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FEATURES

56 Is the land-use problem finally getting the action it demands?—an editorial
58 Impact zoning may be a way out of the land-use impasse
68 Housing men get a cram course in the whys, wheres and hows of PUD
70 How to find raw land in the right place and make the best deal
74 Nine custom-house winners from the Homes for Better Living program

NEWS

4 From Miami Beach: McGovern's plans for housing
9 And his proposals for revamping the economy
12 And his plan to campaign against President Nixon on issues of the cities
16 Ginny Mae and her security: She has trouble luring new spenders
20 Mortgage futures market starts trading this fall
20 A builder who no longer has House for a home
24 Federal Reserve takes closer look at banks with ties to realty trusts
24 New York state forcing poor men's homes into rich men's countryside
36 A high-density project that had to be buffered from its neighbors
40 NAHB's latest research house: a new collection of old ideas

DEPARTMENTS

28 Housing stocks prices
44 The merchandising scene
Decorating the master bedroom has become a whole new art
48 Letters
94 Products
106 Job market
107 Readers' service card
126 Literature
128 Advertisers' index

Cover/Two maps showing results
of an impact-zoning analysis at Bern Township, Pa.
For story, see page 58.

From Miami Beach

McGovern's housing stand: some rough planks that still need nailing down

UPI PHOTO

Lighter moment brings Senators McGovern and Thomas Eagleton together after latter's selection as vice presidential candidate.

The Senator's position is a far cry from the Marshall Plan for Our Cities that Hubert Humphrey announced in 1968. Some of McGovern's economic advisers, in fact, even give the impression that housing has low priority in 1972.

"It has not been a primary thrust," said MIT's Edwin Kuh, one of the top architects of McGovern's economic plan.

And another economic adviser, Harvard's John Kenneth Galbraith, said: "You couldn't ask anybody who was in a deeper state of ignorance on the subject than I."

This apparent lack of interest is misleading, however. "Rebuilding our cities" and "bad housing" were among the problems McGovern attacked when he announced his candidacy back in January 1971, and he was still attacking them when he accepted the nomination in July 1972. It is not that he lacks a housing program, but that he views housing as one aspect of the problems of unemployment, tax inequities and reordering the nation's priorities.

Federal contracts. One solution he favors would be to contract with private industry to provide housing and employment. Says a key aide:

"We're going to have a direct government cash outlay, just like Pentagon contracting, for such things as housing and urban development."

Economist Kuh expands:

"To get an adequate housing supply," he says, "builders must have a decent rate of profit. Our plan would resemble a subsidy to builders without going through the complicated pyramiding tax shelter route."

These ideas have not yet crystallized into a plan. In fact, now that McGovern has won the nomination, thinking on many of his economic proposals is shifting *[Page 9]*. But until he issues more definite plans, only his present statements can show which way the winds of change would blow if he were elected.

Housing grants. McGovern has suggested a housing allowance to accompany his minimum taxable income grants. The buyer or renter could choose between a one-time capital grant, to rehabilitate an existing residence or to meet the downpayment required for conventional financing, or stretched-out assistance to help with rentals or federally guaranteed loans.

McGovern's controversial income redistribution plan could stimulate housing by putting money in the hands of people who do not now have it. And as it would replace welfare, local governments would save an estimated $5 billion. McGovern wants this money used to reduce property taxes. He has also devised a generous revenue-sharing program to induce states to switch from property to income taxes.

Here again, the McGovern camp emphasizes that these are just preliminary plans.

City over suburb. Looking at housing from another angle, McGovern feels that the nation has mistaken its priorities, and that it has been spending too much in the suburbs and too little in cities and rural areas.

His first priorities in dealing with the cities would be to regulate mortgage banking so that buyers will no longer be bilked into paying more than they can afford; to end sweetheart arrangements between FHA and realtor-appraisers; and to eliminate the discount system on FHA loans.

But then he proposes some "fundamental new directions," which would include ending the exclusive power of private developers, speculators, brokers, dealers and mortgage banks to decide where livable housing will exist and who can occupy it; increased government participation in building communities, such as direct federal investment in land to develop small satellite communities adjacent to major cities; and reductions in the local property taxes to finance education with the federal government assuming at least one-third of education costs.

Rural program. McGovern sees "the continuing neglect of rural America as the single most important factor in the impending crack-up of our cities," and he feels that federal programs should be designed to reverse the flow of people from rural to urban areas. He proposes a Rural Housing Development Administration charged with providing decent housing and sanitation in all towns of 25,000 people or less within the next five years; increased construction of federal facilities in communities with less than 50,000 people; and ways to make rural areas more attractive.

Financing. Tax reforms and defense cutbacks would contribute $60 billion a year toward these programs, according to present calculations. However, private construction would also be encouraged.

"You have to have ample liquidity and moderate interest rates to get the correct supply of housing," says Kuh.

The McGovern economic team is critical of the policies of the late sixties that caused housing funds to dry up as monetary clamps were applied.

"We'd never do it," says one top-level adviser.

The McGovern economists believe that interest rates will come down if there is a return of dollars from abroad, as inflation slows and if the Federal Reserve maintains an adequate money supply. If this does not happen, however, they would not freeze interest rates but, rather, offer direct government subsidies for certain kinds of loans, including housing.

Inflation. Some form of wage and price restraints is acceptable to McGovern to control inflation. He also proposes issuing a series of notes with purchasing power guaranties to lessen the impact of inflation: savings bonds for individuals, medium-term nonmarketable notes for banks and thrift institutions and long-term nonmarketable bonds for pension funds and insurance companies.

Future. The architects of McGovern's economic policies have gone back to the blueprints to shore up some of the shaky planks, such as income redistribution, that form the foundation of his housing stand. They must also make room for the views of the Vice Presidential nominee, Senator Thomas Eagleton, who disagrees with McGovern on how far the defense budget can be cut and believes an income tax hike is needed to finance the new domestic programs. However the basic philosophy that government should play a major role in housing, and that housing should be a prime beneficiary of defense cuts and tax reform, is unlikely to change.

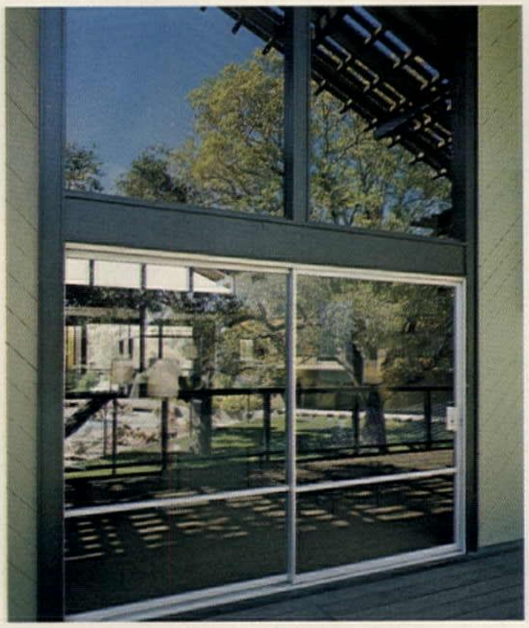
—NATALIE GERARDI

2 The front-door merchandiser. A totally glass enclosed vestibule and waiting room in an apartment building are unique design details that can be a successful front-door merchandiser.

3 The year-round pool. A retractable glass wall creates an indoor-outdoor pool; makes year-round bathing possible.

7 The spacious owner's suite. A full structural mirror wall in this townhouse bedroom doubles the spaciousness.

8 The sunlit townhouse. This entire two-story townhouse plan is designed around a glass-enclosed atrium-type courtyard. ▶



10 The dramatic stairwell. A private court turns inward to brighten this entry and stairwell, as well as inside rooms.

11 The effective environment. Glass walls overlook a private patio and pool. An effective technique for merchandising the environment.

KEY TO PHOTOS: **1, 8:** Coronado Cays, San Diego, Calif. Developers: Cedric Sanders Corp. and Signal Properties, Inc. **2, 6, 11:** Oak Creek, San Francisco, Calif. Developer: Gerson Bakar & Assoc. **3:** Sixty-01, Seattle, Wash. Developer: W-O Associates. **4, 5:** The Meadows, Los Angeles, Calif. Developer: Ring Brothers Corp. (a subsidiary of Monogram Industries, Inc.) **7:** The Bluffs, Newport Beach, Calif. Developer: George M. Holstein & Sons. **9:** L'Atriums, Dallas, Texas. Developer: Devane Clarke & Assoc. **10:** University Park/Village Three, Los Angeles, Calif. Developer: Stanley C. Swartz Co.

PPG: a Concern for the Future

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From Miami Beach

McGovern to campaign on charge that President Nixon neglected the cities

George McGovern did not become the candidate of the traditional Democratic party—of labor, the Negroes and the other minorities—before the Miami Beach convention. Both his primary campaign and most of the convention demonstrated that the Senator's delegates had their attention fixed elsewhere.

The crisis of the cities, the evolution of urban-suburban relationships—all that was scarcely their concern.

"The citizen of the central city has become America's forgotten man," warned Mayor Henry Maier of Milwaukee in a speech on the night of McGovern's nomination, and his words amounted to an admonishment of his own convention.

New direction. That apparent lack of interest in urban issues may have been deceiving.

In 1972 there had been nothing like the urban riots of 1968 to command attention. And in the primaries there was no significant difference and certainly no clash between the rivals on the subject of urban and housing policy. It was altogether a different ball game.

Things will be different once the Republicans wind up their own convention (Aug. 21-23), and the general election campaign gets under way.

As any Democrat would, McGovern will assail the Nixon Administration for short-changing the cities, for underfunding mass transit, for falling short of housing goals. In the words of the party platform:

"This Administration has ignored the cities and suburbs, permitting taxes to rise and services to decline; housing to deteriorate faster than it can be replaced; and morale to suffer. It actually has impounded funds appropriated by a Democratic Congress to help cities in crisis."

Contradictions. It will not be an easy case to make, certainly not on all fronts. Although the housing industry shuddered under tight money in 1969-70, housing starts have been booming ever since. In fact, housing was the cutting edge of the recovery from the 1970-71 recession and has been the strongest single element in that recovery.

But McGovern has his own spin on the issue: a detailed demand for a reordering of priorities away from defense spending and foreign military aid and toward domestic spending.

FRED WARD, BLACK STAR

How builder-delegates size up George McGovern

Steve Porter, Wellesley, Mass. *(left)*: "His tax reform proposals would benefit the industry because they would benefit the individual who has been unable to get shelter. But I'm not a McGovern man because of any vested interests."

Kelly Castleberry, Charleston, W.Va. *(right)*: "I believe he's for adequate housing, but I hope he does away with discounting of loans. This would generate new business."

Wes Watkins, Ada, Okla.: "Most people don't trust his economic policy, and I'm concerned about this. I'll probably campaign for him, but I want to see his economic program first."

Whatever the national security merits of McGovern's proposal for cutting the Pentagon budget back to $54.8 billion by fiscal 1975—and President Nixon will attack it as irresponsible just as Senator Hubert H. Humphrey did during the California primary campaign—McGovern does have at least a generalized proposal for how he would redirect the spending. And large amounts of it would be devoted to housing and to the cities.

Housing contracts. McGovern would spend more on housing, and he would spend it in different ways. If he could win enactment of the proposals he has made so far—some of them in very general form—and if the attitudes reflected in his position papers are carried through into motion, he would spend more in the form of direct federal contracting. And he would tackle the question of how to keep housing financing from drying up in tight-money situations.

But once he is in office, a President McGovern might find his defense cutbacks and tax program rejected by Congress—as more than a few of President Nixon's 1968 campaign ideas have been. Or he might discover that his ideas did not hold up very well on examination by the civil service institutions which, despite all the sour jokes about bureaucratic sludge, represent a solid source of expertise in their own programs and areas.

In his first week in the White House Richard Nixon ordered the Treasury's tax experts to study, refine and send back recommendations quickly on implementing his campaign proposal for tax incentives to spur the rebuilding of the cities and the location of industry in lagging areas. When the Treasury got done explaining the complexity and ramifications of his own idea, it was very quietly discarded by the White House.

DENNIS BRACK, BLACK STAR

Floor show features interview of Senator Ribicoff by HOUSE & HOME's Bruce Agnew.

Pitfalls. Finally, if McGovern did win Congressional approval of his tax-reform ideas and his income redistribution plans—neither of which had been fully worked out by McGovern's aides right up to convention time—he might well discover that the programs did not operate as he expected.

Large segments of the business community fear McGovern because of his economic proposals, and they are not reassured by his pledge to keep full employment as his top economic priority.

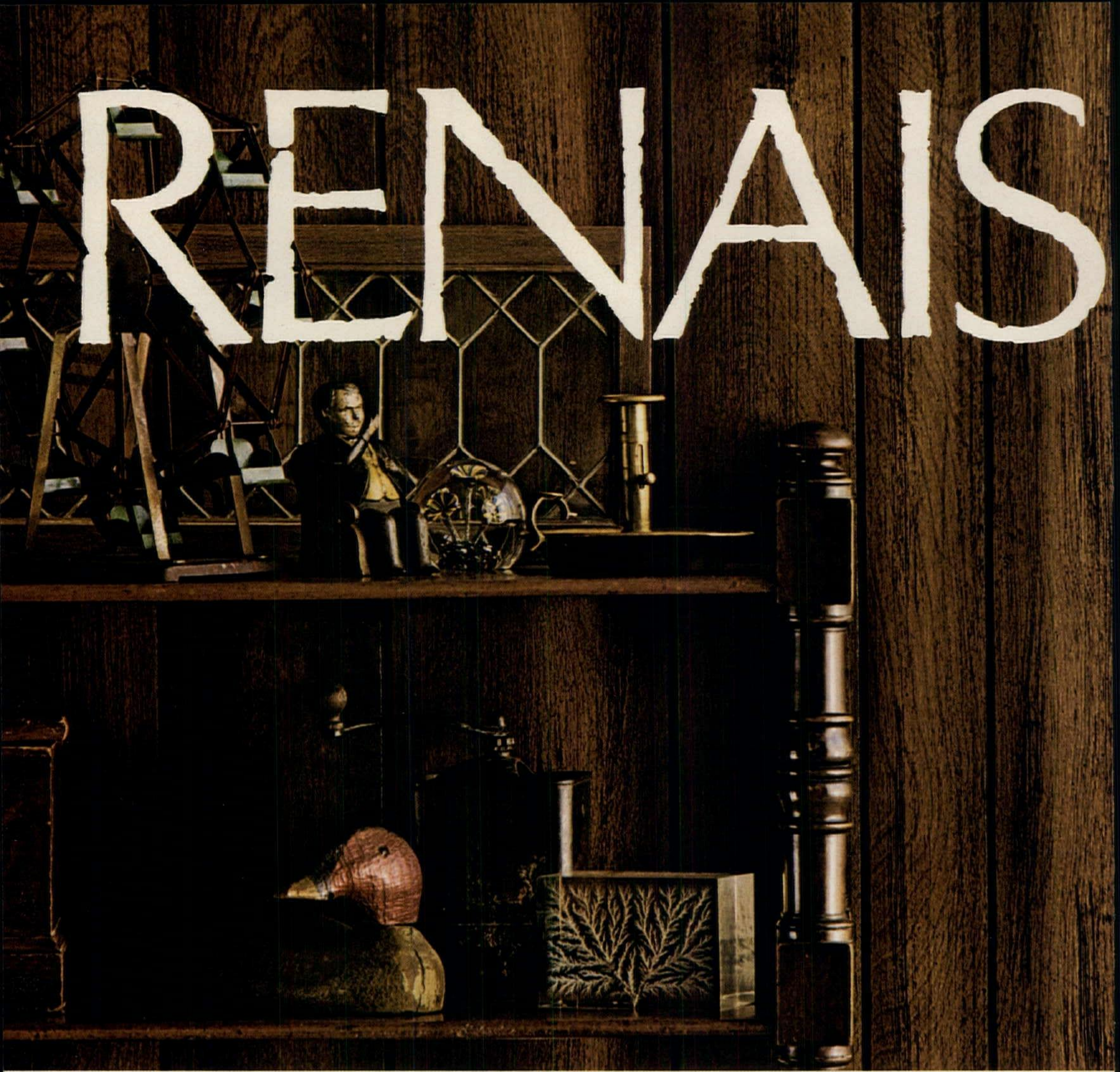
And stating a goal on the campaign stump—however sincerely—is easier than achieving it in office. Richard Nixon, after all, promised to end inflation without creating unemployment—and during much of his term, his policies were achieving precisely the opposite effect.

The odds. McGovern doesn't have to worry about that yet, of course. He has enough to worry about, as the fall campaign approaches, in bringing important and skeptical elements of his party into line behind his candidacy, in financing a campaign without—most likely—the support of traditional Democratic contributors in the business community and in overcoming the strong overtures that President Nixon has been making to powerful elements of the old Democratic coalition.

The political odds are overwhelmingly against him. By all the standard analyses of political forecasting, George McGovern will never have a chance to test his housing or any other proposals.

