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NOVEMBER/DECEMBER 1971



the florida architect

Small Office Practice

Of vital interest to the practitioner is the Task Force Committee Report "Small Office" which is included in this issue of THE FLORIDA ARCHITECT (page 13).

This report represents a year long study by the committee chaired by Francis R. Walton, FAIA.

The task of this committee does not end with the publication of this report. At the end of the report a list of recommended programs, an out-growth of the report. The Committee will place its immediate effort in the preparation of an "evaluation handbook" to fulfill the first recommendation.

The problems of a small office are very real, not to be interpreted that problems do not exist with the larger firms. But the resources available to the small practitioner are much more limited. The FAIA through the Task Force, is devoted to provide further input by corresponding to FAIA or direct to Francis R. Walton, FAIA (211 N. Ridgewood Avenue, Daytona Beach, Florida 32014)

newsnewsnewsnewsnewsnews

An election campaign that started over two years ago climaxed in a stunning victory for Charles McCoy, A. I. A., as Mayor of Key West, Florida. "Sonny", as he is known by his friends and constituents, ran for the office in spite of dire predictions that a professional man and non-politician could not win a seat in City Hall, let alone the Mayor's chair. From Grunt Bone Alley to Passover Lane, to Flagler Avenue, Sonny campaigned, met and talked with the voters of Key West. His campaigning paid off. He was even spared the necessity of a run-off and won by a landslide in the primary, in a field of four candidates.

His Honor, The Architect

Sonny was sworn in as Key West's first Architect-Mayor on Thursday, November 18 at 12 noon. Friends and family packed City Hall for the ceremony, and since he has three sons and three daughters, the usual jokes of producing quantities of prospective voters abounded.

Besides being Mayor and a native of Key West, Sonny is a graduate of the University of Florida where he belonged to Gargoyle Honorary Architectural Fraternity, is a member of the Florida South Chapter of the A. I. A., and is the Southern-most member in the continental United States of the American Institute of Architects. He has his own firm, Charles McCoy, Architect, in Key West; and is a partner of McCoy-Severud-Knight-Boerema, Architects, Key West and Miami.

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COVER: SEASON'S GREETINGS

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Number 6

Volume 21/Nov./Dec.

The Florida Architect



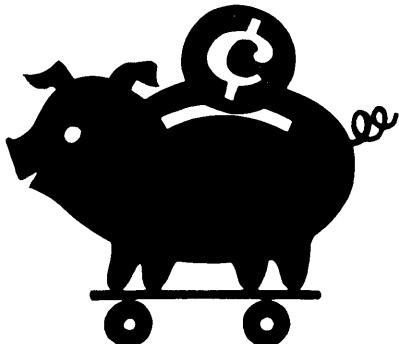
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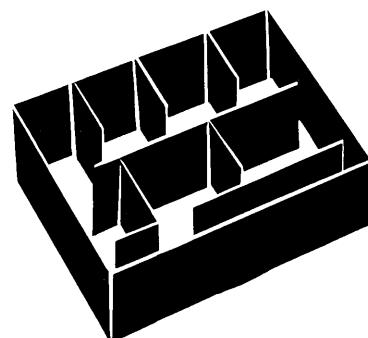
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MODULAR BUILDINGS

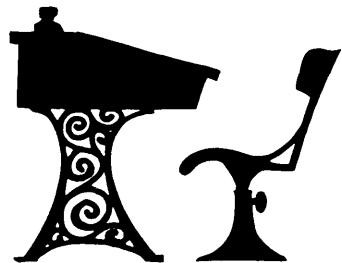
Strength and durability are properties common to all Kor-Hof wall panels. In fact, these lightweight panels will outlast the mortgage. Ideal for vacation cottages, add-on rooms, office buildings and houses. Kor-Hof panels meet all building codes.



In addition to custom applications like these, Kor-Hof gypsum panels are also available in permanent interior wall systems for drywall or plaster finishes, and moveable partition systems for commercial buildings.

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I'd like to talk to a Kor-Hof representative. My special problem is _____

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ELLIS BULLOCK

AIA PENSACOLA



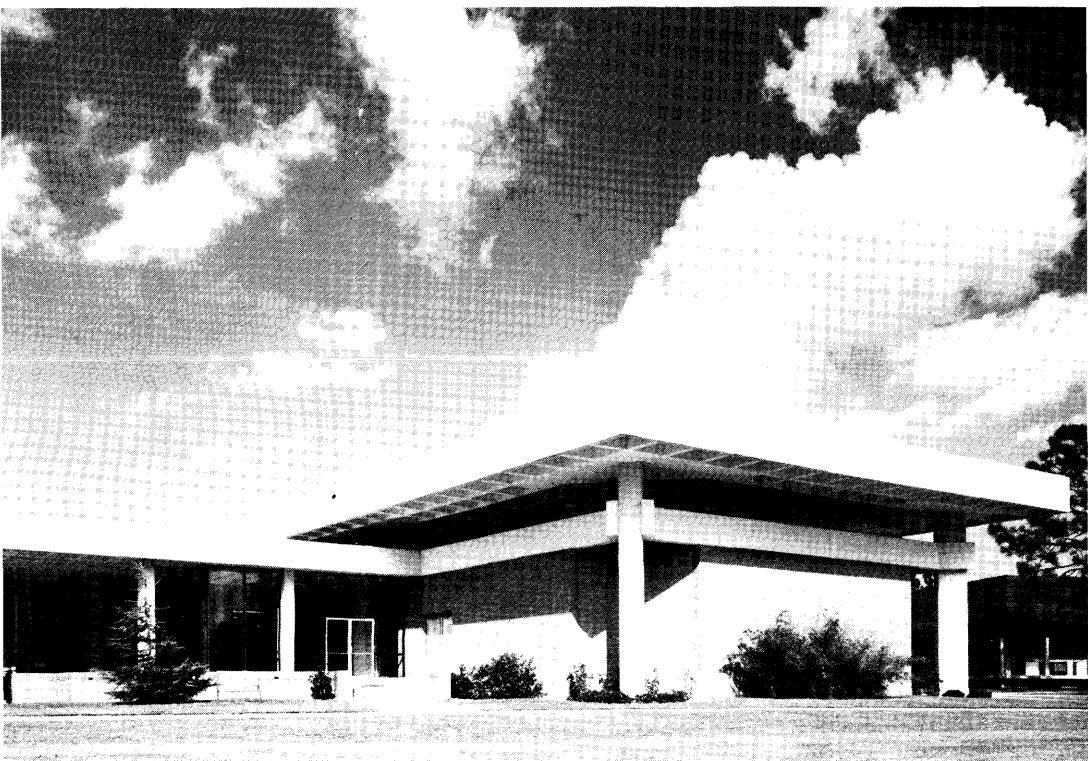


Mental Health Center — Pensacola (1968); \$250,000; Houses Mental Health Program, N.W. Florida; Facilities include day-care unit, out-patient clinic, Mental Health Association offices; Selected by American Psychiatric Society for Exhibition.

Beach House for Lindley Camp on Santa Rosa Island (1969) — \$26,000; plywood and frame construction; designed to capture prevailing breezes and for safety from rising water.



Ellis Bullock, AIA



Humanities Building at University of West Florida (1967) — \$960,000; in association with Forrest Kelley, AIA, Board of Regents; Contains art, music drama, university audio visual studios and educational TV studios.

PHOTOS: J. D. Hayward



"The architect's true goal is simply to produce excellent architecture. This should be architecture that is aesthetically sensitive, technically sound and within the timing I limits and economic requirements of the client."

Over the past fifteen years, the works of Ellis W. Bullock, Jr. and his architectural associates in Pensacola have exhibited an emphasis on the many beauties of design and technical functionality. In the simplest of terms, the firm acknowledges a responsibility to society as well as to the paying client. Most architectural firms will agree, but not many in Florida have adhered to this philosophy as has Bullock's veteran organization.

Located within an area some people refer to as Florida's "last frontier", Ellis Bullock is convinced of the Miracle Strip's blossoming future. He cites the large tracts of vacant land still available, the abundance of waterfront acreage undeveloped and points to over \$2.8 million in present construction contracted beyond a 200-mile radius of his office in Pensacola.

Bullock has seen the development of nearly three thousand apartment units in Escambia County within the last five years. His organization has participated actively in the growth of the Pensacola Junior College campus and in the conception and design of a new University of West Florida, now utilizing twenty-two modern buildings for four thousand students.

'Community Development' is the name of the game for Bullock and his associates. A 1954 Auburn graduate, Bullock served in the Korean War as a Corps of Engineers lieutenant. Since then he's been a director of the Pensacola Chamber of Commerce and the Jaycees; chairman of the United Arts Fund Drive; a member of the Historical Pensacola Board of Trustees; Vestry and Jr. Warden of St. Christopher's Chruch; member of the City Zoning Board and the United Fund Board; In the Northwest Florida Chapter of AIA, he's been active as secretary, president and director. In 1969 he was the recipient of the FAIA Community Service Award. Currently Bullock is chairman of the Pensacola Building Code Board of Appeals, member of the Historic Pensacola Preservation Board, director of FAAIA and convention committee chairman plus a member of the AIA Historical Resource Commission.

Other members of the firm are actively engaged in Chamber of Commerce work, Florida Bicentennial, Action '76 and other

CONTINUED

**Pensacola Junior College, Adult Vocational Facility
(1966) – \$508,000, Classrooms and office building.**



ELLIS BULLOCK



Technical Staff: L. to R. seated, Louis Culver, Theodore J. Ruckstuhl, Ellis W. Bullock, Jr., James E. Williams, Ernest R. Musick. Standing: Susan Driscoll, Edwin G. Foy.

community and civic affairs. Each staff member is a college graduate and excels in his field, and assignments are made to fully utilize individual talent. Bullock, in charge of general administration and project development, participates in all basic design decisions. He describes other members' duties as follows:

Lewis Culver (Florida '66) is in charge of the firm's production, scheduling and consultant coordination.

Ted Ruckstuhl (Tulane '56) oversees specifications, cost estimating and shop drawing review.

Jim Williams handles field inspections.

Ernie Musick (Texas A&M '69) and William Davis (Texas A&M '66) participate in all phases of architectural projects.

During 1970 Bullock added to his organization an interior design branch. Edwin Foy (University of Georgia '68) assisted by Susan Driscoll (Syracuse University '70) team up to coordinate the interior design in architectural projects and separate interior contracts.

This diversity of talent lends itself well to the team approach which is used on all projects. Teams are usually comprised of three members. Outside consultants for engineering, landscaping and planning are retained as needed on a project basis.

To obtain an optimum office situation in which excellence prevails, expanded in-house ability is essential, Bullock believes. Now an individual proprietorship, the addition of design, planning and structural associates is the next planned step in the firm's growth program.

OFFICE

Last year the firm moved from a downtown location to new offices in a suburban area. The offices reflect Bullock's design philosophy of "simplicity, frank statements, and honest use of materials." Including rental space, now occupied by a clinical psychologist, the offices contain 2,000 square feet. The offices were constructed to allow for incorporation into an expanded architectural office of 5,000 square feet.

