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August 1970

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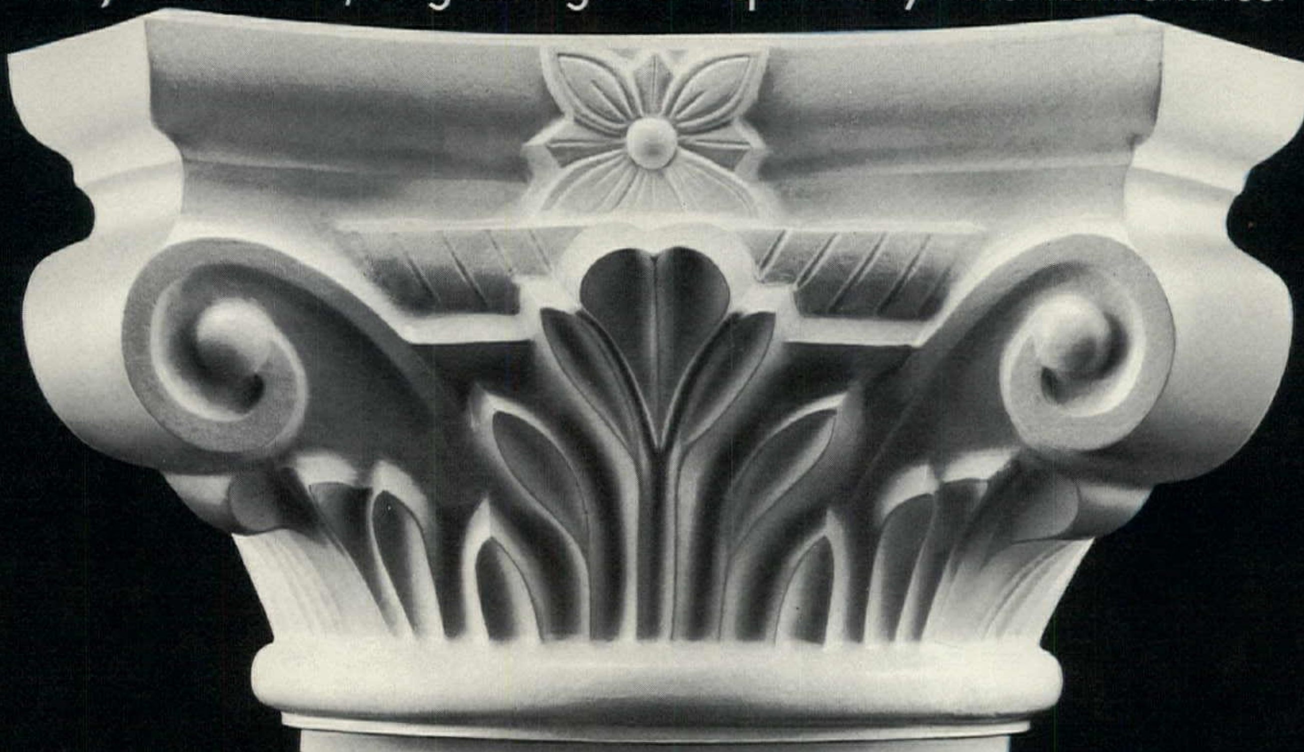

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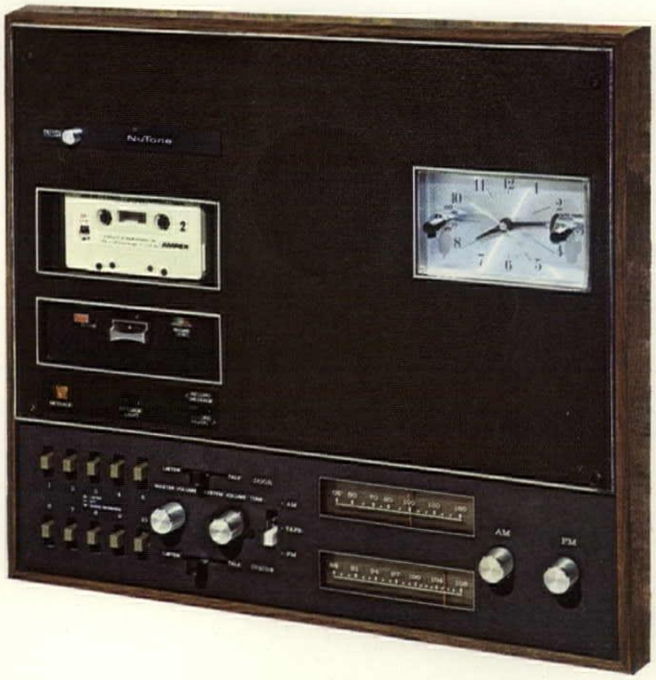

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Volume 38 Number 2 / August 1970

FEATURES

NEWS

DEPARTMENTS

Cover Recreation center at award-winning apartment project in Newport Beach, Calif.
Architect: Fisher-Friedman Assoc. *Builder:* Irvine Co.
Photo: Morley Baer. *For story, see page 54.*

Battle-scarred Fanny May wins a ruling that keeps her private life private

The debate over whether the Federal National Mortgage Assn. is a government agency or a private corporation refuses to die. With Fanny May it seems that no sooner does one controversy end than another develops.

The latest battle involved conflict-of-interest problems for some members of FNMA's board of directors—including three who were appointed by President Nixon himself. In the middle of the fight, again, was HUD's general counsel, Sherman Unger.

While the situation looked as if it might get out of hand, a prompt ruling from the Justice Dept., to the effect that the board members had no conflict, averted a situation that might have become a donnybrook.

Unger had been asked by board member Charles Landt, president of the Cameron-Brown mortgage banking concern in Raleigh, N.C., to look into any conflict problems he, Landt, might have.

Unger sought an opinion not only on Landt but on several other members of the FNMA board as well, from the Civil Service Commission.

Those in 'conflict.' The assistant general counsel for CSC, Karl Ruediger, found that Landt does have a conflict of interest, along with Julian Zimmerman of Lumbermen's Investment Co. of Austin, Texas; Lloyd Clarke, president of Alodex Corp. of Memphis; and Gen. Lucius Clay of Lehman Brothers, the New York investment banking house. The general is chairman of FNMA.

The issue in mid-July was put in the hands of the Dept. of Justice, and Assistant Attorney General William H. Rehnquist squelched the conflict question by stating flatly, "I find myself obliged to differ from Mr. Ruediger's conclusion." Until Rehnquist's opinion was published, simmering animosities between some members of the FNMA board on the one hand and Unger on the other had begun to surface.

Payments. Unger, in his letter to Ruediger, spelled out the earnings of the board members' companies from FNMA business during 1969. Cameron-Brown got $273,931 and Lumbermen's $237,279 in mortgage servicing fees. Alodex, a housing company, owns through subsidiaries 266 shares of FNMA stock. Lehman Commercial Paper Inc., an arm of Lehman Brothers, received $245,233 to market Fanny May's short-term discount notes last year.

Director Zimmerman
One of the challenged . . .

Director Unger
. . . and the challenger

The HUD general counsel stated in his letter, "While FNMA has been said to have the same characteristics as a non-governmental corporation, there are still many federal governmental controls and privileges which cause one to wonder whether it isn't really a continuing instrumentality of federal government."

'A federal function.' Ruediger agreed with this position, and in his opinion to Unger said the members of the board were officers of the executive branch of government, subject to the same conflict-of-interest criteria as any other executive-branch officers.

Because of Fanny May's ties to the government, the CSC attorney found, "Fanny May is an entity in the executive branch of the government which, although substantially controlled by private stockholders, is performing a federal function under significant government control so as to be a quasi-governmental organization."

Unger presented the Ruediger letter to the board at its meeting on June 23, and chairman Clay at that time asked FNMA's president, Oakley Hunter, to seek a ruling from the Justice Dept.

FNMA's position. Hunter believed all along that Justice would find that there was no conflict, and he stressed that the law states that some board members must come from the industries that do business with Fanny May.

Moreover, FNMA attorneys said, the Fanny May enabling legislation specifically states that "the corporation shall not be subject to the provisions of Title 5, United States Code." That title deals with employees and officers of the executive branch of government and the question of conflict-of-interest.

"That one sentence in the law," says one FNMA attorney, "negates any argument in the Ruediger opinion."

The CSC counsel did address himself to that point in his opinion, stating, "while these Presidential appointees are not 'officers' for the purpose of Title 5 . . . the fact that they otherwise fully qualify under the criteria for officers is persuasive that they are officers in the executive branch for conflict-of-interest purposes."

The ruling. Not so, said the Justice Dept. official. Rehnquist's opinion letter, sent to Undersecretary Richard C. Van Dusen of HUD, states, "I am of the opinion that the directors of FNMA are neither 'officers or employees of the executive branch of the United States government' nor are they officers or employees of an 'independent agency of the United States.' "

Rehnquist went further. As to Fanny May's status as a corporation, he said, "The present FNMA is not a part of the executive branch, it is not an independent agency of the United States, and it is not a government corporation."

While the Justice ruling does clarify the issue of whether Fanny May is private or public, the friction within FNMA will not be so easy to assuage.

Some board members question, for instance, why Unger waited so long to raise the conflict question. The HUD counsel was on the proxy committee that voted the FNMA proxies for the organization's management slate. Gen. Clay was on that slate, and had already disclosed his company's dealings with FNMA, as had all other board candidates.

Others feel that Unger was striking back for getting beaten in his bid for the chairmanship of FNMA. And, of course, there is considerable discussion of this latest FNMA problem embarrassing President Nixon.

The risks. While President Hunter and other board members hoped the conflict question would be resolved in favor of private industry, they recognized the problem that could have developed had Justice ruled the other way.

For instance, would those named by Unger be forced to resign? If so, where would President Nixon find men of sufficient stature from the homebuilding industry who do not, in fact, deal with the world's largest mortgage investor?

What of other directors?

While not named in the Unger letter, Robert H. Pease, president of the Mortgage Bankers Assn. and senior vice president of the Draper & Kramer mortgage banking company in Chicago, might also have been classified in conflict. Draper & Kramer owns 220 FNMA shares.

And what of Philip N. Brownstein, who serves as Washington counsel for Mortgage Guaranty Insurance Corp. of Milwaukee, a private mortgage insurer? In the new Emergency Housing Act, Fanny May is empowered to deal in conventional mortgages and private insurers such as MGIC will figure prominently in these dealings.

While the question is now resolved, the uproar in the FNMA board may not be so quick to die. This issue, many say, should never have surfaced and, had it gone the other way, it would certainly have embarrassed the President of the United States.

—Andrew R. Mandala
Washington


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Levitt official says it: A little straight talk about costs would help everyone

Chicken will never be 23¢ a pound again. You'll never see a $7,000 Levitt house again. And it's time to stop crying over spilled-over interest rates and face the facts of paying to live in 1970. So believes Levitt public relations director Edward Cortese, who thinks all of the housing industry would fare better if there were more straight talk from the government.

Cortese assigns much of the blame for lagging home sales to "government spokesmen" who support the premise that there will be a relaxation of monetary policy to release more mortgage money and ease interest rates.

This false belief keeps people waiting until the rates come down, Cortese holds. "Nobody is going to jump into his car on Sunday and look for a house at 8% when he's just read that rates will soon come down again."

Housing's tolls. Cortese likens the situation to "all those bridge tolls that were going to come off bridges all over the country as soon as they were paid for. We're still paying to cross those bridges—and I don't think we'll ever see 6% or even 7% interest again. They might even go higher before they get any better."

If the government—and the housing industry—would present these facts honestly, he says, "people would come to realize that to keep waiting about spending for housing is only hurting themselves. If people knew things might get worse, they'd quickly become accustomed to paying 7½% to 8%, or whatever."

Referring to interest rates as part of the carrying charges of government, Cortese says he doesn't see how anyone can even entertain the thought of conditions easing when it costs more and more to carry America's 200 million people.

"The only thing that would reverse this would be a benevolent dictator who would freeze both wages and profits," he insists.

LEVITT'S CORTESE
"We won't see 6% again"

The increase. Any price drops will be in pennies, Cortese says, never to 1949 levels:

"We would love to hang out a sign slashing prices to 1949 levels and let people line up for their weekly special—but we just can't. Labor, materials, and land all cost more, so we can't cut prices. Nor can Macy's, the airlines, or the government."

"The $7,000 houses Levitt built 20 years ago resell for up to $34,000 these days," Cortese points out, and he doubts that a beach bungalow could be built for $7,000 now. "If you could put up the bungalow for $3,000, land would take the total beyond $7,000."

Levitt operations. As for current operations of the world's biggest homebuilder, Cortese says: "Levitt faces the same problems any other builder faces in time of tight money. And Levitt has done a little over-all belt tightening but nothing serious."

He denied reports that the tightening included closing all Levitt projects in the Washington area. Such rumors probably started, he said, because the company phased out two developments, one at Columbia and one at Old Bay Trail. But both moves had been scheduled for some time as a normal phasing out.

Levitt still has 11 projects going or on the planning boards for the capital region, he says, and "things are moving along" for those on the West Coast, in the Midwest, and overseas.

"Levitt is still big and has to stay big—and, even in these times, intends to do so."

Builders tap the commercial paper market as a new source of short-term funds

The corporate IOU, an indigenous American financing technique, is now being used by builders to raise short-term funds.

Kaufman & Broad of Los Angeles has taken advantage of its creditworthiness in the national commercial paper market to sell $27 million of these promissory notes.

And commercial paper dealers report that Levitt & Sons of Lake Success, N.Y., backed by bank lines arranged by its parent, International Telephone & Telegraph,* has also sold commercial paper in the national market.

Innovation. So far, the two giants are the only companies devoted exclusively to home building that are known to be using the commercial paper markets. Their operations represent a sharp break with older patterns of builder financing, traditionally more elephantine than imaginative in exploiting the wide variety of U.S. credit markets and instruments.

In a less familiar form, commercial paper is being used by one building company to provide construction financing.

Although the case is exceptional, commercial paper dealers agree that the technique could be used by other builders that are not large enough to sell their own notes, but are sound enough to obtain the necessary bank backing.

Discount notes. This practice involves the documented discount note, created when a bank attaches its letter of credit to a promissory note.

Philadelphia's Girard Bank and Fidelity Mutual Life are the co-sponsors of a $35-million office building. To provide construction funds, commercial paper is being sold by Building Finance Co., a subsidiary of the two parents.

But Building Finance is too small for its notes to be accepted by the dealers who sell commercial paper. This lack of marketability is overcome by attaching to the notes an irrevocable letter of credit. The latter guarantees the loan in the bank's name.

Girard's letter of credit gives the note roughly the status of a banker's acceptance; it is marketable, negotiable, and guaranteed payable.

The largest mortgage banking companies have in the past used bank letters of credit to render their notes negotiable, but in all of the publicized instances, there has been collateral backing in the form of FHA and VA loans.

Precedent. Without collateral, letters of credit have been used by finance companies, but no commercial paper dealer can cite their use by a builder, except the case above.

The letter of credit will not provide funds unless a borrower has an impeccable credit standing, but it will permit a bank to accommodate a highly regarded customer even when the bank is loaned up. This is because the bank's guaranty of the loan is listed as a contingent liability and not a loan against reserves.

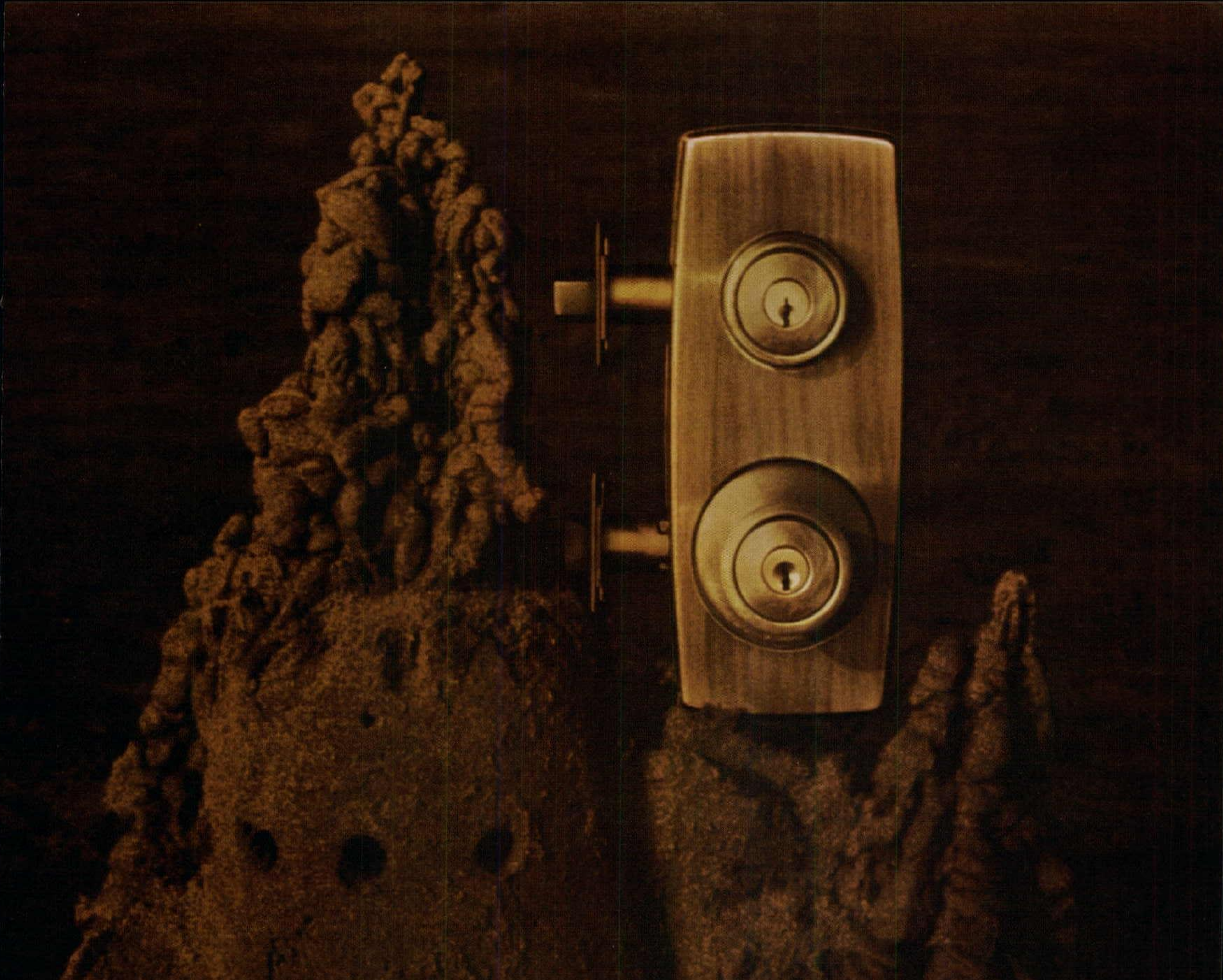
While the cost is higher than the regular sale of commercial paper, the letter of credit does offer the highly creditworthy builder a chance to make his borrowing more competitive in the $13-billion dealer portion of the nation's $40-billion commercial paper market.

*These lines of credit are described as either-or lines, usable by Levitt or ITT.

Convicted officer quits posts in Realty Equities

Jerome Deutsch has resigned as executive vice president, secretary and a director of Realty Equities Corp. of New York City.

Deutsch had been convicted of violating the kickback provisions of the Investment Company Act of 1940 (NEWS, June). He was to be sentenced in Federal Court, Southern Dist. of N.Y., this month. The maximum penalty is two years in prison and a $10,000 fine.



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The inside story: How Penn Central trouble triggered shakeup at Great Southwest

BILL WATSON

WYNNE
The winner

TERRY

RAY
The loser

BAKER
A survivor

Six months ago the prospects appeared glowing for Great Southwest Corp., one of the nation's largest builders and land developers.

Profits were rising and there was an abundance of top executive talent (NEWS, March '70).

But an executive feud was smoldering.

On June 12, when Penn Central Transportation Co. filed bankruptcy, the fire broke out.

Quicker than you could say Macco Corp. or Six Flags Inc., the top executives of GSC and its two subsidiaries had switched places and the number three man was out.

Angus G. Wynne Jr. moved in as president and chief executive officer, and William C. Baker took Wynne's old title of chairman.

And William D. Ray, executive vice president, was left without portfolio.

Money pressure. The financial woes of Penn Central and the reverberations within its 92%-owned GSC caused the crisis.

For two years the Penn Central had had little influence on the financing done by GSC. The subsidiary obtained its loan commitments on its own. It even deleted references to Penn Central from news releases, brochures and annual reports, relegating Penn Central to the status of one among many shareholders. More than two million GSC shares are traded over the counter, and there are 3,000 holders in addition to Penn Central.

GSC abroad. But early in 1970 when Ray, as chief financial officer, began to look to Europe for loans, the policy changed.

Financial information emphasizing the Penn Central connection was prepared and distributed to European lending institutions.

The company had obtained more than $300 million in loan commitments in 1969, and 1970 operations would require an estimated $500 million. Ray hoped to raise some $50 million of this abroad, and he found the Penn Central name an asset there. His trips to Europe produced loan commitments.

Credit squeeze. But when Penn Central entered bankruptcy proceedings, the European lenders began to back out.

And in the U.S., lending institutions began to hold off on new loans to GSC.

The pressure built up by this money squeeze caused the long-standing executive feud to break into the open.

Since August 1967, when Baker brought in Ray as his right hand man, there had been hostility between Ray and Wynne.

The hidden problem. The enmity was deeply felt between the two but not widely recognized within the company.

For one thing, business was good, with a 1969 net of $34.4 million on a $141.3 million gross. This handsome profit was largely the result of Ray's ability to make Baker's concepts pay off.

And Baker served as a buffer between Wynne and Ray, a condition made possible by Wynne's location in Arlington, Texas, headquarters of Six Flags, and Ray's residence in Newport Beach, Calif., the headquarters city for Macco.

Wynne's first bid. Late in 1969 Wynne decided to become more active in GSC operations. Early in 1970 Baker told company executives that Wynne would take charge of GSC's public relations and advertising as well as of Six Flags. The amusement park had previously been Wynne's principal concern.

In his new role Wynne began planning meetings with Wall Street and banking figures.

But Ray felt that Wynne was not up to date on company activities.

An error in print. Ray's opinion was not unfounded. In January, Wynne had provided information on GSC's acquisition of I.C. Deal Companies, a Dallas-based apartment builder, to *The Wall Street Journal*. The material contained incorrect figures.

Wynne had told a reporter that it was a $70-million purchase; it was a $17-$24 million deal, based on the current price of GSC stock.

Later that day the Dow Jones newswire carried the note:

"Due to an error on the part of Angus C. Wynne, Jr., chairman of the board of Great Southwest Corporation, the acquisition of the I.C. Deal Companies by GSC was earlier reported as $70 million. The correct amount is between $17-$24 million."

Maneuvers. In the second quarter of 1970, Wynne made it clear that he was having difficulties with Baker and Ray.

Wynne flew to Philadelphia to see Stuart Saunders, then Penn Central chairman, and David Bevan, then chairman of the finance committee. Wynne asked them to remove Baker and name him, Wynne, as chief executive.

The GSC bylaws stated that only the GSC board could remove Wynne or Baker. But, although Penn Central had only three directors on GSC's 13-man board, it could have simply reconstituted the board and acceded to Wynne's request. So it was the Penn Central directors who held actual control.

But Saunders and Bevan met with Baker instead of ousting him, and for a time Wynne's cause seemed doomed. The railroad men reportedly even advised Wynne to step down. They were pleased with Baker's profit record.

CONTINUED

Ray's story: Wynne is a 'charming anachronism'

The account of Great Southwest written by Peter Tomarken is essentially correct. Give or take $10 million on GSC financing in 1969—Tomarken rounded it to $300 million and Ray specified $310 million—the facts agree with what Ray said during a comprehensive interview in New York.

Ray was questioned at length, and at no point was there any basic difference on the facts, although there were differences in emphasis.

Ray gives no indication of being bitter over being bumped from GSC.

He stands to receive more than half a million dollars as a result of the directors meeting that decided he was to go.

Final settlement of his employment contracts, although it will take time, will be "more generous than the figure you mention."

The figure mentioned was $500,000.

Should Wynne want to remove Baker from GSC, it will cost something like $1.8 million more. But Baker, according to Ray, is dedicated to GSC.

If Ray's estimate of Wynne is at all correct, Baker had best stay with GSC, or the stock will not be worth the effort of Penn Central creditors to go after it.

Wynne is "a charming anachronism," he says, "a man who thinks things should go a certain way because he wills them to."

Can Wynne run GSC?

"I hope he can run a company, but I have seen nothing to indicate he can," says Ray.

Inside story: Penn Central's troubles trigger Great Southwest shakeup *(continued)*

Wynne refused to quit. He asked officers in the company's Arlington headquarters to chose sides—Baker or Wynne.

The break. A standoff ensued, with battle lines drawn within the company. The break came when the federal government, in a surprise reversal, refused a guaranty Penn Central had expected for a $200 million loan.

The Penn Central Transportation Co. then filed for reorganization under Chapter 77 of the Bankruptcy Act. The next day Saunders and Bevan were out. Paul Gorman, former Penn Central president, succeeded Saunders.

Wynne and Baker met Gorman, but he would make no decision. He had a bankruptcy reorganization on his hands and he was too busy to become embroiled in the corporate politics of a subsidiary.

Showdown. Wynne now decided on his final strategy. His first move was to persuade banks in Dallas and New York to back him.

The following week—after Baker and Ray had failed in a desperate trip to New York City seeking funds—Wynne played his ace.

He met Baker and Ray in New York and let them know he had the banks in his corner.

But it was he, himself, that the banks were prepared to support, Wynne stressed. And that meant the chief executive post.

Baker agreed. It was that or a liquidity crisis and the possibility of bankruptcy for Great Southwest.

The new order. Company insiders said Wynne had begun to live by Baker's Golden Rule (NEWS, March '70): "I have the gold, so I make the rules."

Wynne's story: Ray erred in seeking Euroloans

"The press is not the place to argue with Bill Ray," says Angus G. Wynne Jr.

Wynne, in a telephone interview, gave this answer in one form or another, five times.

The only reason Wynne would give for Ray's removal is that he did not have the capability to run the company.

Wynne declined to discuss Ray's qualifications, but later in talking about GSC financing, he cited European borrowing as a mistake made by Ray.

Borrowers seek the high-cost funds available in Europe "out of desperation" when their bank lines do not produce adequate credit, Wynne said.

Wynne disputed Ray on GSC financing experience.

Total financing in 1969 was nothing like $300 million, he said; it was rather closer to $36 million. (Although the term "total financing" was used, Wynne apparently was not including all of GSC's credit requirements.)

GSC is liquidating some $25 million of credit arrangements made in Europe, Wynne said.

Other than this, there will be no operational changes at GSC, nor are any organizational changes currently contemplated, Wynne said.

Output of GSC is "excellent," and the company has adequate funds to produce housing; the shortage of mortgages needed by purchasers is the major problem of 1970.

From 3,000 single family and apartment units and 6,000 mobile and modular units, GSC expects to boost production to 10,000 in each category, Wynne said.

Wynne's second order as president and chief executive officer was to deprive all officers, including Baker, of their check and document-signing powers. His first order had been to confirm Ray's severance.

Operations are still not back to normal at GSC, but the financial problems have eased.

Ray's dismissal creates a big gap in the operations of both GSC and Macco. Although there was never a clear delineation of responsibilities among the three men, it was Ray who ran the company on a daily basis.

And it was Ray who maintained bank connections. Now Wynne must use his bank backing to inspire confidence in the financial community.

The shock waves. The adverse effects of the railroad's financial troubles had not been anticipated by GSC. The day after Penn Central filed for reorganization, officials of GSC had said the railroad's plight would have no effect on Great Southwest.

But the bankruptcy has cast doubt on the once-so-bright prospects of GSC.

Creditors of the Penn Central are legion, and many are eyeing assets the company owns through its investment subsidiary, the Pennsylvania Co.

Banks have shown signs of following the reasoning of Irving Seaman, chief executive of Boulevard National Bank in Chicago, one of the Penn Central creditors.

Seaman calls Pennsylvania Co. a "solvent, going concern, very profitable," and favors a renewal plan for bank loans rather than a forced sale of assets.

And the threat. But other creditors may not be so patient, notes a Philadelphia banker. He explains:

"I would not be at all surprised if some of them filed action against the Pennsylvania Co., whether the banks press for bankruptcy or not."

Penn Central, through Pennco, owns:

- 92% of Great Southwest, which in turn owns Macco and Six Flags.
- 58% of Arvida Corp., the big Florida land developer.
- 23% of Norfolk & Western Railway.
- Buckeye Pipeline Co.
- Clearfield Bituminous Coal Corp.
- Detroit, Toledo Ironton Railroad.

Confidence in GSC, as measured by bidding for publicly traded shares, has not been high.

The GSC stock came into 1970 at 18¾ but has drifted steadily downward. In early July it was 4⅝ bid.

The author

The writer of this article, Peter D. Tomarken, resigned from Great Southwest in June after a year as vice president. He was in charge of advertising and public relations. He had been an assistant editor of HOUSE & HOME from June 1967 until June 1968.

SEC reverses itself, bars interstate utilities from financing housing projects

No matter how "meritorious" the aim, interstate power companies can't enter the building field. That's the latest ruling from the Securities and Exchange Commission.

The decision represents a reversal. In March, 1969, the SEC had allowed Michigan Consolidated Gas Co., a subsidiary of American Natural Gas Co., to finance a $2.2 million project of 130 row houses in Detroit.

Reason for ban. The utility had begun two more projects, but in late June the SEC ruled that housing does not meet the "other business" criteria of the Holding Company Act.*

The five-member commission had received two new members in the period between the two rulings.

The Holding Company Act, which gives the SEC authority over interstate utility operations, does not apply to power companies doing business in only one state. This means that housing projects of such companies as Niagara Mohawk Power Co. in upstate New York will continue unaffected.

A possible appeal. A spokesman for Michigan Consolidated said its two new projects had received "every conceivable encouragement" from HUD. He said that an appeal in the courts, or through Congress, appeared possible.

*Release 35-16763 of the SEC, Washington, D.C. 20549.

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Uncle Sam's billions-for-builders program speeds up S&L mortgage lending

In its pell-mell effort to bail out the home mortgage market, the Nixon administration now seems to have found a way to give housing a breathing spell.

The operation, brainchild of Chairman Preston Martin's Home Loan Bank Board, has put billions of dollars in the hands of savings and loan associations.

The plan involves a subsidy on the interest rates that savings and loan pay on funds borrowed from their regional Home Loan Banks. The cost of funds to the banks is about 8.15%, but the subsidy permits associations to hold onto their borrowed money for a rate of 7.25%.

Mortgage help. The catch is that associations cannot repay the funds for one year—and this is why Administration housing experts are so enthusiastic.

Ordinarily, when savings begin to flow into thrift institutions immediately following a period of decreasing liquidity—such as now—savings and loans will quickly repay their bank system borrowings. The result: home mortgage lending is delayed until liquidity is built up.

This happened right after the 1966 credit crunch and it threatened to repeat this year. Martin's new program has warded off that threat.

Savings and loan associations have flocked to the new program, and by late June—just two months after the idea was proposed—more than 95% of eligible advances (borrowings) had been converted to the 7¼% level that is guaranteed for six months by the bank system.

Rise in commitments. The results are already beginning to show up in the outlook for the housing and mortgage market. With savings flows beginning to show sharp increases in month-to-month activity at savings and loans, there is no rush to use those funds to repay HLBB advances.

Indeed, between January and May of this year, savings and loan borrowings from the bank system have actually increased, from $9.741 billion to $9.874 billion.

Coupled with the increases in bank borrowings by savings and loans is the fact that loan commitments of S&Ls have rebounded sharply.

Mortgage commitments by associations exceed $4 billion, the highest in a year. Moreover, the gain in commitments is rising at an average of $500 million per month.

Wide acceptance. Not all S&Ls can use the specially priced advances. The Bank Board has limited eligibility to those with borrowings of 25%, or less, of savings capital as of April 15. The board later modified the program to permit those with borrowings over 25% to qualify by paying down to the eligibility level.

Of the more than 6,000 savings and loans, nearly 2,000 had joined the plan by late June—and it appeared that still more would seek low rate advances.

NAHB's hopeful survey. The rise in commitments has turned a gloomy outlook for housing into one of guarded optimism, even among the beleaguered homebuilders.

A recent study by the National Association of Home Builders shows that almost 50% of all builders surveyed expect that housing activity will rise within three to four months.

What has the builders looking for brighter days is the fact that savings are moving into thrift institutions and, rather than rebuilding their liquidity as in the past, those institutions are making mortgage loan commitments.

Just how long the program will last is unknown. Martin has told Congress that the bank system will use its own resources for six months—ending in November.

He has asked the Congress for an appropriation of $250 million to help underwrite the cost of the special advances program. And, while the money has been authorized in the new Emergency Home Finance Act, the funds had not yet been appropriated in mid-July.

Program's future. The board plans to use the funds in a major restructuring of the maturity of advances. Associations, under the board's plan, would be induced to take out a reasonable volume of longer-term advances in order to lock the funds into the housing market.

Whether the Bank Board succeeds in this, and whether its present stop-gap program becomes a permanent fixture for aiding the housing market, however, will depend on the size of the appropriation Congress provides. —A. M.

U.S. agency outbidding Fanny May for mortgages

The Home Loan Bank Board has moved into the secondary market for FHA and VA loans with an initial price structure that seller-servicers will find hard to beat.

The Bank Board, which is offering a ⅜% servicing fee as compared with Fanny May's half-point fee, is paying 97 cents on the dollar for 8½% loans in an effort to gather enough mortgage paper to back a $200-$300 million bond issue that will carry a guarantee from GNMA.

The board's prices for 8% and 7½% paper are equally high in relation to what sellers can get from either FNMA or private investors. The board will pay 93.50 for 8% loans and 90 for 7½%.

In contrast, FNMA was paying about 94.50 for 8½% loans on a six month commitment basis in mid-July. Its prices for 8% loans were 90.15, and 7½% paper was getting only 85.81.

HOMEBUILDERS' MORTGAGE MARKET QUOTATIONS

Reported to HOUSE & HOME in week ending July 17.