But 1972 has been a bad year for political forecasting. The odds against McGovern's winning are no higher than were the odds, just five months ago, against his winning the Democratic nomination.

—BRUCE AGNEW
McGraw-Hill World News
Washington


RENAIS

Ginnie Mae and her security: She has trouble attracting new spenders

After more than two years in the market place, the newfangled mortgage security known as the pass-through has developed into a paradox. It is doing better—and yet worse—than was hoped when the first issues were floated in February 1970.

Two years earlier, Congress had authorized the Government National Mortgage Assn. (Ginnie Mae) to guarantee a security backed by pools of new FHA-VA mortgages. Private mortgage dealers could market these securities in amounts of $2 million or more, first in denominations of $100,000 but later in shares as low as $25,000.

The pass-through's novelty was in its difference from a mortgage bond, which merely paid interest to its buyer semi-annually. The issuer held back the income from payments of mortgage interest and principal, using this to redeem the bond at maturity.* The pass-through security passed through to its purchaser all interest and part of the principal due on the pooled mortgages each month, and the investor was guaranteed this cash flow whether such interest and principal were collected or not. This Ginnie Mae guaranty was the main reason for the security's popularity.

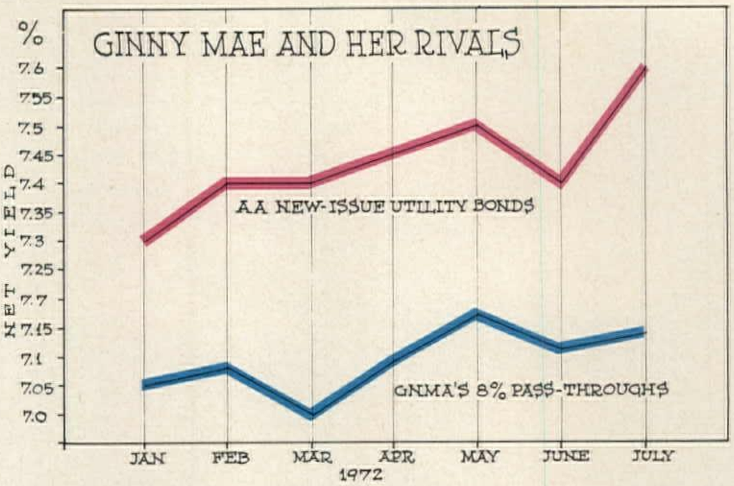
The point of all this was to draw new money into mortgage finance to augment traditional housing money sources.

Toward $31 billion. In one sense the history of the pass-through has been dazzling.

"They've sold a lot more than they expected," recalls one former Ginnie Mae staffer. "They were talking about millions and now they have sold billions."

The pass-through outstandings already total $4.6 billion. Enthusiastic traders in pass-throughs like Stevens Sheppard—whose firm, F.S. Smithers & Co. of New York, is the second largest dealer in pass-throughs—can see a staggering $31 billion in outstandings by 1975.

Unfortunately, however, the bulk of pass-through buyers have come from the ranks of traditional suppliers of money



Four most widely traded GNMA securities carry interest rates of 6½% or 7% or 7½% or 8%, but the yield spread among all four seldom exceeds 20 basis points. The 8 percenters are usually compared with double-A utility bonds. Chart above, prepared by Salomon Brothers, contrasts average net yields on Jan. 20 and first day of each month thereafter. Yields assume 12-year payout on mortgages backing the GNMAs.

for the mortgage market.

This is a severe disappointment. From the outset Ginnie Mae's president, Woodward Kingman, had hoped above all to tap pension funds. He focused on the funds because they had a lavish $170 billion to invest and only $13 billion of it was in mortgage loans.

Little new money. However, after two years, only $236 million in pass-throughs has been bought by pension funds, and almost all of these few purchases have been made, not on an investment basis, but by state or labor pension funds seeking for social reasons.

Over all, the record on tapping new sources of mortgage money with pass-throughs is not quite so bleak. In fact, Kingman counts one third of the $4.6 billion as new money and holds that this is a better showing than might have been looked for. Commercial banks, credit unions and even individuals, who had seldom been in the mortgage market, are buying.

But the aggregate from these sources is small, and many in the capital markets argue with Ginnie Mae's claim that half of the pass-through purchases made by savings banks represent new money. They also doubt whether purchases by life insurance companies, made solely to meet quotas set by the industry for aid to the ghettos, represent much net new mortgage investment.

Danger signals. The real impetus spurring the mushrooming pass-through market has in fact been the demand from mortgage-oriented thrift institutions. Fortuitously, they happened to have been flush with surplus cash in the last few years. As a result, savings and loan institutions now hold 45.97% of all pass-throughs, and mutual savings banks have another 18.74%.

Says William Bradfield of Salomon Brothers, the big New York City bond house:

"This prompts a caveat. When money gets tight and savings-type institutions want to sell off their pass-throughs, who will buy? Insurance companies and pension funds could buy them. But, unlike S&Ls, these institutions can go anywhere to invest. And in a squeeze there will be sharp competition for their dollars."

Low yield. Why aren't the funds putting more money into pass-throughs right now, while money is still relatively easy?

Dealers in pass-throughs disagree on this score. William Simons of Salomon insists that the most important factor is a lack of resale liquidity. Sheppard claims that the pass-through has really become very liquid now—more so, he claims, than a triple-A bond—and the hang-up is simply yield.

"You want to get the teachers out in Iowa the largest pensions you can," says Sheppard, "and if a new issue of AT&T is going for 7.40 or 7.50, why buy Ginnie Mae pass-throughs at 7?" Simons argues that Washington should "stop freezing the FHA-VA rate at a fictitious and artificial level."†

Optimism. Kingman concedes that the government's effort to keep mortgage rates down is at variance with his own effort to attract new sources of mortgage finance. And he acknowledges that if S&Ls some day are forced to sell off their pass-through holdings, the yield in secondary market pass-through trading would certainly go up. But he hopes that "that will mean a better opportunity to draw in non-mortgage money." Meanwhile, the heavy purchases by S&Ls now, he says are "creating the secondary market that will help get the pension funds in."

Wide market. The breadth of the secondary market is one of the strongest points in favor of reaching a wider circle of investors. Daily trades run to $60 or $70 million, compared with $10 million a day for *all* types of Federal National Mortgage Assn. securities and $10 million a month for all issues of the Export-Import Bank. Among government securities the Ginnie Mae pass-through is in a class by itself.

Same old money. None the less, at this stage the major achievement of the pass-through has been to create a national mortgage-capital market, redistributing existing mortgage funds from the surplus-money areas to the deficit sectors.

The question is whether the financial markets will warm to the advantages it offers before the next cyclical scarcity of money. If so, the pass-through may have wider horizons.

It is already being used to finance multifamily projects, hospitals and even mobile-home sales. Next, mortgage bankers, who issue 84% of all pass-throughs, would like to use them to invade the two-thirds of the mortgage market underwritten with conventional rather than FHA-VA loans. But, while the future may be rosy, it is not yet at hand.

—Stan Wilson
McGraw-Hill News,
Washington

*The bonds are issued only by the Federal National Mortgage Assn. (Fannie Mae) and the Federal Home Loan Mortgage Corp. (Freddie Mac).

†Ginnie Maes return a lower yield than corporates, but their average return is the highest for any full-faith government obligation now actively traded.

CIRCLE 17 ON READER SERVICE CARD →

A market in mortgage futures will begin trading in Chicago this fall

The Chicago Board of Trade will team up with Citizens Savings & Loan Assn. of San Francisco to launch the new facility.

The main purpose is to let a lender give conventional mortgage commitments to builders at firm rates well into the future, a service that should provide the builder with more stable financing and the lender with more business.

The important aspect for the lender is hedging, or protecting himself against rate changes, and here's how that might work.

A developer hoping to build 30 houses to sell at $60,000 each wants assurance of $50,000 mortgages for them when they are finished in 1974. With no futures market a savings and loan would probably commit to make the mortgage loans—at whatever the market interest rate would be in 1974.

But under a futures program the lender makes a $1.5-million commitment at perhaps 7% for January 1974.

The lender then sells $1.5 million in mortgage futures—called selling short—at 7%, for delivery in January 1974. The lender has now collected $1.5 million.

If market's up. If the market interest rate has risen to 8% by 1974, the lender can turn around and buy offsetting mortgage futures—called buying long. There won't be much of a market for 7% futures in an 8% market, so he can buy the 7% futures at a discount. He buys at perhaps 90% of the price of the short sale, and for $1.35 million he gets futures with a face value of $1.5 million.

He is now covered, and he uses the futures to offset what he owes. Further, he has made $150,000, which recompenses him for what he lost by granting the builder a 7% commitment in an 8% market.

The builder looks good too. He has a 7% mortgage for his buyer in an 8% market.

If the market's down. If the market rate has sunk to 6%, however, the lender would have to buy any 7% futures at a premium above the $1.5 million he received in the short sale. He would lose money in covering.

The builder would forfeit his commitment, because he would not want to take a 7% mortgage in a 6% market. He would also forfeit the commitment fee he paid to the lender, and that would partly offset the loss the lender took in covering his short sale.

Both parties lose some money if the market interest rate falls.

The secret of hedging, of course, is to guess which way the market is going.

WELLS-FAGLIANO

President of Citizens S&L, Anthony M. Frank, converted association from federally chartered mutual to a capital stock company in February. Next—mortgage futures.

Benefits. The president of Citizens, Anthony M. Frank, recognizes the risks, but he still insists that both lender and builder will be better off in a futures market. He says the market will:

- Reduce the range of change in mortgage rates, because speculation in the futures market will tend to smooth out the tops and bottoms.
- Standardize rates throughout the country and eliminate regional differences.
- Standardize the mortgage instrument, which is necessary in order for it to be traded.
- Allow builders to obtain firm rate commitments far into the future.
- Assure lenders of deliveries for themselves into the futures, at a specified rate and time.

Requirements. Frank says any market demands a standardized product, or at least a product that can be standardized; some method for delivery in the rare instances where delivery is called for; price speculation, for the benefit of speculators; and users who have an inventory position that they want to protect. The mortgage market can meet all these requirements, he insists, and while the idea of trading mortgages in the commodities market is new, it should be as easy as trading grain or frozen orange juice. He pointed out that sophisticated builders are already doing the same thing with plywood.

Mechanics. Frank told the San Francisco Society of Security Analysts that Citizens had been chosen by the Board of Trade as the prototype S&L to help develop the market.

The Federal Home Loan Bank Board's mortgage arm, the Federal Home Loan Mortgage Corp., had asked Richard L. Sandor, professor of commodities at the University of California's graduate school at Berkeley, to make a study of a futures market, and he has consulted several lenders in the mortgage profession. He has been using Citizens' portfolio to set up a standard grading system for mortgages.

Sandor is moving to Chicago to become vice president and chief economist for the Board of Trade, and he has asked representatives of savings and loans, banks, mortgage companies and mortgage insurance companies to serve on a steering committee for the mortgage facility.

If all goes well, he expects the market to make its first trade in September.

—Jenness Keene
McGraw-Hill World News,
San Francisco

House is no longer a home to builder

For the first time in eight years builder-redeveloper James H. Scheuer won't sit in Congress when it convenes next January.

The liberal Democrat from the Bronx lost his primary race against Rep. Jonathan B. Bingham, an old friend with a similar voting record. Reapportionment of New York City's 22nd congressional district had pitted them against each other.

"I don't have any present plans," said Scheuer. "I'm waiting for the phone to ring with the right challenge. I'm going to finish my term and see what develops."

Career in housing. Scheuer, who ran unsuccessfully in New York's 1969 Democratic mayoral primary, has a long record in housing. He had become the nation's second largest redeveloper by the late 1950s on the strength of his apartment projects in Washington, D.C. He attracted national attention when he teamed with a Coast builder to erect houses atop telephone poles to fit them to the mountain slopes around San Francisco, and the scheme triggered frantic protests from the Negro families assigned to this residency on stilts [News, May '63]. He was a frequent consultant to President Kennedy on housing affairs and held several New York state and city positions related to housing and the campaign for wider civil rights.

Congressman Scheuer
Not a House to his name

The future. Scheuer still has some building interests. He is converting some of his five-to-ten-year-old buildings to condominiums, and he says he is considering whether to build $30-to-$40 million worth of offices and commercial centers. But he warns:

"I'm not sure whether I want to go back to that fulltime or stay in public life. Once you get the virus of running for office . . ."

New York state agency forcing low-income homes into wealthy countryside

New York state's Urban Development Corp., which has successfully built low-income housing in several Westchester County cities, now plans to build in the more rural parts of the county despite stiff local opposition.

It has already chosen nine sites for low- and moderate-income townhouses and garden apartments. The area is one of New York City's most expensive suburbs, and all but one of the sites is zoned for single-family houses with minimum lot sizes of up to four acres.

Overriding power. Edward J. Logue, president of the agency, indicated that if the towns refuse to rezone "we will have to consider using our power to override local zoning."

The agency has options on land in Bedford, Cortlandt, Greenburgh, Harrison, Lewisboro, New Castle, North Castle, Somers and Yorktown and is now working on feasibility studies for the projects. Each will contain 70 units for moderate-income families, 20 for low-income and 10 for the elderly, with an average of 20% set aside for minority families.

The nine-town approach was chosen, according to corporation officials, because it should be easier for local governments to overcome political opposition to a project that is part of a county-wide program.

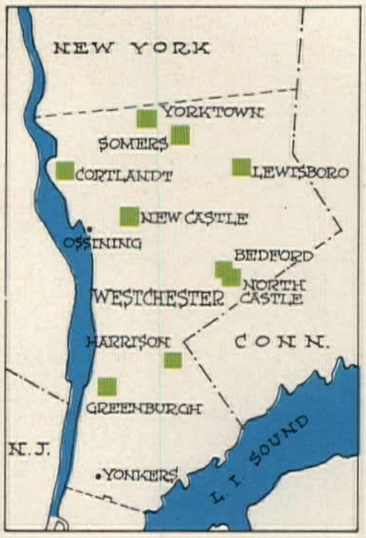
Builders' approval. Westchester builders welcome the plan as an opening wedge for apartment construction. Six of the nine towns now bar multifamily housing, but the developers believe that when these towns develop some experience with apartments built under the state's authority, they may even admit private apartment projects.

"This plan is an innovative and forward-looking step in a comprehensive approach to meeting the housing needs of the county's residents," said Seymour Orlofsky, president of the Westchester Builders' Institute. "In view of the housing void because of local government's resistance to land-use policies that would enable builders to build multifamily dwellings, UDC's activities are all the more important in providing for a significant breakthrough to allow housing in communities that have heretofore had little or no such development."

Local reaction. The attitude of the communities, on the other hand, ranges from unhappy but compliant to downright militant.

"They had better get themselves ready for a good fight because people here are ready to give it to them," said John Passidomo, supervisor of the town of Harrison. "I think the people will prevail whether the letter of the law permits the UDC to do what they are doing or not."

Passidomo feels that the



Proposed sites for low-income housing to be erected in the rural section of New York's plush Westchester County.

basic issue is home rule and that the state, by giving the UDC the authority to substitute its judgment for that of the local governments, has created the kind of situation that could eventually destroy local government.

"They talk in terms of 100 units and try to make this as palatable as they can, but the basic principle is quite evident: They could come in with 1,000 units or 10,000 units, in which case they could very well destroy our whole community," he said.

$1-million question. In the case of Harrison the site chosen by the UDC has contributed to the town's suspicions. It is a rocky tract situated more than a mile away from the nearest sewer and water lines and four miles from the nearest shopping facilities. Quoting a 1965 engineer's report, Passidomo says necessary improvements will cost at least $1 million, and he questions whether the UDC really intends to build only 100 units after such a large initial investment.

Changes. Logue has indicated that he would consider changing plans or sites but not towns. However, this has not appeased the opposition.

"We told him that we have no community use for the project and that we neither want it nor need it," said Passidomo. "For us to make some input, such as suggesting changes, would be tantamount to agreeing to the project."

Urban success. The Urban Development Corp. has built or is building 20,000 units, 70% of which are in urban areas. County Executive Edwin G. Michaelian invited the agency to Westchester in 1970, and it has built 1,500 units in the county's cities. Only when it turned to the more rural areas did it run up against local opposition.

In the past most communities have simply bowed to the UDC's power—recently upheld by the New York State Supreme Court—to override local zoning. With the nine towns of Westchester, however, the agency may be in for the biggest challenge of its four-year existence.

—N.G.

The Fed begins to wonder: How far can we trust banks with realty trusts?

Bank ties with real-estate investment trusts have come under a cloud in Washington, but it is a small cloud.

Reform and not dissolution of the link is all that officials have in mind. No clampdown is seen soon.

Specifically, the Federal Reserve is pondering the question of whether commercial banks violate federal law when their holding company affiliates act as advisors to the REITs. The REITs sell securities—they have rather more than $5 billion outstanding — and the 1933 Glass-Steagall Act specifically forbids banks to underwrite or sell such issues. The Fed is also concerned lest a conflict of interests develop when a holding company affiliate agrees to advise a realty trust.