The firm uses a diazo printer for in-house reproduction, while contract documents are reproduced by outside printers. A 3M copier is used for correspondence, estimating and reproduction of small specifications. In addition to adding machines, Olivetti Logos 270 and Frieden 1140 printing electronic calculators with memory capabilities are also used.

The office has an IDAC Spec System in addition to 350-400 catalog volumes on file. All catalog filing, cost estimating and specifications are keyed to CSI format.

Military installations are numerous in the Florida panhandle, and a large percent of revenue from government and commercial type buildings has been enjoyed by the Bullock firm. However, this percentage has decreased somewhat over the past few years, while educational and housing type construction has increased, a reflection of the increased population growth in this part of Florida.

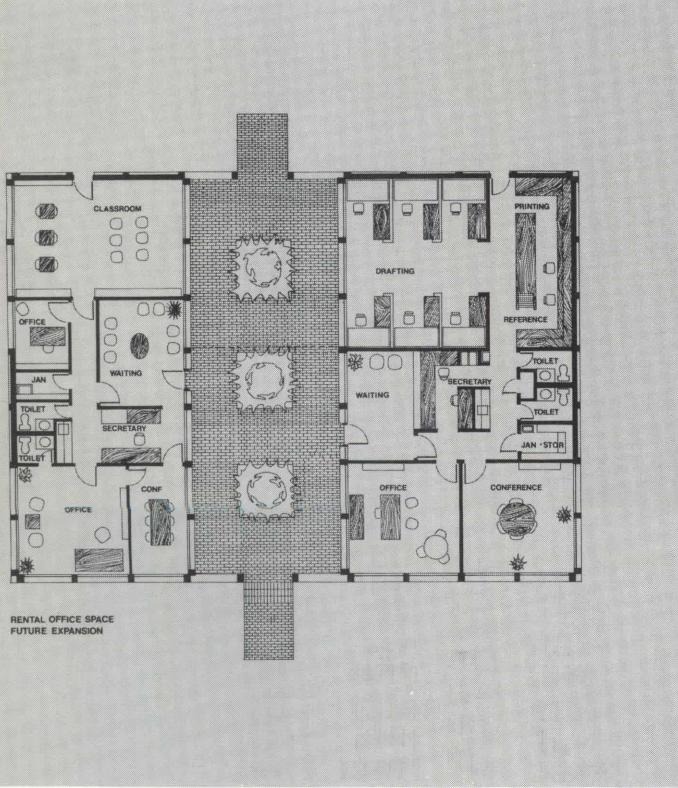
PRESENTATION AND COMPENSATION

Personal contact is still the key factor in client relationships, Bullock believes, although letters, brochures and audio-visual materials are used in client presentations.

Because of the variety of projects, the method of compensation also varies. Flat fees are negotiated on most government projects involving the Navy, Air Force and Post Office Department. Some governmental agencies such as HUD use set scales.

On non-governmental work, the firm uses the FAIA scale -- percent of cost of construction. On more recent projects, a multiple of direct expense has been used to determine the compensation.

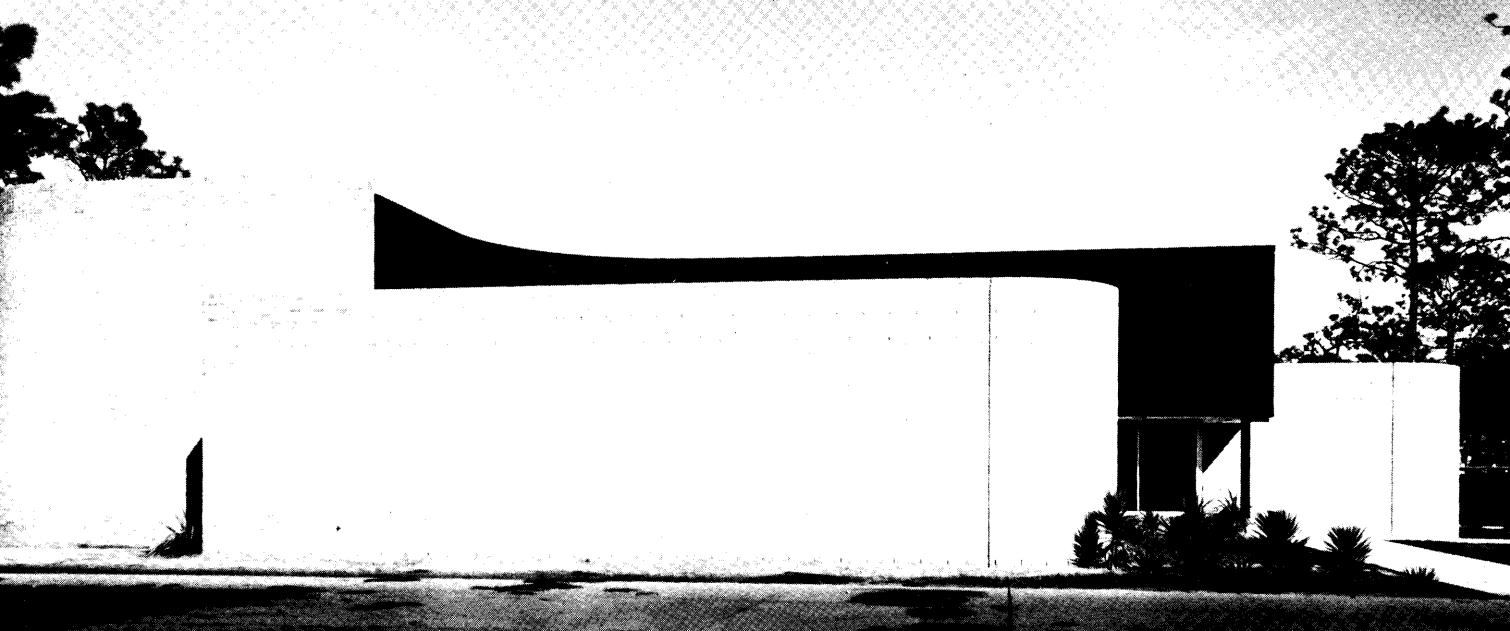
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United States Post Office Annex and Vehicle Maintenance Facility Pensacola (1971) — \$2,300,000; In association with R. Daniel Hart, Architect; Mail distribution facility — N.W. Florida, South Alabama.

Library addition to Woodham High School — Pensacola (1971); \$350,000.



ELLIS BULLOCK

LOOKING AHEAD

Scanning the future, Bullock says, "For the architectural profession to keep up with the ever changing, expanding, complex society, and to architecturally meet the needs, we must be flexible and prepared to change. We must assume new rolls within the broad spectrum of construction that previously have been foreign and alien to the profession. Above all we must assume the leadership where the basic development and design decisions will effect our society."

He adds, "Acceptability to change, with competency, demands continuing education. I firmly believe that a specified minimum of continuing education should and must be a prerequisite for annual registration renewal."

"Large complex plans, multiple discipline projects will only be done by the firms which have these capabilities. This is the kind of work that we seek, and to this end we shall change, expand and educate ourselves." ■

PERCENT OF REVENUE BY BUILDING TYPE

	'67	'68	'69	'70
Governmental & Commercial	68%	51%	63%	26%
Religious		3%		
Planning		6%		
Health			20%	
University	7%	11%	20%	17%
Secondary Education				21%
Housing			11%	24%
Residential	13%	18%	6%	2%

Dollar volume of construction by the Bullock firm has risen dramatically since 1967, a further indication of the increase in business and building activity.

HISTORICAL VALUE OF CONSTRUCTION VOLUME

'67	—	\$1,750,000
'68	—	\$1,950,000
'69	—	\$3,560,000
'70	—	\$5,200,000



Anderson House, circa 1859 historical restoration of 1970. Law offices, Barksdale, Mayo, Murphy, & Williams.

"The USS Homes system changed me from a low-volume, high-quality builder to a high-volume, high-quality builder overnight."

Sam Canterbury
President
Canterbury Construction Co.
Rockport, Texas



"There's a big upturn in housing coming, and I'm going to be ready for it."

"I was turning out five or six high-quality units a year, and making a good reputation for myself around Rockport and on Key Allegro Island off the Texas coast. So I was pretty skeptical about switching from stick-building to any kind of building component system.

"Mainly, I guess, because I didn't want to be locked in on design. I had ideas of my own about how houses should be put together, and so did my customers. Building systems just struck me as being too rigid for my tastes.

"I was wrong. USS Homes had a display at a Houston show, and I liked what I saw. The quality I like in a house was there. The flexibility I wanted was there. And there's just no denying that USS HOMADAY Building

Components have helped lower my closed-in costs. Besides, they're manufactured right here in Texas.

"I expect to build over 100 units this year, and I still have all the design freedom I've always had. You know, this is hurricane country, and you have to build solid. This system is completely adaptable—I can change elevations and plans, build on piling, use additional bolts or hurricane anchors and add anything else my customers want.

"It's funny, but the first two homes I built using this system not only went up a lot faster, they sold faster, too. And they sure sold me on USS Homes."

If you'd like more information on USS Homes, write for our "Components Catalog and Erection Guide." There's an edition prepared for your specific geographic area. Just mail the coupon.

USS and HOMADAY are trademarks.



Mr. N. G. Day, Manager-Dealer Sales
United States Steel Homes Division
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Dear Mr. Day: I'm interested in learning how I can erect buildings faster and at lower cost. Please send me a free copy of your USS Homes Components Catalog and Erection Guide prepared for the area indicated:

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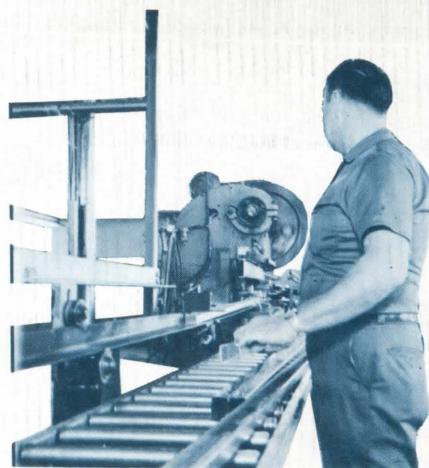
Name _____ Title _____
(please print)

Company _____

City _____ State _____ Zip _____

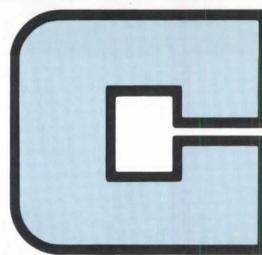
I need more information immediately. Please have a representative call.

(Area code) (Telephone number)



CATHER PEOPLE SPELL CAPABILITY!