FNMA Auction Prices July 13 8½%	FHA Sec. 203b— Min.-Down* 30-year immed.* Discount paid by builder: City	Private mkt. 8½%	Trend	Conventional Loan Interest Rates: Comm. banks, Ins. Cos. 75%	Savings banks, S&Ls 80%	Savings banks, S&Ls Over 80%	Construction Loan Rates: Interest+fees All lenders
	Atlanta	4½–5	Up ½	a	8½–8¾+2–4	a	9–9½+1–2
90-day commitment Average 95.15 Accepted bid range 93.89-95.75	Boston	1	Steady	8¾+1–2	b	a	8¾+1
	Chicago	4–5	Steady	b	7¾–8+1½–2	a	b
	Cleveland	10–12b	Steady	a	8–8½+1–3b	a	9+2
	Dallas	5	Up ½	a	8½+1	8¾–9+1–2	9½–10¼+1–2
	Denver	4–4½	Up ¼	9¼+2	9–9¼+1–1½	9½+2	9+1½
	Detroit	4–5	Steady	b	8½–8¾	a	9½–10+1–2
	Honolulu	5–6	Up 1	9–9½	9–9½+2–3	b	10+2–3
180-day commitment Average 95.38 Accepted bid range 93.95-95.99	Houston	4½–5	Down ¼	a	8¾–9⅜+2	9⅜+3	9½+1½
	Los Angeles	4½–5½	Down ¼	b	8½–9	9+3	9½–10+1½–3
	Miami	6½	Up 1	a	8½+3½	8¾–9+4½	9+1–2
	Minn.-St. Paul	4–5	Up 1	8b	a	a	b
	Newark	3–4	Steady	8b	b 8+1	b	9½–10+1½–2
	New York	4	Steady	7½b	7½b	a	9½–10+1½–2
12-18 month commitment Average 95.53 Accepted bid range 94.47-96.25	Okla. City	3½–5	Down ½	a	8¾+1	8¾+1–2	9½+1–2
	Philadelphia	3–4	Steady	7+7b	7+7b	a	10+2
	San Francisco	4½–5	Steady	8¼	8½+1–1½	8¾–9+1½	9½+2–3
	St. Louis	6–7	Up 1	a	a	a	10½–10¾+1–2
	Seattle	4–5	Steady	b	8–9	a	9½–9¾+1½–2
	Wash., D.C.	5–6	Steady	8b	8b	8b	9–9½+2

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

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

· Quotations refer to houses of average local quality.

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

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

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

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Disputed land is in two tracts shown above. The 6,900 acres north of Jenner (*enclosed by dotted line*) are for future use. South of town and the Russian River are 1,116 acres (*shaded area*) scheduled for immediate development. Part of this tract appears in topographic map (*at right*) showing details of the development plan.

Housing development or virgin land: a California town is torn by controversy

The weathered sign welcomes the traveler to "Famous Jenner-by-the-Sea." And nestled in the hills where the Russian River meets the Pacific 100 miles north of San Francisco is another of those sleepy villages that dot the rugged northern California coast.

A harsh climate and an impassable river mouth leave Jenner few of the benefits common to coastal communities. Half the 200 residents are weekenders. The rest are retired or live off the tourist trade.

But that faded road sign, erected more as a tourist lure than out of civic pride, has come true.

Town's new fame. Jenner has gained fame as the battleground in a dispute over the proper use of virgin land. It all started when a land company announced plans to develop 8,000 acres and dredge the river.

Big "Save Jenner" bumper stickers appeared throughout northern California and Postmaster Estelle Emigh receives letters from as far away as North Carolina and Minnesota. Most of these urged residents to fight the development.

The controversy began last year when the American Leisure Land Co. of San Francisco bought 8,000 acres surrounding Jenner and obtained from the Utah Construction & Mining Co. a state lease to extract sand and gravel from the river.

The development company announced it would build a planned community of second homes on a 1,120-acre tract south of Jenner, and it revealed plans to open up the river mouth and ship gravel. The dispute gained momentum when the company disclosed its intention of removing 29-acre Penny Island from the river mouth.

The lineup. Battle lines formed quickly. Not only would the planned community bring more people, supporters said, but the dredging would give Jenner a harbor for pleasure and fishing boats.

Opponents saw a step toward destruction of a beautiful coastline. They had seen developers come into other areas and destroy coastland with hit-and-run projects.

The decision. Both sides circulated petitions in Jenner and Sonoma County. After a tense debate at a county supervisors meeting in May, advocates won the first major victory. The board voted 3-2 to allow dredging.

The vote was a rebuff to the Environmental Quality Study Council, a state body that had asked a delay until the legislature could act on three bills that would give the state control of coastline development.

Opponents now pressed a final campaign against the housing development, and thousands of persons who had never seen Jenner signed petitions to halt the project.

But the supervisors voted 4-1 in mid-July to rezone the acreage south of Jenner to permit construction of homes and a golf course.

A second vote was then scheduled on the dredging.

Coast's defender. "If the area around Jenner is subdivided and built up, it will be a crime," says William Kortum, a veterinarian and leader in previous battles against leisure-home development.

"The greatest use for that land is to leave it alone."

Kortum and other preservationists feel the entire issue of coastland development should be placed with a state agency similar to the Bay Area Conser-

Development land on south side of river is in foreground. Highway bridge at center right can also be identified on the topographic map at the top of page.

...housing or virgin land: a town is torn by controversy *(continued)*

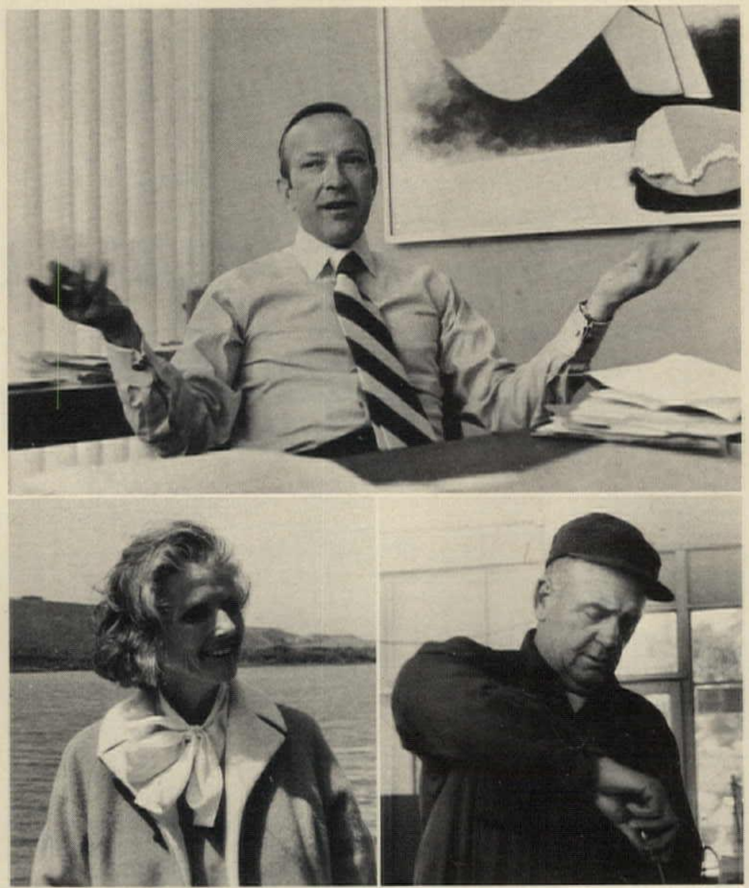
vation and Development Commission, which controls San Francisco Bay.

Developer's pledge. John Cummings, 42-year-old president of American Leisure Land, insists he will not allow the dredging or the home development to harm the environment. With a banking background, Cummings is new to land development and admits that the reputation of irresponsible developers is an obstacle.

"The leisure land development industry has done some atrocious things," Cummings says.

"I think that with good planning we can work with the land rather than against it, and that's what we hope to do."

The concept. "It's not the money you spend but the time and the interest of the planner that counts," says Cummings. "And we have spent more time and effort here than on the average development."



Contending parties include John Cummings, American Leisure Land president, (*top*), Mrs. Virginia Hechtman, an opponent, and Harold Walkley, a supporter.

The project was planned by Sasaki, Walker Associates of Sausalito, Calif., and many opponents of the development concede that an excellent job has been done in blending the planned community with the environment. The concept calls for clusters of high-density units, leaving large areas of open common land.

Land use. Plans call for 2,024 dwellings on the 1,116 acres—just over 1.8 units per acre.

An estimated 4,850 persons will live in Jenner Bay eventually—more than 20 times today's population. But 51% of the land will remain in open space.

The company's remaining 6,900 acres, north of Jenner, will eventually be developed, but at much lower density.

People shaping. "By leaving so much open space, we hope to get people involved with the environment; shaping them to their surroundings rather than molding the surroundings to fit their whims," says Kalvin Platt of Sasaki, Walker.

The big question. Ignazio Vella, most outspoken member of the supervisors, voted against dredging but feels the county can live with the proposed cluster development concept.

"If you refuse the owner his right to develop land, then you are in for court battles and the whole thing passes out of your hands," he explains. "You can't put a suburban subdivision in the Jenner atmosphere, but I think we can live with the Sasaki plan."

Vella feels the dredging has been a far more emotional issue than the housing development, but at the same time thinks it is less important in the long run.

The river fight. The first attempt to open the Russian River mouth, old timers say, was in 1930. A private company managed to open it long enough for one barge to get through. But when the man in charge of the operation was killed, the project was abandoned.

Since 1940, the state has used bulldozers to open the mouth for spawning fish, but it has never been cleared for even small boats.

The most recent effort was made in 1966 when Utah Construction and Mining tried to clear a channel for barges. After four months of working around the clock on a seven-day week, the company abandoned the project.

Despite the failures, Cummings thinks he can succeed with a new but unproven method. The man in charge will be Philip Hammond, who directed Utah's ill-fated venture.

Opponents' spokesman. The organized opposition to the project is the Jenner Coastside Conservation Coalition, a group of about 50 private citizens. One of the leaders is Mrs. Virginia Hechtman, an educational psychology consultant in the state school system.

"The area where they want to put the subdivision was zoned for agrarian use by the county planning commission," she says. "The commission called for building restrictions of about one house for five acres.

"There is so little coastal land left that—while laws protecting it are pending—we want a moratorium against projects like this.

"I'm not against people moving in, but they should be subject to the state's coastal legislation."

"Some call it a bird sanctuary, some call it a bunch of briers; all I know is, it's a beautiful view from my window." Jenner old timer describing Penny Island

Emotional price. While planners talk of design firsts in working with the environment and preservationists refer to Jenner Bay as a key battle in the fight to save the northern California coast, the residents of Jenner view the controversy less grandly but with equal emotions.

"This thing has torn the town apart," Mrs. Hechtman says. "People have been discredited, lives have been threatened and some people aren't even speaking any more."

Youth and age. Harold Walkley has held part ownership in a Jenner gas station for 22 years. His station looks directly at Penny Island and the river mouth.

"I'm all for it (the project)," he says. "And I think the majority of the townspeople are too. There're not enough young people around here any more, and last year we lost our school. Maybe if we get some families with young people around we can get our school back."

Peace and quiet. But another resident who has lived in Jenner for more than 20 years fears the development because of the changes it might bring.

"We want it peaceful and quiet out here," she says. "If people want a lot of building and excitement, let them do it in Santa Rosa (the county seat) or some other big town."

The dredging plans are acceptable to the county, but must be approved by the Army Corps of Engineers, which has final authority on waterway projects.

In a last ditch effort to block the move, California's Environmental Quality Control Study Council has asked Defense Secretary Melvin Laird to order public hearings before the Corps of Engineers makes its decision.

—Ty Marshall
McGraw-Hill News,
San Francisco

MGIC Investment moves into homebuilding with purchase of Miami's Janis Corp.

The MGIC Investment Corp. of Milwaukee has agreed to pay $5 million in stock for the Janis Corp., the big Miami homebuilder and community developer.

The payment for Janis, a closely held family firm, will require that about 2% of the MGIC common be traded for all Janis stock.

President Max Karl of MGIC Investment said the acquisition represents his company's first move into residential construction and community development, although its major subsidiary, Mortgage Guaranty Insurance Corp., has been insuring residential mortgages since 1957.

The parent, MGIC Investment, which was organized in September, 1968, as an outgrowth of Mortgage Guaranty Insurance Corp., earned $8.6 million, or $1.44 a share, in 1969. The Janis acquisition will add eight to ten cents a share to earnings in 1970, according to Karl.

Projects in Florida. Janis was formed in 1962 by a group that had been residential builders since 1953. Besides building some 8,000 apartment and single-family units, Janis has constructed two golf courses and several shopping centers and schools in south Florida.

Janis is developing the 1,250-acre Kendale Lakes community 10 miles southwest of Miami. President Jay Janis says the $100-million residential project will be completed in 1975.

The opening of Kendale Lakes on July 13 was a traffic-jam success, Janis reports. More than 100 prospects made deposits on houses.

Earlier this year, MGIC Investment bought a 56% interest in CIC Leasing Corp. of Buffalo, N.Y., for $3 million. Karl noted at the time that the service-oriented business of MGIC, with its emphasis on underwriting and claims procedures, made the leasing company a logical acquisition.

Singer's plans. The Singer Co., which has long since stitched its way out of the sewing room to become a diversified manufacturer, plans to acquire a builder, the privately owned Besco Organization of San Leandro, Calif. Singer's corporate headquarters is in New York City.

Singer will issue new preferred stock, convertible into about one million shares of common over a period of years. Dividends on the new stock will be equivalent to an annual rate of $1.25 on the underlying common, which pays $2.40 a year. The common was trading in the 60 range on the New York Stock Exchange when the acquisition was announced.

Besco has built more than 6,500 homes in California and reportedly has current sales at a $70 million annual rate, with earnings running at more than $1.25 million annually.

Bendix bid. American Forest Products Corp. of San Francisco will become a wholly owned subsidiary of Bendix Corp. of Southfield, Mich., when a plan approved by directors receives stockholder approval.

Owners of American Forest's common will receive either $40 in cash or .7578 of a share of Bendix for each of their American Forest shares. The cash payment will be made for no more than 40% of the American Forest shares, however.

Dillingham's buy. Hawaii's Dillingham Corp. has bought Systech Financial Corp. of Walnut Creek, Calif., for stock.

Systech develops, constructs, and manages garden apartments in California. Dillingham, with revenues of $514 million, in 1969, is in land development, construction, marine transportation, quarrying, and mining.

Mortgage mergers. American Fletcher Mortgage Co. of Indianapolis plans to acquire Northwest Mortgage of Seattle for stock.

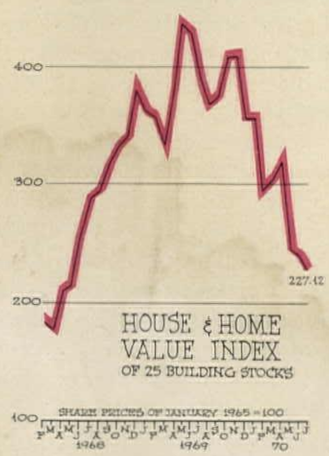
American Fletcher, wholly owned subsidiary of American Fletcher Co., the bank holding company, services about $560 million of mortgages. Northwest services about $225 million.

The Trust Co. of Georgia will buy the mortgage banking portion of Adair Realty and Loan Co. of Atlanta. Adair services about $240 million.

Housing stocks fall again

House & Home's index of 25 housing issues fell for the third straight month, dipping to 227.12 from 246.07 in the period ended July 6. Stocks on the index are indicated by bullets (•) in the tables at right.

Here's the composite index.



How top 5 did in each group:

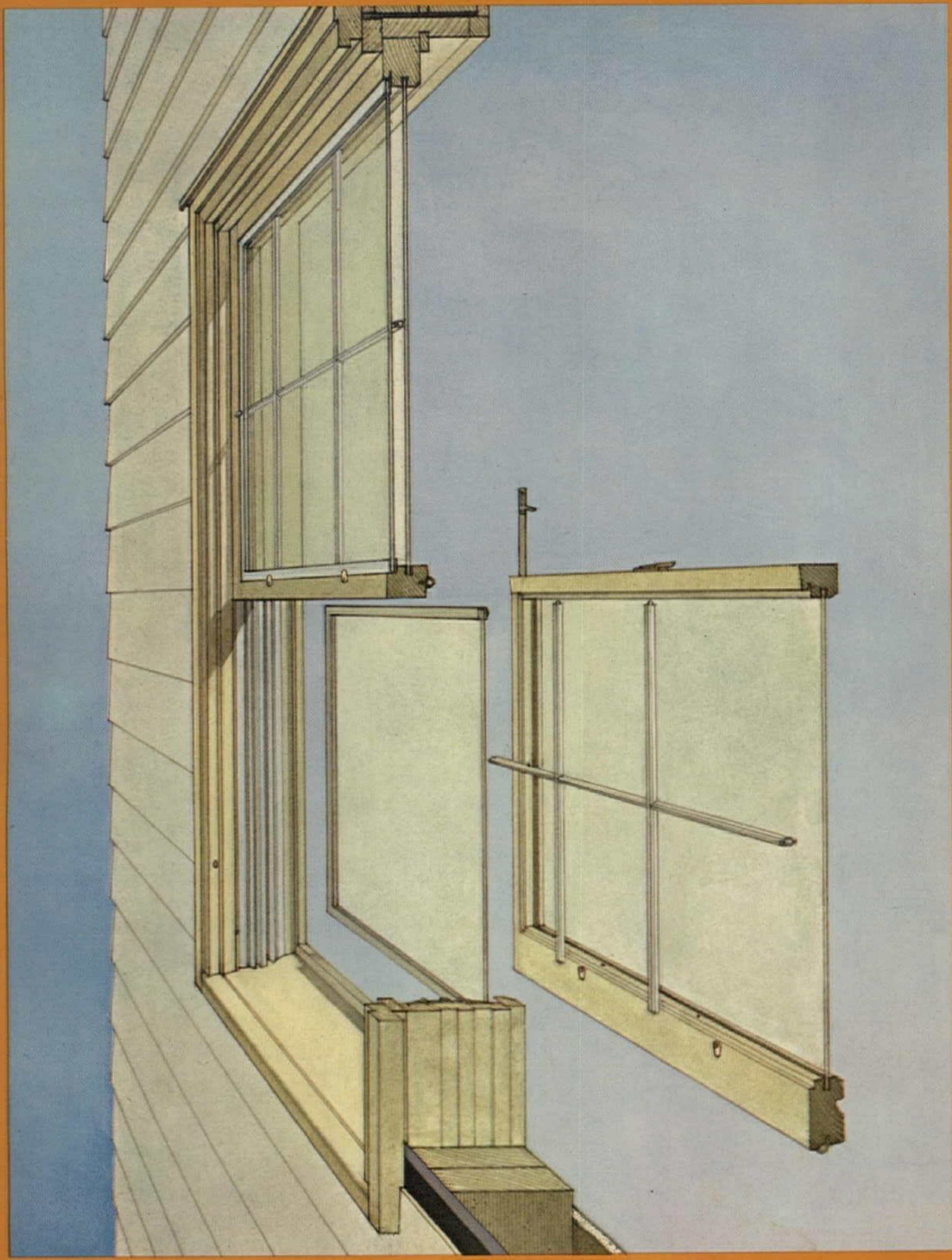
	July'69	June'70	July'70
Builders	477	335	325
Land develop.	635	321	269
Mortgage cos.	531	424	387
Mobile homes	853	400	385
S&Ls	184	119	120

HOUSING'S STOCK PRICES

COMPANY	July 6 Bid/ Close	Chng. Prev. Month
BUILDING		
Bramalea Cons (Can.)	2.50	— .60
Capital Divers (Can.)	1.10	— .10
Centex Corp.	20½	+ 1½
Christiana Oil [b]	6½	— 2¾
Cons. Bldg. (Can.)	1.10	+ .05
Dev. Corp. Amer.	6½	— 2
Dev. Int. Corp.	6½	— 1
Edwards Indus.	7½	— ¼
First Hartford Rlty.	4¼	— ¼
First Nat. Rlty. [b]	3	— ¾
Frouge	1⅞	+ ⅛
•General Bldrs. [b]	4½	— ⅝
•Kaufman & Bd. [c]	31½	+ ¼
Key Co. [b] (Kavanagh-Smith)	7⅝	+ 2
Leisure Technology Corp. [b]	13⅜	— 3⅛
H. Miller & Sons	5½	+ 1
McGrath Corp.	5	......
National Environment (Sproul Homes)	2⅝	— 2⅝
Nationwide Homes	4¾	— 1
•Presidential Realty [b]	9⅛	— 1¼
Pulte Homes	5	— 1
Ryan Homes	35¼	+ ¾
Standard Pacific Corp. [b]	4¾	— 1⅝
U.S. Home & Dev. [b]	18¾	— 2¾
•Jim Walter [c]	25½	— ½
•Del E. Webb [c]	7⅛	— 1
Washington Homes	5½	— 1½
Western Orbis [b]	3⅛	— 1
S&Ls		
American Fin.	12	— 1¼
Calif. Fin. [c]	6¼	— 1⅛
Empire Fin. [b]	8½	— 1½
Far West Fin. [c]	10¼	— 1⅝
•Fin. Fed. [c]	10	— 1⅜
•First Char. Fin. [c]	34	+ ⅜
First Lincon Fin.	4½	— ½
First S&L Shares [b]	11⅝	......
First Surety	3⅞	+ ⅛
First West Fin.	2⅜	— ⅜
Gilbraltar Fin. [c]	12⅝	— ⅞
•Great West Fin. [c]	17¼	+ 1¾
Hawthorne Fin.	7¾	+ ¼
•Imperial Corp. [c]	8⅞	— ⅞
•LFC Financial (Lytton) [c]	4¼	......
Trans-Cst. Inv.	4¾	+ 1½
Trans World Fin. [c]	6⅝	— 1½
Union Fin. [b]	7	— ⅝
United Fin. Cal. [c]	6¼	— 1⅜
Wesco Fin. [c]	13⅞	— 1½
MORTGAGE BANKING		
•Advance	29	+ ¾
Charter Co.	6¼	— 1½
•Colwell [b]	14¾	— 2⅛
•Cont. Mtg. Investors [c]	13	— 2
Cont. Mtg. Insurance	14½	— ⅜
Excel Investment	2⅜	......
FNMA [y]	33¼	— ½
First Mtg. Ins. Co.	6½	— 1
First Mtg. Investors [c]	19⅜	— 1⅝
•Lomas & Net Fin.	8⅝	+ ¼
•MGIC Invest. Corp. [c]	36¼	— 3⅜
Mortg. Associates	11	......
Mortg. Trust of Amer. [a]	16¾	......
North Amer. Mtg. Inv. [b]	17⅜	— ⅞
Palomar Finan.	5½	— ⅝
UIP Corp. [b] (United Imp. & Inv.)	3⅜	— ½
Universal Invest. Trust (South. Mtg. Inv.)	2	......
LAND DEVELOPMENT		
All-State Properties	½	— ¼
American Land	¼	......
•AMREP [b]	11¼	— 5½
Arvida	6¼	— 2
Atlantic Imp.	19	+ 5½
Canaveral Int. [b]	4⅝	— 2¼
Crawford Corp.	3½	......
•Deltona Corp. [b]	14⅝	— 8⅝
Disc Inc.	2⅞	— 1
Don the Beachcomber Ent. (Garden Land)	7¼	— 1
FPA Corp. (Fla. Palm-Aire)	6	— 2¼
•Gen. Devel. [c]	16¾	— 1⅞
•Holly Corp. [b]	2	— ⅛
Horizon Corp.	14	— 3¼
Laguna Niguel [b]	3¾	— 1⅜
Major Realty	5½	— 1
•McCulloch Oil [b]	20⅜	— 2⅝
Scientific Resources [c] (Sunasco)	2⅝	— 3
So. Rlty. & Util. [b]	4¼	— 1⅛
DIVERSIFIED COMPANIES		
Boise Cascade [c]	47⅝	— 5¾
Citizens Financial [b]	10½	+ ½
City Invest. [c]	11	— 2⅝
Cousins Props.	29	+ 4
Forest City Entr. [b]	12¾	— 1
Great Southwest Corp.	5¼	— 2⅝
Investors Funding [b]	10⅜	— 2
Midwestern Fin. [b]	10⅝	— 1⅜
Rouse Co.	20¾	— 6¼
Tishman Realty [c]	15½	— ¾
MOBILE HOMES & MODULES		
Con. Chem. Co. [b]	6	— 1
•Champion Homes [b]	14⅜	+ 1⅞
Commodore Corp. [b]	5½	— 1½
•DMH (Detroiter) [b]	11¼	— ⅜
•Fleetwood [b]	17⅝	— ¾
•Guerdon [b]	9¼	— 2¼
Mobile Home Industries [b]	8¼	— 1⅜
Monarch Ind. [c]	14	— 3⅜
Redman Indus. [c]	14	— ½
Rex-Noreco [b]	16¾	+ 2
•Skyline [c]	18	+ ⅜
Town & Country Mobile [b]	6¼	— 1⅜
Zimmer Homes [b]	7⅞	— 4⅝
Hodgson Houses	2	— 1
Modular Housing Systems Inc.	10	— 4
Nat. Homes A. [g]	8⅜	— 1⅞
Stirling Homex	12⅞	— 2⅛
Swift Industries	2⅝	+ ⅞

a—stock newly added to table. b—closing price ASE. c—closing price NYSE. d—not traded on date quoted. g—closing price MSE. h—closing price PCSE. k—not available. •—Computed in HOUSE & HOME's 25-stock value index. y)—adjusted for 4-for-1 split. z—adjusted for 3 for 2 split. NA—not applicable.

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



NEWS/PEOPLE

General Development gets new president —and eyes rich frontiers beyond Florida

DEVELOPER ROACH
Corporation president at 38

A new and younger man now sits in the president's chair at General Development. And when he looks at Biscayne Bay from the corporation's Miami headquarters, he somehow comes up with visions of cactus or of ski lodges in the snow.

"Nothing has been purchased yet," says FREDERICK E. ROACH, "but we are considering some sites in the Southwest and in such recreation areas as the mountains of North Carolina."

It's all part of what the 38-year-old Floridian, who became president in May, terms a push for a more aggressive image for the big land developer.

From land to mobiles. In addition to moving into the vacation home market, General Development is branching out in other ways. A pilot project of modular units and some rental apartments is being planned. Construction has begun on the second of nine buildings in a condominium group, eventually to have 360 units selling from $18,000 to $24,000. And the corporation's first mobile home development opened with such success last year that a second will open next month.

Until 1969, General Development built only detached houses in the seven planned communities it has developed since 1957. The best known are Port Charlotte on the Florida west coast, and Port St. Lucie and Port Malabar on the east coast.

"We don't expect either modulars or mobiles to replace conventional houses," Roach says. "But they do provide some answers, especially at the low end of the market." General Development's prices range from $16,000 to $55,000, plus land, for the golf-course and waterway homes. Prices in the mobile home parks run from $9,990 to $18,000 for home-and-site.

Sales. Roach says sales are holding strong. The corporation earned $3.5 million in the first quarter, up 16% from the like period last year. Sales increased 3.6% to $29.3 million. Earnings were $12.8 million, or $1.32 a share, on sales of $101.8 million in 1969. General Development is 49% owned by City Investing Co. of New York City.

Roach now predicts one of his company's best surges of growth but expects any expansion to continue to be related to land.

"We would look into related fields as a natural by-product, but we don't expect to get into other types of business."

One such natural by-product is mobile homes. Roach insists that he is quite happy to be a dealer for the time being, but he thinks that success might well force him to consider buying or building a manufacturing plant for mobiles.

Sales force. "Our biggest asset is our sales staff," Roach says. "The best land in the world is worthless if you can't sell it."

Honing the sales team had been a concern of General Development's chairman and chief executive, CHARLES H. KELLSTADT, whom Roach succeeds as president.

Kellstadt began running the then-ailing company eight years ago after retiring as chairman of Sears, Roebuck. He eased an enormous debt load with new financing and brought in new management. One of the new breed was Roach, a CPA who joined as assistant controller in 1961. But the real key to growth, Kellstadt said repeatedly, would lie with building a corporate sales staff instead of using franchised agents.

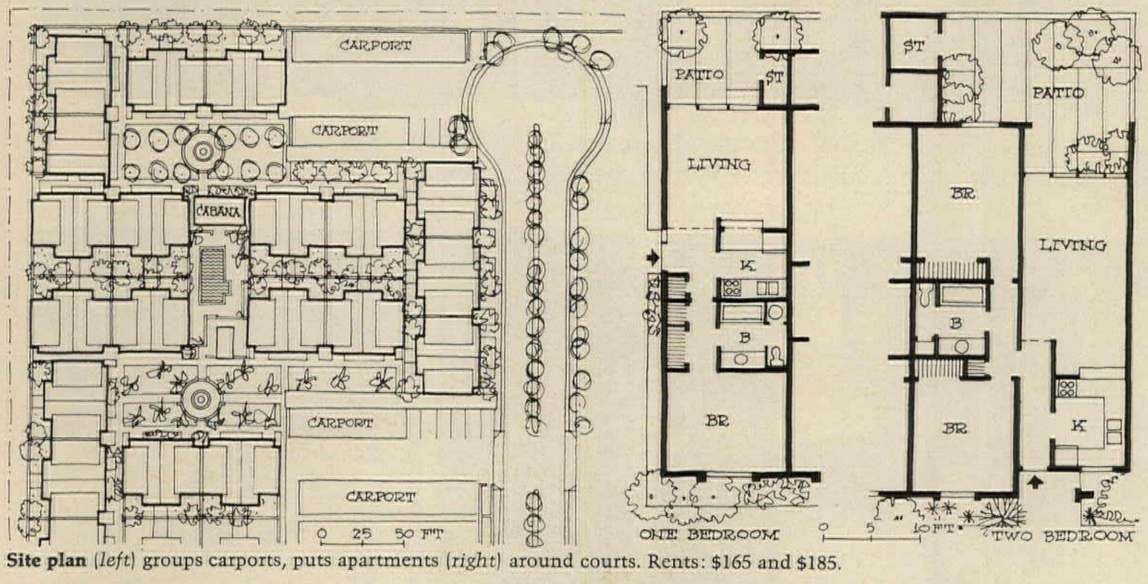
"Now we have a mature, aggressive sales staff—and we are a strong company," Roach says. The 20 branch offices handle more than 60% of all sales.

As for Kellstadt, now 73:

"Well," a spokesman says, "everybody's said for years that Mr. Kellstadt was ready to retire again. But he's still chairman—and he hasn't said anything."

PHOTOS: NEIL KOPPES

Authentic Spanish styling appeals to renters in a Southwestern market



Site plan (*left*) groups carports, puts apartments (*right*) around courts. Rents: $165 and $185.

These apartments in Phoenix rented as fast as they were built, and have been practically filled ever since. If there is a single reason for their success, it is their Spanish flavor—typified not only by arches, colonnades, beamed ceilings, paneled doors, and hardware that was, in fact, imported from Spain, but also by intimate courtyards and private patios.

The 156-unit project, called Spanish Gardens, was built in three sections, the first of which is shown in the site plan at far left. Architect: George W. Christensen.

Spanish character of project is created by such details as archways, beamed ceilings, and slump block walls. Each living room opens to private patio.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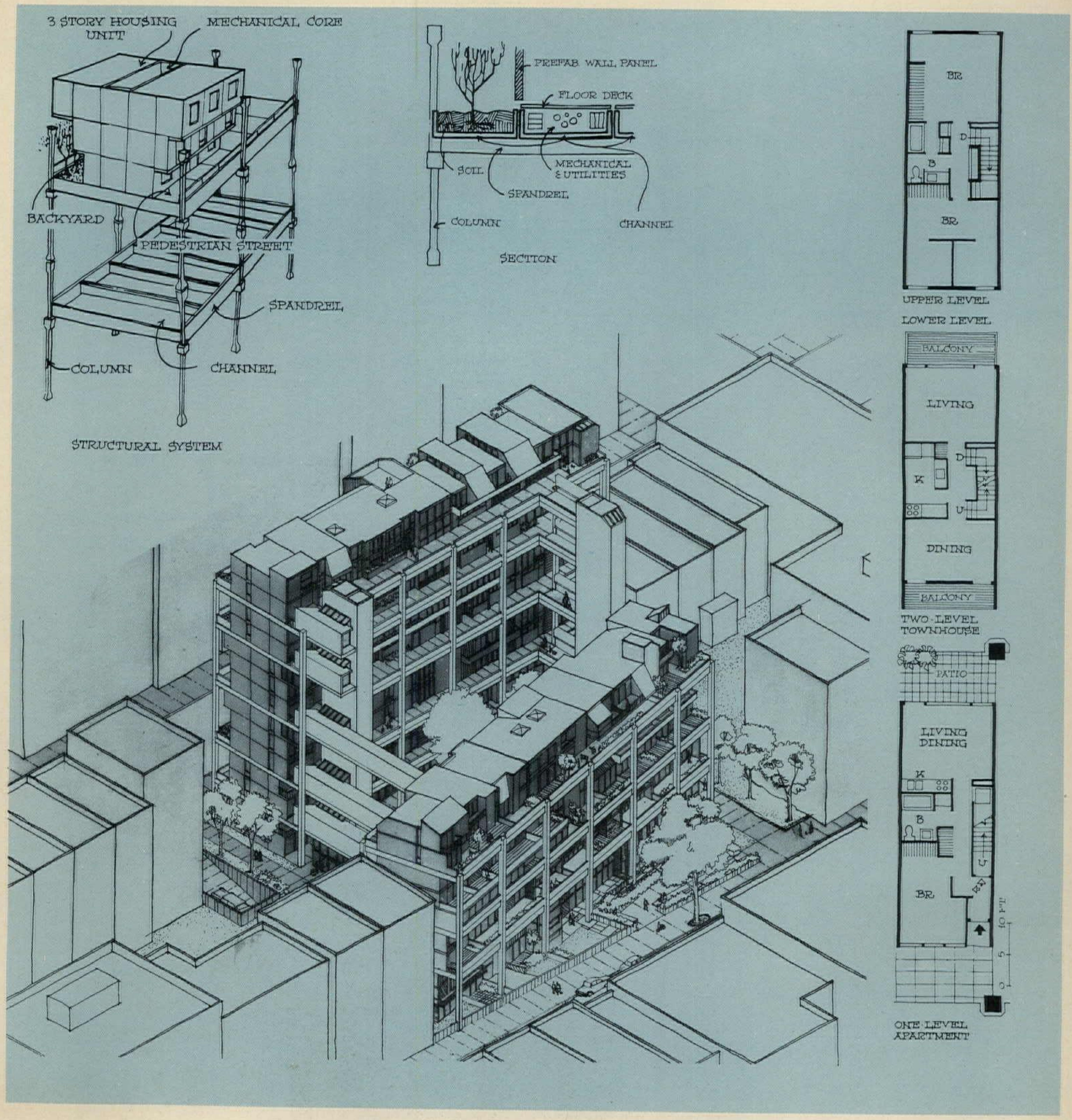

Here's a new high-rise system that mixes light and heavy construction

The system, one of 22 Operation Breakthrough winners, fits housing units made of metal panels into a space frame of precast, reinforced concrete.

Like a number of other Breakthrough winners, this one has yet to be built. But its developer, a consortium called Townland Marketing & Development Corp., is already planing a nationwide franchising program for local builders.

The space frame *(details, above)*, which can be up to 15 stories, has horizontal supports —30 ft. spandrels and 55 ft. channels—at two- or three-story intervals. Into the two- or three-story spaces go the housing units, which consist of the factory-finished panels and mechanical cores containing finished kitchens, baths, heating and cooling ducts, and stairways. The concrete channels, 3 ft. deep and 10 ft. wide, hold utilities, other mechanical equipment, and earth fill for plantings and entry walks.

Townland's system offers a number of possibilities. For instance, it can be used for a variety of housing ranging from one-story apartments to three-story townhouses. And, of course, factory-built modules could eventually be substituted for the panelized units.

When the Behring Corporation came up with an instant home ...Moen faucets were specified ... again.