Chance of divorce. If at some point the Fed finally concludes that Glass-Steagall is being violated, banks as well as bank holding companies will probably be told to keep their association with realty trusts at arm's length. This would separate the banks from the promotional activities of the trusts—no small loss in the case of those REITs riding on the prominent names of the big banks. And—new standards of conduct would surely add protection against conflict of interest.

Perhaps significantly, the board has pointed up its current sensitivity to holding companies engaging in speculative activity by turning down a request from Bank of America's parent holding company to enter the real estate syndication field. The Fed cited Glass-Steagall in its denial [NEWS, June].

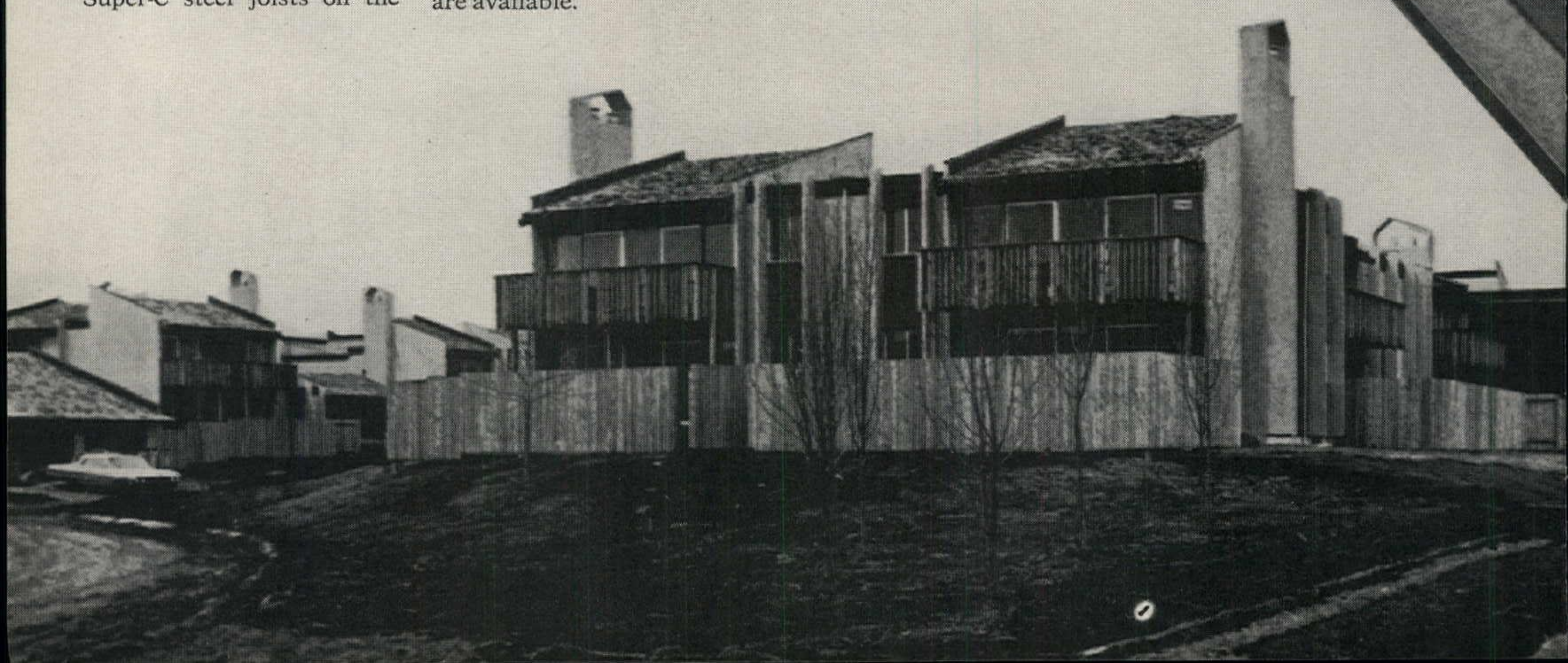
Finer points. As for speculative activity, REITs present less of an open-and-shut case than syndication, but there remains a question. Realty trusts resemble mutual funds in that they attract capital by selling shares and must, under tax law, engage strictly in passive investments. The REITs' investments must be in real estate assets, and if a trust sticks to making mortgage loans, there is no problem of speculation. But REITs lean toward more speculative relationships with real-estate development.

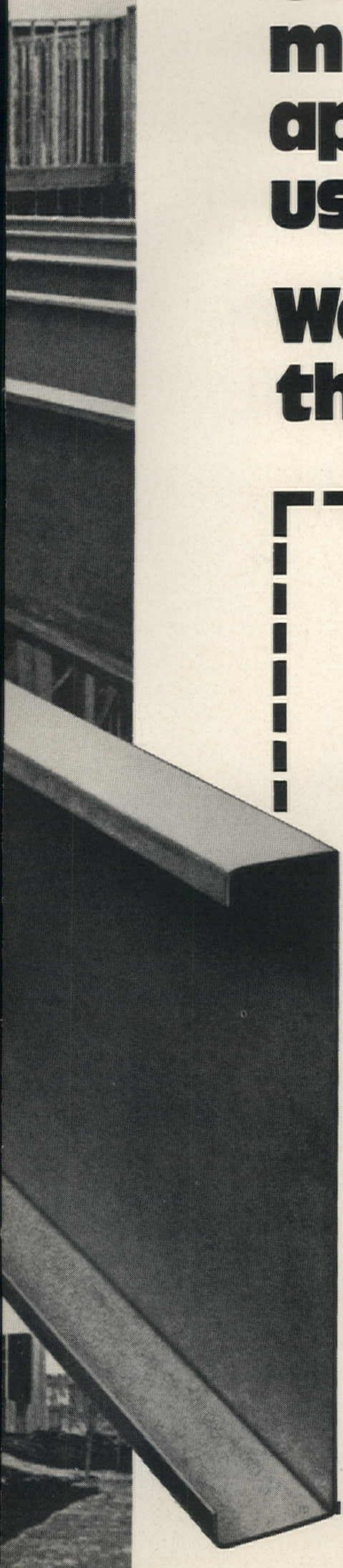
Banks exert their influence over REITs, despite the latter's widely held share ownership, through possession of the advisory firm that manages the trust. This makes self-dealing possible, for the advisory firm could instruct the REIT to buy questionable realty holdings owned by the bank. But some suggest that it might be possible to devise a true random-selection formula so that a REIT could at least buy mortgages from an affiliated bank on an arm's length basis. —S.W.

Indian Creek Village, being built by Okun Construction Company at Overland Park, Kansas, will cover 110 acres with 1900 units projected. 20 apartment buildings are going up now, with USS Super-C steel joists on the first and second floors and the flat roof areas of each building.

By using long continuous members (up to 44 feet), Mr. Okun makes efficient use of steel. Lengths up to 50 feet are available.

Joist spacing varies from 24″ to 48″ without varying the depth of the joists themselves. Plywood subfloor is attached directly to the joists with self-drilling screws.





One of America's most imaginative apartment builders is using steel joists.

We have a booklet that tells you why.

When Max Okun plans an apartment complex, he designs the structural systems before anything else. For his new garden apartments and town houses in Overland Park, Kansas, he took a special look at the floor framing. He analyzed his costs carefully, and found that by using steel joists developed by U. S. Steel, he got the high quality floor system he wanted, with substantially less material and labor costs. These USS Super-C Joists are galvanized steel. They don't shrink or warp. Floors don't squeak. Max Okun is only one of many builders using steel joists in a wide variety of applications... from single family homes to apartments, factory built or field-assembled. This experience is summarized in a highly factual booklet—which shows typical applications, various framing plans, even provides load span tables and cost estimates.

Read this booklet before you place another order for lumber.

USS TRADEMARK **Super-C Steel Joists**

United States Steel (USS 7502), 600 Grant St., Pittsburgh, Pa. 15230

Dear Sirs: Please send me your booklet on USS Super-C Joists.

Name ______________________ Title ______________________

Company Name ______________________

Address ______________________

State ______________________ Zip ______________________

Area Code & Telephone No. ______________________

Types of units planned ______________________

Number of units planned ______________________

CIRCLE 59 ON READER SERVICE CARD

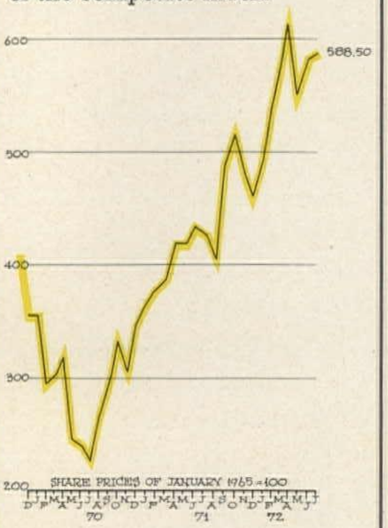
Housing industry's stocks manage a small advance

Mobile-home shares provided most of the impetus. The value index for the five mobile issues leaped to 2,142.72 from 1,937.73—or about 11%—in the month ended July 5.

So HOUSE & HOME's composite index of 25 housing-industry stocks crept to 588.50 from 581.96, even though the averages for the five building-company and five land-developer issues were off sharply. The averages for the five savings and loan companies and the five mortgage concerns posted small gains. The big bellwether of the builder stocks, Kaufman & Broad, plunged 8⅛ to 39¼ in June's "McGovern market."

The indexes equate share values of January 1965 with a base figure of 100. The bench mark of 2,142 means the mobile-home shares are selling at 21 times their 1965 prices.

Issues on the index are overprinted in color in the lists that follow. Here's the trace of the composite index.



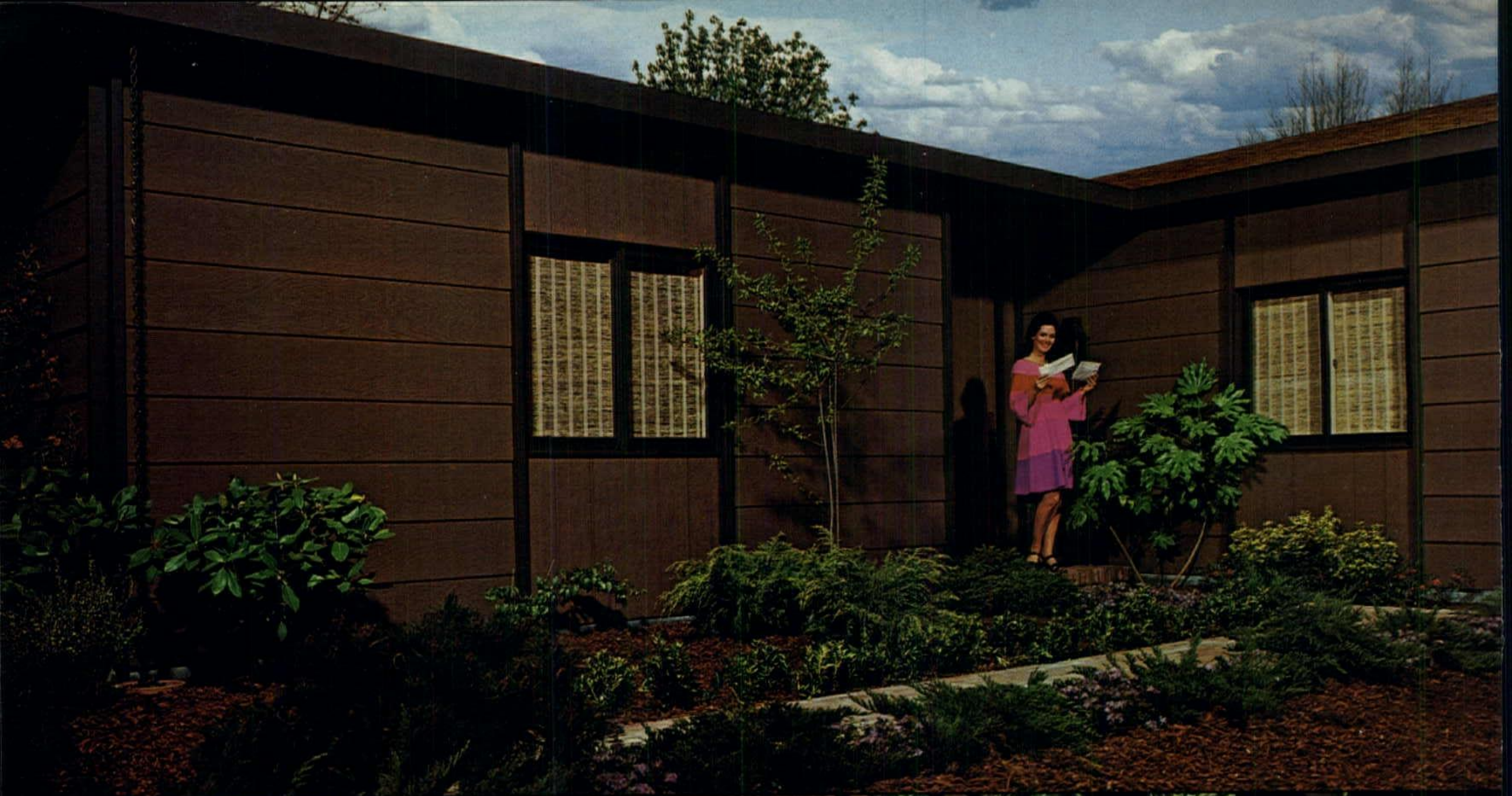
How the five companies in each group performed:

	July'71	June'72	July'72
Builders	536	527	470
Land develop.	556	653	601
Mortgage cos.	776	1,209	1,213
Mobile homes	1,027	1,938	2,143
S&Ls	165	184	196