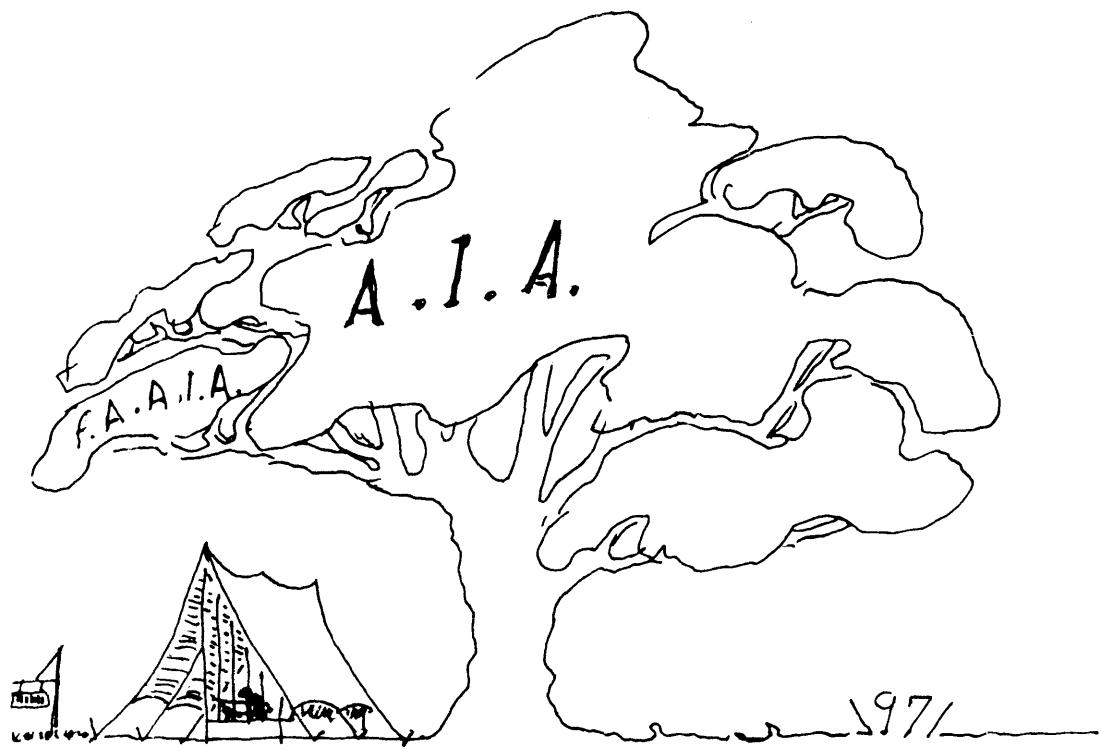
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SMALL OFFICE

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TASK FORCE COMMITTEE REPORT

THE FLORIDA ASSOCIATION OF THE AMERICAN INSTITUTE OF ARCHITECTS

MOTTOES FOR THE S.O.P.

Above all

be
your
self

if you have a lousy personality HIDE

AND LET YOUR WORK SPEAK FOR YOU

Illegitimi non Carborundum

DON'T LET THE BASTARDS WEAR YOU
DOWN

When the big office people tell
your clients you "Farm out"
your engineering

ASK
THEIR
CLIENT

Are you sure,
the person you're
dealing with is
the person you're
dealing with?

SMALL OFFICE TASK FORCE COMMITTEE

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AJF	Andy Ferendino	800 Douglas Entrance Coral Gables, Fla. 33134 (305) 444-4691
SOP	Small Office Practitioner hereinafter referred to as SOP	

1

Definition of a small office. (We started with the belief this should be established. Some beg for a qualitative definition)

COMMITTEE COMMENTS:

BL 1 to 7 technical personnel with 1 to 3 principals, Architects.

FRW "Small" is an undefined term except in relations to other size considerations. An architectural office which "employs" consulting engineers for all projects may be a very large firm with 12 strictly architectural men. Three working architects with three senior assistants each and using consultants could turn out 18 million dollars worth of work a year and if they performed job administration with it they might require an additional support staff of 12 for this work. The addition of engineering staff aberrates the definition.

HS I tend to agree with Sam K — Any office whose principal or principals are engaged, day to day, in providing general architectural services within the firm is basically a small office in structure and problems — by this I mean each principal does a little design, a little PR, some spec writing, etc. For our purposes I would not include an engineer principal

But these things should also be considered and do relate to physical size, location, etc.:

—Principals + 2 employees: don't have to sweat the Florida Unemployment taxes unless incorporated and I'll bet the great majority don't carry professional liability insurance; also, too small to qualify for employee fringe benefit programs.

—One principal, full or part time, with or w/o employees: Often these firms are very special cases, but not always. I agree w/Pattillo — one man full time is OK, but forget part time.

—Location in a small town (or unsophisticated city) vs. location in a major metropolitan area means a lot — the means for future survival might be very different for each.

MG There is a big difference between SOP in isolated small town and SOP in big city or near large urban facilities.

2

- (a) A quick review indicated that the defined small office, 7 or less, represents 90% of the offices in some areas and averages at about 80% over the state.
- (b) A committee goal unmet so far was the development of data and the desire to make all SOP's examine their operations. The result of this report might be the goal accomplished.

PP

Required Reading:

1. The Economics of Architectural Practice, AIA, Case & Co.
2. Methods of Compensation for Architectural Services, AIA, Case & Co.
3. Financial Management for Architectural Firms, AIA, with Arthur Anderson & Co.
4. Architectural Management, Guidelines Publications Berkeley, California
5. Architectural Promotion, Guidelines Publications, Berkeley, California
6. Architectural Production, Guidelines Publications, Berkeley, California

Note! These 6 publications have been of great help to this office, especially the first three.

It is hard to define "small" office. I think this is as good as any. A one man office operating from an office full time is OK but one man either part-time or working out of his house must be separated from the main definition of a small office.

SK

"1 to 7 technical personnel with 1 to 3 principals, Architects" — I don't really think this is the criteria. Small is relative to large. In Miami my firm (25) is small; in Naples it might be a giant. The capacity to do service is the measure. If a firm is isolated and has only a limited capability (in house or out), the firm is small. A Louis Kahn (3 to 5 guys) is not limited because he has Philadelphia resources at his disposal.

RLW

"1 to 7 technical personnel with 1 to 3 principals, Architects" — Total of less than or 10 would be typical, I believe.

"? Would one engineer principal be O.K." — Are we not entering into a SOP with more diversified services than an architect — only from which must depend solely on consultants for civil structural drainage, acoustical, mechanical, electrical, etc.? The main area of concern in the small office in the Tallahassee area is how to achieve diversity of services in the architectural office without the use of engineers on staff or as principals, although I personally believe that an engineer on staff is desirable and we should not exclude AE diversity in our definition

COMMITTEE COMMENTS:

HS

We should scare the hell out of the state membership. Most small practitioners are so complacent they don't know a problem exists; 75% don't seem to be able to read. At Grassroots someone said that any office not familiar with the Case report deserved to fail — after that particular meeting two chapter presidents sitting next to me asked me "What was with this Case report" — the survey questionnaire must shock the SOP's into responding.

PP

—Repeat "Case & Co's seminar of a couple of years ago
—Articles or profiles of SOP operations.
—I think most SOP's don't believe their future existence is even in doubt and most of those believe that "profit" is a bad word.

SK

This is important. The Case report and contingent surveys were very revealing. Such things as personnel practices, evaluation of their own worth and how this is used to determine fee and plan promotion programs. A wealth of data could be dredged for all kinds of programs for FAIA and AIA.

Office Economics

From case study we learn that the architects' indirect costs must be understood. They include:

- (1) Nontechnical (secretary-bookkeeper)
- (2) Office supplies
- (3) Auto expenses
- (4) Dues and subscriptions
- (5) Entertainment
- (6) Interest on business related debt
- (7) Pictures and paints
- (8) Professional seminars and conventions
- (9) Rent and utilities
- (10) Taxes and licenses
- (11) Telephone answering service and telephone
- (12) Travel
- (13) Business promotion
- (14) Maintenance of home or studio if used partially for work
(Proportional to use by area & time)
- (15) Accountants and legal fees
- (16) Depreciation
- (17) Professional insurance
- (18) Principal's salary placed as a planned item of overhead
- (19) Fringe benefits

Note: Equipment is capitalized and depreciated. This accumulation can run from 33 to 40% of gross fees per registered professional.

COMMITTEE COMMENTS:

RW Note: Many of the items are attached to the professional and repeat for each professional present. The principal items that are shared by a group of professionals in one office are nontechnical wages and rent and utilities, and even these may expand in response to a larger force.

Irregular work flow is serious in relation to the size of the office and in relation to the size of fixed debt (monthly payments) of the individual.

We need to establish definitive statement to determine the take-home pay. The Case study did not specifically aim at SOP and the inclusion of principal's salary as overhead or indirect expense tends to cloud the figures. Recognizing that a portion of principal's time goes to perform in the overhead area is obvious. The larger the staff the more time of this sort.

Consultants and Support Services – Knowing where they are and how to utilize them.

- a. Mechanical Engineers – A/C, Plumbing.
- b. Electrical Engineers
- c. Structural Engineers
- d. Site Engineering
- e. Illustrators (Renderings?)
- f. Extra help and cooperation – worker pool - consultant sources
- g. Association
- h. Architect to Architect Consultation
Contract form needed and fee study
- i. Landscape Architects

COMMITTEE COMMENTS:

G Promote these — all available talent and information.
Add:

- i — Teams of research agencies for program development (hospital and health facilities; education and facilities; governmental facilities; etc.)
j — Construction management teams
(These (i & j) are available to architects and often make the difference between big-time vs. small-time architects — not size of office.)

FRW	Organizing time is aided by following carefully the AIA Owner-Architect Agreement schedule for payment, Feasibility Studies, Schematics, Design Development, Construction Documents, Bids, Construction, and being sure to sweep up all the elements of a stage before launching into another; such as don't start detailing out while still trying to win owner approval of schematics OR don't start engineers on finals while still working on design development. Keeping the work stages sanitary makes it less disastrous to change things that need changing.
HS	"This accumulation can run from 33 to 40% " Absolutely essential for survival; terrifying. Should be refigured each year minimum assuming firm structure does not change. An average figure per man hour is important to know but it is just as important to thoroughly understand how indirect costs vary with projects types. ACCURATE TIME SHEETS ARE MANDATORY, and often distressing.
PP	"Irregular work flow is serious . . . " — it helps to have a working wife! We must begin to develop projects of our own — we're working hard in this direction.
SK	"This accumulation can run from 33 to 40% . . . " — I believe that each office must know this figure for their own office and operation.
RLW	? "Linear vs. Const. Management"
BL	"Irregular work flow . . . " — techniques of job cost accounting and analysis should be discussed and refined. — Irregular work flow must be offset by regular cash-flow.
HS	O.K.
RLW	I believe that 50-50% is more realistic if an enthusiastic promotional program is to be employed — Are you sure about your OH figure — for small office of 2 principals indirect costs can run as high as 20,000 per month, with personnel participation in organizations (such as AIA) insurance, (both life and hospital) and other fringe benefits.
HS	a,b,c,d,e, — Consultant fees are really getting hairy. Engineering fees are often exceeding 50% of the total fee now — this is no joke. It's discouraging to have to get the job, provide almost all client-engineer communication, take much additional risk and then get paid the left-overs. f — Members of the Sarasota chapter are involved in one of these — does it work? g — I still don't understand everything available from AIA. h — More of this is needed at the SOP level - critically. i — Services available through university centers (interdisciplinary services) j — Specification services (Masterspec: CSI spec) k — Cost estimating and accounting. l — Mortgage and banking information for those who want to be their own clients.
Add:	
MG	These services must be located in relation to information in 2(a) "Distribution of Offices".

SOP

5

Professional Development

Polishing real skills, Professional release, reducing the non-creative flap. Professional fuel, motivation to improve, rewards for service.

