 16d—shown actual size.

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"Some tough, new housing legislation is pending at federal and state levels ... It could increase your costs and delay your project"

In mid-June Senator Joseph R. Biden Jr. (D., Del.) introduced a bill into the U.S. Senate that ostensibly is designed to federally regulate condominium sales.

But the way the term condominium is used, the bill actually would affect any housing (built for sale or long-term lease) where there is common open space or a common facility of virtually any type. Only projects of 19 or fewer units are exempted.

Comparable legislation also has been dropped into the hoppers of some state legislatures: for example, New Jersey's Senate Bill No. 909.

Should these bills be enacted into law, they would pose some complex and difficult requirements for builders and land developers. So anyone contemplating a job that's in the land acquisition stage, should prepare for some kind of restrictive legislation.

The basic thrust of all the new legislation is to require a builder-developer to file a "statement of record" with HUD in Washington. The statement of record is a voluminous, detailed official document that would contain a complete disclosure of all the terms and provisions of the operation of a proposed development and a copy of all the forms that would be used. Where the job is a conversion, the developer would be required to give existing tenants 90 days notice of intention to convert and a 60-day exclusive option to buy.

The Biden Bill. This proposal takes a lot of its inspiration from the Interstate Land Sales Act passed some years ago, and recently reinforced and made more stringent. The Office of Interstate Land Sales, known in the trade with less than affection as OILSR, has all but closed up the small land sales operations and killed off a number of major land sales developments.

The Biden Bill is so sweeping in its application that it would seem to affect even cemetery lot sales! In addition to the statement of record, the bill also calls for an "offering statement," which is a full-disclosure document that must go to potential purchasers at least 48 hours before an Agreement of Sale is signed.

If the offering statement is given at the same time the agreement of sale is signed, prospective purchasers have the right to cancel their contracts within 48 hours; all they need do is notify the seller, and they get their money back. If they're not given an offering statement at all, or if they receive it after the signing, they can walk away from the deal at any time. (The New Jersey bill would give prospective purchasers 14 days

to cancel their agreements.)

Time-consuming and costly. Using the OILSR situation as a guide, it is estimated that material required for the statement of record will run between 30 and 50 closely typewritten pages—and this is without the documentary material used to support the statement itself. The offering statement probably will run somewhere between 35 and 50 printed pages of disclosures, disclaimers, covenants and other material. The printing bill for this will be staggering. And if a change occurs in a job that's under way, an amended statement will have to be filed to update both statements.

It appears, from a check of knowledgeable lawyers in the trade, that the total cost of all of this for printing and legal fees will range from \$25,000 to \$60,000. Apparently, no one ever told the various legislators that this would add substantially to the cost of every unit.

If one assumes an additional cost of only \$500 for a unit bearing a 20-year, 9% mortgage, it would cost each buyer \$4.50 per month for 20 years, or a total of \$1,000.

This, coupled with the new IRS ruling with respect to the taxability of homeowners and condominium associations for dues they collect for common maintenance, poses a real threat to the economic viability of open-space communities.

A time to be on the qui vive. According to the present version, the Biden Bill would become effective 270 days after enactment; the New Jersey bill would take effect after 180 days. So a builder/developer would be wise to keep a shade on the conservative side on the chance this legislation will be passed while his job is in mid-stream.

Sales could be halted while compliance is achieved or the necessary tinkering is done with the statements. And the mere filing of a statement does not assure that it will be approved; there are substantial risks for "material misrepresentations" in almost all of the proposed legislation.

Some builders have commented, upon hearing the news about these bills, that they are going to look around for a lawyer-partner. Taken in toto, it would seem that the various bills are examples of over-response to simple situations.

* * *

The author gives special thanks for assistance in preparing this article to Marc D. Brookman Esq., Stanley A. Uhr Esq. and Douglas G. Linn, a senior law student from the University of Tulsa Law School.

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Condominium's very special problems:

How to spot them, how to solve them... and how to avoid them in the first place

Suddenly, what was touted as housing's most promising new idea has turned into one of its biggest headaches.

Two years ago condominium looked like a surefire winner. It offered for-sale housing at lower prices than comparable single-family units. It promised a carefree life in which the buyer would shuck off most home-maintenance chores simply by paying a modest monthly fee. And it provided a shot in the arm for second-home sales because buyers could so easily defray part of the ownership costs by renting out their units when they weren't using them.

But today, condominium is besieged from all sides.

Item: Buyers are hauling developers into court, charging them with misrepresentation, profit gouging and over-control of owners' associations.

Item: Legislators are drafting regulations—many of them ill-conceived—in such profusion that if all became law, future condominium construction would be impossible. (See page 65.)

Item: Newspaper and television exposés arouse the public with tales of developer greed and inefficiency and sad stories of how the old and the poor suffer when they are displaced by condominium conversion.

In fact, condominium has been receiving so much bad publicity that there is a tendency to blame it for all consumer gripes: shoddy construction, late delivery, poor service on callbacks—you name it.

Why the sudden fall from grace? There are four basic reasons:

Unrealistic expectations. Everyone expected too much from condominium. Developers saw it as a way to combine for-sale housing with high densities. The public saw it as a way to combine "carefree" apartment-style living with the tax benefits of home ownership. And neither developers nor the public gave enough thought to the complexities and responsibilities of setting up and running an owners' association.

Overbuilding. Optimism led to a glut in many markets. And some developers with scores of unsold units on their hands were hard-put to deliver the amenities they had promised.

Bad condominium laws. In most states, condo laws are simply inadequate. And because condominiums weren't built in any number until around 1970, the inadequacies are just now becoming apparent. Florida, Maryland and Virginia have already overhauled their condominium laws; other states must now follow suit.

And, of course, inflation, which makes everything worse. It pushes the price of single-family homes beyond the reach of most moderate-income families and forces them to buy a condo unit they don't really want. And it pushes up maintenance costs. An association budget that may have been realistic when drafted is far too low a year or two later, making the developer look as if he were low-balling.

What's at the root of all the trouble? And what can you do about it?

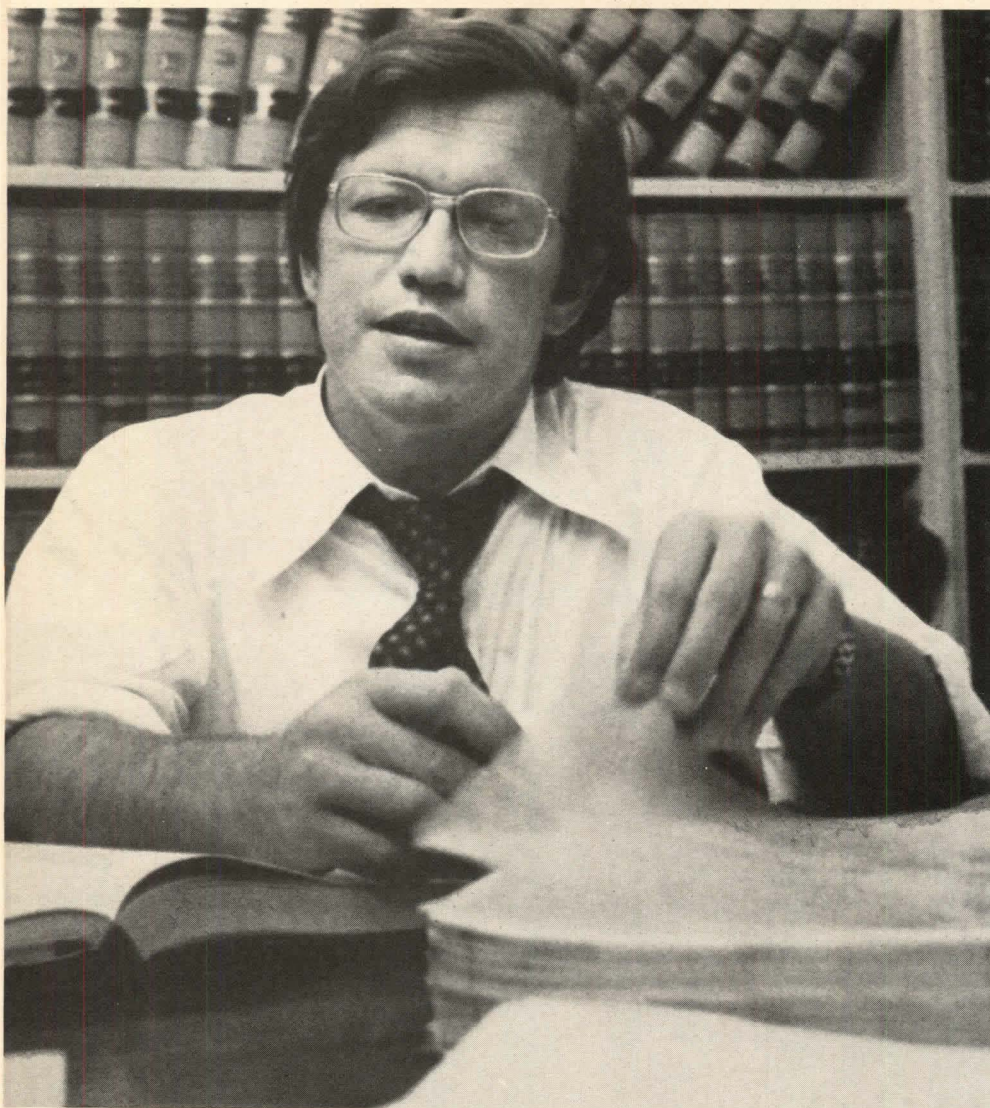
Most of the trouble traces back to the setting up of a condominium regime and to the friction that's bound to crop up in those mini-governments called owners' associations. And this is what you'll read about on the following pages. Specifically:

An attorney who specializes in condominiums tells you how to build and sell them without risking a trip to court.

A Realtor who helped draft Virginia's new condominium act tells you how that law can steer you away from trouble—even if you're not building in Virginia.

A consultant who has set up and managed hundreds of owners' associations tells you how to make an association work for, not against, you.

And finally, the ultimate experts—owners who have had a taste of running an owners' association—tell you how they fared and how the developer could have made their job easier.



MAGGIE CASTELLOE

Attorney Patrick C. McKeever tells you

How to build and sell condominiums without risking a trip to court

McKeever is a partner in the law firm of Shaffer, McKeever & Fitzpatrick located in the Washington D.C. suburb of Rockville, Md. The firm's practice is concentrated mainly in the field of real estate, particularly condominium development and condominium conversions.

And court is where more and more condominium buyers are taking their grievances these days.

Some suits seek redress when a developer has been patently dishonest: He may have enticed buyers with unrealistically low condominium fees or marketed a conversion without disclosing that it was in imminent need of such major items as a new roof or boiler. Other suits seek to make life difficult for a developer who has been careless about callbacks or other complaints. One developer, for example, was forced to relocate his sales office and models when the owners sued to make him abide by the letter of the association bylaws—which stated that units could be used for residential purposes only.

Condominiums have received much bad press lately, mainly because the public does not distinguish between problems that are unique to the condominium form of ownership—for example, when developers retain ownership of recreational facilities and then lease them to the owners association for exorbitant sums—and problems that are common to the industry as a whole—poor handling of callbacks, late completion of units, inadequate parking facilities, etc. As a result, legislators from the federal to the local level are drafting new laws to regulate condominiums.

Some of this legislation—the so-called second-generation horizontal property acts of Virginia, Maryland and Florida, for example—remedies the errors and omissions of the first-generation acts and offers protection and flexibility for buyer and developer alike. But much pending legislation is potentially harmful to the industry, either because it caters to the demands of special interest groups or because it could result in different regulations from county to county. The main value of much of this proposed legislation is that it shows what the public expects from condominiums and where some of the problem areas are.

"In this climate you can only avoid headaches if you have a full understanding of the creature you are trying to create," says attorney Patrick McKeever of Shaffer, McKeever & Fitzpatrick. McKeever points out that developers often go the condominium route out of ignorance. Many do not realize, for example, that they can achieve common ownership of recreational facilities with the far less onerous homes-association form of development. So the first step in developing a condominium is to be sure you have a valid reason for doing so.

If you have considered the alternatives and found that condominium development is best for your project, here, according to McKeever, are some of the things you should keep in mind to avoid the major pitfalls.

The documents—take care you don't create a monster

Condominium documents generally consist of 1) a master deed or declaration, which is the means by which the owner subdivides the property and imposes on it the regime of covenants and restrictions prescribed by his state's horizontal property act; 2) a code of regulations or bylaws, which sets forth the rules that will govern the council of co-owners or condominium association; and 3) a plat and/or plan of condominium, which is the graphic depiction of the units and common elements and the land on which they rest.

The statutory requirements for creating a valid condominium regime vary from state to state, but you must comply with them precisely or your units will not have clear title. The financing of the project—both construction and permanent—also has a bearing on how you draw up your documents. But these parameters still leave you plenty of flexibility, so you must know exactly what you are trying to accomplish.

Don't try to adapt somebody else's documents to your project. The other developer may not have set out to accomplish the same thing you want to do, and there is always the risk of inheriting somebody else's mistakes.

The master deed—where it all begins and ends

Your plat or plans may say that unit A is X ft. long, but it's up to the master deed to say where that measurement begins and ends. Is the drywall part of the unit? Half the studs? The parquet or carpet? The subfloor?

The new Virginia condominium code (*see page 72*) contains one practical answer to these questions. Unless the documents say otherwise, a unit is defined as follows:

To the extent that walls, floors and/or ceilings are designated as the boundaries of the units or of any specified units, all doors and windows therein, and all lath, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the finished surfaces thereof, shall be deemed a part of such units, while all other portions of such walls, floors, and/or ceilings shall be deemed a part of the common elements.

If any chutes, flues, ducts, conduits, wires, bearing walls, bearing columns or any other apparatus lies partially within and partially outside of the designated boundaries of a unit, any portions thereof serving only that unit shall be deemed a part of that unit, while any portions thereof serving more than one unit or any portion of the common elements shall be deemed a part of the common elements. . . .

Any shutters, awnings, window boxes, doorsteps, porches, balconies, patios and any other apparatus designed to serve a single unit, but located outside the boundaries thereof, shall be deemed a limited common element appertaining to that unit exclusively.

This definition is not necessarily the best for all developments. For example, if your

market consists of people who have always lived in luxury apartments and are accustomed to having management handle maintenance, you may wish to include even the paint on the walls in the common elements.

On the other hand, to keep condominium fees low, a lateral townhouse job could be set up with the lines of ownership carried right through the exterior facade and up to the roof. Thus, the unit owner would be responsible for roof repair, trim painting, etc.

The main thing is that you consider all eventualities when you establish the parameters of a unit. For example, think about the consequences of Mr. Smith owning the last 8 ft. of the sewer line that serves 60 units.

The master deed, or an exhibit thereto, also establishes percentages of ownership of common elements. Depending on statutory requirements, ownership percentages may be determined by 1) the ratio between the value of each unit and the value of all units or 2) the ratio between the square footage of each unit and the square footage of all units. Once established in the master deed, these percentages can only be changed by unanimous consent of the unit owners.

Generally, the ownership percentage fixes both the share of common expense to be borne by each unit and the weight of the vote cast by each unit owner. Under the second-generation horizontal property acts, the share of common expense and the percentage of ownership may be calculated separately. This is particularly relevant in a highrise, where the upper apartments will always have greater value than the lower ones, but where the owner of such a unit does not use more of the common facilities and thus should not be required to pay a larger share of the common expense merely because his unit is worth more.

The master deed should also set forth the lien securing condominium fees, which must, of course, be declared subordinate to the liens of bona fide mortgages. As many horizontal property acts do not make provision for enforcing this lien, this too should be covered in the master deed.

In addition, the master deed should specify easements for support, minor encroachments and access for repairs.

The plat or plan—a way of depicting cubes of title

If you keep in mind that the plat and/or plan is a picture of how you are subdividing property into "cubes of title," the language of your state's horizontal property act on this subject will begin to make sense. For although these laws vary from state to state, each is basically a *title* statute, and each requires an accurate "picture" of the unit and common elements to be recorded. "Picture" in this instance does not generally mean an architectural drawing. Rather, it is an attempt to locate with some precision the various condominium units in the horizontal property regime.

The plats and plans should include:

1. An "as-built" building location survey to the usual American Land Title Assn. standards showing the boundary of the parcel on which the project is located, elevation above sea level, the location of each of the buildings in relation to that boundary, all recorded easements, rights-of-way and the like, applicable setback or building restriction lines.

2. A floor-by-floor plan of each building in the condominium showing the dimensions, area and relative location of each unit in each building and assigning each unit a permanent identifying number just as a fee-simple project would be assigned a lot number.

3. Some sort of datum plane for vertical location reference to floor and ceiling elevations of each unit. The purpose, in McKeever's opinion, should be merely to locate the "air lots" in three dimensions and not to provide design detail for reconstructing the building if it should be destroyed.

In addition, all necessary parties must join in the dedication on the condominium plat—for example, the property owner, mortgagees, trustees on any deeds of trust secured on the property, etc.

Under most acts, an architect, surveyor or engineer must certify the plat or plan. And as with the master deed, it is important to be precise in complying with the statutory requirements to avoid title problems.

The bylaws—when the developer becomes a founding father

"You are really creating the constitution for a sort of mini-democracy," says McKeever. "So try to envision people living according to these bylaws."

The bylaws should set forth the mechanics for running the council of co-owners or the condominium association and provide for architectural review, control and enforcement, management, condominium fees and insurance. You can relegate the housekeeping details to less formal rules and regulations.

Most horizontal property acts set forth minimum bylaw requirements. But it's up to you to determine how to make 100 or 1,000 families who have never lived in close proximity before—or who have never known their neighbors—happy or unhappy, fighting or friendly. This subject is discussed in detail beginning on page 74. But meanwhile, here's what you should watch out for as you draw up your bylaws.

Management is the key to the long-term value of your project, and the lenders know it. Many institutional lenders, and most of the secondary mortgage market, will hunt through your bylaws for a mandate for professional management.

Condominium fees, a perennial trouble spot, are becoming twice as troublesome as inflation makes even the most careful budget estimates turn out to be too low. So be realistic and don't give in to the temptation to

low-ball. You could be liable for the difference between the "experienced" cost and the low-balled estimate, for the courts have held that the developer is in the position of a fiduciary—in other words, that he has a special responsibility—to the unit owners.

If you are hiring a professional manager, get his advice in preparing the budget. If not, base your figures on estimates from reliable sources and keep a file to show that you did your best to get realistic figures.

Collection of condominium fees, although treated in the master deed, is amplified in the bylaws. Give the board some clout in collecting these fees by declaring that upon one month's default the entire annual assessment becomes due. This will make the default large enough so that the association can begin legal action. You should also require that the unit owners' mortgages allow condominium fee defaults to be regarded as mortgage defaults.

Reserves for the replacement of certain common elements—such as swimming pools, heating systems, parking lots, roofs, etc.—should be made mandatory and the mandate set forth in the bylaws.

Don't be panicked by the Internal Revenue Service ruling that unexpended reserves are taxable income to an incorporated council of co-owners or a condominium association. First of all, your accountant can probably show you that most of the tax dollars can be recaptured through carryback losses when the reserves are spent. Second, it's likely that there will soon be a legislative solution to this problem as there are already several such bills pending before congress.

At any rate, such reserves are so important to the future value of your project that they are required by many lenders. Even after the IRS ruling, for example, Freddie Mac listed reserves among the requirements in its new sellers guide.

Insurance is another of those hazy areas where a developer can get into trouble if he does not remember his fiduciary responsibility to unit owners. Even in the unlikely instance that the mortgagees do not demand insurance coverage, the developer should make sure that the project is insured for 100% replacement costs. He should also obtain liability insurance on the common elements. In addition, he should have the condominium documents provide for annual review of the insurance contracts so that owners can weigh the effect of inflation.

Here are some points to take into account when arranging for insurance:

1. Casualty insurance should equal the full (100%) replacement value, exclusive of land, foundation and excavation (which assumedly cannot be destroyed by casualty). It should include all building service equipment. And it should contain an "agreed amount" endorsement and a "condominium replacement cost endorsement".

2. The master casualty-insurance policy should cover loss or damage by fire and other hazards included in standard extended-cov-

erage endorsements. It should also cover such other risks as cost of demolition, vandalism, malicious mischief, wind-storm, water damage, boiler explosion, etc.

3. The policy should not provide for any deduction or allowance for depreciation.

4. Explore the possible purchase of insurance that protects you against increased reconstruction costs resulting from building-code changes.

5. Public liability insurance should have a "severability of interest endorsement."

6. Consider getting a "legal expense indemnity endorsement". This will protect the officers and directors of the association from expenses incurred by suits or claims arising from their association activities. Here you should keep in mind that your employees are often officers and directors of the association when it is first organized.

7. Exclusive authority to negotiate losses under the insurance policies should be vested in the board of directors as a trustee for the unit owners and their mortgagees.

8. Insurance coverage maintained by the association should specifically provide that it cannot be brought into contribution with any insurance purchased by any individual unit owner. And the "no other insurance" clause ordinarily contained in multi-peril policies should be deleted by endorsement.

9. Pay attention to the "increased hazards" provisions of the typical multi-peril policy. They relieve the insurer from liability stemming from a breach of warranty or condition caused by the association or by any individual unit owner. The association cannot police the activities of individual owners—and an owner may do something in his unit that represents an "increased hazard"—so the association could be highly vulnerable here.

10. Policies should provide that they may not be canceled or substantially modified without prior written notice to all insureds, including all unit mortgagees.

Developer control—too much or too little equals trouble

Too much control is one of the things that has given condominiums a black eye. This happens when a developer saddles the owners association with a long-term contract to hire his company, or a person or company associated with him, to manage the project, often for an exorbitant fee. Even a developer who truly has the inhouse capability to manage should think twice about managing his own project.

It's equally bad to relinquish control too soon. This can happen inadvertently if you write into the documents a specific date for relinquishing control. You may expect to have sold out the property by that date, but tight money or other unforeseen circumstances could throw off your schedule. Thus you could be left with too few units to control the board but too many to risk having anyone else handle the maintenance of the project during your sales effort.

A good solution is to key the relinquishment of control to a percentage of units sold—say, 120 days after 90% of the units have been sold.

While the developer still controls the association, there's also the problem of assessments on unsold units. Most horizontal property acts provide that the common expenses of the condominium be shared in accordance with the percentage of ownership elements attributable to each unit. Generally, they also provide that a unit owner cannot escape liability for his pro rata share by waiving his right to use any common element.

"Especially in a market like today's, I think there are many developers throughout the country who are blissfully ignorant of their potential exposure—their liability to their own association," says McKeever. "Unless they have written something else into their documents, the rule of thumb should be: If one pays, all pay."

This means that if you have a regime of 100 units and you sell one and begin collecting condominium fees from that one owner, you owe the fees for the other 99—even if they're not yet built.

McKeever sees two ways around this problem although he warns that neither has been tested in court.

1. The contract can provide that there be no condominium fees for a certain period during which the developer agrees that he will pay for any obligations incurred by the association. In return, the unit purchaser promises to pay a certain sum to the developer.

2. The developer can estimate the sellout rate and build his exposure on unsold unit assessments into the price of the unit. Thus if sellout goes faster than estimated he will have higher profits per unit; if it goes slower, his profits will be lower.

Some developers try to devise a special definition of "condominium unit" for assessment purposes. Thus a unit may not be a unit for assessment purposes until "substantial completion" or until "the granting of a certificate of occupancy," etc. McKeever does not favor this approach because the developer has so much control over the timing of these things that the agreement may not stand a court test.

Marketing—a sensitive area where much can go wrong

Some of your project's best selling points—its proposed amenities, its tax benefits, and its investment potential—can land you in trouble if you're not careful.

Take amenities, for example. You're planning an 800-unit project with a recreation package that must serve at least 650 families to be economical. Your sales program stresses this future recreation package. A few hundred families buy, move in and perhaps even start paying condominium fees that reflect the yet-to-be built amenities. Then

along comes a recession, and sales slow to a trickle. Or you are hit with a sewer moratorium and can't get any more permits. What you promised your buyers in all good faith may not be built for several years—or ever. You could be accused of misrepresentation.

If you're planning such a project, be sure your sales contract warns buyers that there will be a direct relationship between the extent to which the project is completed and the amenities to be developed or the level of services to be provided. Don't rely on your salesmen to tell prospects this; put it in writing. You could lose a few sales, but that's better than suddenly informing people that the very thing that induced them to buy may never be built.

Even when you have put the amenities up front, as is required to qualify for Fannie Mae or Freddie Mac mortgages, you might have to reduce services if something unforeseen happens and sales slow down or end. Again, such a paragraph could defuse potential problems.

"It's not a totally satisfactory answer," says McKeever. "But it's an ounce of prevention, especially when your sales program has stressed the marvelous recreation facilities that are going to be available."

You also run the risk of misrepresentation when you try to tell a prospect that deductions for real estate taxes and mortgage interest will put a certain number of dollars back in his pocket.

"We counsel our clients to leave the tax angle alone," says McKeever. "This game of trying to sell the deductibility harder than you sell the property is dangerous—especially if the deductibility argument is then expanded to the point of depreciability, for then you run the risk of SEC involvement."

As a sales tool, one developer made an elaborate study to show how residential real estate values had appreciated in the county

where he was building. He had to throw it away, for it would have enabled the SEC to claim that he was selling an investment contract and thus would have to register.

Such a risk is quite common in resort areas, where developers must take care that their sales people do not try to sell a unit by emphasizing the rental income it can generate.

Actually, the SEC has not promulgated any firm regulations regarding condominium development. The only guidelines are recommendations set forth in a report of the Real Estate Advisory Committee dated October 12, 1972, and an SEC release dated January 4, 1973. These include:

1. If a rental pool is offered with a purchase of a condominium unit, registration should be required whether the rental pool is mandatory or voluntary.

2. Whether or not there is a pooling of income, registration should be required if the purchaser is *required* to hold his unit available for rental for any portion of the year, or to use the developer or an entity controlled by the developer as the exclusive sales or rental agent.

3. A "sweetheart" management contract, whereby the developer locks up management of the project on an unreasonable basis for an unreasonable period, may result in a requirement for registration.

4. Where commercial facilities are part of a project's common elements, registration will not be required if income from such facilities is used to offset common expenses and the operation of such facilities is incidental to the project as a whole.

5. If any form of merchandising stresses the economic benefits to the buyer, such as rental income or tax shelter, to be derived from the efforts by the developer, the condominium offering may be considered an investment contract and thus require SEC registration.

Disclosure—it won't cure all, but it can help

Horizontal property acts in more and more states are requiring disclosure—either through registration or a prospectus, as in New York and Virginia, or by requiring the delivery of certain documents to a purchaser, as in Florida and Maryland.

Even where the law does not require disclosure, it is wise for a developer to give his prospects an opportunity to review the document package and the pro forma budget of common expenses. It is more difficult for a purchaser to complain about the terms of the documents when he acknowledged receipt and approval of them before his contract became binding.

But disclosure doesn't make such complaints impossible, so don't count on it to absolve you if you have done something wrong. If a consumer has suffered, the courts are likely to side with him even if he should have had the sense to stay away from the problem in the first place.

Conversion—the first thing you need is diplomacy

Always keep in mind that the tenants in a converting project are a valuable asset. The rent roll during the sellout period goes a long way towards carrying the job. If you're lucky, many tenants will buy their units. But they will neither buy nor stay on the rent roll unless you handle them carefully.

When a tenant does elect to convert, be sure that his purchase contract includes rescission of his apartment lease. Otherwise he may hold up your cash flow by delaying closing until the lease runs out.

It's also a good idea to make the engineer's report available to your prospects. Conversion of many tired, milked-out projects has had much to do with giving condominium a bad name.

In fact the whole area of conversions is probably responsible for much of the pending legislation to regulate condominiums. The problem of displacing tenants in particular is highly visible and creates great animosity. In the Washington, D.C. area, for example, some developers are voluntarily paying \$300 or \$400 to help tenants relocate. But for every developer who does this, three or four others call the marshall to put the tenants out on the street. And the public does not blame the problem on the scarcity of apartments, but rather on condominium conversion.

McKeever sees a way to use conversion as a vehicle to help solve the rental problem. He has suggested to the District of Columbia planning commission that increased tax revenue, which results when a building is converted and assessed on a per-unit basis rather than as an entity, be used to subsidize rental construction. The planning commission has not yet acted, but the proposal might well be discussed in other areas with similar problems.

—NATALIE GERARDI

Lenders—you need their cooperation as well as their money

A few clauses in the mortgage agreements can make life a lot easier for you.

From your construction lender you will need 1) an agreement to subordinate his lien to your condominium regime and 2) an agreement to release the lien on a per-unit basis in exchange for some readily ascertainable dollar amount.

With respect to permanent commitments, request . . .

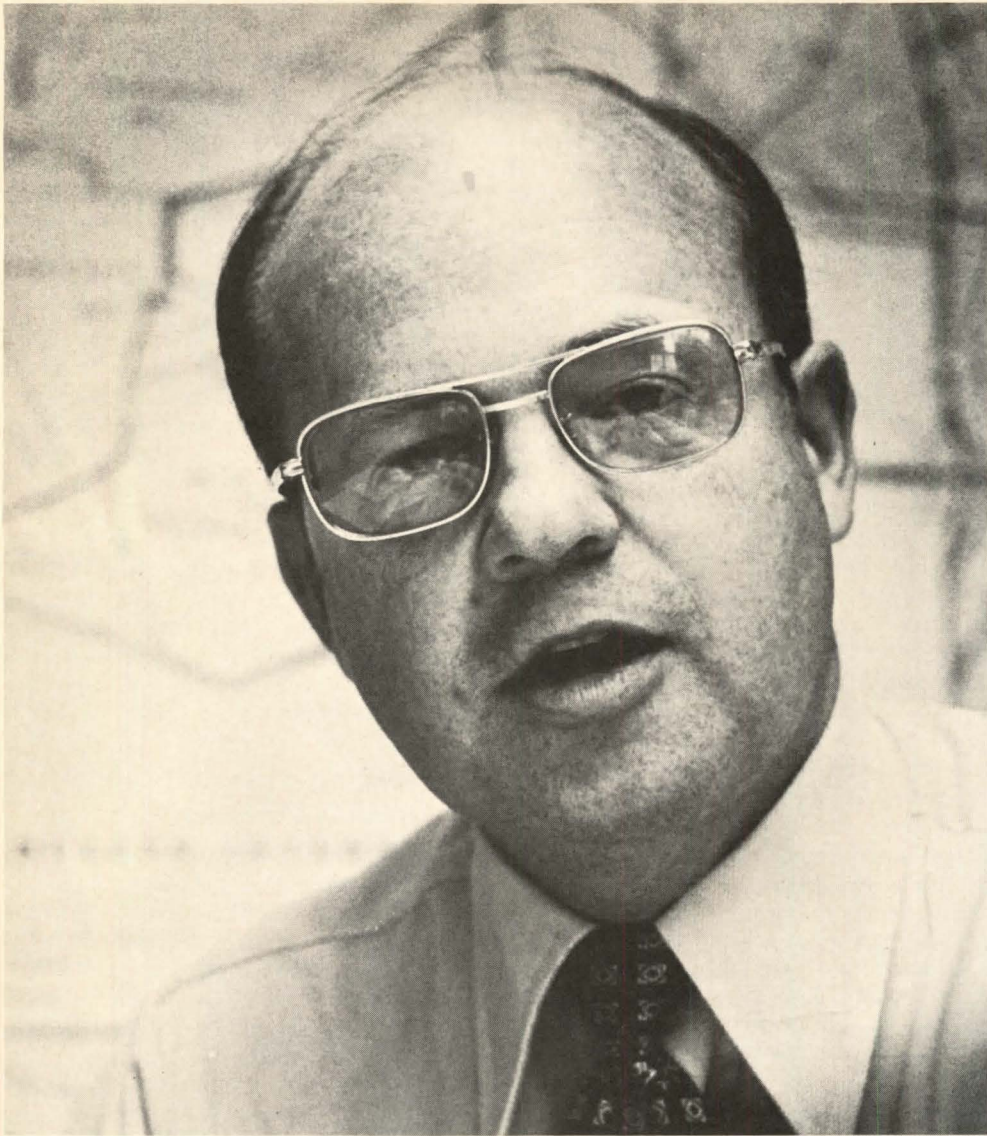
. . . that the lender require a covenant in his mortgage that the borrower's failure to pay condominium fees can, at the mortgagee's option, be considered a default under the mortgage.

. . . that the lender require a covenant requiring the mortgagee's consent to any change in management, bylaws or percentages of interest in common elements.

Condominium resale problems are be-

ginning to crop up, and they could inhibit the market in the future. All those documents that you have prepared so carefully will have to be reviewed thoroughly each time a condominium changes hands—and that will be costly. Moreover, if condominiums get the reputation of being hard to finance and sell, people are not going to buy them.

McKeever has one suggestion that you might want to discuss with your lenders. Lenders in an area should form a sort of consortium and approve a specimen set of documents—not necessarily the exact wording, but the content—and documents should have this approval noted on them. That way, as the documents move from lender to lender during resales, the consortium members will know that they don't need to review them again.



MAGGIE CASTELLO

Realtor Albert W. Highsmith tells you

How Virginia's new condominium act can steer you away from trouble

Highsmith, who is the current chairman of the Virginia Real Estate Commission, is a Realtor associated with Real Title Co. of Arlington, Va. He served as chairman of the special Condominium Study Committee that rewrote Virginia's condominium law, a task that took him into most of the country's major housing markets to talk to condominium owners, developers, and state officials.

You can use the new Virginia law* as a checklist in drawing up your documents, and you can even adapt much of its language to your particular circumstances.

It's a useful model, for it was drawn up by a group of real-estate experts who held extensive public hearings to get the consumer's point of view. It attempts to solve the problems of both sides, giving the developer the tools he needs while at the same time protecting the buyer against serious abuses.

"We tried to simplify the condominium law, make it more flexible, and add some protection for the consumer," says Realtor Albert W. Highsmith, chairman of the Virginia Real Estate Commission and also chairman of the committee that drafted the new law.

The Virginia law went into effect July 1, 1974, and Highsmith admits that he has already found some areas that need amendment. Nevertheless, he feels that the new law is one of the most advanced condominium acts in the nation, and that it can provide a good guide for developers everywhere. Here are some of its features.

Shorter documents—a plus for buyers and lenders alike

"We took a typical governmental approach toward simplification," says Highsmith with a smile. "A bill that had 54 sections and was 54 pages long was substituted for one that had 38 sections and ran about nine pages."

The new bill is so much longer because it spells out things that hadn't been spelled out before. Subjects that had to be covered in each regime's documents are now covered in the bill; the documents can incorporate them merely by reference to the law.

Thus in Virginia, at least, the documents can be short enough so that a layman will be likely to read them—an important consideration as many people unfortunately do not retain lawyers when they buy condominiums. The shorter documents should also facilitate resale (see page 71).

These shorter documents may not be within everyone's grasp until other states revise their condominium statutes, but the language on such subjects as association by-laws, unit boundaries, eminent domain, and also the consumer protection features, can be adapted to each state's requirements.

Also worth borrowing are the easements suggested in the Virginia law, as they cover items that are easily overlooked, such as:

1. An easement to protect unit owners' titles if the building should shift or settle and boundaries change from those recorded in the master deed.

2. An easement to protect the developer if he should need to cross the land that has been turned over to the owners association

*Copies of the Virginia Condominium Act may be obtained from the Virginia Real Estate Commission, P.O. Box 1X, Richmond, Va. 23206. A guide to the act's unique features is available from the Real Title Company, 2009 14th Street, N., Arlington, Va. 22201.

to gain access to land he is still developing.