Florida builder Ken Behring has come up with a new steel-framed modular home that goes up in less than a day. It's called Modiflex.

The basic Modiflex home consists of three parts: a bedroom wing, a living room section and a "wet wing" containing the kitchen and baths.

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B-705

Moen is used in the conventionally built homes. The Chateau line is used in Modiflex.

"Sure you can grow fast in this business—provided you build a staff that can grow with you"

A mushrooming apartment company is hard on its staff. The maintenance supervisor who kept up 500 apartments like clockwork last year gets fired this year because he can't cope with 1,500. The bright secretary who moved up to a new career as expediter eventually loses control, and her job, after her responsibilities double for the third time.

In a new company's boom period, with production doubling and tripling every 12 months, personnel peak-outs can occur at an alarmingly high rate. And because an up-and-coming developer/manager is straining to support mounting staff overhead, weak performers cannot be absorbed. Replacement is an ecomonic necessity.

Personnel peak-outs occur much faster in some departments than in others. Property management and construction, for example, suffer the pressure of sharp production increases far worse than do property finance and development.

And peak-outs take their heaviest toll at the managerial levels, eliminating supervisors and executives alike who acquire responsibilities faster than they can learn to handle them or are pushed up to administrative levels beyond their abilities.

Wages of success. Outpacing your staff is costly. Replacing an employee means separation pay and time spent looking for a new one. And if managerial people drop out every time you rise to a new level of production, replacement expenses mount up fast. In the process of falling behind, failing employees cost money in terms of inefficiency, mistakes and their effect on the people they work with.

Steady turnover is costly, too, because of the morale problems it causes. As your ex-employees grow in numbers, they constitute a mutual hate club whose favorite pastime is rapping your company and making existing employees feel insecure.

So how do you avoid outgrowing your staff? The smartest, but toughest, way is to hire people who have the capacity to grow with you. This is tough because estimating how far a person can develop in the next five years is at least 90% guesswork. How can you be sure, for example, that a prospective property manager who is obviously capable of running 1,000 apartments will be able to run 5,000? The decision would be much easier if your company were larger and you were hiring a man to run 5,000 units in the hope that he could handle 10,000 later on. The 5,000-unit man has already proven himself in the big leagues, but the 1,000-unit man may still peak out.

The easiest and most expensive way to build a staff you won't outgrow is to hire people with big-company track records who want to gamble on a small company's future. But there's a limit to how much proven talent a small company can afford to buy. So chances are you'll gamble on unproven people who look good, and resign yourself to making mistakes.

How about you? But don't chalk up all your personnel mistakes to people's limited abilities. The failure may lie more often in how you direct those abilities.

Small apartment companies tend to promote people to fill immediate needs rather than to build a long-range organization plan. In doing so, they often give more weight to seniority and loyalty than to talent and potential. And when people are handed increased responsibilities without being honestly evaluated, they often end up on a fast track leading right out of the company.

To miscalculate a new man's ability is excusable. But to misjudge a man you know is not. If you have doubts about an employee's ability to handle a bigger job, don't experiment. Pass him by and give the job to an outsider if need be. You can't experiment with a promotion, because a promotion is irrevocable.

The dilemma of what to do with a manager who can't handle his job is best avoided by using more foresight before giving him the job. Is he, for example, the type who carries it all in his head and can't communicate on paper? If so, his future is limited.

Help needed? You don't have to promote the wrong people to create management problems. Just let people create their own levels of authority, and the problems will develop automatically. When a man asks for his first assistant, that's a good time to define his job in writing to see if he's doing as much as you think he is. Maybe he should have two assistants, or maybe he should be assisting someone himself.

In their infancy, new apartment companies are run by jacks-of-all-trades. As production grows, the generalists are forced to specialize, and the niches they cut out for themselves are not necessarily well-conceived ones. A man's ambitions do not always reflect his true talents or skills, and many would-be administrators should not even by considered as managers or supervisors because they can't operate through other people.

Whoever keeps an eye on your company's internal management must be sensitive to people's inability to perform at each level of authority. The do-it-yourself entrepreneur who thinks he can keep tabs on his executives' performance through written reports is kidding himself. This is the honor system approach to management, and produces only the information that everybody knows the boss wants to hear.

Every growing apartment organization needs a personnel watcher, either official or unofficial. Give this job to an executive who evaluates people well and is not consumed with ambition—to a man with no axe to grind, who can spot staff problems and, hopefully, organize their solutions.

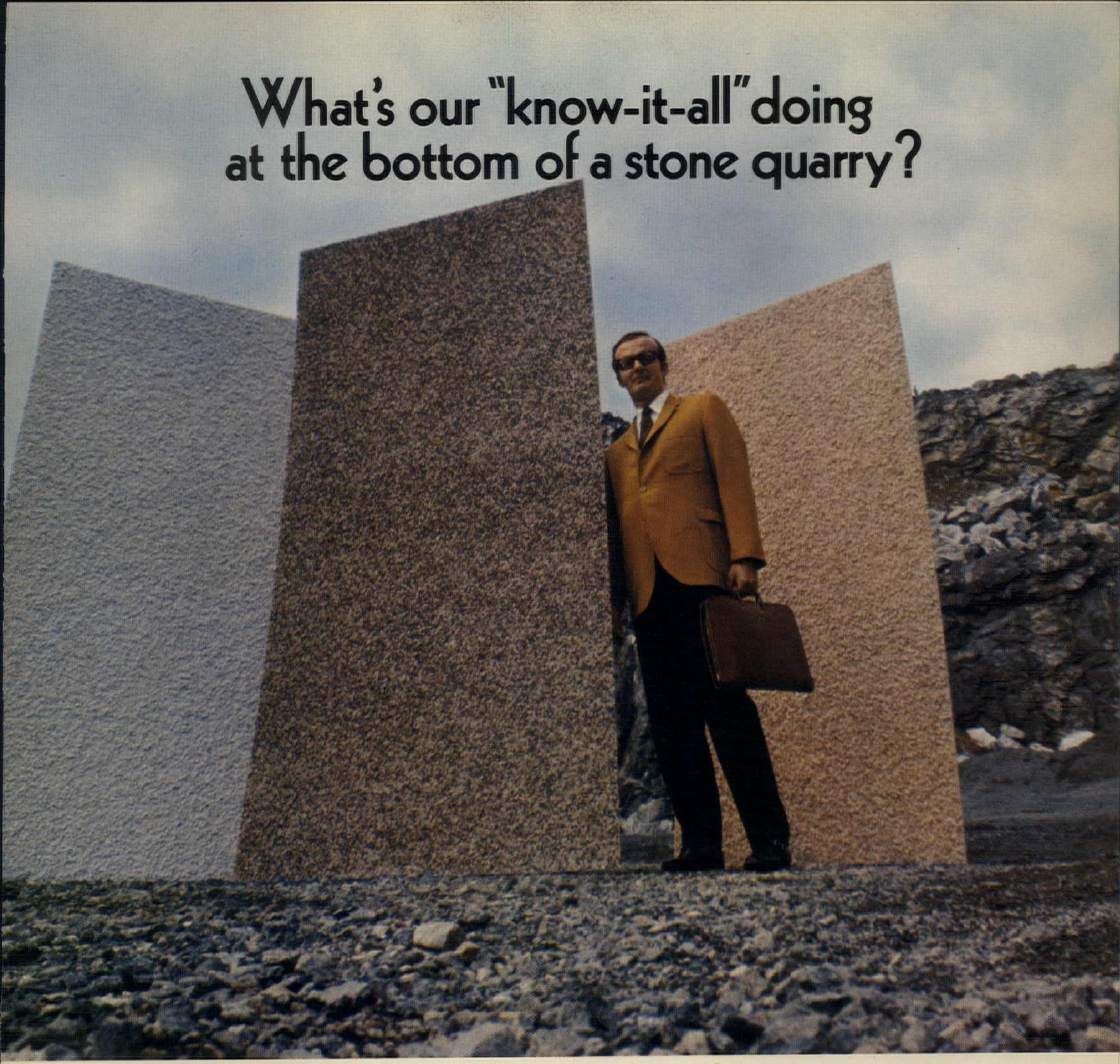
One advantage of running a small-company staff is that personnel failures show up fast. If someone starts slipping, the strain is felt immediately because there aren't enough people around to absorb it.

No place to hide. A fast-growing apartment producer is lean, and the best way to keep the company healthy is to stay lean. As soon as everyone starts going home at 5 o'clock and not showing up on weekends, you're either overstaffed or you've got the most efficient apartment operation in the country.

You can stay lean by constantly reviewing who's doing what and by encouraging people to streamline and simplify their jobs instead of making them more sophisticated. A good administrator, for example, is supposed to be strong on control. But don't let him concentrate on control systems to the extent that he forgets about action.

You've got to be hard-nosed to stay lean. It's no fun to put out a long-time employee and friend who used to be one of your top performers and is now hopelessly overwhelmed. Sometimes it's hard to resist the temptation to shore up the man with still more assistants or to assign someone else to organize him or to create a new but unessential job for him. Save yourself the expense of these subterfuges and face up to the real problem. Otherwise, you'll be mastering the big corporations' practice of collecting deadwood long before approaching their success.

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



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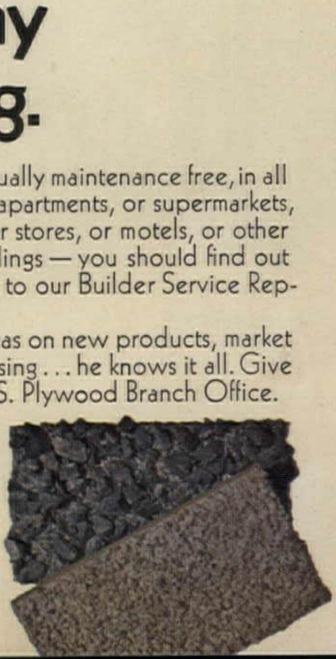


CIRCLE 73 ON READER SERVICE CARD

LETTERS

Convention scenarios

H&H: Congratulations to you and H. Clarke Wells for his great column on apartment conventions [June].

His comments about poor planning, sloppy seminars, and exhibitors who miss the target are well placed, and the National Apartment Assn. is doing something about them for its annual convention/conference/exposition in Miami Beach, October 25 through 28.

Our theme is "College of Apartment Knowledge." Our workshops (or classrooms) will be divided into four distinct schools, so there is no misrepresentation as to the type of audience we wish to attract to each: finance, technology, executive management, and professional on-site management. We are cutting down on the *quantity* of programs and beefing up the *quality*, and each participant's contribution will be screened in advance to avoid duplication, commercialism, and generalization.

We are also holding daily sessions for exhibitors (as well as sending them advance mailings) to better acquaint them with the market they'll be reaching and with the problems of our industry.

Thanks to Mr. Wells for a clear-cut definition of what's wrong with today's conventions and to you for having the courage to print it. We'll welcome his critique of our program.

GORDON J. NEILSON,
executive vice president
National Apartment Assn.
Houston

H&H: Good column by ex-House & Homer Clarke Wells chiding the quality of convention and seminar programs being offered builders.

During the past 24 months I've received 14 calls from builders who claimed they needed fresh thinking and new ideas to solve their problems. What they really needed was help with the basics of business management (controls, direction, and motivation).

One mammoth building company said they needed some help with their salesmen ... sales were off. Sure, sales were off because of an outdated, poorly managed customer-service function. One home manufacturer asked for fresh marketing ideas to make his sales zoom, but it turned out he was losing hundreds of dollars on every package he shipped. Another giant, publicly owned, complained of faulty marketing management, but the real trouble was a complete lack of trust in middle management.

So instead of hunting down new ideas in environmental conceptualizing or equating sex with the master bedroom, I suggest some of the basics such as profit, diversification, avoiding the high cost of cheap land, and fundamentals of property management. And these basics should be presented in attractive, desirable convention productions.

JAMES H. MILLS
Home Facts Research Inc.
Darien, Conn.

Mobile homes: pro and con

H&H: Your June editorial must be challenged, if only in the interest of an honest appraisal of what you consider to be a problem.

You state that chattel financing charges [on mobile homes] are "18% interest for eight years". This may be true in isolated cases; however, the average nationwide on a true annual percentage rate is approximately 12%. Under the new FHA Title I program, the rates are as low as 7.97%.

You state that if mobile homes had to meet an adequate building code or mobile home parks had to meet an adequate zoning ordinance, they would be out of the ball game. These statements are prejudiced.

Mobile homes built to the specifications of ANSI A119.1 or the Mobilehome Manufacturers Assn. code or the TCA code are built to provide safe and healthful shelter. Builders have stated for years that a building code is supposed to provide for health and safety, not to require overdesign.

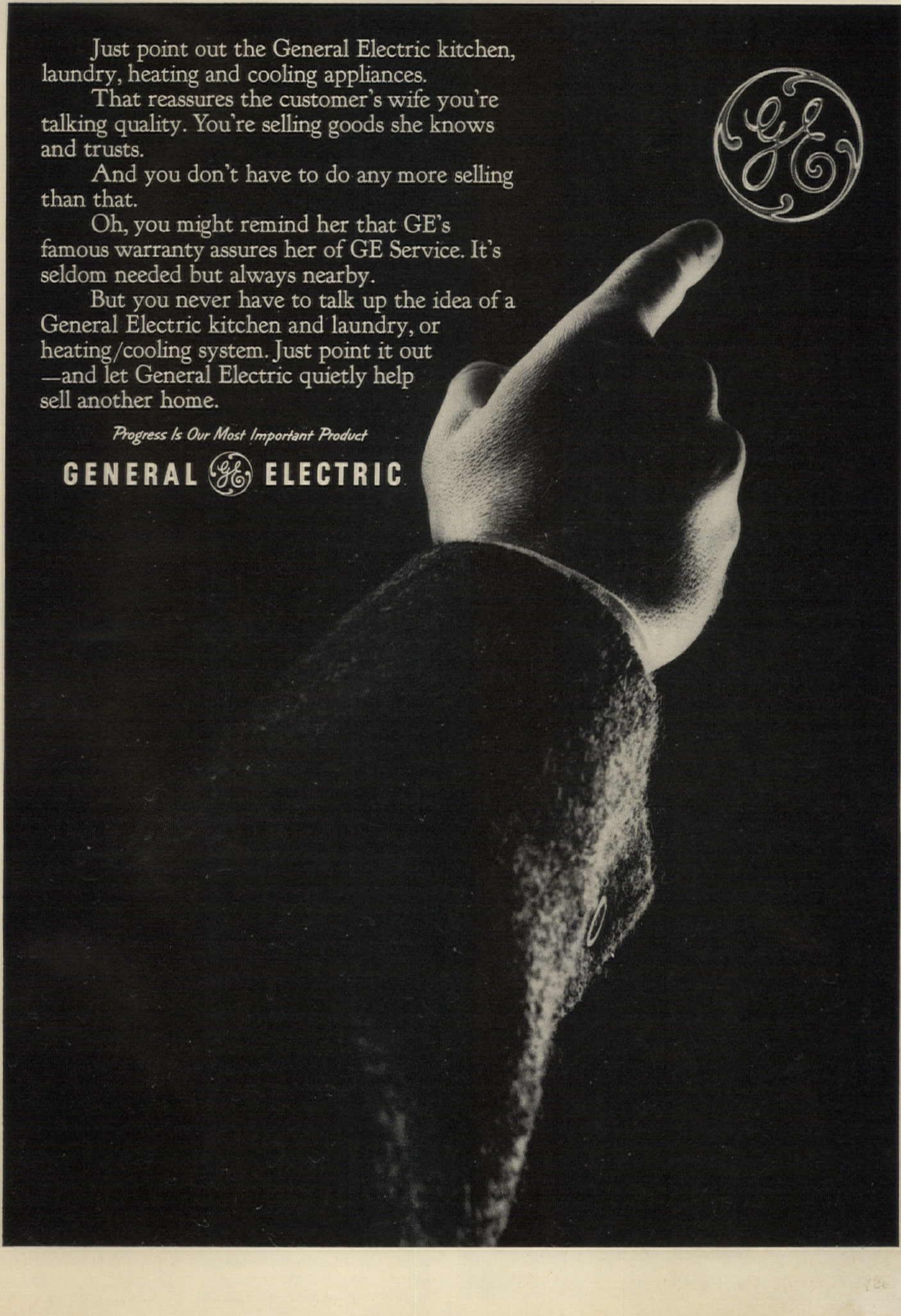
All mobile home parks may not meet what you consider adequate standards. However, most of those being constructed today are adequate. Again, health and safety are the only true prerequisites.

You state that half a million mobile homes are substandard by the manufacturers' standards. I remind you that HUD classifies most conventional shelter built before 1940 as substandard by today's requirements. This would be considerably more than half a million.

You state that because of a mobile's short life, a lender will only lend on a chattel basis. This again is not true. In areas where it is legal to permanently attach a mobile home to a foundation, the lender will finance it the same as any other real property.

Your statement that a mobile depreciates down to zero in about six to eight years is also erroneous. It is true that obsolescence has made mobile homes virtually worthless because the state of the art has produced a more desirable product. But depreciation also takes place on conventional shelter, as witnessed by the fact that

Let your fingers do the talking.



CIRCLE 75 ON READER SERVICE CARD

the Internal Revenue Service allows all rental property to be depreciated. It has been axiomatic among developers that land appreciates while the building thereon depreciates and can even be a detrimental factor if it has to be removed to make way for redevelopment.

Your statement on taxes is also inaccurate. A well-managed mobile-home park will provide an excellent tax base, as the real property is taxed on the basis of the value of the land and improvements as they relate to the income derived. There is no uniform method of taxing mobile homes, but in enlightened communities where they are taxed on a personal property basis, they provide more revenue per acre with less service required than a subdivision of single-family houses.

Your statement that mobile home parks erode the tax base and that they inhibit economic growth of a municipality is not true in today's world. As very little conventional shelter can be obtained by the average family at a price they can afford, there is no expanding work force for the industries that would like to expand within the municipalities. So the economic growth of municipalities is constrained because adequate housing for all economic segments of the population is not allowed.

H. A. Temple, President
American Mobilehome Co.
Los Angeles

Reader Temple has a point. Only in some states do interest rates reach 18%. Today's usual charge is 12% on a 7-year term.

The A119.1 standard is a good one, but few mobile homes are actually built to it. And although it does provide for safe and healthful shelter, it does not come up to a model building code in structural, mechanical, and dimensional requirements—and thus does little to guarantee the adequacy of the unit for the life of an ordinary mortgage.

Mobile homes may be adequate and commensurate with peoples' ability to pay, but health and safety are not the only prerequisites. Others, not met by mobile homes, are investment potential and security.

Using the standard of adequacy set up by the Housing Act of 1949, the Bureau of Census finds that six million dwelling units are substandard. That's less than 10% of today's housing inventory.

Very few mobile homes are attached to foundations and get realty mortgages. Most prudent lenders will not lend on a 20-to-30 year basis on a mobile home. The Internal Revenue Service does allow depreciation on rental property, but no lender expects a reasonably maintained improvement to depreciate significantly over the life of the mortgage.

It's true that a mobile-home park will initially provide more tax revenue, and require less services, than some subdivisions of conventional houses. But mobiles left in the same place for six years will indeed erode the tax base of the park—ED.

H&H: I would like to compliment you on your June editorial and also on your related editorial in the October 1968 issue. A mobile home is a bad long-term investment, and many purchasers and boosters of this type of housing indeed deserve your description of "lotus eaters".

In California the preposterous fact is that mobile homes are still classified as motor vehicles and are, therefore, not subjected to local property taxes, school taxes, improvement district taxes, etc. Instead, the State Department of Motor Vehicles collects a 2% vehicle license fee described as an "in-lieu property tax" and distributes the proceeds to local jurisdictions.

In El Dorado County the net average of this substitute property tax for 1969 amounted to $17.79 per dwelling unit. By contrast, the county's average unit-tax revenue from conventional housing (exclusive of tax revenue from the occupied land) was $239.50 per dwelling unit. Significantly, improvements on residential property are the largest tax source (53.7%) in this industry-poor county.

It is regrettable that conventional homeowners, conventional homebuilders, and the building trades unions have not been more active in disclosing the facts of the mobile home situation to HUD, state legislators, and local governments, as well as the public-at-large.

Your two editorials are, therefore, truly the voice from the wilderness.

William E. Fleck
Citizens Advisory Committee
El Dorado County Planning Com.
Placerville, Calif.

Aids to planning

H&H: Congratulations on a superb reporting job of bringing to light the production and marketing status of modular housing [June]. Editorial on mobiles [June] a masterpiece of information and insight. All very helpful in evaluation and planning of next move.

M. O. Gustafson, president
Imperial Homes
Griffin, Ga.

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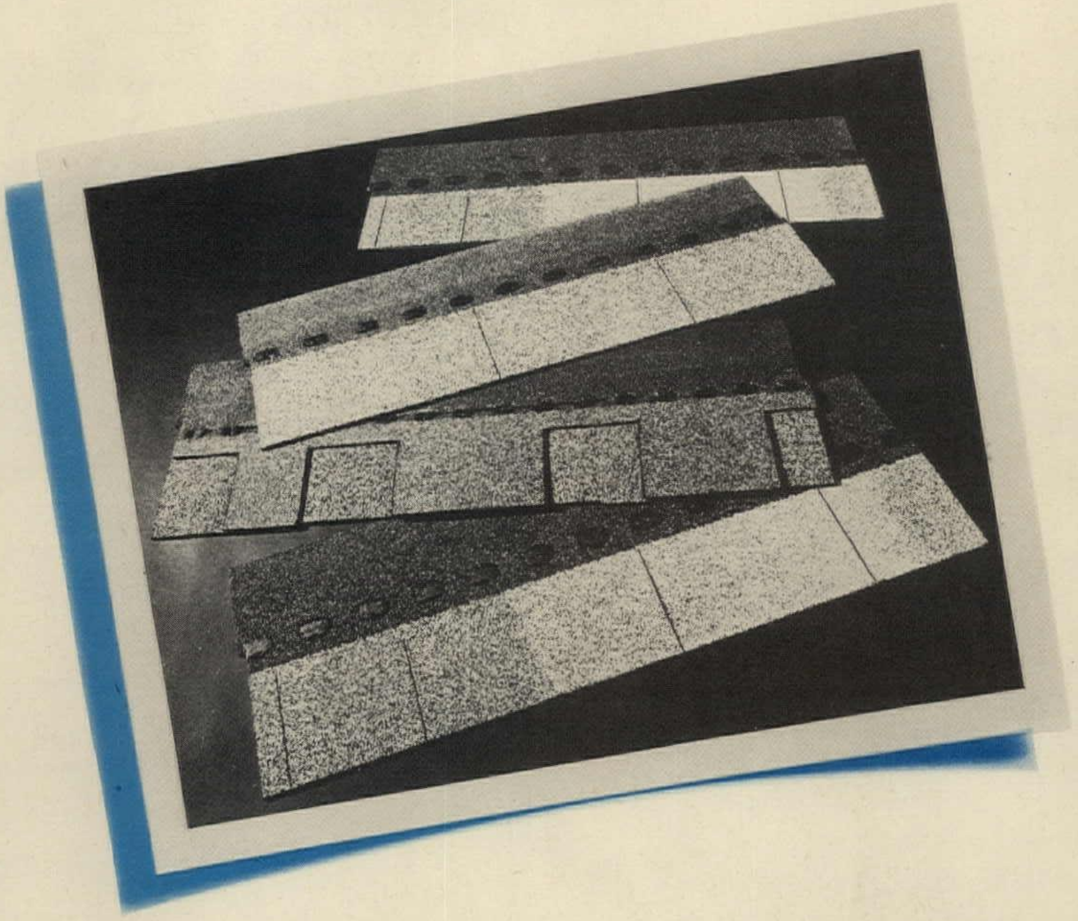

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Conservation and the developer

Better environment is a matter of life and death — and good business too

Everyone connected with homebuilding should be concerned about an editorial that appeared in *The New York Times* a few weeks ago. We don't have the space to reprint it in its entirety, but a few excerpts should get its tone across only too well.

The subject was the acquisition of a prime piece of land for a park by the State of New York. It was fortunate, said *The Times*, that the land was now "to become Minnewaska State Park instead of Minnewaska Homes." And it added:

"Thanks to all these [the various public and private agencies that helped save the land for the state], this large, natural parkland has been saved from the developers."

Finally, speaking of similar pieces of land that might be parkland possibilities in the future, *The Times* hoped that legislative steps might be taken "long in advance to prevent their ever falling into the hands of developers."

Gentlemen, that's our industry *The Times* is talking about. There are no ameliorating adjectives used, either — unscrupulous developers, or maybe unenlightened developers. It's just plain developers. It means that just as we have previously been labelled as builders of ticky tacky houses, we are now automatically cast in the role of despoilers of the environment. And at a time when pollution and ecology stand near the top of the list of public concerns, this is a most unwelcome image for homebuilding to be stuck with.

What can we do about it?

First, let's agree that trying to remake the image via some sort of public relations campaign won't do any good. A lot of other industries — among them some of the most flagrant polluters — are trying to ride the environmental bandwagon this way, and it leaves a bad taste in most peoples' mouths. The environmental problem is a brutally real one, and only real action will carry enough image-remaking weight.

Second, let's not pretend that homebuilding doesn't carry some responsibility for messing up the environment. Ever since World War II we have been covering our suburbs with single-family-house projects that offer almost no open or green space; just unrelieved acres of houses, yards, sidewalks and roads. No matter how concerned or careful a developer may be, the kind of bulldozer work necessary in a three-house-per-acre project is ecologically and esthetically devastating.

If we don't want to be known as despoilers of the environment, we must become maintainers and improvers of the environment.

We do have a way to do this: it is the PUD, or open-space community, which at its best leaves as much as half of a project as natural open green area. This concept has been pushed by progressive elements within the industry for a decade, yet today there are no more than a handful of PUDS in existence. It is encouraging to see that more are beginning to appear (H&H, May), but discouraging to contemplate what a small percentage of our total housing picture they represent.

The most ironic aspect of the situation is that most developers would be much better off doing PUDS. Such projects offer higher densities, much more flexible marketing possibilities, and, most important, a much more rentable or salable product than does the typical conventional project.

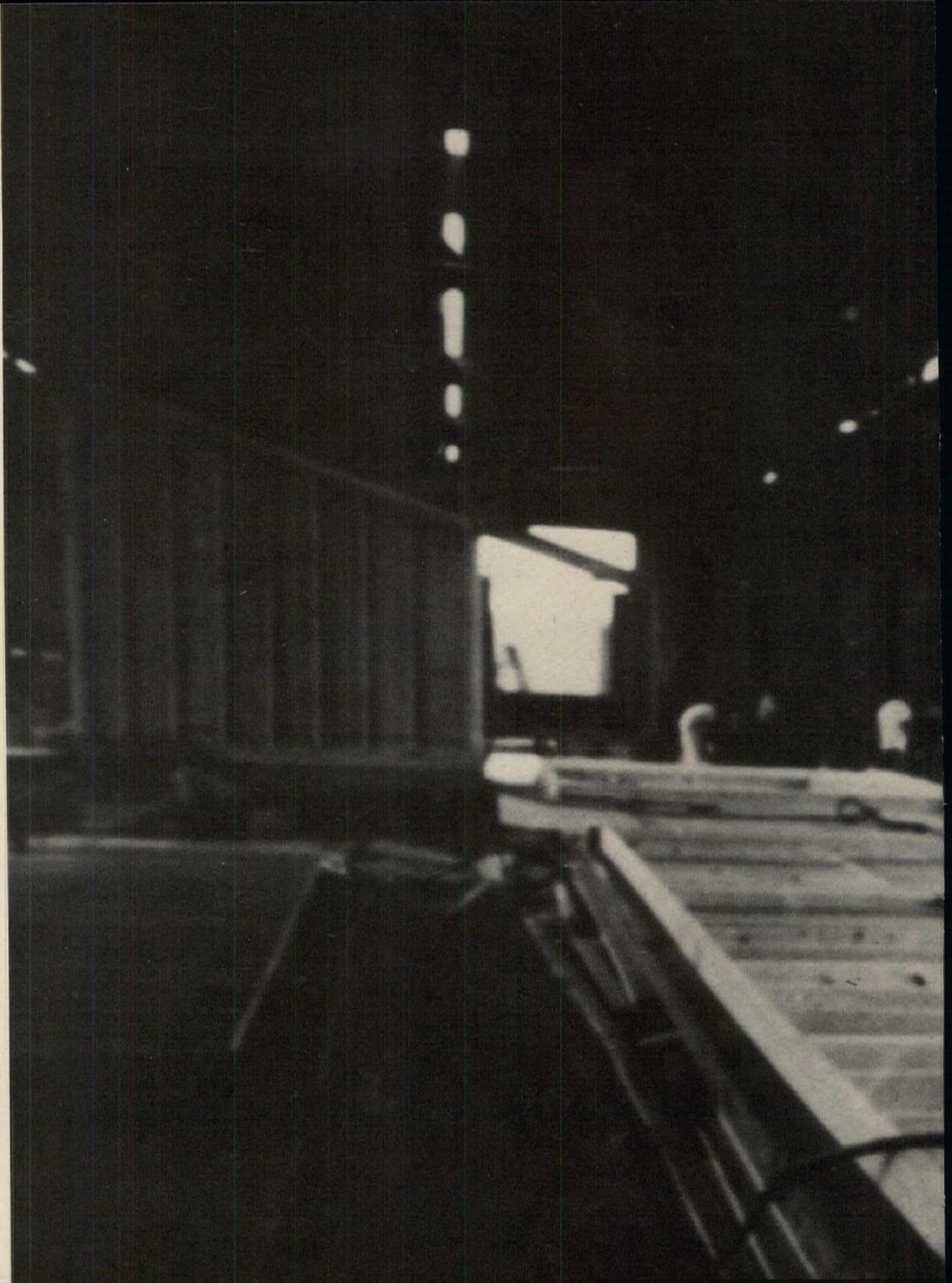
In all fairness, let it be said that developers are not the only culprits in the dearth of PUD housing. Compartively few architects and planners have shown themselves willing and able to press for and turn out good PUDS. And municipalities have shown an unhappy tendency to turn down rezoning applications for PUDS, partly through ignorance, partly through an inherent distrust of higher densities in general and apartments in particular, and partly out of sheer selfish perversity.

But to a considerable extent, this situation too lies in the developer's sphere of responsibility. As the prime mover in creating a new community, he selects the architects and planners that will do the job. It is also he who, with the aid of his designers, must sell the PUD concept generally and his PUD specifically to the municipality. And with increasing frequency it has been shown that developers who start with good plans, take the time to prepare a first-rate presentation, and refuse to back down in the face of resistance, are getting the zoning they need.

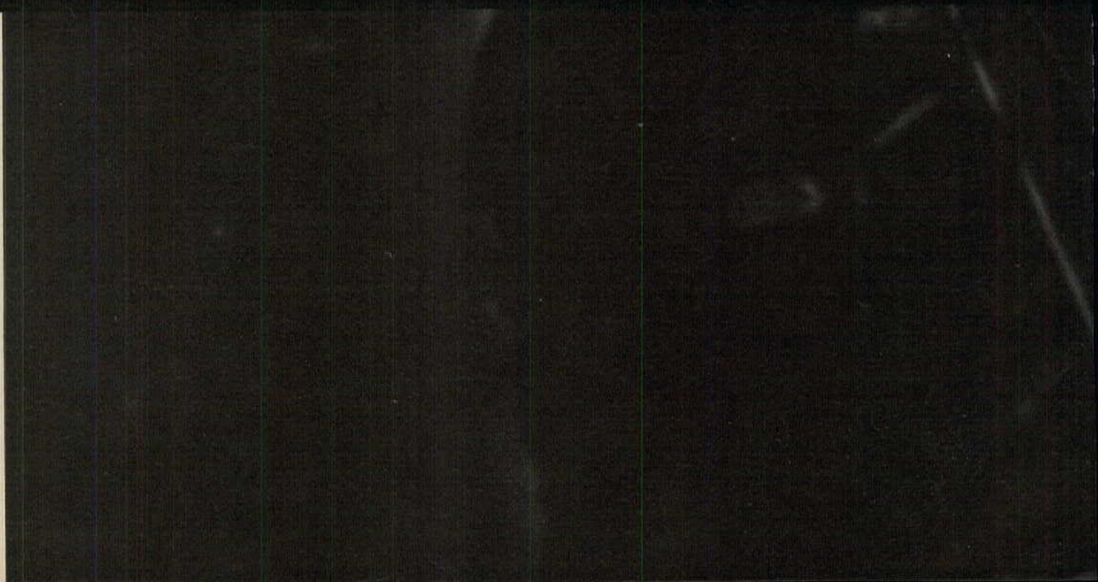
This is good for our environment, good for our image, and good for our business. What more could we ask?

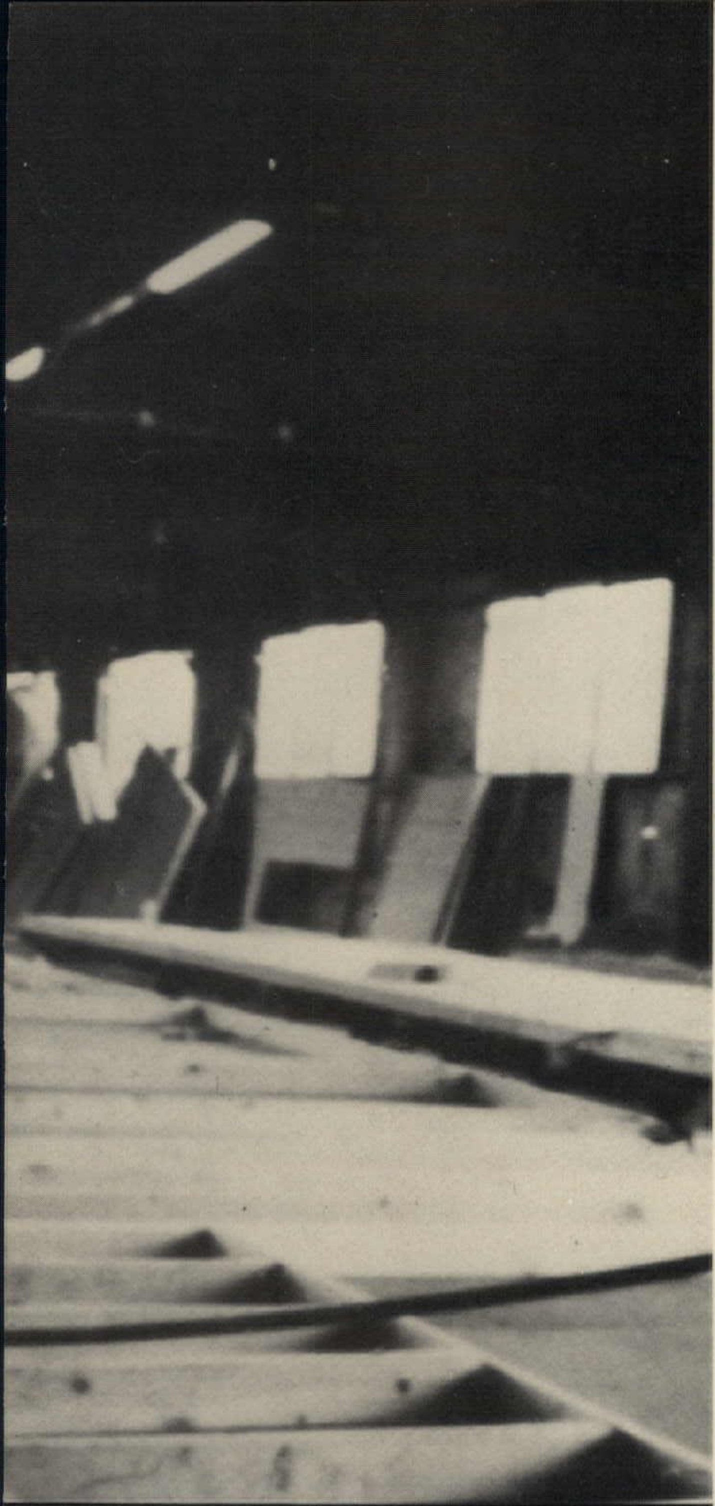
MAXWELL C. HUNTOON JR.