Personal Improvement Aids:

- a. Packaged films
- b. Cassette courses
- c. Books and papers
- d. Seminars
- e. Visitations

Defining areas of need and study them.

Knowing how to shape up and manage the client.

The economics of effect or where to blow a wad.

Keeping up or knowing how to "get up". (Research on Get Help)

6

Public Relations for SOP Architects:

- (1) The highly organized presentation (or brochure)
- (2) Getting to know the prospective clients and their problems
- (3) Appearing constantly as an advocate of good architecture, joyful architecture, fun architecture or whatever.
- (4) Taking part in your community where you can really be of value (doing the things a shoe clerk or insurance type could not do as well).
- (5) Speaking out for values you can see better than others. Offer solutions.
- (6) Don't sell what you can't deliver. Know your product.

COMMITTEE COMMENTS:

- FRW Let us research all other professions' programs on this.
- HS "Personal improvement aids" — Knowledge of what the future holds for the unwary is plenty of incentive for me.
If an SOP is to survive in the coming years, somebody in the firm:
 - a. Must become politically active. Future work will be increasingly sponsored or controlled by a political entity on some level. Why do most architects feel that political participation is always questionable?
 - b. Must become a businessman and kick the "romantic architect" habit; learn to say NO; learn to be an SOB and earn your client's respect.
- MG "reducing the noncreative flap" — Well put. There seems to be so many days when you work frantically and accomplish nothing. Because there is no one to assign 'chore' type work to.
- SK This is so damn important. Add: knowing how to make the things you like to do with your family also be the unaffected promotion of one's practice.
- BL "list of specialists in Architect types" — Building or Consultation.
- RLW "Knowing how to shape up and manage the client" — very important!
"Develop a FLORIDA-list . . ." — Not that this will benefit the SOP yet — The whole idea is to portray an impression of diverse expertise and if an architect is strong in one area of program, it doesn't mean that his clients should have to look elsewhere for other programming. Specialization is very restrictive, and although I think we need consultant types to draw on — the firms listed should reflect a comprehensive list of projects or project types (which I think we will find highly inter-related.)

COMMITTEE COMMENTS:

- MG "Don't sell" — But sell hard when you can — This is a great weakness — at least with us —
Generally, I do not think architects are very 'aggressive' in the accepted business sense.
- SK Needed, Needed! This is good.
- WK 4 & 5 — Architects need to become more involved in public matters.
- RLW (5) — The architect must be the "teacher" — a client will only listen for that which he does not already know — We must implement item (2) by surveying government structure and corporate needs.

7 Specialization vs. General Practice

- a. Job type specialization
- b. Subject or area specialization as an individual such as:
 - Expert on insurance economy through design
 - Expert on building codes and their effect on design and economy, etc.

Notes: Under type "a" many firms that become building-type specialists could be induced to offer consulting services under a contract which would not cause the SOP to be swallowed up or displaced.

Under type "b" many SOP's could become experts on phase or area matters and some large firms, SOP's and perhaps through a technical center.

(Everybody can't fish all the time; someone has to cut bait and the knife may get dull and need sharpening.)

Should job size limitation be discussed? Or the point at which you call for help? Some good small firms have been harmed by lifting too much alone (Business hernia).

COMMITTEE COMMENTS:

- HS "Job size limitation . . ." — Can be determined only by the firm involved. The majority of SOP's in general practice are doomed because:
 - a. The traditional SOP client is turning to prefabricated construction and "package dealers".
 - b. The traditional SOP client is himself disappearing and becoming part of the larger corporate social structure; the large corporation in turn demands more services and turns to the larger AE firms.
 - c. The SOP architect is not businesslike, but more importantly, it has been economically and physically impossible for him to keep abreast of technology and maintain general practice.

I think most SOP's must either specialize and stay small or continue to generalize but grow larger. Other directions besides those you list: SOP becomes its own client; construction management; contracting as now allowed by the ethical standards; turn-key and package deal participation; industrial housing design.

MG (b) — Can you really get paid for this?

Last paragraph — Between 1 & 7 people this would vary tremendously.

8 Business Management Studies - Use Consultants?

HS

This should be several things:

- (1) Evaluation team for reappraisal or review. Could come on call from an SOP to look over his book and operation and product (Contract Documents)
- (2) Architect with special training teamed with MBA graduate also with select training.
- (3) National might find and furnish persons.
- (4) Our study could furnish a cadre for this.

More of this is badly needed — obviously National AIA seems not to be aware — there are an increasing number of threats to resign from National in this area from active chapter members, almost all being SOP principals — they feel estranged from AIA programs, feel vaguely that things aren't as they should be but don't know why.

THESE STUDIES, SEMINARS, ETC. SHOULD AND MUST BE MADE AVAILABLE FREE TO CORPORATE SOP MEMBERS — even if other national programs have to be curtailed.

PP

Teach self evaluation — cost accounting or job analysis — How much does it cost your office to execute a particular job. Do you keep job cost records. Reduce indirect costs techniques.

SK

My firm has had two costly studies made. Both only gave us assurance that we knew better. I believe any of the 4 methods are good. Bull sessions (called seminars in some circles) are excellent with architects. The Big offices in Detroit do this regularly.

COMMITTEE COMMENTS:

- FRW (Additional) —
I have never accepted the Case format completely. The SOP needs to keep his net in full view and at the same time realize the distribution of his time to overhead, production, PR, PA, Citizenship and AIA. When time is the basis of charges the assignable production time carries the burden of it all.

9 The Architects' Technical Center could furnish:

Vehicle for special skills, temporary space for enlarged operation, equipment and hardware (Computer).

Central Technical information source center and/or specification center.

Special services can include:

- Feasibility studies
- Operational planning (food processing, department planning, hospital procedure and space studies, traffic, etc.)
- Model making
- Renderings
- Research
- Financing
- Acoustical analysis
- Insurance (project and building)
- Interior
- Programming
- Maintenance studies and programs

Many specialties can be part time consultive furnished by practitioners. See No. 7

Some could use student manpower and located near college.

Could develop standard for product design and attract manufacturers to assist in product improvement and testing and cataloging and pricing.

Should it be closed to non-Architect, non-member, non-SOP? Possibly not.

The size of a Technical Center would develop in relation to the activity in the area and if all offices in the area were members it would suffer a minimum of fluctuation in size. To be practical it would need to serve as many architects as possible and perhaps be part of a chain which could supply talents and refined specialties.

COMMITTEE COMMENTS:

HS

Should it be closed . . ." — NO.

This is a great idea and must have been tried elsewhere (besides Sarasota I'm sure). (A group of arch grads started to try it in Jax + 10 years ago but everybody was a chief). Sam K. mentions the AIA program — I think regional or metropolitan centers, possibly in university towns and possibly sponsored by AIA, might be very practicable. Perhaps organized as a corporation w/SOP members as stockholders, etc.

MG

"furnished by practitioners" — To each other?
"Possibly not" — Definitely not.
Special communications — ?

SOP

10

Pre-packed Design Elements

vs.

The Complete Custom Design of Everything

Reinventing the wheel daily: many engineers and architects do it. The design of electrical, plumbing and air conditioning systems and their specifications can be capsulized into packaged units and adapted to the project. First find the pigeon-hole your problem belongs in and then apply with judgment the prestudied treatment adjusting it to all consideration.

COMMITTEE COMMENT:

FRW We have a lack of communication on this item. I raise this question: On many small buildings, without architect, the electrical system is simply code grade worked out by the electrician and serves well. Also the air conditioning was done by a sales person with high school or unrelated college training augmented by a short course at the factory. It also serves well. It was this group that discovered the value of undersizing A.C. to get longer running time and better dehumidifying.

SK

"vs" ? "Complete Custom Design" — Never really true. We don't reinvent hardware, doors, windows and many things. It's a matter of degree. A systems approach — an inevitable development.

RLW

Component Design Research may be the only way some SOP's will ever get their jobs out, as they get bogged down in trying to solve details. (we use "standard detail method" in our office where applicable.)

HS

"Reinventing the wheel . . ." -- They probably could be listed on one hand.

See comments in (7).

The opportunity for truly custom design re the typical SOP is so small as to be negligible, in my opinion, for purposes of this committee. Except, we might advise those SOP's who impose a type of custom design on their unknowing or unwilling clients that times are changing, as of 50 years ago. It's hard enough to find out what technology has made available, much less improve upon it. The almost infinite combinations of available methods and materials places few restrictions on imaginative design approaches.

11

Understanding and working with Bureaus and Political Units.

- a. The state agency (1) Under Board of Regents
(2) Not under Board of Regents
- b. Federal G.S.A. vs. Military
- c. County governments
- d. City Governments (1) Mayor-Commissioner forms
(2) City Manager forms
(3) Consolidated City-County

Needs and limitations of the department people who want an architect and the procedures for serving at all levels.

COMMITTEE COMMENTS:

HS (a) Department of General Services under Blakemore, Bob Brown, etc.

See comments under (5).

Red tape is increasing constantly and the SOP can find that dealing with some of these people is hardly worth the effort except for really sizable jobs. The SOP should concern itself first with getting the desirable jobs by becoming politically active as required — but bureaus are important in determining who gets repeat or continuing work, particularly under DGS at state level.

PP

(d) — Add (3) Consolidated forms. A review of drawings in Jacksonville by as many as 10 agencies before building permit is issued.

SK

AIA already has done this for (b). Some governments are very complex and change personnel frequently. How to get laws and people elected to offices in which enlightened environmental development are the rule rather than the exception is an important ingredient. Architects are apt to complain about a bad building or zoning law or policy than work to change it.

RL W

A. (2) — Be concerned primarily with State G.S.A. and Bureau of Construction Standards.

Need to get Architects to support long range planning concepts with local government leaders — with systematic development of programs which the architect can help formulate by pushing early enough and pointing out the needs.

12

Shields against Problems.

Contractor rating and attitudes
Subcontractor classification
Labor's part?

Knowing when you change hats even though you don't have departments.

COMMITTEE COMMENTS:

PP See Note 1.

MG Best SOP Solution: Move your office out in the barn and get a talking horse —

SK How to organize one's time is the secret of active people — not unbounded energy. FRW must know this. I do.

WK Comment on FRW note: Very good!

HS

Comment on first 2 lines: Where possible we always restrict most governmental work to invited bidders and always require performance bonds.

Comment on FRW note: Well said.

Man SOP's are terribly organized "in-house". In offices with permanent staffs the principals must avoid interruptions by the staff as well as the client. Also, the staff can interrupt itself — the larger the staff the more necessary become fixed policies regarding conversation, radios, coffee breaks, etc. I think the SOP can often sober up its staff and itself by meeting informally in gripe sessions — also by explaining, in general, the economic health of the office and prospects for the immediate future. Another real problem in the small office is offering the staff the opportunity for advancement.

In addition to the detailed response to the posed topics of the original outline here are three self contained statements:

The first made by A. J. Ferendino takes a somewhat oblique attack on the question. It brushes aside the questions raised and challenges the feasibility of the small office at all hinting that the large office is a collection of work units resembling a small office. Let Andy speak:

AJF I arranged to have a two hour lunch with Sam Kruse and Ed Grafton and discussed the summary you sent to me. It is very difficult to answer the question of the needs of a small architectural office. But, my past experience indicates to me that for every principal in the firm there should be six to eight draftsmen to make a fair living for each principal involved. I do not see three or four partners with six of eight technical personnel earning a fair living. In fact, it is difficult for an office of twelve to fifteen technical men with two principals to earn a fair return for their labors, in my opinion. An intermediate firm, as above, is too large for small work and too small for large work.