3. An easement to facilitate sales by writing into the condominium documents the number, size and location of the model units and sales office.

Bylaws—instructions that cover all bases

The bylaws section of the Virginia law lists the items each association's bylaws must contain and suggests others, such as insurance, that they can contain. Again this section of the law offers a good reference point for developers everywhere. Among its major provisions:

1. It sets a time limit for the developer to relinquish control of the association: whichever comes first, either when 75% of the undivided interest in the common elements has been conveyed, or after five years if it is an expandable condominium (*see box*), three years if the condominium has convertible land, two years for all others.

2. It also requires the developer to notify the would-be purchasers and the Real Estate Commission of how many units he plans to keep as rentals.

3. It suggests that 33⅓% of association members be considered a quorum, on the theory that many condominium buyers want the "carefree living" they are buying to extend to association duties. Individual developers may set a higher or lower quorum, but it should not be less than 25%.

4. It provides that contracts and leases entered into while the developer is in control of the association are not binding unless the owners ratify them when they take control.

5. It requires a warranty against structural defects. For individual units the warranty must extend for one year from the date of settlement. For common elements, it must extend for either one year, or until 60% of the votes have been transferred to unit owners, whichever comes last.

Consumer provisions—an ounce of headache prevention

Including consumer protection in the code was one of the important reasons for rewriting the Virginia condominium law, and section after section ends with the words: "This section shall be strictly construed to protect the rights of the unit owners." Among the law's more important features:

● **A cooling-off period.** A unit purchaser may cancel his contract within ten days of 1) signing of the contract, or 2) receipt of the public offering statement, whichever is later.

● **Disclosure.** The application for registration requires complete information about the developing company and its officers, what they have been doing for the past five years, where they have developed condominiums, whether other states have issued any adverse orders on their projects. Virginia also requires that it be served with legal papers in any proceeding against a condo developer arising within its jurisdiction.

New concepts add up to new flexibility for the developer

The Virginia law has come up with answers to some major development problems: What to do if . . .

. . . you are testing the market with a project that you're not sure will succeed.

. . . your project is unsuccessful and you want to curtail it.

. . . you want to fix percentages of ownership as you sell the condominium.

. . . you want to reassign limited common elements after the declaration has been recorded.

You will have to examine your state's horizontal property act to find out whether any or all of these concepts can be applied right now. If they can't be, you may want to press for legislation that will give you similar flexibility.

● **Convertible land.** This is a site within which the developer intends to create additional units not created at the time the condominium documents are recorded. Within five years he may add this land to the condominium provided his declaration contains certain information.

Essentially, the developer has to decide in advance what he intends to do with convertible land and tell his purchasers about it. For example, the law would allow him to build a highrise after building townhouses, but the townhouse purchasers would have to be forewarned.

● **Expandable condominium.** This is another way of accomplishing the same thing. The developer may spell out in his

declaration provisions that permit him to add predesignated land to the condominium after it has been recorded. Again, he must comply with requirements similar to those that govern convertible land.

● **Contractible condominium.** This is the other side of the coin. A developer may write into his declaration provisions that allow him to withdraw land that has not yet been developed from a declared condominium. He has seven years for this.

● **Convertible space.** This allows flexibility in the description of units and allocation of common interest, common expense liabilities and voting power without amendments to the master deed, which would generally require approval by all unit owners. The convertible space concept is particularly useful in the development of highrise office buildings, as it allows, for example, the developer of a ten-story office building to declare that each floor has 10% of the common ownership, vote, and income and expenses. If a buyer wants half a floor, or two and a quarter floors, there is no problem in subdividing the building.

● **Assignment of limited common elements.** The new act also sets a procedure for assigning limited common elements to specific units after the declaration has been recorded. This is particularly useful in assigning garage units, for example, where the needs of a unit owner may change from time to time.

● **Prospectus.** The developer must submit a detailed public offering statement that includes a description of the condominium; the financing offered buyers; copies of the declaration and bylaws, including a projected budget for the first year of operation and provisions for reserves for capital expenditures; copies of any management contracts; lease of recreational areas; etc.

● **Annual report.** Until all units are sold, the developer must submit an annual report reflecting any material changes in the information contained in the original application for registration.

● **Deposits.** All deposits, including non-binding reservations, must be held in escrow until settlement.

Conversions and resales—special rules for trouble spots

These two areas have generated many consumer complaints and thus have been singled out for special treatment. A developer who is converting an existing building must comply with the same requirements as if he were building a new condominium. In addition, he must:

● Give at least 90 days notice to each of the existing tenants. The first 60 days should

represent an option to buy unless the building is to be altered substantially.

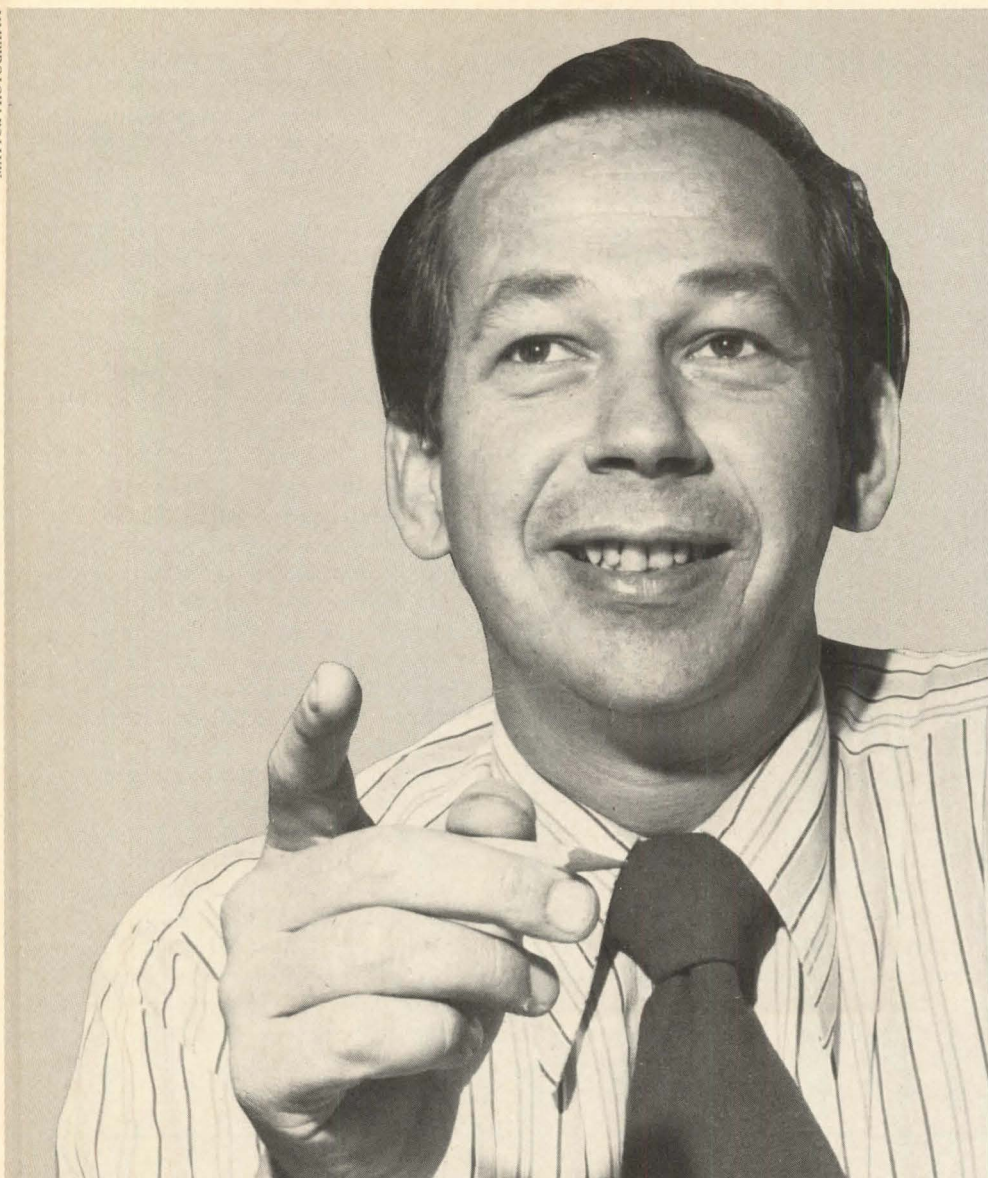
● Include in his prospectus 1) a specific statement of the amount of any initial or special condominium fee due on or before settlement and an explanation of how he arrived at this fee; 2) information on the actual expenditures made on all repairs or upkeep of the building within the last three years; 3) the proposed budget of the condominium and the proposed per-unit assessment; 4) a description of reserves for capital expenditures and an explanation of how the figure was arrived at; 5) a statement on the condition of the building and its major installations, including the approximate dates of construction, installation, major repairs, expected useful life and the estimated cost of replacement.

Rules for disclosure also apply to the purchaser who then sells his unit to someone else. He must give prospective purchasers:

● A statement from the owners association of the current unpaid assessments.

● A statement of any capital expenditures anticipated by the owners association for the next two years.

● A statement of the status and amount of reserves and whether the money has been earmarked for a specific project. —N.G.



Consultant David B. Wolfe tells you

How to set up a homeowners association so it works for (not against) you

Wolfe is president and founder of Community Management Corp. of Reston, Va., the first firm in the country to specialize in planning, establishing and managing community associations. In its first four years CMC has contracted with some 110 projects, totaling over 200,000 units, and with annual assessments of more than \$60 million.

If you don't make a concerted effort to get your new homeowners on your side, they're sure to line up against you. And the owners association provides them with a ready-made forum where dissidents can organize and small complaints can be blown up to the point where they set off big battles.

The developer and buyer need not be automatic antagonists, according to David Wolfe, president of Community Management Corp. of Reston, Va.

"Instinctively, the condominium owner wants to be proud of where he lives," says Wolfe. "He'll only start to throw stones at the builder when he feels short-changed."

Wolfe's experience in planning and managing condominium and homeowners associations has taught him just what makes a buyer feel short-changed. Here Wolfe points out where developers go wrong—in project design, legal documentation, choice of amenities, etc.—and shows, step by step, how to create a successful owners association.

Project design: root cause—and cure— of association ills

Design choices influence how buyers will feel about each other—and about you. And they determine whether the association will be able to make ends meet financially or whether it will be a constant drain on buyers' budgets.

The first thing to remember is that it's tough for people to learn to live as close together as they must in the average condominium development. So put yourself in their shoes and think like a resident right from the start. That way you can avoid many design mistakes.

To ease the problems of high-density living, consider these design choices:

- Cluster attached houses around courtyards instead of building them in ribbon-like rows. This makes it easier for residents to develop a sense of community. Studies have shown that cluster residents are significantly more active in association work, rarely complain and are an excellent source of referrals.

Row-house residents, on the other hand, usually gripe at association meetings—if they bother to come at all—and have a substantially higher rate of callbacks and re-sales.

- Locate lot lots close enough to housing so that mothers can see their children but far enough away so that residents can't hear them.

- Provide at least two parking spaces for each family plus extra guest parking.

- Provide a camouflaged on-site compound for recreational vehicles or a nearby off-site facility. Depending on your market, you may need anywhere from one space per eight units to one per 20 units.

- Build in plenty of sound-deadening insulation.

Design decisions you make before you

begin building also influence what the unit owners will pay to maintain the project later on. Land planning, for example, determines how much street, grass and parking area will have to be maintained out of the association fees. The best way to keep assessments low is to determine *precisely* what's needed to do the job. For example, if a townhouse community with ten units to the acre provides two parking spaces for each unit, there should be about 90 sq. yds. of paving per unit. If the site plan calls for 120 sq. yds. of paving instead, then both capital and maintenance costs may be higher than necessary.

Similarly, facing materials and finishes can result in higher or lower maintenance costs. For example, with texture 1-11 siding, the cost of keeping up an opaque stain may be as much as \$1.50 a month more per unit than the cost of maintaining a wash stain.

Design choices also affect another major association expense: insurance. Building materials, partywall construction and security provisions all play a part in determining insurance premiums.

Services and facilities: choices that can come back to haunt you

Services and facilities may be either mandatory or discretionary. Mandatory items, such as maintenance and insurance, are generally determined by a project's design and by statutory requirements. Discretionary items, on the other hand—which may range from security guards to swimming pools—allow the developer a wide latitude of choices. But in many cases, these choices must be made early—before the condominium documents are filed.

In determining which services and facilities to offer, says Wolfe, the trick is to ask the right questions.

First, what is the source—not the amount—of the buyer's income? This can tell you a great deal about lifestyle and preferences.

Two examples of how it can influence your decisions:

- In a development where buyers are mostly skilled blue-collar workers, consider giving them the option to do the exterior maintenance themselves. These men generally enjoy working on their homes. They also like saving money. And finally there is an added benefit as the men swap tools and work on projects together: they develop a strong sense of community.

- In a development where buyers earn between \$15,000 and \$20,000, but one-third are skilled tradesmen, one-third are junior executives and one-third are singles, your buyers are unlikely to socialize very much. So you might consider skipping a spacious clubhouse and building a day care center for children instead.

Incidentally, Wolfe believes that luxurious clubhouses are a mistake for most developments, which would be better served by

simpler, more economical structures. Annual heating and cooling costs alone can come to \$4 a sq. ft. in a large, luxurious clubhouse. And when people can't relate their life-style to a luxury building, they don't use it and resent having to pay for it.

Another question to ask when planning your discretionary facilities: How many of your buyers are likely to use them? For example, you would traditionally figure on 8 to 10 sq. ft. of pool area per unit. But studies have shown that in the Middle Atlantic states only 55% to 65% of dwelling units generate pool users. Thus you could provide smaller facilities and save on both capital and operating costs.

When should discretionary facilities be provided? Obviously, this will vary from job to job. In a large project, for example, you may wish to keep early buyers from being saddled with the cost of maintaining a large pool by first putting in a small pool and then building a separate, large one when there are enough people to support it. You can do this if you first spell it out in your documents.

For some developments, a flexible approach may be the best way to handle discretionary facilities and services. You can build a clubhouse and pool, for example, and then contribute a substantial lump sum to the association's capital budget and leave space on the site for extra facilities. That way, the residents can decide for themselves whether they want two tennis courts, four tot lots, a basketball court, a day care center, etc.

"Giving residents the right to pick their own amenities is a terrific way to get them on your side," says Wolfe. "Nowadays it's especially valuable, because many people fear that moving into a planned community means they must give up their freedom of choice."

Legal details: the tools to lubricate the friction points

Your association articles, bylaws and declarations can either strengthen or damage your relationship with your buyers.

Take the case of the developer who wrote a provision into the association articles allowing certain outsiders to use the project's recreation facilities.

"He had a legal right to do this," says Wolfe, "but he ignored the buyers' human desires. So he ended up with a full-scale mutiny on his hands."

In another case, a developer wrote a provision into the association bylaws stating that all glass surfaces, inside and out, had to be kept clean by the unit owners. He ended up with a hassle on his hands when owners found they had no way of reaching the outside of third-floor windows.

By far the greatest friction point between developers and buyers—and one on which there has already been some litigation—is developer control of the association (*see page 70*). This need not be a source of trouble if

association articles and bylaws are written with tact and diplomacy to protect the developer while allowing residents to influence association affairs.

One way to handle this is to draw up the association articles to allow residents to take over day-to-day control before a complete sell-out while you retain a right of veto. Some suggestions:

- Let residents process architectural change applications, but you retain the last word.

- Let residents draw up capital and operating budgets, but you keep the right to reject or amend them.

- Let residents select the managing agent, but only with your approval.

Association documents can even be used to protect the developer from the association if they stipulate that no financial resources of the association can be used to hire an attorney to contest the developer's general plan of development. This plan, which should be filed with the initial declaration, would spell out, for example, the developer's right to enlarge the condominium by annexing additional phases, or whatever is needed for him to build out the total project as planned.

Another potential friction point exists between associations and residents. Trouble results when an association tries to set rules that are unpopular with some residents. In fact, there have been cases where residents have sued their associations successfully, claiming they were denied due process.

The developer can eliminate this trouble spot if he sets up what Wolfe calls a Book of Resolutions. This is a way of codifying the policy resolutions that the association enacts to run its affairs. Before the first move-in, while the board is still under the developer's control, it should adopt an initial set of rules. Then, when the residents begin to run the association, they will have a code to add to or amend as they see fit, and no one will be able to claim he was denied due process.

Incidentally, this is but one of several actions the association should take before the first move-in. About 60 days before that time, the association should begin to function with the developer and a few key employees as president and directors.

This board should then adopt association bylaws, architectural control guidelines, the annual budget and assessment rate, common area rules and other resolutions, unless, as is necessary in some states, these have been set earlier by statutory requirement.

The fledgling board should also arrange for the goods and services necessary for the association's initial operation, including insurance, trash collection, ground and building maintenance and equipment, etc.

That way, there will be almost two months before the first move-in to test procedures and train personnel—in other words, to debug the association. The result should be a minimum of complaints.

Association budget: where wishful thinking courts disaster

Wishful thinking means low-balling—when a developer bases his budget and fees on what the competition is offering rather than what it costs to run his project.

It also means saddling an association with the expense of too many common facilities too soon or counting on an over-optimistic move-in rate to pay the tab.

Low-balling can lead to association law suits against the developer. Even worse is what can happen when an association can't meet expenses:

Item. A local municipality sold an association's common elements for nonpayment of taxes because association assessments were too low and residents couldn't agree on raising them.

Item. Mortgagees foreclosed on \$2-million worth of recreation facilities when the first 300 move-ins of a 2,000-unit project couldn't support them, and the developer couldn't take up the slack.

To guard against such disasters, Wolfe offers a step-by-step approach for setting association assessments:

1. Estimate the cost of all association services as if the community were complete today. Use outside bids to pin down prices and to protect you if residents should decide to bring suit.

2. Tack on 2% or 3% to create a general operating reserve for unforeseen, uninsured disasters, such as broken dams, blighted landscaping, etc.

3. Create a reserve for common elements that must be replaced periodically, such as pool liners and parking lots. To calculate this reserve, a) list every common element; b) identify the estimated useful life of each; c) identify the replacement cost; d) prorate the cost of each element over its useful life; e) reduce the final figure by subtracting accumulated bank interest on the reserve.

4. Calculate the annual assessment by totaling all costs and reserve funds and then dividing by the number of units to be built.

Unfortunately, few developers follow this procedure. Instead, most tend to take in the assessments from the existing unit owners and then subsidize the deficit.

Long before it is time to start collecting association assessments from unit owners, Wolfe believes the association budget, if properly prepared, offers developers an excellent sales tool. Rather than basing this budget on just one year, he recommends basing it on eight years (but not trying to account for inflation) because prospects want to know what their fees will be in the long run. Such a budget will also show prospects what services they'll be getting and will illustrate how much money the association can save through wholesale purchasing. In fact, Wolfe is so convinced of the value of this long-term budget that he recommends displaying it prominently in the sales office.

Operational guidelines: ten ways to put the association on the right track

"Our society trains people to compete, not to cooperate," says Wolfe. "If you expect residents to run an organization based on community cooperation, provide guidelines to start them in the right direction."

Such guidelines may be incorporated into an operating procedures handbook and an organizational manual. They must contain:

1. An introduction to the association concept, including its definition and purpose and a short history.

2. A physical description of what the association owns and manages.

3. Job description of association employees plus salary ranges, benefits, model employment contracts, etc.

4. An organizational description of the association that includes the legal documents that created it.

5. A system for cross-indexing all legal documentation so that officers can quickly refer to specific legal requirements or authority for action.

6. General operating procedures, including model fiscal controls, financial procedures, meeting agendas plus a description of methods of delivering services, scope of board activities, responsibilities of board officers and the purpose of policy resolutions.

7. A committee system for performing much of the association's work. This should include criteria for setting up committees, their function and scope, responsibilities of ad hoc and standing committees and operating guidelines for specific committees.

8. Maintenance specifications to guide the association in negotiating contracts and in assessing the performance of the managing agent.

9. Models of the various administrative forms needed to run the association, such as proxies, nominating petitions, policy resolutions, pool rules, applications for architectural control review, etc.

10. Sources of additional information such as consultants, government agencies, professional organizations, etc.

This detailed material should be distributed to the association's board and committee chairmen. In addition, residents should receive some general guidelines.

"A Residents' Guide to the Association is an important link in the relationship between resident and developer," says Wolfe. "It prepares all the residents to take an active interest in the association."

This guide should contain basic information about the association's purpose, services and method of operation. It might also contain a directory of non-association services such as the nearest hospital, library, police station, etc.

Don't count on this guide to teach owners the distinction between the developer's responsibility for construction flaws, the association's responsibility for common-area

maintenance and the owner's personal responsibility within his unit. Spell these things out over and over again in brochures, the newsletters, at association meetings, etc.

Community awareness: the first step toward resident control

Your project's future success depends on how well you prepare your residents to take over and run it themselves and to accept direction from their neighbors. You can't do this overnight; you've got to lay the groundwork when the first resident moves in.

Wolfe suggests the following timetable to keep residents informed and gradually involve them in community affairs.

After one move-in. The association begins to assess its fees. The resident receives the first issue of the newsletter.

After six move-ins. The developer, as association head, sends all residents a Welcome Package, containing the following: information on the managing agent; association rules on parking, architectural control, etc.; past issues of the newsletter; the residents' guide to the association; a welcoming letter.

The Welcome Package should include a questionnaire that will provide information for the community directory and for association identification cards and membership certificates. It should also contain data for planning community activities and a list of candidates for ad hoc association committees.

Forty to sixty move-ins. By now it should be time for the first association meeting when volunteers form advisory committees. The committeemen will become the cadre to be trained in the complexities of running the association.

Association meetings: training ground for resident takeover

In the course of the first year's meetings, the community structure takes shape with the formation of committees and election of a board of directors. At the beginning, the developer is still firmly in control, and the committees function on an advisory basis; by the time the power base shifts to the residents, they should have gained experience in all aspects of running the community.

Once committees start functioning in their advisory role, encourage the residents, both verbally and in the newsletter, to come to them with gripes and suggestions. The more experience committee members have in dealing with fellow residents and association procedures, the smoother the transition to community control.

Wolfe refers to "orientation" rather than "training" to avoid the negative associations with school and the army. But bear in mind

that this is indeed a training period, and that residents who may be tradesmen or junior executives will in many cases be learning how to handle budgets and make decisions worthy of a sizable corporation.

Here's how Wolfe suggests structuring the first year's association meetings to smooth the transition from developer to resident control:

First association meeting. Hold it in a formal setting, such as a school classroom, because 1) a school is a positive social environment, and 2) it is likely to close at a set time, keeping the meeting short.

If there are 50 move-ins, expect 60 to 65 people to turn out. Have them sign a roster sheet as they enter, and don't give them a lot of papers. In fact, Wolfe suggests that you hand out only the agenda for the next several meetings. This keeps paper rustling to a minimum and focuses attention on the speakers.

When Wolfe or a member of his staff of "community services coordinators" handles a meeting for a developer, he follows a set procedure that you may wish to adapt to your situation.

• He introduces himself, explains his role as consultant, and stresses that the first meeting is for information only. Working meetings will be held in future months. Then, with some fanfare, he announces: "We've arranged for Mr. Joe Smith, the customer service manager of the ABC Building Company, to be here tonight. He will listen to any problems you're having inside your home at the end of this meeting."

The reason: Residents come to the first meeting expecting to complain about some deficiency that should be handled as a call-back. If you don't let them know they can complain after the meeting, they'll interrupt constantly.

• Next, the consultant introduces the association president (the developer) who gives a five-minute talk on the goals, concepts and progress of the community.

"The developer shouldn't speak to the association membership again until he turns

over full or partial control," says Wolfe. "Chances are that at this point he wears three hats—developer, association president and managing agent. The residents must learn to see each entity separately so they can respond positively to each one."

• Now the consultant presents a 25-minute talk on the association, its definition, nature, purposes, role, values, operation and legal responsibility, followed by a question and answer session.

• Finally, ad hoc committees for recreation, maintenance, etc. are formed, plus a committee that will nominate candidates for the board of directors when residents are ready to take control.

Before the meeting, large cards with committee names printed on them are placed around the room. When the meeting breaks to form committees, residents gather at the committee sign of their choice. Then they elect their own acting chairman.

The consultant tries to reapportion volunteers if there are too many on one committee and too few on another. Then he distributes specialized information kits on the role of each committee.

Second meeting. This is the first working session, to be attended only by committee members. The agenda includes six items:

1. A description and schedule of the orientation period and the working relationships of the various committees.

2. A description of the organizational, operational and financial structure of the association. (The organizational handbook and procedures manual are handed out at this point.)

3. A discussion of how the association's everyday affairs will be handled. These include responding to service requests and complaints; enforcing covenants; negotiating contracts; maintaining financial records; collecting delinquent assessments, etc.

4. A question-and-answer period about the association. The monthly cash-flow budget and the eight-year financial projection are handed out.

"We invite the residents to analyze and

redo the budgets," says Wolfe. "When they find they can't redo them, they are convinced that the budgets are realistic."

5. Formation of an ad hoc organizational committee and election of a chairman. This committee, composed of all the committee chairman elected at the first meeting, will monitor the association's progress, encourage committee members to work together and coordinate communications among the board, the committees and the managing agent.

6. Formulation of individual committee goals and work schedules.

Third meeting. A work session. The reports and activities of subcommittees are evaluated by the ad hoc organizational committee and the consultant, and recommendations made.

Fourth meeting. A work session. Committee progress is reviewed and an outline prepared for a report on the "State of the Association".

Fifth meeting. A preliminary version of the State of the Association report is drafted by the organizational committee with the aid of the board and the consultant. The report will be delivered to the general membership at an annual or special election meeting. A special report is made on election preparations.

Sixth meeting. The general membership listens to the State of the Association report and votes for a new board of directors.

At this time the new board may also elect its president, vice president, secretary and treasurer and appoint the managing agent. The president appoints members to permanent committees, which will do the lion's share of the association's work once residents take full control.

Seventh meeting. This is the first time residents participate as board members.

By now, the developer may have relinquished all control. More likely, he has retained enough votes so that he still controls the association, although there are a few residents on the board.

"Start off with two rather than one resident board members," Wolfe warns. "If you have only one, he's open to charges of being a tool of the developer."

Additional residents should join the board each time a specified number of units are sold. In a small project, say 60 to 100 units, residents should be able to take over full control of the board in one year. Very large projects with 1,000 or more units may not see full resident control for several years. Typically, Wolfe expects residents to take over the association in 12 to 18 months, which corresponds roughly to the sell-out time of most projects.

"Even when residents have taken over long before the developer sold out, we've seen no conflict arise," says Wolfe. "That's because the residents were ready for the responsibility by the time the developer handed over control."

—MICHAEL J. ROBINSON

Two warnings by Wolfe

Warning No. 1: "You are courting disaster if you don't pay full assessments on unsold units."

He foresees a landslide of litigation in states where statutes require that as soon as the first unit is conveyed, the association must receive monthly assessments for all units—built or unbuilt.

The best way to solve this problem is to tack on total assessments to sales prices.

"The most dangerous course is for the developer to pay a low preferential assessment rate or none at all," says Wolfe.

Warning No. 2: "Don't let anybody tell you a condo association doesn't have to

file federal income tax returns."

IRS Ruling 74-17 states: "Condominium associations do not qualify for exemption from federal income tax." The penalties: \$10/day plus 15% to 25% of the amount owed. The association's reserve fund is what the IRS is taxing as profits.

Legislation pending in congress may exempt associations from federal taxes. But this legislation probably won't be passed until late this year or 1975. And it is likely to be retroactive only to January 1974.

This means that thousands of associations will owe millions in back taxes and penalties.

GEORGE KNIGHT



Owner's association meeting in community clubhouse at Farm Hill Vista, Woodside, Calif. Big issue at this session was children's use of swimming pool.

And finally listen to . . .

What owners say about the problems of running their associations

So you've sold the last unit and you're out of the picture. Now what's it like to live under that mini-government you created when you set up the owners' association?

Whether there's harmony or anarchy depends on two things, say the officers of three going associations: how well the developer anticipated problems and how well the buyers understood what they were getting into.

Here's what these officers found—and how they fared—when they took on the job of governing their neighbors.

'Getting an association off the ground can give you ulcers'

That's precisely what happened to Leroy London after his first six months as board chairman of Kimberly Place, a 174-unit condominium in Wheaton, Md. that originally sold for \$30,000 to \$35,000 two years ago.

"At first I found it fascinating," says London, who has filled one bedroom of his townhouse with association paperwork. "You get to know a lot of people because they call you during the night with complaints. But I got too involved, developed the ulcer and had to slow down."

Despite the stock promotional phrases, condominium living is not carefree or maintenance-free for the dozens of persons who serve as directors, officers and committee members. They volunteer up to 40 hours a month to their associations.

More than 50 residents work at running 240-unit Los Gatos Woods, a fee-simple townhouse development in Los Gatos, Calif. that sold from \$29,000 to \$33,750 about three years ago. Los Gatos is so much like a condominium that many of the owners think of it as one. At least 30 volunteers serve on a heavily involved rules and grievances committee.

But the most time-consuming job—particularly during a new association's shakedown period—is that of board president. Says George Burger, who served as president at the 150-unit Farm Hill Vista condo project in Woodside, Calif. during the first year of operation: "At one point my secretary asked, 'When is your condominium association going to start paying me?'"

During the shakedown period organizational structure can present as many problems as do everyday practicalities like parking and using the swimming pool. It often takes several months to set up a board of directors and working committees and to find people who are willing and able to serve on them.

But even after the shakedown period, running an association continues to be time-consuming. Says Alan Silver, a systems analyst who became Farm Hill Vista's second president: "Things have settled down considerably since the first board completed its term, and most of our organizational problems have been taken care of. But I still spend at least ten hours a week on association business in addition to regular meetings. Now we're dealing mostly with flareups and with a few basic issues like use of the swimming pool by children."

While the kind of expertise offered by association board members tends to reflect the makeup of the community's residents, the boards are generally heavy on professionals and businessmen. For example, the nine-member Los Gatos Woods board includes two attorneys, two engineers, a bank manager, a former city councilman, a contractor, a real estate agent and a plant manager.

Farm Hill Vista's first board consisted of an associate county district attorney, a bank manager, a real estate broker and a housewife, in addition to George Burger who is an executive for a national association of small businessmen.

As with any community government, a chronic problem is general apathy among the majority.

"I pay \$35 a month for someone else to do this for me and I don't want to be involved.' You hear that a lot," says Gordon "Butch" Kaufman, who was the first president of the Los Gatos Woods association.

Attendance at monthly meetings is usually light. George Burger's group soon found that the only way to improve the turnout was through person-to-person contact.

"We had to go out after them," he recalls. "They didn't come to us."

One reason for the apathy in some complexes is a high ratio of renters. Farm Hill Vista, for example, has 46 rented units, constituting almost one-third of its total. Some are owned by residents, but many are held by absentee landlords who even use their own independent management companies to maintain them. The tenants are generally uninterested in association affairs except when they feel complaints are in order. So to help save some time, the Farm Hill association has passed a rule requiring that renters register complaints through their own landlords rather than directly to the board or committee members.

Farm Hill's monthly meetings, which have an average attendance of 20 owners plus the directors, are held in the recreation building. The annual meeting usually draws more than half of the residents. It's held at a nearby church facility, which the association rents for \$35.

When residents bother to come out for meetings, chances are they're irked by one of three persistent problems.

'Our toughest headaches are always the same—kids, dogs and cars'

"Those are the three sources of most of our problems," says Gordon Bowler, current president of the Los Gatos Woods association, "and I'm afraid they're with us forever." The project's car problems are aggravated by a regulation prohibiting any parking on the streets, and complaints about children are inevitable because the complex contains at least 100 children under age 15.

Parking regulations are less stringent at Kimberly Place. In fact, parking-space disputes are handled informally by the residents of the court or neighborhood involved. Leroy London explains: "Our bylaws don't give the board authority to tow away cars, so we decided to leave it up to the owners to work out their parking problems on a neighborly basis."

In tackling the pet problem, the Farm Hill Vista directors have gone to the extent of

having unleashed dogs picked up by the ASPCA. But problems with children are not so easily solved. Right now, the big issue is the unexpectedly heavy use of the swimming pool by children. In fact, the number of families with children at Farm Hill Vista—about 50% of the households—came as a surprise if not a shock to many of the older residents. According to one: "We never expected there would be this many children when we bought back during the construction period. We knew there would be some children in the three-bedroom units, but we thought the two-bedroom townhouses and apartments were too small for raising a family. We couldn't have been more wrong."

Another recurrent problem is architectural control. At Kimberly Place, for example, the directors are plagued with design infringements like front doors repainted with unapproved colors and fences extended into common areas.

"People still don't understand that they can't modify the outside of their homes without first getting the board's permission," says London. To give its architectural control committee more clout, the Kimberly Place board has issued strong warnings that property liens will be brought against people who violate the design regulations.

At Farm Hill Vista, the architectural controls committee has faced an odd problem: how to prevent townhouse owners from weakening foundations by digging into the hillsides under their units to create storage space. The board, following the developer's warnings, insists on soil reports and the use of registered contractors and engineers for any excavating beneath buildings. Other changes that have proven difficult to control are installations of downspouts, through-the-wall air-conditioners and extra slats in balcony railings. Most Farm Hill residents want the extra slats because of a dangerously wide opening in their railings. So the board finally had to specify a precise lumber dimension and stain color.

Delinquent payments of monthly assessments are another association problem, but apparently not a frequent one. Farm Hill Vista has had a few late payers who held out for 60 days, but to date only two delinquencies have been taken as far as small claims court. One was a renter who refused to pay the monthly assessment for 90 days because her cable-TV reception was unsatisfactory.

"But winning a judgment in small claims court doesn't mean you'll collect," says Gordon Bowler. So the Los Gatos Woods association turns to the property lien to force payment of delinquent assessments. In three years a lien has been brought against only one owner; just the threat has been effective against others. Butch Kaufman explains:

"We give them 30 days to pay after the first warning and about 90 altogether before we move with the lien. In all cases but one we've received payment after the first warning because the owners know that in another 60 days a lien will be placed against their prop-

GEORGE KNIGHT



At Farm Hill Vista, association president Alan Silver (*foreground*), a systems analyst, listens to residents' arguments about use of swimming pool. To his left are directors Don Gerling and Frank McNear.

erty, and then they'll have to pay the court costs for registering the lien in addition to the assessment. They also know they can actually lose their property if they remain delinquent."

The Kimberly Place association has had to take three owners to court to collect the monthly assessment; each was required to pay his total dues in advance for the rest of the year. Two board members are attorneys, but the association retains outside legal counsel for assessment-collection problems.

A much bigger problem than collecting the assessment is how to keep it from increasing.

'Sure, builders low-ball our fees, but we're fighting inflation and the IRS too'

Buyers tend to blame the developer when their monthly operating fee goes up. Sometimes they're justified. At Kimberly Place, for example, buyers learned that instead of a flat rate of \$14, their assessments would range from \$25.09 to \$34.75. Reasons: First of all, the developer had underestimated the operating costs; second, the rate had not been based on each owner's percentage of ownership, as required by Maryland law.

But while developers are widely accused of low-balling estimated owners' assessments, inflation is the real culprit. At Farm Hill Vista, for example, assessments had to be raised \$8 to \$10 per unit after the first five months of full-scale operation. The present level: about \$48 for a three-bedroom, two-bath unit that sold for \$35,000 last year and now resells for close to \$42,000.