You too can play in the modular game



Don't let the big corporate names scare you. Even a 40-house-a-year builder





:an run his own modular plant

It's still too early in the game to know who the players will be or just what rules they'll play under.

But because Operation Breakthrough has attracted some big corporate names, and because other giants have talked about going into modulars, word is going around—both outside and inside the homebuilding industry—that the game is for big boys only. Smaller builders and developers, goes the rumor, will either wind up as dealers for the big manufacturers or drop out of homebuilding altogether.

Sounds sort of logical—on the surface. But if you look a little deeper, talk to key people in the business, and then apply a little common sense, a very different picture begins to emerge. More specifically:

There isn't going to be a new modular industry of giants, patterned after the automobile industry. As we've pointed out many times in the past, industrialization, even with the most sophisticated equipment, won't cut much from the cost of building. Also, homebuilding is essentially a localized industry; the cost of hauling modules more than a couple of hundred miles quickly becomes prohibitive. And finally, building is only one part of a complicated process that stretches from buying land to marketing houses; most giants don't have the know-how or experience to handle that entire process.

True, some giants are moving modestly into modular manufacturing; ITT (Levitt), American Standard (Wm. Lyons Development) and Westinghouse, for example. But these companies are already in the homebuilding business; their modular plants will simply serve those businesses.

The same is true of the new companies set up expressly to manufacture modulars. Stirling Homex, the biggest, has so far sent all its production to its own projects; Modular Housing Systems, which began by selling most of its production to other builders, is now rapidly expanding its own developing arm; and Shelter Resources has one of its two now-operating plants producing solely for its own projects.

So based on the present situation, it's both reasonable and logical to say . . .

The majority of modulars will be manufactured by the same builders and developers that erect and market them. Despite all the recent nonsense written about them, modulars really represent little more than building the same type of house in a different place—a plant instead of the site. So the basic building techniques, already completely familiar to builders, will remain essentially as is.

Yet there is a difference. Modulars require a plant and equipment. And running a conventional on-site operation with skilled craftsmen is not the same as operating an assembly line, no matter how simple, with relatively unskilled labor. Can a small builder set up and run such an operation?

As an answer, we offer a case study on the next six pages. The company, Environmental Systems Industries of Los Angeles, has just started a plant to supply its own modular marketing and development business. *And early returns indicate strongly that a builder doing as few as 40 houses a year could operate such a plant profitably.*

That could put a lot of builders in the modular game.

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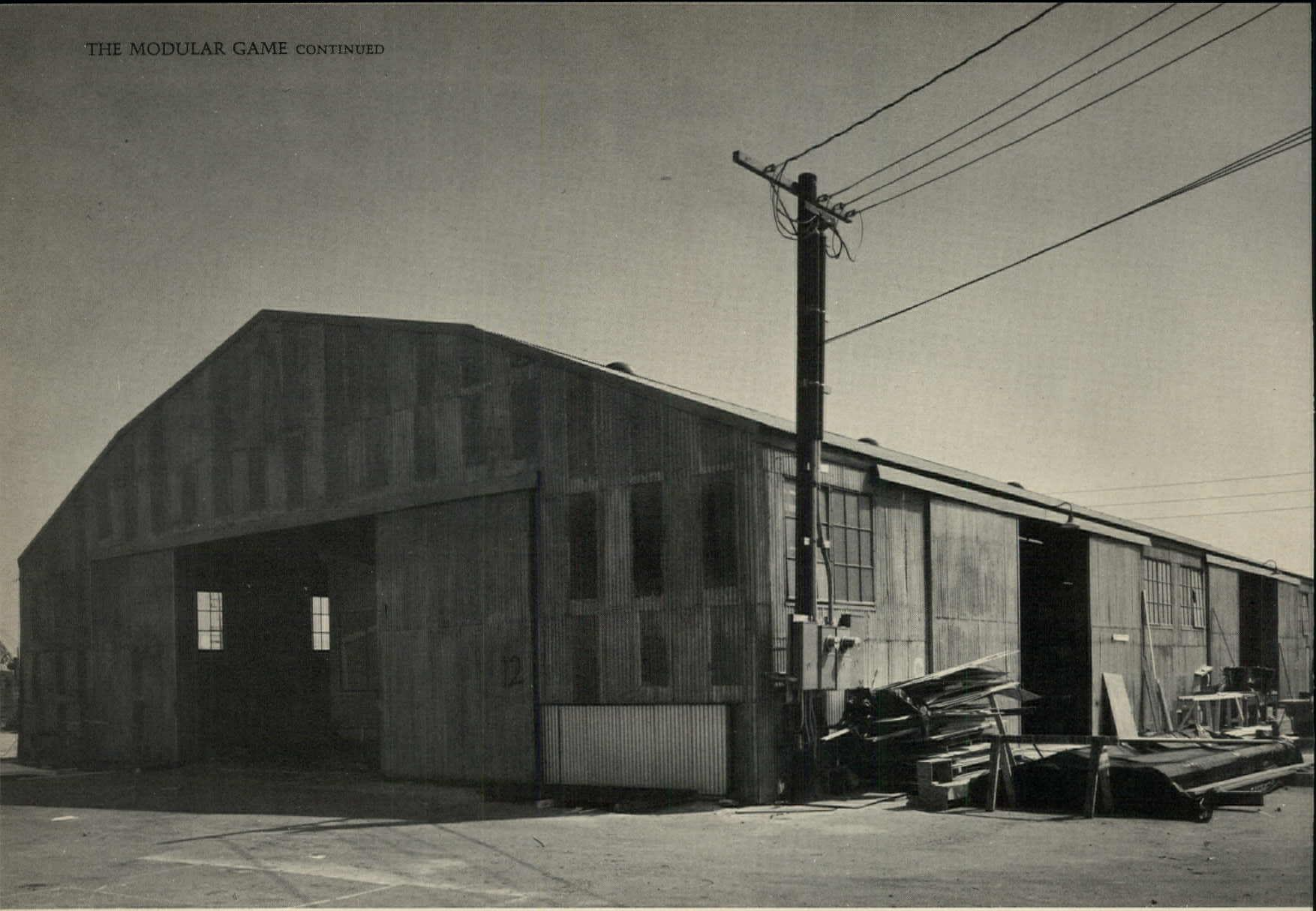
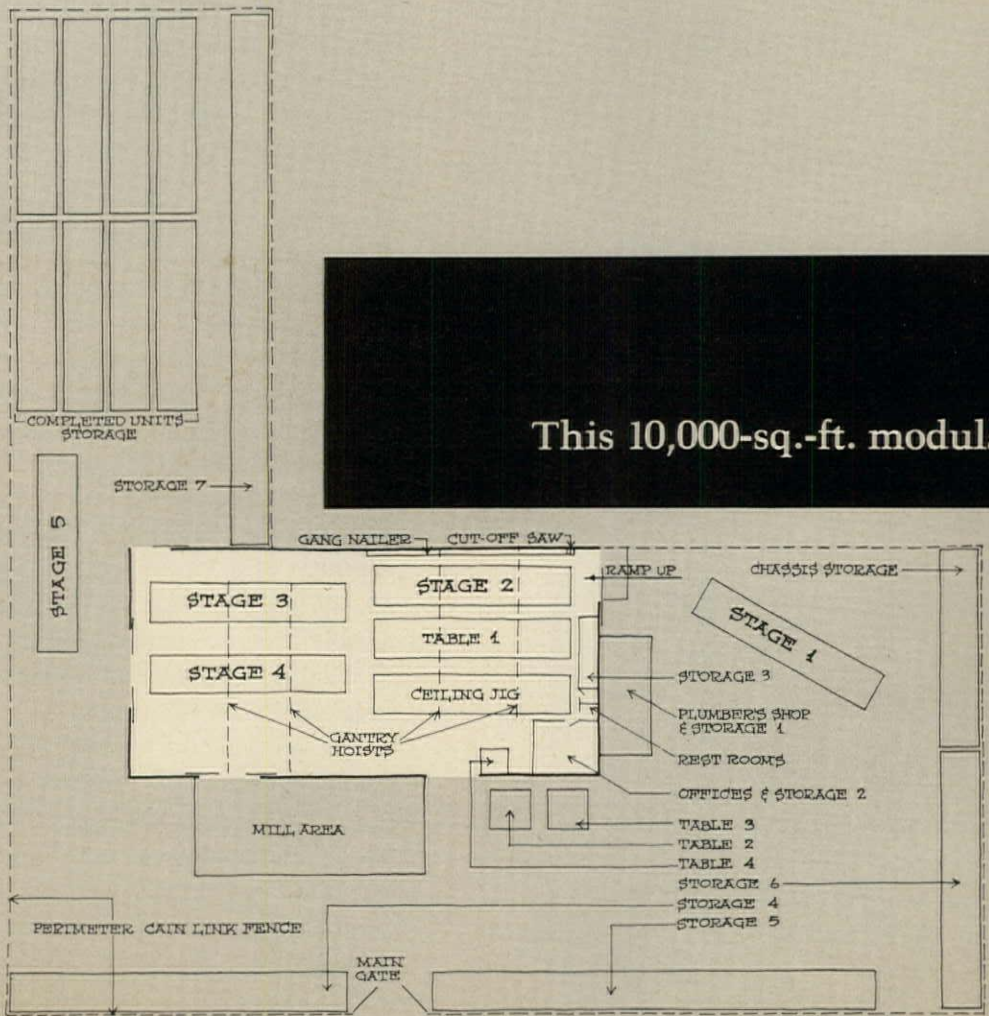


JULIUS SHULMAN

Modular plant (*above*) is a 10,000-sq.-ft. former warehouse. Doors on the end are 16′ high to allow a finished module to pass through; trusses inside the plant are also 16′ so an overhead crane can operate underneath them. Plan at right shows how the plant sits on its 1½ acre site. Note that the first and last assembly stages are presently being done outside at either end of the plant. This is a matter of manpower rather than space; as plant's crew size increases and more work can be done at each indoor station, the outdoor work can be discontinued. Note also that some sub-assembly operations are being done at the side of the plant (labeled "mill area"). Increasing the size of this area and putting it under roof would make it possible to squeeze a little more production out of the plant.

This 10,000-sq.-ft. modular plant can



Steel undercarriages (*ri* stand in the stage 1 area *plan, left*). Before they m into the plant to receive fl ing, they will be fitted w heating ducts and water, w and gas piping. The ho built over these units will legally, mobiles, even tho they conform to conventi homebuilding codes; hence undercarriages will remain manently under them. O models, designed as con tional modulars, will h ducts and piping installed that undercarriages can be moved once house is on permanent foundation.

The most important modular news of the decade may well be made not in big, highly automated factories, but in nondescript-looking little buildings like the one at left. Because, if Environmental Systems Industries of Los Angeles, which operates this plant, is right, a 40-house-a-year builder can find himself profitably in the modular business.

According to Roger Holloway, president of Environmental Systems Industries, this is just about the smallest practical size for a modular plant.

"We feel we can run economically at a volume as low as 40 units a year," says Holloway. "And at the other end of the scale, we can crank up to nearly 180 houses a year."

The units Holloway is producing (H&H, JUNE) are typical of the size most modular manufacturers are turning out: 12 ft. wide, 13 ft. 6 in. high from undercarriage wheels to ridge, and up to 60 ft. long. Present models are single family units, but apartment and townhouse units also will be built.

What does it take to start up and run a small modular plant like this? Holloway offers these guidelines:

Size. ESI's plant is 72 ft. by 144 ft., or just over 10,000 sq. ft.

"If you tried to work in a smaller space you wouldn't have enough stations," says Holloway, "and you'd find yourself running an indoor stick-built operation instead of an assembly line."

The plant site, at 1½ acres, is ample for production and storage purposes, but tight for module storage. There is room for only 12 boxes, or six houses. So quick delivery to the site is important, and will get more important as production increases.

Holloway thinks 30 boxes, or 15 houses a month is about the maximum for a plant this size.

"If you wanted to up your volume to, say, fifty boxes a month," says Holloway, "you'd either have to go to a second shift or find a bigger building. We suspect the latter would be better, because labor efficiency can drop more than 50% on a second shift."

Start-up cost. "Every situation will be different," says Holloway, "but I'd say it should cost about $50,000 to pay the first few months' rent on the plant, tool up, build jigs and tables, and get under way."

Of course, it will take time to train crews, iron out bugs in the line, and reach an acceptable level of efficiency.

"How fast you get into the black depends on your personnel," says Holloway.

ESI is offering a service whereby for a fee (which varies according to the job) it will supervise the design, equipping, manning and starting of a builder's plant.

"We've been through the mill ourselves," says Holloway, "and we feel sure we can help a builder to avoid enough mistakes to more than cover the fee."

Operating costs. The two biggest items in this category are plant rental and tool-leasing costs. ESI pays just over $1,400 a month for plant and site; leasing items like forklifts, power nailers, etc. ($9,000 worth of ESI's $12,000 in equipment is leased) adds another $1,200 or so; and items like power, water, insurance, etc., run the final bill up to about $3,000 a month.

"And ours is not a cheap operation," says Holloway. "In most areas, the plant rent could be several hundred dollars less."

At 100 units a year, these costs would average out at about $360 a house. And this figure, says Holloway, should be more than offset by savings from lower labor costs, better materials prices, and weatherproof working conditions.

Personnel. ESI's present production rate of one two-box house every 4½ days is being handled by 14 men under two supervisors. But Holloway expects much better efficiency.

"We've only been running a few weeks," he says, "so we're far from our peak. When we really get moving, 22 men should be able to turn out two houses a week, and 31 men should put us at our maximum of about 3½ houses a week. And our supervisory ratio should change to about one supervisor per ten men."

One big advantage of modular building is evident in ESI's plant. Two key mechanics, the lead plumber and the lead electrician, double and even triple in brass: the electrician is also a finish carpenter, and the plumber puts in the warm-air heating systems, and also lays flooring.

Building up a new crew from scratch, as many modular builders would have to do, is a critical part of creating an efficient operation. Holloway's advice is to start with two or three men who have the potential to become supervisors.

"We've found that one man can teach three others on the job, and that it takes about two weeks for a man to become reasonably productive. So if you start with one plant superintendent and three good new men, you should have almost a full crew working at reasonably high efficiency within six to seven weeks.

If a builder anticipates moving to a larger plant, good initial personnel is doubly important. "Suppose you plan to triple your production," says Holloway. "Then every man working in the small plant is a potential teacher for the enlarged work force you'll need. The better the teachers, the sooner you'll be operating profitably in the new plant."

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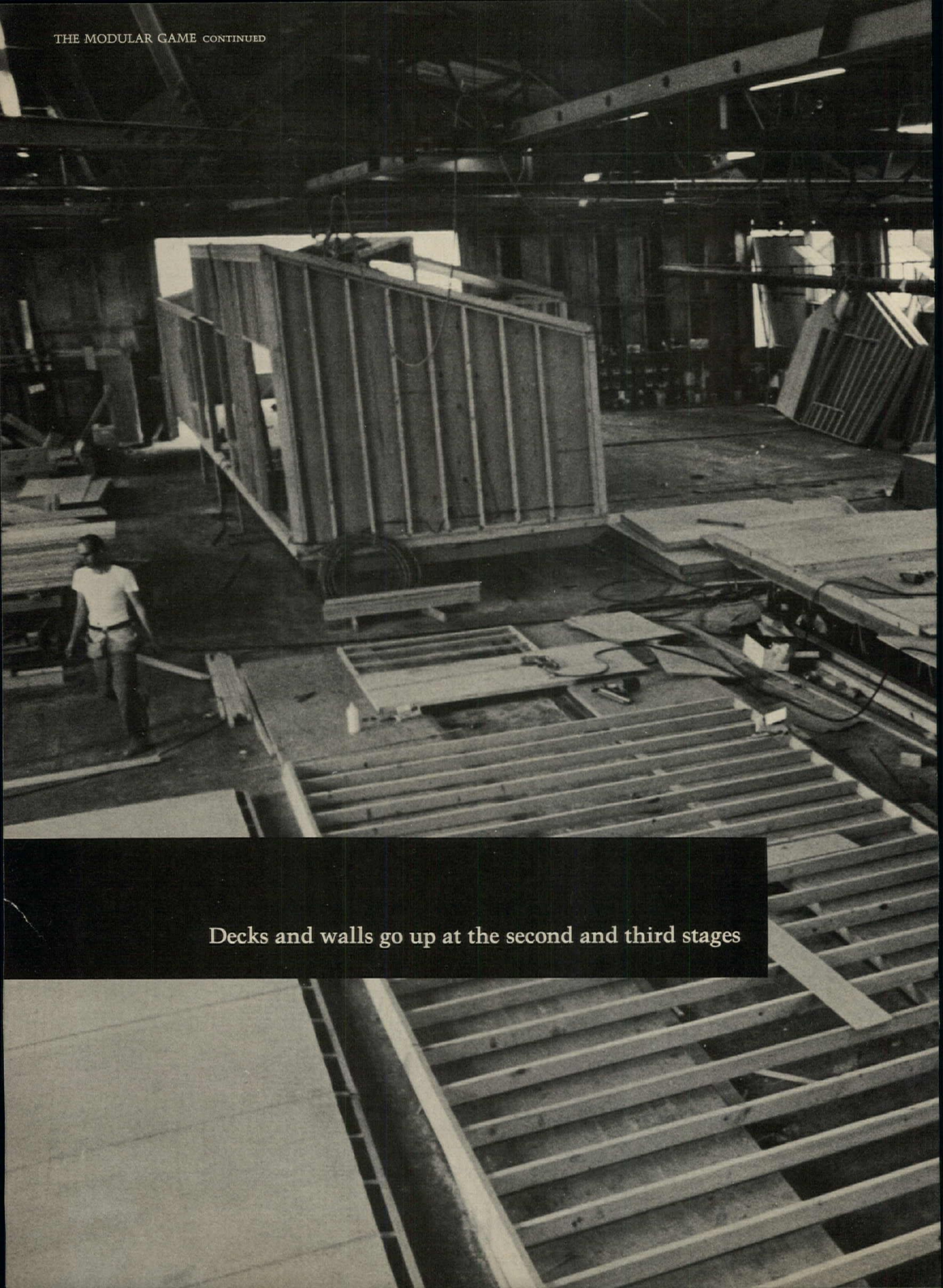
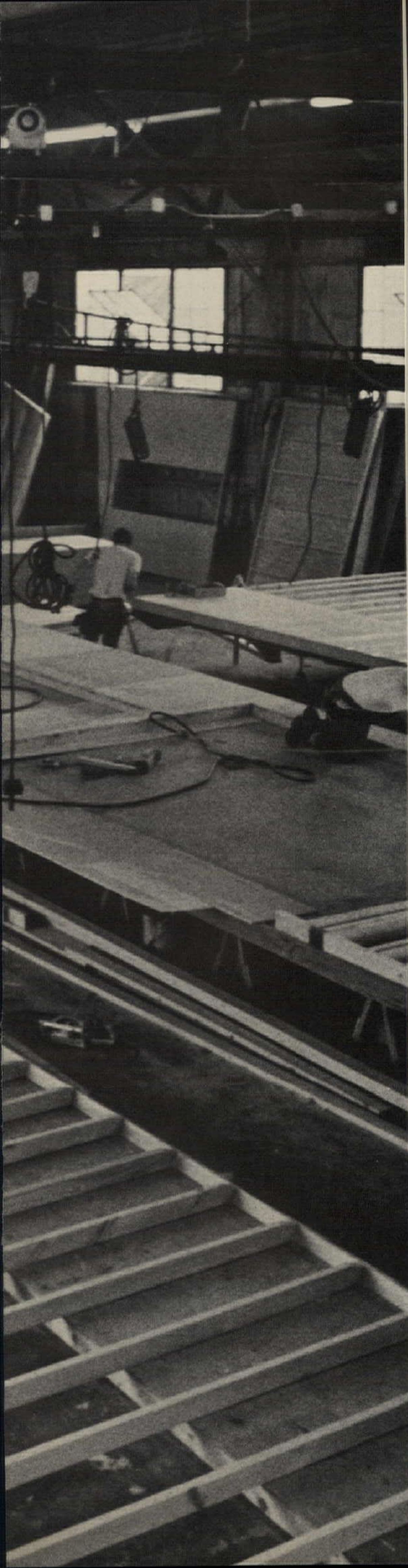
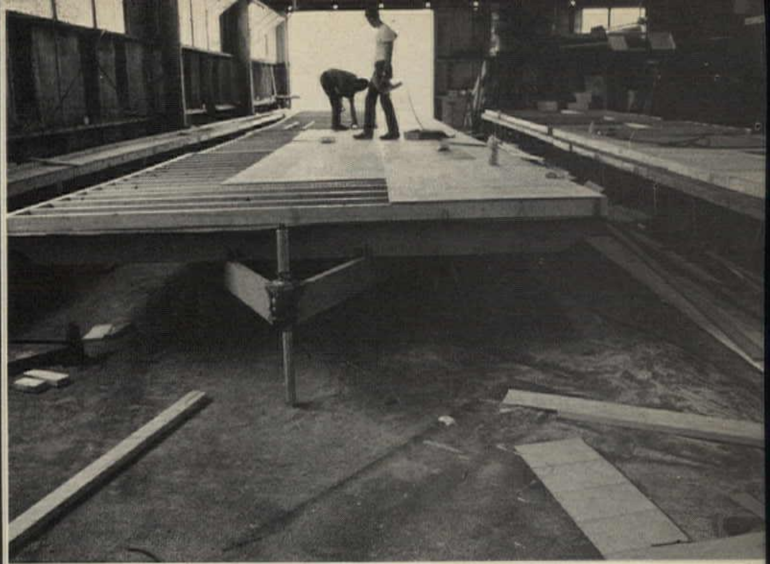
produce—efficiently—anywhere from 40 to 180 two-module houses a year



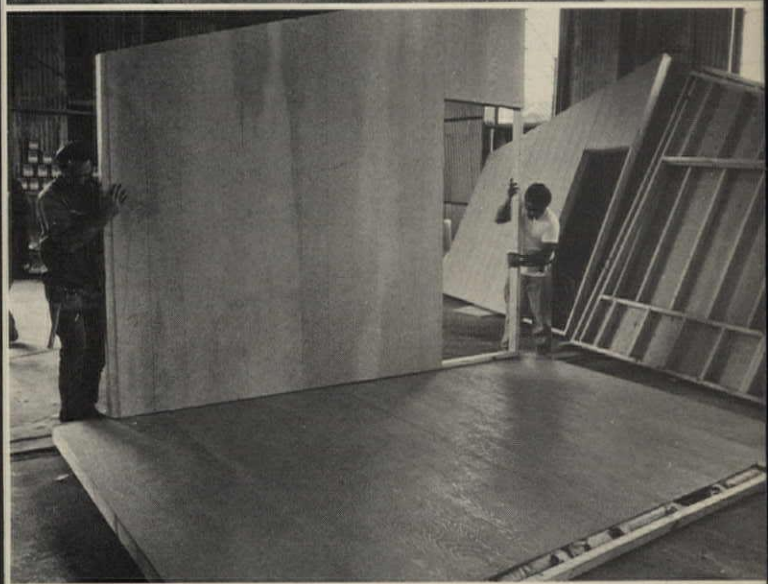
Decks and walls go up at the second and third stages



Overall view (*left*) shows floor structure being built (far right), a wall being framed up on a table (center), and roof sections being assembled (left). In the background, a one-module house is ready for its roof.

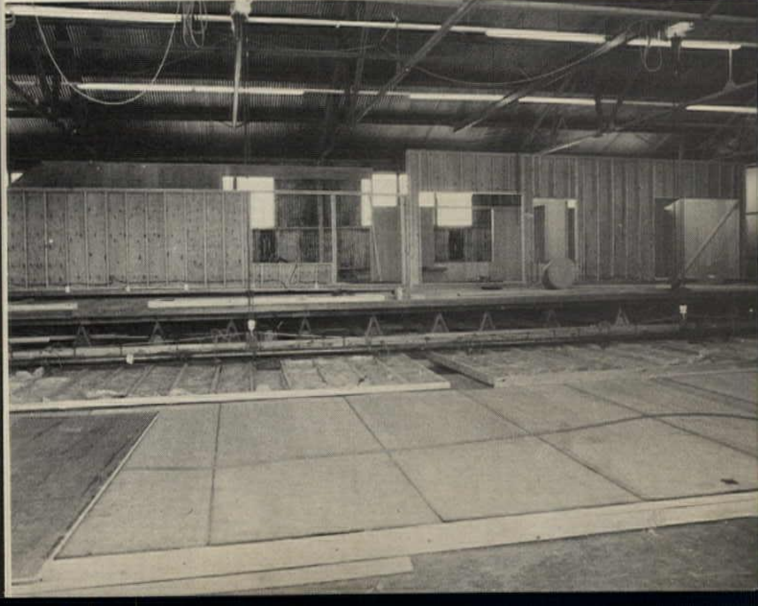


Floor structure (*right*) is framed on the undercarriage and decking is being glue-nailed to joists.



Short walls (*right*) and partitions are built at a small subassembly area away from the main line. Veneered plywood is used for much of the interior finish. It is attractive, requires no finishing, and is glued to studs to make extremely strong sheer walls. Result: virtually no racking whatsoever during over-the-road deliveries.

Walls and partitions (*right*) are set in place on the floor deck at right. Table at left is used for making long walls, which can reach 60′.



Completed phase (*right*) has walls in place, and entire wood structure aligned with and secured to the undercarriage. Module will now move on to stage 3 where partitions will be set and rough mechanical work will begin.

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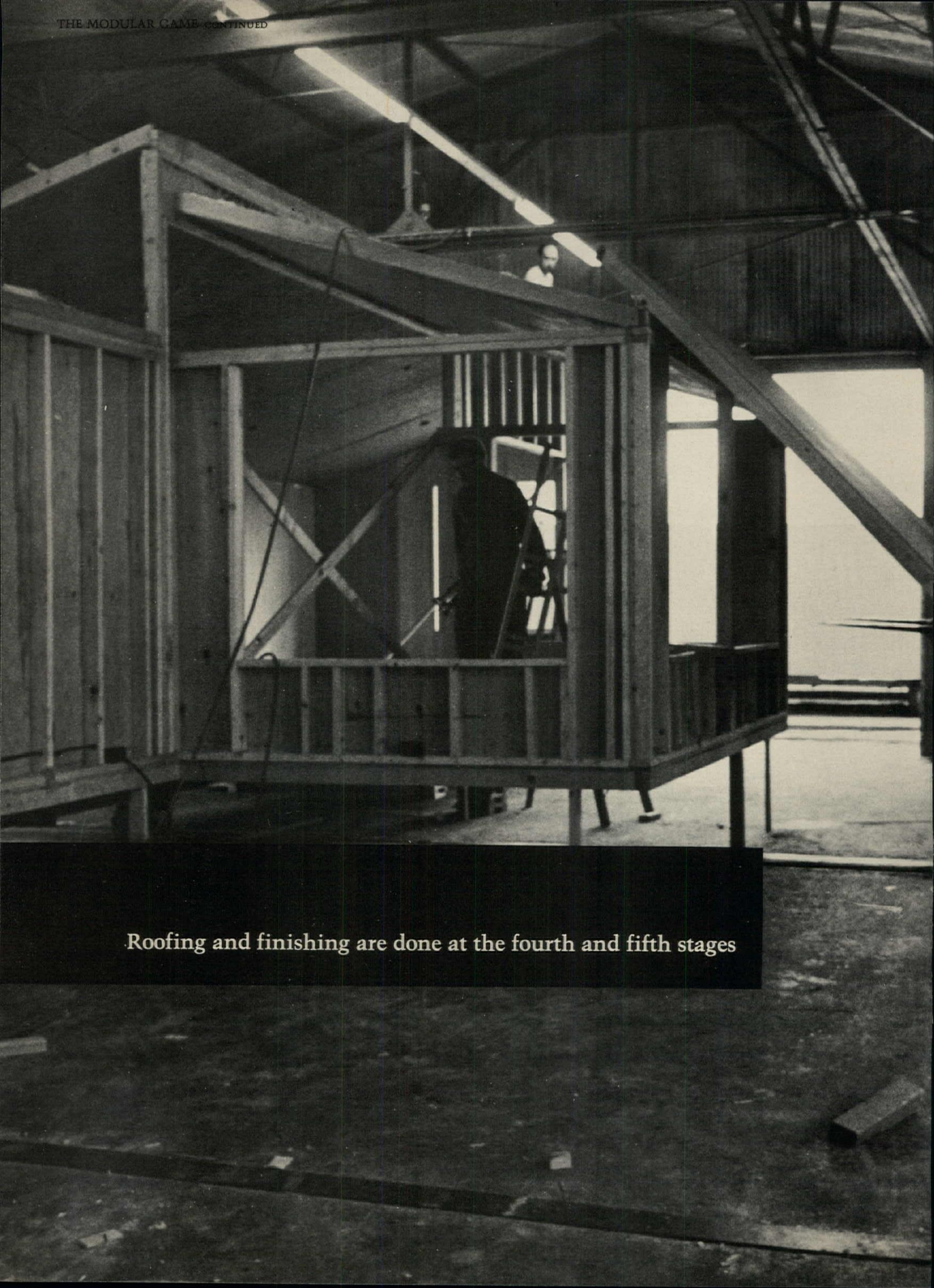
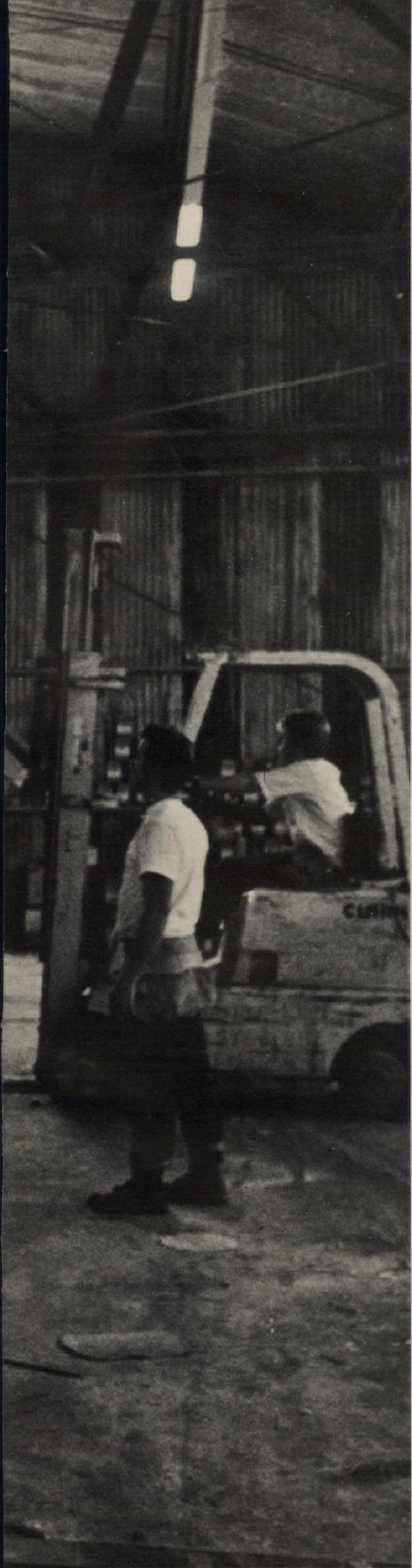
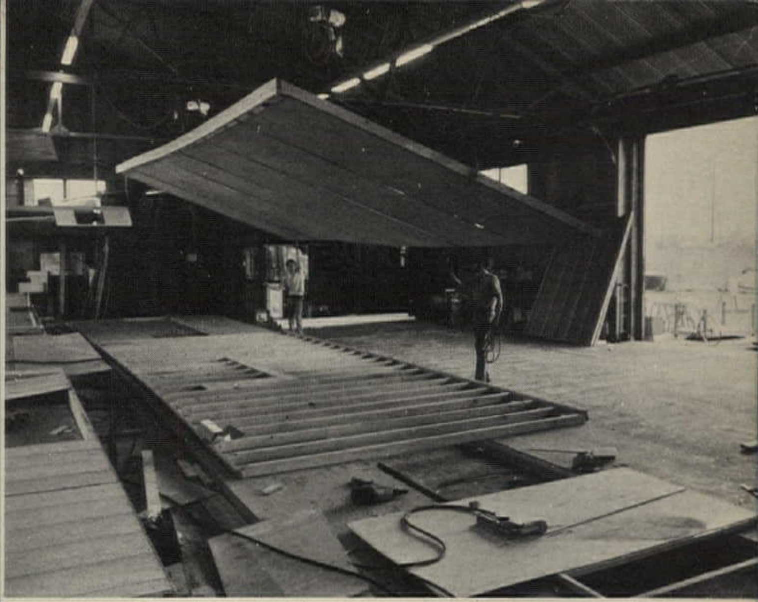


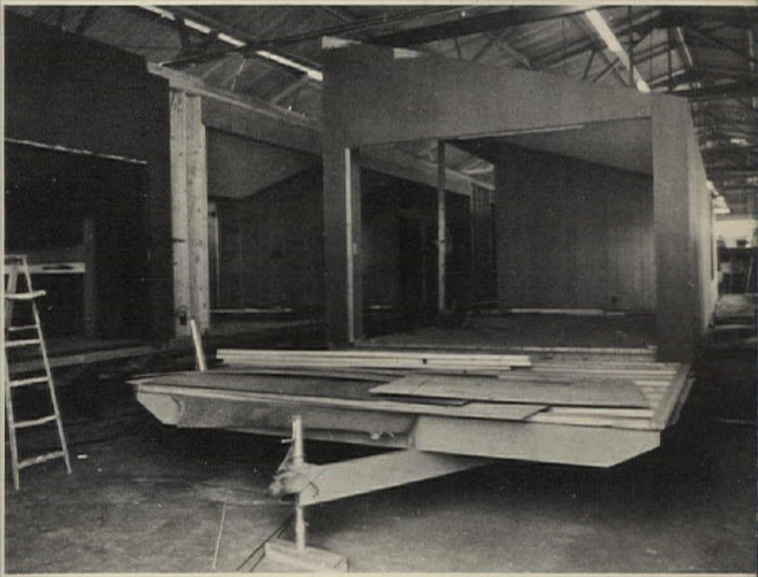
Roofing and finishing are done at the fourth and fifth stages



Popout section (*left*) is fitted in place on a one-module house. Later it will be pushed back into the main house for the trip to the site, then pulled out and fastened in place permanently.