Company	July 5 Bid/ Close	Chng. Prev. Month
BUILDING		
Alodex	7¾	– ⅜
AVCO Community Devel.[d]	4	– ¾
American Housing Systems	8	– ½
American Urban Corp.	8	– 1
Behring Corp.[b]	8⅜	+ ⅞
Bramalea Cons. (Can.)[d]	5	– ⅛
Building Systems Inc.	15½	– 4¼
Capital Divers. (Can.)[d]	.61	– .04
•Centex Corp.[c]	26½	– 1¾
Christiana Cos.[b]	5¾	– ⅞
Cons. Bldg. (Can.)	2.30	....
Dev. Corp. Amer.[b]	38	–11¼
Dev. Int. Corp.	2¾	– 1½
Edwards Indus.	11¾	+ 3½
First Builders Bancorp.	5¾	– ⅝
First Hartford Corp.[b]	4½	– ¼
First Nat. Rlty.[b]	1¼	– ¼
FPA Corp.[b]	10¾	– ⅞
Frouge Corp.	4⅛	....
General Builders[b]	4¼	– ¼
Gil Development	⅝	– ½
Hallcraft Homes[b]	14	– 3
Hoffman Rosner Corp.	9⅜	– 1⅛
Homewood Corp.	20¾	– 1¾
Hunt Building Corp.	16½	– ⅞
•Kaufman & Broad[c]	39¼	– 8⅛
Key Co.[b]	7½	– ¾
Leisure Technology[b]	18¾	– ⅜
Lennar Corp.[b]	29	– 1¾
McCarthy Co.[b]	7	+ ¼
McKeon Const.[b]	12¾	– 1½
H. Miller & Sons	12¾	+ ¾
National Environment (Sproul Homes)	1½	– ½
New America Ind.	13¼	– 3⅜
Oriole Homes Corp.[b]	41½	+ 7½
Prel. Corp.[b]	13⅞	– 5⅞
Presidential Realty[b]	11⅜	– ½
Presley Development[b]	15⅜	– 1⅛
Pulte Home Corp.[b]	11	– ¾
Robino-Ladd Co.	17⅛	+ ⅛
•Ryan Homes[b]	27	– ¼
Ryland Group	44¼	– 3¾
Shapell Industries[c]	24½	– 2
Shelter Corp. of America	19⅜	– 3¼
Standard Pacific[b]	4¾	– ⅜
3-H Building Corp.	11½	– ¼
Universal House & Devel.[b]	4¼	+ ¾
•U.S. Financial[c]	31¾	– 2¾
•U.S. Home Corp.[c]	28⅝	– 3⅜
Jim Walter[c]	29⅞	– ⅝
Washington Homes	11½	+ 1
Del. E. Webb[c]	9¼	– ⅝
Western Orbis[b]	3⅛	– ⅞
Westchester Corp.	12¼	– 3⅛
SAVINGS & LOAN ASSNS.		
American Fin.	20¼	+ 2⅛
Calif. Fin.[c]	7½	+ ⅛
Citizens S&L Assn.[a]	31½	+ 1¼
Empire Fin.[b]	14½	+ 1½
•Far West Fin.[c]	9¾	– ⅝
Fin. Corp. of Santa Barb.[b]	25⅛	+ ¼
•Fin. Fed.[c]	22½	– ¾
•First Charter Fin.[c]	27¾	+ 2¼
First Lincoln Fin.	5¾	– ¼
First S&L Shares[b]	26½	– ¾
First Surety	4	....
First West Fin.	2⅜	– ¼
Gibraltar Fin.[c]	23½	+ 2½
•Great West Fin.[c]	27¾	+ 2
Hawthorne Fin.	13⅛	....
•Imperial Corp.[c]	14⅜	+ ⅝
Trans-Coast Inv.	4¾	– ⅛
Trans World Fin.[c]	13⅜	+ ⅞
Union Fin.[bd]	11⅝	– ¾
United Fin. Cal.[c]	12½	+ 1½
Wesco Fin[c]	14	....
MORTGAGE BANKERS		
Charter Co.[b]	27⅝	– 4⅛
CMI Investment Corp.[b]	66⅞	– 6⅜
•Colwell[cd]	24¼	– 2½
Cont. Illinois Rlty.[c]	21¾	–10
Excel Investment	23⅝	– 1½
Fed Nat. Mtg. Assn.[c]	19½	– 2½
Financial Resources Gp. (Globe Mortgage)	3¾	+ ¼
First Mtg. Ins. Co.	28½	– 1
•Lomas & Net. Fin.[c]	25¼	– 1½
•MGIC Inv. Corp.[c]	70¼	+ 2⅝
Midwestern Fin.[b]	21½	– 2½
Mtg. Associates	28	– 2
Palomar Fin.[b]	10⅝	– ⅜
So. Cal. Mort. & Loan Corp.[a]	12⅛	– 1
UPI Corp.[b] (United Imp. & Inv.)	2⅞	....
MORTGAGE INV. TRUSTS		
Alison Mtg.[b]	26	– 1¼
American Century[b]	26¼	– 1½
Arlen Property Invest	14¾	– 1½
Atico Mtg.[c]	21⅛	– 1⅛
Baird & Warner	18¼	– ⅛
BankAmerica Rlty.	26⅝	+ ⅜
Bernett Mtg. Tr.	26⅜	– ⅜
Beneficial Standard Mtg.[b]	24½	– ⅜
Cameron Brown	28½	– ⅞
Capital Mortgage SBI	28	+ ¼
Chase Manhattan[c]	49¾	– 6⅝
CI Mortgage Group[c]	22¾	– 2
Citizens Mtg.[b]	14½	....
Citizens & So. Rlty.[c]	31¼	– 1⅜
Cleve. Trust Rlty. Investors	18⅛	– 1⅞
Colwell Mfg. Trust.[b]	27	– 1⅜
Conn. General[c]	26⅜	– 2⅛
•Cont. Mtg. Investors[c]	11⅞	– 1⅜
Cousins Mtg. & Eq. Inv.[c]	25⅜	– ¼
Diversified Mtg. Inv.[c]	25¾	– 1⅝
Equitable Life[c]	29⅛	– 1
Fidelco Growth Inv.[b]	33⅝	– 1⅞
Fidelity Mtg.[b]	28	+ ¼
First Memphis Realty	18½	– 3
•First Mtg. Investors[c]	22¾	– 1⅞
First of Denver[b]	19⅜	....
First Pennsylvania[c]	24⅜	+ ⅛
Franklin Realty[b]	9	– ¼
Fraser Mtg.	23	– 2¾
Galbreath Mtg.	28	+ ¼
Great Amer. Mtg. Inv.[c]	29¾	– 2⅞
Guardian Mtg.[b]	38	– 4⅛
Gulf Mtg. & Rlty.[b]	17¾	+ ⅛
Hamilton Inv.	15½	– ¼
Heitman Mtg. Investors[b]	13¾	– 1¼
Hubbard R. E. Investments[c]	19⅝	– 1
Larwin Mtg.[b]	26¾	– 1⅝
Lincoln Mtg.	8⅝	– ⅝
Mass Mutual Mtg. & Realty[c]	30⅞	– 2⅛
Median Mtg. Investors	13⅛	– ⅞
Mony Mtg. Inv.[c]	12⅝	– ¼
Mortgage Trust of Amer.[c]	23⅛	– ⅝
National Mortgage Fund	14⅜	+ ⅝
North Amer. Mtg. Inv.[c]	31⅝	+ ⅜
Northwestern Mutual Life Mtg. & Rlty.[c]	22¾	– 1⅜
PNB Mtg. & Rlty. Investors[b]	24¼	– ⅞
Palomar Mtg. Inv.[b]	15¼	+ ⅛
Penn. R. E. Inv. Tr.[b]	12⅛	– ⅞
Property Capital	26	+ 2½
Realty Income Tr.[b]	13⅛	– ⅞
Republic Mtg.[b]	18⅛	+ ⅛
B. F. Saul, R.E.I.T.	26½	+ ⅛
Security Mtg. Investors[b]	15⅛	– ⅞
Stadium Realty Tr.	13	– 1¼
State Mutual SBI[b]	24⅜	– ⅛
Sutro Mtg.[b]	17⅛	– ¾
Unionamerica Mfg. & Eq.[b]	25⅝	– 2⅞
U.S. Realty Inv.[b]	16½	+ ⅜
Wachovia Realty Inc.[c]	31⅛	– ½
Wells Fargo Mfg.[c]	22½	– ¼
LAND DEVELOPERS		
All-State Properties	1⅝	+ ⅛
American Land[d]	1/16	....
•AMREP Corp.[c]	22⅝	+ ⅛
Arvida Corp.	12¼	– ⅞
Atlantic Imp.	7	– ¼
Canaveral Int.[b]	3⅞	– ¼
Cavanagh Communities	8½	– ⅜
Crawford Corp.	5¼	– ¼
•Deltona Corp.[b]	32¼	– 5¼
Disc. Inc.	3	– ¾
Don the Beachcomber Ent. (Garden Land)	7¼	– 1¼
Fairfield Communities	4	– ⅛
•Gen. Development[c]	34	+ ⅜
Gulf State Land and Ind.[b]	3½	– ⅛
•Holly Corp.[b]	1½	....
Horizon Corp.[c]	34	– 2½
Land Resources	4⅛	+ ½
Major Realty	8⅝	– ⅝
•McCulloch Oil[b]	27¾	– 4⅝
Southern Rlty. & Util.[b]	6⅛	– ⅝
MOBILE HOMES & MODULES		
Conchemco[b]	17	– 1⅝
•Champion Home Bldrs.[b]	123	+28¼
Commodore Corp.[b]	15¾	....
De Rose Industries[b]	8⅜	– 1
•Fleetwood[c]	47	+ 2½
Golden West Mobile Homes[b]	18⅜	– ⅜
•Guerdon[b]	25½	– 1¼
Mobile Americana	13	– 2⅛
Mobile Home Ind.[b]	27	– ⅞
Monarch. Ind.	4⅝	– ½
•Redman Ind.[c]	30¼	– ¾
Republic Housing Corp.[a]	15⅜	– 1⅞
Rex-Noreco[b]	11½	– 3½
•Skyline[c]	69⅞	+ 2⅜
Town & Country Mobile[b]	11⅝	+ 1
Triangle Mobile	6¾	– ¾
Zimmer Homes[b]	13¼	– 3½
Albee Homes	2⅞	– ⅛
AABCO Ind.[d]	⅜	....
Brigadier Ind.	5⅝	– ⅜
Environmental Communities	5	– 1
Hodgson House	6½	+ ¼
Liberty Homes	12¾	– 4¼
Lindal Cedar Homes	18¼	– 2¼
Modular Dynamics	2⅛	+ 1½
Modular Housing Systems	10¾	– 1½
Nationwide Homes[b]	12⅝	– 3
Shelter Resources[b]	16⅝	– 1
Stirling Homex	3⅝	– ¾
Swift Industries	2¼	+ ⅛
DIVERSIFIED COMPANIES		
Amer. Cyanamid[c]	34¾	– ¼
Amer. Standard (Wm. Lyon)	12	– 2
Arlen Realty & Develop.[c]	17⅛	– 3½
AVCO Corp.[c]	16	+ ¾
Bethlehem Steel[c]	28	– 3⅛
Boise Cascade[c]	12⅞	– 1
CNA Financial (Larwin)[c]	22	– 2¾
Castle & Cooke[c] (Oceanic Prop.)	17½	– ⅛
CBS (Klingbeil)[c]	54	+ 2
Champion Intl. Corp.[c] (U.S. Plywood-Champion)	21⅜	– 1½
Christiana Securities	162	+ 8
Citizens Financial[b]	11⅜	+ ½
City Investing[c] (Sterling Forest)	16¾	– 1⅛
Corning Glass[c]	235½	– 9½
Cousins Properties	20¼	– 3¼
Dreyfus Corp.[c] (Bert Smohler)	18¼	– 1
Environmental Systems	12½	....
Evans Products[c]	24	+ ⅜
Ferro Corp.[c]	40⅜	+ 5¾
First Gen. Resources	2⅜	....
Fischback & More[c]	57½	– 1¼
Forest City Ent.[b]	17	– 1⅝
Flagg Industries[b]	8¾	– ¾
Frank Paxton Corp. (Builder Assistance Corp.)	16½	– ⅞
Fruehauf Corp.[c]	36½	+ 7
Fuqua Corp.[c]	23¾	– ⅜
Georgia Pacific[c]	39	– 3¼
Glasrock Products[b]	8¼	– ⅛
Great Southwest Corp.	1⅞	....
Gulf Oil (Gulf Reston)[c]	24¼	– ⅜
INA Corp. (M. J. Brock)[c]	46⅝	– 6⅛
Inland Steel[c] (Scholz)	34	– 1¼
International Basic Econ.	7⅛	+ ⅛
International Paper[c]	36⅞	– 1⅜
Internat. Tel. & Tel.[c] (Levitt)	52⅜	– 6
Investors Funding[b]	10⅝	– ¼
Killearn Properties[b]	22	+ 2⅛
Leroy Corp.	4¼	+ 1¼
Ludlow Corp.[c]	24	– 1⅜
Monogram Industries[c]	14¾	....
Monumental Corp. (Jos. Meyerhoff Org.)	66½	+ ¾
National Homes[c]	16⅜	– 5
Occidental Petroleum[c] (Occ. Pet. Land & Dev.)	10⅛	– 1⅜
Pacific Coast Prop.[b]	4	– ¼
Perini Corp.[b]	4¾	– ⅛
Philip Morris[c]	109¼	+ 9¾
Prosher Corp.	4¾	– ½
Rouse Co.	25¼	– 2½
Santa Anita Consol. (Robt. H. Grant Corp.)	25½	– 1
Sayre & Fisher[b]	2⅛	– ⅜
Shareholders Capital Corp. (Shareholders R.E. Group)	2¾	– ⅛
Temple Industries[c]	29¾	+ 1½
Tishman Realty[c]	22¾	+ 1
Titan Group Inc.	4¾	– 1
UGI Corp.[c]	18¾	– ½
Uris Bldg.[c]	16¾	– ⅝
Weil-McLain[c]	18⅞	– 1⅞
Westinghouse[c] (Coral Ridge Prop.)	50¾	+ ¾
Weyerhauser[c] (Weyer. Real Est. Co.)	47⅝	– 1⅛
Whittaker (Vector Corp.)[c]	8⅞	– ⅞
Wickes Corp.[c]	33⅝	–10¼
SUPPLIERS		
Alpha Portland Cement[c]	17¼	+ ¼
Armstrong Cork[c]	35¾	– 2¾
Automated Building Comp.[b]	13	– ¼
Berven Carpets[by]	21¾	– ⅞
Bird & Son	33¾	– 2¼
Black & Decker[c]	104⅞	+ 7¾
Carrier Corp.[c]	43¼	– 5½
Certain-teed[c]	54⅜	– 3⅞
Crane[cy]	20	– 3⅜
Deere[c]	59¾	– 5½
Dexter[c]	25⅜	+ 4⅜
Dover Corp.[c]	57½	+ 1⅜
Emerson Electric[c]	87¼	+ 2⅜
Emhart Corp.[c]	33¾	– ½
Fedders[c]	36½	– 2⅝
Flintkote[c]	27	– 3
GAF Corp.[c]	23⅜	+ 1¾
General Electric[c]	66⅝	– 2⅜
General Motors[c]	74⅛	– ⅞
Gerber[c]	35¼	+ 3¾
Goodrich[c]	25½	....
Hercules	65	+ 1¼
Hobart Manufacturing[c]	66¾	– 1¼
Int. Harvester[c]	33⅛	– ¾
Johns Manville[c]	32⅞	– 1⅝
Kaiser Aluminum[c]	20½	– 2⅜
Keene Corp.[c]	12⅛	– ½
Kirsch[c]	40⅜	– 5
Leigh Products[b]	26¾	– 2½
Magic Chef[c]	46⅝	– 6⅝
Masco Corp.[c]	55⅝	– ⅛
Masonite Corp.[c]	59¾	– 6¾
Maytag[c]	38⅛	– 2½
Modern Maid[b]	10	– 1⅞
National Gypsum[c]	18⅛	+ ⅞
Norris Industries[c]	56	– 1
Omark Ind.[c]	11¼	– ⅞
Otis Elevator[c]	37⅝	– 1¾
Overhead Door[b]	43½	– 2¾
Owens Corning Fibrgl.[c]	48⅜	– 2⅜
Potlatch Forests[c]	27⅝	– ⅞
PPG Industries[c]	46⅝	+ ⅛
Reynolds Metals[c]	16⅜	– 1⅞
Rockwell Mfg.[c]	36⅝	+ 1⅝
Rohm Haas[cy]	73⅜	+ ⅛
Ronson[c]	6¾	+ ⅛
Roper Corp.[c]	32⅜	+ ⅛
St. Regis Paper[c]	42½	+ ¾
Scovill Mfg.[c]	27⅛	+ ⅜
Sherwin Williams[c]	56⅝	+ 1⅝
Skil Corp.[c]	34¼	– ⅜
Stanley Works[c]	46	+ 1⅜
Tappan[c]	31¼	– 5⅜
Thomas Industries[c]	29½	+ 2⅜
U.S. Gypsum[c]	26¾	– 1⅛
U.S. Steel[c]	29½	– ⅞
Wallace Murray[c]	22	+ ⅞
Welbilt Corp.[c]	2⅞	– ⅜
Whirlpool Corp.[cz]	35⅛	– 2⅝

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. •—Computed in HOUSE & HOME's 25-stock value index. y—adjusted for 2-for-1 split. z—adjusted for 3-for-1 split.

Source: Standard & Poor's, New York City.



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Phone: 305/532-7361

WESTERN DIVISION:
T. W. Owens, Senior Vice President
National Foundation Life Building
3535 N.W. 58th Street, Suite 700
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CIRCLE 43 ON READER SERVICE CARD

"Decorating the master bedroom has become a whole new art . . . What's needed is a feeling of retreat from the problems of everyday living"

A lot of people haven't noticed, but there's a quiet revolution (perhaps it's an evolution) going on in the master bedroom. While it still may be the master bedroom—a salon for slumber—it is fast becoming what one youngster once described as "the playroom for the grown-ups."

No longer is the master bedroom simply home plate after a hectic day, the end of the line for strap-hanging commuters.

In truth the master bedroom has become an adult retreat, a place where mom and dad spend more and more of their waking hours without neglecting their children.

To the homebuilder the transformation is easy to follow. In the twenties and thirties there was precious little time for relaxation. There were obviously no convenience foods or work-cutting appliances. The bedroom in most middle-class households was little more than a conjugal cubbyhole.

The forties brought a smidgen of leisure into the family life. But evening activity mainly revolved around the living room, the radio and the latest installment of the "Lux Radio Theatre."

The fifties and early sixties saw the dawn of the television era. And the subdevelopment family shifted from the living room to the den and finally to the family room.

Starting in the late sixties, it seems as if the master bedroom was rediscovered. Builders have noticed people are spending more time there. And the rooms are bigger even in these days of premium-priced space.

Thus the interior designer is faced with a new challenge: Create a warm, soothing, seductive environment in which neither the man nor the woman feels out of place—not too masculine and explicit, and not too feminine and frilly.

Moreover, in designing for masses, you cannot afford to offend. Hence you immediately avoid such garish furnishings as a round bed, red-felt wallpaper, mirrors on the ceiling, in short, anything that gives the model-home visitor the feeling he's stumbled into *Playboy*'s boudoir of the month.

On the other hand, there are some basic rules to follow when designing master-bedroom interiors. Consider first the bed, the obvious focal point of the room. I use a queen-size bed wherever possible, and if we have the space, I specify king size. Other rooms can only take a standard double.

The queen-size bed is not used to make the room look larger. It is simply the bed size most families have today, hence they can relate to the room more easily.

To add a dramatic, even regal, touch elevate the bed by use of a simple six-inch platform, which, of course, should be completely covered by carpeting.

Here are some specific examples. For a Hawaii development we sought a cool, mildly sophisticated look *(Figure A)*. The cobalt-blue and white quilted-bedspread material was duplicated in the drapery, wrapped around two 4"x4" wood stiles and run from floor to ceiling to frame a contemporary painting. The wall behind the bed is covered in white-washed paneling. Nightstands are campaign style, and an occasional chair adds to the private environment.