"But," says George Burger, "that's due to double-digit inflation and things like three gas and electric rate hikes in one year."

Inflation also erodes the buying power of reserve funds set aside for long-term maintenance. One example:

The Los Gatos Woods assessment has remained at a flat \$35 per month for three years. But now the building exteriors need repainting, and the board has found that reserves once considered adequate are too low. So even though the \$35 assessment still covers day-to-day operating costs, it will have to be increased to build up reserves for such jobs as repainting.

In the past, excess reserves accumulated in one calendar year have often been used to reduce the assessments budgeted for the following year. Kimberly Place, for instance, spent only \$43,600 of its \$53,612 budget for 1973, so the balance was carried over to reduce 1974's higher budget of \$61,688.

Early this year, however, the IRS ruled that such excess funds will be taxed, and associations around the country are worried. Butch Kaufman, like many others, argues that any funds his association holds in reserve are not sufficient to serve their intended purpose anyway—and that reserves shouldn't be taxed unless they draw interest.

Congressmen are coming to the associations' aid, and are introducing legislation to let the associations generate carryover funds without being taxed. The issue revolves around the question of whether the owners' associations can be classified as profit-making corporations.

Underlying the concern with assessments, reserves and the IRS is constant puzzlement over what management approach is most efficient and least costly.

'Who knows the best management system? It's strictly a matter of trial and error'

Most new owners' associations inherit a management company selected by the developer. But the relationship is often short-lived for several reasons:

First, the initial management company is suspect among the owners because the developer hired it.

Second, assessments too often go up in the first year of operation, and the management company is invariably blamed.

Third, the new residents—particularly if they are first-time condominium owners—tend initially to set stiff standards for grounds and building upkeep and to criticize

the management company if the standards aren't met.

Fourth, new residents expect the management company to enforce the CC&Rs—covenants, conditions and restrictions—but most management companies can't do that very effectively because they lack both time and manpower.

Some criticism of management companies is deserved. Much of their manpower is still relatively inexperienced, and it's often spread too thin to give each client association the attention demanded by residents. So it's not surprising the Los Gatos Woods went through three management companies in three years and is now trying a different approach (*see next column*). The association sensed a lack of involvement by management company representatives and was irritated by inefficiency.

"They were slow in paying bills," says Butch Kaufman. "Their books were confusing, and they didn't seem to have an interest in getting the most service for the least money. They should have acted like controllers, but they didn't."

Farm Hill Vista parted company with its first management firm in the first year of operation because of a rise in monthly assessments. But the owners are generally happy with their second company. One reason: The second firm brought in a new maintenance contractor to garden, clean the pool, sweep the streets and maintain the recreation building—chores that formerly required three separate contractors.

Appropriately enough, the new contractor's name is Single Source Maintenance Co.

Farm Hill's second management company also collects assessments, follows up on delinquent accounts, maintains the books, pays bills, lets contracts with the association's approval and sends a representative to the monthly board meetings.

By contrast with Los Gatos and Farm Hill Vista, other associations have started out with self-management. But they often tire of the job. What's more, they come to realize that a management company can serve as a useful buffer between directors and residents—which, of course, is why developers themselves bring in management companies when occupancy begins in new projects.

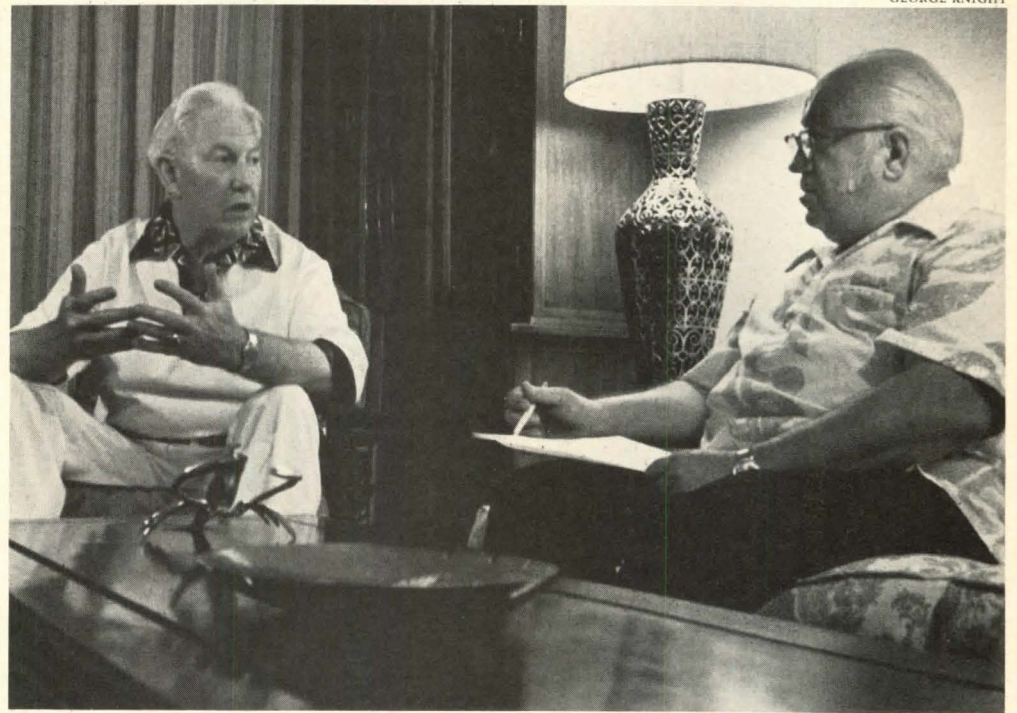
Kimberly Place has always operated without a management company, but is now looking for outside help. It didn't inherit a management company because the developer provided his own maintenance during construction. When the residents took over, the directors hired contractors for pool maintenance, gardening and trash removal. They also established community cleanup days on which residents came out to police the grounds.

"This used to work well," says Leroy London, "but lately there's been a loss of interest and participation in volunteer cleanup."

So Kimberly Place is considering a maintenance company's proposal to provide a full-time cleanup man, a complete maintenance

package and inspection of all work. This arrangement would consolidate all maintenance jobs, as Farm Hill Vista has done, and would relieve residents of the time-consuming—and frequently neglected—task of inspecting work. "This would mean an increase in owners' fees," says London, "but we have come to feel that the improvement in service would be worth it."

A few associations are trying what may be a workable alternative to hiring a management company.



GEORGE KNIGHT

'If you want the ultimate in control, put a resident manager on your payroll'

That's a tried and true idea for apartment owners. And it's what Los Gatos Woods has just done—with an unexpected result.

Unable to find a manager with owners' association experience, the Los Gatos board of directors advertised for an experienced rental apartment manager. Several qualified candidates applied. Meanwhile, however, association president Butch Kaufman decided he would like the job. So he resigned from the board, submitted his application and was hired as general manager.

Kaufman is well qualified for the job. A retired naval officer turned industrial plant manager, he has had years of experience in personnel administration and maintenance. He should also know exactly what's expected of him: It was he who wrote the job description.

The new manager's responsibilities range from handyman chores like repairing the community's electric security gates and painting building exteriors to managing the association's business affairs. Big jobs will be contracted, and additional part-time maintenance men hired as needed.

At Los Gatos Woods, association president Gordon Bowler (*left*) talks over community problems with ex-president Gordon "Butch" Kaufman, who resigned to become the project's salaried manager. Bowler is a retired electrical engineer; Kaufman is a former industrial plant manager.

Neither Kaufman nor current president Gordon Bowler expects the new setup to result in lower monthly assessments. "But," says Bowler, "we'll be getting better service for the money, and we'll be able to hold assessments at their present level for a longer period."

If the new setup works, future managers will be provided with a living unit in the community as part of their compensation. Kaufman, however, works on a straight salary of \$17,000.

Creating the job of general manager changed the association's organizational structure. Now the community's half-dozen committees have staff instead of line authority because the general manager assumes direct responsibility for the daily administration of all committee functions.

However, committees play a key role in day-to-day operations of most associations.

with varying responsibilities depending on the association.

At Los Gatos Woods, the architectural control committee evaluates requests to modify building exteriors, inspects exteriors, makes maintenance recommendations to the board and obtains bids for repainting and other routine building maintenance. At Farm Hill Vista, where unauthorized exterior changes have been numerous, architectural control is the board's responsibility.

One committee that doesn't always play as big a role as the developers' promotional literature would have it is the committee for recreation and social affairs. In fact at Kimberly Place most residents are young families with elementary school children, and the social and recreation committee was disbanded after a year and a half because of lack of community interest.

"We were relying on people paying their own way and donating food, and it didn't pan out," says Leroy London. "Whenever we sent out questionnaires asking for ideas for the rec program, the response was minimal." A clubhouse and a pool are the only on-site rec amenities.

Los Gatos Woods has a much larger amenities package—two swimming pools, a tennis court, volley ball/basketball court, adult lounge, teen center, exercise room and sauna baths—but there, too, planned programs have not been particularly successful.

"We've had rec directors come and go," says Butch Kaufman, "but this is a family community with over a hundred children, and kids resent having things planned for them. Many of the adults aren't interested, either, because they came here from other nearby communities where they still have friends, so they tend to go outside for their recreation. Our facilities are not fully used."

Farm Hill Vista, on the other hand, has an active social chairman—a volunteer who runs its recreation committee and keeps up a variety of activities like cocktail parties, potluck dinners, tennis matches and holiday events for children.

The degree of developers' help in setting up owners' associations ranges from near zero to moderate.

'Our builder wasn't moving fast enough, so we told him we wanted a voice now'

If a complex sells out in a few months, the buyers find themselves in control before they've even had time to think about it. More typically, however, sales continue over a longer period, and occupancy increases gradually for several months or even years.

Meanwhile, residents begin to get restive about not having voting control of the association. And they may form an ad hoc committee to press the developer-controlled board for more influence in running the project.

'If it weren't for our committees, the board could never cope'

Many association boards have only five directors, who generally appoint themselves to double as officers—e.g., president, vice president, secretary and treasurer. So each board needs help from committees that it sets up to ride herd on key aspects of the community's operation.

Committee sizes tend to reflect the relative prevalence of problems or complaints in owners' associations. For example, community relations committees, set up to provide liaisons between complaining residents and the board, are often the largest. At Los Gatos Woods, the community relations committee—formerly called the rules and grievances committee—has 30 members whose activities are divided among six subcommittees: parking and traffic, recreation, youth, grounds, special projects and publications.

Other typical committees in most owners' associations are 1) finance, for reviewing the other committees' budgets and preparing the general operating budget; 2) grounds, for scheduling and supervising landscape maintenance; 3) recreation, for scheduling activities and supervising use of the rec facilities; and 4) architectural control, a committee

CHARLES PHILLIPS



At Kimberly Place, association board meets around dining table in home of director Leroy London (left). Others (clockwise from London's left) are vice president Lee Lush, secretary Nancy Brown, president Abraham Greenstein, director Harvey Berk and treasurer Michael Frosch.

That happened at Kimberly Place, where the first units were occupied early in 1972 but full occupancy didn't occur until fall of 1973. The first general meeting was scheduled for December 31, 1972, or when 75% of the units had been sold, if the latter occurred first. But in October 1972, the residents grew disturbed about slow completion of landscaping and other amenities. So they set up an ad hoc committee to meet with the developer to voice complaints.

At Los Gatos Woods, whose 240 units were built in six phases over a three-year period, residents formed a four-man ad hoc committee and asked for more votes after the first 60 units were occupied. The developer obligingly relinquished four of his nine board seats to the four committeemen. When the residents again challenged his control during construction of the fourth phase, he gave up four more seats and the residents elected their own president. The developer retained the remaining board seat pending final completion of the project and has used it to sustain a mutually helpful relationship with the residents.

At Farm Hill Vista, the transfer of voting rights was simplified by a fast sellout. The first buyers moved in during February 1973, and by May some 90% of the 150 units were occupied, and the residents elected their board of directors.

One reason residents become anxious about the progress of their community and their future role in it is lack of communication by the developer. At Kimberly Place, for example, the developer did not distribute a periodic newsletter to the residents but left it up to them to start their own.

Another complaint is lack of adequate help in structuring the owners' association.

"We were given a copy of the bylaws and that was about it," says Leroy London. "But we were lucky. We had a lot of talent available for our first board: an FHA attorney, an IRS attorney, a CPA and an MBA." London himself is an educational administrator with experience at both federal and state levels.

Unfortunately, the first Kimberly Place board didn't know that votes for directors were supposed to be apportioned on a percentage-of-ownership basis instead of an equal basis among all owners. So a reelection had to be held to make the board legal.

But Kimberly Place residents also have some praise for the way the developer handled their finances during construction. London explains: "When the developer turned over the books to us, they were not only balanced, but we found that some bills had been paid out of company funds that were really the association's responsibility. What's more, the developer had used only part of the initial assessments for community maintenance and had put the rest into reserve for us."

Just how well the developer has helped get an association started shows up weeks and months after the residents have had some operating experience.

'We inherited bylaws and insurance policies that just weren't complete enough'

Often, the directors change insurance policies to get expanded coverage, lower costs or both. At Kimberly Place policies were reviewed and switched in the second year of operation. Los Gatos Woods changed insurance policies to cover suits against board members for mistakes in judgment, to raise the valuation on the rec center to its true replacement cost and to insure a second swimming pool. And after five months of operation, Farm Hill Vista bought a less expensive policy with the same benefits as part of a drive to hold down rising monthly assessments.

Bylaws, too, come in for revamping. They have been amended at least three times by the Kimberly Place association. One amendment added an indemnification clause to protect the officers and directors against suits. Another permitted unscheduled emergency board meetings. (Previously, two days' notice had been required.) And a third amendment became necessary because so few owners attended meetings. It permits owners to carry more than one proxy vote and proxies to be counted in a quorum.

"When I agreed to run things," said London, "I thought there'd be a high degree of interest and participation, but it didn't turn out that way. Young people in the Washington, D.C. area buy condominiums because they suit their budget, not because they want to get involved in running a community."

One troublesome omission from the covenants, conditions and restrictions given to the Farm Hill Vista association was a set of written swimming-pool rules. In the first summer of operation, the pool was heavily used. And because there were no rules, the filtration system was so badly abused that the frequency of pool maintenance had to be increased from two days a week to five. Former president George Burger recalls: "Without any rules, people went swimming with long hair and no bathing caps and with layers of suntan lotion. The pool equipment just couldn't take it. We had to sit down virtually in a state of crisis, write a complete set of swimming-pool rules and then try to enforce them."

Summing up their experiences, veteran association officers have some basic advice for developers and first-time buyers.

'Don't tell buyers it's a life of ease—that's what causes all our problems'

The people who've lived with these problems say the first step toward solving them is a mandatory reading of the CC&Rs by every new buyer.

Says Butch Kaufman: "It's misleading to tell people to 'forget your lawnmower and

live a life of ease'. The developer should emphasize the CC&Rs. He should make it clear that everyone will be subject to these rules—the parking restrictions, the speed laws, the pet controls, the rule against running a business in your garage. A lot of buyers never read the CC&Rs, so they're shocked when someone comes around with a citation for an infringement. That's unfair to the people who do read the rules and move in thinking it will be a nice way to live."

Alan Silver says that, more than just understanding the rules, prospective buyers should be made aware that they will have a responsibility to the association: "It's not a happy, carefree, maintenance-free existence. Each individual has a responsibility, and if they really want the whole thing to work, they'd better realize it."

About 75% of Farm Hill Vista's owners are former apartment renters. So, Silver feels, many of them look upon their monthly assessments and, even their mortgage payments, as just another form of rent, which means they regard their board of directors as the landlord rather than as their neighbors.

"Assessments should be presented in a more realistic light," says George Burger. "Regardless of how accurate the developer's estimate is, the buyer must be made to understand that costs are bound to go up. They're sure not about to go down."

Leroy London would have the developer go even further and explain some of the pitfalls of belonging to the owners' association: "He should emphasize the restrictive clauses. And he should make it very clear that the association can place a lien on your home if you don't pay your maintenance fee. Most of the owners who've given us problems simply hadn't read the bylaws and restrictive clauses."

Butch Kaufman wraps it up: "This is my first experience with this way of life and I'm quite happy with it. But if I had it to do over again I'd go to the developer and say, 'Let's get this started out right and make sure everyone knows what they're getting into. Let's make sure they get the opportunity beforehand to make up their minds about whether they'll be able to live within the association frameworks.'"

—H. CLARKE WELLS

Condo project design: Five fast

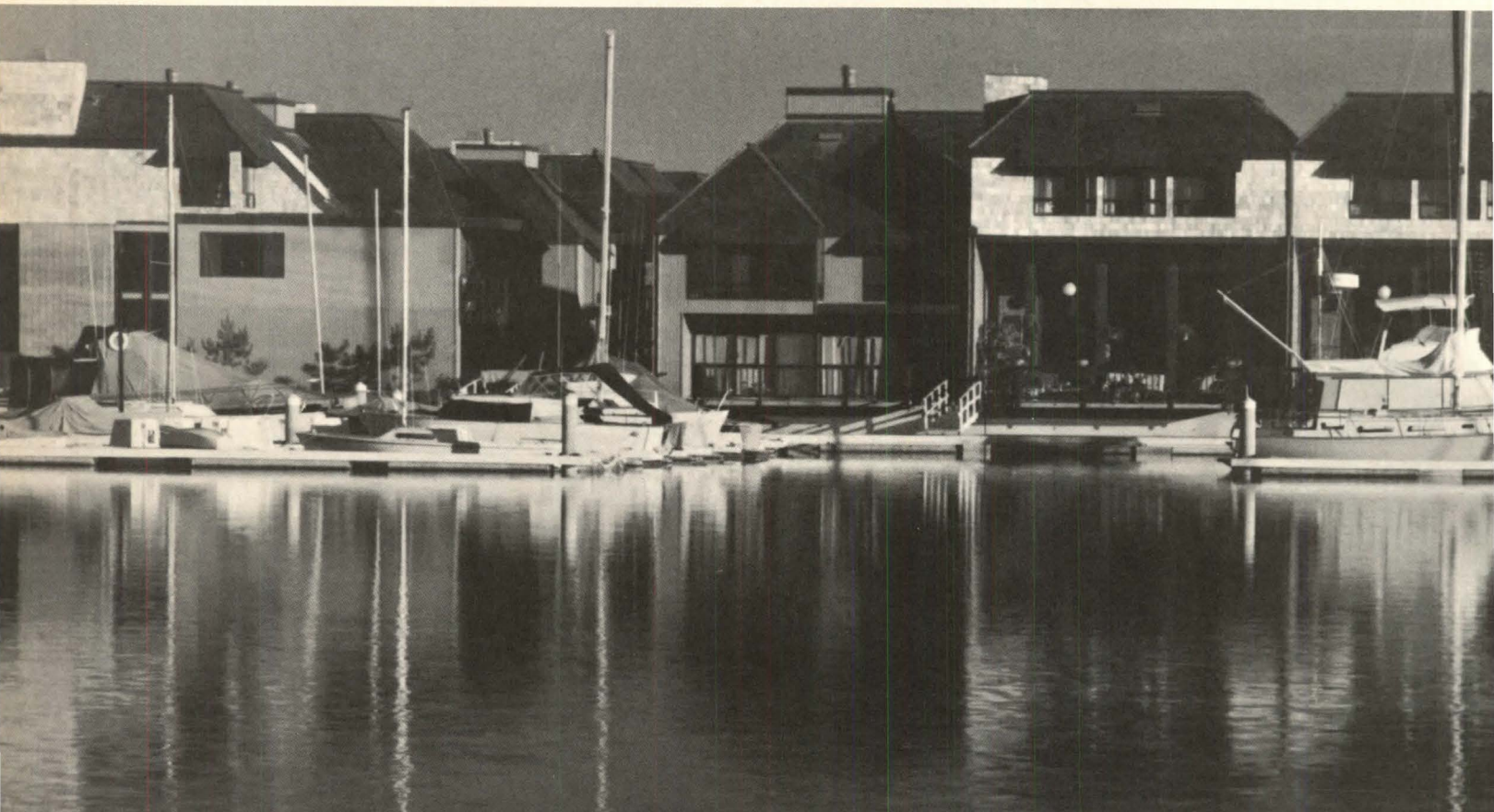
Problem 1: how to create views on a flat site (*below*)

Problem 2: how to disguise that newly built look (*page 88*)

Problem 3: how to build a high-density complex on a small, secluded site (*page 90*)

Problem 4: how to introduce condos into a single-family market (*page 92*)

Problem 5: how to go highrise without being boring (*page 94*)



1 Even on a flat site, it doesn't take much waterfront to give everyone a waterfront view

It's all in the way you handle your land, as this project shows.

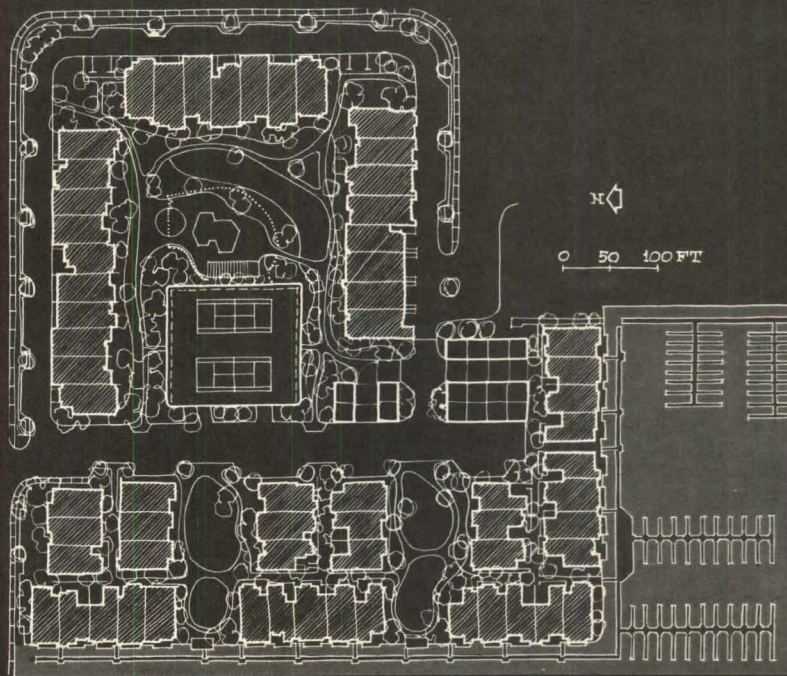
Only 23 of its 63 condominiums front directly on the water. Yet most off-water owners have views of the harbor because the rear land was graded up four or five feet and two- and three-story townhouses were sited around strategically located greenbelts. Some of the rear units look out on the water over waterfront roofs, others through the open green areas.

From a marketing standpoint, it was important to furnish as much water orientation as possible because despite its name—Huntington Harbour Tennis Estates—the project is primarily a home for boating enthusiasts. Each unit was sold with wharfage on a one-to-one basis.

Architects Edwin K. Hom and Robert E. Jones tried to give the project the characteristics of a single-family neighborhood—first, because its empty-nester buyers would be moving from detached homes; second, because this complex is part of a 900-acre planned community in Huntington Beach, Calif. where most of the 2,000 units already built are single-family houses.

So the units are visually separated by a variety of elevations and rooflines, by staggered setbacks and by masonry common walls that project beyond the facades. Parking is out of sight—in private garages, grouped garages or under raised tennis courts.

Most owners are professional people, some of whom commute as far as 40 miles daily to jobs.



sellers answer five planning problems

—by JUNE R. VOLLMAN



Two faces of project—waterfront units above and off-water units left—show the variety of elevations, rooflines and setbacks. Amenities—a swimming pool and raised tennis courts—are clustered in the middle of the project (*site plan, facing page*). For interiors and plans of the townhouses, turn the page.

PHOTOS: ROBERT WARD

1 Lots of glass give the townhouses sweeping views

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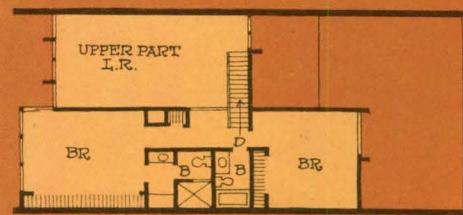
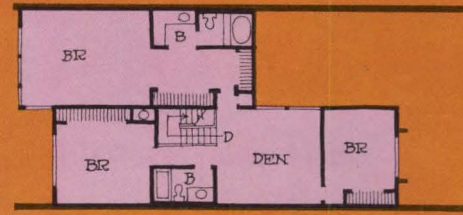
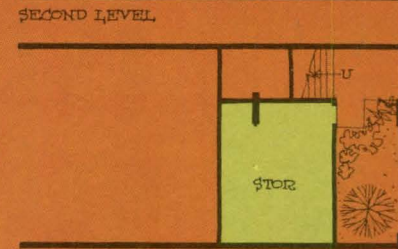
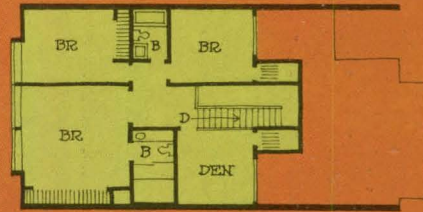
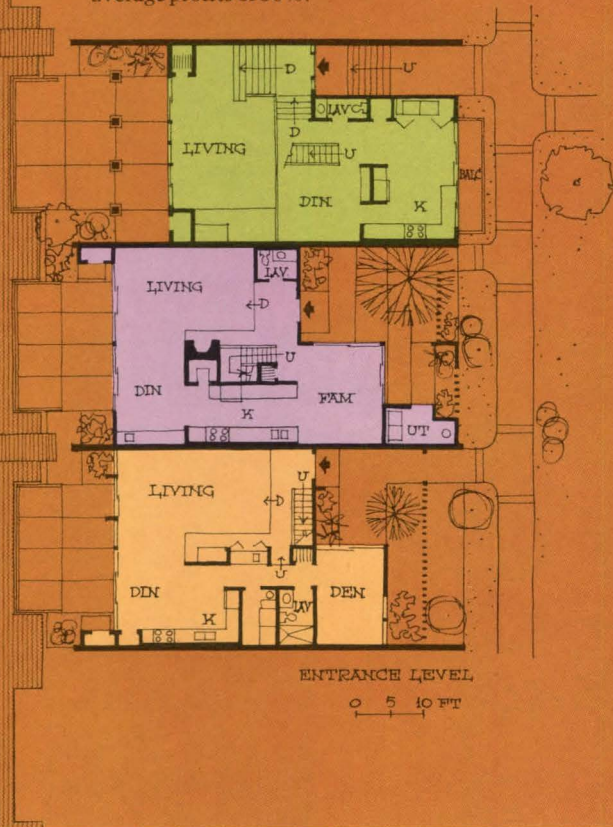


PHOTOS: ROBERT WARD

Two-story window wall in multi-level unit (olive green in plans, facing page) opens two-level living room and balcony dining room to the waterfront. The broad deck spanning the view side of this plan is partly sheltered by top-level bedrooms. A split entry design (photo, above) enhances the open feeling.

Living and dining areas (right) are partly separated by fireplaces in some units. This model (violet in plans facing page) is entered from a private, landscaped courtyard. Its rear patio opens onto one of the project's greenbelts, which provides water orientation for some off-water condominiums.

Two- and three-story townhouses are mixed within a single building, as shown in the plans. Living areas range from 1,788 to 2,474 sq. ft., prices from \$50,000 to \$106,000. Resales at the two-year-old project are said to be netting original owners average profits of 30%.





2

**In a tradition-bound area,
you can create that
always-been-here look**

A classic example is The Glenridge, shown here. With its colonial architecture, its loosely woven brick driveway and paths and its very old trees, the project looks like it has been around for a long time. Yet it's only two years old.

Why this deliberate echo of the past?

First, location: The seven-acre site is on the north side of Atlanta, an area of stately and expensive apartment buildings. So from an environmental standpoint, it made sense to continue the neighborhood's traditional ambience.

Second, market: Empty nesters—mainly Atlantans with roots buried in the traditions of the city—were the primary prospects. So from a merchandising standpoint, the established look was a *sine qua non*.

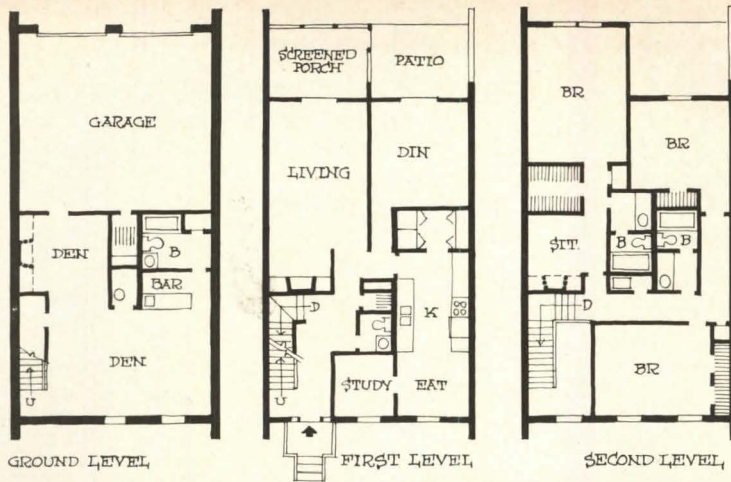
The Glenridge, as designed by Atlanta architect Gary B. Coursey, has many qualities of old

housing that is clustered around small parks in quiet urban neighborhoods. The 46 units are arranged in small groups and set back from each other for maximum privacy. Parking, at the rear of the units, is screened from the brick driveway so that the automobile doesn't intrude on the setting.

And, although there is just one basic floor plan (with two variations), eight exterior treatments make for visual variety.

The project, an immediate success, sold out in four months—mainly to empty nesters who had owned large single-family houses or rented in the immediate area.

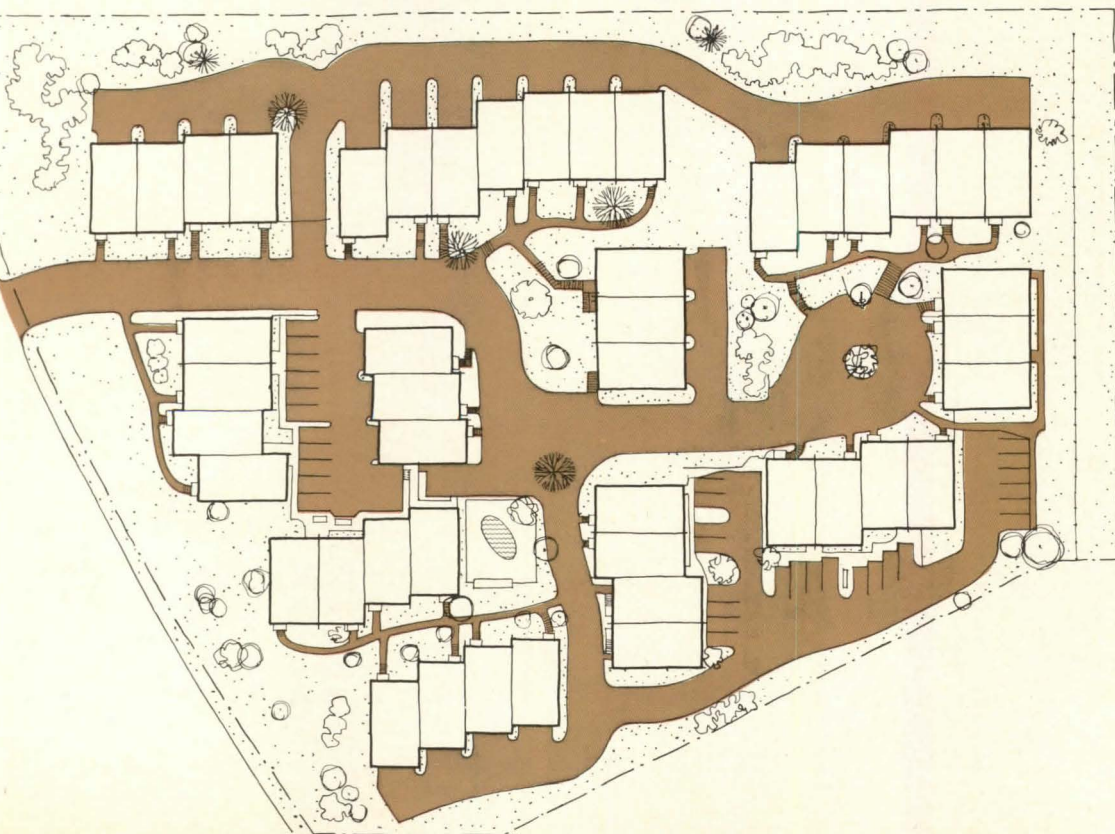
The townhouses originally sold for \$44,900 to \$63,000. Since then, several resales have netted the original owners an average profit of \$20,000, according to John A. Williams, president of the developing company, Post Properties Inc.



Basic townhouse plan, the first and second floors shown at left, is the same in all 46 Glenridge townhouses, but 27 of the units have a lower level (*far left*). Although the project was aimed at empty nesters, developer Williams included three bedrooms in all the plans because he wanted to switch to the family market if his empty-nester prospects didn't buy the condo concept (the project was the first condo in the north Atlanta area). Two-story units contain 2,300 sq. ft. of living space; three-story models have 3,000 sq. ft..



PHOTOS: CLYDE MAY



Brick driveway and paths, shown in tan on the site plan, meander throughout the sloping site and complement the traditional architecture. Six of the eight available elevations are shown in the photos. They include such colonial-style detailing as wood shutters, narrow clapboards, wrought iron railings (also used along the edge of the driveway), multi-paned windows, sidelights at many entrance doors, brick stoops and traditional lighting fixtures.

3

On a small, costly site, you can build a secluded high-density complex

This 94-unit resort complex—2500 Navarra at Rancho La Costa, Calif.—perches on a steep ridge that juts into a golf course and overlooks rolling hills and the Pacific Ocean three miles away.

All in all, an ideal location for a second-home community.

But the developers—Praver Bros. Investments and Praver Construction Co.—faced a couple of problems.

First of all, the 4.2-acre site was expensive. So density had to be high (23 units per acre), unit prices also had to be high, and there had to be an amenity package to attract affluent buyers. Prices range from \$43,950 to \$70,500. And amenities include tennis courts, swimming and hydrotherapypool, and a cabana, fire-pit party area and conversation plaza.

Secondly, there was a three-story limit on building heights. To stay within the limit and to capitalize on the views, the architect—Walter Richardson & Associates of Costa Mesa—designed two building types. In one, on the upper areas of the site, duplex apartments are piggybacked over flats; in the other, on the lower areas, townhouses are built above private garages.