Roof section (*right*) is lifted by overhead crane, will be carried to station where walls and partitions have been finished. The roofs are built on floor rather than tables because crews find it less tiring to lean over with nailing machines than to hold them up at table height.



With roof placed (*right*), a module awaits cabinets, further mechanical work, and its finish trim.

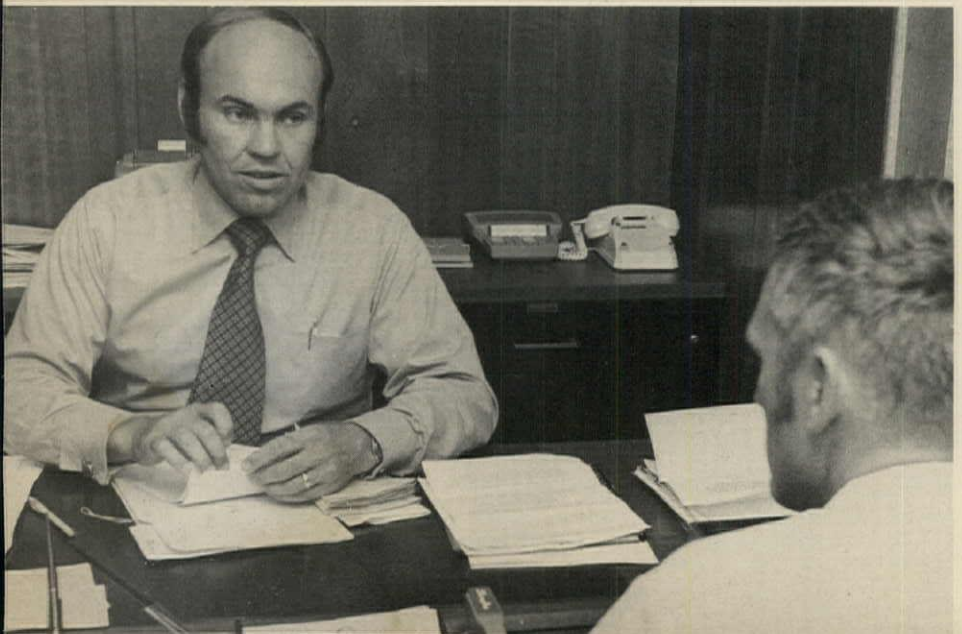
Kitchen cabinets (*right*) and appliances are set in place. Like most conventional builders, ESI buys finished parts, such as cabinets, rather than manufactures them. Thus the process is one of assembly rather than manufacturing, which keeps work crews smaller and overhead down.

Final stage (*right*) includes finish roofing and exterior paint. It is done outdoors, along with any trimming not completed previously, because it would not pay to hold up the whole line for a few small items. Later, when work crews are at full strength, all such outdoor work will be done at inside stations.

An old pro gets the new management message:

"To hell with your volume—it's the bottom line that counts"

Father-and-son team of Orrin Thompson, checking computer printout (*above*), and Gary Thompson, conferring with field superintendent (*below*), heads revitalized homebuilding company.



Minneapolis builder Orrin Thompson's bottom line this year will be very healthy: better than 5% after taxes, a full percent above the industry average. What's more, he's producing that income with only half the volume he had a decade ago.

In the 1950s and early 1960s, volume was Thompson's forte. Building low-priced houses (average price: $14,000), he competed with two other firms for the title of biggest-volume builder in town.

But while volume rose to 1,400 homes a year, profits fell to $400 a house. And Thompson saw that volume isn't the only key to success.

By contrast, this year he will deliver only a few more houses than last year—650. But his after-tax earnings will jump about 30%.

"And that," says Thompson, "is the kind of growth we're interested in."

As late as four years ago, it looked as if Thompson would become another of those builders who were ruined by success in the post-war housing boom. In 1950, after three years as a custom builder, Thompson, his brother, and his nephew teamed up to produce merchant-built houses. The new company hit paydirt the first year: it sold 400 homes.

Volume continued to rise until, by 1960, it reached 1,400 homes a year. The company went into other things, too: an electrical contracting firm, a lumber yard and millwork company, a heavy equipment company, a cement company—28 firms in all.

"We had so many corporations," says Thompson, "we hardly knew where we were at."

What they did know was that they had to build more than 600 houses a year just to break even. During the late 1950s, there seemed to be no chance that volume would drop as low as 600.

But it did. And when it did, problems which had been developing unnoticed suddenly became visible—and critical.

By late 1966, the situation had reached the point where the Thompsons saw that a major reorganization was necessary.

"There were some people who never expected to hear from me again," he says. "At the most, they thought I'd be a small custom builder."

But Orrin had two major assets. One was the knowledge gained from the problems he had been through. The other was his son, Gary, then 26 years old, who had spent three years learning the business.

Together, Orrin and Gary built what was virtually a new business.

They started with a small volume, concentrating on maintaining adequate profit margins and not hesitating to raise prices if the margins appeared to be shrinking. Their prices now range from $22,000 to more than $30,000, and the average price is now twice what it was 10 years ago. And disproving an earlier fear that higher prices would stop sales, the Thompsons' volume this year will rise to $20 million.

Determined to avoid the mistakes of their former volume-happy organization, Thompson and his son set up as guidelines a set of operating axioms. To any builder with his eye on the bottom line, the axioms are well worth considering:

AXIOM NO. 1:

"Don't make growth an end in itself"

The Thompsons are not unconcerned about growth. They have increased their single-family sales volume; they have land which is zoned and suitable for apartments; they are contemplating building the low-income townhouse market under Section 235; and they are test marketing what's for them a new location in the Twin Cities Metropolitan area.

But it is careful growth. The Thompsons are keeping their organization as small as possible, and they'll concentrate on maintaining adequate profit margins.

The company now has only 12 people on its office staff. By comparison, one Eastern builder with the same volume has nearly 100 people in his office. The Eastern builder is oriented to growth, while the Thompsons are prepared for the possibility they will one day have to cut back.

"There have always been peaks and valleys in this business," says Gary Thompson, "and we want to be prepared for both."

In the early days, the Thompsons found themselves in a position where growth was essential to survival.

By late 1966, the cost of running the main office was more than $100,000 a year, regardless of the number of houses the company delivered.

The subsidiary companies required large-scale housing production to remain profitable. When housing sales slowed, the subsidiaries became unprofitable.

The emphasis on growth led the company to buy their materials directly from manufacturers.

"It was so important to us to exercise our prerogative as a big builder," says Gary Thompson, "that we'd almost pay more to buy direct."

Because of the large-volume purchasing, the Thompsons had to maintain warehouse space and an expensive materials-handling system.

The emphasis on growth also created cash-flow problems. The organization had grown rapidly, and somewhere in the fast expansion it had lost some of its efficiency. Paperwork moved slowly; a time lag developed between the completion of a house and the closing. The Thompsons did not use construction financing—until they closed a sale their money was tied up in a house—and to fill the gap they used an open line of credit.

"We had a couple of million dollars open line," says Orrin Thompson, "and we were always in it up to the hilt."

AXIOM NO. 2:

"Don't be afraid to raise prices whenever necessary."

Today, the Thompsons know that price increases won't kill sales. Increases are announced well in advance so that salesmen can urge borderline prospects to close before the higher prices go into effect. Then, after prices have gone up, there is a temporary slowdown, usually lasting about 30 days. During this period, the prospects who take offense at a price change take their business elsewhere. So do the marginal buyers—those who could qualify for the old prices but not the new ones. Meanwhile new prospects are turning up, unaware that prices were raised a couple of weeks earlier.

The net effect is a washout: a slight spurt in sales as prospects try to buy at the old prices, a slight drop in sales after the new prices take effect, and an orderly resumption of the old sales rate after about 30 days.

If the Thompsons had known this pattern 10 years ago, their story might have been different.

"Sales were so important, and our competition was so tough," Orrin Thompson says, "that we were afraid to raise prices. Our margins began to drop as costs increased. At the end, the margins were one-fourth of what they had been when we started the company—and still we wouldn't raise prices. We were $2,000 or $3,000 below the rest of the market, and everyone around here believed that if we raised our prices $500, sales would stop."

These margins were a source of annoyance when sales were increasing. But when sales dropped off, they combined with the large fixed overhead to put the company in the red.

AXIOM NO. 3:

"Set up a fast cost-reporting system"

The Thompsons' system is centered around an IBM 360-20 computer, which gives them weekly construction reports.

Like most cost-reporting systems, this one depends for its effectiveness on the quality of the input and the ability of the management using the output.

The input comes from the field. Every worker fills out a daily time card, describing the kinds of work he did during the day and the houses on which he worked. A supervisor turns in the cards to the main office at the end of the week. By the following Wednesday, the computer has printed a report which tells the Thompsons 1) the number of hours and the amount of money expended on each phase of construction for each house, 2) the standards, or norms, with which the actual figures should be compared, and, 3) the deviation from standards, in terms of both hours and dollars. The report also shows the wage rate of each man and the number of hours he has worked on each phase of construction on each house.

But knowing only the number of hours over or under the standard is not enough. One crew may be spending more hours than another crew on cornices—but the slow crew may include an apprentice earning $2.50 an hour instead of a journeyman's $6.50 an hour. In terms of dollars, the slow crew could easily be performing better than the fast one.

"By the time our reports in the old company came out," says Orrin Thompson, "the ballgame was over and everybody had gone home. Setting up the IBM system was the turning point. Gary did that. He gave us the cost controls and the quick reporting. He gets a report every Wednesday. If one item, if one crew is above the norm, he knows it."

AXIOM NO. 4:

"Use your cost reports to increase productivity"

The reports give the Thompsons so much information that they are able to determine such details as which man on a particular crew is impairing productivity, or, conversely, which craftsmen are the most productive.

The Thompsons use this information in much the same way a baseball manager determines which lineup will give him the most potent offense. They shift men around, pay more to the more productive craftsmen, and get rid of those who don't meet a reasonable standard.

"We experiment with crew sizes," says Gary Thompson. "We know the saying that the more men in a crew, the more opportunities there are to waste time. But there's an optimum crew size for each function. We can see the differences in productivity. We used to run $200 to $300 over budget just in our framing. Then we reduced crew sizes, shifted some guys around, and got back on budget."

The reports also tell the Thompsons which men are not producing.

"After you've shifted a man around a few times," explains Gary Thompson, "and each crew you've put him on suddenly starts going over budget, you know you've got a loser."

The same method is used to identify good men. "And if they're doing a good job," says Gary, "we let them know it."

The Thompsons are currently carrying about 300 construction workers on their payroll. They use subcontractors for everything but carpentry, cement work, and excavating.

AXIOM NO. 5:

"Make your subs dependent on you"

"We decided to pay our subs punctually," says Gary, "so that they could absolutely depend on it. We get better prices now because they know they're going to get paid as soon as the job is done."

The Thompsons do not withhold a percentage of a sub's payment to guarantee that callbacks will be made. "Our business is all the leverage we need," Gary says.

Subs' performances are put to the same tests as the Thompsons' own crews. Supervisors keep track of the subs' hours. Then, when the Thompsons take bids, they know what to expect.

"If you tell a sub his bid is $200 high, and he knows $200 would put him below his cost, he realizes you don't know what you're talking about," says Orrin Thompson. "But if you can tell a guy his bid is $48 high, it shows you do know what you're talking about."

A sub once complained that he had lost money on a contract with the Thompsons. "That bothered me," says Orrin, "so I figured his costs while he sat in my office. He watched me figure, and his eyes got bigger and bigger, and finally he started to laugh, because my figures were right on the button. It turned out simply that he made less than he had expected to make."

Under the new regime, the Thompsons' relationships with subs have improved. In the old days the company withheld a sub's payment if a house did not pass final FHA inspection. Now subs are paid on the fifteenth of every month, regardless.

AXIOM NO. 6:

"Plan your cash flow and your profits"

The planning begins with sales estimates and a budget. Each of the Thompsons' nine salesmen makes an annual estimate of the sales he will close. The sales manager, Vern Suter, then uses the individual projections and his own knowledge of the Minneapolis market to give the Thompsons an overall sales estimate.

Suter's estimate is made in units and is broken down by months and by each of the three locations in which the Thompsons are building. The projection is translated into a line on a graph; another line will trace actual sales for each month.

With the sales estimate and the annual budget, which controller Bob Bjorklund says shows "every dollar we're going to spend," a cash flow is projected, by months, 12 months ahead. Each quarter the projected cash flow is checked against the actual.

Anticipating cash flow enables Bjorklund to make maximum use of the available funds. "We invest money for a few days," he says, "as we build up to the fifteenth of the month—the subs' pay day."

Finally, armed with the sales estimate, budget, and cash flow, Bjorklund can prepare a pro forma income statement at the beginning of the year, thus giving the company a realistic profit objective.

Before the end of each month, the Thompsons receive a financial statement covering the previous month. Every six months an audit is performed by an accounting firm. If the Thompsons ever again have financial problems, they'll be the first to know about them.

It wasn't always that way. Before they reorganized, the Thompsons relied mainly on intuition to determine how well they were doing financially.

"If our fiscal year ended in December," says Orrin Thompson, "we wouldn't know how we had done until March. Oh, we always had an idea of how we were doing—but the P&L always turned out to be a little worse than we expected."

The Thompsons often were unrealistic in their forecasts and estimates.

"We once estimated the cost of a manufactured lot at $2,400," says Thompson. "Then, when all the cost figures were in, it was obvious that we were not going to have a sufficient profit margin on our houses. What did we do? We arbitrarily cut the estimate for the lot to $2,000.

Now, says Thompson, estimates are realistic. "Particularly on land development costs, we really look for potential problems."

Land development costs are one of only two variables confronting the Thompsons. The other is the cost of their own crews. Everything else is fixed. Materials prices are negotiated a year in advance. Subs' prices are, of course, contracted.

Money is also purchased well in advance. Because the Thompsons use FHA and VA financing only, the cost of their money is based on the prices established by the FNMA auctions. Last year, for example, they purchased a $10 million commitment at a cost based on the price of a FNMA 12-month commitment.

AXIOM NO. 7:

"Never stop researching your market"

Because they lacked research, the Thompsons were not prepared for the transition from the seller's market of the 1950s to the buyer's market of the 1960s. Now they have their market surveyed annually to determine what prospective buyers want—and how much they know about housing and home ownership. At the same time, they have a continuous re-training program for their salesmen.

Here is a rough profile of their average prospect: he's between 30 and 35 years of age, earns between $10,000 and $20,000 a year, is a member of his company's second-line management, and is purchasing his first home. Soon, the 360-20 computer will be used to give the Thompsons a more detailed description of buyers.

A recent survey indicated that although most apartment dwellers intend to buy a house as soon as they can afford one, they have no idea of how little money they need to purchase a house.

"We should be advertising terms," Orrin Thompson says. "We were just amazed at the number of people who don't know anything about the terms available through FHA and VA. We'd be performing a service if we pointed out that a family needs a down payment of less than $2,000 to buy a house—and, of course, if the buyer qualifies for a VA mortgage, he needs no down payment."

The provisions of the Truth in Lending Act—which state that if some financing terms are mentioned in an advertisement, all of the terms must be described—have made it impractical for the Thompsons to talk about financing in their advertising.

"By the time we finished describing all of the terms of an FHA mortgage," says Orrin, "we would have bought half the space in the newspaper."

Explaining mortgage terms is, of course, an important part of every salesman's initial discussion with prospects. And it is just one step in a standardized selling procedure which the Thompsons require all of their salesmen to use. The procedure is dramatically different from the way Thompson salesmen in the old regime attempted to sell homes and it's effective enough to give the Thompson's salesmen minimum annual incomes of $20,000. In fact, if a salesman does not earn at least $20,000 a year on commission, he is not paying his way.

The Thompsons' new methods for hiring, training, and motivating salesmen are significant enough to warrant a story all their own. TO NEXT PAGE

"For a healthy bottom line, you need salesmen who can sell your way"

"In our good early years," says Orrin Thompson, "all a salesman had to do to get an order was to ask, 'Who's next?' They were order-takers, and that's all we needed in those days. But when the market changed and it took a really good salesman to get an order, we were in trouble."

Comments sales manager Suter, who was a salesman under the old regime: "The morale of the sales staff was never good. The attitude of management seemed to be that if sales were going well, it was because we had a good product; but if sales fell off, it was because we were lousy salesmen."

When the Thompsons reorganized, they made Suter sales manager. In short order, Suter replaced every salesman on the staff.

"We had to do it," he says. "Some of those men may have been good salesmen at one time, but the post-war housing boom ruined them. They hadn't used their selling ability for so long that they didn't have it when they finally needed it."

SALES AXIOM NO. 1:

"Hire salesmen who can sell your way"

Suter takes pains to find the kind of man who will accept training. For that reason, he prefers to hire salesmen (at Orrin Thompson Homes, they're called home consultants) who have no experience whatsoever in real estate.

"A real estate salesman," says Suter, "would probably go through our training and then say to himself that he'll do it the way he's been doing it for years."

Suter does look for sales experience, and he wants someone who is currently employed. "If a man was fired," he says, "that indicates a possible problem. If he quit, that indicates bad judgment—he left one job before he found another one."

To find salesmen, Suter uses recruiting agencies and referrals. He avoids newspaper advertising: "Someone who has a good job is not likely to read the help-wanted ads."

Suter takes a prospective salesman through four interviews. On the first, he describes the negative aspects of the job: the hours—noon to 9 p.m.; no weekends off; vacations in November and December only.

"We lose a lot of candidates right there," Suter says, "although we also tell them that the potential of the job is an income of $20,000 to $30,000 a year."

If a prospect retains his interest after the first interview, Suter conducts a second one over lunch.

"I want a more relaxed atmosphere," he says, "so the man will talk about himself."

The third interview is conducted before a board of review—two officers of the company. Suter is not concerned with the opinion of the two officers; in fact if he can't find an officer, he'll recruit anyone available to pose as one. His objective is to determine how the would-be salesman conducts himself under pressure.

Finally, at the fourth interview, approximately three weeks after the process began, Suter tells the prospect the job is his and tries to convince him to take it.

During the next four weeks, the salesman is given an education about the product he'll be selling, and he's told—word for word—how he'll sell it.

SALES AXIOM NO. 2:

"Train your salesmen to talk to every prospect"

Forced exposure to a salesman means more than trapping the prospect in the model home area; it means getting him to talk about the homes he toured.

"Most prospects have a chip on their shoulder," says Suter, "because they know they've been corralled. They know they're going to be exposed to a salesman, and they're afraid—they're afraid they're going to buy."

With that kind of buyer attitude, the salesman who asks, "Can I help you?" will usually be told, "No, thank you, I'm just looking."

Suter therefore instructs his salesmen to ask a structured question, one which cannot be answered yes or no. Example: "How did you like the models?"

If a prospect answers that he didn't like them, the salesman can come back with a question asking for specific objections. At that point, he's begun to sell.

After the initial exchange, the salesman is required to get the prospect into an office: "If you'll just follow me, I'll give you some literature to take home."

Explains Suter: "It's a command, and the prospect will usually follow the salesman, because no one likes to hurt someone's feelings."

After giving the command, the salesman turns and leads the prospect to the office. It's the only time a salesman should turn his back on a prospect," Suter says. "A good salesman has control of his prospect at all times, and he can't exercise control with his back to the prospect."

Once in the office, the salesman turns around, extends his hand and says, "By the way, my name is John Jones."

Most prospects, Suter says, will shake the salesman's hand and introduce themselves, although occasionally "you'll get the guy who leaves you with your hand waving in the air."

After the introductions are exchanged, the salesman gives the prospect a brochure and then begins to qualify him.

SALES AXIOM NO. 3:

"Teach salesmen the right—and the wrong—way to qualify prospects"

"When I first began selling," Suter says, I asked a prospect how much he earned. He told me it was none of my damned business, got up, and walked out. To make it worse, he came back the next week and bought a house from another salesman."

Because of that experience, Suter has his salesmen lead into the qualifying questions. A salesman will begin the process by asking the prospect if he is familiar with the different kinds of financing. A negative reply is followed by an explanation that the prospect should know the basic terms of the financing available to him, regardless of where he buys a house. The salesman offers to spend five or 10 minutes talking about financing, and if the prospect will answer a few questions, the salesman will be able to tell him what price house he qualifies for.

By that time, the prospect is usually willing to give all the information needed to qualify him.

"When the salesman has the qualifying information," says Suter, "he either has to stand up and thank the prospect for coming in, because he doesn't qualify for *anything*, or he can begin to sell him a house. If he's lucky, he'll be able to sell the house in which the prospect indicated interest. Otherwise, he'll probably have to sell down to a less expensive house."

Thompson salesmen never tell a prospect he doesn't qualify as a buyer. They usually say, "Now you have the information you need to look for a house. Here's my card. If I can ever be of help, please call me."

Suter points out that the prospect was invited into the office for the expressed purpose of giving him literature. If he doesn't qualify, that's all he gets.

A salesman is permitted to adapt the standardized sales presentation to his own personality, but no basic changes are allowed. All the steps must be followed.

Suter insists that every person who walks through the models be given the presentation; that is, everyone is treated as a prospect until he is disqualified.

"The worst mistake a salesman can make is to prejudge a prospect," Suter says. As an example, he cites the case of a hippie who walked through the models with his girl. "He was bearded and was wearing dirty old clothes," Suter says. "Fortunately, my salesman treated him like any other buyer. He turned out to be a college professor. The girl was his wife. They bought a house and paid cash."

Following the prepared presentation would ideally result in a closing at the first visit.

SALES AXIOM NO. 4:

"Teach your salesmen to start closing immediately"

Suter says that "closing doesn't always mean getting the order—you might use a closing technique to get a prospect closer to a contract."

There is a variety of closing techniques. Suter likes his salesmen to use the "assumed close." The salesman refers to the house as "your house," the lot as "your lot," all the while taking it for granted that the prospect has decided to buy.

The assumption continues until the prospect speaks up. "If he doesn't object to the assumption," Suter says, "the salesman just starts filling out the contract. If the prospect doesn't stop him, the salesman marks an x on the bottom line, turns it around, and says, 'If you'll sign here, we can get started on your color selection.'

Often, a prospect will stop the salesman long before a signature is requested. The salesman's response: "I just assumed you wanted to buy. Is there something you don't like?" The prospect then has to come up with an objection, which the salesmen can use as a point of departure for another sales talk.

"More sales are made to a guy who has objections," Suter contends, "than to the guy who likes everything about everything."

If a prospect continues to equivocate, because, in the salesman's opinion, he's afraid to take the big step, Suter suggests what is known as the "Ben Franklin close."

The salesman says he wants to tell the prospect an old story, one which can be found in Poor Richard's Almanac. The story is about a method Ben Franklin devised to help him make decisions. Franklin would draw a line down the middle of a piece of paper. At the top of the paper he would mark to the left of the line the word, "yes," and to the right of the line, the word, "no." Under "yes," he would list all the reasons for doing something. Under "no," he would list all the reasons for not doing it.

The salesman suggests that the prospect use Franklin's method. The columns are drawn, and the salesman helps the prospect come up with 20 or 30 reasons why he should buy. Then he lets the prospect think of the reasons for not buying.

"I've never seen a prospect get more than three "no" answers," Suter says.

When a salesman finds himself in a slump, Suter contends, it's invariably because he's begun to eliminate some of the steps in the presentation. "They begin to take shortcuts," he says, "and they begin to lose sales."

SALES AXIOM NO. 5:

"Keep your salesmen informed and motivated"

The best motivation for a salesman is a high income. To remain a salesman for Orrin Thompson Homes, a man's income must be more than $20,000 a year. And Thompson's top salesmen earn more than $30,000 a year.

"If he's not selling enough houses to earn $20,000," says Suter, "he's costing us money. He's talking to prospects who could be sold houses if he were a little better."

Suter has experimented with sales incentive contests, but he claims that nothing is as effective as letting a salesman know where he stands in relation to the other men on the sales force. Every week, a memorandum is sent to each salesman, showing how his performance compares to the others'. The low man on the list receives a copy of the memo at home with his name circled.

"That's enough," Suter says, "He gets the message."

If the man's performance doesn't improve, Suter calls him in for a conference.

"Most of the time, we're able to figure out his problem," Suter says, "and get him back on the track."

In an effort to keep salesmen on the track, the Thompsons periodically bring in sales consultants or motivation experts for a seminar. Or they will send a salesman to a seminar.

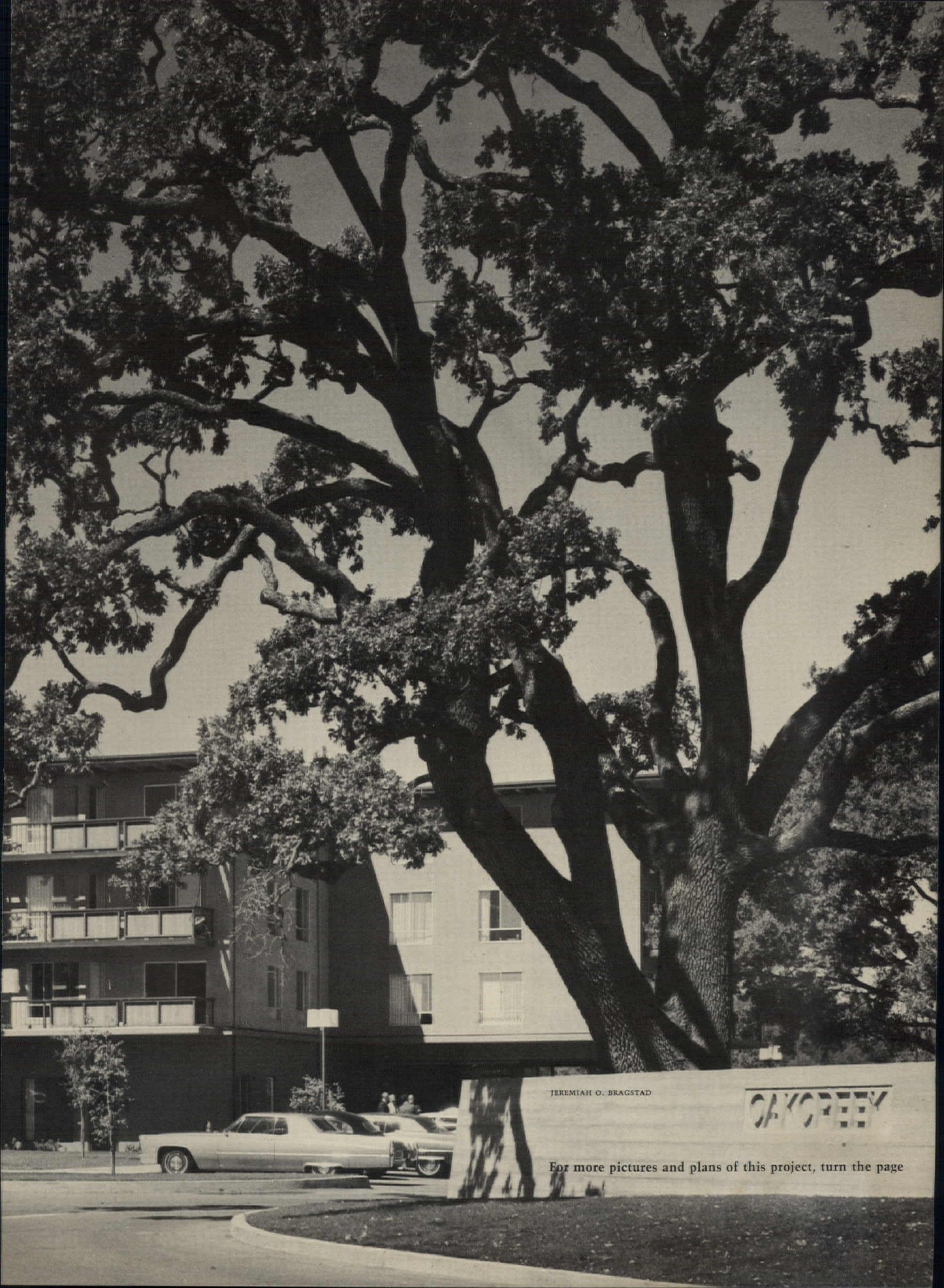
Thompson's salesmen are required to shop the competition and use the information they obtain in selling their own houses.

Suter remembers discovering that one of his competitors was not installing cold-air returns in every room. Thereafter, whenever he showed a house to a prospect, he pointed out that the Thompsons put a return in every room, adding that, of course, every good builder followed that practice.

"I knew," Suter says, "that when he didn't find the cold-air returns in our competitor's house, our competitor would be in trouble."

Trend-setters for the biggest-ever apartment market of the 1970s

Apartment developers who work this market will face two growing demands. The combination of increasing population and decreasing supplies of close-in land will force higher densities. And at the same time, prospective tenants will become more and more insistent on better environment within those higher densities. It takes exceptional design to satisfy both these requirements in one garden apartment project, and that's just what you'll see on the next eight pages. All four projects shown were award-winners in the 1970 Homes for Better Living Program, sponsored by The American Institute of Architects in cooperation with HOUSE & HOME and *American Home*.



JEREMIAH O. BRAGSTAD

For more pictures and plans of this project, turn the page

A high-density project that manages to feel uncrowded

"It's not how dense you make it—but how you make it dense," says Gerson Bakar of Gerson Bakar & Associates. And in developing this, their latest project, in Palo Alto, California, the company used three key ideas to retain openness despite a density of 35 units per acre:

1. All trees in the well-wooded site were retained, and the buildings woven through them. This breaks up the project into smaller, partly screened segments.

2. Parking, always a land-eater in garden apartments, is partly under buildings (*photo below*), making what might be called on-grade underground parking.

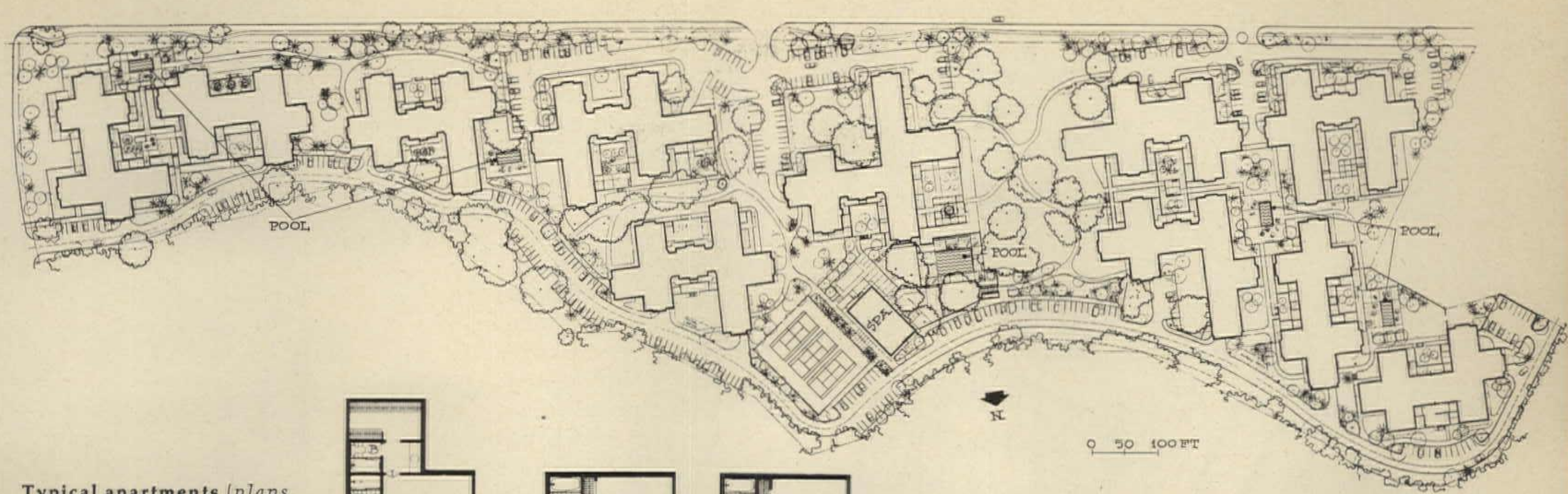
3. Buildings were designed in multi-cross shapes (*site plan, right*). This creates small-scale courts and between-building areas, and avoids the slab-like look of mid- and high-rise structures.

Rents range from $185 to $370, and most tenants are in the 45- to 48-year-old group.

Honorable Mention. Architect: Wurster, Bernardi & Emmons. Builder: Williams & Burroughs.

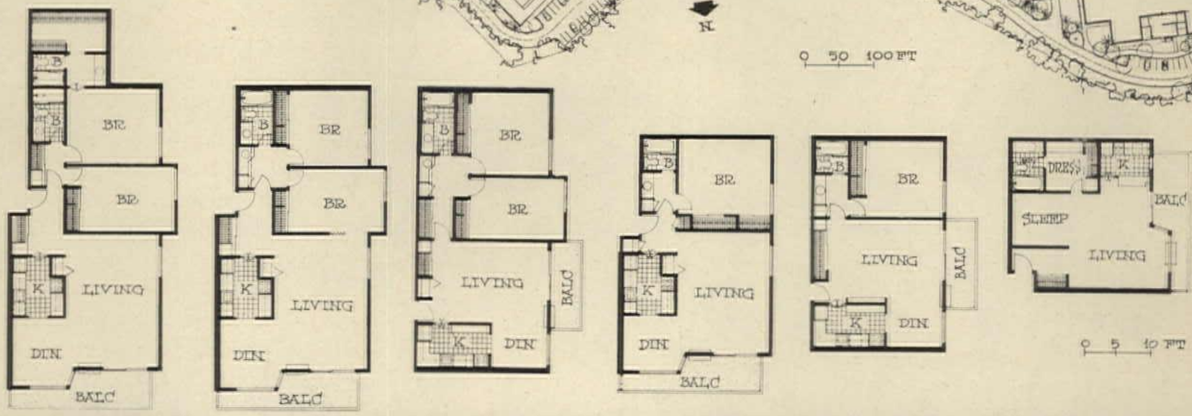
Underground parking (*below*) helps relieve congestion of cars in high-density project. Planting atop concrete garage roof helps it become part of landscape.