We all agreed on one premise, that the average architectural graduate, and this also applies to a large percentages of practicing architects, has very little business training or instinct. It seems to me that the average college does little to develop the business side of a man, so consequently he has to develop his own talents in this direction. The majority of seminars in business practice for professional architects are generally pretty elementary, but I will agree with whoever made up the list of reading material, published by the AIA, as a better source of information than the majority of seminars now available.

I think consideration should be given, by the AIA, to the use of joint management, administration, secretarial and drafting pools by half.

A dozen or so architects in one office building, as a possible solution to the small practice problem. However, I do not believe that a central source for this type of service would work if it were not in the same building.

The second of these pieces by RLW is a thorough going study of a chapter and might well contain almost every view to be found in any chapter. This one really speaks for itself:

RLW An effort was made to engage all practicing architects in the Tallahassee area, but I was able to get a meaningful response from 6 of the 9 "firms" immediately in Tallahassee, and from none of the practitioners in smaller communities as Marianna, Wewahitcha, Blountstown, etc.

In order to achieve responses which would conform with the items suggested in your memo of December 14, 1970, the following questions were put to these firms on a personal contact basis:

1. Size of Firms

- A) 1 principal, 3 technicians, 1 secretary
- B) 2 principals, 3 technicians, 1 secretary
- C) 1 principal, 2 technicians, 1 secretary
- D) 1 principal, no technicians, wife does secretarial work
- E) 1 principal, 1 technician, 1 secretary
- F) 4 principals, 15 technicians, 5 secretaries, 2 others

It is significant that SOP's (D) and (E) were not AIA affiliated, but were anxious to contribute their experience and also appeared to be well managed for "one man type" operations.

2. Office Economics: "Do you have a systematized cost accounting of all indirect and direct costs, with an office budget?" Only one firm, (A), does not use a computerized accounting and billing system (offered here by banking house(s)), and this individual has a bookkeeper-accountant as a "consultant". All other firms keep itemized pre-formed records which are coded to the computer operation, from subscriptions and promotion to employee time records. Most responses indicate that this cost data is worth all the time spent in recording the raw data.
3. Work Flow: "Do you have a chronopath or schedule system in organizing and scheduling jobs in your office?" This got an affirmative response from only (F). All others occasionally scheduled their work loads on a week-to-week basis, making allowances for "down" times or rushes only as required. Most felt that their volume of work was fairly constant and did not necessitate close inter-project coordination.
4. Consultants and Support Services: (I asked this question in varied form). All firms used a mechanical and electrical consultant regularly, except on residential work or where a nominal volume of M/E was required to support the bidding process. Acoustical consultants, delineators, market analysts, etc., were used very infrequently. The principal aspect of this problem — "architect-to-architect" consultation — seemed to be an item which did not stimulate very much response on a fee basis — but all agreed that some sort of professional forum was needed to work out common problems (which few were afraid to admit that they had). One had an idea of a mobile architect-legal consultant, perhaps a FAA state staff, fee-paid member who could be called in for contract or negotiation counseling, similar to our lobbyist Peeples.
5. Professional Development: "Would you participate in a "PDP" (professional development program) if it were offered?" All said yes, when given the schedule and subjects to be covered by the first 3 FAA sponsored ones (before they started) but only one firm (F) was represented at the first 2. When questioned recently — most said they had last minute client "problems", wanted to know if these seminars would be summarized to the chapter by participants or taped for replay. (Maybe we could get out cassettes on a rental basis to offset expenses of mailing, reproduction, breakage, etc.).
6. Public Relations: "What do you do to promote your services or profession?" Only 2 firms have brochures, only one has a PR consultant. All architect-principals participate in community organizations and functions and make regular appointments with local and state officials, send in news releases on projects, etc.
7. Practice: "Do you believe that you (as a practitioner) can specialize or become a consulting expert in a particular field?" Only (B) felt that they might be a consultant in "restoration" work or a historical architecture specialist. All others were believers that the architect should stay in general practice and do the best they can with their present scope of practice and accept the consequences. Most all but (F) are against joint ventures.

8. Use of the Architects Technical Center: This stimulated some interest. Building type program samples, specifications, material use, testing results (as a central ASTM file) and data generally used on projects are of great interest. Architects feel that for the most part, manufacturer's literature and sales representatives aren't getting the job done and don't know the answers, and therefore are getting some architects into trouble with their clients. (Note: my own answer to this has been to use the C.S.I. "Spec-Data" from manufacturers, in conjunction with the technical articles from the "Specifier". This organization is filling a great need in this area of technical education, but seems a shame to spend extra dues money for another organization to do what we could be doing also). It is the feeling that a great deal of money would be required to set up a fully operational ATC and would the use given it on a state wide bases? All 6 responding firms felt that it would only be "occasionally" used by them unless the cost were minimal, chargeable and the information instant (how's that for idealism? The idea was that it should be there if they do need it.)

General: I cannot begin to interpret or relay all the "extra comments since I didn't have enough tape, but I would like to chip in a few ideas that were volunteered.

- a. The AIA should get away from the "socially oriented programs" and work toward a more "business management" and "technical service organization", stressing ethics and ideology by word. (B)
- b. The major problem of SOP's is to get the one or two experienced technicians that they really need to get the work out. I got a lot of expressions on architectural technical education for draftsmen and the lack of it. (Like a lot of business and other professional areas, however, this void will be eventually filled by blacks working toward the "white collar" jobs and these are gradually becoming plentiful in the drafting field — if you don't believe it, contact Florida A & M University. (A) (D)
- c. Profit planning is not the problem — but in working with people, it is difficult to organize time in solving one problem at a time in a small office. Self discipline to work long hours is required. (D) (E)

It is encouraging to note that even though my responses were so limited, that I talked informally with other architects (employees and government employed) that were greatly encouraged themselves to know that the FAA Task Force on Small Office Practice actually existed and could be formulative in establishing guidelines for the SOP. Also I might note, that most of the recent graduates (employees), and architects in government that work on projects with small office architects (as well as large office architects) are more receptive to professional education in office and practice management because they see problems that practitioners often do not.

The third self-contained statement is offered by the Chairman:

FRW Perhaps I believed some of these things before the study, but these make their way to the top over many others. As Peter DeBono points out in his book "The Mechanism of the Mind" we tend to process our experiences into memory as related and adjusted to our own bent and usually supporting it. It therefore takes a pretty devastating experience to make really new channels for memory retention and evaluation. This material approaches this point with me.

The reason for the small office is the personal client. On the other hand, very large institutional clients tend to look for institutional scale architects. The personal clients disappear or become rare in the process of enlargement.

The reason people move into personal practice is not an economic one, it is a question of rewards other than money. The contact with all parts of the work from inception to the workmen's handiwork is the architect's life, most rewarding as it is lived and since all he has is time, why not spend it doing what he wants to do.

There is a fatalism about the SOP, this is what he wants to do and if he can keep busy and get paid he feels the reward is right. The word freedom is frequently used by SOP architects.

Since freedom is so important to him the only things he can't seem to control completely are the things he grousing about, fees, client control, contractors, regulations and engineers. There may be some SOP's who are relatively unemployables in organizations but the great variety of pressures and contacts which he sustains assure that he will reach a fair adjustment and those who accept his oddities will be his clients and his contractors. Certainly lacking is the bland staff man quality in the whole lot.

Most SOP's don't think they have unsolved problems and attempts to improve his lot which challenge his detachment (freedom) will be resisted. For this reason the architects technical center, the drafting pool, operating as a satellite of a large firm, entering a joint venture team, are perhaps doomed to limited use although all valid and loaded with possibilities. In order to make them work we would have to recruit skilled staff from the big office to head up these organizations, organization men over organization men.

Remember however, freedom is an illusive thing, the man who stood on the ancient slave ship and put the lash to the oarsmen was himself a slave. He could not leave the ship either.

Most architects feel they are efficient but feel the pinch of not enough time to read and keep up to date, do their jobs better, take part in other activities, to keep the place in order. To me this indicates a need for support activities to free creative time for the SOP.

Note: By direction of the Board this report has been slightly abridged for publication in conformity with discussions at the meeting August 27, 1971.

Let's look to other professions for examples which might clue our actions, consider:

- a. Performers have managers and they keep working on their voice or act, they get material from writers and arrangers, they submit to directors and producers.
- b. Dentists send stuff to the lab and they send each other off to learn new techniques and come back to coach the others who sent them. They have certified specialties, as well as G.P. They also look to the proper distribution of dentists in the population.
- c. Lawyers go to seminars and bring back a book or two to put on the shelf for ready reference. They sometimes get paid slowly and after long waits, on purpose.
- d. Doctors consult and refer, have specialties and get the cost of care into the hands of hospitals and their staffs instead of hiding their fee in a total cost package. They monitor and watch each other to keep each one on the track.
- e. Accountants, the top men in a firm, have individual responsibility to clients regardless of size of firm. They all must keep up to date and the Cassette tape is used to bring them study material.
- f. Advertising works through account executives who live with the client and feed his story back to the creative people. Recall, they too accept a budget as a starting point and their results are harder to prove than ours.

The following 13 suggested projects are proposed for improvement of practice and it is further suggested that this committee be continued and charged to prepare the evaluation handbook recommended as part of Item 1. The other items are fit topics for carefully selected committees or chapter study group activites, if various chapters were selected to make the studies for implementation.

FRW These Programs for Improvement should be organized, schooled or sponsored by FAAIA.

1. A program for "practice evaluation" with a handbook. If any SOP requested it, a team of his peers from "away" would inspect and review the operation of a SOP and give him a written score and recommendations based on the handbook.
2. P.R. and Management firms for SOP's all neat and ethical.
3. Contract documents for Architect participation as part owner and as construction managers with introductory seminars to launch them.
4. An established custom and relationship adaptable for the cooperation and consultation and referral between SOP's with necessary contract documents.
5. A network of communication between SOP's (Xerox by Telephone and Tape).
6. A published listing of projects by SOP's and service rendered so in depth experience of a kind would be known. (All architects aren't doing the same thing).
7. Publication of aids, nuts and bolts type material not broadbrush viewpoints, (workbooks of detail standards for Florida, specifications that can be incorporated by reference). (Also a roster and classification of available commercial facilities for all types of reproduction).
8. Data storage and retrieval equipment and skill available to all through lease and maintenance contract. Salesmen no longer provide enough product information to SOP's.
9. Some pool of technicians not too far away through rosters or directory.
10. A good roster of engineer and other consultants and their background and experience.
11. A continuing program of professional advancement both in job and role playing activities.
12. Consultants or floating paper work experts, part time, job record keepers, requisition reviewers, estimators and application filler outers, real nitpickers working for fees and like firemen at a fire.
13. A new class of trained employees or consultants to do secretarial work, as well as office time records and internal cost paper work, requires some construction operation background and probably will be men or very special women.