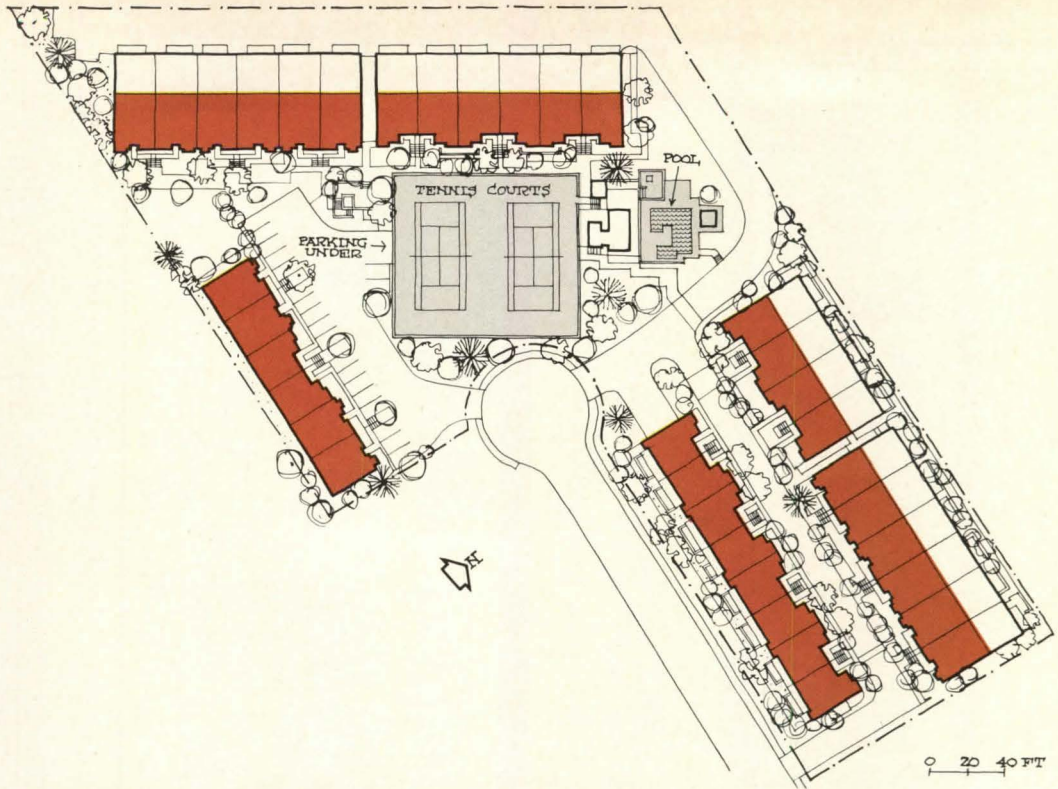
Forty-nine units were sold between last October and July, but 20 had to be sold twice because of cancellations when the gas shortage hit. Of the 49 units, 40 are used as second homes. Half of the buyers, predominantly empty nesters, come from southern California, the balance from as far away as the Bahamas.

Conversation plaza (right) is part of project's amenity package. Its terra cotta tile surface echoes the color tones of the condo roofs.

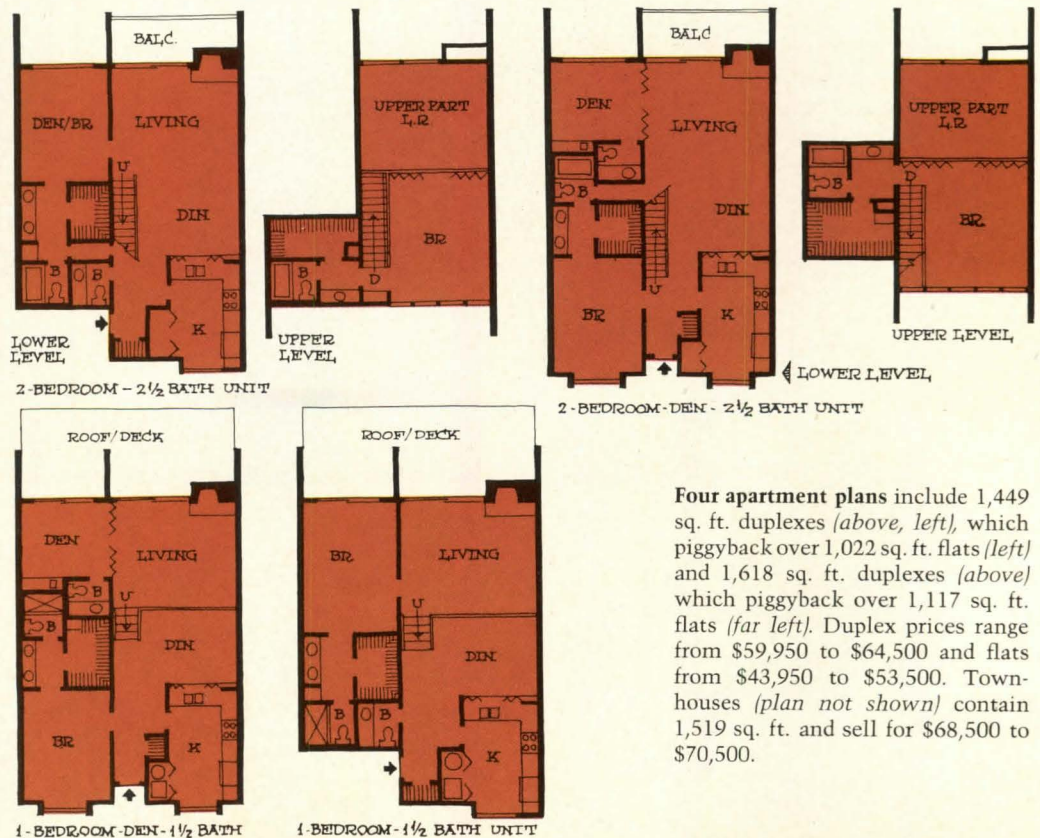


PHOTOS: DAVID ROSS





Two raised tennis courts (left and large gray area in site plan) were built above garage spaces that are partially enclosed with slumped block walls. These walls are continued above the tennis court level to visually cut the height of metal fence. White units in site plan are townhouses built over private garages; terra cotta units are two-level units piggybacked over flats.



Four apartment plans include 1,449 sq. ft. duplexes (above, left), which piggyback over 1,022 sq. ft. flats (left) and 1,618 sq. ft. duplexes (above) which piggyback over 1,117 sq. ft. flats (far left). Duplex prices range from \$59,950 to \$64,500 and flats from \$43,950 to \$53,500. Townhouses (plan not shown) contain 1,519 sq. ft. and sell for \$68,500 to \$70,500.

4

In a staunch single-family market, you may not need an amenity package

And this project, the first condominium in Ann Arbor, Mich., is a case in point. It doesn't even have a swimming pool, let alone a clubhouse or tennis courts. Yet developer John R. Kurkjian says his units are selling at a rate of one a week despite generally depressed sales in the area.

How come? Because the project, called Northbury, was designed to provide privacy that buyers expect in a detached house. For example:

- Density is low—only four units per acre—and 60% of the 30-acre site is open space.

- Each building has only two units.

- Every unit has a private entrance and is laid out so that outdoor living areas are screened from neighbors.

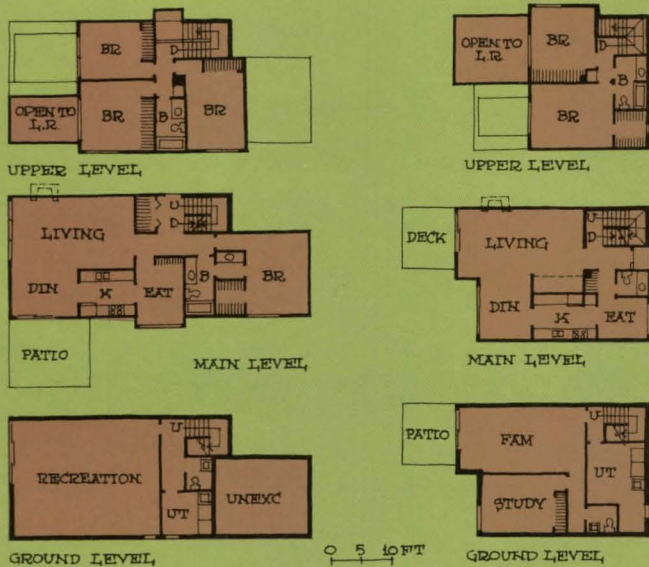
- Wide green belts separate building clusters from each other.

How does all this strike Northbury buyers—mostly young professionals and empty nesters? Robinson Reports, a firm that has surveyed 50,000 condo owners, told *HOUSE & HOME*: "This is the first condo project in which we've found 100% buyer satisfaction."

The project was designed by the architectural firm of Hobbs & Black Associates.



Typical Northbury clusters (photos above and far right facing page) include a variety of elevations. Outdoor living areas are oriented towards the landscaped green belts and away from streets and neighboring units. All living rooms are two stories high (rear in top photo facing page). Landscape architect: Jackson and Raeder. Project engineer: Washenaw Engineering.

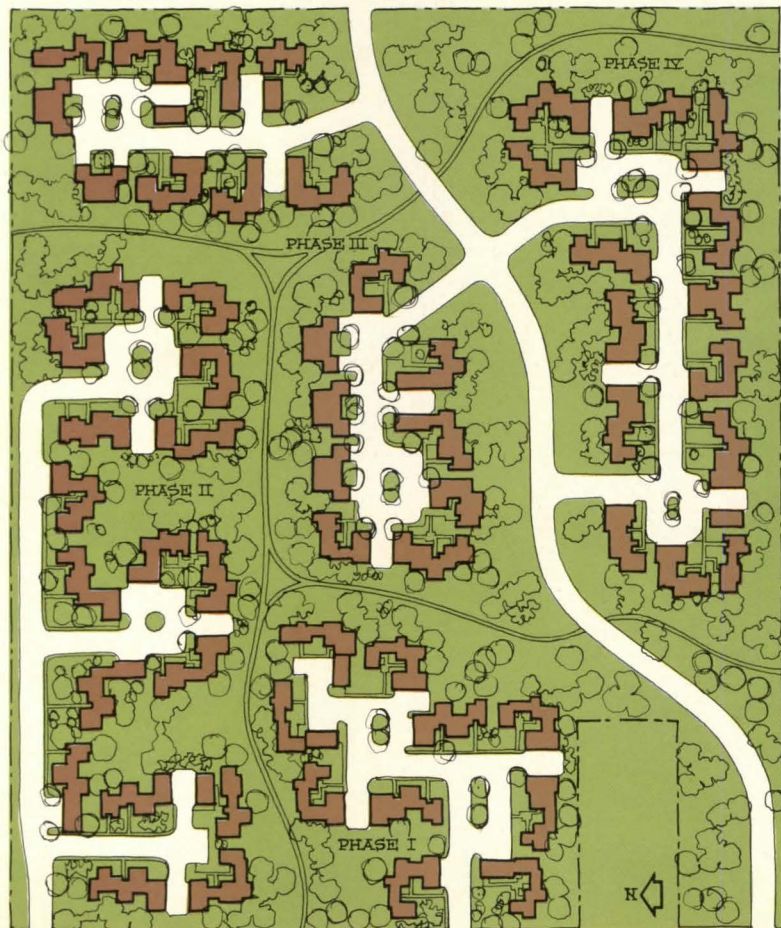


Two floor plans, of seven available, are shown above. The four-bedroom model contains 2,764 sq. ft. and sells for \$63,900. The two-bedroom model contains 2,169 sq. ft. and sells for \$54,900. Both are also available without the finished basements. Other plans range from 1,561 sq. ft. to 2,863 sq. ft. and sell for \$52,900 to \$65,500.

Site plan shows how each cluster of units is designed as a separate neighborhood. All 20 units in phase one are sold; all but nine of 34 phase-two units are completed and sold; and site work has begun on phases three and four. When completed, Northbury will contain 118 units. Landscaped patios are included with all units.



PHOTOS: BALTHAZAR KORAB





PHOTOS: YUICHI IDAKA

5 In a high-density highrise project, you don't have to settle for monotonous design

By reputation, highrise complexes are sterile and repetitively planned. Not so Environ at Inverrary, the Fort Lauderdale condominium shown here.

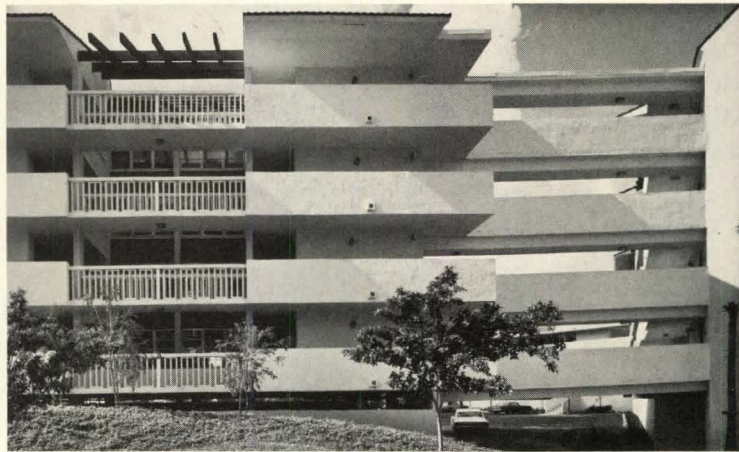
The project's randomly sited four-, six- and eight-story buildings offer three distinctly different living concepts:

1. A pinwheel-like plan that captures 360° views for most apartments.
2. A typical double-loaded corridor plan that's designed for buyers who favor conventional highrise living.
3. An atrium variation of the typical catwalk entry design, which has the advantage of floor-through ventilation but not the disadvantage of lack of privacy.

The 374-unit project is one section of a 1,000-acre master-planned community where over half the land is devoted to golf courses. So buildings are sited to overlook the fairways and to form a series of interlocking open spaces. These open areas—more than 80% of the 12-acre site—contain man-made lakes,

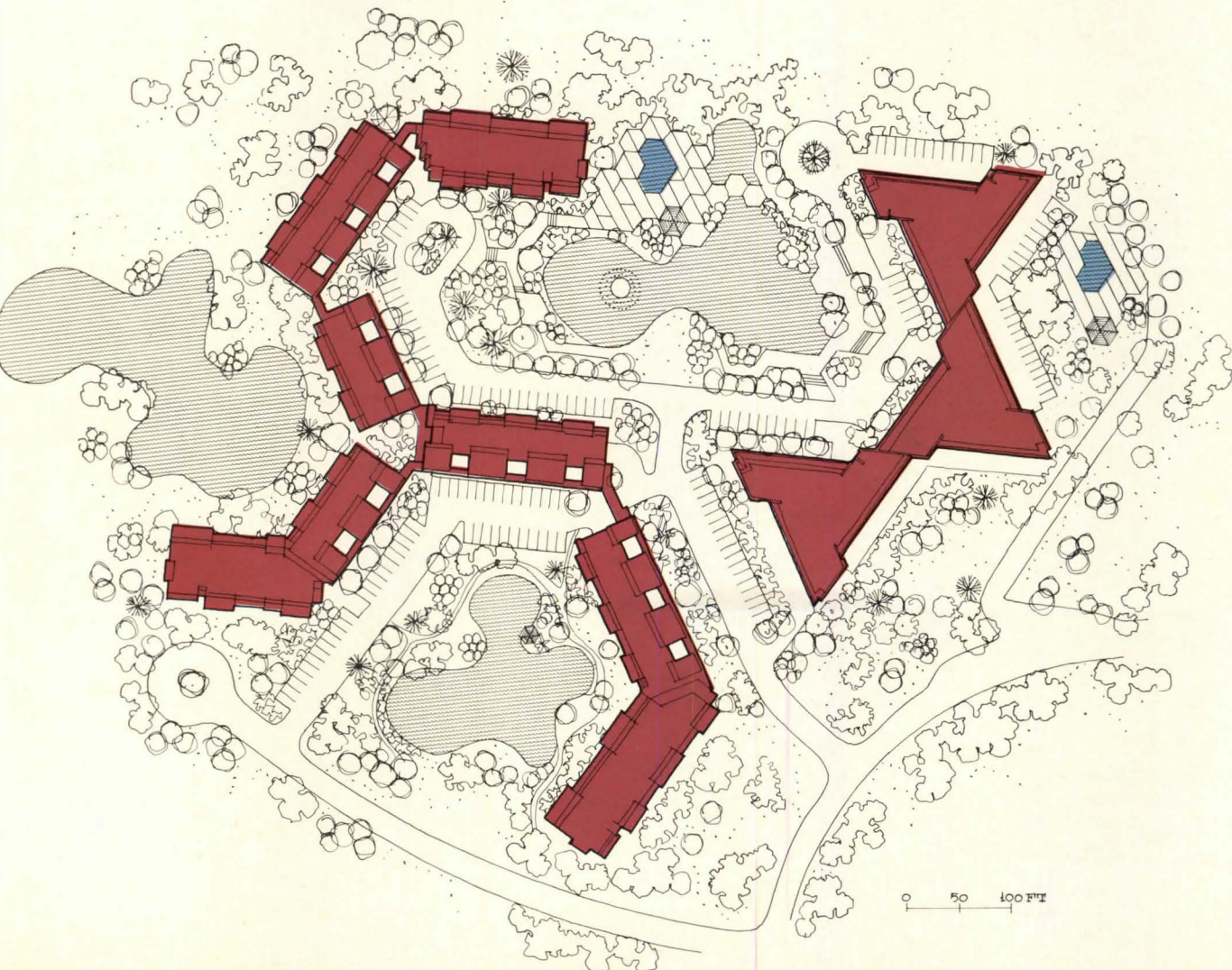
gardens and landscaped walkways. Owner parking is hidden beneath the buildings; guest parking is in landscaped bays.

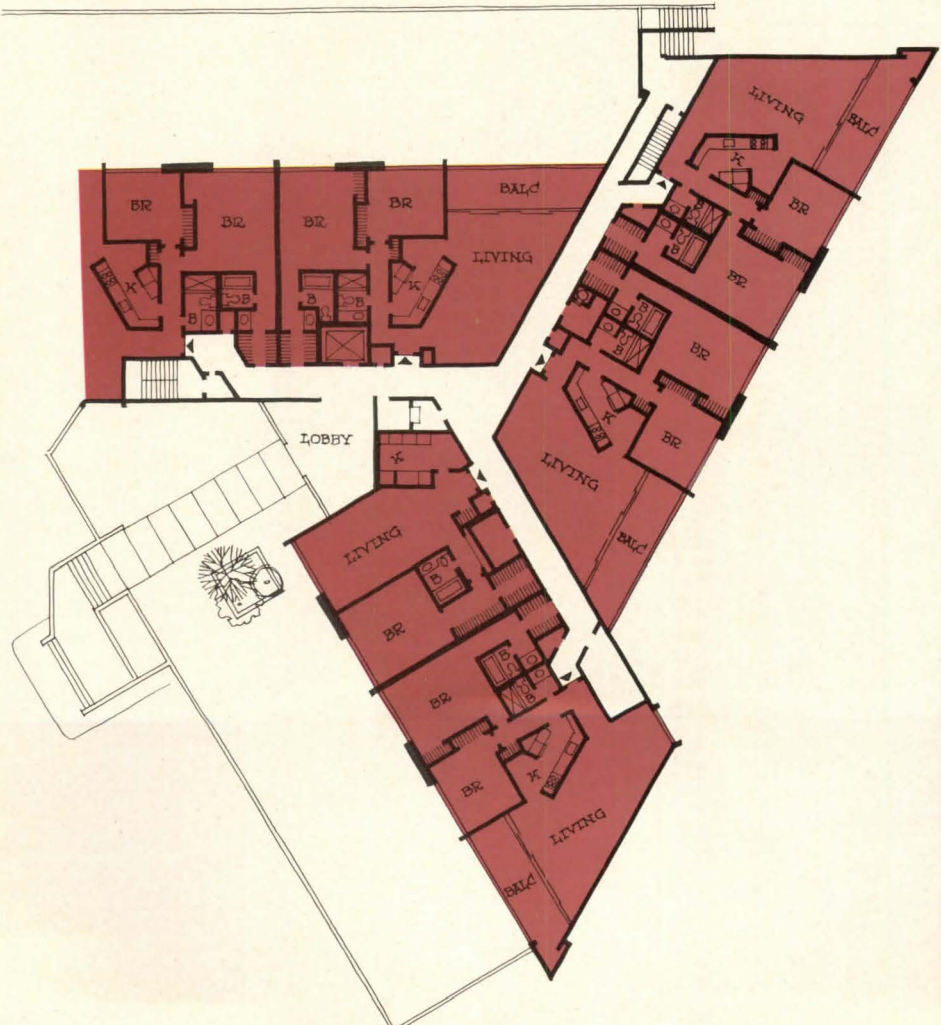
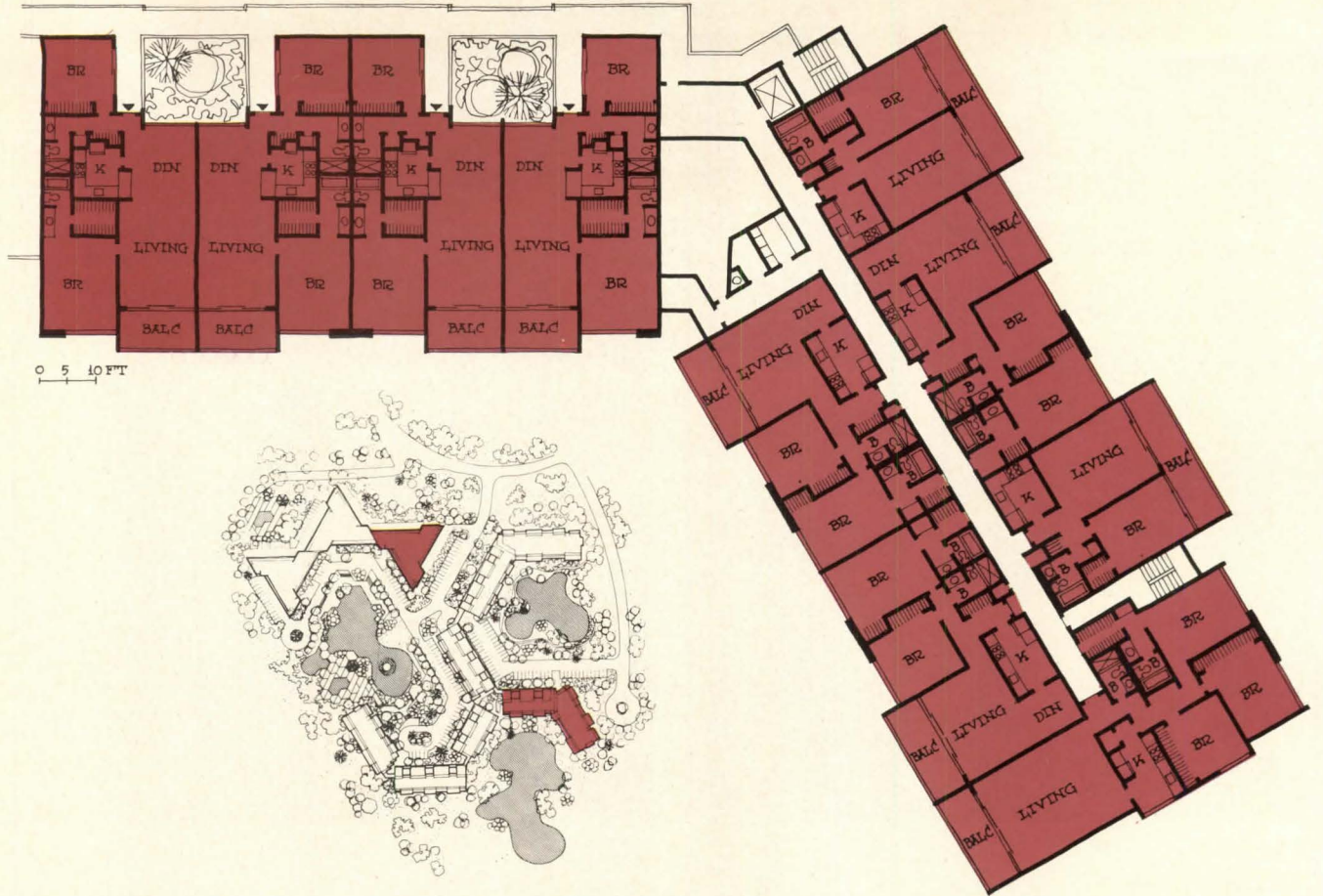
All units in the two-year-old project are sold—mainly to nonretired empty nesters from the New York area. Prices ran from \$30,000 to \$60,000, but most fell in the \$40,000 range. The project was designed by Arthur R. Minner, AIA and developed by S & R of Inverrary. For a closer look at how the plans work, turn the page.



Varied building shapes, seen in the photos at left, contrast with the uniformity of most highrise design. Four- and six-story buildings in photo at far left contain double-loaded corridor and floor-through catwalk units. Building in background in top photo is eight-story pinwheel tower. Lower photo shows the catwalk entry design, which provides private entrance corridors (left and right of railing) to each apartment. Sheltered bridges between buildings shield residents from sun and rain.

Oval site plan (below) groups buildings around lakes and landscaped areas. Although the density is high—31 an acre—it was kept below allowable limits of 37 an acre. Project's swimming pools are shown in blue.





Angled building plan (above) contains catwalk and double-loaded corridor units. Catwalk units (left in plan) are paired and share one ground-level atrium as a focal viewing point. Their unusual design—with private entry corridors leading from the catwalk—eliminate the loss of privacy common with catwalk plans. There are 104 of these units, each with two bedrooms and containing 1,152 sq. ft. Double-loaded corridor units (there are 126 in all) are conventional in design. They provide from one to three bedrooms and range in size from 750 to 1,474 sq. ft.

Pinwheel building plan puts three pairs of units on each floor. Thus most owners only pass one other unit to reach their apartments. All but three of the 144 pinwheel plans have two bedrooms and 1,160 or 1,190 sq. ft. of living space. Some feature loft libraries. The three one-bedroom units are 930 sq. ft.



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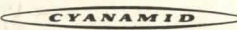
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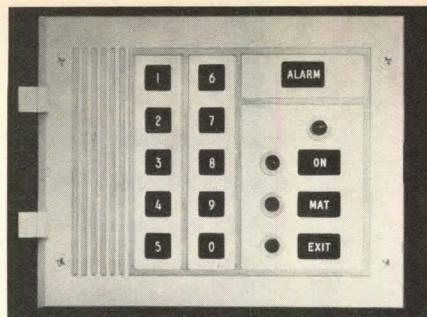


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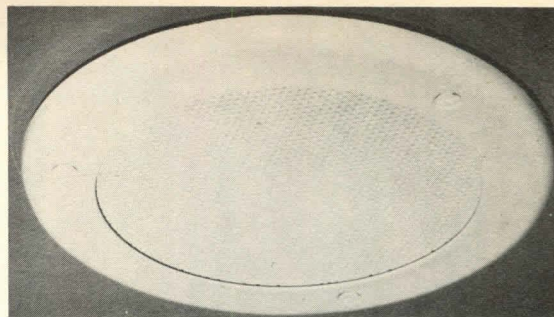
Patterns: Poppy, 881; Salem Birch, 443 and Butcherblock Maple, 204.

Vanity: Fire Agate, 820 and Gunstock Walnut, 492. Walls: Spring Pastorale, 691.

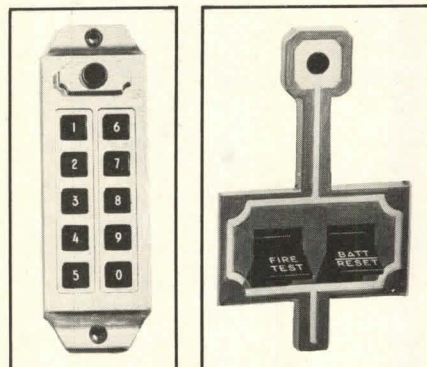




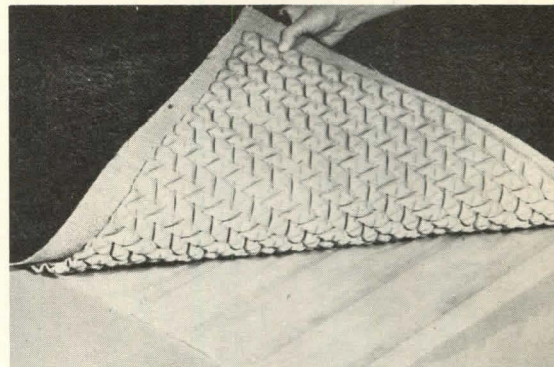
Convenience control panel



Internal electronic fire and intrusion alarm



Entrance control and test switches



Floor mat sensor installed under carpeting

Security System guards single-family homes

Designed for full-service protection, the solid state "Home Security System" signals the presence of fire or intrusion. Fire and intrusion monitors operate independently so that fire protection can be maintained even when intrusion alarm is off. A five numeral combination tapped out on a digital keyboard deactivates the intrusion system at either the outside entrance control or the inside convenience control panel. This panel, located just inside the main entrance,

also activates that phase of the system. The panel has a status light that indicates if all stations are secure, a mat button that controls floor mat sensors and an exit button that allows for a one-minute time delay giving the operator a chance to leave. The main control unit housing the solid state circuitry features a standby emergency battery and a set of test switches for function checks. Bomar, Ft. Wayne, Ind.

CIRCLE 200 ON READER SERVICE CARD

Fully-fitted cabinets hold more than just medicine

Everything from magnifying mirrors to manicuring scissors has a set place in these "Beauty Cabinets" imported from France. Storage features include sliding drawers, adjustable interior shelves, removable tub trays and adjustable balcony trays that attach to backs of doors. Fitted-accessories line consists of a movable magnifying mirror, a hygienic covered toothbrush and toothpaste holder and a magnetic rack for manicuring scissors, nail files and other metal items. Every cabinet in the line features three hinged-mirror-doors that provide three-way viewing. U/L-listed electrical outlets are located inside the cabinets for convenient storage. A safety lock with a key is provided so that medicines and perfumes can be kept secure. The cabinets come in a full range of styles and price ranges. Shown here are the "Tentation" (near right), a compact top-of-the-line model with contemporary styling and the more traditional Provincial "Pompadour," shown open (far right). Cabinet bodies, available in a selection of decorator colors, are of double-faced Formica with interiors of molded anti-static polystyrene. Allibert, New York City.



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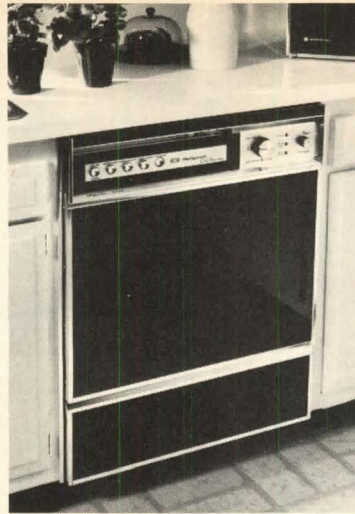
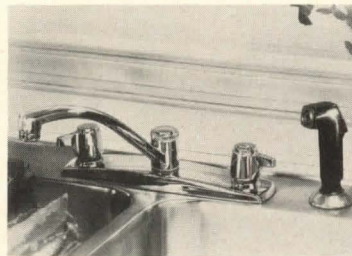
CIRCLE 201 ON READER SERVICE CARD



Side-by-side refrigerator features a third easy-access door at the top of the freezer compartment to minimize cold air loss during frequent openings. The top-of-the-line model is equipped with a chilled-water dispenser in the freezer door, a built-in icemaker and a customizing door-trim kit. Tappan, Mansfield, Ohio. CIRCLE 202 ON READER SERVICE CARD

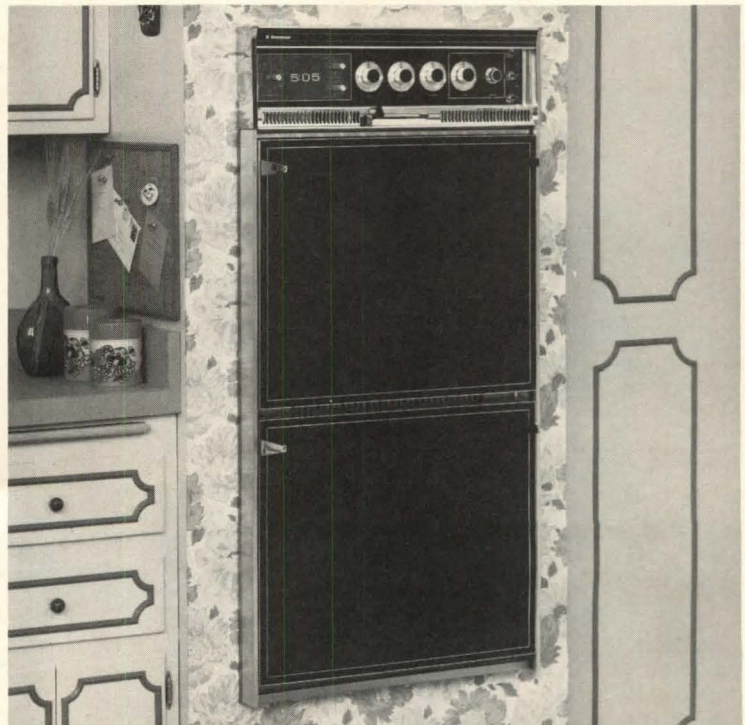
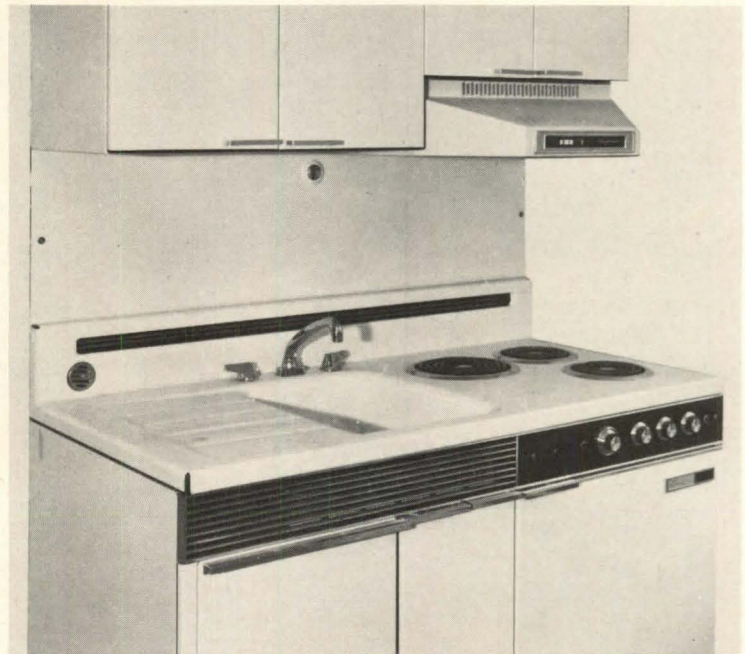
Flo-Free® 8" deck-type faucet (below) is one of ten models in an economical line. Fittings feature tubing waterways and steel base plates coated with PVC for rust and corrosion resistance. Valve mountings are a unitized brass construction with Teflon packing. Convenience options are offered. Speakman, Wilmington, Del. CIRCLE 203 ON READER SERVICE CARD

Hide-away sewing cabinet (below) can be custom crafted to match any Wood-Mode cabinetry style and finish. Available to fit any sewing machine, the unit provides a full six square feet of work area when extended. When not in use it disappears into the rest of the cabinetry. Wood-Mode, Kreamer, Pa. CIRCLE 204 ON READER SERVICE CARD



Whisper Clean® built-in dishwasher features a special washing cycle for heavily soiled pots, pans and casseroles. The fully sound-insulated unit, with 11 different cycles, is offered with reversible-color door panels. The tempered black-glass front shown is a decorative option. Hotpoint, Louisville, Ky. CIRCLE 205 ON READER SERVICE CARD

No-duct range hood has been added to the 51" compact kitchen unit (below). The satin-finished, stainless steel 24" hood has a two-speed fan, a built-in light and two filters. The kitchen also includes a refrigerator, a cooktop, a sink and cabinets. Dwyer, Michigan City, Ind. CIRCLE 206 ON READER SERVICE CARD



Dual microwave and conventional oven cooks food with conventional heat alone, with microwave energy alone or both ways simultaneously in the same chamber. The double unit shown has a conventional electric lower oven. Bowmar, New York City. CIRCLE 207 ON READER SERVICE CARD

more products on page 107

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Also, it had to be durable. To be able to keep its fresh appearance, no matter what.