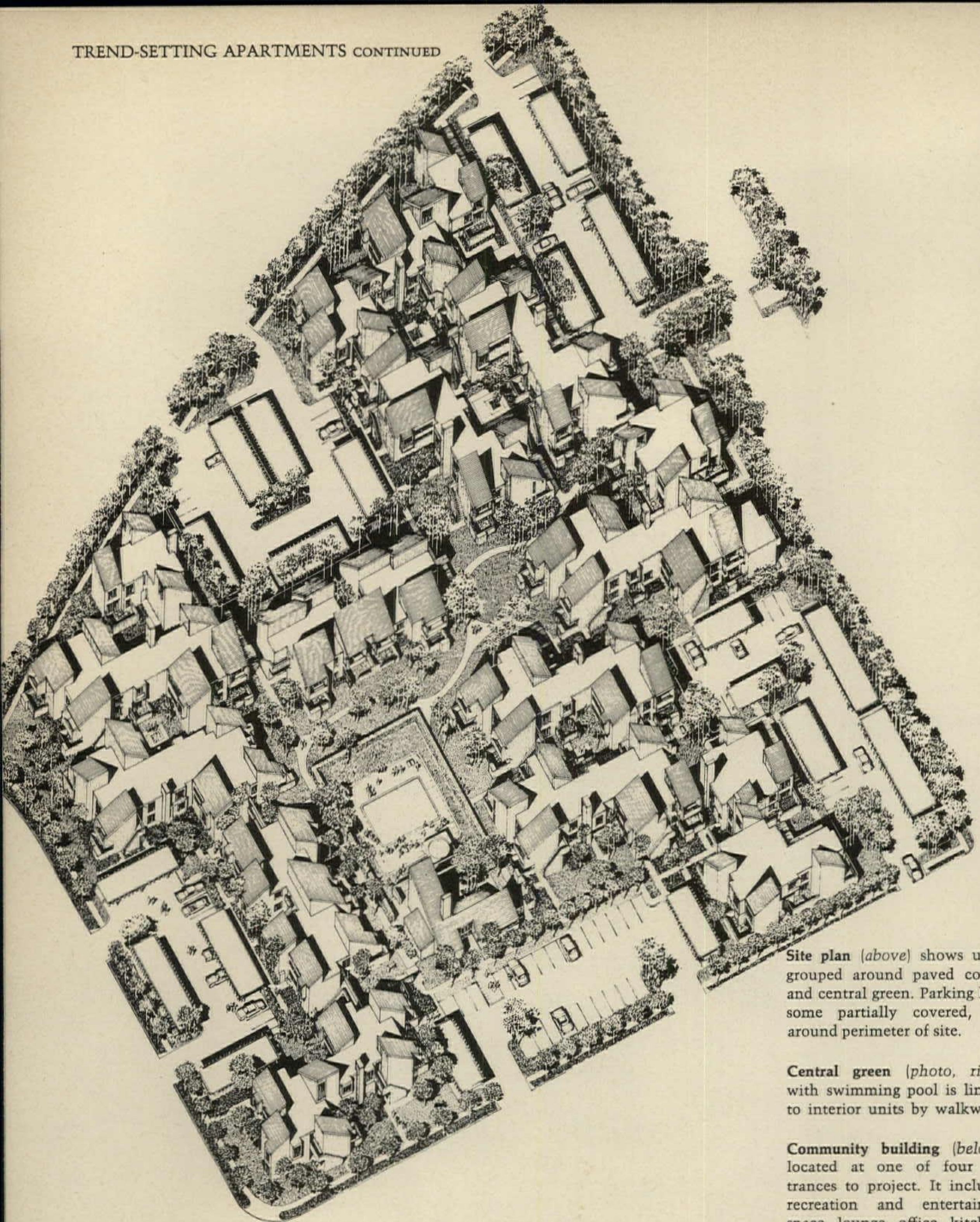
PHOTOS: JEREMIAH O. BRAGSTAD

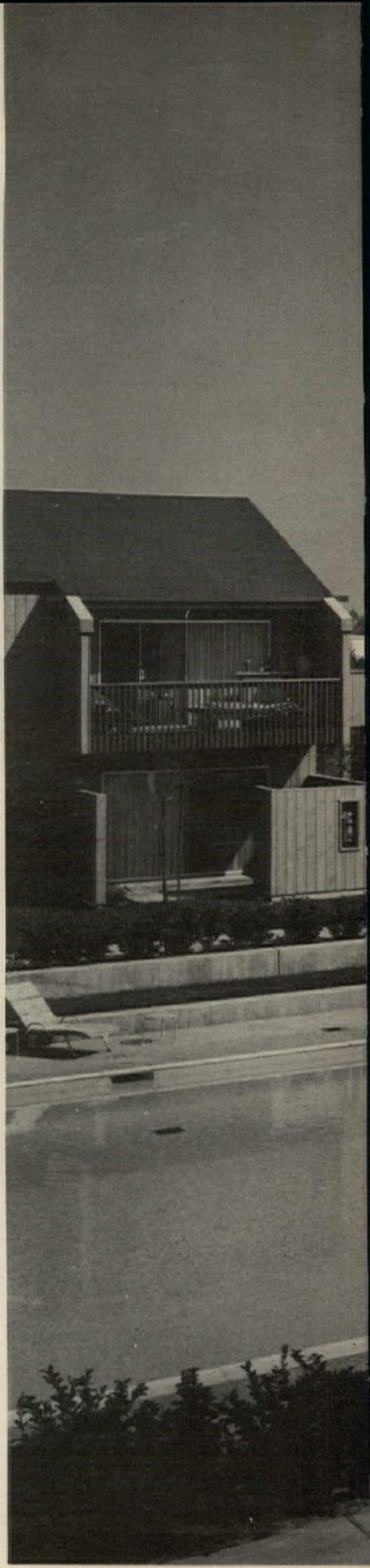


Typical apartments (*plans, right*) range from one-bedroom efficiencies (*far right*) to two-bedroom apartments. Rents vary from $185 to $370, or about 30 cents per square foot.

Recreational facilities (*below*), include two shuffleboard and three tennis courts, main pool and four smaller pools. Spa, partially shown at right is really a community center.







Site plan (*above*) shows units grouped around paved courts and central green. Parking lots, some partially covered, are around perimeter of site.

Central green (*photo, right*) with swimming pool is linked to interior units by walkways.

Community building (*below*), located at one of four entrances to project. It includes recreation and entertaining space, lounge, office, kitchen.

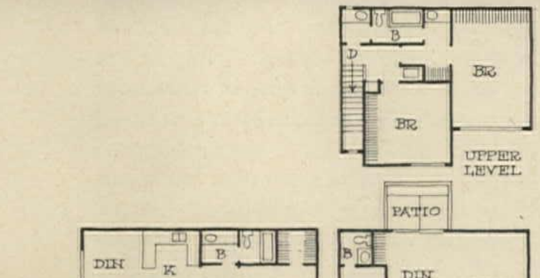
PHOTOS: MORLEY BAER

A small project that's big on outdoor-living appeal

Once the parking areas and building coverage (there are 114 units) have been taken out of this 5½-acre site there isn't a lot of open space left; yet outdoor living is one of the main reasons the project rented out in six months—as fast as it was built—at from $175 to $250.

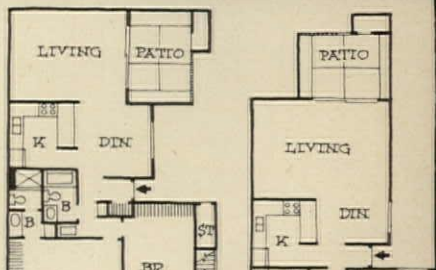
The key is the allocation of green space. There is a central open area (*photo above*), but the bulk of the open space has gone into smaller courts and strips that serve individual clusters of buildings (*see the following two pages*) and, with the help of balconies and fenced patios, offer a variety of intimate outdoor living areas.

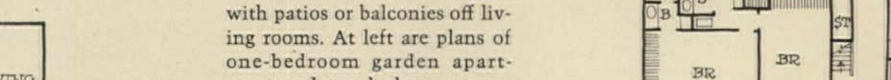
Merit Award. Architect: Fisher-Friedman Associates. Builder: The Irvine Co. Location: Newport Beach, Calif.

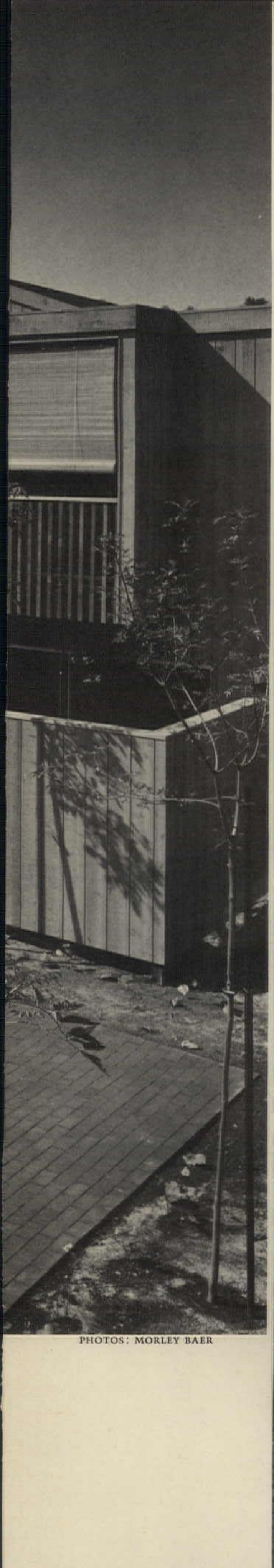


Brick-paved courtyards and enclosed patios (*photo above*) provide intimate outdoor living for apartment tenants.

Plans show typical two- and three-bedroom units (*right*), with patios or balconies off living rooms. At left are plans of one-bedroom garden apartment and two-bedroom townhouse. All units have private entrances. Typical building section is shown below.

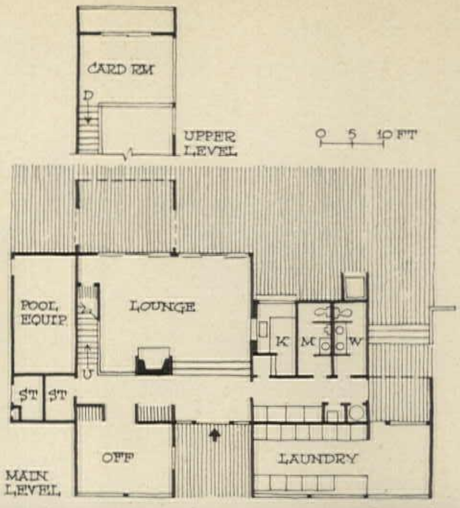






PHOTOS: MORLEY BAER

Community building (*plan, right*) has deck opening onto pool area, barbecue pit and whirlpool bath in rear. Building contains office, lounge, laundry, card room upstairs and storage areas. Lounge in photo below has three-dimensional plans of typical rental units (*lower right corner*) for benefit of prospective tenants.



Strong design adds interest to a flat site

Plans and details of this Dallas project were shown in the June issue of HOUSE & HOME on p. 80. There are 52 units, renting from \$160 to \$280, on the 2½-acre site.

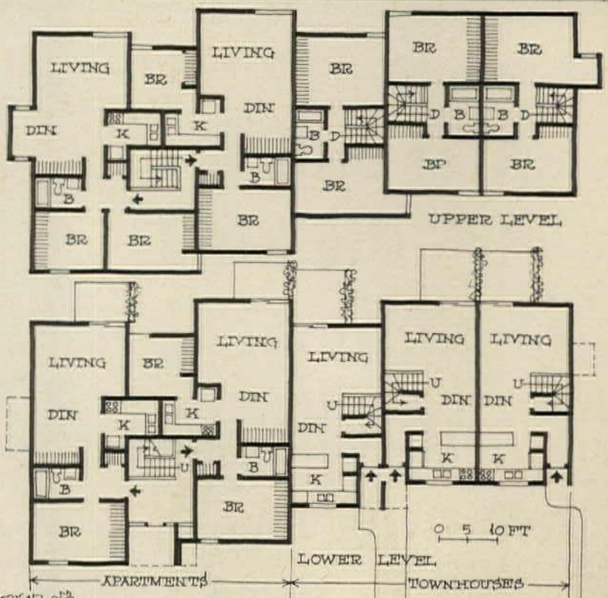
Honorable Mention. Architect: Craycroft-Lacy & Partners; Builder: R.S.F. Development Corp.

PHOTOS: WALTER DE LIMA MEYERS

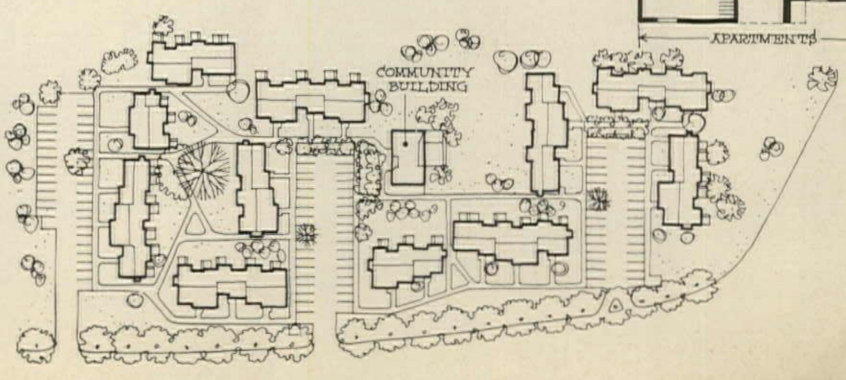
Student housing that avoids the regimented look

Built at a cost of $13,500 per unit, these apartments for married students at the University of Vermont are a far cry from the drab, barracks-look found in much of today's student housing. The units are grouped around a village green reminiscent of early Vermont towns (*site plan, below*). Rentals range from $115 to $130 per unit. There are 89 apartments and townhouses on the project's 6½ acres,

Honorable Mention. Architect: Julian Goodrich Architects, Inc. Builder: John Goodrich Construction Co.



Floor plans (*above*) show typical townhouses (*right*) and apartments (*left*). One- and two-bedroom apartments predominate. Site plan (*left*) shows 11 buildings and a community center on 6.4 acres.

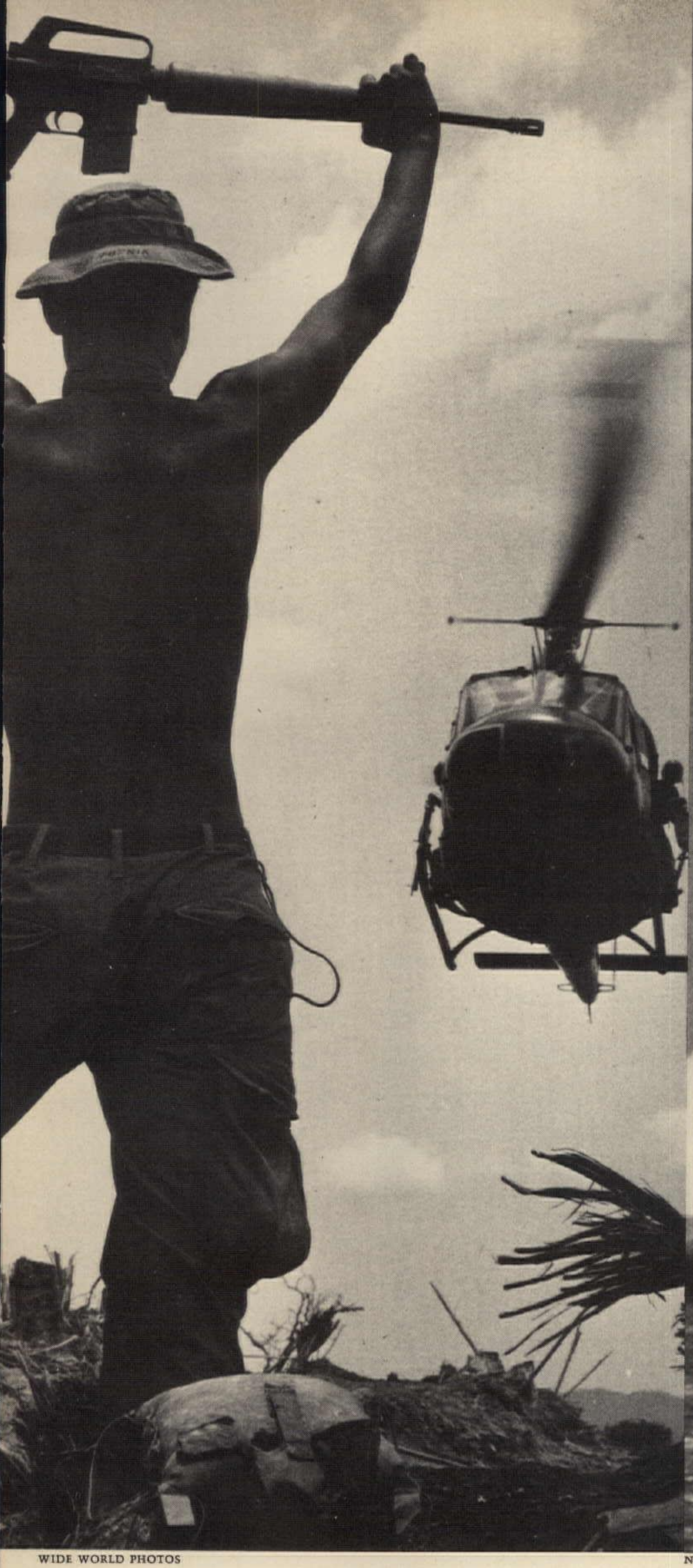


Basic design (*left*) of buildings is colonial, but it gets a contemporary feeling from jogs and projections.

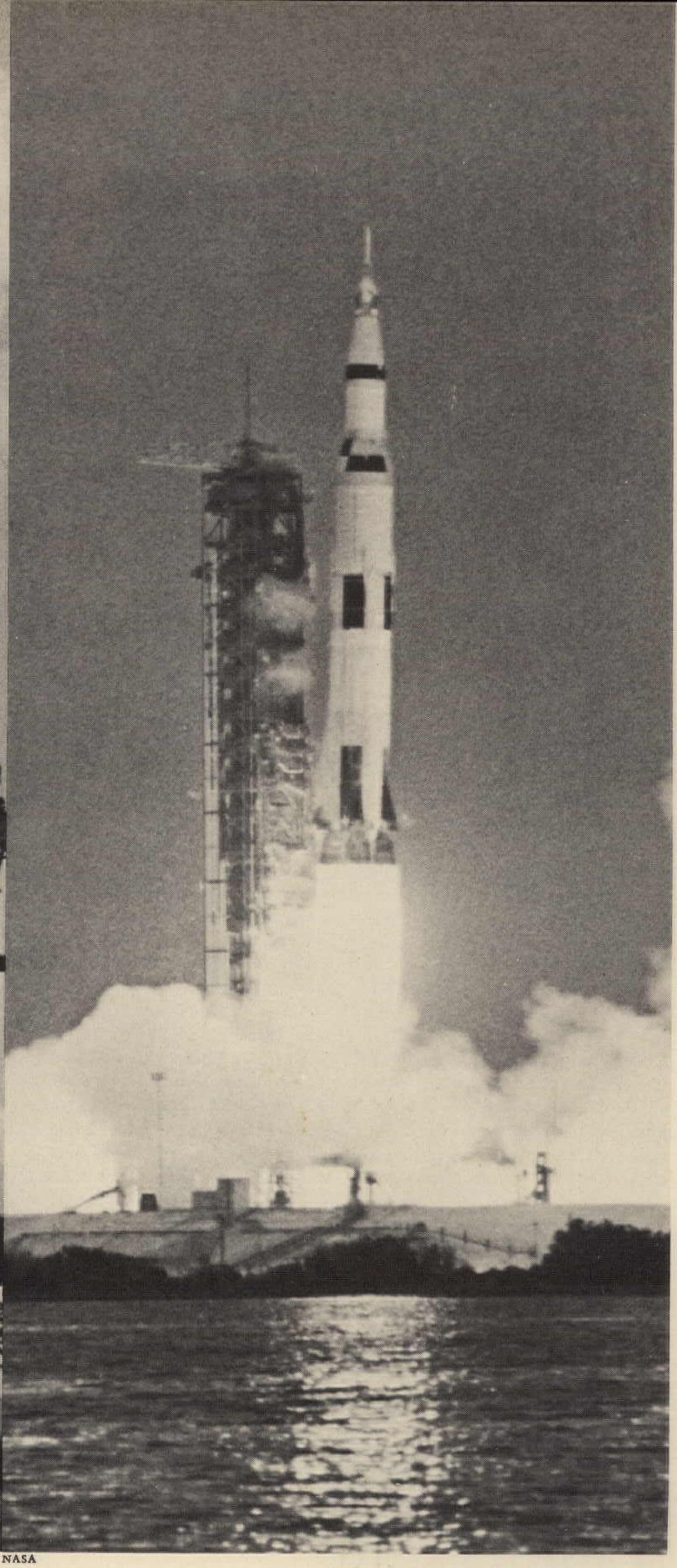
WIDE WORLD PHOTOS

We can wipe out this mess...

...but only with the kind of national commitment we now make...



WIDE WORLD PHOTOS



NASA

...to this ...and to this

It's a question of priorities. Vietnam gets top billing; so does the space race. If we could bring the same sort of national concern to bear on our urban housing problem, we could solve it in a remarkably short time. So concluded an urban-housing Round Table sponsored by the Urban Coalition, moderated by HOUSE & HOME Editor Richard O'Neill, and attended by 36 government, housing, and civil rights leaders. Free-wheeling discussion at the two-day meeting in New York covered every phase of the problem. For its highlights, turn the page.

What's holding us back

No one factor is keeping us from moving at the speed necessary just to keep up. There are at least a dozen major roadblocks to producing low- and moderate-income housing in quantities enough to get ahead.

Joseph Allen: Time is running out on the problem of producing low-cost housing. We are falling behind fast.

Herbert Franklin: Federal legislation asks the private sector to play a major role, but present programs cannot elicit enough interest.

Richard O'Neill: Our cities have vacancy rates of zero, and not much is happening in low-income housing. What are the problems of producing low- and moderate-income housing within the existing system?

Richard Ravitch: The chief problem is shortage of federal subsidy funds. Funding has to be substantially increased if we are going to substantially increase the housing supply.

Bernard Loshbough: The need for housing is tremendous, but effective demand is not. To get effective demand, we'll have to have massive subsidies. Until that is realized by all the people, including Congress and the Administration, we might as well forget the whole business of supplying housing for those who need it most.

Elmer Hosking: Money is the name of the game, and it has to come from the government.

Philip Brownstein: Even more critical is the lack of long-term financing. The 235s are not eligible for Ginny May's $650 million, only 236 and rent supplement for non-profit and co-op sponsors. The National Corporation for

BROWNSTEIN

Housing Partnerships will have to play an active role in financing 236s. The only market today for FHA or VA mortgages is Fanny May. Many builders have let their subsidy money go back because they just could not come out whole.

John Heimann: Control of inflation invariably hits housing first. Housing costs have risen because demand has been greater than supply, and continuous cutbacks in housing funds have actually speeded up inflation.

Albert A. Walsh: Congress limits the costs of publicly assisted housing, but if limits are not raised, we won't build any more. In East New York's Model Cities area, the city had to contribute $6,000 a unit to bring a project within HAA's cost. We have requests pending for city contributions at $7,000 and $9,000 a unit, and costs keep going up. In the last 11 months we put eight projects out to bid, and seven came in over the limits.

Morton Isler: Every large authority in the country is in some financial trouble. There is not enough subsidy to maintain and operate many of our d3s. If we build more housing under the same structure, we are headed for disaster.

ALTMAN

Norman Altman: The mortgagor won't put his money into low- and moderate-income housing when he can get a bigger yield than 6%.

Franklin: Government's attitude toward profit has created programs that are just not profitable for the private entrepreneur.

Leonard Treister: Government's goal is to limit profits. Checks and counterchecks against fair profits have taken all the incentive out.

Ravitch: Laws are frequently unresponsive to the needs of those who must take them and turn them into bricks and mortar.

DeGRAZIA

Victor DeGrazia: Bureaucratic thinking is the greatest single impediment to low-income housing. All power to the people if we want housing for low-income groups.

Altman: The hard arithmetic in 221d3 or 236 is that it is limited to certain incomes. Take the total rent, then figure operating costs, and there is only a residue of money left to support the mortgage. In many cities it is just not enough for operating and taxes, which can run more than 35% of gross income. How can you run a project that way?

Charles Allen: A big problem is FHA support for large developers brought into the local community. Also, FHA is reluctant to accept new systems, new processes, even in Breakthrough.

Arnold Kronstadt: Then there's the difference in FHA offices. They are not only in different parts of the country, but they seem to be in different countries. Some operate like they did fifteen years ago on costs and building what the market needs.

Justin Herman: We have so many restraints, we cannot even work within the funds available.

Kronstadt: It costs a tremendous amount more for housing built under a federal program like 221d3 or 236 because of requirements for FHA inspection, architectural inspection, bonds, legal fees (higher on a federal program), and delays and possibilities for redoing things. All this adds up to $3,000 on a $14,000 unit.

Channing Phillips: Private industry is scared out of low-income housing because of problems associated with managing such projects. Low- and moderate-income housing has more problems than luxury housing. Three or four years after these projects are built they will be in the same kind of trouble public housing is in now.

Kronstadt: There is no land zoned

PARTICIPANTS

ARCHITECTS

J. Vincent Johnson, AIA
Poughkeepsie, N.Y.

Arnold Kronstadt, AIA
Silver Spring, Md.

BUILDERS & DEVELOPERS

Seymour Baskin
Urban Properties
Pittsburgh, Pa.

George Brady
The Rouse Company
Columbia, Md.

Carter Burgess
Natl. Corp. for Housing Partnerships
Washington, D.C.

Ray Dones
General & Specialty Contractors Assn.
Oakland, Calif.

James Felt
New York City

Bernard E. Loshbough
Action Housing
Pittsburgh, Pa.

Roblee B. Martin
Freuhauf Buildings
Detroit, Mich.

Richard Ravitch
HRH Development
Washington, D.C.

Leonard G. Sucsy
Construction for Progress
New York City

Kenneth E. Treister
Housing Corp. of America
Miami, Fla.

CIVIL RIGHTS

Clarance Funnye
Natl. Committee Against
Discrimination in Housing

CONSULTANTS & LAWYERS

Norman Altman, atty.
Krooth & Altman
Washington, D.C.

Phillip Brownstein, atty.
Parsons, Tenant, & Zeidman
Washington, D.C.

John DeGrove
Dept. Political Science
Florida Atlantic University

Richard S. Granat, atty.
Boasberg, Granat & Kass
Washington, D.C.

John F. Kain
Dept. Economics
Harvard University

Jeanne R. Lowe
New York City

Milton Semer, atty.
Semer, White & Jacobsen
Washington, D.C.

FINANCE

John G. Heimann
E. M. Warburg
New York City

Elmer B. Hosking
Prudential Insurance
Newark, N.J.

Saul Klaman
Natl. Assn. Mutual Savings Banks
New York City

GOVERNMENT

Charles Allen
Office of the Mayor
Gary, Ind.

H. Douglas Barclay
Committee on Corporations
Albany, N.Y.

Carlos Campbell
Dept. of Housing and Urban Devpt.

M. Justin Herman
San Francisco Redevelopment Auth.

Morton Isler
Urban Institute
Washington

Robert Sipprell
Rochester N.Y. Housing Auth.

Richard E. Slitor
Dept. of the Treasury

Albert A. Walsh
New York City Housing Auth.

NONPROFIT DEVELOPERS

Victor DeGrazia
Kate Maremont Foundation
Chicago

Rev. Channing E. Phillips
Housing Development Corp.
Washington, D.C.

REAL ESTATE

Charles M. Tucker Jr.
Tucker Realty
Pontiac, Mich.

HOSTS

Joseph H. Allen, Pres.
McGraw-Hill Publications

Herbert M. Franklin
The Urban Coalition

Richard W. O'Neill, moderator
Editor, HOUSE & HOME

for the housing we need at the densities required. We did a 468-unit high-rise in Prince George County with only 22 one-bedroom units and the rest two and three bedroom units. The county commission immediately changed the ordinances to prevent high bedroom counts. Now you would need twice as much land.

CAMPBELL

Carlos Campbell: The country condones institutionalized racism. In Metropolitan New York, 99% of the undeveloped land zoned for residential use is restricted to single-family units, and most lot sizes have half-acre minimums. Throughout the U.S. the same pattern exists: the central city is becoming more and more black, and suburbs are growing without providing low- and moderate-income housing. White America has had negative attitudes against Black America, reflected in racist zoning. Planning boards are not changing rapidly enough, and zoning commissions not at all, so the racist policies continue.

Treister: This comment about racism is most important. As developers, we find in every community a desire *not* to have public housing, *not* to have low-income people or black people in white neighborhoods.

DeGROVE

John Degrove: Every little two-bit community in the country can resist public housing and typically does.

Altman: How do you persuade people at the local level?

How to muster the clout

Housing must win a national commitment, on the scale of that devoted to the space race this past decade, in order to develop enough political wallop to produce an over-all housing program to replace today's fragmented system.

FELT

James Felt: If we get a strong *national* commitment, we will find a way to remove the individual roadblocks we have been talking about. Now, as we remove a roadblock, two more appear.

Campbell: The frightening thing is that we have failed the poor people of this country. What we say we want—26 million new and rebuilt units by 1978—suggests much wider involvement, but we do not have a real system. It is a hodge-podge, fragmented effort with many programs working at cross purposes.

Loshbough: Our housing has got to move up the priority list, at least even with the space race.

RAVITCH

Ravitch: There is no industry, really, just a loose confederation of people. Cumulatively, we have no effect or wallop like the road-building and securities industries. People are not making any money out of housing programs, so there is no push to spend money for lobbying and good lawyering. Laws will never be responsive until a constituency of people makes them so. We don't have an adequate constituency to create the necessary kinds of pressure on Congress.

Walsh: Only major corporations could mount the kind of attack needed. They could form a national lobby.

Phillips: The people most likely to build a lobby are the ones being victimized by the present system, poor people pulling rent strikes and talking about taking over buildings. We could aid and abet that effort by introducing subsidy of the family rather than subsidy of the unit. Give every American his right—open housing. Make it a national housing crisis.

PHILLIPS

Once it becomes everybody's problem, we will build the will.

Charles Tucker: Perhaps a few more are necessary.

BRADY

George Brady: We must look at housing as a total picture in terms of health, education, race, and manpower.

Heimann: Why not tie housing to air and water pollution? Then if you are Suburbia A or B or C, you don't get a nickel in federal water or sewer money unless you have a metropolitan housing plan with sites for low and middle income housing.

SEMER

Milton Semer: Paul Douglass used to say the middle class has to get

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Harambee's Charles Tucker says:

I represent a group in Pontiac, Mich., called Harambee, an African word meaning "let us work together." Harambee was started after our 1967 riots by a group who wanted to do something about the housing problem themselves, as a black community effort. Harambee has a black, minority, Spanish-speaking, very large board of sixty people. This is in a community of 85,000 with a minority population of between 22,000, the census figure, and 26,000, our figure. Pontiac, approximately 20 miles from Detroit, is a real provincial town but has the same problems most of you have: affluent whites moving out to surrounding areas.

We hired a black consulting firm from Detroit to do a study of the whole area, housing, employment, education, the whole thing. Then we hired black planners, black architects, black sociologists, etc. And we got the black real estate firms to participate, to keep the economics in the community and give them a chance to learn things in areas where they would not ordinarily be involved.

We had some assistance from the white business community, however. When we began to buy land in the black areas of Pontiac, funds were provided through negotiated self-determinative contracts between a group of black laymen and General Motors Corp. We now have available $1.1 million and have five large sites.

Unfortunately, we do not have a black contractor, but we have put together a company of which 20% will be owned by the black community. The remainder will be owned by the white company that now builds for us and by key skilled people like engineers.

If there were a central agency where expertise in federal housing projects could be found, you could do this in Detroit, Mississippi, Pennsylvania, anywhere. A national organization could provide seed money for land banking and share financial and social profits. If this country had a nonprofit organization with 3% of the OEO *and* HEW *budgets the job would get done. The important part is for black and white people to work together to make portions of the city positive places to live.*

a full meal before the lower class gets a crumb.

Ravitch: When there *was* a middle income crisis after the war, we got housing legislation. But when the middle class began to be well housed, they lost interest.

Richard Granat: What other kinds of groups do you have to put together to get the allocation of resources needed? The existing lobbies are not broad enough.

Roblee Martin: We must attract the publicly-held, non-shelter industries.

Clarance Funnye: If we could tie together the corporations, HUD, the National Housing Partnership, the NAACP, the Urban League, and the Urban Coalition—all under one roof—and have a conference saying housing is America's No. 1 internal priority, we'd have an effective lobby.

H. Douglas Barclay: There is not the appeal in the housing crisis


BARCLAY

there is in going to the moon or in the SST. I come from a rural area. My constituents generally do not understand the urban housing problem. Many Congressmen are from rural areas and do not understand the problem. If you cannot influence the legislature, you are not going to get things done. The Urban Coalition should get newspaper men together not just from the city, but from around the state, and get the word out accurately. And major corporations should try to get the word out to smaller upstate corporations.

Seymour Baskin: It is difficult to propose a commitment without proposing a feasible plan.

How to involve corporate muscle

Big publicly-held corporations have built-in resources for effective lobbying, but they are not non-profit organizations. So we must attract them by creating a fine balance between economic and social profits—a little bit for everybody.


MARTIN

Martin: We need the financial resources and clout that go with large publicly-held concerns. So if we want the support of major industries who are answerable to stockholders, we can't make profit a dirty word.

Treister: Profit is the only way to produce good housing. A reasonable profit can be made in low- and middle-income housing just as it is in office space, condominiums, and high priced housing. If we build in fair profits, we can build the housing.

Heimann: There are different kinds of profits—economic and social. Those oriented toward economic profit can't satisfy themselves with social profit, or vice versa.

Baskin: The return has to be in both economic and social benefits. We need a system that has a little bit in it for everybody.

Ravitch: The housing process is a series of risks and functions: 1) the entrepreneurial risk, 2) the role of the contractor, 3) the ultimate ownership and management of the property. We have to compensate the risk takers.

Ravitch: The risk is not just yield on investment, but risk assumed. The contractor undertakes a risk, and part of the compensation he receives is for assuming the risk. If you want people without financial wherewithal to participate, you have to reallocate risk.

Treister: Major industry is in all types of housing. In Pittsburgh, Alcoa has Housing Corporation of America doing public housing and Alcoa Properties doing FHA; Westinghouse is active in all forms of federal subsidy; U.S. Steel is about to get involved. Breakthrough stimulated a lot of major companies to buy Turnkey developers and builders.

Ravitch: Clearly it will be large corporations involved because of 1) the inevitable trend to industrialized building, 2) capital requirements, 3) attendant risks, and 4) limited profits. Profits will have to be those generated from economies of scale. It will have to be attractive but not enough to make millionaires on every apartment


TREISTER

Treister: Besides the paramount profit motive there are three other possible motives. First, industry is concerned and realizes that if it does not participate, there will be ramifications beyond just building houses or making profits. Second, there is an advantage in product development and spin-off materials used in housing. Third, they are concerned with public image. They will hire better architects and planners and spend more money on total environment that a small builder could afford. Once we deal with large companies, the rules change. The need for seed money disappears because a large company can hire architects, they have house counsel and accounting expertise, and all the other built-in resources. But they do need "statutory specialists." That is where the Urban Coalition, the Urban League, NAACP, and all the other organizations trying to encourage low- and middle-income housing could play a significant part. If they took the initiative and went to large companies, they would find a receptive ear.

Sucsy: We don't have the right mechanism for private participation yet. Corporations come near, but they need more profit than they can get out of a federal program. The right mechanism is a separate subsidiary specifically for profit on a limited basis, such as we have at American Standard (*see box*).

Loshbough: The development fund concept we developed in Pittsburgh (*see box*) works and has a lot of leverage. It gets industry people involved and lets them see how complex housing solutions are. You need lobbyists of great strength for housing, and you can elicit some by involvement in development funds: they don't get hurt financially or in their relations with the public because the fund staff buffers them.