*A great reputation is a great sound –
the more there is made,
the farther off it is heard”*

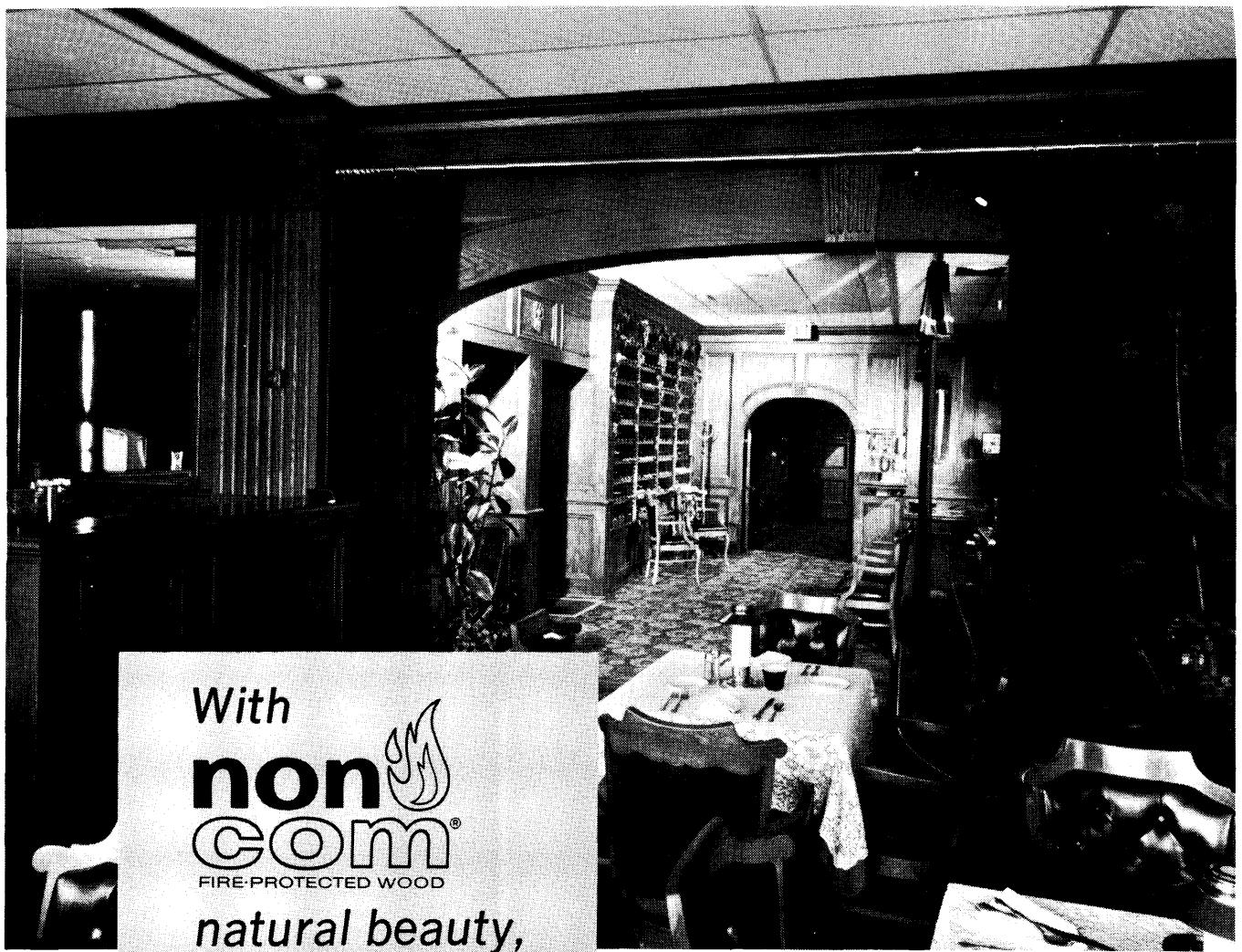
NAPOLEON BONAPARTE

"BETWEEN KNOWLEDGE OF WHAT REALLY
EXISTS AND IGNORANCE OF WHAT DOES NOT
EXIST LIES THE DOMAIN OF OPINION".

-- Plato, The Republic
370 BC

**“FALL
DOWN
SEVEN TIMES,
GET UP
EIGHT”**

— A Japanese Proverb



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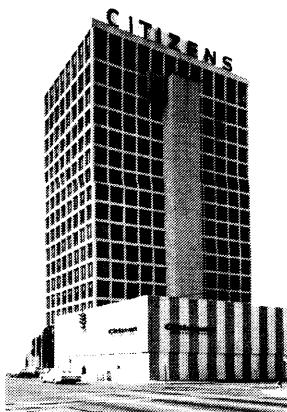
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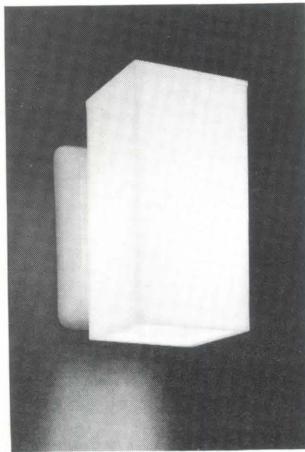
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Project Financing For The Architect

Paul B. Farrell, Jr.
Dr. Carl J. Tschappat

Possibly the major barrier that has kept the architect out of the development business has been his inability to secure project financing. He typically purchases land that is ripe for development at top prices, so speculators and brokers help him work out land acquisition problems. He does his own design work, and he is capable of negotiating a profitable arrangement with planners, contractors, and engineers. Money is his first real hurdle.

A developer needs both equity and debt money to make a project go in today's financing market. The experienced developer might be able to "mortgage out", i.e., to work only with borrowed money, but nearly all projects require at least some "front money" if not permanent equity.

The decision to go after debt or equity money first differs with each project. A mortgage lender might be enticed to make a permanent loan commitment contingent upon a showing of sufficient financial means to justify the project. On the other hand, equity investors are attracted most effectively (and for a smaller piece of the action) by showing them that permanent financing has been arranged.

The experienced developer has normally established his mortgage financing relationships and can get commitment based upon the project's merits plus a stated plan for securing equity capital. He will likely need less equity for the same project than would his less experienced counterpart. These factors obviously place the newcomer at a serious disadvantage in getting his project underway.

A second issue arises in dealing with the debt/equity balance. The equity investors desire to escape all types of liability, including responsibility for the mortgage debt if the project's earnings are insufficient to meet payments. The mortgage lender, on the other hand, seeks to secure personal liability from all equity owners involved in the realty transaction. Only the developer can resolve this issue.

There are three basic steps involved in arranging for project financing. These are the following:

1. Determine the amounts of equity and debt financing needed.
2. Develop evidence to justify the desired loan.
3. Devise an ownership agreement which meets the needs of equity investors.

Determination of Needed Funds

The amount of permanent debt money which can be borrowed on a development project is solely a function of that project's "Value" at the time the permanent loan is to be closed. Value is equal to net income divided by a market-based capitalization rate. The net income is computed by subtracting fixed and variable operating expenses other than depreciation from rental and miscellaneous income. The capitalization rate is established by lenders based upon current interest rates and the risk attributed to projects such as the subject property. In chart 1, the relationship among these variables is illustrated and the manner in which debt and equity amounts are determined is shown.

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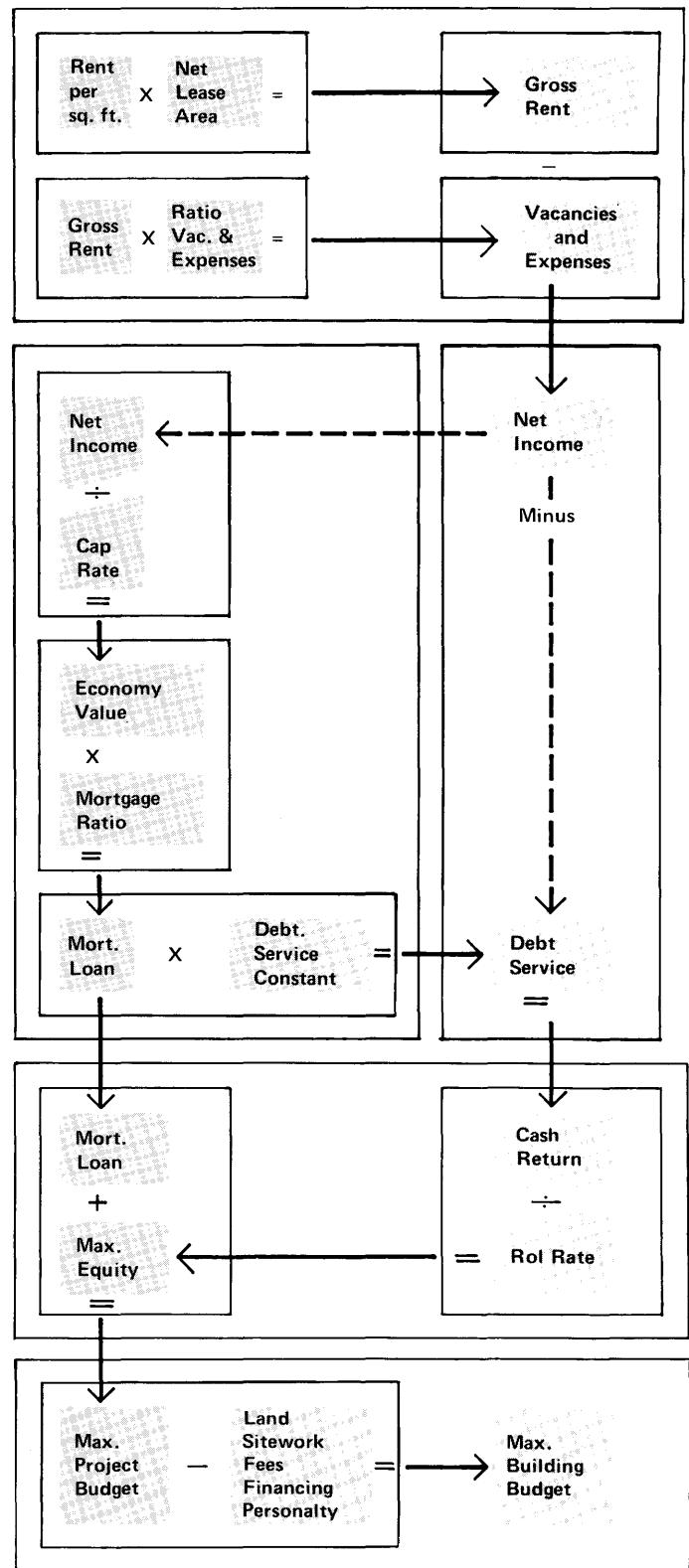


CHART 1

BASIC REAL ESTATE ANALYSIS

Project Financing, Continued

In this chart, total project value is computed by dividing net income by a capitalization rate. A percentage of this value, customarily between 66-2/3 per cent and 80 per cent, is taken to derive the mortgage loan amount. This amount is dropped to the bottom portion of the chart and added to the minimum cash needed from equity investors to derive a maximum project budget.