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Product Research

How can you determine the strongest possible product for your market?

What extra features have the greatest appeal?

How do you know if your product is hitting—or missing—the market?

How should you monitor your competition to further your own success?

Advertising

How do you pick—and work with—a good advertising agency?

How much should the ad budget be in your particular market?

What are the three key ingredients in every good ad?

How can you slant your advertising towards a specific market?

Where is the prospect in today's tougher market, and what new advertising approaches will bring him out?

Public Relations

Can a good PR program make an ad campaign more effective?

What are some of the new ways to use the media?

How can you make referrals really work?

What kinds of communications are most effective after a prospect has visited your project?

On-Site Merchandising

How much do you need to spend to have an effective sales office?

What kind of sales office should you have—Permanent? Movable? Model? Garage? Nothing?

What percent of the merchandising budget should go into the sales and model area?

How do you create graphics that make the sales area and the models more appealing?

How can you control traffic in the sales and model area?

Model Presentation

How can you minimize model-area costs?

How much should you spend to decorate your models?

When don't you need to decorate?

What colors turn buyers on—and off?

How can you make one model do the work of many?

Sales and Sales Training

What motivates today's buyers, and how can these motivations be turned into an effective sales program?

What criteria should you use in determining how to compensate your sales staff?

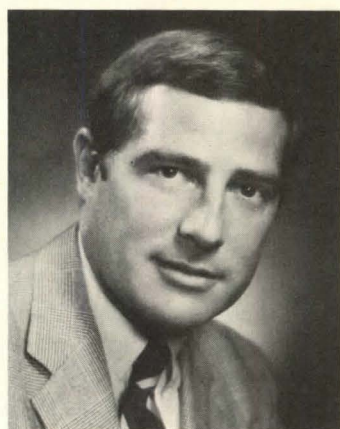
Which face-to-face sales techniques are most likely to give results?

How do you train and motivate your sales staff to sell **your** product?

What monitoring systems can you use to make sure your salesmen are performing at their peak?

How can your salesmen reach your prospects most efficiently in today's fuel-shy economy?

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Bayne A. Sparks is vice president, communications for Santa Anita Consolidated, whose homebuilding subsidiary, Grant Corp., is one of the country's major developers. Formerly, as corporate vice president of marketing for Grant Corp., he supervised the firm's marketing and merchandising operations in Northern and Southern California, Nevada, Arizona and Hawaii. Before joining Grant Corp., Mr. Sparks directed marketing and sales operations for Coronado Cays and for Rancho Bernardo, well-known projects in the San Diego area.

W. E. Mitchell is president and senior associate of Market Profiles, a marketing, merchandising, sales and research consulting firm. Previously, he was director of residential marketing for Walker & Lee, Inc., one of the West's largest residential real-estate firms, and later became general sales manager for Deane Brothers, Inc., a builder widely respected as one of the most creative marketeers in the country. Market Profiles was formed in 1968.

Jack Risbrough is founder and head of Jack Risbrough Associates, a consulting firm that provides comprehensive marketing services specially designed for the small and medium-volume builder. Before founding his own firm he held a number of key marketing positions: general sales manager of a division of American Housing Guild, project manager for Deane Brothers, Inc., national marketing vice president of J. H. Snyder, Co., and national marketing vice president of Deane & Deane, Inc. He is currently Region II chairman of the Sales and Marketing Council of NAHB.

Dave Stone is president of The Stone Institute, Inc., a market and management consulting firm with offices in California, Minnesota, Missouri and Washington, D.C. He has been both a realtor and a builder, and served as general manager of Stone & Schulte Inc., a realty firm that represented many of the San Francisco Bay Area's most successful builders. He is best known as homebuilding's leading expert on sales and sales training; over the last 20 years he has lectured on these subjects to more than 100,000 industry people in 50 states, and he has authored eight books on real-estate selling.



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"Zero-guard chest freezer has a built-in reserve cooling capacity and improved cold retention. The unit features a key lock, an interior light, a sliding lift-out basket, adjustable temperature control and a counter-balanced lid. Admiral, Chicago. CIRCLE 208 ON READER SERVICE CARD



Three-door side-by-side refrigerator/freezer features an electronic message center in the door. The battery-operated "Conversation Piece" including an AM-FM radio and a cassette tape player-recorder, can be easily removed for separate use. Frigidaire, Dayton, Ohio. CIRCLE 211 ON READER SERVICE CARD

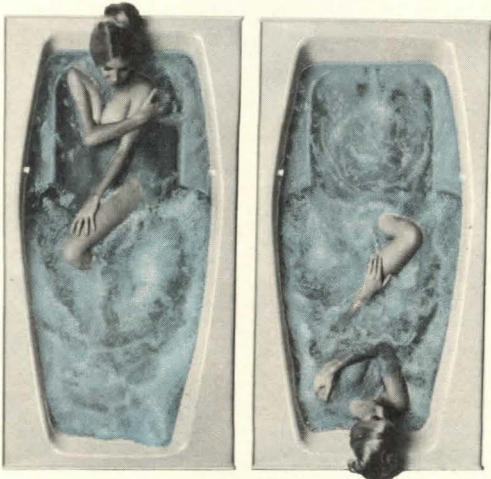
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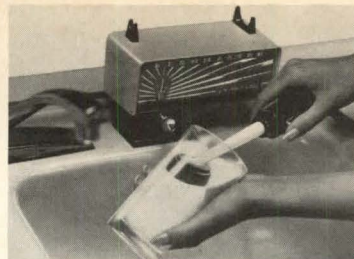
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Hand-held dishwasher, "Dishmaster," with a brush scrubber, dispenses detergent as it washes. Unit attaches directly to kitchen plumbing. Two models are available: one for faucet mount and one that fits in the place of a rinse-spray attachment. Both come in colors. Manville, Pontiac, Mich. CIRCLE 212 ON READER SERVICE CARD



Traditionally styled cabinets in a moderate price range feature a tough, durable "Miralon" finish. Impervious to most household caustics including catsup, liquor, mustard, vinegar and other harsh kitchen substances, the woodgrained cabinets come in English, Early American and modern styles as well. Adler Kay, Wayne, Mich. CIRCLE 210 ON READER SERVICE CARD



"Americana" cabinets feature door and drawer fronts of Formica laminate. The woodgrained cabinets have frames, sides, shelves and interior surfaces coated with a vinyl film. The line features adjustable shelves in single-door wall cabinets and slide-out trays in single-door base units. Merrilat, Adrian, Mich. CIRCLE 213 ON READER SERVICE CARD

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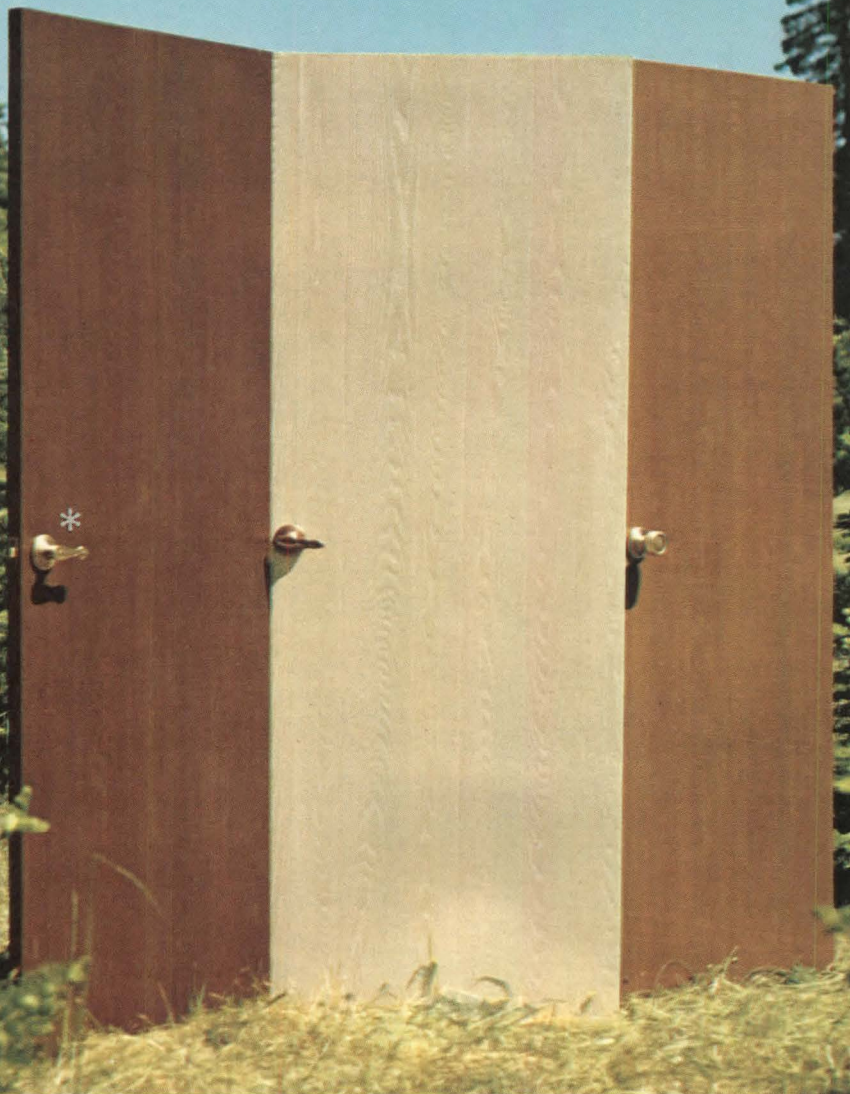
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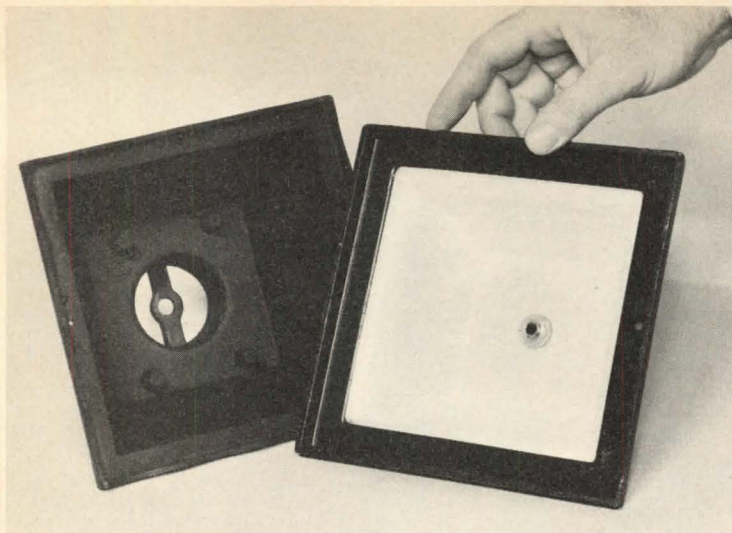
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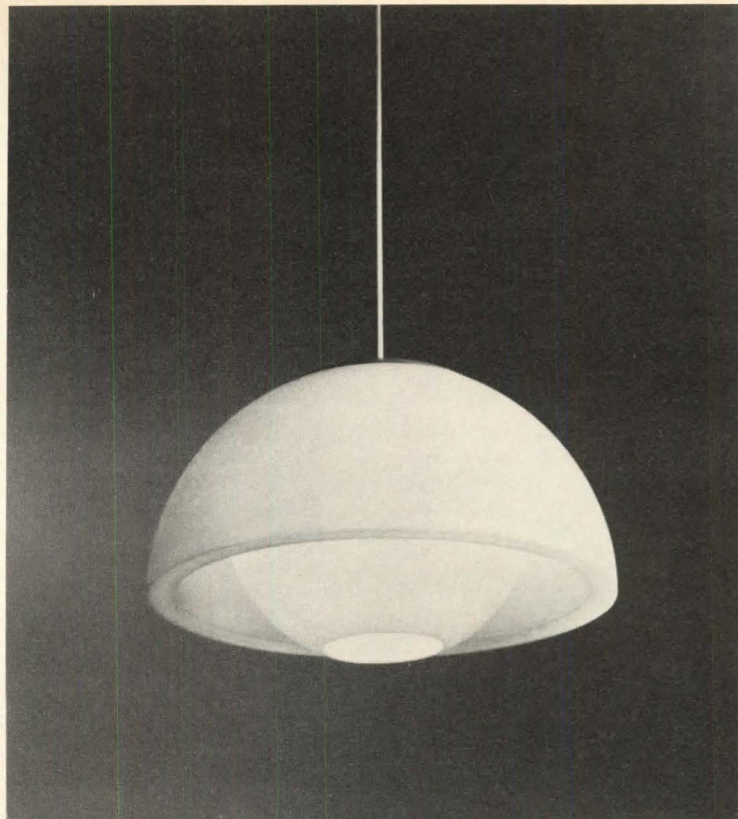
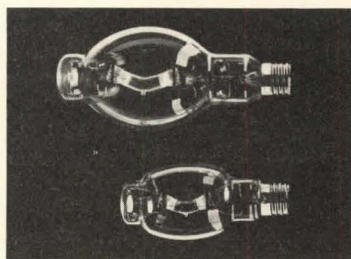
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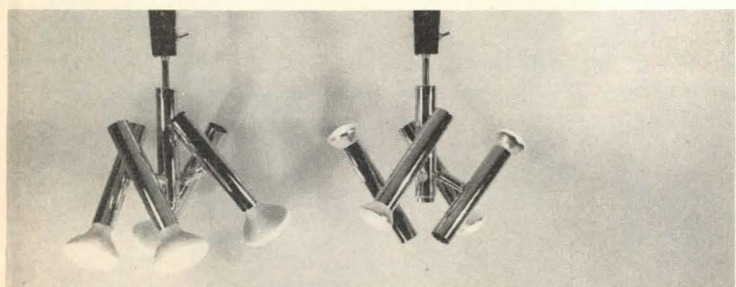
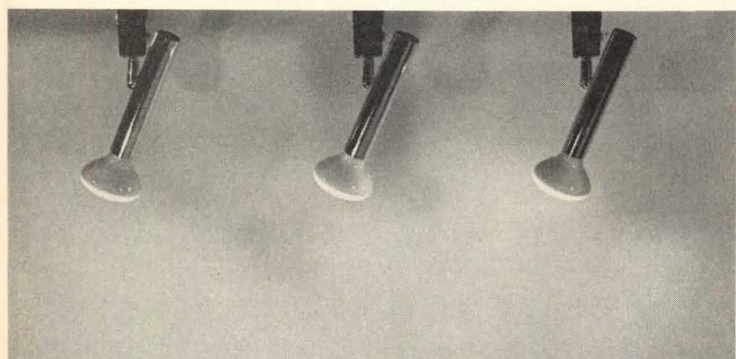
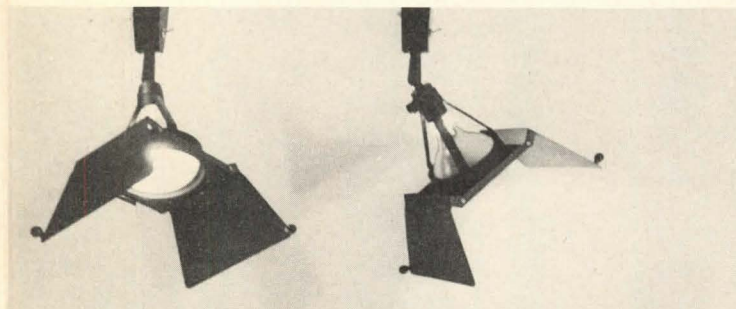
Outdoor "Energy Saver" lanterns feature an inside reflector treated with a special hi-bake, hi-gloss luminescent enamel which increases lighting efficiency. Lower wattage lamps can be used without losing illumination. Vir-den Lighting, Cleveland, Ohio. CIRCLE 214 ON READER SERVICE CARD

Super Metalarc high intensity lamps produce substantially more light with no increase in electric energy consumption. The lamps are designed to burn in the horizontal position shown. Offered in 175w and 400w units, they contain slightly curved arc tubes. GTE Sylvania, Stamford, Conn.

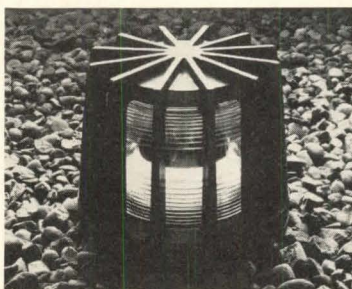
CIRCLE 215 ON READER SERVICE CARD



Contemporary pendant fixture, "Domaform", designed by Paul Mayen, is cast in one piece of high density linear polyethylene. The translucent unit has an open bottom for easy relamping. Shatterproof fixture is cord- or stem-suspended. Habitat, New York City. CIRCLE 217 ON READER SERVICE CARD



Creative track lighting fixtures range from conventional cylinders to whimsical looking chrome-finished student lamps. Shown are the theatrical-inspired "Barn Doors" (top), "Slim" (center) and "Multi-slim" (bottom). TSAO, New Canaan, Conn. CIRCLE 216 ON READER SERVICE CARD



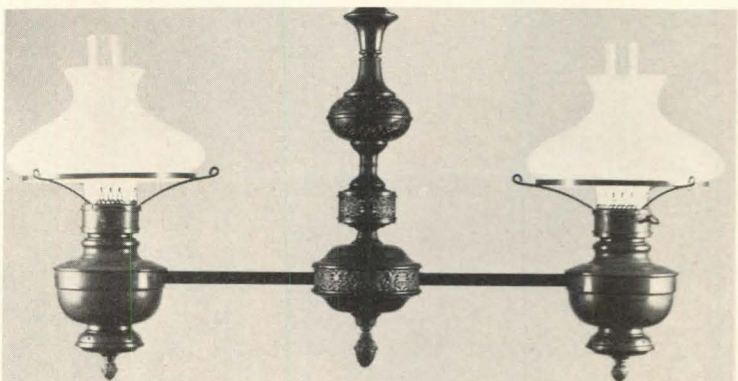
Vandal-resistant outdoor lighting unit has a shatterproof lens of injection-molded polycarbonate. Fixture, which can be wall or ceiling mounted or installed at ground level, comes in 100w tungsten and 50w mercury-vapor versions. Prisms in the lens eliminate the need for reflectors. Churchouse Ltd., Walsall, England.

CIRCLE 218 ON READER SERVICE CARD



"Hi-intensity Flood Light" is durable and easy to maintain. The fixture can be used for small single-unit applications or large multiple installations. Both 1,000w and 1,500w metal halide versions are offered. Mercury-vapor and high-pressure sodium lamps are also available. ITT, Landmark, Southaven, Miss.

CIRCLE 219 ON READER SERVICE CARD



"Americana" light fixtures capture the classic look of 19th century gas and oil lamps. Available in six models, fixtures are finished in old iron, pewter, mustard yellow or gold and accented by china and opal glass shades. Diamond Lighting, New York City. CIRCLE 220 ON READER SERVICE CARD

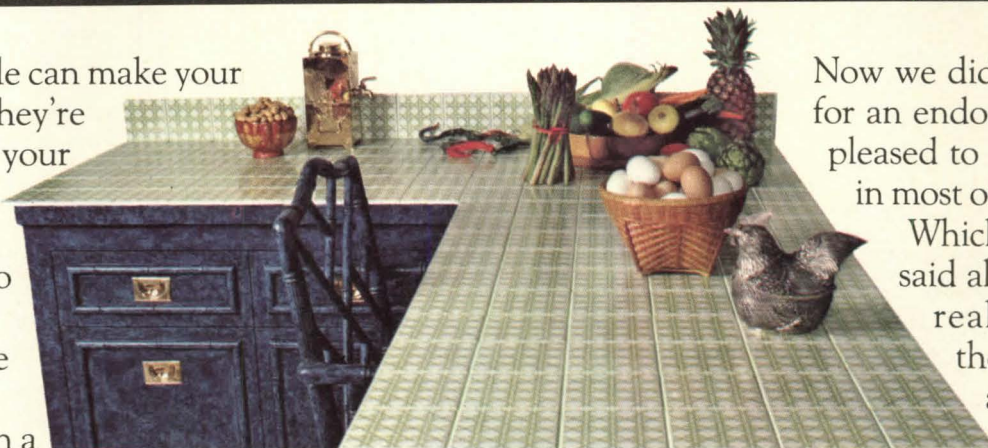
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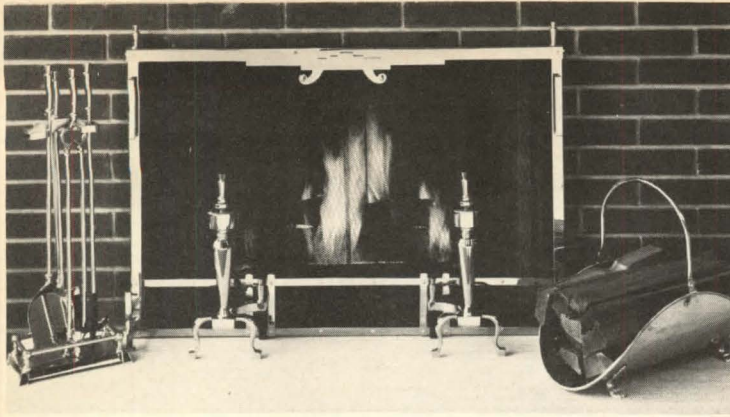
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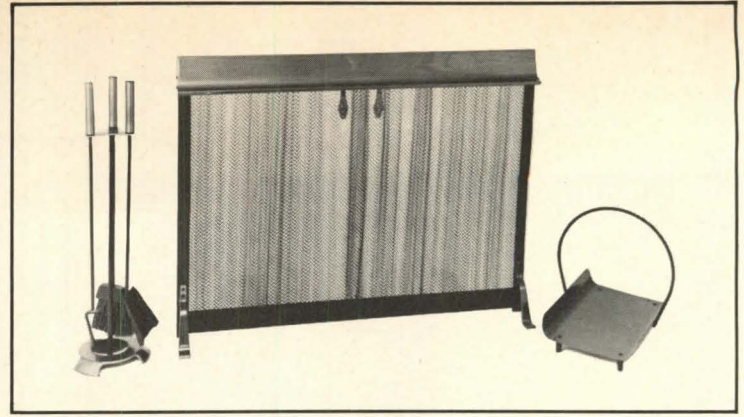


Gracefully styled fireplace ensemble adds elegance to a traditional brick setting. The grouping includes a polished nickel standing screen on solid brass accented with a black mesh curtain, andirons, a full set of fire-tending tools and a clawfooted log-carrying basket. Portland Willamette, Portland, Ore.

CIRCLE 221 ON READER SERVICE CARD

Pre-built fireplace (below) of cast masonry and polyurethane features a handcrafted natural wood mantel. Designated the James Fenimore Cooper model, the unit with a raised hearth has the look of cut quarry stone. Lining has a burnt firestone finish. Unit accepts gas or electric log sets. Readybuilt, Baltimore, Md.

CIRCLE 222 ON READER SERVICE CARD



Contemporary fireplace accessories combine antique brass and black finishes. The screen, standing 31" high, has a sloped brass hood with angled brass feet and a movable mesh curtain. The ensemble also includes a matching wood basket and a freset of black tools with brass handles. Fred Meyer, Emeryville, Calif.

CIRCLE 224 ON READER SERVICE CARD

Easy-to-install gas-log fireplace, "Flame-Form" (below), can be set into place after walls and floors are finished to protect against job-site damage. The unit, which fits between normal stud spacing, requires only 11" recess depth and features an adjustable vent connection. Superior Fireplace, Fullerton, Calif.

CIRCLE 225 ON READER SERVICE CARD



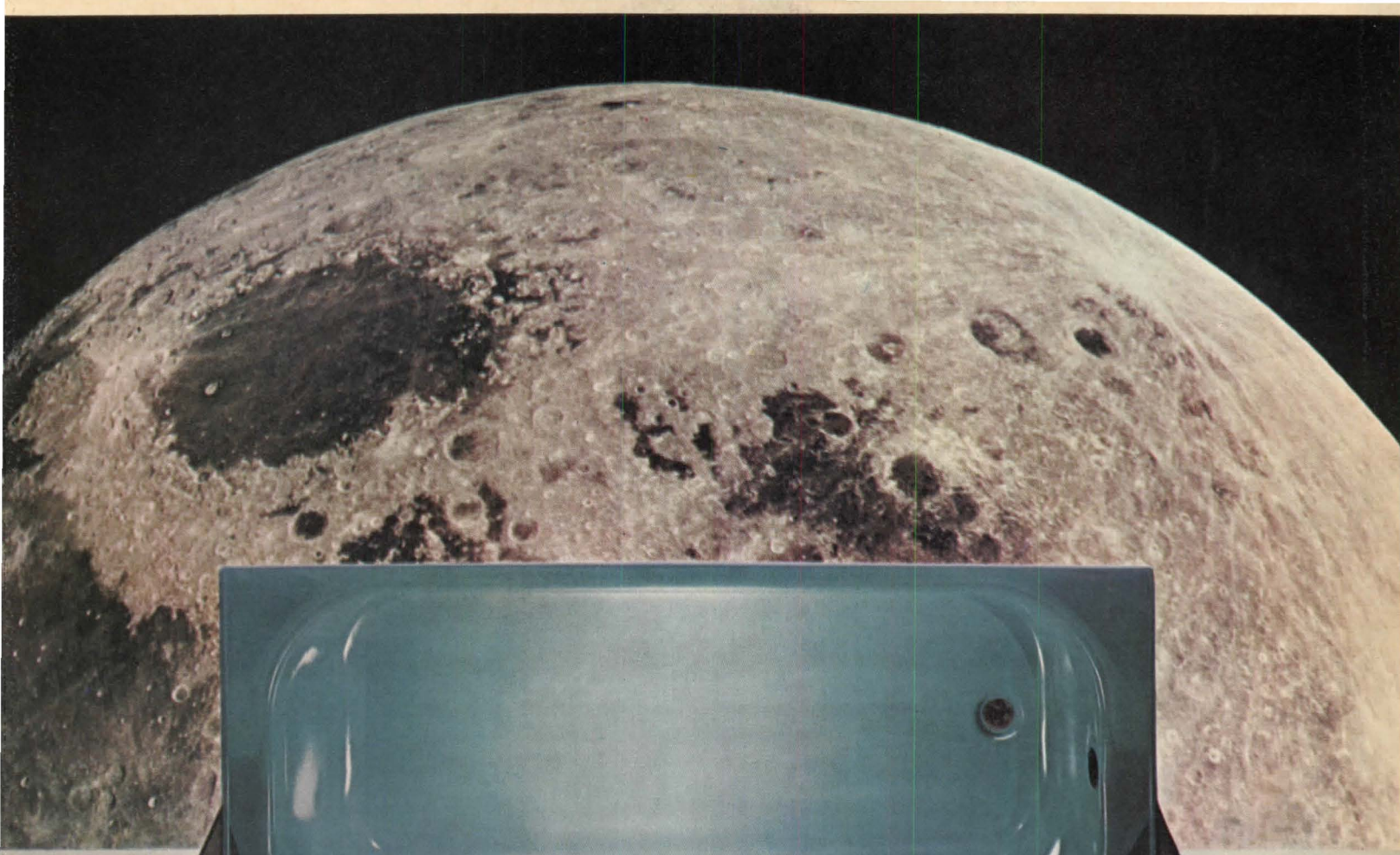
Free-standing fireplace (below) can burn coal, wood or charcoal and can accommodate gas logs. Easy-to-install unit with double wall construction throughout can be used as a supplemental heat source. U.S. Stove, South Pittsburgh, Tenn. CIRCLE 223 ON READER SERVICE CARD



Low-cost gas-burning fireplace, "Mark 2028" (below), is a factory-built unit that can be set directly on wood floors and against walls or other combustibles. Unit has an integral flat black frame that can serve as trim finish. Heatilator, Mt. Pleasant, Iowa. CIRCLE 226 ON READER SERVICE CARD



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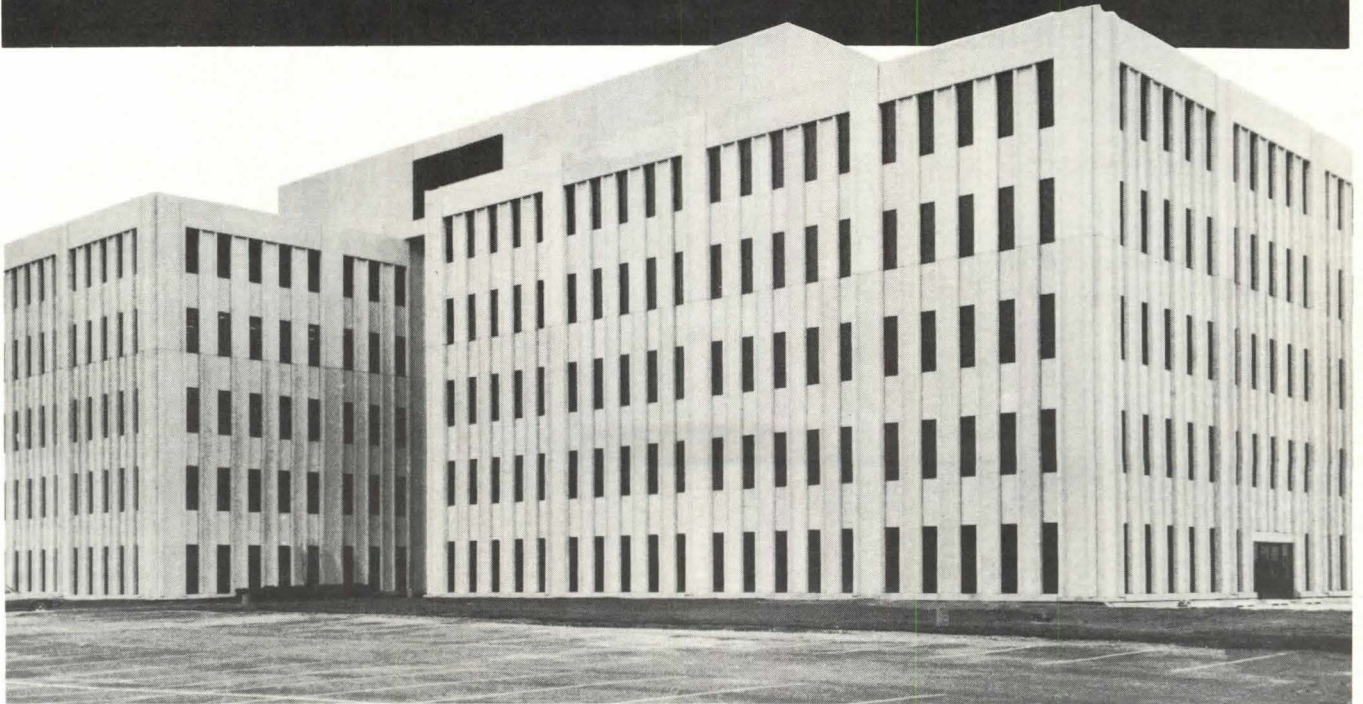
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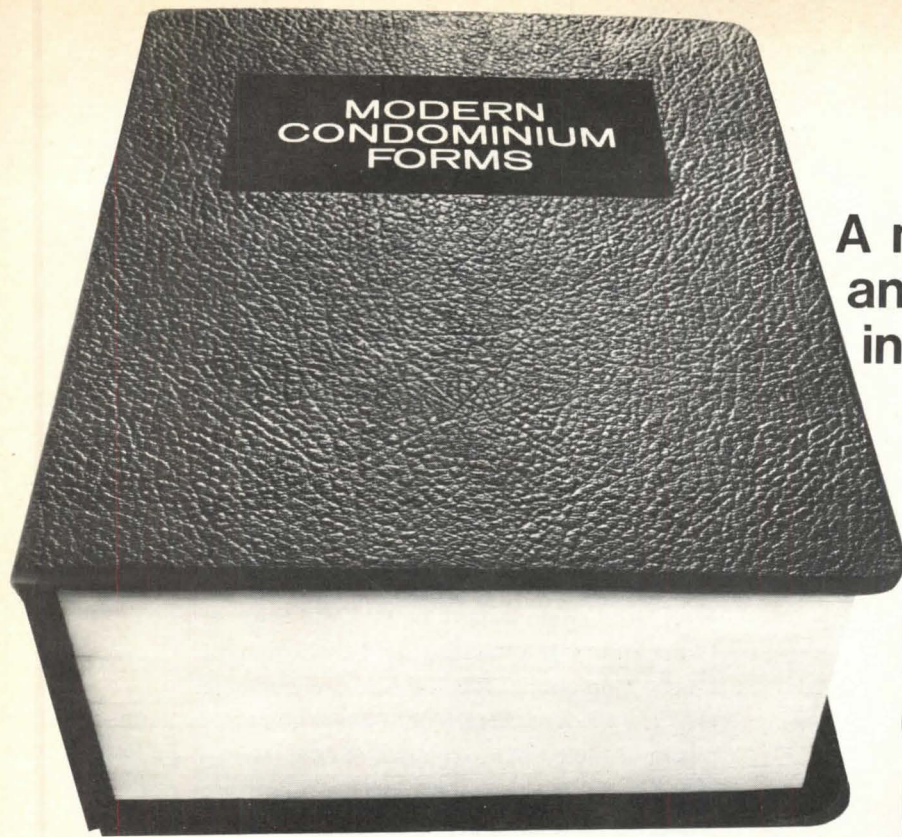
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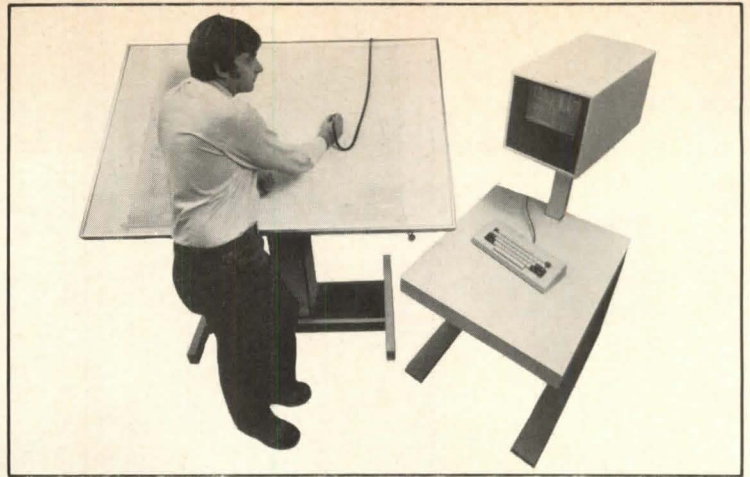
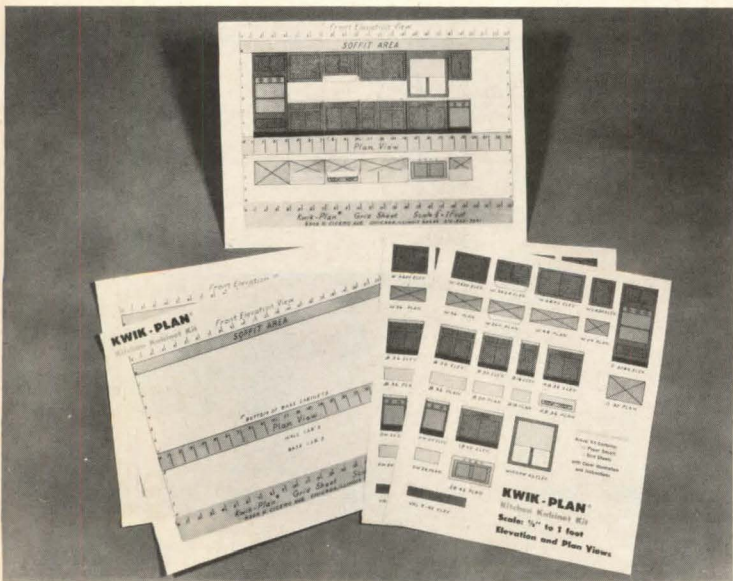