In another seashore condominium *(Figure B)*, wallpaper hung diagonally gives a subtle, sensual emphasis to the bed. The indoor-outdoor feeling is enhanced by use of a mirror equal in width to the campaign nightstands. The bedspread is artificial fur.

Freshness can be the design theme *(Figure C)*. A fresh flower-print wallpaper is used on all four walls of this bedroom. Wicker, enjoying a renaissance in design popularity, is employed in the headboard treatment and as a foot-of-the-bed coffee table complete with appetizing breakfast setup. Standing window shutters add a cool casbah feeling.

The shutter treatment can take a different form *(Figure D)*. Here it is used as part of a coral lattice headboard treatment over mirrors flanking the bed. Printed quilt-spread material is repeated on a sleeping chair and ottoman and laminated to the wall above the bed.

Summing up, designing the master bedroom is one of the decorator-merchandiser's biggest challenges. Color is important, but taste and restraint are even more important. Here's something to keep in mind: If you think Raquel Welch or Burt Reynolds would buy your house based on the bedroom alone, strip the decor and start over again.

A.

B.

C.

D.

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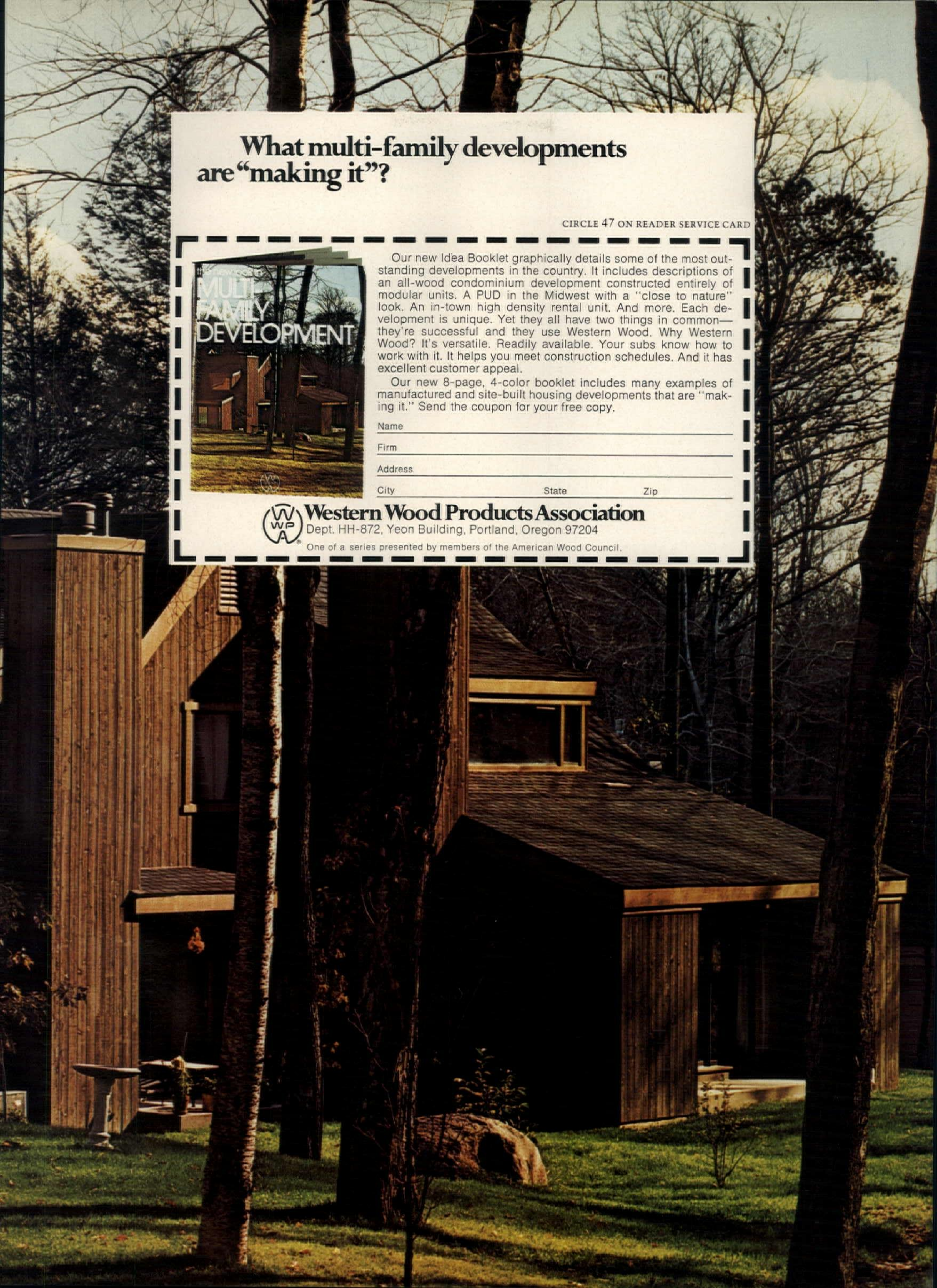
CIRCLE 45 ON READER SERVICE CARD



Oakland rehabilitation

H&H: I read with much interest the May article dealing with an urban renewal area in Oakland, Calif.

However, I am slightly disappointed that you have overlooked a similar area in your own backyard: Trenton, N.J. I am referring to the Mercer-Jackson project which shares the Oakland project's Victorian flavor, including authentic gas street lights and restored homes.

Due to Trenton's central location in the New York-Philadelphia corridor, this project should have the same type market and appeal.

LAURENCE J. REILLY,
Assistant deputy director
Division of Housing & Urban Renewal
Trenton, N.J.

H&H: I was heartened to see the May article describing our new program of Victorian rehabilitation in Oakland. However, it presented the program and its potential in a manner oddly out of phase with realities in our community.

It is clear from even cursory examination that the word slum is a misnomer when applied to Oak Center. You are aware that some physically-blighted areas in our central cities do not include those social pathologies which constitute true slum conditions. A solid core of homeowning families in Oak Center, has, from the beginning, proved to be the foundation for rebuilding the community. And it continues to be a major asset in the current renewal program.

To further characterize this community as crumbling is to misinterpret the actual facts. A static one-shot view is inadequate to describe a community in the process of dynamic change. For many years in Oak Center the thrust of change has been wholly positive. Far from being a crumbling slum, the community is in fact an active, improving, vital part of this city.

I would like to extend to your readers an invitation for a pleasant walk through our Oak Center community. They will see that this new program is but a small part of a vigorous total approach.

JOHN B. WILLIAMS,
Executive director
Oakland Redevelopment Agency
Oakland, Calif.

Mt. La Jolla project

H&H: We would like to compliment your beautiful May presentation of our Mt. La Jolla project. The effective use of color certainly conveys the true feel of the project.

Our only disappointment is that the other two members of the design team who contributed so much to the success of this project did not receive any credit. I realize you have problems and limitations with names, but we feel strongly that good PUDs only result from a well-coordinated effort of diverse design talents, and we would appreciate any way you could credit the following firms: POD of Orange, Calif. for landscape architecture, lighting and street graphics and Erickson Associates Inc. for interior design and model furnishing.

WALTER J. RICHARDSON, AIA
Walter Richardson Associates
Costa Mesa, Calif.

Addendum

We regret that architect Rod Youngson of La Jolla, Calif., was not mentioned as the designer of The Plaza apartments, shown in the May issue—ED.

Correction

In the June article, "Building method uses foam blocks," the address of the manufacturer, Structural Foam Inc., should have read Parker Ford, Pa.—ED.

Value-ratio curve

H&H: I read with interest your May article dealing with a new realty service available to builders.

Back in 1968 we were asked to carry out a feasibility study of a Montreal apartment building by the Bell Telephone Co., which was considering it as an investment for its employees' pension fund.

In order to establish the complete position of the apartment units in the market, we surveyed all apartments with units to rent in the area and plotted the results on a curve which is comparable to the value-ratio curve used by Walker & Lee.

We have found this approach very useful to our clients and have used it since on a number of market surveys. Interestingly enough, the curve tends to take the same shape: Prices tend to increase sharply for small and large units but remain relatively consistent for those in the medium range.

ROBERT B. HULLEY, F.R.I., A.A.C.I.
Hulley & Co. Ltd.
Montreal, Que.

Correction

Two photographs in the July issue were inadvertently switched: Den on page 62 was decorated by Pat Yeiser and Janet Alton and should have appeared on page 63. Living room on page 63 was decorated by George Onhauser and should have appeared on page 62 —ED.

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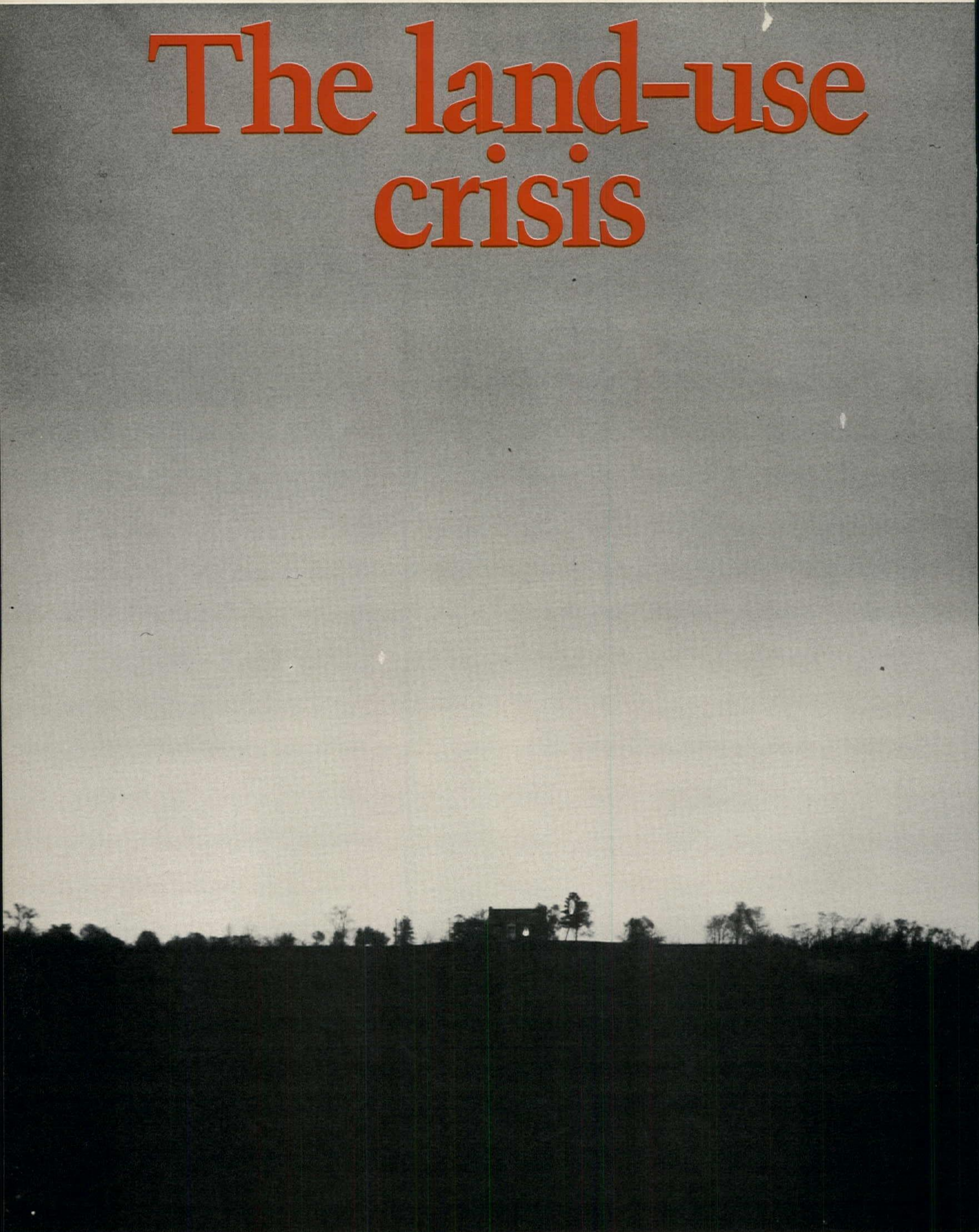
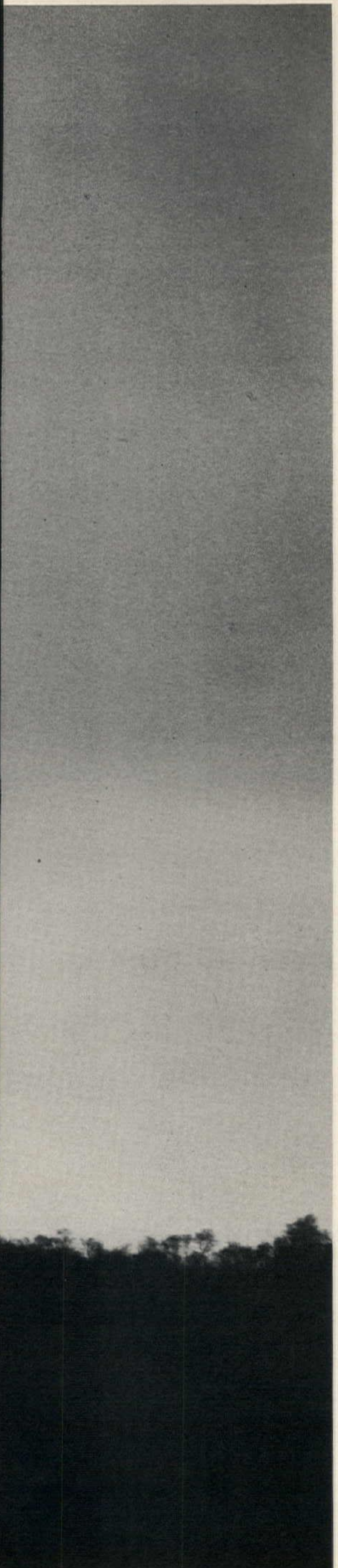
CIRCLE 55 ON READER SERVICE CARD

The land-use crisis



Is housing's no. 1 problem finally getting the action it demands?


CORNELL CAPA; MAGNUM

The answer is yes, but a very qualified yes.

The most encouraging sign is that the land-use problem is out in the open. The confrontations among developers who must work at higher densities, suburban communities that want to hold all development to a minimum and conservation groups that insist on development that is less harmful to the environment represent the first essential step toward a reconciliation of all these diverse interests.

What's not encouraging is that the confrontations are in the form of lawsuits, acrimonious zoning hearings, arbitrary denials by municipal bodies and pressure tactics by developers. Such actions do not create an atmosphere in which sound, logical land-use decisions can be made. What's needed instead is a framework within which all the concerned parties can work.

Fortunately, such a framework does exist. It goes under the name of impact zoning, and it provides an objective way to measure the effects of a proposed project on a community—financially, physically and ecologically. It protects the developer from arbitrary restrictions by the municipality, and it protects the municipality from uncontrolled development. If widely adopted, impact zoning could be enormously beneficial to the housing industry. That's why we're covering it extensively in the pages that follow.

Two other related articles are included in this issue.

One, a primer on land buying *(p. 70)*, explores the fine points of dealing for large parcels of raw land—the kind of land that's needed for a typical PUD.

The second article is a brief report *(p. 68)* on a series of PUD seminars co-sponsored by HOUSE & HOME and AMR International. The seminars proved dramatically that developers, architects, planners and investors are keenly aware of the need for better land use in general and PUD in particular.

PUD acceptance would get a great boost under impact zoning. Impact zoning can be a giant step towards PUD acceptance. Just what impact zoning is and how it works is the subject of the next ten pages.

MAXWELL C. HUNTOON JR.

If there's a way out of the impasse among housing, the community and the environmentalists, the way is impact zoning

For both the community that adopts it and the developers who must work under it, impact zoning offers a fair, workable way out of the land-use crisis.

Simply put, impact zoning replaces arbitrary density restrictions with a realistic, before-the-fact assessment of how a proposed project will affect a community. More specifically, it analyzes and correlates the effects of four key parameters:

1. The growth rate of the community as it relates to the present population, the available land and the growth rate of the surrounding region.

2. The community's infrastructure—sewers, water, roads, etc.

3. The economic picture—what the new project will cost the community in services vs. what it will return in the form of tax revenues.

4. Natural determinants, or the project's impact on the environment of its site and surrounding areas.

Perhaps the best way to grasp the value of impact zoning is to re-examine how most zoning ordinances operate and see why they can no longer cope with today's land-use crisis.

Most current zoning is restrictive. It says, in effect, that in a certain locality, a developer may not build more than a certain number of housing units per acre.

The machinery to make exceptions is part of almost every zoning ordinance. Usually a town's governing board has the final say over whether the developer will be permitted to build, say, garden apartments at ten units per acre in an area now zoned for single-family houses at two per acre. So rezoning is at least theoretically possible in most municipalities.