A cash return is computed by subtracting debt service, principal plus interest, from net income. This cash return is then divided by the minimum cash equity required to derive the "cash on cash" return on investment. This is the project's before tax yield, and it must be equal to or greater than the minimum return acceptable by investors in the subject marketplace for the type of project represented by the subject development. If the rate is too low, equity investors would be unwilling to pay in the amount of cash needed, and negotiations would fail.

A different approach is needed in determining the funds needed for land development/sales projects wherein lots are sold on credit terms. Cash inflows and outflows are estimated for each year of the development, including payments made to the developer by lot buyers, operating expenses, development costs, brokerage commissions, and income and property taxes paid. Each year's net balance is discounted at a pre-determined rate to the present time, thus yielding a present value of all cash flows. This present value is the *maximum* amount that could be paid for the investment; an initial payment less than that amount results in a higher profit rate than the pre-determined rate required.

Justification of Loan Amount

Mortgage lenders are remarkably consistent in their conservative loan requirements. Basically, they seek their margin of safety by requiring substantial financial strength on the part of buyers plus requiring a strong project. These requirements are expressed in terms of a balance between (a) project earning, (b) cash equity invested, and (c) strength of guaranteeing signatures.

In most projects mortgage lenders view the relationship between net income and debt service as a critical one. Net income should be between 1.2 and 1.3 times as great as debt service in some projects, and even a larger amount in others. To accomplish this relationship, the amount of loan might be reduced, thereby reducing debt service and permitting a given net income to achieve a higher multiple of debt service. To complicate the procedure, some lenders choose to loan a high percentage of a conservative value while others loan a low percentage of high value. Thus, the only consistent decision-making variables are net income and debt service.

An alternative to evaluating project merits is to evaluate the financial capability of the equity investors. Lenders normally choose not to enter unsound deals even when equity investors are willing to pledge ample collateral to offer a high degree of safety. However, the lenders' objectives *can* be met through pledges of liquid collateral, and at some point the importance of the quality of the subject development becomes negligible.

The developer must always keep in mind that he must make every figure that he presents to lenders highly believable. The lender must not have a reason to discount the project because of unrealistically high income projections. Make the project look as strong as can be justified within the market, and be ready to produce the needed equity and/or collateral when requested.

Ownership Agreement

The equity investment in a project is composed partly of cash and partly of value created through developer skills and appreciation in land value. The problem is to place the proper valuation upon developer skills. If the developer/architect over-prices his inputs, he creates a difficult marketing problem in attracting cash investors. If he underprices them, he accepts risks that are too great for the regards he receives.

Cash investors typically seek a combination of four types of return on their investment. These return types are as follows:

1. Cash Income from operations, typically paid annually, quarterly, or monthly.
2. Tax Shelter, i.e., the ability to deduct losses from personal income taxes.
3. Value Appreciation realized from refinancing; to cash out tax free equity build up and appreciation in value. These refinancing proceeds are not subject to income taxes in the year of receipt.
4. Value Appreciation realized from selling the project. Gain on sale is usually eligible for long term capital gain treatment.

In addition to the investment return, cash investors also require a measure of protection from liability.

The skill in dealing with equity investors lies in the ability to develop the proper balance of cash income, financing proceeds, tax write-offs, and the risk of liability. Every offering should emphasize the features sought by a well-defined group of investors, and, as a final point, should be structured to offer shares that are priced within the financial capability of the selected investors.

The developer/architect must ensure that the equity offering will meet the demands of mortgage lenders, and he must protect his own position from excessive liability, inadequate return, or both. He must design the equity offering to cover the following points:

1. **Land Financing:** From what source will land purchase funds be drawn, and who will own the land? In tax shelter projects the developer might purchase the land in his own name and lease it to the investment group. The group deducts land rent rather than owning a non-depreciable asset. The developer receives the rent.

2. Cost Over-runs: Who is liable if cash equity plus loan proceeds are inadequate to cover construction costs? Conversely, who is entitled to any funds that remain unspent when the permanent loan is closed and the project is self-sustaining? Three approaches are typically taken in solving this problem — developer takes the over-run risk and receives all unspent construction loan cash; developer assesses owners for cost over-runs and splits unspent cash on a pro-rata basis; or developer sets up cost over-runs as a loan that he makes to the project, charging future cash flows to pay it off. Any of these, or variations thereof, can achieve a sound beginning relationship between developer and investors.

3. Equity Split: What percentage of equity ownership is retained by the developer for his services? In tax shelter projects the developer most properly takes his share in tax-deductible fees and rents, leaving a small cash flow plus a large tax deduction for investors. A cash flow project might have lower fees, no rents, and a high percentage of ownership for the developer. The developer must exercise extreme care in this regard in order to avoid a tax liability resulting from the acquisition of a project share for which he paid no cash.

4. Future Distributions: How should proceeds from refinancing and sales be distributed? The normal situation would be for all refinancing and sales proceeds to be distributed pro-rata according to ownership. However, a project offering high cash income or a sizable tax shelter might appeal to investors even without these proceeds. Thus, the developer could justify retaining a high percentage of them.

Summary

Obviously a developer could get too greedy and not be able to attract investors. Conversely, many projects are extremely beneficial to investors with minimal benefits to the developer. The proper balance depends upon project merits, the investor contacts established by the developer, and his negotiation ability.

The developer must normally attempt to shield cash investors from liability if his offering is to be appealing. This means that he needs more cash for his project than would be necessary if investors were exposed to personal liability. The structuring of the arrangement, e.g., corporation, general partnership, limited partnership, or tenancy in common, depends upon the extent of liability to be passed on to investors and the importance of tax shelter to them. Again, every project must be designed to meet the needs of the selected investor group.

In summary, the developer is a coordinator of two different financing groups plus a provider of the professional talents needed to accomplish the development. While he must be a generalist his knowledge must be quite extensive in a highly specialized area. This article points up only a few factors which must be considered by the architect in getting his first project started. ■

The authors conducted FAAIA's PDP III

Paul B. Farrell, Jr. , Manager of Project Development for City Investing Company's real estate subsidiary, is an attorney, urban planner and graduate architect, currently doing research on land acquisition strategies for New York States Urban Development Corporation.

Dr. Carl J. Tschappat is Chairman of the Department of Real Estate and Urban Affairs, School of Business Administration, Georgia State University.