Plain Paper Copier "Model 530" can also be used to copy letterheads, colored stock, pre-printed forms, gummed labels, transparencies and diazo masters. Unit produces ten copies per minute and up to 15 on a single dial setting. Sperry Remington, Blue Bell, Pa. CIRCLE 233 ON READER SERVICE CARD

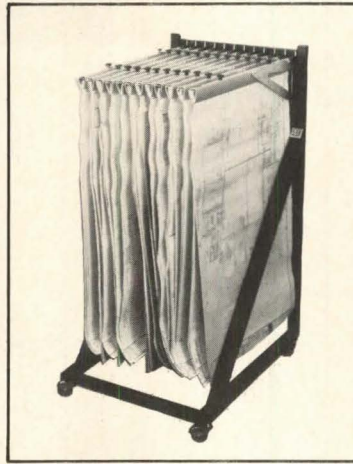
Portable hand-held "354 Micro Surveyor" can perform complicated surveying computations in the field or office. The 5"x9"x2" lightweight unit operates on rechargeable batteries. It comes with a carrying case, a battery charger and an AC cord. Computer Design, Los Angeles. CIRCLE 234 ON READER SERVICE CARD



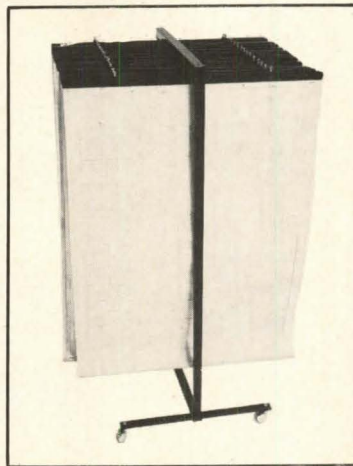
Layout and design kits for kitchens and bathrooms (below) include a full set of decals representing appliances, cabinetry, plumbing fixtures and accessories. Available in 1/2" to 1" scale, decals fit on master grid sheets. National Plan, Chicago. CIRCLE 235 ON READER SERVICE CARD



Electronic drafting system, Tabletizer™, records, stores and feeds back graphic information. Operating on commands and notations from an electronic pen, the system allows for editing and adjustment of all material. Applicon, Burlington, Mass. CIRCLE 236 ON READER SERVICE CARD



Spacesaving vertical file requires 25% less floor space than conventional units. Simple two-piece aluminum friction binders with a deep clamp design grip the sheets. Slide-lock studs allow for easy removal and replacement of binders in racks. Plan File, Los Angeles. CIRCLE 237 ON READER SERVICE CARD



"Stikfile" vertical hanging file for large plans and blueprints has formed metal binders with set-screw tighteners. File comes in the portable version shown or in a wall-mount model finished in black. It is also offered enclosed in cabinets available in a choice of colors. Viking, Chicago. CIRCLE 238 ON READER SERVICE CARD

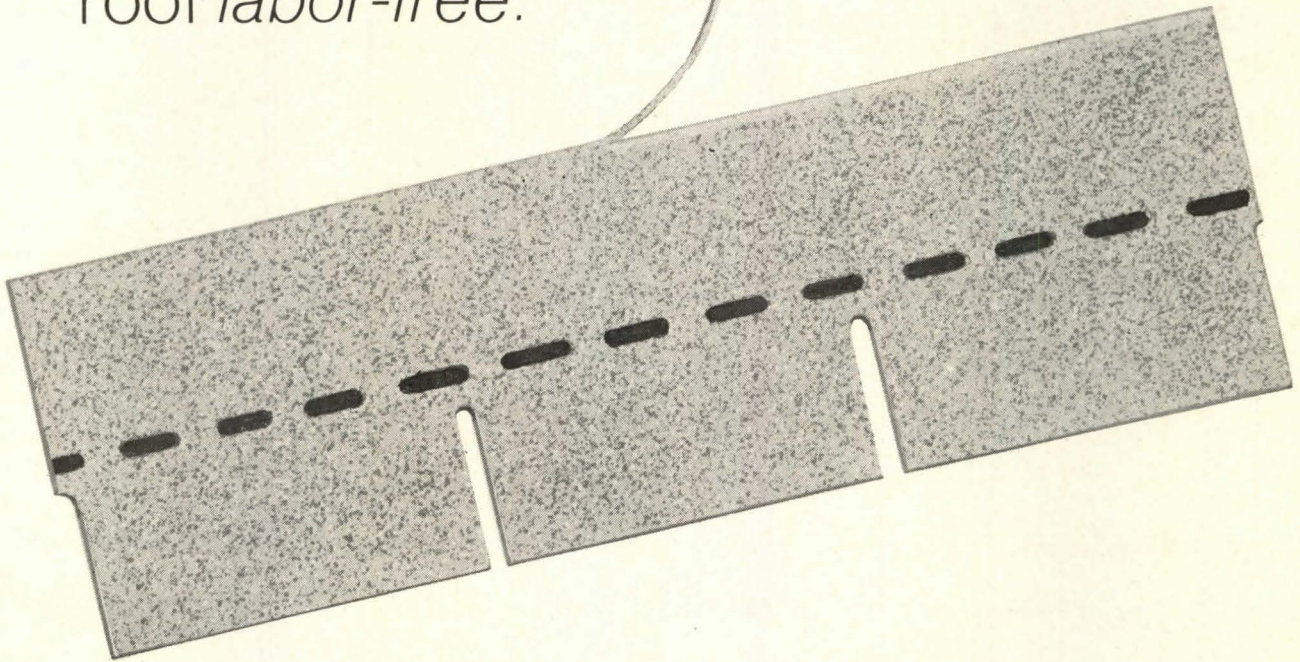
Portable rotating drawing table, "Rotobord" (below), is highly accurate and fast. Unit is a circular rotating drawing table fixed in a rigid frame. A transparent rule on a sliding bar serves as a T-square. Rotobord, Bridgenorth, England. CIRCLE 239 ON READER SERVICE CARD



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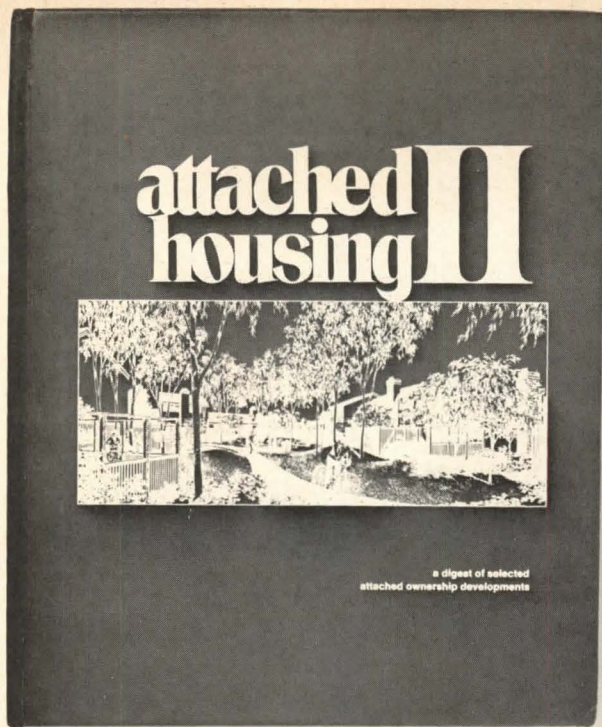
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Highly readable, the format of Attached Housing II provides a development critique which outlines the basic profile of each of the plans, features and amenities. It also includes schematics of the floor plans as well as the land plans utilized.

Attached Housing II was undertaken by W. E. Mitchell, President and Senior Associate of Market Profiles, a marketing, merchandising, sales and research consulting firm headquartered on the West Coast.

Mr. Mitchell's penetrating analysis brings qualitative depth to his research, in conjunction with the quantitative data. His analysis centers around the demographics and consumer preferences of buyers. His comments also relate to product orientation and to the strength and weakness of the various land plans and floor plans presented.

Previously, Mr. Mitchell was director of residential marketing for Walker & Lee, Inc., one of the West's largest residential real-estate firms. He later became general sales manager for Deane Brothers, Inc., and was responsible for this builder's highly creative marketing programs, widely respected as one of the most successful in the country.

This authoritative research report offers you protection against costly mistakes in planning attached housing.

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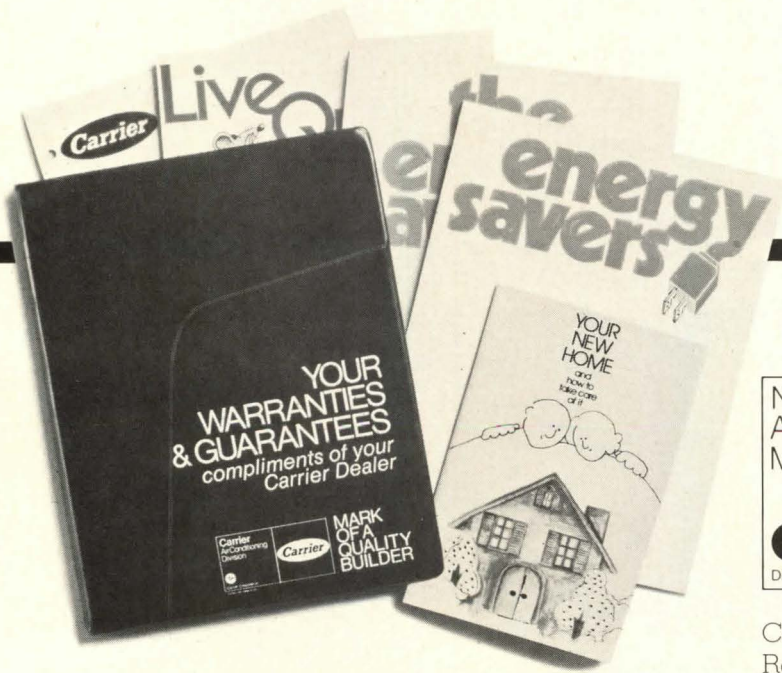
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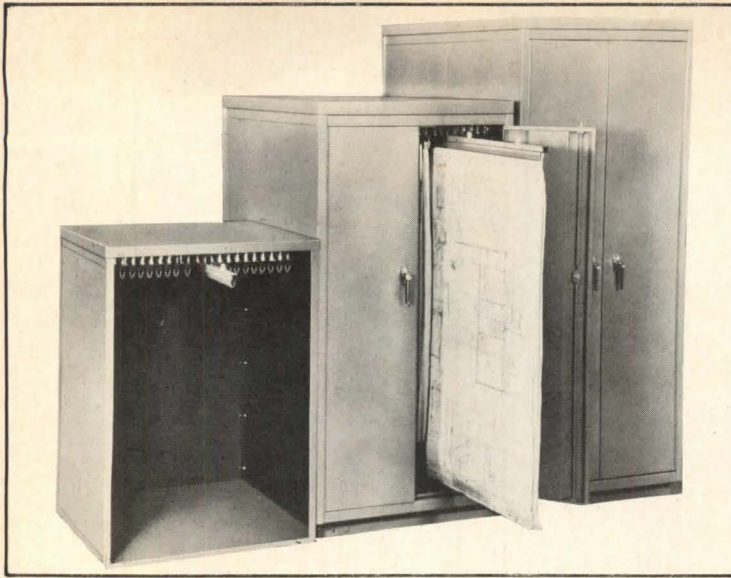
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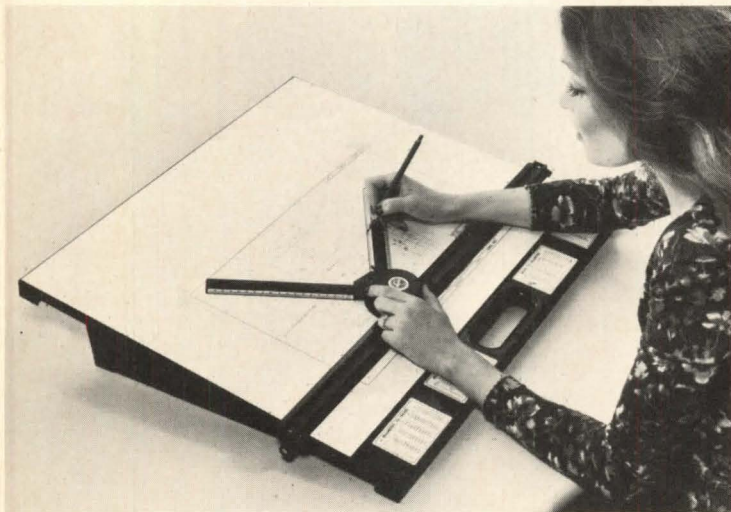
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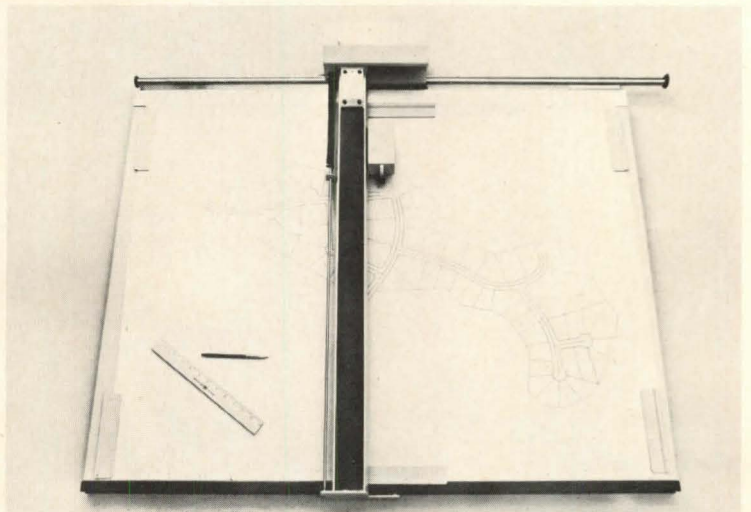
"PlanGlide" cabinet for vertical filing provides for easy retrieval of large plans and prints. A patented binder, which glides in and out on Teflon slides, pivots to allow for instant review and retrieval. Tubular steel unit has locking doors. Plan Hold, Irvine, Calif.. CIRCLE 227 ON READER SERVICE CARD



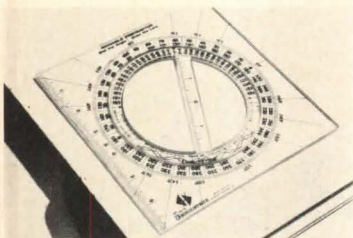
Four-post steel drafting table features a time saving one-side tilt adjustment, which can be installed either left or right. Unit has an attached pencil trough, two drawers and a steel true-edge board with an optional vinyl top. Huey, Franklin Park, Ill. CIRCLE 228 ON READER SERVICE CARD



Portable drafting and drawing board, "Port-A-Board", weighs only 14 lbs. The plastic-coated board has a sliding black anodized horizontal ruler. Adjustment quadrant rules feature scales calibrated in inches and millimeters. C-Thru Ruler, Bloomfield, Conn. CIRCLE 229 ON READER SERVICE CARD

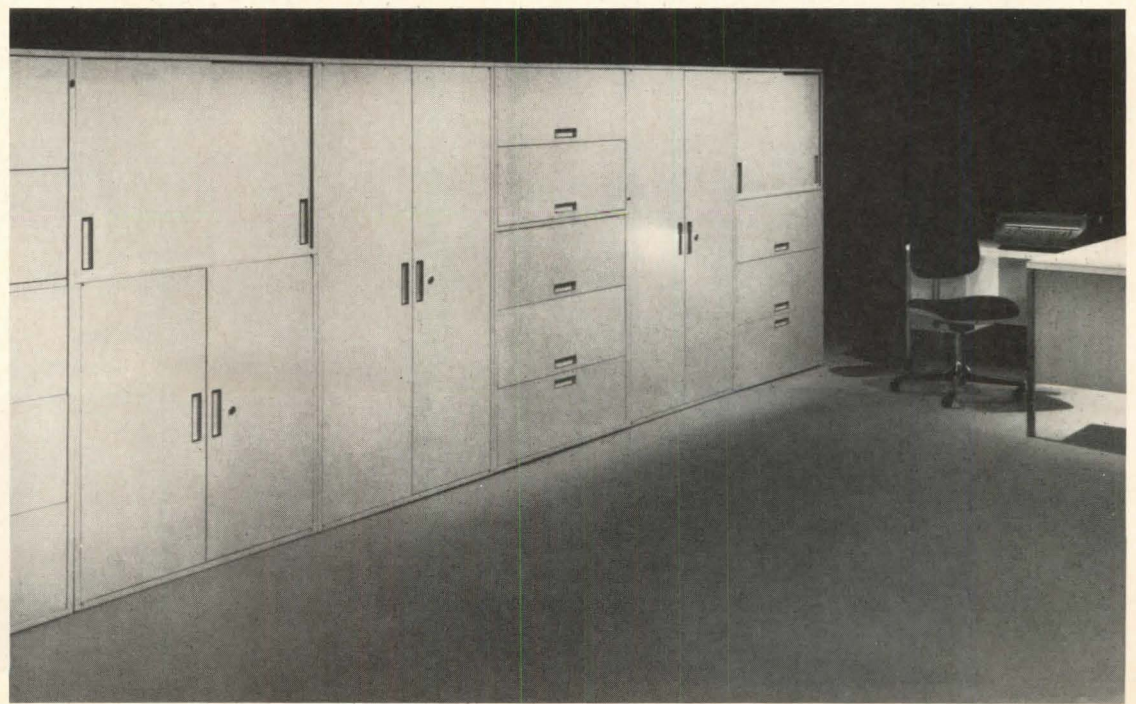


The "723 Digital Flat Bed Plotter" produces finished plots on any type of paper. Driven by a calculator, the 31"x42" unit gives continuous line- or point-plotting graphics of curves and data of problems solved on the calculator. Wang, Tewksbury, Mass. CIRCLE 230 ON READER SERVICE CARD



Rotating axis protractor can be used to draw or measure any angle to 360° and also functions as a parallel ruling device and a variable right triangle. The versatile 7"-square "Rotangle" is priced under \$5. Labindustries, Berkeley, Calif. CIRCLE 231 ON READER SERVICE CARD

Lateral filing and storage system, "Quantum", includes a full line of cabinets and drawers as well as interchangeable wardrobe- and bulk-storage units. The modular system also offers communication centers, shelving and work areas. GF, Youngstown, Ohio. CIRCLE 232 ON READER SERVICE CARD



more products on page 124

"My wife told me about KitchenAid being the best dishwasher made. The people who buy my houses agree."

"I haven't had even one buyer ask to exchange KitchenAid for another brand of dishwasher in the four years I've been specifying them," says Howard Hurlburt, President of Lynn Garden Homes.

Howard's been building homes in and around Pueblo, Colorado for sixteen years now. He knows that in times like these, home buyers want to squeeze every penny out of their shrinking dollars. And a KitchenAid dishwasher can be a sign of the quality they're looking for in a home.

As Howard puts it, "The few extra dollars



I spend to specify KitchenAid earn me a lot of extra returns in goodwill with my customers."

And Howard says there's another important reason why he specifies KitchenAid dishwashers exclusively: "I haven't had one problem or callback with them."

Perhaps you should specify KitchenAid products in the homes you build, too. Ask your wife, like Howard Hurlburt did.

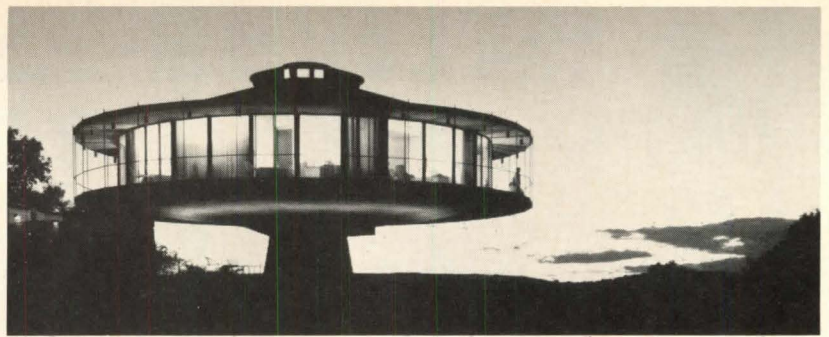
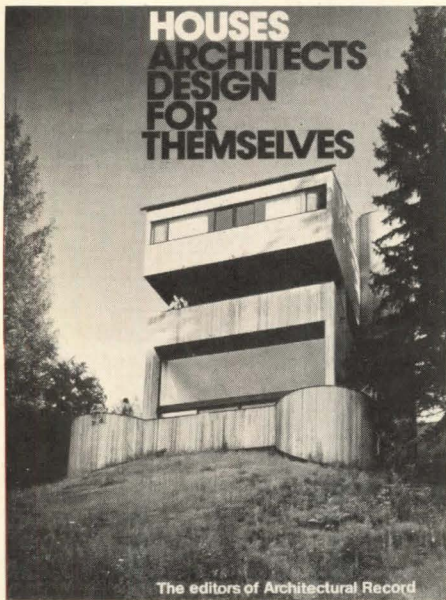
Then call your KitchenAid distributor. He'll tell you about his builder plan. KitchenAid Division, Dept. 4DS-9, Hobart Corporation, Troy, Ohio 45374.

KitchenAid. Built better. Not cheaper.

Dishwashers • Trash Compactors • Disposers • Hot-water Dispensers CIRCLE 121 ON READER SERVICE CARD



Howard Hurlburt, Lynn Garden Homes, Pueblo, Colorado



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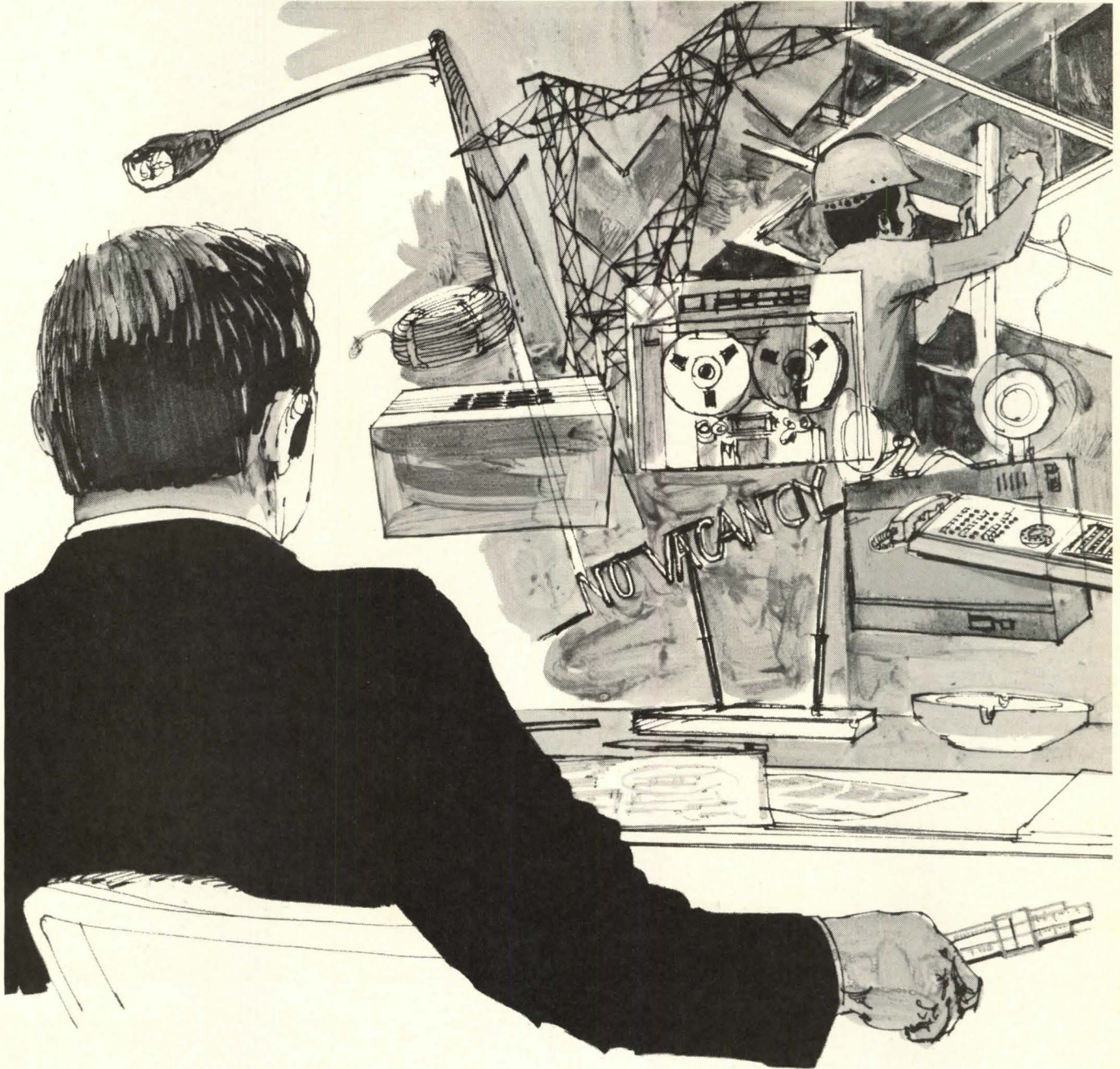
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What do you expect from electrical contractors?



NECA study reveals opinions of general contractors.

In a study conducted recently by the National Electrical Contractors Association (NECA), questions covered capabilities expected of electrical contractors. Some people seem to feel that electrical contractors mostly pull wire and install lighting fixtures. Not so.

When it comes to capability in electrical systems, professional electrical contractors have it... in a wide range of services. Everything from power distribution and power line construction to standby emergency power sources. From interior and

exterior lighting to communications, electric space conditioning and automatic controls. From integrated ceilings, electric signs, and master clock systems, to motors and motor controls, security systems, fire and smoke detection systems, etc., etc., etc.

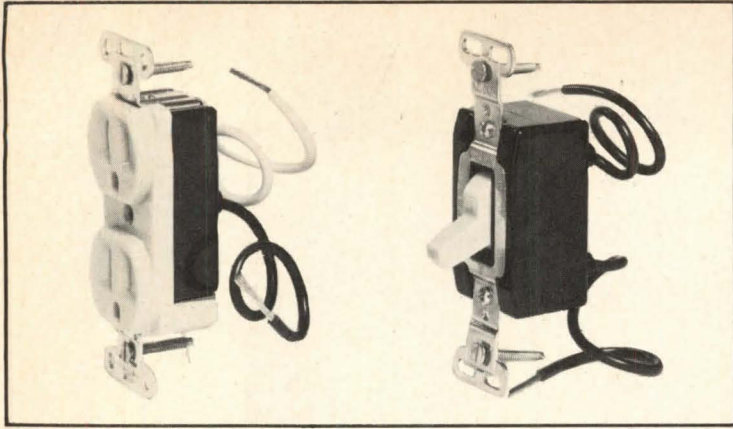
Professional electrical contractors manage a competent and proficient team of skilled, technically trained manpower... experts at accelerating construction schedules, purchasing and expediting materials, obtaining local code inspection approvals, and

translating plans into reality at a profit for everyone concerned. When you consider complex electrical systems, consider the full range of services provided by professional electrical contractors.

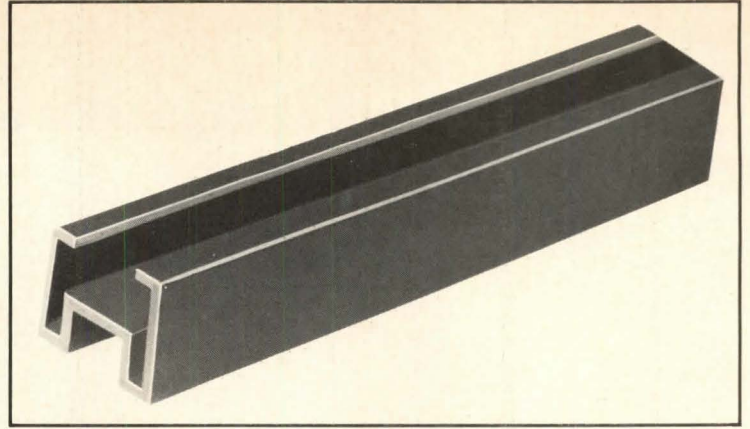


National Electrical Contractors Association, Inc.
Washington, D.C. 20014

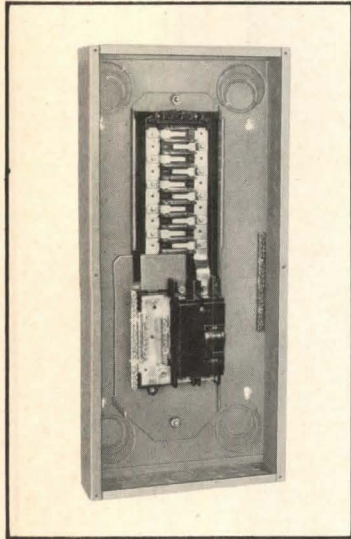
If electricity makes it possible, electrical contractors make it practical.



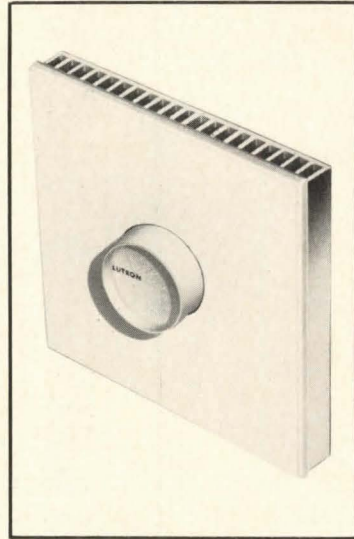
Factory-wired pigtail switches provide maximum installation safety because no live parts are exposed. The deadback, enclosed construction prevents shorting and shocks. For copper or aluminum conductors, switches come in 15 and 20 amps. Sierra, Gardena, Calif. CIRCLE 240 ON READER SERVICE CARD



Conductive plastic carrier supports double inline integrated circuit packages without mechanical or electrical damage. Any static build-up in the parts is safely discharged through the high resistance of the plastic material. Leal, Cherry Hill, N.J. CIRCLE 244 ON READER SERVICE CARD



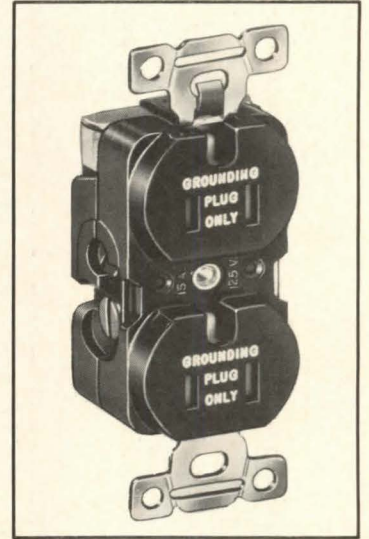
QO® circuit-breaker load centers have been improved to provide for easy, versatile installation. The 100-amp main breaker device can be top or bottom fed. Main breaker devices from 125 amp to 200 amp are available in either top- or bottom-feed models. All load centers are UL listed. Square D, Lexington, Ky. CIRCLE 241 ON READER SERVICE CARD



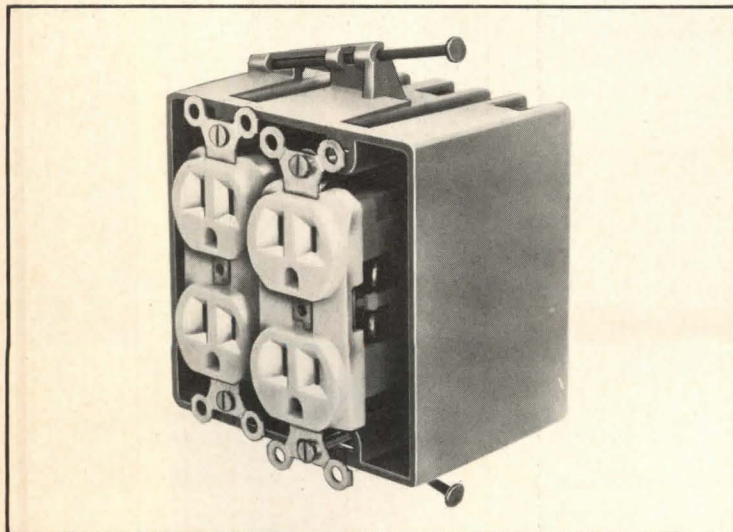
Incandescent rotary dimmer, Centurion™, comes in 600, 1,000, 1,500 and 2,000-watt capacities. The solid state units feature tamperproof recessed knobs and a modern decorative design that eliminates unsightly heat fins on the front. Voltage compensation prevents flickering. Lutron Electronics, Coopersburg, Pa. CIRCLE 242 ON READER SERVICE CARD



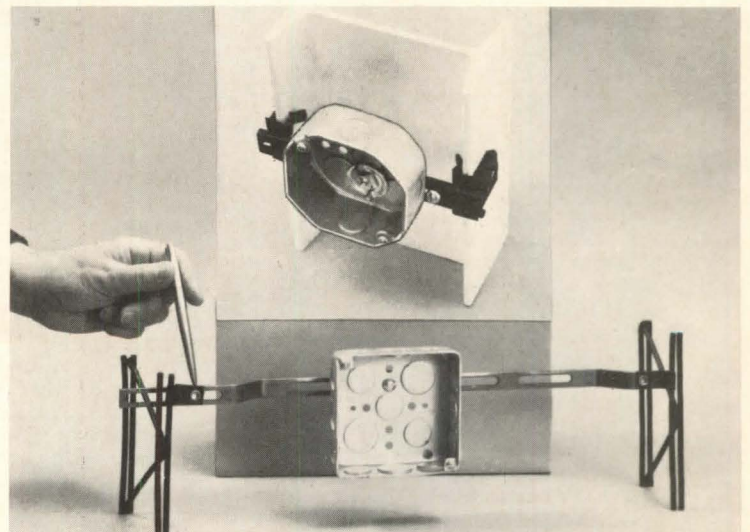
Self-grounding duplex receptacle cuts installation time. The unit is automatically grounded by a copper alloy spring that becomes effective at contact with any grounded metal box. The device, available in 15 or 20 amps, meets NEMA and ANSI configuration standards. Bryant Westinghouse, Bridgeport, Conn. CIRCLE 245 ON READER SERVICE CARD



Safety 3-wire duplex receptacle with shuttered slots accepts only three-prong grounding plugs. The protective shutter is released when a grounding prong is inserted in the U-ground slot. Shutters prevent the insertion of conductive objects into the hot slots eliminating shorts and shocks. Bell, Chicago. CIRCLE 246 ON READER SERVICE CARD



"Quick-Click" plastic receptacle boxes come in a two gang version that reduces installation time. "Quick-Click" mounting secures the device. Mounting screws are pushed in with a screwdriver and turned to tighten. Slater Electric, Glen Cove, N.Y. CIRCLE 243 ON READER SERVICE CARD



"FPSH" plastic stud box hanger is designed for installing 1½" deep electrical boxes and conduit clamps to wire plaster studs. It is adjustable from 14" to 18" widths with a special movable clip that slides to the desired position. Fastway Fasteners, Lorain, Ohio. CIRCLE 247 ON READER SERVICE CARD

more products on page 128

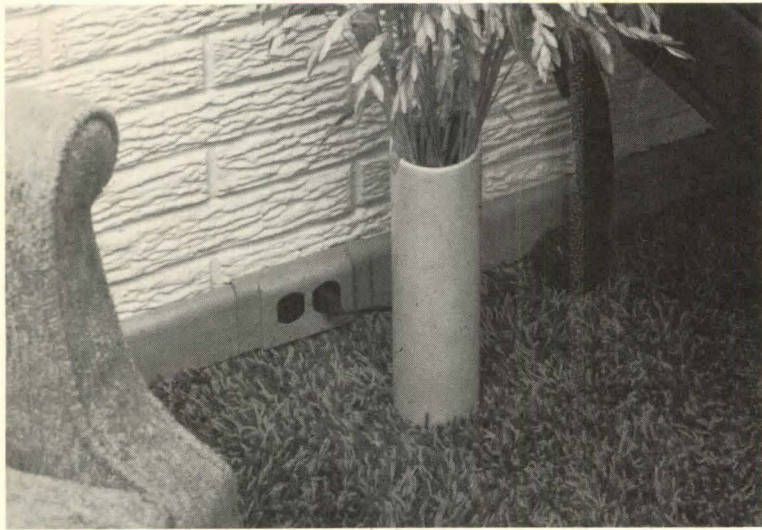
Does anything you build face problems like these?