But this form of zoning has so many flaws that it is at best cumbersome and at worst unworkable. It assumes that density *per se* is the best measure of the character of a community. And since it measures no other aspects of the community, it offers no real standards against which the quality as well as the quantity of a development can be judged.

Further, the rezoning process seldom

works either well or fairly. Neither the developer nor the community has sufficient data to judge accurately the impact of a proposed zoning change, so things often come down to a political hassle based on emotion rather than facts. The result, more often than not, is that the developer is forced to concede more than he should to get his rezoning, and at the same time the community seldom winds up with a project that really fits its needs economically, socially or ecologically.

Finally, it is becoming more and more evident that present zoning will be struck down by both state laws and the courts. Several states now have statutes allowing local zoning to be overridden in favor of low-income housing. And a number of recent court decisions have held that certain local zoning ordinances are unconstitutional because they go beyond the protection of the health, safety and welfare of a community and are, in fact, restrictive.

In other words, most suburban communities must face the fact that within the next few years they could find themselves with no zoning tools whatsoever to control new development.

To John Rahenkamp and Walter Sachs, whose firm, Rahenkamp Sachs Wells & Associates of Philadelphia, developed the impact-zoning system described in this article, impact zoning is the only way out of the crisis. Nor is it only the community that would benefit, they point out; the developer also would. Here's why: In practice impact zoning could head off collision courses between developers and the community.

For one thing, under impact zoning the four key parameters—community growth, infrastructure, economics and natural determinants—are assigned numerical values. This offers two advantages: First, it provides a common language that both developer and the community authorities can understand clearly. Second, it permits analyses to be made by computer, thus speeding up the evaluation of projects and making it possible to test many variations of project plans in an attempt to find one satisfactory to both the developer and the community.

One result of an impact-zoning analysis is a map showing what intensity of land use is acceptable in any and all areas of the community *(page 65)*. This allows a developer easily to find feasible locations for low-, medium- or high-density development or, conversely, to see immediately what sort of density is possible on a particular parcel. Thus he avoids the present expensive process of tying up land for the usually long and drawn-out process of rezoning.

Further, both the builder and the community know what tradeoffs can be made to satisfy both sides.

For example, the analysis may indicate that a certain plan would destroy too much ground cover, causing increased water runoff and severe erosion. The zoning board might then require that a lake or reservoir be included on the site to control the runoff.

Having made this concession, the builder might then propose that the lake be available for the entire town's use—and thus obtain a substantial township contribution towards its maintenance.

Widespread adoption of impact zoning could also lead to a more realistic distribution of "fair-share" housing. At present many communities are burdened with more subsidized housing than their physical and financial structures can handle, while others with far more abundant resources have little or no subsidized housing.

These inequalities have been difficult to prove on a case-by-case basis for the same reason that the inequity of density ordinances has been difficult to prove: There simply are not enough facts and numbers to describe the real situation.

Under impact zoning, however, overburdened communities could establish by the numbers that more subsidized housing would strain their resources. So the alternatives would be either not to allow such housing or to receive increased state subsidies to broaden the financial base. And the impact-zoning system would readily determine the amount of subsidy needed.

Another advantage of impact zoning is its flexibility.

For the most part existing zoning ordinances and township master plans are rigid frameworks not easily subject to change. By contrast, impact zoning provides a loose framework in which changes can be made as the need for them arises. For example, an impact-zoning ordinance can be revised and updated yearly. It can suggest many ways to use the same parcel of land, and even on a single project, can leave almost all options open until the project is in the final planning stage.

What about cost? Establishing an impact-zoning ordinance should cost a typical township from $60,000 to $70,000, according to John Rahenkamp. And once the basic model has been developed, periodic updates should come to no more than $15,000.

The initial cost is slightly more than twice that of a typical township master plan. But, Rahenkamp points out, impact zoning can pay for itself many times over by avoiding the unnecessary construction of sewer and water lines where analysis shows there should be no development.

Furthermore, Rahenkamp notes, the township itself need not bear the full financial burden. Initial costs could be offset by the evaluation fees paid by builders and developers who have a stake in the community and who would benefit from impact zoning.

Finally, Rahenkamp predicts costs will drop as more data are furnished by the Soil Conservation Service and other agencies.

Exactly how would the impact-zoning system reconcile the aims of the developer and the community? Here is the way the system's four key parameters would be used to come up with answers:

Growth rate—the developer's marketing goals vs. how fast the town can reasonably grow

As part of its impact-zoning program, the town will have projected its own growth rate, based on its own desires and also on

Orginators of the impact-zoning system are John Rahenkamp *(left)* and Walter S. Sachs Jr. of Rahenkamp Sachs Wells & Associates Inc., Philadelphia, Pa.

consultations with state and federal agencies, to determine its fair share of the regional population increase.

From his own marketing surveys the developer will have decided how many dwelling units to build, and he will have broken down this total by type (houses, townhouses, garden apartments), the number of rooms in each and square footage.

Assume that he wants 200 houses, 400 townhouses and 400 garden apartments for a total of 1,000 units. They are to be built at a rate of 200 units a year for five years.

If this rate produces a population growth equal to the town's own growth formula, there is no problem. Otherwise, the builder has three options: Convince the authorities that the town's share of the area growth rate is too low; drop his proposal; or negotiate on who will pay what the extra growth will cost the town, as shown by impact-zoning measurement. Chances are the developer will have to carry the major burden of the increased costs.

In most cases growth will be apportioned on a first come, first served basis. If Developer A is permitted a project that will eat up, say, 75% of a town's projected annual growth for the immediate future, Developer B, applying six months later, can build only enough units to take the remaining 25%. But as noted above, Developer B could negotiate for more if he felt that his marketing possibilities justified it.

Infrastructure—a project's need for essential services vs. the town's ability to supply them

Every town must have a water supply, sewers and other waste-disposal facilities, utilities, roads, schools and governmental and other community services.

Each of these facilities has an ultimate capacity. For example, a community may have a water supply just about equal to its present consumption, so any substantial population increase would require a major expansion of existing facilities.

Potentially the greatest problem is sewage disposal, which is inescapably bound up with the size and flow of the stream or river into which the effluent is ultimately discharged. For example, a relatively small community on a comparatively large river may be getting by with only secondary or even primary sewage treatment, since the ratio of effluent to the volume of river water is low, and natural processes can eventually break down the effluent. But if the receiving water body is small, tertiary treatment is usually required.

Any time a new project is proposed, the impact-zoning model would measure the potential increase in sewage it would generate and show whether this increase could be handled by the existing waste disposal plant or would require additional facilities. The model would also be able to figure in the reduced water volume that would result from increased water consumption if the same stream were used for both water supply and waste disposal.

Similar calculations would show the impact of the new project on existing utilities, roads, schools and other basic community services.

It should be noted that these measurements of the infrastructure determine chiefly the town's physical capacity to absorb a new project. The financial capacity is the subject of the next parameter.

Municipal cash flow—the cost of servicing a new project vs. the tax revenue it will generate

On the one hand, a new project will increase the town's cost of operating such services as schools, highways, fire and police departments, etc. And it may require capital expenditures too, such as a new school, fire stations or highway.

On the other hand, the project will produce income in the form of taxes. The critical problem, therefore, is to achieve a balance between town costs and revenues.

The calculations are not just a matter of computing the eventual taxes to be paid by owners and renters in, say, a 1,000-unit project. If the project is to be built at a pace of 200 units a year for five years, the total impact will not be felt immediately. The developer starts paying increased taxes as soon as he starts to improve the site, while, typically, the influx of children into the school system normally does not even begin until more than two years later.

Municipal cash flow is of course affected by the project's housing mix. For example,

The legal angle: Impact zoning is on safer ground than traditional zoning

So says attorney Lenard Wolffe, specialist in zoning and planning law, who has worked closely with Rahenkamp Sachs Wells & Associates in developing the new approach to zoning.

His chief reason: Impact zoning eliminates the legal Achilles' heel of traditional zoning ordinances—namely, what the courts have begun to see as their exclusionary aspects. In fact, says Wolffe, recent court decisions toppling traditional zoning have laid the legal groundwork for the acceptance of impact zoning. And while there will almost certainly be a test case, he believes "it will pose much less of a problem than defending any of the present zoning ordinances."

Wolffe also feels that adopting impact zoning will not create major difficulties for a municipality. While it is possible, he says, for a town to eliminate its present zoning in favor of impact zoning, most towns will prefer in the beginning to retain their present zoning structure, and add impact zoning to it, much in the way PUD ordinances are now adopted. A developer would have the option of building under either conventional or impact zoning.

detached houses produce more school children than townhouses, which in turn produce more than garden apartments.

These and other costs vs. revenue factors can be analyzed and compared to get the total cash-flow picture. Imbalances can be corrected through negotiation and trade-offs. Most important, the town can be sure a new project will pay its way, and the developer can be sure he's not giving away too much.

Natural determinants—making sure a new project will work with, not against, its environment

This fourth and final parameter is in many respects the most important: What effect will the proposed development have on the ecology of its site?

The key factor here is water runoff. Land covered by houses and streets cannot absorb precipitation, and excess and uncontrolled runoff erodes and thus changes the land.

How great the runoff problem will be is determined by five factors: the intensity of land coverage (as noted), rainfall and snow fall, ground slope, soil types and vegetation. Of these only land coverage and vegetation are subject to very much control.

To determine how much land coverage is desirable in different areas of the town, a master map is created by evaluating all factors that affect runoff. Another series of maps determines flood-plain areas and the site's ability to absorb sewage effluent safely. The result of these two determinations is a clear picture of what limitations of coverage and intensity are necessary to preserve the ecology of the site.

Natural-determinant maps play another part: Combined with maps of key infrastructure factors—roads, sewer facilities and community services—they create not a conventional, rigid master plan, but a flexible guide to proper growth for the town. Starting at right is an example of how such a guide comes into existence under impact zoning.

—J. Michael Stimson

Case study: birth of an impact-zoning plan

A pioneer case in impact-zoning studies is Bern Township in Berks County, Pa. There the zoning board has retained Rahenkamp Sachs Wells & Associates as consultants. On this and the following five pages, you will see how studies of two of the four impact-zoning parameters—natural determinants and infrastructure—resulted in a proposed master plan that the town now has under advisement.

Existing land use

Starting point for impact zoning is the map showing existing land use. Magenta shows areas of nonresidential development; red indicates residential development; ochre is productive undeveloped land (farming); olive indicates nonproductive undeveloped land.

TO NEXT PAGE

The three maps on this page chart the water runoff factors that determine how much hard cover (housing and paving) can be built. The darker the areas on each map, the less hard cover these areas can take.

Slopes

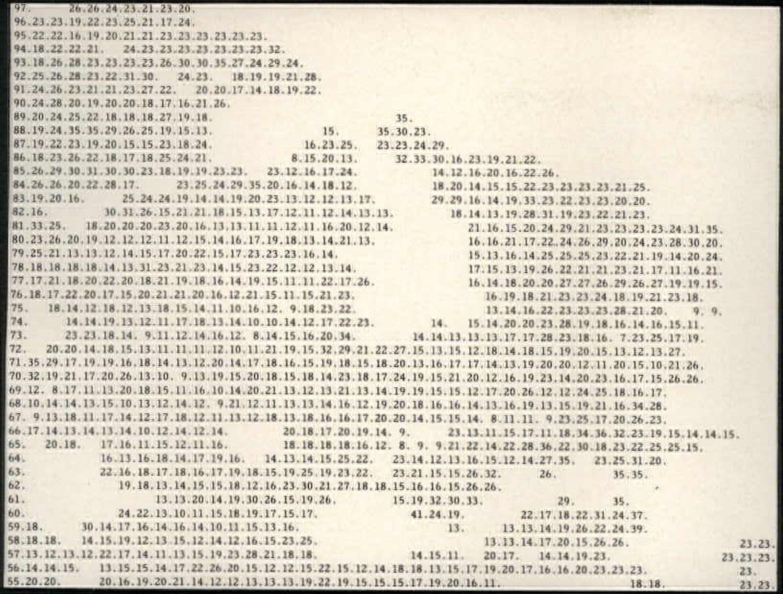
In the map at right the figures for each color block on the legend are *(top to bottom)*: 25% slope or more, 15-25%, 8-15% and 0-8%.

Hydrological soil types

Several factors determine the ability of soil to absorb water. They include the soil's depth, its physical structure (coarse or fine) and whether it is seasonally wet. Colors indicate Soil Conservation Service types B (most absorptive, hence most restrictive to building) to D (least absorptive, hence least restrictive to building). White areas are man-made soil, not classified by the SCS.

Vegetation

From top to bottom the color blocks on the legend indicate tree cover; orchards; pasture, meadow or lawn; and cultivated or nursery areas. Forest land is most restrictive to building.



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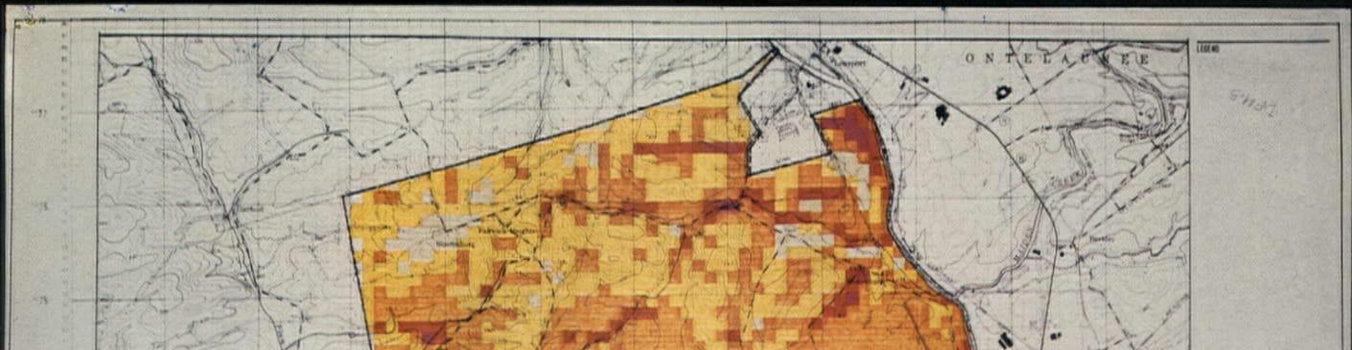
Computer grid

From the maps *(opposite page)* the computer calculates the percentage of each area that can be used for hard cover without resorting to man-made runoff controls.

Coverage plan

By superimposing the computer grid on the actual township map, the planners produce an ecological master plan for the community. Lightest colors show best building areas.



Other natural factors besides water runoff restrict building. These factors are shown in the maps on this page.

Flood plains

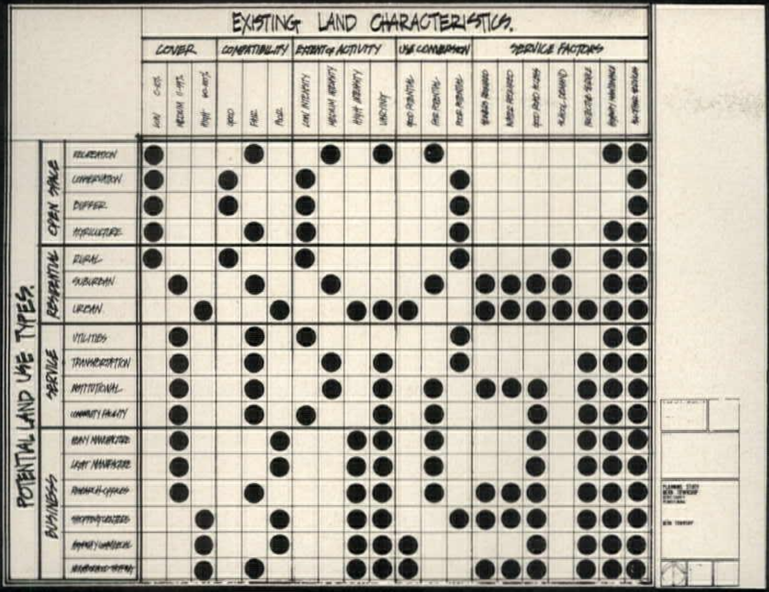
This map shows areas that are unbuildable because of flooding or high water tables. Purple areas are subject to flooding; pink areas have water tables that rise to within 6" of the soil surface at least once a year.

Soil types

Soils must be analyzed not only for water runoff *(page 62)* but also for the effect of waste disposal on ground water that may be tapped for drinking. The legend with this map indicates *(top to bottom)* prime farm land over aquiferous (water-carrying) soil that is best not covered since it replenishes the ground-water supply; prime farm land over non-aquiferous soil; unstable soil that could be eroded by excess runoff; underlying limestone, which may have hollow pockets and thus should not be expected to filter out pollutants from septic systems; underlying shale sandstone, a relatively efficient pollution filter; erodable land over aquiferous soil.