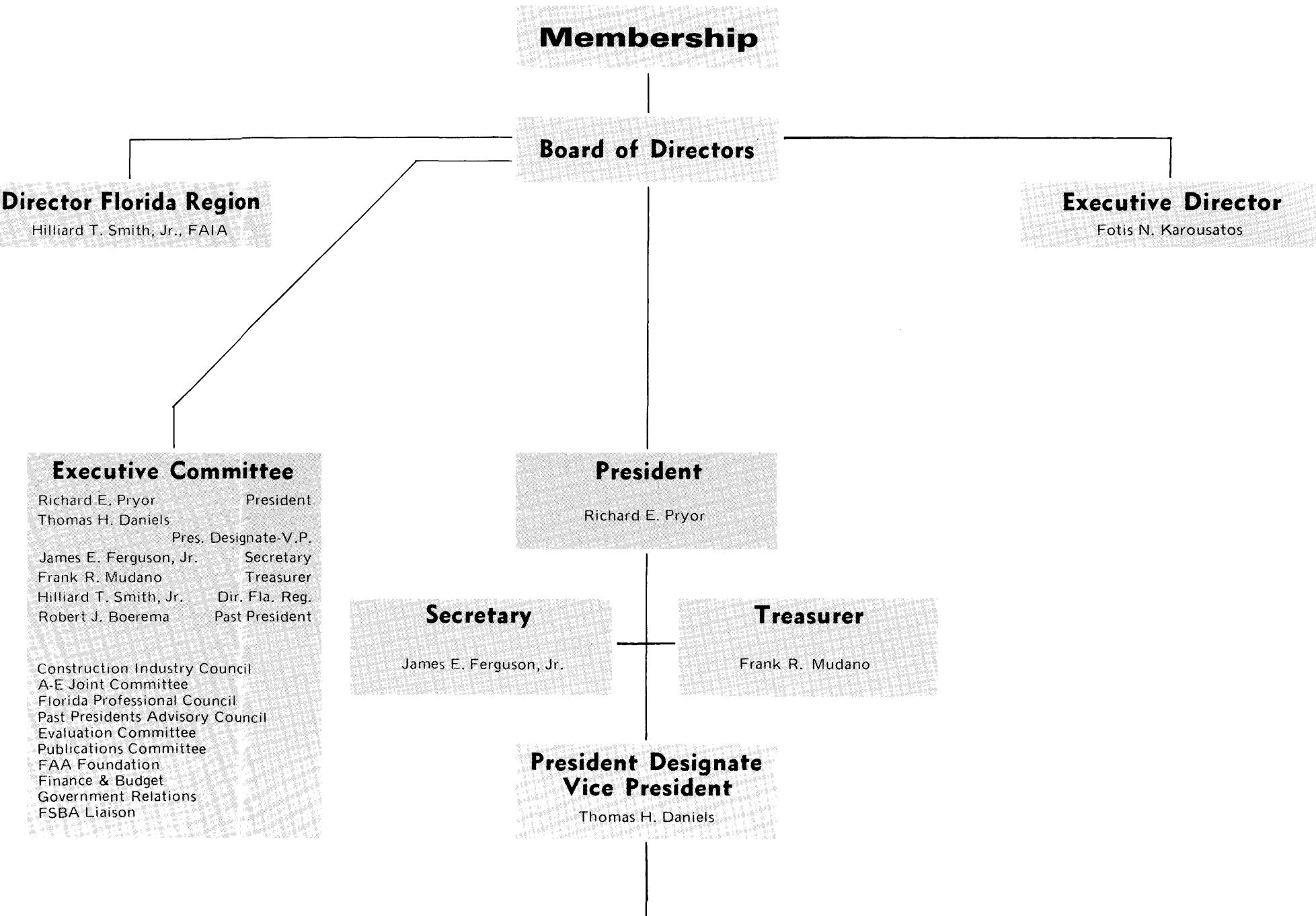


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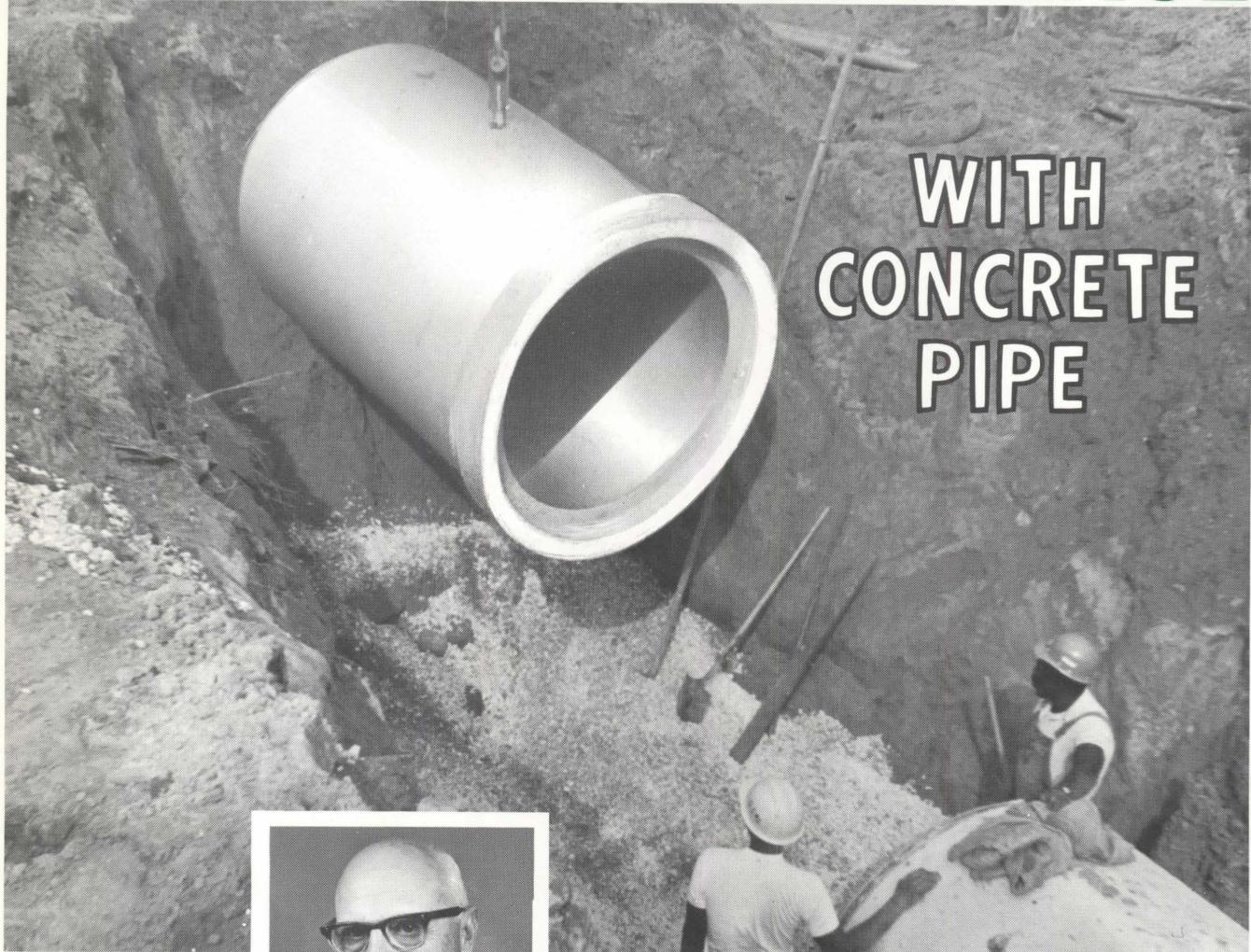
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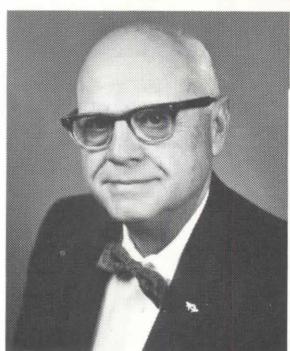
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The handwriting began to appear faintly on the wall in the fall 1969 quarter when over 40 students could not enroll in the first sophomore design course. All six sections filled at 17 students each. Another section was arranged, some overloading was allowed, and by the end of the first week of classes the 40 was reduced to about a dozen.

STUDENT HEADCOUNT	528
FULL TIME EQUIVALENT STUDENT	389
fall 1968	
STUDENT HEADCOUNT	538
FULL TIME EQUIVALENT STUDENT	415
fall 1969	
STUDENT HEADCOUNT	747
FULL TIME EQUIVALENT STUDENT	513
fall 1970	
STUDENT HEADCOUNT	804
FULL TIME EQUIVALENT STUDENT	513
fall 1971	

FIGURE 1. STUDENT POPULATION

(Headcount includes all students, whether they carry a full-time or part-time load.)

As can be seen by Figure 1, the enrollment increase in the Fall quarter 1970 was 25% FTE and 37% Headcount. Prior to 1970 annual increases had followed the university pattern of approximately 5%.

Without promise of additional faculty, staff, or space to help carry this increased load — and facing possible damage to the integrity of the architectural program — the department accepted Selective Admissions as a means of holding the enrollment at the 1970 level (513 FTE students).

Figure 1 indicates that in Fall 1971 the FTE enrollment was held level and yet there was a noticeable increase in Headcount of more than 7%. While this does not increase the needs of the department in the eyes of those who allocate funds, it increases the workload of record keeping and particularly counseling. It also indicates that we are building a pressure for future admissions. More students, each taking fewer courses in architecture, are fitting in architectural sections while waiting to get a full load of professional course work.

CONTINUED

Limited Enrollment, Continued

Selective Admissions

During the winter of 70-71, the Department of Architecture including Landscape Architecture and Interior Design, was placed on selective admissions status by the University Administration. The Colleges of Law, Medicine, Health Related Professions, Nursing, and some departments in Education and Business Administration have been employing selective admissions procedures for some time prior to this. The Department of Art in our own college has had to use the procedure for years. By selection within the Department, the requirements for admission become more stringent than those administered by the University Admissions Office and some otherwise qualified candidates are denied. The process requires a significant amount of counseling and evaluation of students. Those with marginal honor point averages, those who wish to change majors from another area of study, and out-of-state and foreign students are the first to be identified for possible denial. Each is screened carefully, including a personal interview whenever possible. Past history and present enrollment give some basis for future expectations. It is estimated that the department may receive 285 applications for junior standing during the 71-72 term. The maximum acceptable under present circumstances has been established to be 200. The source of these 285 applicants will break down in somewhat the following manner: 125 from lower division University of Florida, 100 from Florida junior colleges and 60 from other areas such as change of major, out of state, second degree seekers and foreign students. If history continues to hold true, the 200 admitted will be comprised of 50% lower division University of Florida, 40% Florida junior colleges and 10% other areas. Or tabulated:

Lower division UF:	125 applicants	100 accepted
Florida junior colleges:	100 applicants	80 accepted
Other areas:	60 applicants	20 accepted

It should be noted that the percentage of applicants who are accepted from junior colleges and from University College are equal (80%). The "other" classification includes out-of-state students, foreign students, and students who transfer into architecture from other disciplines.

Present Resources of Space and Faculty

In the Fall quarter 1970, 1500 square feet of additional space in Grove Hall, our "temporary" quarters, was assigned to the Department. No funds were available to modify the space from its former use to drafting space. Fourth year students have painted it, and built the tables and work spaces, with materials supplied by the department. This represented a 5% increase in the 31,000 square feet assigned to the department.

Figure 2 indicates the relatively level number of faculty available. Without the increase from 1968 to 1969 we could not teach the number of students presently enrolled. It is interesting also to note that this year we have 47 persons in 38.5 faculty positions. This is accounted for by the nine graduate teaching assistants who are helping to take the teaching load.

It is hoped that this information will serve to answer some of the concerned inquiries we have received from architects and others around the state. The problems of architectural education are also the problems of the architects. ■

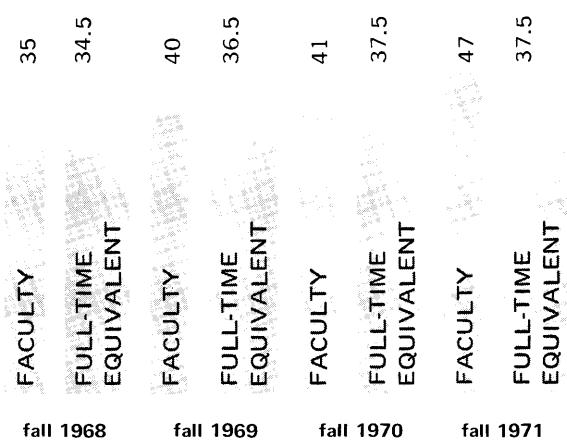


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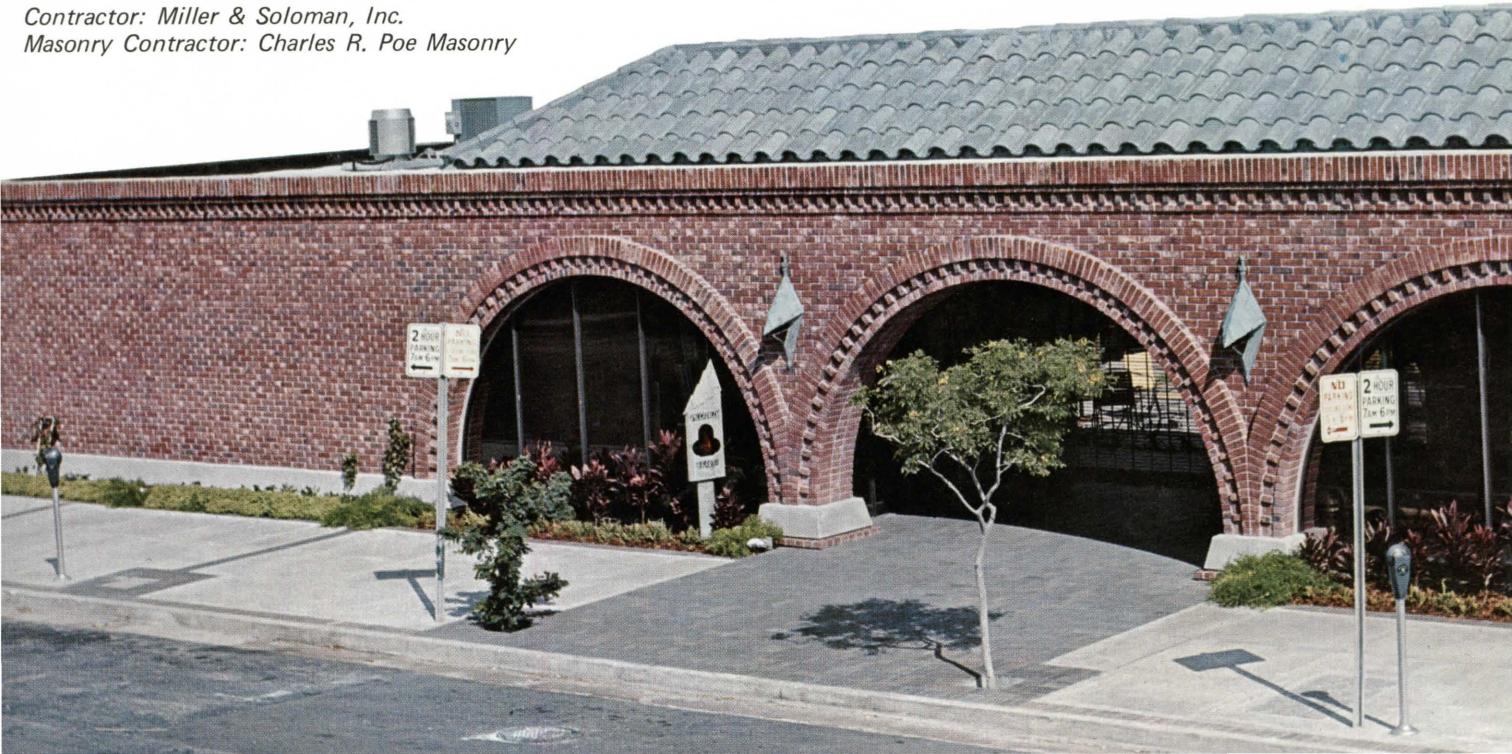
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