Carter Burgess: The National Housing Partnership may provide a vehicle for interest, investment, and follow-through from corporations and banking institutions and

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Action-Housing's Bernard Loshbough says:

Action-Housing was set up in 1957 to provide housing for middle-income people. At that time there was no financial assistance, FHA-wise, for middle-income families, so our job was to get the private sector involved.

The Cleveland Development Foundation had a scheme for involving corporations in lending money for middle-income housing under 221. They were using a group of S&Ls. Like all innovators, they made some mistakes. So we had the benefit of their full counsel and books to look at. We picked everybody's brains, everybody who would listen. We developed a four-point plan and started promoting it in 1958 at a HOUSE & HOME *Round Table held with* ACTION *in Pittsburgh.*

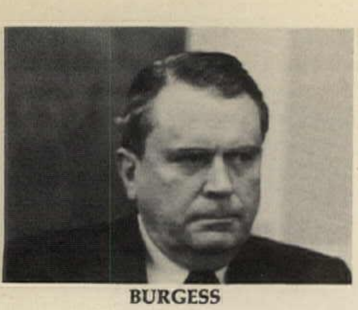
We said we would: 1) loan intermediate equity capital for new housing, 2) supply intermediate equity to remove run-down housing, 3) buy only for cash for eventual resale, and 4) provide design technology and production. Ten years later we have done some of each.

We took our plan to industrialists and financiers in Pittsburgh. But in the late 1950's no company wanted to get involved in doing housing for the income ranges we were talking about.

So we told the three largest companies—Westinghouse, J&L, and U.S. Steel—that one out of every six Pittsburgh families had somebody working in one of their companies. This demonstrated industry's stake in in-city housing for low- and moderate-income families.

Then we took the concept of an interest-bearing loan revolving fund to the industrial people, and 30 companies and foundations subscribed—to the amount of $1,600,000. The interest rate to the companies was 4% after the first year of operation, if earned. One financier said, "This is the first chance we've had to get our bait back instead of giving it away."

The 4% is not a business rate, it is an interest rate subsidized by



BURGESS

bring American business to low- and moderate-income housing with some hope of a modest return. We hope to line up 500 corporations and banks.

Ravitch: For tax purposes, seed money ought to be looked at like oil expenses or patent development expense and be deductible.

Altman: Tax benefits you can get right now or over the next two years instead of over 40 years would be an important incentive.

How to use the tools at hand

Until we get a national commitment, we must put together our present sources of subsidy to use them better. We could supplement family income instead of subsidizing rent, form joint ventures with non-profit groups and turnkey programs.

Robert Sipprell: We have a lot of tools in public housing we did not have before 1965, and we are not using them effectively. We are not putting together various sources of subsidy such as combining joint venture techniques with non-profit groups. Many local authorities have not explored these tools.

Sucsy: The only workable short-term program is Turnkey. The developer comes in, makes a presentation to the authority, the authority buys the project, and then turns it back through ownership to the community.

Walsh: We should make available to Turnkey developers the financing rates of the housing authorities to whom they will sell their projects.

Sucsy: You can lower the cost of money from 10 points to 6 points if you get housing authorities to become mortgagees. State housing finance agencies are another way. Or you can supplement a family's income to close the gap between income and the cost of the home.

Walsh: With turnkey you are dealing with a small builder, which is different from dealing with the commercial contractor who traditionally built monolithic public housing. The small builder comes to us with a site plan. We say, "We like it. Build it and we will buy it." We give him a letter of intent.

Sipprell: We brought one local builder from a try at one duplex through ten townhouses up to a letter on 124 units. Success breeds success. The risk is that traditional appraisal techniques do not apply.

Walsh: In some areas a pure market value appraisal on an acquisition project will not equal the financing put into it. If the one Construction for Progress built for us had had to go on the block the day after it was finished, it would have sold for less than they had put into it.

Sippreil: Appraisers say a particular development of 10,000 houses is worth X dollars. In the suburbs it would be worth X dollars more. We had to convince HUD we were building up the neighborhood and could not pay attention to economic depreciation factors.

Walsh: We have a different technique of appraisal based on comparable—or replacement—value, as opposed to market value. This is a gimmick, but we ought to formalize that gimmick into a program that does not run the risk of being killed by the first one that aborts.

Sipprell: We have about 200 leased units, mostly in large, old, single-family homes. We have open-end approval from our local legislative body for this and an open-end contract with HUD to buy homes from their listing service or from private ownership referrals. We don't give out the addresses to anyone, so no one puts a public housing flag on the front lawn, and families move in without fanfare. We bought 100 at an average cost of $11,500. We put less than $1,000 into minor improvements per unit. But until our program adds to the housing inventory, we will only be shifting occupants. We ought to open equity opportunities to more people. Those with equity in housing or environment have entirely different attitudes from people who just use housing. Unless citizen participation leads to some kind of equity, it won't be meaningful.

HERMAN

Herman: We are on a great kick of citizen involvement. But few in government insist on citizen responsibility.

Loshbough: When you build or rebuild in a neighborhood, you have a "turf" problem, especially when the salvation of minority group families is concerned. People have to take part in the replanning process.

DONES

Ray Dones: So far citizens have not been involved in the design or construction process. We import people from the suburbs to build units in ghettos and take the wealth back to the suburbs. It is difficult, but rewarding, to organize ghetto citizens constructively. And we need to involve people in home ownership. Perhaps we can form a poor man's condominium. There is no reason why people living in ghettos cannot own units.

DeGrazia: We could set up an urban agent program to help people who work or live in communities develop the kinds of housing they want.

LOWE

Jeanne Lowe: A problem in developing volume production is the community's insistence on control. Some potential beneficiaries are fighting volume production because they would rather have two units they built themselves than 100 built for them.

Campbell: We could have much better representation of blacks, Mexican-Americans, Puerto Ricans, and other minorities on planning and zoning boards. The policy bodies of metropolitan planning agencies affecting major cities are invariably white.

TO NEXT PAGE

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the private sector instead of government. Industry should *do it as a subsidy, on a civic basis, at least for the towns in which they are located.*

The prime rate back then was 5½%. We had seven-year development fund loan notes. The first of the notes, issued in 1961, came due and payable in December, 1968. The loan commission met that month to talk about what we would do about the notes. We sent out an invitation to renew and said we would consider raising the interest rate, since 4% was probably too low, even on a civic program. Much to our surprise, only one company even questioned the rate. Everybody resubscribed for another seven years at 4% (we have since raised the rate to 5% on our own). The total amount of notes is $1.6 million. We have only drawn out $900,000, and that has produced $37 million worth of housing. Most of that has been done in the last five years. And we anticipate lending out $1 million in 1970.

It is hard work and very slow to begin with. But we have demonstrated cluster planning and planned unit development. We got 12 corporations and foundations to put up a million dollars to help set up neighborhood programs for social services needed in housing. After five years, most of that program was turned over to the local antipoverty organization.

Then we began concentrating on a large-scale rehabilitation program. We thought, "Why doesn't the big company become a developer in rehabilitation, just as Gulf, Alcoa, and Reynolds, have done in downtown urban renewal?"

After much effort, we did get 40 local companies to go into this, along with one insurance company. The organization is called Allegheny Housing Rehabilitation Corporation (AHRCO). It is profit motivated, entirely separate from Action Housing, and doing very well. It was a hard thing to put together because it deals with the deteriorating core of the American city and is a high risk business. It has not turned a profit yet, but it probably will in 1970, about three years ahead of projections. It will do 300 houses this year and probably better than 500 the next. Its goal in the prospectus was 1,000 a year in five years, and it will reach that well ahead of schedule.

Treister: The federal government will have to eliminate, by court order, the excuses local zoning boards use to block housing for low- and middle-income.

FUNNYE

Funnye: Industry moving out of the cities forms the economic base for Puerto Ricans and blacks. And they have to live where the jobs are or they won't eat.

Campbell: About 70% of new plant locations are in suburban areas.

Funnye: Government should get a commitment from counties to open zoning for minorities and lower income levels. Secretary Romney says a person should have the right to live where he works.

Campbell: The fundamental issue is one of choice.

Funnye: Income maintenance has to be tied in so families can move about in the housing market.

Lowe: Industry goes into a community, puts up plants, gets tax and zoning concessions, and gives a tax base to the community. Yet its workers are not living in that community. Corporations could use their political clout to say, "If you want us, take our workers, rezone." They could also work with development corporations like UDC.

Funnye: Industry could say to a county, "show us you have a program for housing minorities and lower income families."

Franklin: Industry will do it only if a housing lack reduces available employees.

KRONSTADT

Kronstadt: Industrial parks or office parks could support 30 to 40 townhouses. Double decking over parking at shopping centers could produce land at $1,500 a unit. These areas have transportation, and citizens' objections are minimal.

Funnye: Some of the brothers talk as if blacks are native to ghettos and whites are native to green grass and open spaces. This is silly. Ghettos are not a function of choice.

HEIMANN

Heimann: The ghetto should not just be rebuilt for the people who live there.

Campbell: Housing authorities are usually limited to jurisdictional boundaries of the central city. They should have a state- or metropolitan-wide jurisdiction.

DeGrove: The key to providing metropolitan sites lies in the state. And the national government can put the screws to the states.

Barclay: You must tie together jobs, housing, and education in one vehicle, like UDC.

Walsh: States can have an array of programs to make federal programs work. A one-sixth or one-eighth state tax reimbursement could be the magic.

Lowe: If you lift the burden of financing schools off local property taxes and finance it statewide by graduated income taxes, you create different circumstances for land development in the suburbs.

Heimann: I would like to see direct allocations of income to people once we get housing built on a regional basis.

ISLER

Isler: If people had more money to buy housing, rents would go up. If rents went up, there would be better service. New York City would not be losing 20,000 units a year to abandonment.

Walsh: A national program of income maintenance for poor families to buy housing would require a commitment of dollars far beyond what we are talking about.

Isler: It is far from hopeless. We may be talking about an annual subsidy of four or five billion, which is not impossible, considering our national budget. But such a program has to be accompanied by a construction program.

Saul Klaman: We must reallocate financial resources in the budget from someplace where it is visible.

FRANKLIN

Franklin: What about regulating the savings of society by diverting Social Security and pension funds into the mortgage market?

Heimann: We must get the savings flow back to housing through the system. But unless we do something long term, we'll be talking about the same problem three or four years from now.

New ways to tackle the problem

When we do get our commitment, the government may take an active rather than passive role in housing, and we may well scrap present methods, create a unitary federal program, dedicate a national surplus for housing, and increase federal control of land use.

Walsh: I favor a single, all-income housing program with one set of standards for construction, costs, and underwriting, and a national loan policy with congressional authorization of annual subsidy funds or contributions to support so many thousand units of housing over the next ten years. Scrap every program on the books, and

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Construction For Progress' Leonard Sucsy says:

American Standard got involved in real estate about 18 months ago by acquiring William Lyon Homes. In social housing, our primary involvement was Construction for Progress, now a joint venture between Celanese and American Standard. The two companies said: "Let's put up some money and go into Harlem and find out if we can do something—and do it at a profit."

The criteria under which my division was judged within the company were the same as those for the single family home division. Each went before the president for funds, and whoever had the best return on investment, got the money the next year. But now the Urban Development Division has to be split off from other real estate groups within our corporation and judged under a different set of rules. We can't be competitive with our sister divisions because we can't stand the severe profit tests a public corporation has to stand.

Our division has to get involved not only with brick and mortar projects, but with training projects for tenants on how to defrost refrigerators, hang curtains, or furnish—to help people live a little better. And we have to be backed up by a real estate group at the parent corporation that understands what we are doing and doesn't get scared by it.

I am treading the line between satisfying minimum capital requirements and returning a fair profit to the company. If we can come in with 15%, or even 10%, I'm still making a fair return for them, but that is lower than the 40% they normally make.

run every range of income that requires assistance, direct subsidy, tax abatement, or tax incentives, so the private sector can participate and work through public corporations like housing authorities.

HOSKING

Hosking: Our housing program should be broad enough to cover all types of housing. If it is not, we are going to perpetuate a problem that has already gone too far.

Heimann: In 1949, Congress passed an act that said there should be decent housing for all. The 1968 Housing Act said the same thing. However, it quantified the amount: by 1978 there should be 26 million units, of which 6 million would be low-income housing. Yet, neither act had a technique of implementation. Without funds to implement the concept, quantification is an academic pursuit.

JOHNSON

J. Vincent Johnson: What would happen if the Government budgeted a certain amount of money to spend for housing the same way it spends money for highways or rockets?

SLITOR

Richard Slitor: In the capital budget theory, an expenditure financed by a current deficit, is not considered bad or dangerous if it involves the creation of a capital asset. With Fanny Mae, and to some extent with Ginny Mae, we have something very similar to a capital budget; the government is acting as the mid-wife who guarantees and facilitates the flow of private money into housing mortgages outside the federal budget.

Heimann: We should get Congress to mandate a national surplus for housing and environment. We could create a national housing bank or a national urban bank for the flow-through of capital savings to housing and urban development such as the Federal Home Loan Bank Board and the Federal Housing Mortgage Assn.

ALLEN

Allen: We should nationalize our public housing authorities and give them the power to build, just as we do our military agencies; then use the process of turnkey and make industry compete and not let it buy its way through these agencies and public officials.

Franklin: We now have "upside down federalism." The federal government gets involved in the smallest details but has nothing to say about whether low- or moderate-income housing will be built in given jurisdictions.

HUD really is a banker of last resort, and probably the most conservative around. It has to wait passively for people to bring applications to it because during the Depression the Public Works Administration tried to produce housing directly and a federal court ruled it unconstitutional. That 1935 decision was never reviewed. I wonder whether it is valid today, whether we ought to start thinking of direct federal development.

Phillips: The most central problem confronting us is a question of land policy. Every country that has begun to solve the housing problem has had to introduce land control and wipe out speculation. That is heresy in this country.

Loshbough: We will never solve our housing problem while we have land speculation.

Walsh: The need is for a national land policy. I am very pessimistic about getting a state or metropolitan land policy.

Franklin: The government needs new power with regard to building codes and zoning in subsidized programs if we are ever to get national or regional markets for housing production.

Funnye: Why not consider a 15-year national experiment? Establish a National Development Corporation for 15 years, tied to a level of success, to build housing and communities on government-owned and surplus land, in and around center cities.

Aberdeen Proving Grounds is a big area north of Baltimore that is only about 40% utilized, and has been recommended for phasing out. There are many places like this.

WALSH

Walsh: There is provision in the Housing Act for the federal government to turn over excess lands for the development of low- and moderate-income housing.

BASKIN

Baskin: Certain lands must be preempted, preserved, set aside in all communities, for the provision of housing of all kinds.

Ravitch: Give the federal government the power, under certain circumstances, to acquire property and contract directly for construction of housing, by tying in all federal assistance to a set of conditions that commit local and state governments to build. If, within a certain period of time, that money is not converted into living space, the Federal Government should come in and build housing and have the power of eminent domain and the power to own, sell, or lease.

DeGrove: I would like to see us go on record for the Federal Government as the builder of last resort, where the need is not being met in any other way and is not apt to be.

The Rochester, N.Y., Housing Authority's Robert Sipprell says:

In Rochester we have tried almost every tool on the books and have learned some lessons. We find that if we let private enterprise work in its own ball park, under its own roofs, using its own experience, we get better quality housing for a lower price in a shorter time. We can use Turnkey on so-called hand-shake acquisitions and not get bound up, and we're not hanging the developer up with all the regulations in the HUD books.

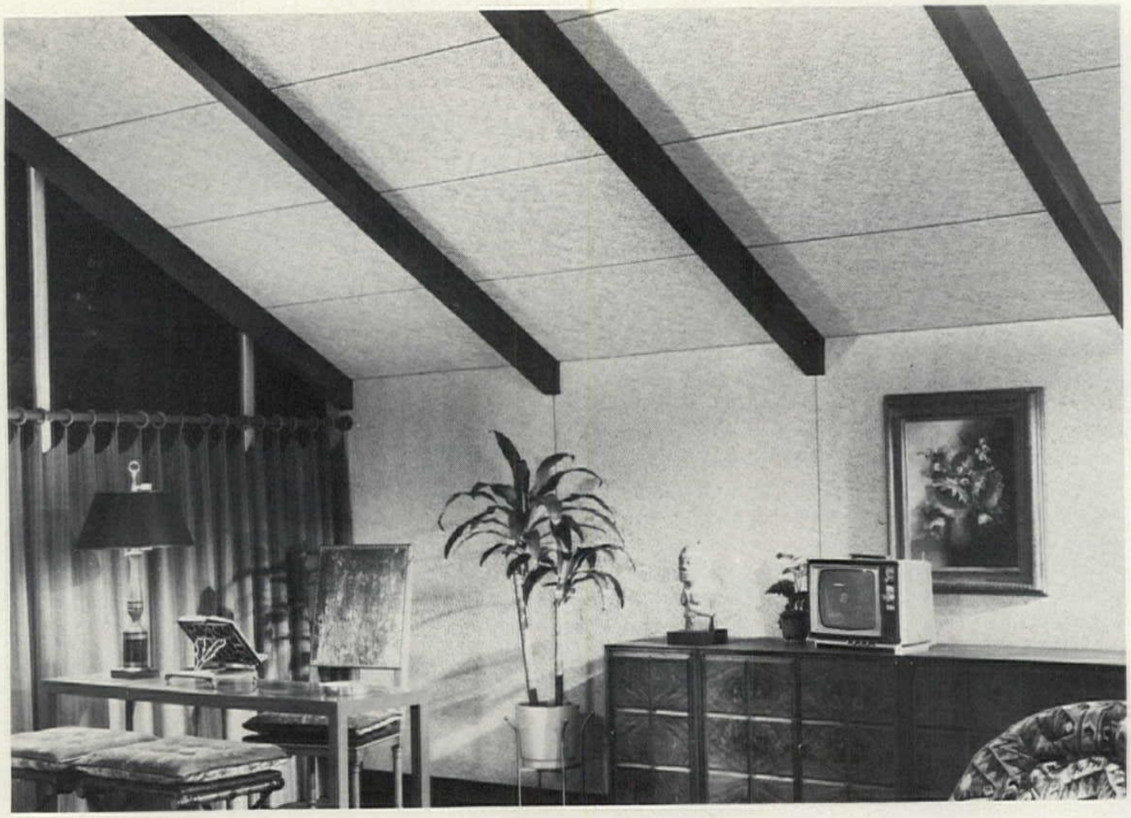
We just say to the developer who comes in with a site, "We like what you plan to do, and if you are willing to take a calculated risk and build it, when you are through, we will buy it."

We developed a letter of intent with the local chapter of the Southern Christian Leadership Conference. The letter said: "We like your plan, and we will meet your program. Try to get yourself permanent financing, and we guarantee to buy it." Local banks give them financing on the basis of our letter because we guarantee the project when it is finished.

Our federal dollar is protected because we buy on market value appraisal. It costs us $1,000 or $2,000 less per unit than we're used to paying, and we get it faster, and it is more satisfying. Maybe we ought to keep public housing out of public ownership.

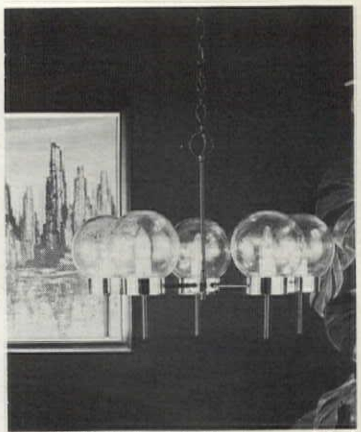
Recently we completed a joint venture with a non-profit developer in which the housing authority put up all the equity cash, the Council of Churches put up nothing but took on a mortgage, and we own 26%.

The authority's ability to encourage participation of non-profit groups may be even greater than it appears. We have become the take-out agency for several small non-profit corporations. It has given many indigenous groups an opportunity to get their feet wet and become exposed to a process.

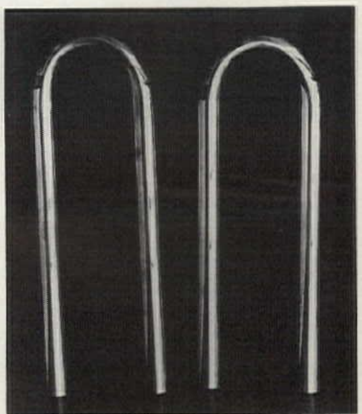


Decorative wall/ceiling panels that also reduce noise

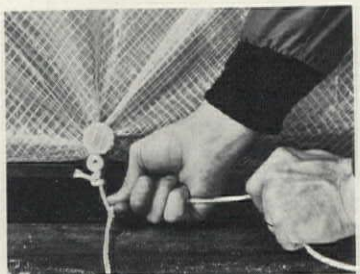
Swirl-textured panels would enhance the walls and/or ceiling of any room. The pattern is formed throughout the 1″ panels by long-strand wood fibers bonded by hydraulic cement. Fibers provide warmth, reduce noise, are durable, need only vacuuming. National Gypsum, Buffalo, N.Y.
CIRCLE 250 ON READER SERVICE CARD



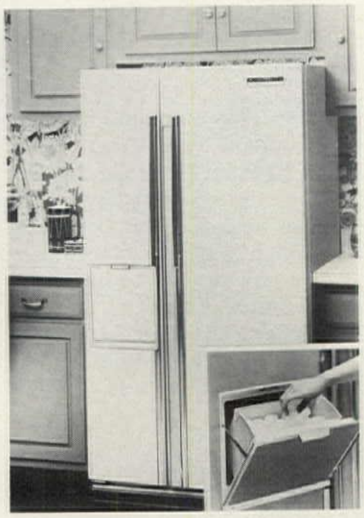
Candlelight look is due to speckled glass globes used over 60-w bulbs. Chandelier of chrome and black combines traditional with contemporary, is 24″ in diameter, 18″ high, suspends to 40″. Del-Val, Willow Grove, Pa.
CIRCLE 251 ON READER SERVICE CARD



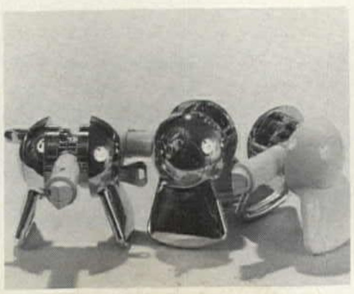
Fixtureless light is a U-shaped tube ¼″ to 1″ in diameter that looks like polished chrome when it's off, glows white, red, or green when it's on. Lighting tubes—fluorescent, neon, or cold cathode—can be designed in coils, spirals, knots, arches, or just about any shape imaginable, are bright enough to read by, but free of glare. Tovi & Perkins, New York City.
CIRCLE 254 ON READER SERVICE CARD



Plastic tie-downs make tarplike covers out of any grommetless plastic or cloth film or sheeting. A 1″ disc is placed under material and rotated 180°, and a U-shaped clip then snaps on around the pinched material. Griffolyn, Houston, Texas.
CIRCLE 252 ON READER SERVICE CARD

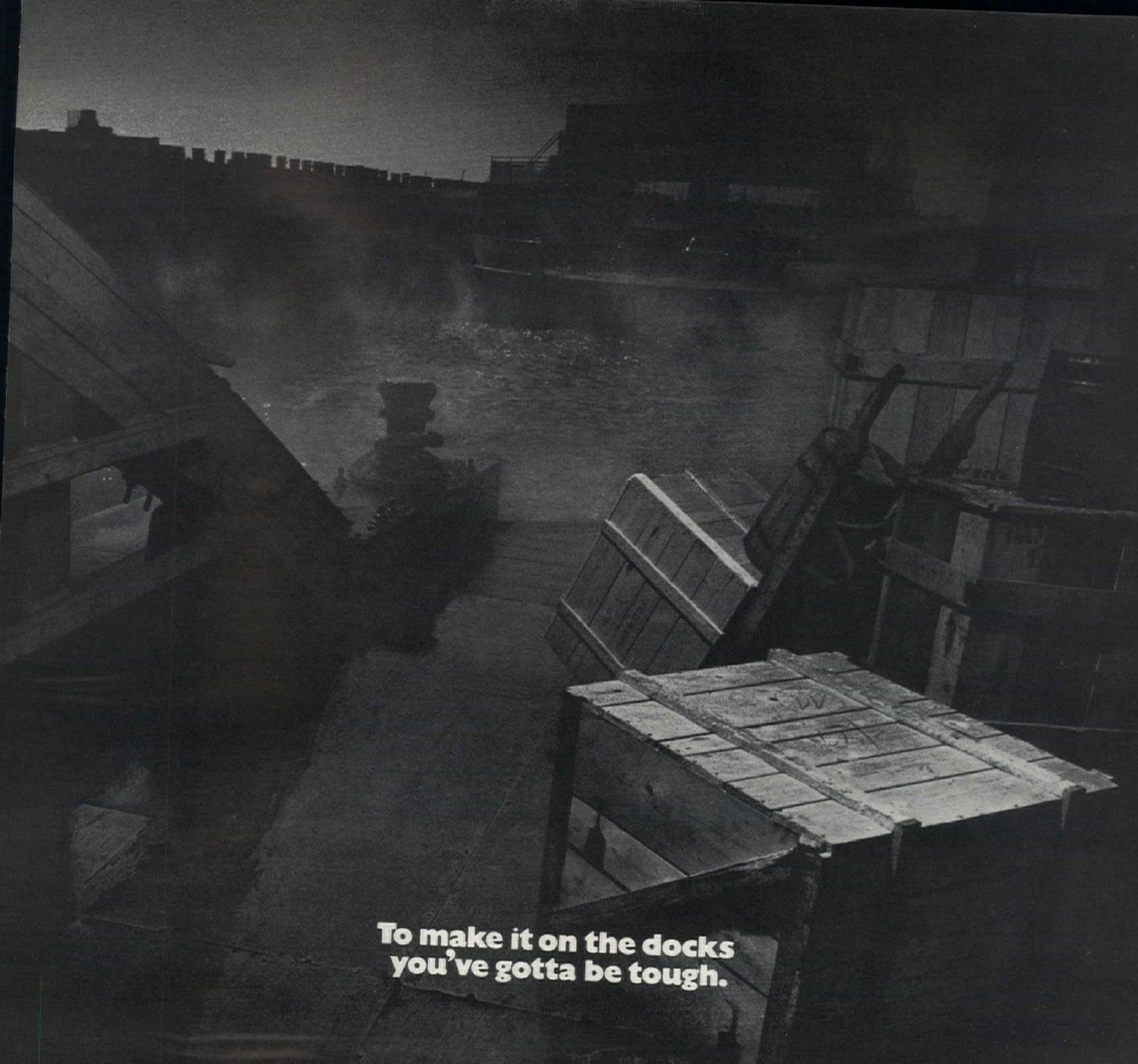


Through-the-door ice service is now available in two side-by-side refrigerators. A small door outside the freezer compartment *(inset)* pulls down 45° for easy access to a 5-lb.-capacity bucket that itself can be lifted out without opening the door and taken to another room. Icemaker shuts off when bucket is full. Hotpoint, Louisville, Ky.
CIRCLE 253 ON READER SERVICE CARD



Streamlined locksets have brass locks and heavy-duty ABS exteriors. Available as keyed locks for entry doors, with simple touch buttons for exits or passages, as dummy sets, etc. Finishes: metallic gold, chrome, brass; transparent amber, ruby, emerald, crystal; opaque white, honey, blue, green, or 11 custom colors. Innovation Corp. of America, Placentia, Calif.
CIRCLE 255 ON READER SERVICE CARD

Stainless steel panels, at a cost competitive with fine wood paneling, are made of .025″-thick stainless laminated to ⅜″ pressed wood. Panels come 12″, 24″, 36″, and 48″ wide and up to 8′ long, are applied to walls with mastic, then framed with matching moldings. Styles include mirror finish *(left)* and herringbone *(right)*. Schacht, Bronx, N.Y.
CIRCLE 256 ON READER SERVICE CARD



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Tough enough to bear up under almost any weight.
Tough enough to be stepped on by 2000 people a day.

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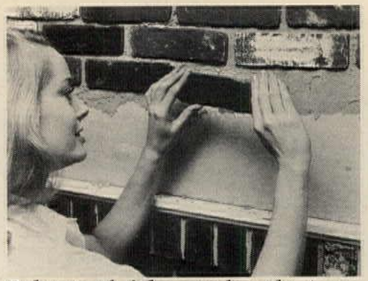
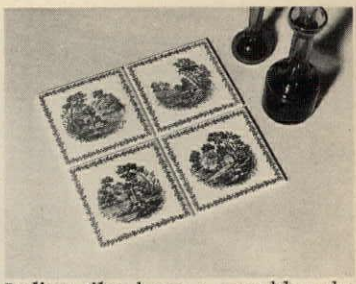
CIRCLE 81 ON READER SERVICE CARD

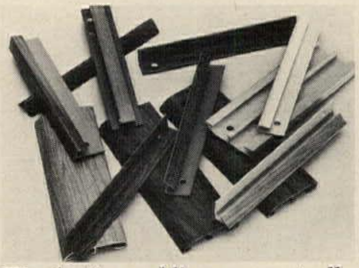
Corkwood panels are made of select Portuguese bark. Pieces are assembled by hand on large panels in a mosaic pattern that successfully disguises panel joints. To take advantage of cork's acoustical properties, the full ¼" thickness is used. Panels of various sizes are easily installed, will take hard wear. Forms & Surfaces, Santa Barbara, Calif.
CIRCLE 200 ON READER SERVICE CARD



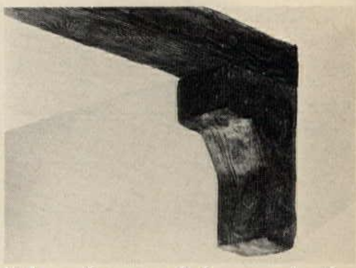
Polyester bricks weigh only 4 oz., can be applied to any plaster, plywood, or sheet rock wall with an adhesive-mortar. "Bricks" look and feel like the real thing, come in the same colors and size, but are only ¼" thick and can be damp wiped. Dacor, Worcester, Mass.
CIRCLE 201 ON READER SERVICE CARD



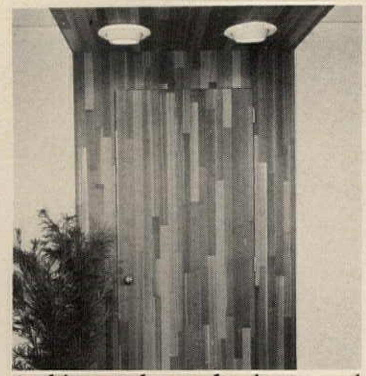
Italian tiles have a gray-blue design on an ivory background. Sold in sets of four scenes, the 6" x 6¼" ceramic tiles can be used as accents, in a border, in a checkerboard arrangement with solid tiles, or as an overall treatment. U.S. Ceramic Tile, Canton, Ohio.
CIRCLE 202 ON READER SERVICE CARD



Woodgrain moldings are actually ABS plastic with a heavy-duty patterned vinyl film laminated to the surface. Accurately reproduces the grain and color of walnut, ash, oak, cherry, teak, birch, and avocado. Moldings come 8' long in five shapes. Marbon Div., Borg-Warner, Washington, W. Va.
CIRCLE 203 ON READER SERVICE CARD



Polyurethane corbel comes in the same finishes—dark walnut, medium mahogany, and light oak—as manufacturer's ceiling beams. It acts as a corner or side wall mock support for the lightweight beams, and is easily applied with a mastic. It measures 12" x 8" x 6". Urethane Fabricators, Camden, N.J.
CIRCLE 204 ON READER SERVICE CARD



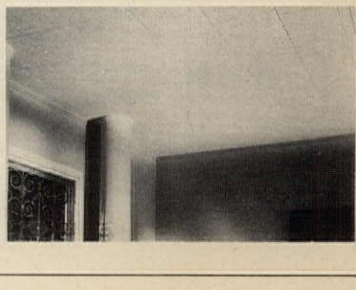
Architectural panels, here used around and on a door, are strips of cedar laid in vertical rows to produce a random pattern of brown, cocoa, and beige. Panels come with smooth or textured surface, on plywood or fir core, and 4' wide by 8' or 10' high. U.S. Plywood, New York City.
CIRCLE 205 ON READER SERVICE CARD

Scenic mural reproduces a view of a colonial summer seaport. It can cover a wall from 14' to 17' wide in 28"-wide panels that are 11½' long. Mural and matching background paper are pretrimmed, prepasted, coated with acrylic vinyl for easy scrubbability, and carry a three-year guarantee. Forty-six other scenes available. Imperial, Cleveland, Ohio.
CIRCLE 206 ON READER SERVICE CARD

Hardwood paneling has a fire-retardant flake core, is for use with manufacturer's fire-retardant hardwood doors. Panels are 4' wide and from 7' to 10' high (or 16' high on custom orders). Custom grooves from ¼" to 1" wide complement 14 wood tones. Weyerhaeuser, Tacoma, Wash.
CIRCLE 207 ON READER SERVICE CARD

Textured wallcovering is tinted and lacquered paper overlaid with tissue-thin pieces of natural cork, then plastic-coated for durability. The tapestry motif shown is one of six designs available in 21 colors. Handcrafted in Spain for Armstrong Cork, Lancaster, Pa.
CIRCLE 208 ON READER SERVICE CARD

Acoustical tiles 12" x 12" have smooth 1¾" borders surrounding non-directional fissured centers. Borders reduce the apparent size of tiles, create an overall effect of a wall-to-wall pattern instead of individual tiles. Johns-Manville, New York City.
CIRCLE 209 ON READER SERVICE CARD



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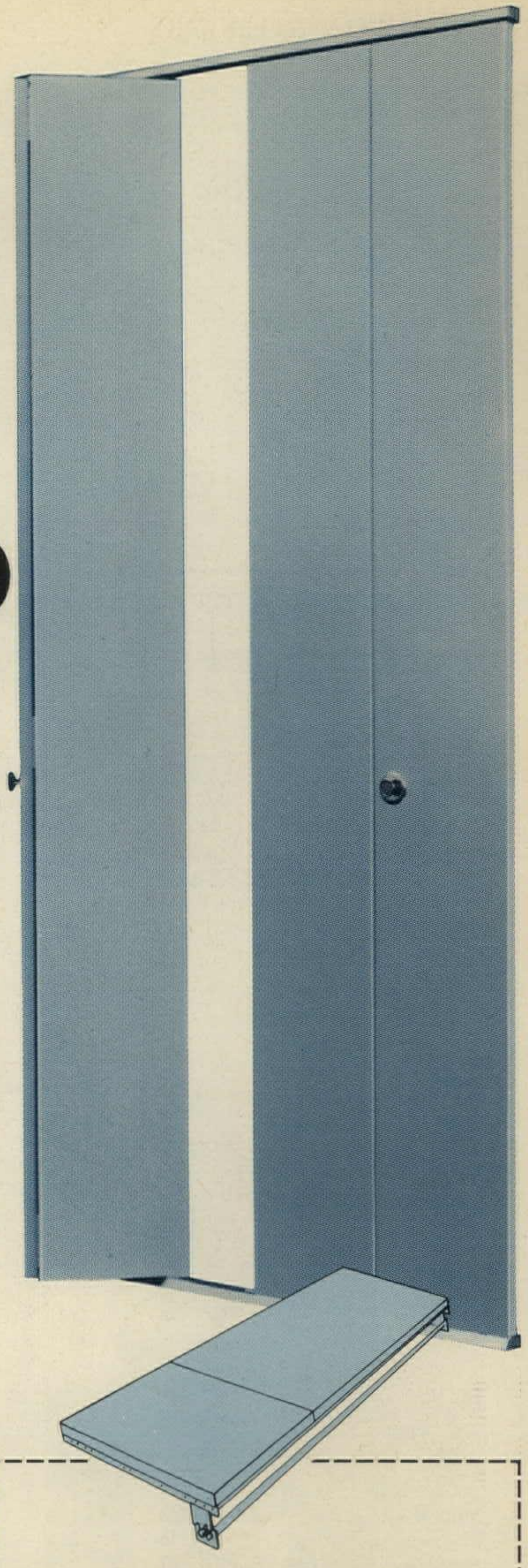

You know what's happening to building materials costs. They're skyrocketing! Not so with Float-Away. Now you can actually save up to 30% when you buy Float-Away metal bi-fold closet doors. Yet they're still the finest closet systems at any price. Float-Away gives you a choice of five decorator styles—ease of installation—sizes to fit any opening—and prompt availability. Always. It's a good time, too, to introduce yourself to Float-a-Just shelves, Float-Away's complete line of metal shelving. Tops in durability. Yet they haven't gone up a penny!