Geology

Crosshatched areas on this map are, to some degree, pollution trouble spots. The legend indicates *(top to bottom)*: shallow soil over bedrock, a runoff problem if the soil freezes; pollutable aquiferous soil that is probably deep enough underground not to cause problems; pollutable aquiferous soil that is close to the surface and thus a serious deterrent to septic systems.



Land compatibility chart

This is a basic rating of various land characteristics vs. potential land uses. Modified for each town's individual needs, it also serves as an impact-zoning primer for future zoning boards.

Land use plan

Based on the preceding ecological maps plus certain political assumptions concerning land use, this map is the impact-zoning equivalent of the usual master plan. It differs, however, in two important respects: It can be modified in many ways (providing such changes adhere to the basic limitations established), and it gives a far more detailed breakdown of optimum land-use potential than do conventional master plans.

The maps on this page show the service infrastructure that will exist as the town is built up.

Sewer and water plans

Road plan

Community services

How impact zoning will work: a projected case study

The developer, whom we'll call Green, has taken an option on a 300-acre parcel. Existing zoning in the area calls for single-family houses at a maximum density of two units per acre. Green's original intention is to build just that, since he has always built single-family houses, and he feels most comfortable in that kind of market.

But a problem arises: Green has a market study made and finds he can expect an absorption rate of only about 50 single family houses a year at his average price of, say, $40,000. This gives him a build-out time of 12 years, and his cash-flow studies show that at such a rate his debt service will murder him.

But Green is lucky: The town has just passed an impact-zoning ordinance. So he has an opportunity to apply for a PUD with a higher density.

Green's first step is to go back to his marketing study. He finds there is a marked shortage of lower-priced units like townhouses and condominium apartments. If he is willing to move into this low-priced market, he can expect to sell at least 300 units a year. He decides on a six-year build-out period, which at 300 units per year adds up to 1,800 units, so he starts with an overall density of six units per acre.

Now Green goes to the town hall, checks the master ground-cover map *(page 63)* and discovers that on his site maximum allowable coverage is 20%. He takes this information back to his planning firm and is told that it will allow a density of four to five units per acre. Green re-estimates his build-out at a conservative 200 units a year (or a total of 1,200 units) and is satisfied with the result. He decides to plan a PUD under the impact-zoning ordinance.

Now a conceptual site plan is needed. Working with his planner, Green comes up with this:

The site's overall density is four units per acre. His rough apportionment of the 1,200 units calls for 400 condominium apartments, 400 townhouses and 400 single-family houses. (This is a high proportion of single-family housing for a PUD, but Green, as noted earlier, has been a single-family builder until now, and he feels safer with a high ratio in this market.)

In addition, the plan calls for 60 acres of open space in parks and green belts, 24 acres of roads and a six-acre commercial area.

Green takes his plan to the town hall, and now a whole new set of criteria, established by the town's impact study, comes into play:

- The town's growth rate has been established at 1,000 families, or about 3,000 people, per year. Green's projected sales rate of 200 units a year is a reasonable portion of that.
- There is adequate sewage treatment capacity in the municipal system. However, the nearest main is not close to Green's site. Connecting this main and installing a lift station will cost $200,000.
- In general road capacity in the area is adequate. But a nearby intersection will be overloaded; widening it and installing a traffic light will cost $100,000.
- Green's PUD will put an average of about 0.7 children per unit—or a total of 840—into the town schools. This is high for a PUD. Moreover, thanks to a plethora of new single-family housing in the town over the past few years, the school system is now filled, so Green's project will require capital outlays for new schools as soon as move-ins start. Hence, the expected revenue from the project will fall short of the combined school and municipal costs it will generate.

However, the town fathers consider Green a stable, dependable developer, and they feel his preliminary plans promise a high-quality project. So they begin negotiations.

The revenue deficit comes first. Raising prices would increase the project's assessment and thus boost the tax revenue it will generate. But Green feels this will narrow his market too much. He decides to forego some single-family houses and to build more townhouses and condominium apartments. The new mix—300 houses, 500 townhouses and 500 apartments—maintains the same level of ratables but decreases the number of school children to a point where the revenue deficit turns into a small surplus. With 1,300 units the overall density rises somewhat, but the ground coverage is still below the acceptable 20%. So far, so good.

Now comes the question of $300,000 for sewage hookup and the improved street intersection. Financed by the towns, these capital improvements would cost about 7% per year, or $21,000. If Green is willing to switch his mix further towards townhouses or condominium apartments—and so cut the school load by about $21,000 a year—the town agrees to lay the sewer line and fix the intersection.

But Green feels that decreasing his already reduced single-family ratio would create too much of a marketing risk. He decides instead to pay the $300,000 himself.

The negotiations are finished. Green is now ready to commission final plans and start developing.

Land-use seminar

Housing men get a cram course in the whys, wheres and hows of PUD

The course is offered in the form of two-day seminars, co-sponsored by HOUSE & HOME *and AMR* International. And if there was any doubt about the growing interest in PUD, the first two seminars—one in New York* (seen on the photos at right) *and the other in San Francisco—laid them to rest. As a result of the attendance—nearly 300 to date—and the enthusiasm, the original program of three sessions has now been expanded to six. Dates and locations of upcoming sessions, plus program highlights, are given below.*

The purpose of the seminars is to explore key categories in the conception, planning and financing of PUD land packages.

The program

Land acquisition covers the finding of land parcels large enough for PUDs and ways of negotiating so as to get adequate control with maximum leverage. An article on this same subject begins on page 70.

Getting the right zoning covers the increasingly difficult problem of approvals for the higher densities PUD demands. A poll of seminar participants showed this to be by far their most serious problem in putting together PUDs.

Financing covers particularly the problems of front money, more serious in a PUD than a conventional project because of larger land parcels and more expensive early amenities.

Industrial and commercial explores these ancillary benefits of PUD, with particular emphasis on how they can affect and improve the financing picture.

Cost and feasibility is a two-sided subject covering the effect of different housing mixes, prices, densities and rates of construction on **1)** the developer's own cash flow and profit, and **2)** the town's tax revenue as compared to services required. The latter is a vital parameter in zoning negotiation.

Planning that meets the market covers the basic elements that are planned into a PUD to appeal to specific buyers in specific price ranges.

Golf courses discusses how a golf course can be the core of a PUD, not just as a recreation feature but as a major part of the overall plan and as a key to increased land value.

Impact of PUD explores the new town of Columbia, looking at it both as a large-scale PUD in itself and as series of smaller-scale PUDs including residential, commercial and industrial use.

The faculty

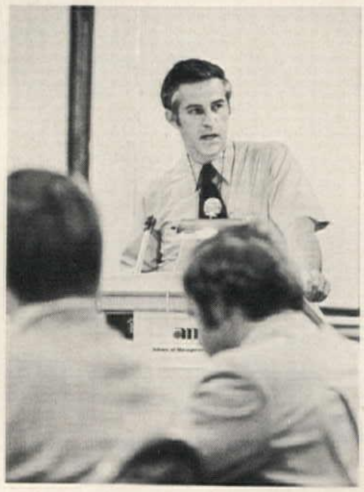
John Rahenkamp and Walter S. Sachs Jr., president and principal respectively of Rahenkamp Sachs Wells and Associates Inc., planners.

Cy Paumier Jr., principal in Land Design/Research Inc., planners.

Desmond Muirhead, president of Desmond Muirhead Inc., a planning and design firm, and a noted golf-course architect.

Nathan J. Miller, president of Building and Land Technology Corp., a land-packaging and de-

**Advanced Management Research*



veloping firm.

Anthony Frank, president of Citizens Savings & Loan Assn.

Marc J. Alan, president of Marc J. Alan Inc., a real-estate development and consulting firm.

Otto W. Pongrace, director of Industrial Development of the Penn Central Transportation Co.

Maxwell C. Huntoon Jr., managing editor, House & Home.

Future seminars

These will be held in Chicago on August 17 and 18; New York on September 25 and 26; San Diego on October 26 and 27, and Dallas on November 27 and 28. Details can be obtained by writing to: Land Use Seminar, House & Home, McGraw-Hill. 1221 Avenue of the Americas, New York, N.Y. 10020.

The first and often most difficult step in developing a PUD or any other major project is finding and controlling the right parcel of land for it. One member of the faculty at the House & Home-AMR seminars is a long-time expert at doing just that. For this article we asked him . . .

How to find raw land in the right place and how to make the best deal

What we're talking about is land that's just about ripe for development. It's probably more rural than what's being developed today, but it lies where housing is expected to spread in the next few years.

The parcels are big—50, 100 or more acres, which is usually the minimum needed for a PUD. And chances are rezoning will be needed. So the land usually won't be bought immediately but must be controlled, via options or other means, until rezoning is approved.

Where do you find this land? Who owns it? And when you find the owner, what kind of a deal can you make with him?

Seminar panelist Nathan J. Miller is president of Building and Land Technology Corp., Paramus, N.J. Miller has been acquiring land for major building companies and for himself for 20 years. In that time he's dealt with a spectrum of sellers ranging from farmers to land speculators. What he says about finding them and dealing with them is a primer for the would-be land buyer.

The first thing to remember, says Miller, is that every deal will be different. Each has to stand on its own and make money sense to the seller. But even though there are no set rules to follow, basic guidelines are almost always part of a successful deal.

Obviously, the first step is to find out what land is available and who owns it. The kind of parcel Miller is looking for rarely has a for sale sign on it, so sitting back and waiting for a full-page newspaper ad won't work. What's needed is legwork, pure and simple bird-dogging. The would-be buyer or his representative must study tax rolls and maps, read legal notices in the local newspapers, visit real-estate brokers, banks, attorneys, town officials. That's the only way to find out who controls big parcels in the right areas.

Then it's a matter of negotiation—knowing the seller's needs and working out terms on that basis. And although these needs will vary from deal to deal, there are several kickers the buyer can use that will help speed up negotiations. For example:

- The buyer agrees to pay the taxes on the property until the sale is consummated.
- If the downpayment is refundable in a no-go deal, it is put in an escrow account with the seller getting the interest.
- A portion of the deposit is stipulated as nonrefundable if the deal doesn't go.
- A portion of the deposit is not credited towards the purchase price if the deal does go through.
- If there's an existing mortgage on the property, the buyer covers the interest payments during the waiting period.

But though these sweeteners often help, the buyer's best weapon is his understanding of the needs and desires of the many types of landowners—farmer, gentleman farmer, estate, lender, government agency, large public company, builder or developer or land speculator.

With Miller's help let's examine each of these to see what makes him tick and find out how to deal with him.

The farmer

The working farmer, according to Miller, is the prime source of the large parcel of raw land. Finding out whether he wants to sell is not just a matter of writing letters or making phone calls. A buyer must knock on doors, begin to understand the person he's dealing with and then use his salesmanship to show the farmer why the land should be sold at this time, at this price and under the buyer's conditions.

What will persuade the farmer to sell? A look at his background reveals part of the answer.

Usually, says Miller, the farmer is the easiest seller to deal with because he has a real, personal reason for selling. Often he's worked the farm for years and now wants out. He's worked very hard to make a decent living in some years and a fair living in others, depending on weather, prices and the other uncertainties of farming. And while he doesn't have to worry too much about food and housing, he hasn't accumulated much cash. When a buyer comes along, the farmer sees his first big chance to get his hands on a great deal of cash. And taxes will be minimal because the sale will represent long-term capital gains.

Now if he's tired of farming, or if he's a second- or third-generation farmer who has inherited the land and doesn't like farming, a deal like this will free him to find a new line of work or simply to retire. Or if he enjoys farming, before the ink is dry on the contract he can be 20 miles farther out buying a new farm for about 20% of the price he just got for his old one.

But even though the farmer may have many good reasons for selling, the buyer can't just walk in and make a deal on his own terms. In this enlightened age most sellers are fully aware of what their land will be worth when it's rezoned and ready for building.

So to forestall unreasonable demands Miller recommends that the farmer engage an attorney to advise him on the realities of what can and can't be asked for. The farmer will learn, for example, that he must pay taxes on the entire sale if he takes more than 29% of the price in cash during the first calendar year. So initial payments generally vary between 10% and 29%. The lower amount is likely to work when the farmer feels he has a strong buyer. He'll take a mortgage with 7% or 7½% interest rate, which is higher than he'd get at a savings bank.

Since the sale usually hinges on getting the necessary zoning, the contract won't be one which the farmer can borrow against. Thus, the farmer will have to be compensated for taking his land off the market for a certain period. Compensation may be in the form of one or more of the sweeteners mentioned earlier, or it may be reflected in the purchase price. According to Miller such negotiations usually go something like this:

"Say a 100-acre farm is worth $1,000 an acre; that's what a speculator would pay for it. I try to convince the farmer that during the option time I will invest the time and money and talent necessary to create a subdivision, a site plan, a PUD or whatever for his farm. I tell him 'right now a speculator would pay you $100,000 for this land. But if you'll ride along with me, you can get $130,000 or $140,000 or $150,000.'

"It wouldn't cost him a penny, and he'd still be able to farm his land. I'm not going to do anything more than make some test borings which won't disturb his operation.

"His only risk is that he's holding the land off the market. But even if the deal falls through, the land won't be worth any less than the $100,000, and considering what's been happening to the price of farm land, it will probably be worth more. So he's made a good deal for himself."

Other sweeteners can also be used. For instance, the seller might agree to a flexible option with renewals at stated intervals and a higher price after each renewal. Or there might be a monthly penalty for each month the option is carried past a specified point. But, of course, there will have to be a final cutoff time.

Few land deals go smoothly, says Miller, particularly if it's the first time the farmer has been involved in a land negotiation. He usually lives in a small community where a limited number of farmers own large acreage. He's apt to talk the deal over with his neighbors, and before you know it, he has an inflated idea about the value of his property. So sometimes it becomes very difficult to agree on a price.

Then, too, there's a basic uneasiness—not distrust, particularly, but a wariness—because the builder, the speculator, the city slicker is coming out to buy "our farm". So, says Miller, the farmer begins to think: "Maybe I'd better wait and let him buy my neighbor's farm."

Other conflicts can develop if the farmer is emotionally attached to the soil; the farm may have come to him from his father. There may be a large family on the farm with everyone having a different idea of what the property is worth. And sometimes a town is built up around a particular farm, and the townspeople may not want to see that farm go.

"There are all kinds of pressures," says Miller. "The only way to deal with them is to be patient and to keep emphasizing your company, your concepts and the advantages the farmer will realize from selling."

The gentleman farmer

Like the working farmer, the gentleman farmer is a potential seller with a lot of acreage. But, says Miller, he can be impossible to deal with. That's because he owns the farm for tax reasons, or as a weekend retreat, rather than as a means of livelihood. Unlike the working farmer, the gentleman farmer usually has a lot of money, so cash is no problem to him. And he usually has someone farming the property for him. So unless he's tired of the farm, can't get a good tenant-farmer or has a change in his tax situation or family status, he has no compelling reason to sell. In a word, the gentleman farmer is a tough nut to crack.

Miller is dealing with just such a tough case right now. Negotiations have been going on for four or five months. The owner, in his mid-eighties, is financially substantial and visits his property only once or twice a year. He won't use an attorney, even though he's not a lawyer himself.

Miller has come up with about a half-dozen completed contracts, but each time he thinks the deal is ready to finalize, some new point is raised. And, says Miller, the seller always acts as though he's going to live another 50 years.

How long do you continue to deal with someone like this? Miller says that if a cutoff point is reached, the buyer will sense it. But, he adds, a good land man will keep trying. Maybe the seller won't agree today, but try him again a month from now. Often deals are made just because a buyer is persistent or because when the owner does decide to sell, he feels obligated to whomever he's been dealing with.

What kind of terms would appeal to a gentleman farmer? He doesn't need the money, says Miller, so the best thing is to try to set up an option situation. The buyer says, "For X dollars, I want an option on the property." Then the seller knows that as far as he's concerned there are no conditions.

If the buyer is satisfied after a year, or whatever the length of the options, fine. He pays the stipulated price. If the deal doesn't go through, the seller puts the X dollars in his pocket.

Estates

Usually the executors of an estate are attorneys or bankers—people who are not exactly strangers to anyone in the housing industry. By constantly checking these sources, a land buyer will find out when estates become available.

Timing can be crucial. An estate needs enough immediate cash to pay inheritance taxes and satisfy any other obligations. And since the estate faces a tax deadline, the money may be needed quickly. Often the proceeds from a land sale are to be used to pay the taxes on an entire estate, which also includes jewelry, stocks and bonds, etc.

Since the buyer usually negotiates with a professional—an attorney or banker—the deal can become relatively easy once the executor decides to sell. But it's important to remember that negotiations must revolve around conditions that will solve the estate's problems, or the purchase won't go through. Often this means a lot of money down, which may kill the deal for the buyer.

It's rougher if the buyer is working not with a professional but with a member of the family. Trustees in the family can create all kinds of problems. In Miller's experience, even though brother John is a trustee and brother Joe isn't, John usually will discuss the deal with brother Joe and with every other member of the family too. Often they all will have different ideas of what should be done. And if there are children, grandchildren and in-laws involved, all of whom have to agree, the deal can fall through.