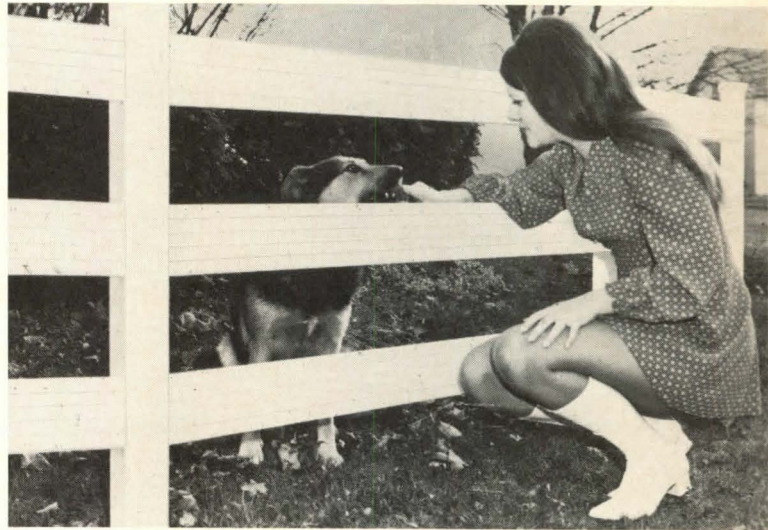
Extremes in weather threaten long-term beauty? Building products made of Geon® vinyl retain their decorative appeal through hot and cold, sun and rain, snow and ice. These Perma-Shield® shutters by Andersen Corporation are vacuum-formed vinyl over a primed wood sub-frame and wood center braces. The vinyl outer surface is complete in one piece. Offers high impact strength. Low maintenance. Resists chipping and peeling.



Your customers are asking for maintenance freedom? Siding made of Geon vinyl provides minimum upkeep. Resists denting, retains a soft, even color. There are 60 squares of siding on this 137-year-old First Presbyterian Church in Princeville, Illinois. The church building committee chose Contour T-lok® solid vinyl siding made by Mastic Corporation, who use Geon vinyl.



Are installation headaches upping your costs? Here's how Geon vinyl helped cut costs in Charlotte, North Carolina, in the Diplomat Apartments. More than 130 units required over 20,000 lineal feet of fully-enclosed electrical system made by Johnson Rubber Company. The system doubles as a baseboard molding. Installation is a snap. A rigid vinyl strip is affixed to the wall. Wiring harness is laid in place. Retainer clips keep it there. Vinyl cover strips are snapped into position and become the finished baseboard. Snap-on molded corners finish the job.



You want a fence that won't rot? Harvel Plastics, Inc., Easton, Pa., uses Geon vinyl to make a fence that's rot-proof. In fact, they guarantee it. It's also impact resistant. Insects and adverse soil conditions won't harm this fence. Geon vinyl also helps resist abrasion. For more information about Geon vinyl as a material in building products, ask B.F. Goodrich Chemical Company, Dept. H-31, 6100 Oak Tree Boulevard, Cleveland, Ohio 44131. The people who started it all in vinyl.

B.F. Goodrich Chemical Company



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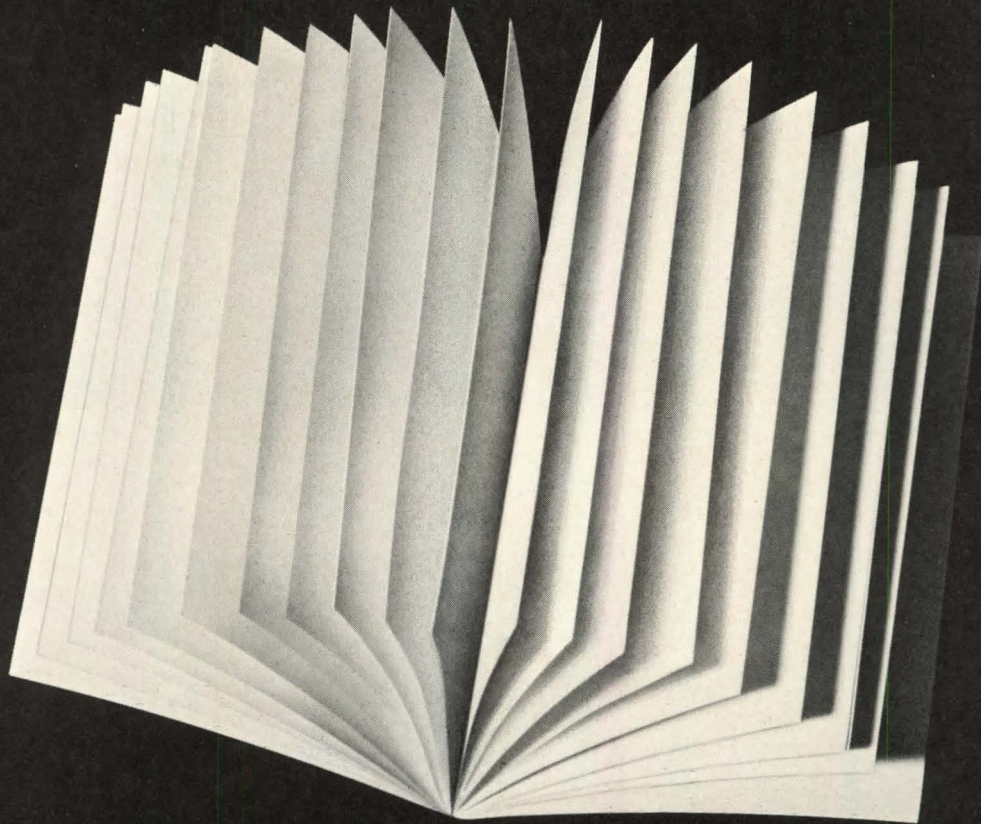
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MULTI-FAMILY

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NOTE! If your firm appeared in the 1974 Edition of the Blue Book, You need NOT return this form.

HH-974



What you see is what you hear: ARI's Sound Certification Directory

You can find out—before installation—what the sound level of outdoor central air-conditioning units will be at any location such as a lot line, a patio, or at a window.

How? Simple. First, require your contractor to install ARI *certified* sound-rated equipment. Second, ask him to show you the listing of the model in the *ARI Directory* (most contractors have the *Directory*). Third, tell your contractor to use the ARI formula which makes it possible to predict in advance of installation what the sound level produced by any certified unit will be at any point of evaluation.

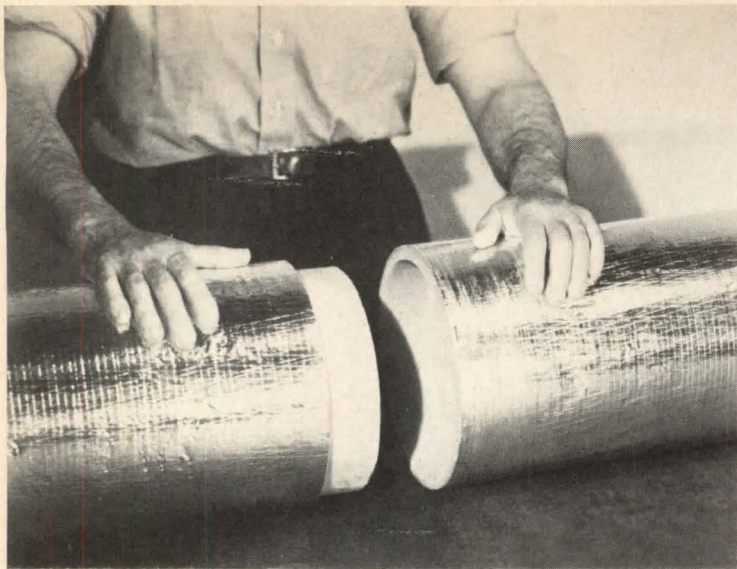
In this manner, you and your air-

conditioning contractor can solve sound problems before they are created. And you can know in advance if a unit will comply with sound control ordinances.

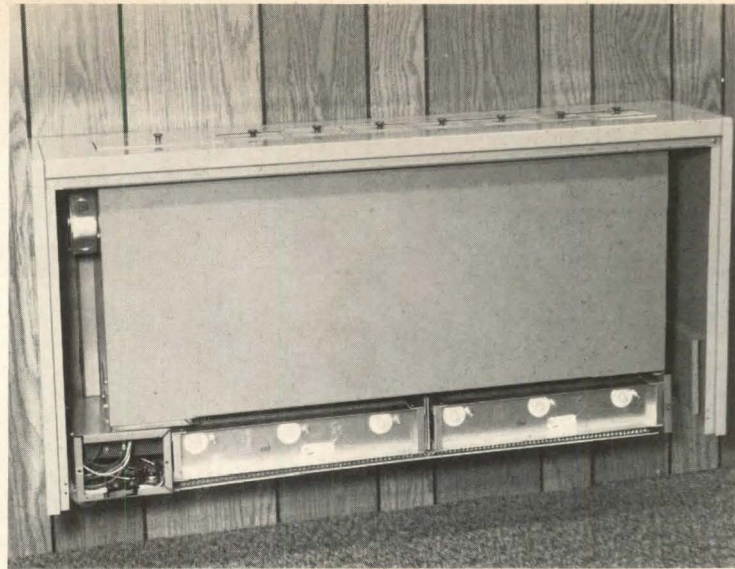
More than 90 percent of the unitary air-conditioning equipment produced in the United States is listed in the *ARI Directory*. If you would like to have a copy of the *Directory*, write us. We can also send you a booklet explaining how to predict and control sound in advance of installation.



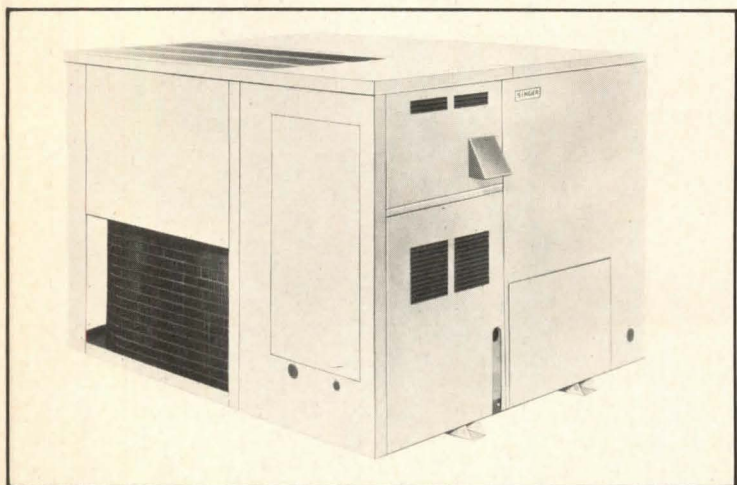
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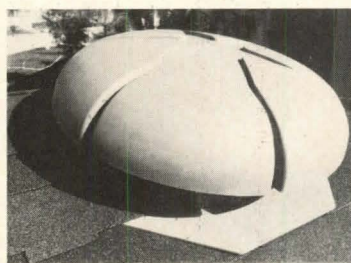
Round fiber glass heating and cooling duct provides thermal insulation, vapor barrier and acoustical absorption. Suited for high- or low-pressure systems, the molded duct is covered with a scrim-reinforced foil jacket. Johns-Manville, Denver, Colo. CIRCLE 255 ON READER SERVICE CARD



Electronic air cleaner is engineered for Ra-Matic Thru-The-Wall heating and air conditioning units except steam or hot-water heating models. The cleaner removes up to 95% of impurities from the air passing through it. TPI, Johnson City, Tenn. CIRCLE 258 ON READER SERVICE CARD



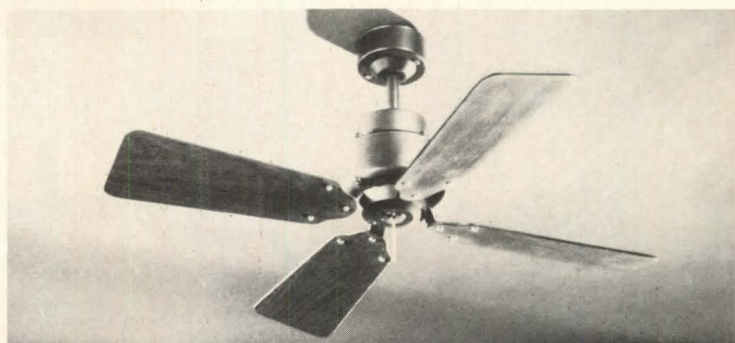
Rooftop heating and cooling unit, "Comfort Twin," comes in a full range of sizes. Units with prefab roof curb and plenum assemblies are for commercial or residential use. Power-vented equipment can utilize propane or natural gas. Singer, Somerville, N.J. CIRCLE 256 ON READER SERVICE CARD



Electric powered roof ventilator is suitable for commercial or residential application. The mushroom-shaped low-profile unit is of self-insulating, non-conductive Noryl structural foam resin, a low maintenance material. The ventilator is powered by a 1/15 hp motor. Wind-Wonder, Houston, Tex. CIRCLE 259 ON READER SERVICE CARD

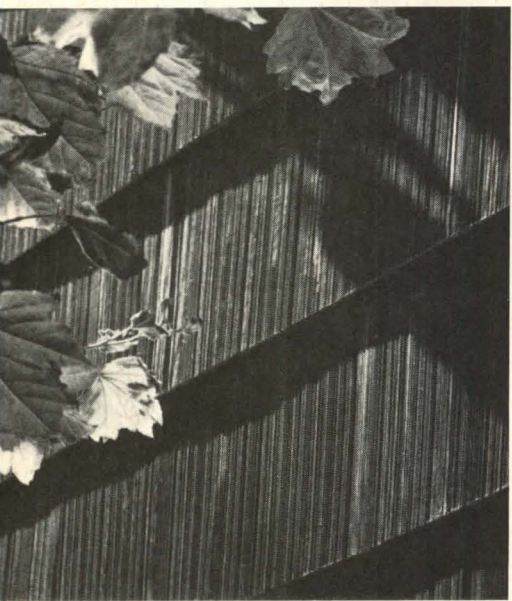
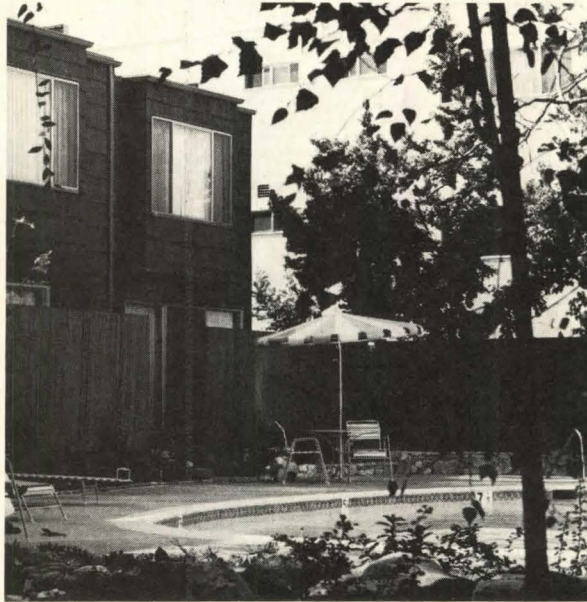
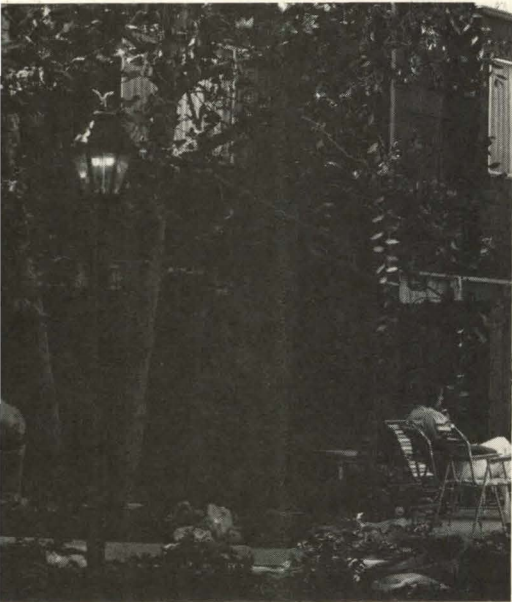
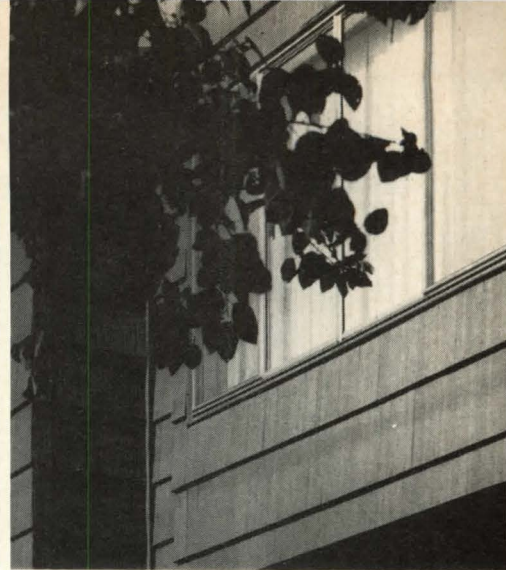
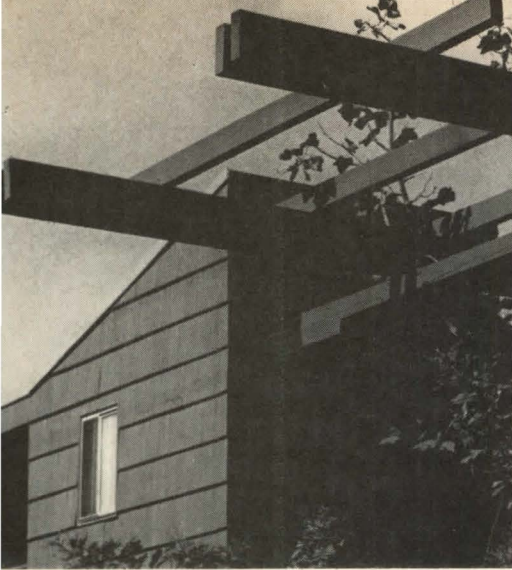


High efficiency terminal air conditioner, "Challenger," is available in five cooling capacities. The compact unit can be used with electric, hot water or steam-heating systems. A wide range of control arrangements is offered. ITT Nesbitt, Philadelphia, Pa. CIRCLE 257 ON READER SERVICE CARD

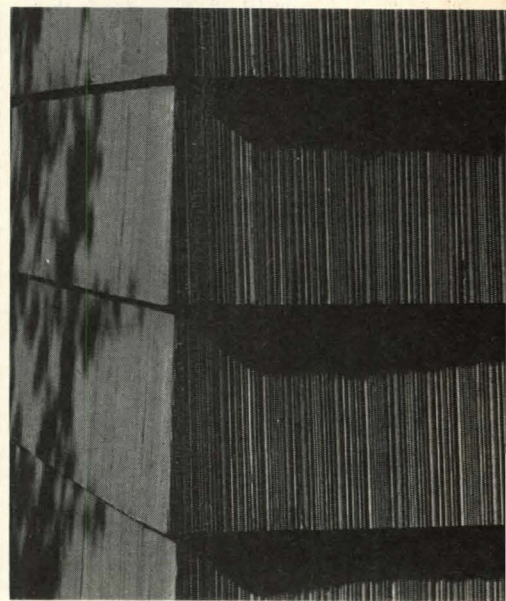


Old time ceiling fan, "Casablanca," circulates air and blows away smoke and insects. Available in 36" and 56" models, fan features chip- and crack-resistant blades with a woodgrain look. Two-speed motor has a weatherproof bronze finish. Chromalox, St. Louis, Mo. CIRCLE 260 ON READER SERVICE CARD

more products on page 139



**Red Cedar
Certigroove sidewall
shakes
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The Sycamores, Apartments and Townhouses, Inglewood, California. Architect: Joe Y. Sing.

Certigroove is a unique form of red cedar especially suited to projects where cost is a critical factor.

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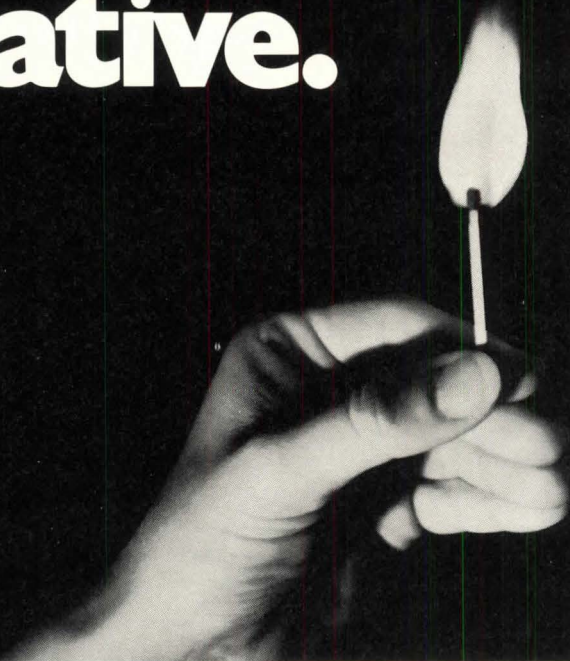
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So you've just about had it up to here with real estate projects. You've tried just about every trick in the book. You're running scared in a frightening economy.

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Independent and government tests both in the laboratory and in the field (not calculations) have awarded the Canam Hambro D-500 on its bare concrete floor an STC of 57. What else can match it?

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FAST DELIVERY (within 4 weeks or less). **STEEL & CONCRETE CONSERVATION** (30-40% less steel; 50% less regular concrete). **SPEED & SIMPLICITY OF USE** (It gains its workable strength within 24 hours after being poured on site). Interior trades can begin installation on each just-completed level without waiting.

Richard Carroll, structural engineer for the Dulaney Towers, a DeChiaro Enterprises rental and condominium development in Towson, Md., calls it a "well-engineered and tested system. It goes together like an erector set, so there's very little a man can do wrong with it."

Noise is the biggest consumer complaint. Are **you** keeping up with your competition?



REVOLUTIONIZING THE CONSTRUCTION INDUSTRY
The Power Behind Hambro D-500

This is the powerful Z-shaped top chord configuration of cold rolled steel — a continuous shear mechanism — that combines with a 2½" thickness of concrete to form a composite floor of unprecedented strength.

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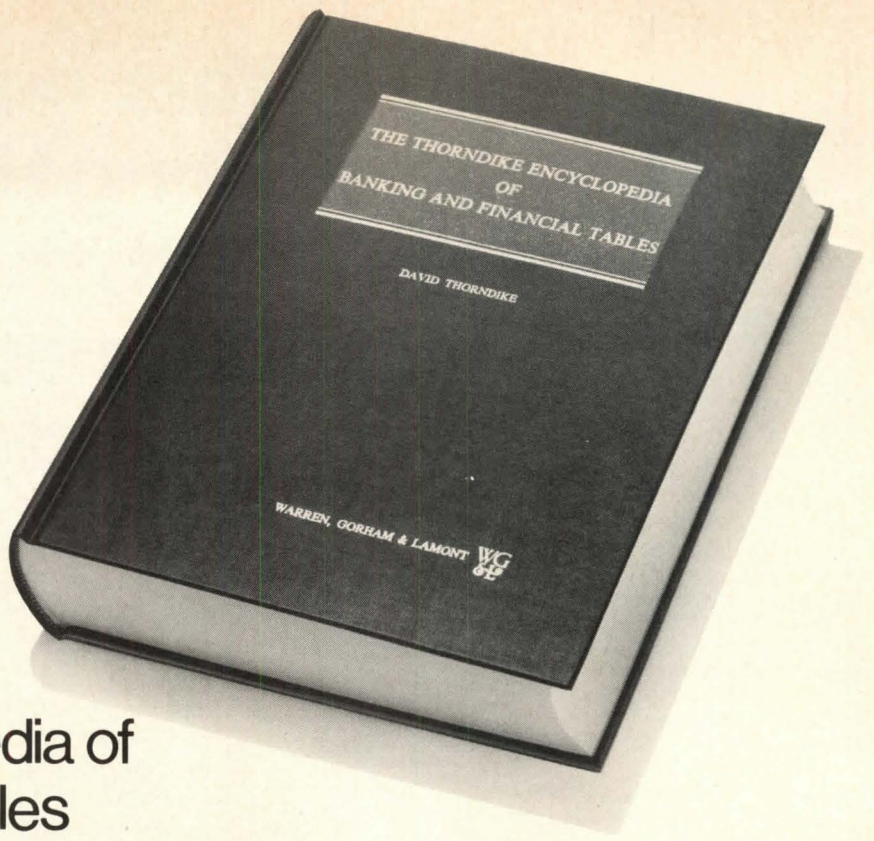
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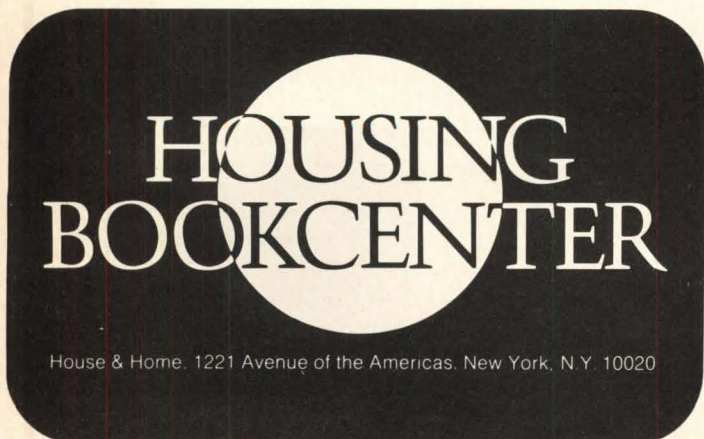
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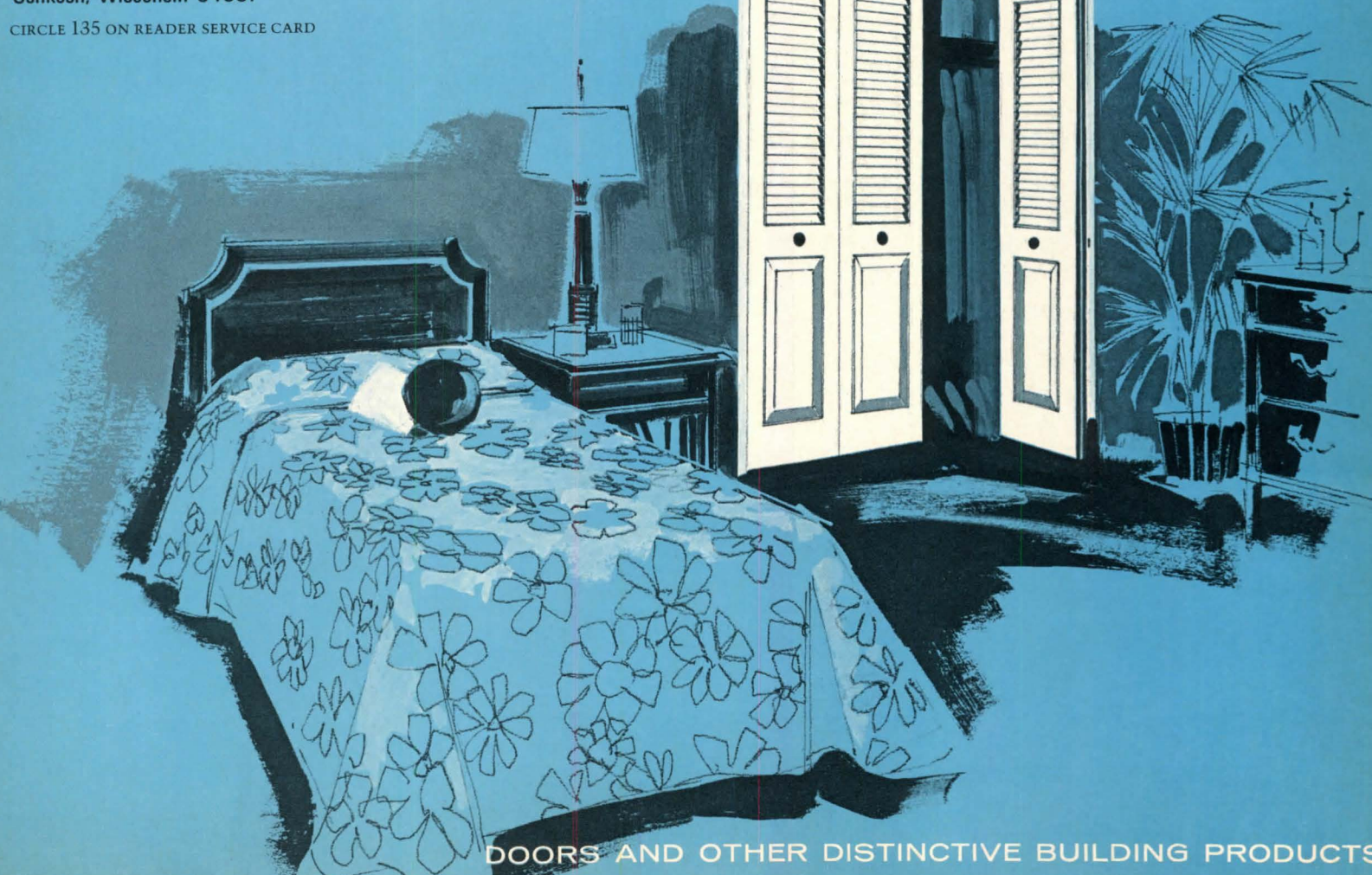
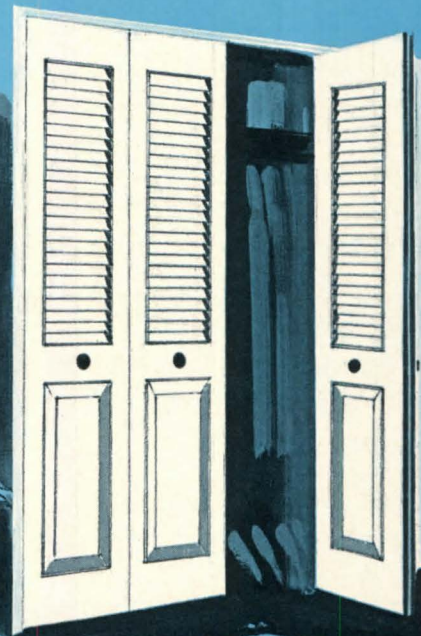
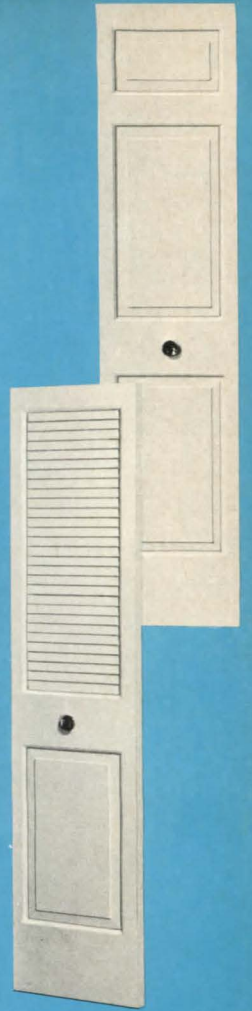
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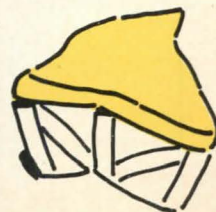
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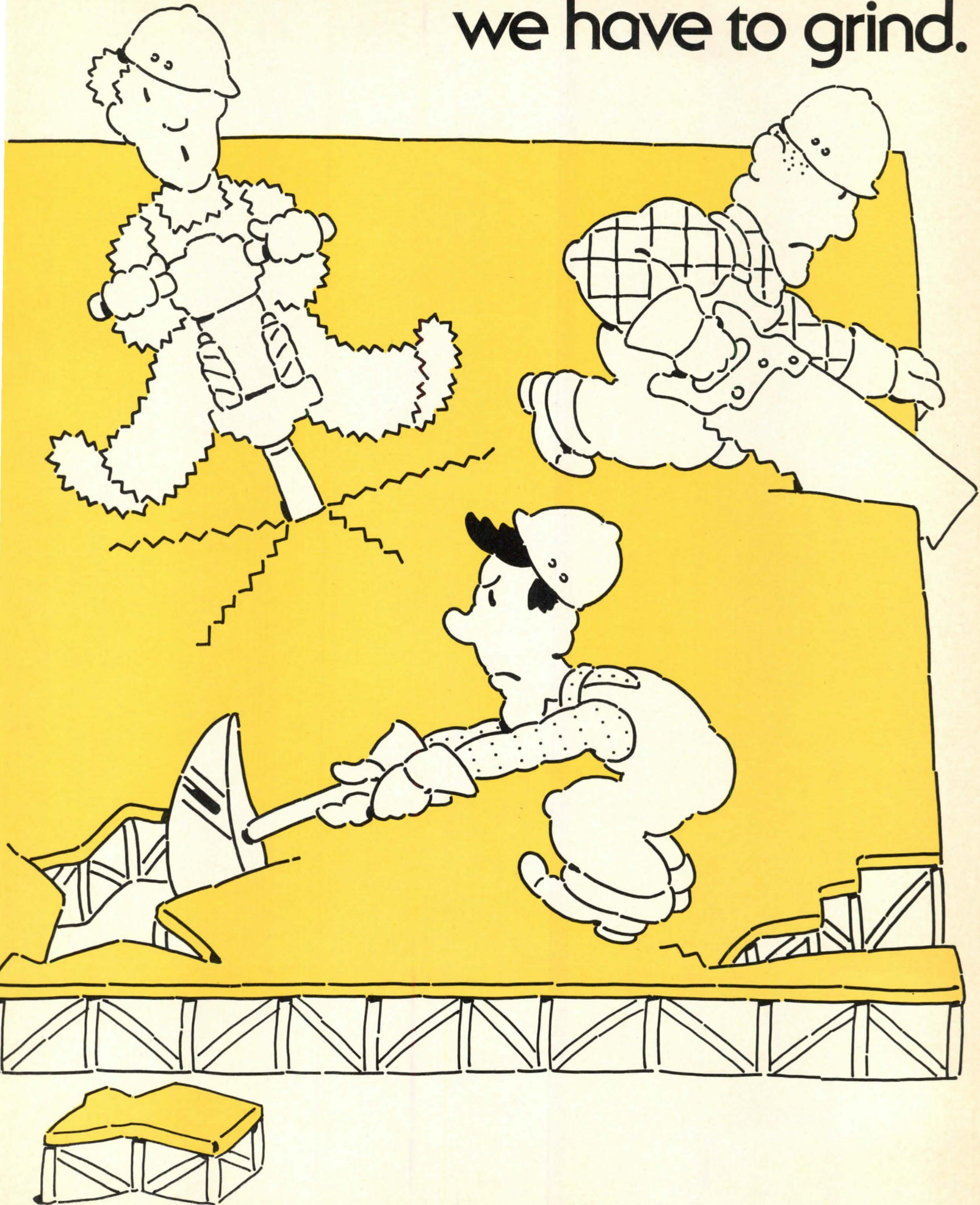