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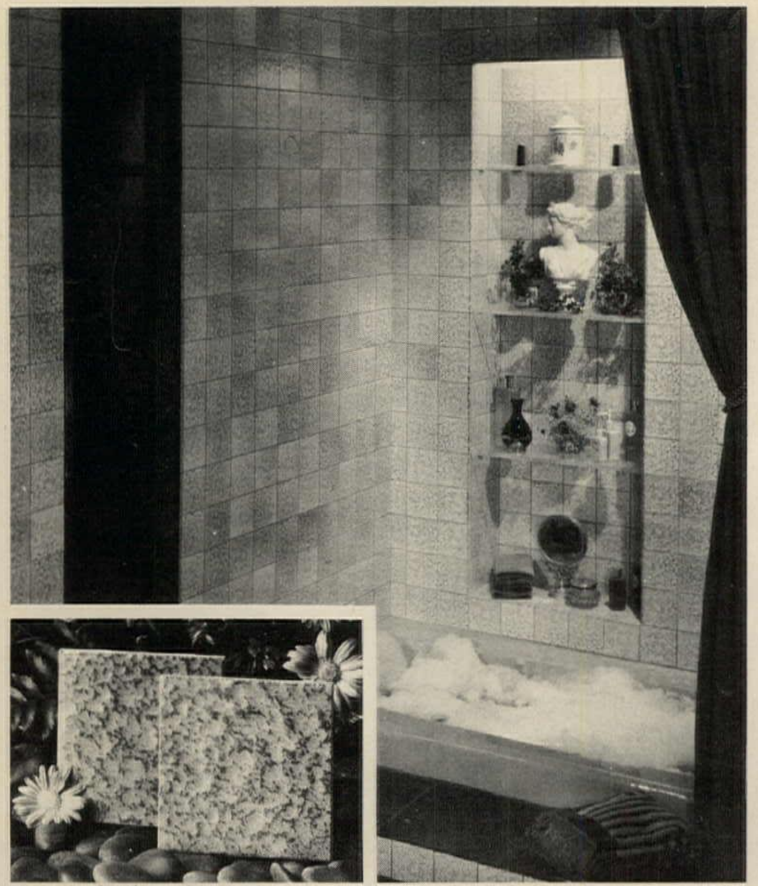
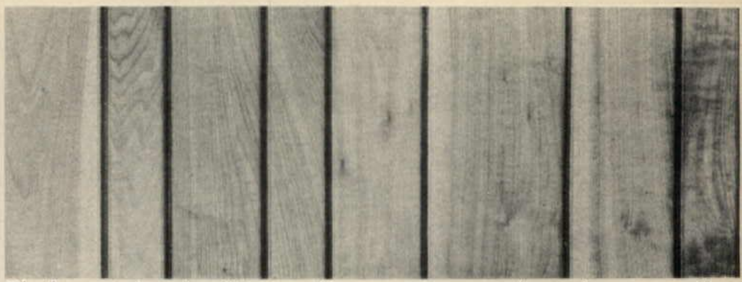
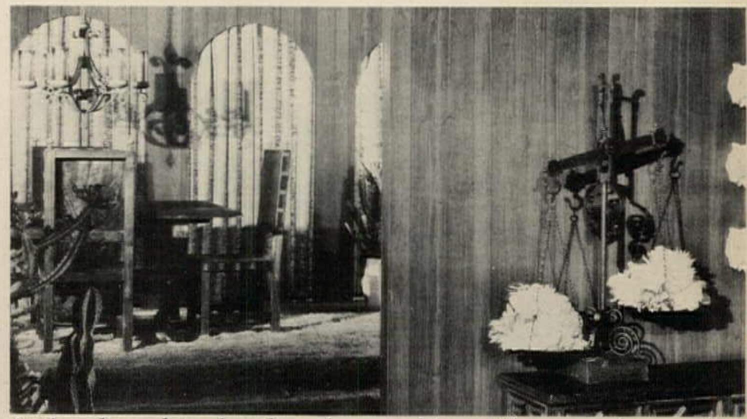
CIRCLE 84 ON READER SERVICE CARD



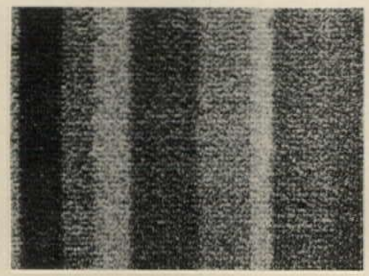
Textured tiles, shown here on a to-the-ceiling tub/shower wall, are varied in surface (*inset*), glaze, and color. Combinations are ivory on brown, yellow on gold, blue on blue, gray-green on brown. The 4¼"-square tiles, may be teamed with solid color floor tiles. American Olean, Lansdale, Pa.
CIRCLE 210 ON READER SERVICE CARD



Black grooving in this paneling creates a plank effect. The ½" grooves set off the wood-like tones of oak, walnut, birch, and driftwood. Panels have an acrylic coat to protect them from scratches, fading, and household chemicals, are 4' x 8', install with adhesive. Georgia-Pacific, Portland, Ore.
CIRCLE 211 ON READER SERVICE CARD

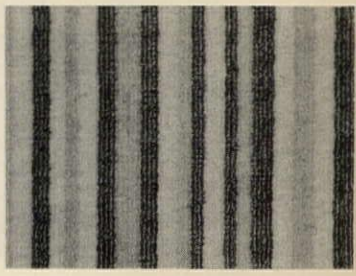


Antiqued wood is what these decorator panels look like. The 4' x 8' panels can be used for full walls as shown or as accents. Available in white, gold, blue, green, and red in a wide range of tones, they have random-spaced beaded grooves, stress marks, and a crackled finish. Masonite, Chicago.
CIRCLE 212 ON READER SERVICE CARD



Wall carpeting is not the same as floor carpeting. Spun of a lighter weight modacrylic fiber, it has no secondary backing, and comes in 5' widths. But it retains the acoustical and insulating properties of carpet and compares, in maintenance and cost, to vinyl wallcoverings. Lees, Norristown, Pa.
CIRCLE 213 ON READER SERVICE CARD

Soft walls are possible with this tufted nylon carpeting. Somewhat thinner than floor products, it has a polypropylene backing like outdoor versions (so can be used on concrete walls without mildewing) and a fire-retardant undercoat. Solids or stripes in five colors. Barwick, Chamblee, Ga.
CIRCLE 214 ON READER SERVICE CARD



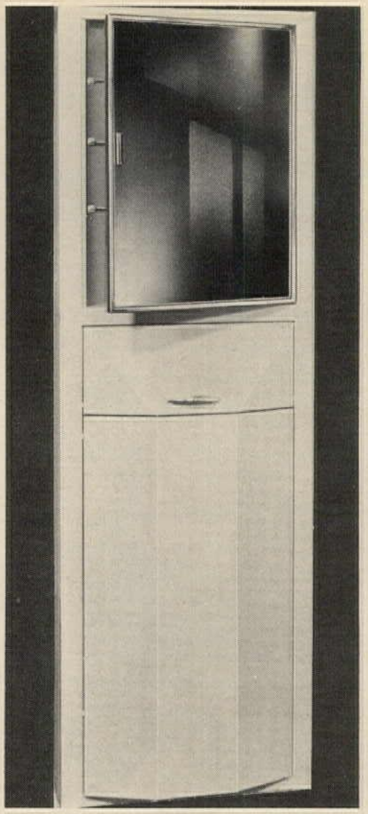
Flocked paper is washable because it is acrylic on a vinyl-coated paper. This art nouveau pattern of stylized waves is just one of 21 designs and 72 styles in stainproof, mildew- and fungus-resistant, non-allergenic, washable flock papers. It is pretrimmed to 27½". Birge, Buffalo, N.Y.
CIRCLE 215 ON READER SERVICE CARD

Wet-look paper is fabric-backed vinyl for strippability. Large-scale flowers come in three tropical colorways, each with yellow and shiny white: one has royal blue, greens, and red; another has pink, orange, and tan; the third has turquoise, blue, and celadon. James Seeman, Garden City, N.Y.
CIRCLE 216 ON READER SERVICE CARD

Patterned laminate reproduces a woven grasscloth and is designed for use on countertops, cabinets, desk tops, walls, etc. It comes in copper, avocado, spice, and gold to go with today's major appliances and will harmonize with the manufacturer's solid laminate colors. Formica, Cincinnati, Ohio.
CIRCLE 217 ON READER SERVICE CARD

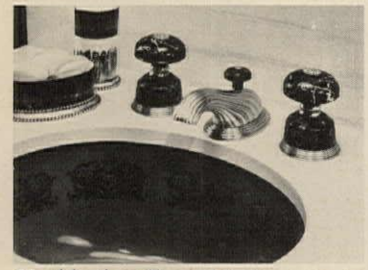
Textured laminate not only has the appearance of leather, it has a three-dimensional surface that feels much like leather. It can be used on walls, cabinets, and countertops for a luxury look, comes in colors that go with manufacturer's smooth-surfaced laminates. Ralph Wilson, Temple, Tex.
CIRCLE 218 ON READER SERVICE CARD

Theatrical lights enhance this mirror. Lighting strips go just across top or on three sides, come in lengths to fit mirrors 24", 30", 36", or 48" long and in gold or silver aluminum to match white-and-gold, gold, or silver wood frames. Overall height is 33" including lower cosmetic cabinet. General Bathroom Products, Elk Grove Village, Ill.
CIRCLE 219 ON READER SERVICE CARD

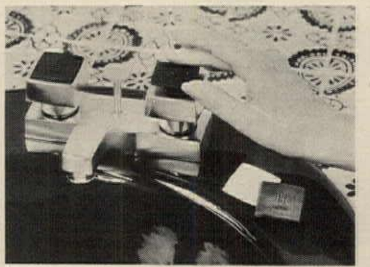


Built-in hamper provides extra medicine storage in its upper cabinet. Placing the unit opposite another mirrored cabinet provides two-way viewing. Overall dimensions: 19⅜" wide, 60¾" high, 7½" deep. The mirror is 16" x 22". G.M. Ketcham, Glendale, N. Y.
CIRCLE 224 ON READER SERVICE CARD

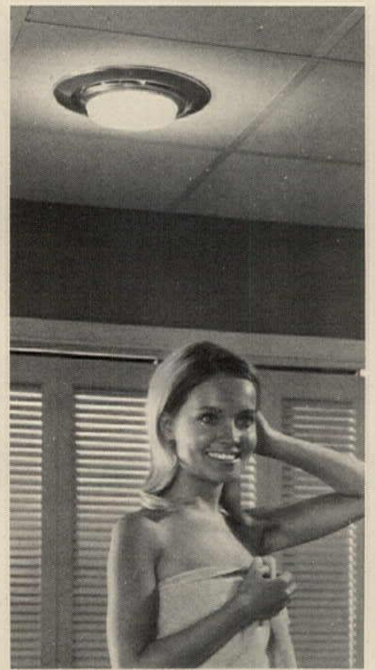
Low-profile toilet is only 19" high. Tank and bowl are one piece of white or colored vitreous china. Unit comes with easy-to-clean bolt caps, a non-overflow feature, and a rim that will take all standard rounded-front seats. Universal-Rundle, New Castle, Pa.
CIRCLE 225 ON READER SERVICE CARD



Marble handles add elegance to these decorator faucets. Round or lever handles can be ordered in eight marbles or onyxes with matching drain knobs, bath and shower fixtures, and harmonizing bowls. Fluted spout and trim are satin gold. Gerber, Chicago.
CIRCLE 220 ON READER SERVICE CARD



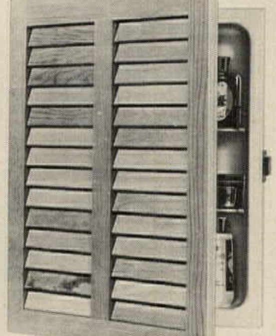
Interchangeable inserts convert these contemporary faucets in an instant from walnut to teak to ebony to white. The four types of inserts are included with each set of faucets and harmonize with the brushed or polished chrome or gold fittings. Kohler, Kohler, Wis.
CIRCLE 221 ON READER SERVICE CARD



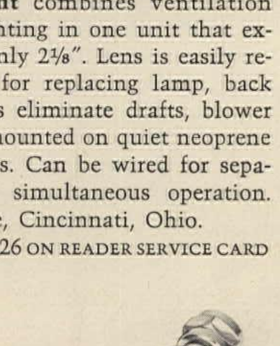
Fan/light combines ventilation and lighting in one unit that extends only 2⅛". Lens is easily removed for replacing lamp, back dampers eliminate drafts, blower fan is mounted on quiet neoprene cushions. Can be wired for separate or simultaneous operation. NuTone, Cincinnati, Ohio.
CIRCLE 226 ON READER SERVICE CARD

Recessed fixture combines several functions: it dispenses any kind of towels and/or soap and acts as a waste receptacle with or without disposable bags. Of stainless steel with tumbler locks and heavy-duty piano hinges, the unit needs little maintenance. Steiner, Chicago.
CIRCLE 227 ON READER SERVICE CARD

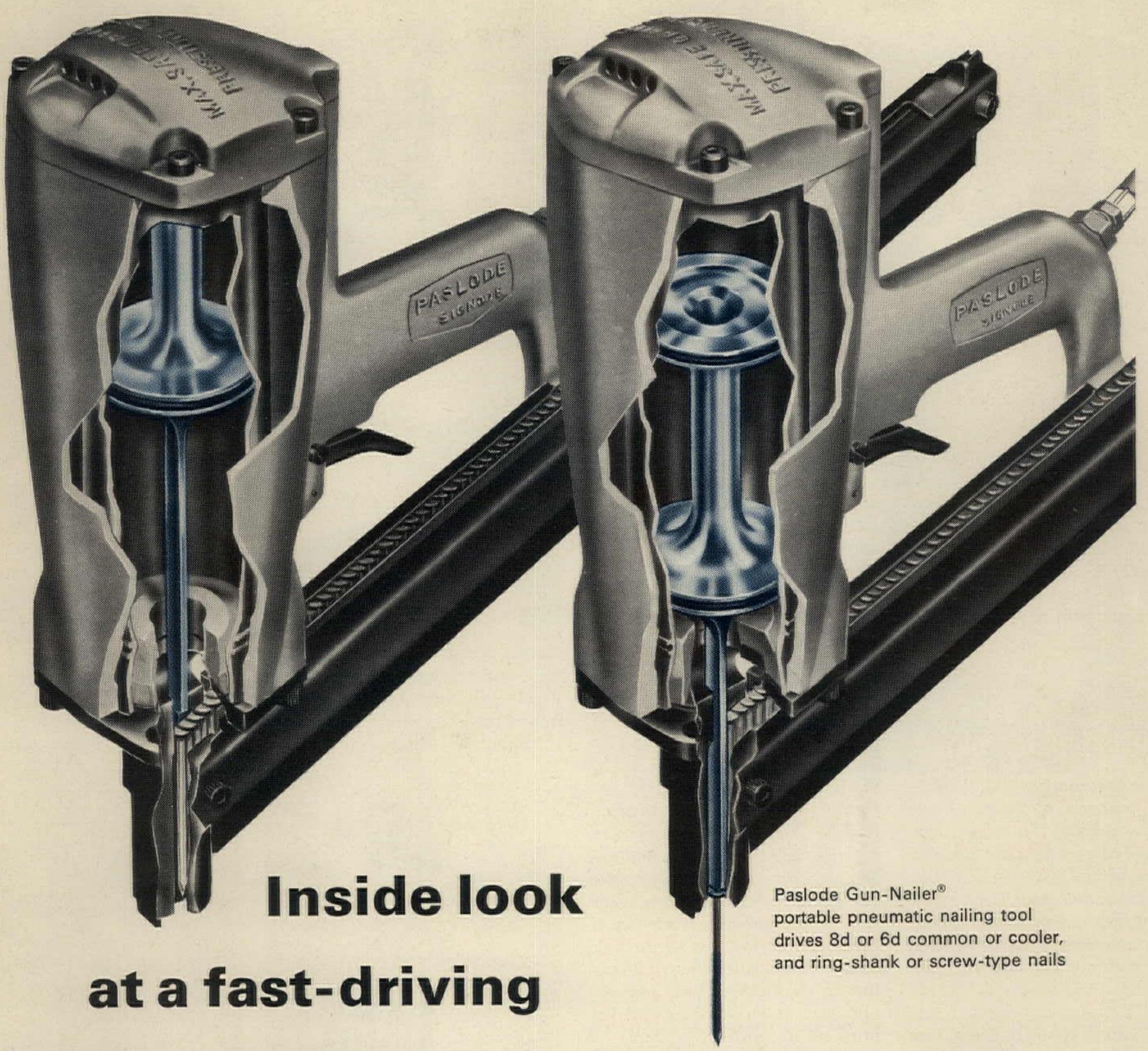
Non-fouling pop-up drain has no internal linkage system to jam or corrode. Its pre-set external cable is never in contact with water, so needs little or no maintenance, leaves overflow and drain clear for faster flow. Alsons, Somerset, Mich.
CIRCLE 222 ON READER SERVICE CARD



Louvered door for this 14" x 18" medicine cabinet is one piece of high-quality plastic alloy molded to look and feel exactly like wood. It also takes all the same finishes, but can't warp, rot, split, discolor, or be harmed by acids or alcohol. Grote, Madison, Ind.
CIRCLE 223 ON READER SERVICE CARD



On/off showerhead allows bather to set hot and cold faucets once, then control both volume and pattern without altering temperature. A single lever goes from coarse to fine to off (caulk or cement used on threads will eliminate leaks in off position). Chatham, Linden, N. J.
CIRCLE 228 ON READER SERVICE CARD



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Inside look at a fast-driving success story

POW! The Gun-Nailer® drives 7,000 8d (2½") or 6d nails an hour. (That's 50 pounds of 8d nails!) Every nail gets whacked with 16 G's of force. Air power does it. Air at 80 psi drives and returns the piston and blade assembly, shown in the drawings above, as fast as the operator can trip the tool.

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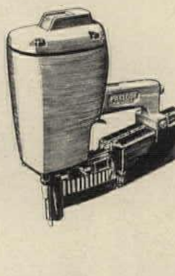
Stallion® portable power nailer drives 16d (3½") nails—common, box, sinker, ring shank, screw-type. Model SS-25 drives 2½" or 2¼" pallet nails into hard woods.



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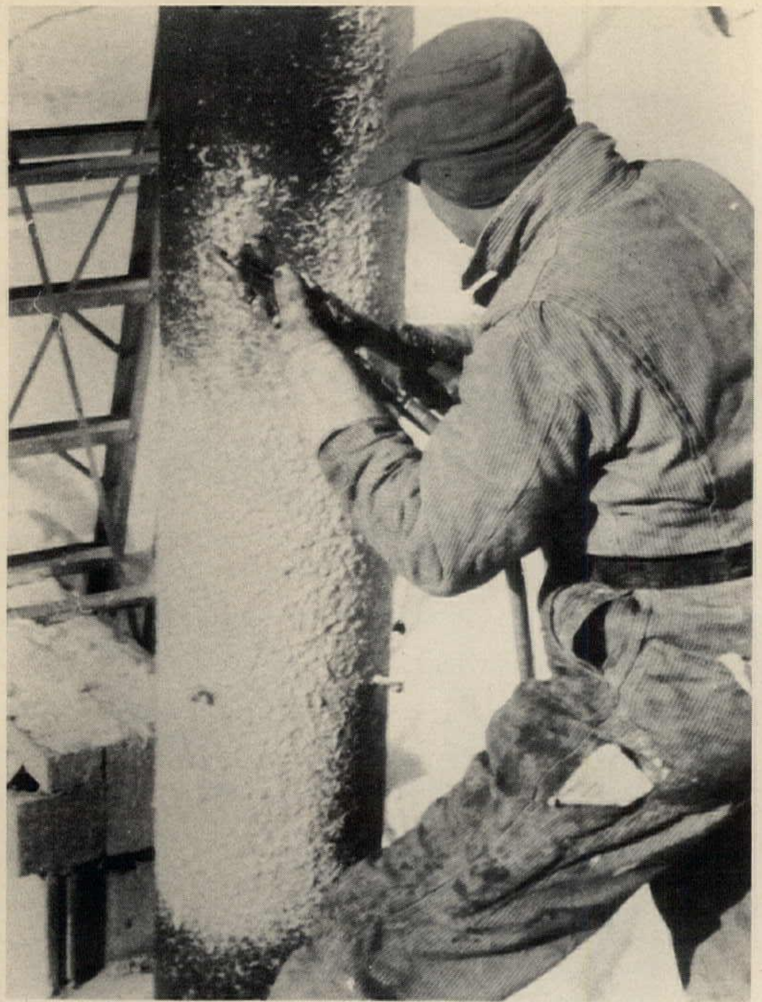


Spray-on fireproofing is *not* a pollutant, contains no harmful asbestos particles. It is a mastic that is applied like paint, forms a hard durable surface that isn't brittle, won't chip, only dent, will foam up when exposed to flame. Cost—and fire rating—varies with the number of coats used. At ½" thick it provides two hours of protection, is comparable to concrete, gunite or plaster. Manufacturer recommends its use in townhouse garages where it can be used, even in freezing temperatures and without a mask except for fumes. Albi, Rockville, Conn.

CIRCLE 233 ON READER SERVICE CARD

Carpet cement is waterproof, does not weaken with age, permits a double-jute-backed carpet to be removed easily. In direct-to-the-floor installations, on plywood, concrete, or tile, it eliminates the cost of a pad, reduces installation time. There is no shifting or buckling. Lees, Norristown, Pa.

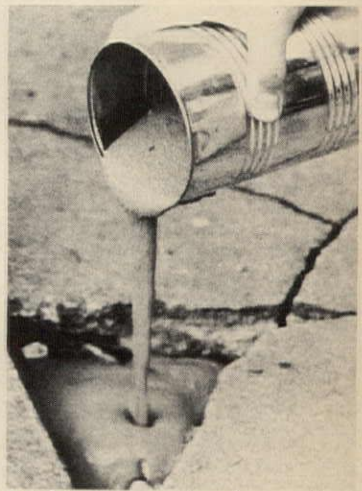
CIRCLE 229 ON READER SERVICE CARD

Transparent stain for the rustic, rough-sawn look, will bring up the grain (instead of concealing it like paint), costs less to apply and maintain. Stain can never crack, peel, or blister, and comes in a wide variety of colors—35 to be exact—including blues, greens, reds, browns, and grays. Samuel Cabot, Boston, Mass.

CIRCLE 234 ON READER SERVICE CARD

Mortar-like cement expands as it sets, forcing its way into every crack, and will never shrink. It provides a permanent leakproof seal around tubs, showers, toilets, and sinks, can be used on tiles, marble, stone, or masonry, is not affected by hot water or steam. X-Pando, Long Island City, N.Y.

CIRCLE 230 ON READER SERVICE CARD



Patching cement, when mixed with water and poured into broken areas of concrete walks, driveways, patios, or basement floors, expands as it sets, reduces repairs to minutes, and repairs are permanent. Cement can also be used to anchor posts, appliances, or fences. Stadri, Whitestone, N.Y.

CIRCLE 231 ON READER SERVICE CARD

Wood adhesive shown here being applied directly to joists, will form a high-strength bond with a single-layer plywood floor that will become in effect, an integral T-beam structure, could increase floor stiffness by up to 70% over a conventional flooring system using two plywood layers. Result: reduced labor and material costs. 3M, St. Paul, Minn.

CIRCLE 235 ON READER SERVICE CARD

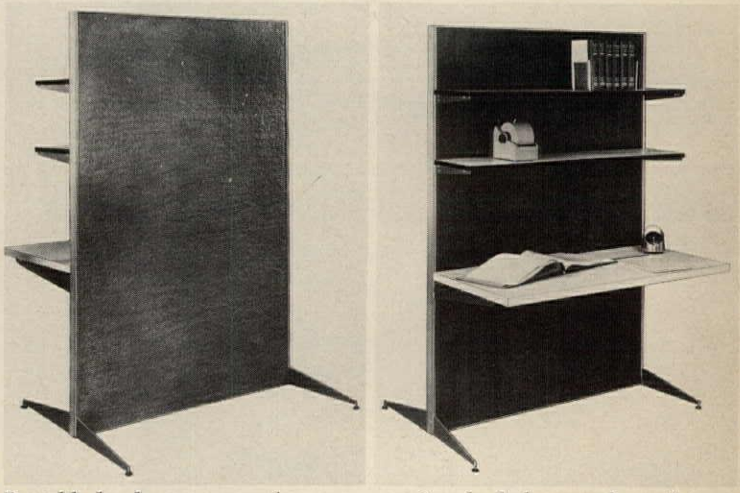
Three-dimensional wood finish brings up the natural grain, color, and texture of wood, gives the appearance of depth. Stain comes in 16 colors; stains, fills, and seals in one application. Clear plastic coat adds long-lasting diamond-hard protection to floors, doors, cabinets. Flecto, Oakland, Calif.

CIRCLE 232 ON READER SERVICE CARD

Stair with a Flair Introducing a glamorous wood and steel spiral stair to fit anywhere in your home! Handsome wood treads and handrail are factory pre-finished in oak or redwood. (Composition available for carpeting.) Handrails are wood and balusters are topped with polished solid brass balls. Assembly is simple because individual stair treads slip easily into position on pre-drilled central column. Most homeowners can complete installation in a matter of hours. Unit requires no welding and is available in a variety of sizes and prices to fit your specifications. For further information write direct to American Panel Products, Inc., 1735 Holmes Road, Ypsilanti, Michigan 48197.

CIRCLE 88 ON READER SERVICE CARD

PERT/CPM kit for construction managers includes a reference manual and a workbook of planning aids. The manual explains how to develop a critical path schedule with or without a computer, the workbook has forms for each step in the building process. Halcomb Assocs., Sunnyvale, Calif.
CIRCLE 243 ON READER SERVICE CARD



Portable landscape screen has one side carpeted (*left*) to reduce noise, the other paneled in a laminated particle board. Aluminum uprights conceal bracket supports for optional shelves and work surfaces that turn the 48"-wide unit (*right*) into a work station. Modern Partitions, Holland, Mich.
CIRCLE 244 ON READER SERVICE CARD

Modular wall system combines freestanding partitions of varying finishes and sizes in a variety of ways. The system, based on an inexpensive polyethylene connector, is disassembled by cutting the connectors. New ones are used to reinstall panels, shelves, and work surfaces. Panels come 30" or 36" wide and 42", 54", or 72" high. Panaloc, South San Francisco.
CIRCLE 245 ON READER SERVICE CARD

CIRCLE 89 ON READER SERVICE CARD

LITERATURE

Flooring. Hardwood floors are always attractive to home buyers. A new brochure illustrates and describes a complete line with such names as Continental, Domino, Herringbone, Haddon Hall, and others. Add durability, beauty, and buyer-appeal to the homes you build. Harris Manufacturing Co., Johnson City, Tenn.
CIRCLE 300 ON READER SERVICE CARD

Maintenance. Maintaining a home is as important as building it well in the first place. A 48-point checklist compiled by the Small Homes Council-Building Research Council of the University of Illinois outlines key areas inside and outside a home that should be checked regularly to avoid major and costly repairs. Single copies are available at 15 cents from the Small Homes Council—Building Research Council, 1 East St. Mary's Road, Champaign, Illinois 61820

Heated pools. A new illustrated brochure explains installation and operation of a compact swimming pool heating unit. Capacities range from 12 KW to more than 60 KW and can heat pools up to full Olympic size. Electric heat is clean and efficient. CAM Industries, Inc., Kent, Wash.
CIRCLE 302 ON READER SERVICE CARD

Protection. Floors, walls, doors, desk-tops can be attractively protected from scratches and stains by using an acrylic covering. A recent brochure illustrates and describes the merits and uses of Plexiglas and Kydex in schools, offices, and plants. Rohm and Haas, Philadelphia, Pa.
CIRCLE 303 ON READER SERVICE CARD

Heating. Several styles of baseboard, floor, and wall hot water electric heaters without plumbing are illustrated in a 16-page brochure which also includes complete information about size, installation, and safety features of the line. These heaters are economical, clean, safe, and efficient. Intertherm Inc., St. Louis, Mo.
CIRCLE 304 ON READER SERVICE CARD

Annual H&H indexes

Copies of House & Home's editorial indexes for 1965, 1966, 1967, 1968, and 1969 are still available. Each is an eight-page, cross-referenced listing of subjects covered that year by this magazine. To get copies (there's no charge) write to: Reader Service Dept., House & Home, 330 West 42nd St., New York, N.Y. 10036.

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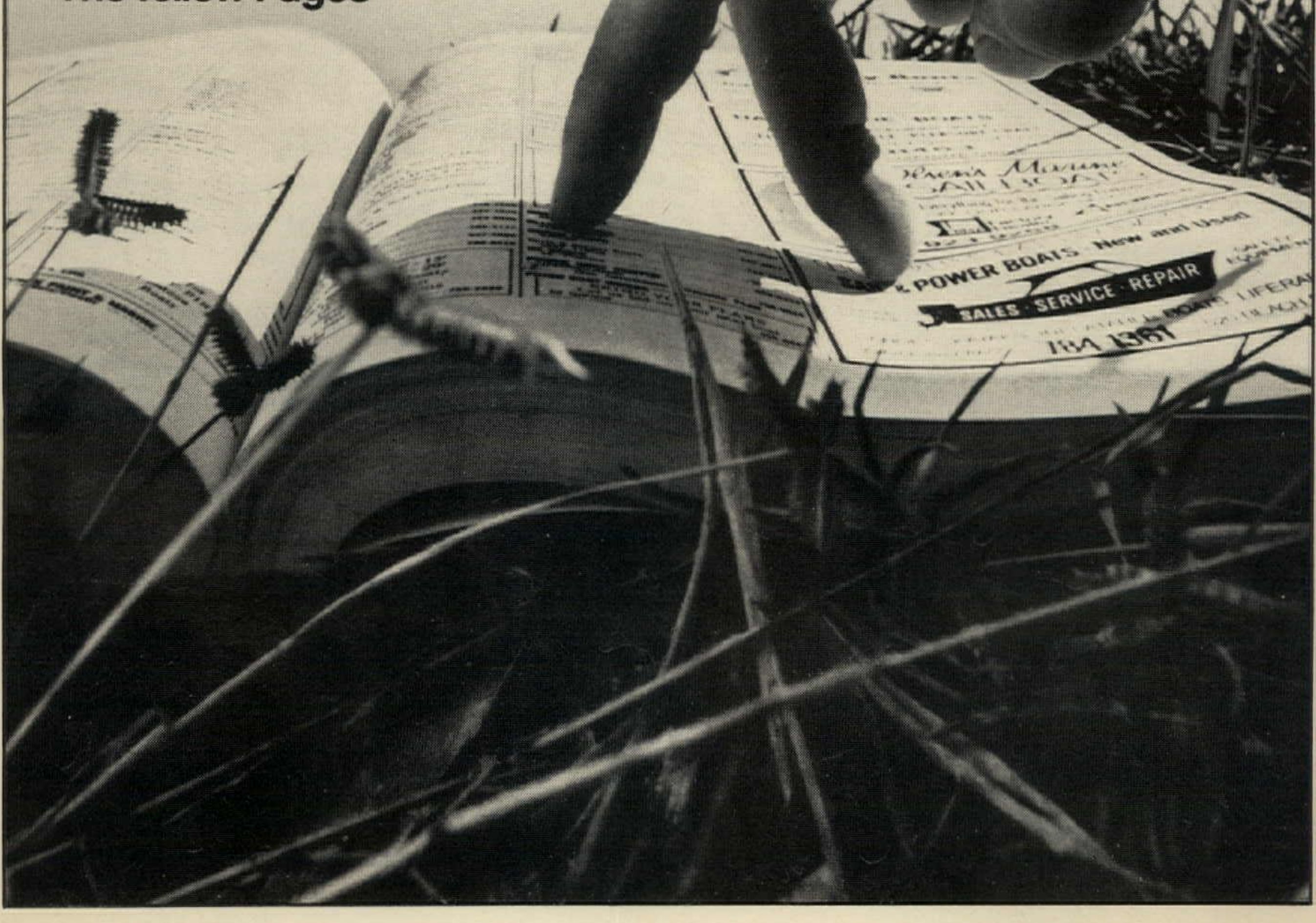
The Yellow Pages



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N denotes North Central edition
E denotes Eastern edition
S denotes Southern edition
SW denotes Southwest (Swing)

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Glen N. Dougherty
1375 Peachtree St. N.E.
(404) 892-2868

BOSTON 02116
David Persson
McGraw Hill Bldg.
607 Boylston St.
(617) 262-1160

CHICAGO 60611
Karl Keeler Jr.
James R. Schaffer
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(312) 664-5800

CLEVELAND 44113
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DENVER 80202
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". . . and with Armstrong, it all comes true—from help in merchandising, to good distribution, to the right patterns."

When you're in the construction business, there are plenty of good reasons to use brand-name products. So Jim Ryan—President of The Ryland Group, Inc. —sticks with the top brands because he knows they offer quality and a lot more. This means a great deal in the Ryland Homes built in the new city of Columbia, Maryland (Ryland has built over half of them), as well as homes built in Reston, Virginia, and the Baltimore-Washington area.

He knows also that when he uses Armstrong floors in his town houses and homes, he's getting the full-line, full-service capabilities of the world's leading manufacturer of resilient floors.

At Armstrong, we maintain a line that offers a wide choice of traditional stylings as well as innovations that are right in step with the newest trends. And because we have the broadest selection of materials as well as styles, you can find the right floor for the right price . . . a floor that helps you sell homes.

Then there's advertising. Home-buying prospects are constantly seeing Armstrong floors in national magazines. And when they step into your homes and see them as part of the total package, they know you care a lot about the overall quality of a very important investment.

If you'd like to know more about the floors we make and how they can be put to work for you, let us send you more information along with our color-scheme kit. Just write to us: Armstrong, 308 Sixth Street, Lancaster, Pa. 17604.

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