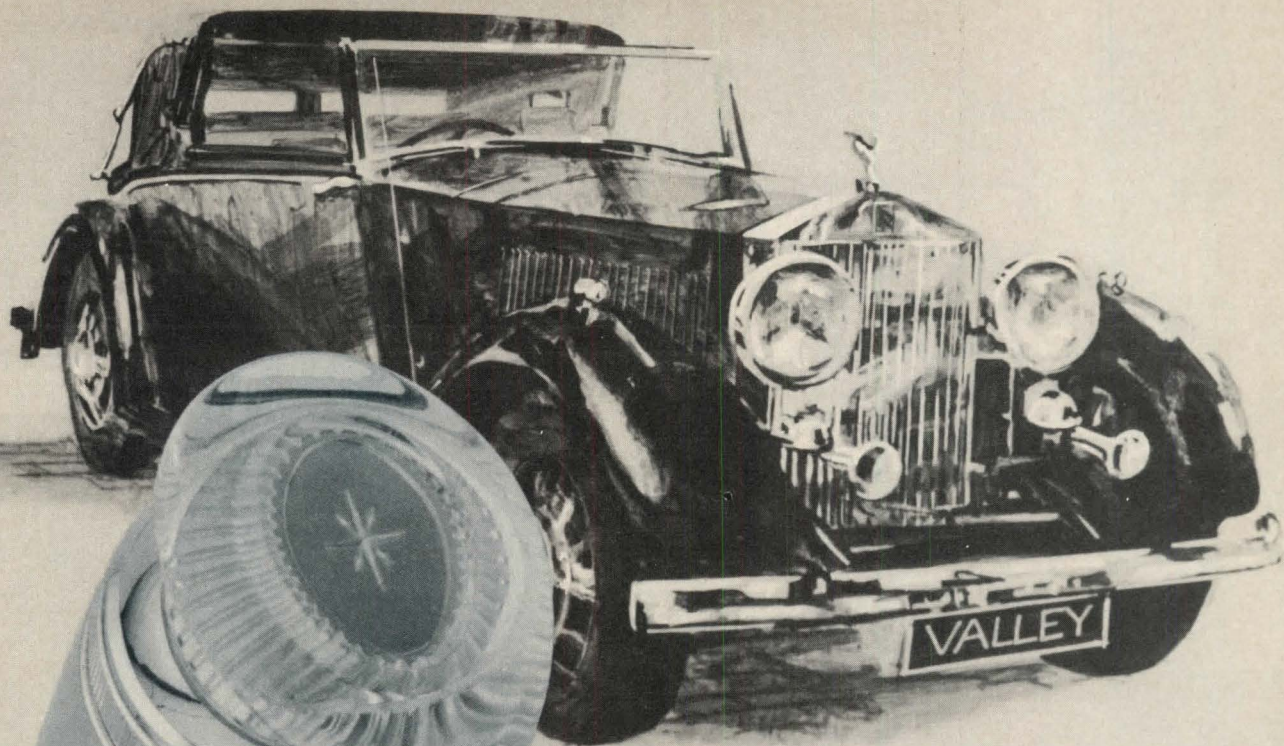
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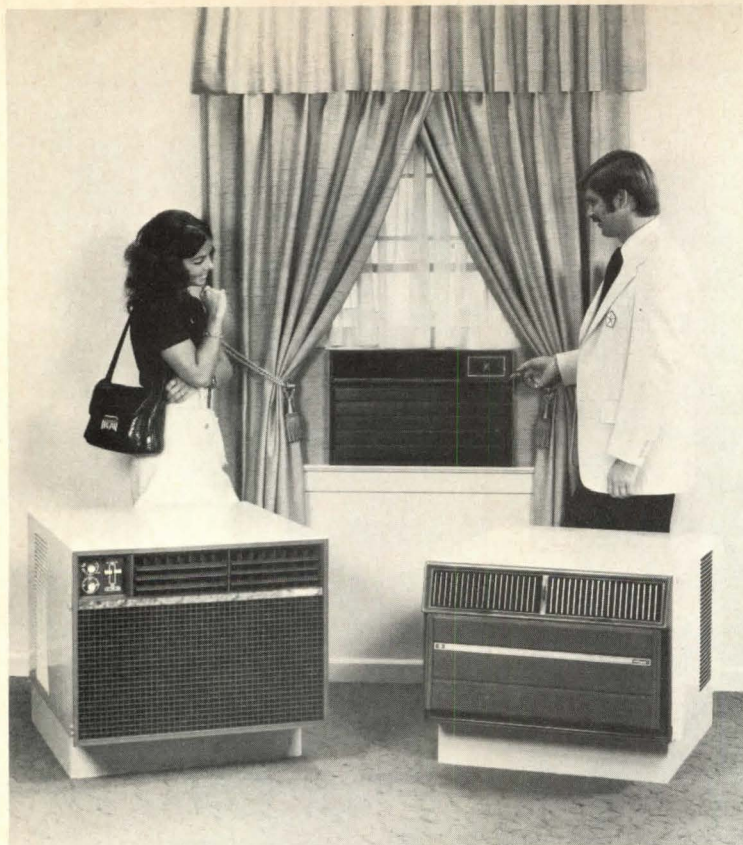
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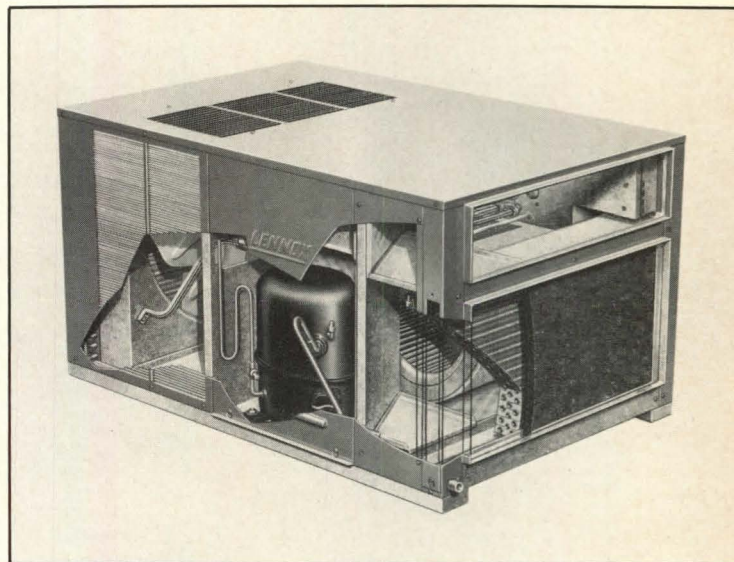
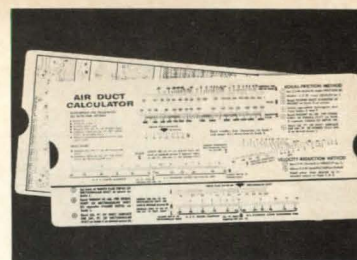




High-efficiency room air conditioners are designed to provide maximum cooling at minimum cost. Window and through-the-wall units feature three-speed fans and vapor thermostats. All parts are covered by a five-year warranty. Airtemp, Chrysler, Dayton, Ohio. CIRCLE 248 ON READER SERVICE CARD

Air duct calculator is a slide-rule type chart that allows for fast, easy, accurate design of air distribution systems by providing estimated metal and insulation requirements. In addition it offers illustrations of 60 different fittings as well as a wide range of related data. Wadington, Kalamazoo, Mich.

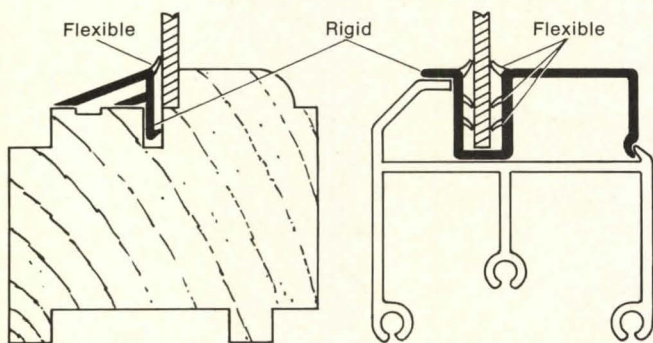
CIRCLE 251 ON READER SERVICE CARD



Packaged air conditioners designed for the residential replacement market range in size from two to five tons. Compact units suited for slab or roof-top installation feature over and under supply and return air handling. Lennox Industries, Marshalltown, Iowa. CIRCLE 252 ON READER SERVICE CARD

more products on page 141

When you don't want a permanent pane in your sash.



Try plastic profile glazing strips. When installed, they provide a leakproof and maintenance-free interface between glass and sash. Yet they're easy to remove when a window pane has to be replaced. We offer four basic designs: U-channel, drop-in spline, snap-in, and removable double glazing. All are custom-designed to fit any wood or metal window.

For more information on plastic profile window glazing strips, write Crane Plastics, 2141 Fairwood Ave., Columbus, Ohio 43216. Or call (614) 443-4891.



CIRCLE 68 ON READER SERVICE CARD

For wood paneling... stains, waxes, seals in one operation.



California Home; Designer: Russell Forester, LaJolla, Cal.; Cabot's Stain Wax on woodwork

Cabot's STAIN WAX

Time was when wood finishing was a long, arduous task. Today, Cabot's Stain Wax does the job in a single application. This unique "three-in-one" finish, suitable for all wood panelling, brings out the best in wood, enhancing the grain and producing a soft, satin finish in your choice of thirteen colors plus black, white, and natural. When a flat finish is desired, use Cabot's Interior Stains.



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- Send color card on Stain Wax & Interior Stains
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CIRCLE 139 ON READER SERVICE CARD

H&H SEPTEMBER 1974 139

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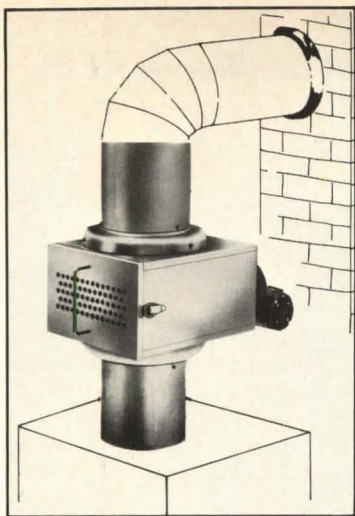
This month, and every three months after, House & Home will deliver a packet of product postcards *post-paid* and *already addressed* to forty or fifty manufacturers offering information on products, materials and equipment suitable for your current and future projects.

You'll find these postcards a quick, convenient way to get information from manufacturers who frequently test the market with brand-new product ideas you may well want to consider — and pass along to key people concerned with your planning, design, construction and marketing problems.

It's dealer's choice! So watch the mails for the full deck of product postcards — coming your way from House & Home, soon!

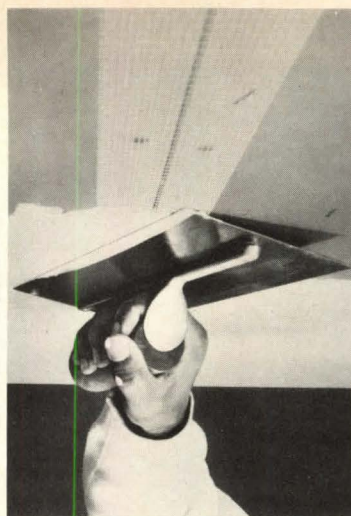
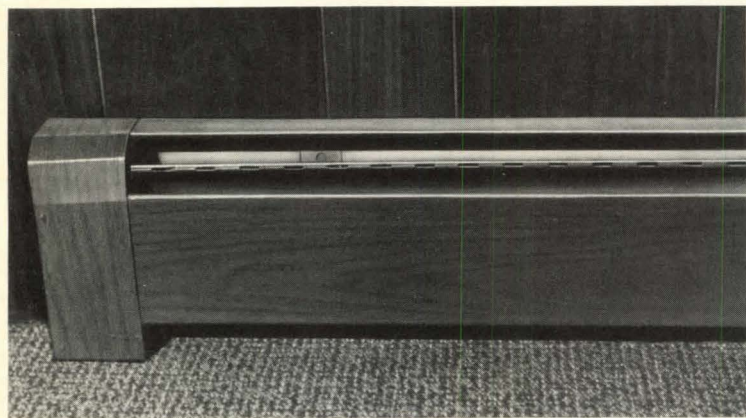
Heat reclaimer saves furnace heat ordinarily lost up the chimney. The compact unit installs in the flue pipe and makes it possible to reduce fuel requirements as much as 30%. Suitable for use on oil, coal or gas furnaces, the reclaimer is safe, allowing no fumes to escape into the house. Dolin, Brooklyn, N.Y.

CIRCLE 249 ON READER SERVICE CARD



Woodgrain-finished baseboard heating unit (below) has been added to the "KPT-D Panel Track" line. Offered in a deep warm walnut tone, the unit is designed to blend into paneled rooms providing a totally integrated appearance. Embassy, Farmingdale, N.Y.

CIRCLE 250 ON READER SERVICE CARD

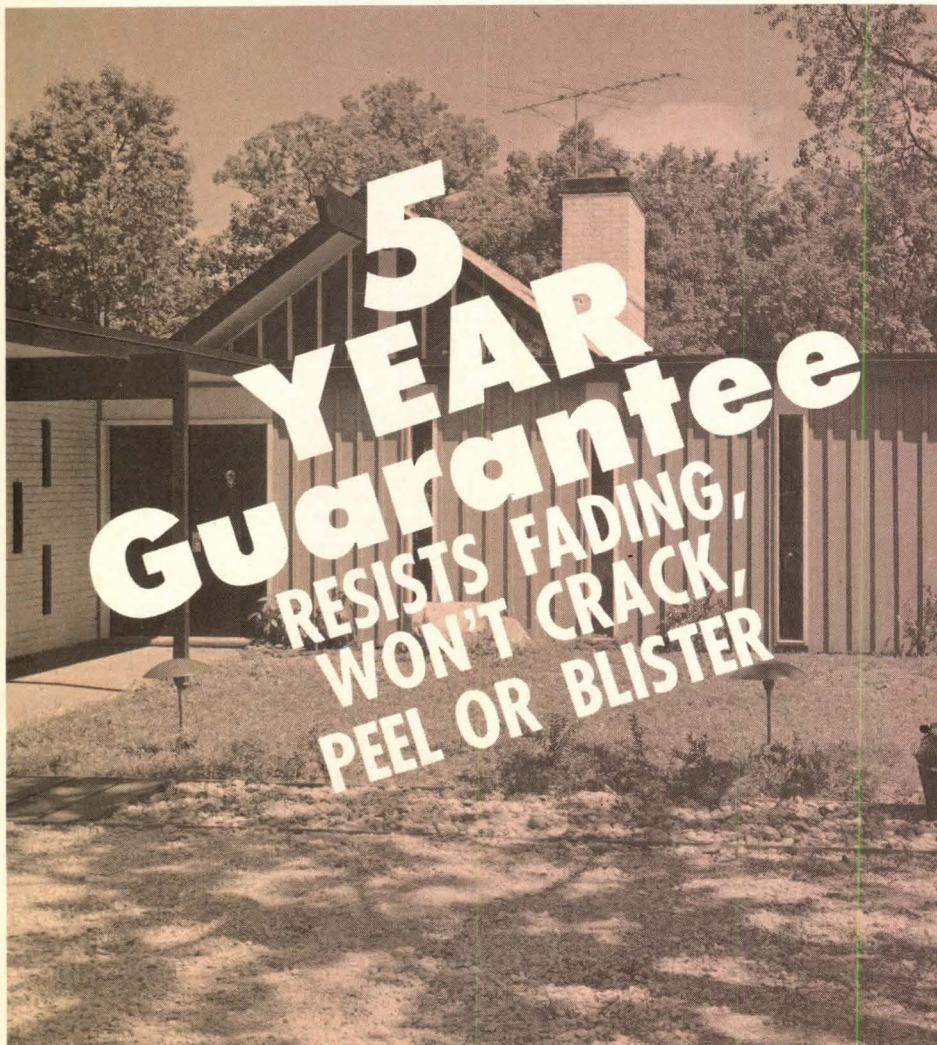
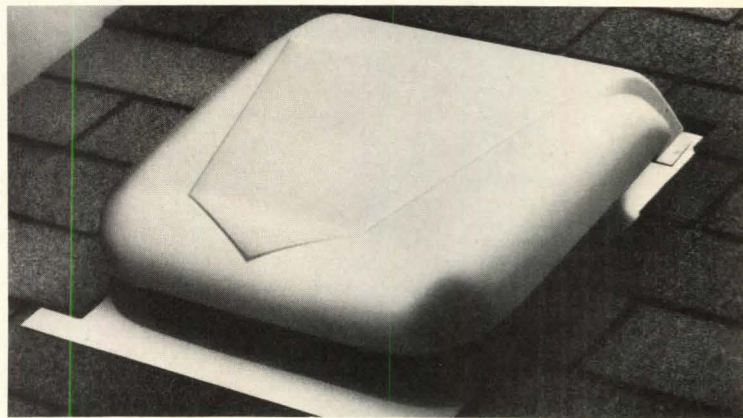


Electric radiant ceiling panel system, "Kal-Kore Panelectric", is suitable for veneer plastering. Panels have a special plaster-base face paper that offers superior adhesion for the plaster. Panels come in seven base sizes from 4'x6' to 4'x12' to match room size and heating requirements. Gold Bond, Buffalo, N.Y.

CIRCLE 253 ON READER SERVICE CARD

Power roof ventilator (below) exhausts hot attic air, reduces radiant ceiling heat and cuts air conditioner loads. Unit has an automatic thermostat with a 70° to 160° range. Unit starts at a preset temperature and shuts off automatically. Leigh, Coopersville, Mich.

CIRCLE 254 ON READER SERVICE CARD



Rez® Solid Color Latex Stain

On exterior or interior wood surfaces, REZ Latex Stain forms a tough, flexible film—so tough that we **guarantee*** that it won't crack, peel or blister for 5 years. And the color stays "like new."

There are other advantages, too—like easy application with less spattering, fast dry, and soap and water cleanup. Choose from 38 vogue solid or semi-transparent colors.

Detailed information on REZ Natural Wood Finishes can be found in Sweet's Catalog (9.9/Re). Or write to The REZ Company, One Gateway Center, Pittsburgh, PA 15222.



*** Guarantee**
REZ Latex Stain is guaranteed for 5 years to resist fading and not crack, peel or blister if applied according to the instructions on the label. If REZ Latex Stain fails to perform as stated in this guarantee, replacement stain will be furnished without cost or a refund will be made of the purchase price.

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We're well underway, with Sea World's \$18 million attraction now open on the property. Six Flags' \$6 million Stars Hall of Fame has broken ground. The location is superb. Three major Florida highways—Interstate 4, U.S. 441 and the Beeline Expressway—border the property.

Florida Land Company, a subsidiary of Florida Gas Company, has spent more than five years planning Orangewood. We are looking for a few key builders to participate in the creation of our New Town... in residential and commercial construction. We have complete statistics on the property and its potential that will show the opportunities for you in Orangewood. Call or write Jack Christie (305-851-6110) and he'll send you the information immediately.

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If she likes the water, she'll like your kitchen.



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A PCP Mark II water purifier built into the sink makes both a powerful incentive appliance and a sales conversation piece. It's not only something different to offer, but also an attraction to a public more and more concerned about water quality. They'll know it from our national advertising. The Mark II removes chlorine, chemicals, algae, sediment, color, odor, tastes, and most important, kills bacteria. It does that for about three cents a gallon, compared to bottled "spring" water at up to 70 cents. For information on how easy it is to install the Mark II in your next kitchen, mail this coupon.



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LITERATURE

Lighting consultants, how they work and how to work with them is the subject of a soft-cover folder. Information detailed includes the functions of lighting designers, how to prepare for consultation, the consultant's responsibilities and the costs of lighting advice. Booklet has its own index tab for easy filing. Design Decisions, New York City.

CIRCLE 301 ON READER SERVICE CARD

Steel bi-fold doors and adjustable closet shelving are presented in eight pages. Black-and-white room vignettes illustrate a variety of available styles. Specifications and diagrams included. Kinkead, Chicago.

CIRCLE 302 ON READER SERVICE CARD

Redwood plywood in several textures is displayed in full-color close-up photographs. Advantages of the siding, plus physical descriptions and characteristics, are discussed. Technical data, application instructions and finishing recommendations are included. Simpson, Seattle, Wash.

CIRCLE 316 ON READER SERVICE CARD

Finnish birch plywood is the subject of two brochures: one on structural plywood and one on panels for concrete formwork. The formwork brochure contains tabled information on such topics as thickness and construction, panel sizes and tolerances, allowable stresses and bending. The structural literature provides facts on exterior and interior grades. Specially surfaced panels are illustrated in photos showing available textures and colors. Finish Plywood Development Assn., Falls Church, Va.

CIRCLE 303 ON READER SERVICE CARD

Laminated fiber glass roof shingles are described in a full-color brochure. Photographs illustrate actual applications and close-ups of available colors. A cross-section diagram explains product construction. Specifications are included. Johns-Manville, Denver, Colo.

CIRCLE 315 ON READER SERVICE CARD

Panelized, modular and sectional building methods are the subject of *Report on the CIB International Symposium on Box-Unit Construction*. The symposium, held in Balatonfüred, Hungary in May 1973, explored the theoretical and practical problems of industrialized construction. The typewritten report is based on a summary of the meeting by O.Z. Oliver, Board Chairman of Mod-U-Kraf Homes Inc., Rocky Mount, Va. It includes three appendices: information contributed by the U.S., a list of the papers and their authors presented at the meeting and a general description of the CIB (International Council for Building Research, Studies and Documentation). To obtain a copy of this 37-

page booklet, send \$3.50 in check or money order to the Printing and Publishing Office, National Academy of Sciences, 2101 Constitution Ave., N.W., Washington, D.C. 20418.

"Window Shade Primer" gives decorating hints and installation techniques. Cleaning instructions, measuring guidelines and a "how to adjust shades" section complete the black and white, 5½"x8½" booklet. Window Shade Manufacturers Assn., New York City.

CIRCLE 312 ON READER SERVICE CARD

Interior flush doors are described in eight pages. Included are: solid core, hollow core, lead-lined, wood particleboard, vinyl-veneer and fire-rated. General unit information and specs accompany construction details. Paine, Oshkosh, Wis.

CIRCLE 306 ON READER SERVICE CARD

Sealants are described in a full-color brochure. Three products are featured: a sand seal, colored sealers and a coal tar emulsion sealer. Photographs of applications complement text. Borden Chemical, Columbus, Ohio.

CIRCLE 317 ON READER SERVICE CARD

Wallcoverings are displayed in a black-and-white brochure. Twenty-seven designs—featuring fabric-backed vinyls, flock and Mylars—are shown. James Seeman Studios, Garden City Park, N.Y.

CIRCLE 308 ON READER SERVICE CARD

Interior paneling catalog shows species, styles, colors, textures and finishes available. Product specifications and installation tips are included along with data on prefinished wood and plastic moldings. Full-color brochure is binder-hole-punched for easy filing. Georgia-Pacific, Portland, Ore.

CIRCLE 313 ON READER SERVICE CARD

Underlayment gypsum board brochure describes product advantages. A cross-section diagram illustrates a finished installation of the board on plywood subfloor. Specifications are included. U.S. Gypsum, Chicago.

CIRCLE 309 ON READER SERVICE CARD

Plumbing fixture and water heater catalog features a whirlpool bath, standard bathtubs, lavatories, water closets, sinks and commercial fixtures. A special section spotlights a water-saving toilet. All units are pictured in full color. Specifications and some construction diagrams are included. Briggs, Tampa, Fla.

CIRCLE 307 ON READER SERVICE CARD

Cabinet hardware literature displays a complete line in early American designs. Full-color folder includes specification chart. Belwith, International, Los Angeles.

CIRCLE 310 ON READER SERVICE CARD

IT HAD TO HAPPEN IN ALUMINUM . . .

the impossible window!

capitol's S-500 thermal break, single hung window

Featuring an insulating material so secret, so effective—we haven't even given it a name ... The S-500 does a more efficient job of insulating than even the finest wood window. Reduces frame condensation to practically zero. Eliminates "short circuit" heat loss of aluminum insulated glass windows. Years of experimentation and design have culminated in the Capitol, Super Aluminum S-500. We have incorporated all of the major features found in the many windows of the Capitol Line, and

brought them to bear in this one super-successful thermal-break, single hung window. For instance our "secret" insulating material provides non-conductive insulating properties that reduce condensation and heat transfer to a degree equal to the finest wood

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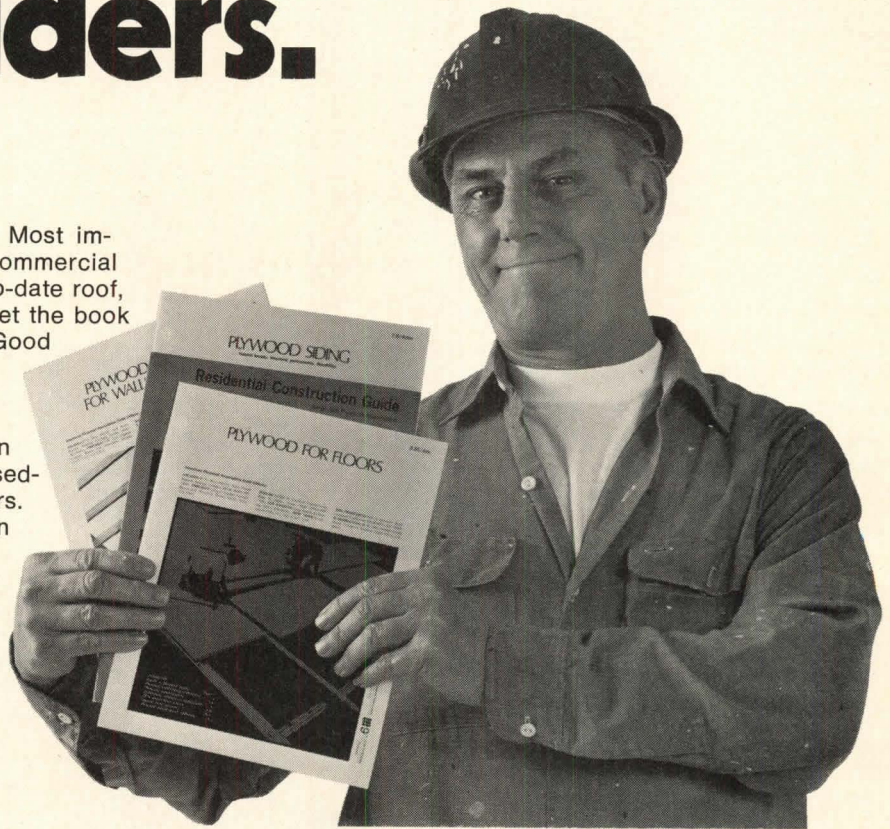


The S-500 certified DH-B1-HP it's a price fighter ... it's an energy crisis fighter!

Plywood information for builders.

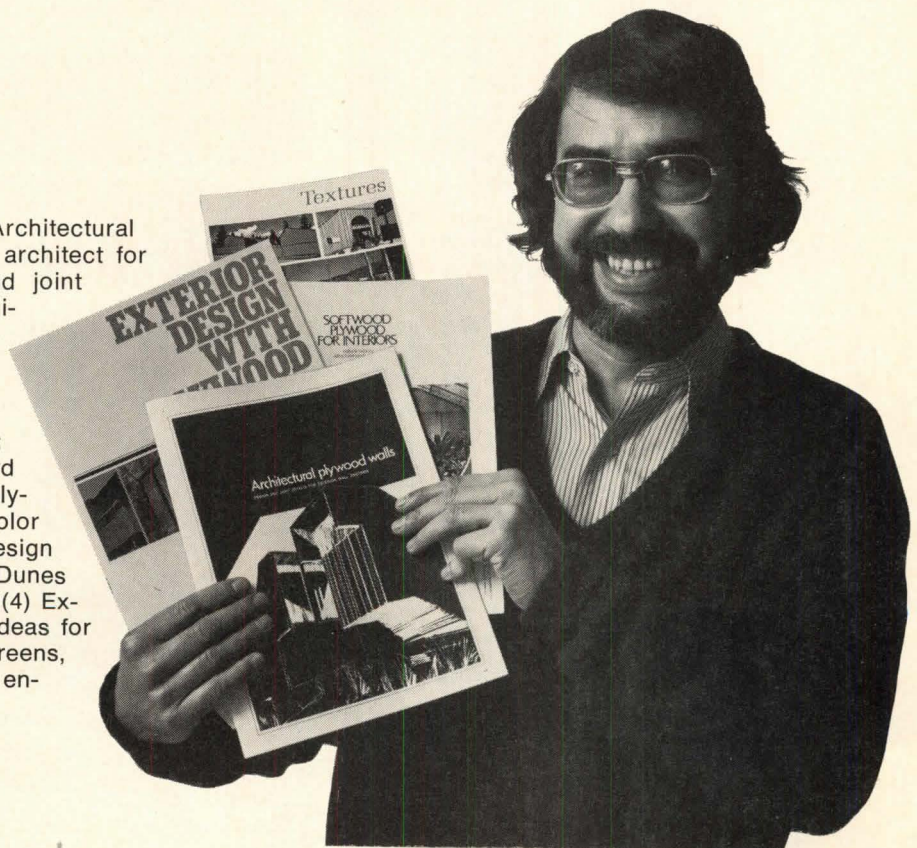
Plywood Construction Package. (1) Most important, the Construction Guide for commercial building. A virtual encyclopedia of up-to-date roof, wall and floor systems. (2) And you'll get the book on sheathing for walls and roofs. Good cost-cutting tips. Such as using 3/8-inch instead of 1/2-inch for roof sheathing. (3) Plywood for floors. All the systems in one book. New span tables. And a special section on stressed-skin, diaphragms and fire resistant floors. (4) The Plywood Siding book. Sixteen pages of full color photos, construction details and finishing information on textured plywood.

Circle 486 on Reader Service Card.



Plywood Designer Package. (1) Architectural Plywood Walls book—written by an architect for builders and architects. Design and joint details for exterior walls. Very imaginative. Example: Textured 1-11 herringbone ply-wall system. (2) Softwood Plywood for Interiors book. 38 ways to use textured plywood inside. New ideas. Example: a studio/home in Martha's Vineyard using high-build textured coated plywood. (3) Textures & Design. 53 color photos on great textured plywood design uses. From the award-winning Pajaro Dunes home to a day camp in New Jersey. (4) Exterior Design with Plywood. Full of ideas for balconies, fences, accent panels, screens, fascias, soffits, mansards, chimney enclosures and more.

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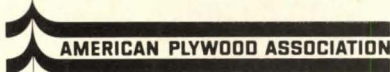
Plywood Cost-Cutter Package. (1) Send for this special cost-cutter kit with nineteen ways to beat the pants off rising costs. Clear, concise systems and ideas. (2) Get the book on the APA Glued Floor System. No squeaks. No nail-pop. One builder saves \$10,000 a year in no callbacks. (3) Mod 24. How to build with 24-inch spacing and save \$200 per house. Less lumber. Less labor. Less money.

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Construction for Fire Protection and Noise Control. (1) A 32-page guide to wood/plywood systems that meet fire code and insurance requirements. Packed with client benefits. One system saved \$20,000 in materials alone. (2) Plywood Construction and Noise Control book. Results of acoustical tests on plywood systems. A must for apartment construction. Valuable fire ratings for floors and walls.

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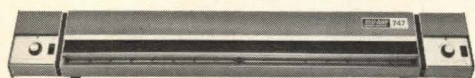
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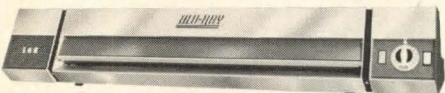


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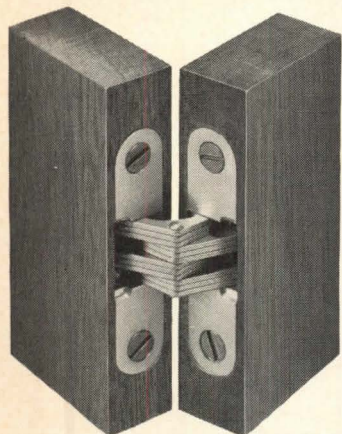


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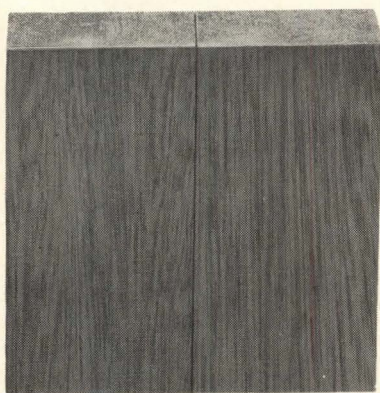
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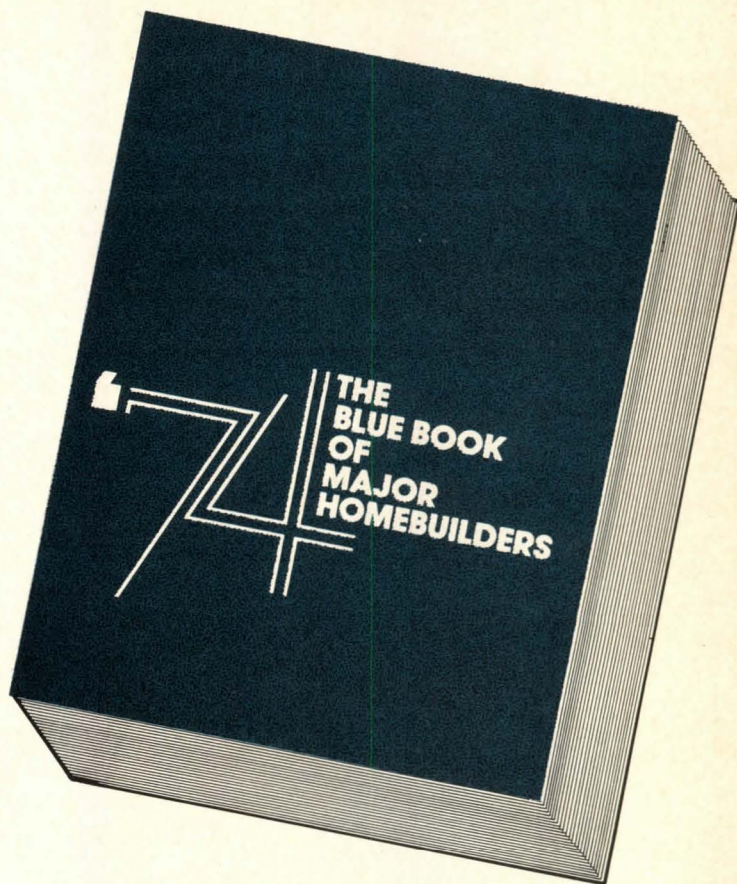
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