Other estate deals can be impossible because there is no will, or an heir is missing. Miller has been involved with ten or 12 pieces of land that proved unbuyable because title requirements couldn't be satisfied when an heir couldn't be found.

Mortgage foreclosures

Projects can go sour for a multitude of reasons. And one developer's failure doesn't mean that someone else can't turn the same project into a success. In other words, the land and the location may still be valuable.

Foreclosures usually go like this: A developer borrows money to take title to a large tract. The lender puts a mortgage on the entire tract even though the developer plans to subdivide only a section of it to begin with. Something goes wrong in that first section—it could be a lag in the local economy, a bad estimate of the market or a dozen other things—and the developer can't withstand the shock. The lender takes over, and the land, largely undeveloped, becomes available.

What kind of deal can a buyer expect in this situation? Although the lender isn't about to make a distress sale, he could be

The travails of a land buyer: two cases from Miller's experiences

Nathan J. Miller, president, Building and Land Technology Corp.

The land buyer, says Miller, never knows what kind of oddball situation he'll be up against making a deal. He offers the following examples from his own experience.

Case No. 1: the country slicker. "Some years ago I was buying a dairy farm outside of Princeton, N.J. The farm was the largest in the area, which was growing rapidly.

"Both the farmer and his attorney were very sharp, and negotiations dragged on and on. We agreed on money terms: I was to pay one price for 12 months, a higher price for 18 months. But I never could get the farmer to sign on the dotted line.

"No matter what additional terms I agreed to, there was one point after another that the farmer came up with. For example, he loved his work and so did his wife. And they wanted their son, who had just graduated from Rutgers, to have at least a year-and-a-half's experience running the farm. So one condition was that they could use the farm for six months after the deal went through. This would carry them through some sort of an important dairy-farm season.

"What I didn't know, and what I subsequently discovered after we finally signed the papers, was that all the stalling stemmed from negotiations the farmer was making for another piece of land about 30 miles away—land priced at about 10% of what I had paid him.

"I felt I was making a wonderful deal, and I was. But I learned that this was the fourth time he had worked this kind of deal and that he had only owned the farm I was buying for ten years. So, whereas at the start I thought he was negotiating because we just hadn't covered all points, in reality he was setting himself up for the next killing."

Case No. 2: the battling heirs. "This deal wasn't a case of wheeling-and-dealing: It was a problem of animosity.

"The property was part of an estate that went back 25 or 30 years, and the executors were two attorneys and one principal. When it finally came time to sign the contract, they asked me to come to a meeting.

"I found myself face-to-face with some 30 people. They were all different branches of one family and all were heirs—down to grandchildren and maybe great-grandchildren. But a lot of these family branches weren't talking to each other. They were sore at one another to begin with, and they hadn't seen each other for five or ten years during which time they became even sorer. It took meetings over two long holiday weekends to bring the deal off.

"At the beginning I thought I was dealing only with three trustees. So I figured it would only take eight or nine days to get to contract. But with all those heirs in the act, it wound up taking eight or nine months to work out the deal. And I was lucky to wind up with any kind of contract."

the most reasonable of all sellers. He's more interested in the buyer's track record than in terms. If he's going to get in bed with someone new, he wants to make sure the new bedfellow can at least do what the predecessor couldn't. The one thing he doesn't want is to be stuck with another foreclosure on the same piece of property.

And there are other basic reasons, Miller says, why the lender generally will give the buyer almost any deal he wants:

- The lender is interested in salvaging the mortgage.
- The lender is interested in new business. Putting the project back on its feet means so many construction loans, so many permanent loans, so much interest on the land mortgage and whatever discounts may be involved.
- The lender knows the industry and thus understands the problems the new buyer will face. So the buyer doesn't have to be too much of a salesman or negotiator. He needs only to convince the lender that the job will be done right.

Miller has found that this kind of lender often will call a prospective buyer and ask him to look at a foreclosure situation. So a buyer should let lenders know when he's looking for land in a particular area.

Government agencies and municipalities

For example, take a turnpike authority that acquired more land than was needed for a new highway. When the job is finished, the extra land is usually sold off.

In the case of a municipality there are several possibilities. There's land that the town owns outright. Perhaps it has been used for a garage or other purpose and now isn't needed, or perhaps it's vacant land. Maybe the town has decided to sell or maybe someone has put in a bid. So the land goes up for auction.

But a buyer doesn't have to wait for this kind of property to be offered. He can initiate the deal by examining the tax rolls and finding land he wants. He submits a written bid to the town council, offering a price and listing conditions if there are any. The town doesn't have to sell, but if it does, it calls for open bids and takes the offer that is best in terms of both price and conditions.

Property against which municipal liens have been filed is another good source. Local newspapers advertise these liens which can be purchased for the amount of each lien. If the current property owner doesn't come up with the necessary money within a specified time, the purchaser institutes a foreclosure action. Or, if the municipality already owns the property through a foreclosure action, it may be sold at open bidding.

Again, the town doesn't always offer this kind of property for sale. But a would-be purchaser can try to initiate a deal. Having a rapport with local officials can help, so it's a good idea to attend town council meetings, talk to councilmen, visit the town clerk. Often a buyer can learn ahead of time what foreclosures are in the offing, when, and whether anyone else has put in a bid.

Builders and developers

A builder's business is land. He must inventory at least some so he has lots to build on, not only today, but a year or two from now. But given the cyclical nature of the industry, a builder may find that too much of his cash flow is tied up in land. So he sells.

The result, says Miller, is that the builder is one of the best of all land sources. There's probably more buying and selling of land among builders than any other group.

A builder might want to sell some of his land for any one of a number of reasons. As noted above, he may find himself long on land and short on cash. Maybe he got a good price on a parcel a while back and bought more land than he ever intended to build on. Or maybe by virtue of what he's currently building, he has made an adjacent piece of property so valuable that he'll do better selling it than building on it. Maybe he has a site that's rezoned for apartments and he isn't an apartment builder. Or perhaps he brought in utilities that upped the value of the land.

Is a builder tougher to deal with than other land owners? Mainly it depends on his financial situation. The sale is forced only to the extent of the builder's cash-flow problem. If he has already subdivided the land, perhaps he can borrow money on it from a lender or a real estate investment trust. But if it's raw acreage, he'll probably have to sell to raise his cash. And if that's the case, says Miller, most builders will deal realistically.

But if cash flow isn't the builder's problem, and he thinks he has a piece of land ready for a killing, then watch out. He'll want the largest profit he can get.

While the big housing producers must keep building to make adequate profits, says Miller, many smaller builders are much more flexible. If they can make money by appreciating a piece of land and selling it, they will. So some of them build the first ten or 20 houses in a subdivision, then go out and sell the balance of the land.

Large corporations not involved in housing

Though unrelated to the housing industry, these public companies have amassed large land holdings. Perhaps they had a strong cash position, bought land as a sound investment and now, for one reason or another, want to sell. Perhaps they once used the land for timbering, which is now finished. Or perhaps they put together large tracts as plant sites, then changed their minds.

What's the best way to negotiate with these companies? Suppose, says Miller, a mining company owns land it no longer needs and is ready to sell it. Probably the land is free-and-clear or carries only a small mortgage.

Here again the seller is apt to be interested in the potential buyer's track record. Reason: More and more during the past few years this kind of seller has opted for a piece of the buyer's building action, saying in effect, "Let's go into the housing business together."

This can be a good deal for the buyer. But many mergers and joint ventures of this type have turned sour. So Miller cautions that the buyer must set the methods of operation and that the seller should simply act as a silent investor.

Land speculators

These would-be sellers are rarely housing professionals. They're usually doctors and the like who, either singly or through some form of syndication, acquire land rather than, say, stocks or other securities, as investments. They do nothing with the land but let it sit and appreciate. Generally, this land is in large tracts, and on the average it has been held for about seven years, says Miller.

Finding these sellers isn't much of a problem. They can be located via newspaper ads through which they're trying to buy more land. And real estate brokers in most small towns know the speculators who are in the market.

Are speculators hard to deal with? Not usually, says Miller. They want to sell for what *they* think is fair, which generally is somewhat more than the land is really worth. On the other hand, it's usually easy for the buyer to get his terms. The speculator has held the land a long time already, and he won't worry too much about terms if he knows he'll get his price in another year or two.

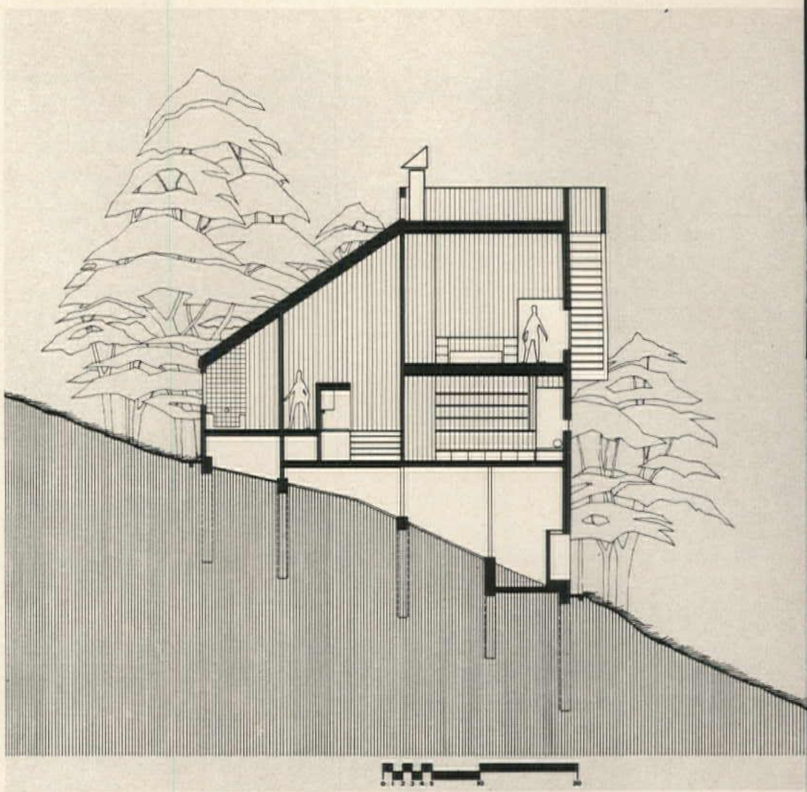
Typically, says Miller, speculators have bought cheap land in an area that wasn't yet ripe for building. Their ultimate aim is to sell the land, not hold it. So in effect, says Miller, they do a lot of land banking for the housing industry.

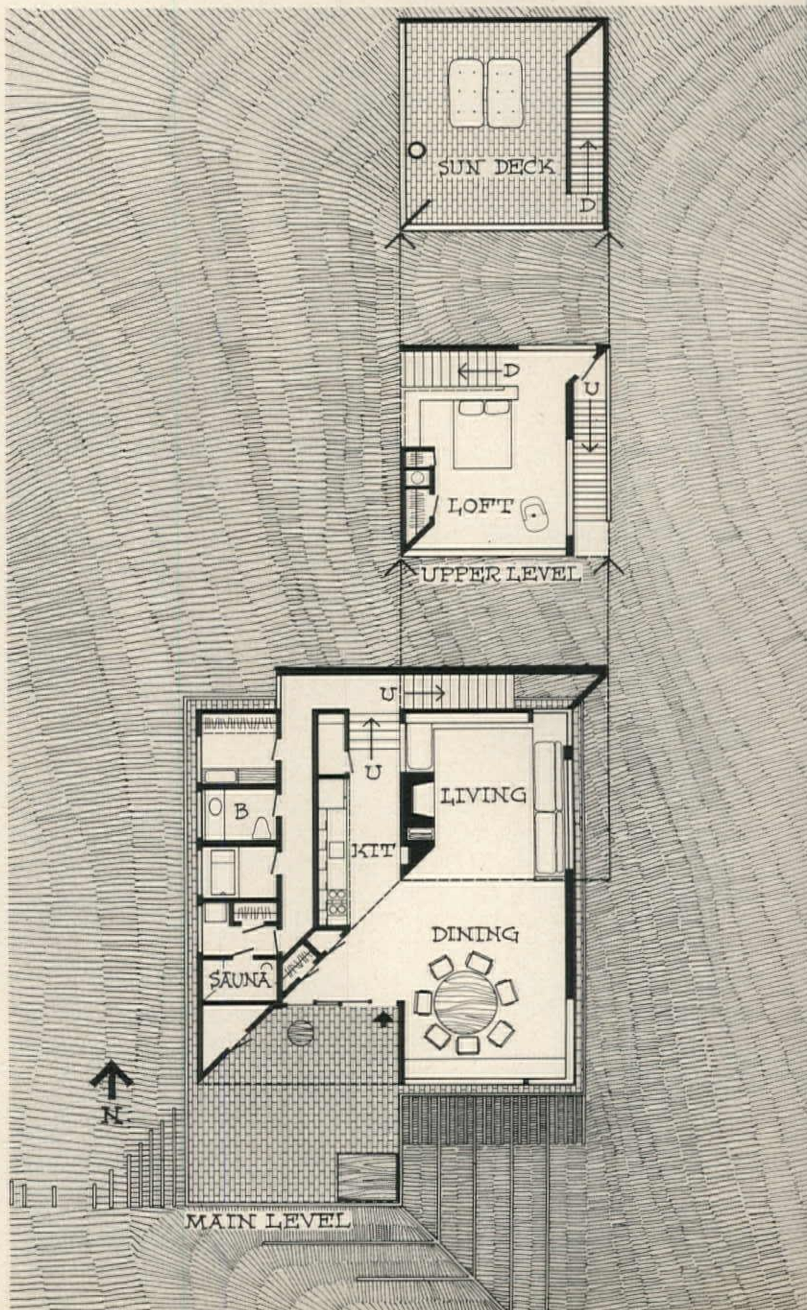
—June R. Vollman

One-of-a-kind houses designed for private clients are a drop in the housing bucket, but they're also a fertile source of ideas for production-house builders and architects—ideas like those you'll see in these...

Nine award winning custom houses

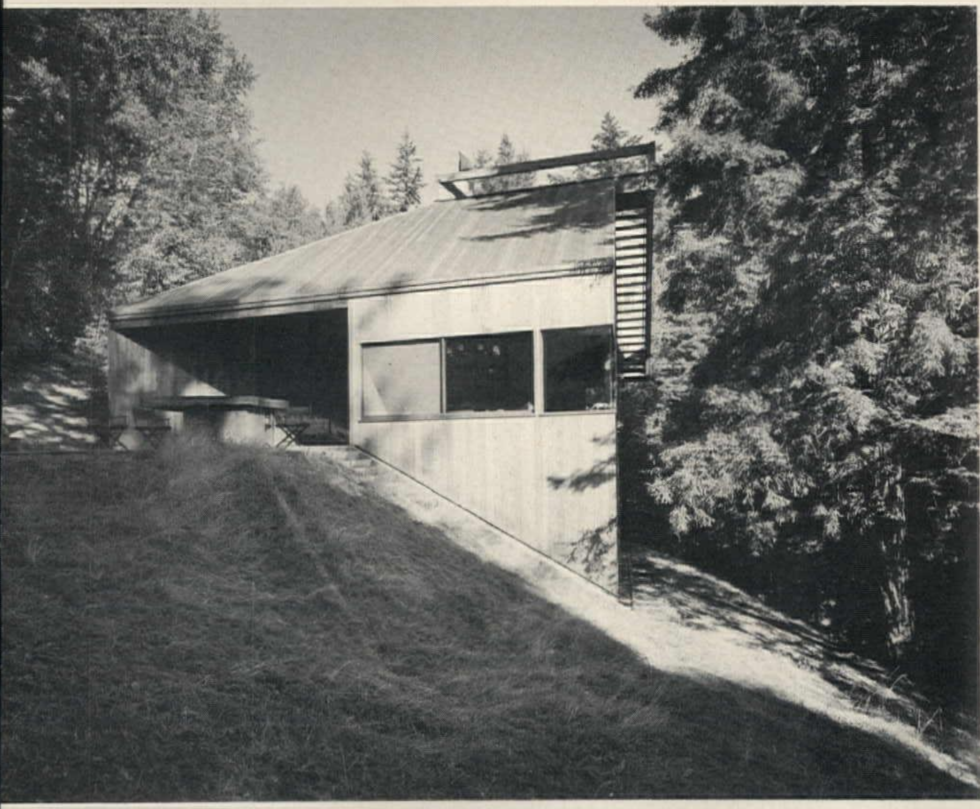
All nine took down First Honor Awards or Awards of Merit in the 1972 Homes for Better Living program. Along with nine other winners [H&H, June], they were selected from 200 entries in the custom-house category of the 17th annual HFBL, sponsored by the American Institute of Architects, *American Home* magazine and House & Home.





FIRST HONOR AWARD

ARCHITECT: *McCue Boone Tomsick*
BUILDER: *Henry Knutzen Sons Inc.*
LOCATION: *San Mateo County, Calif.*

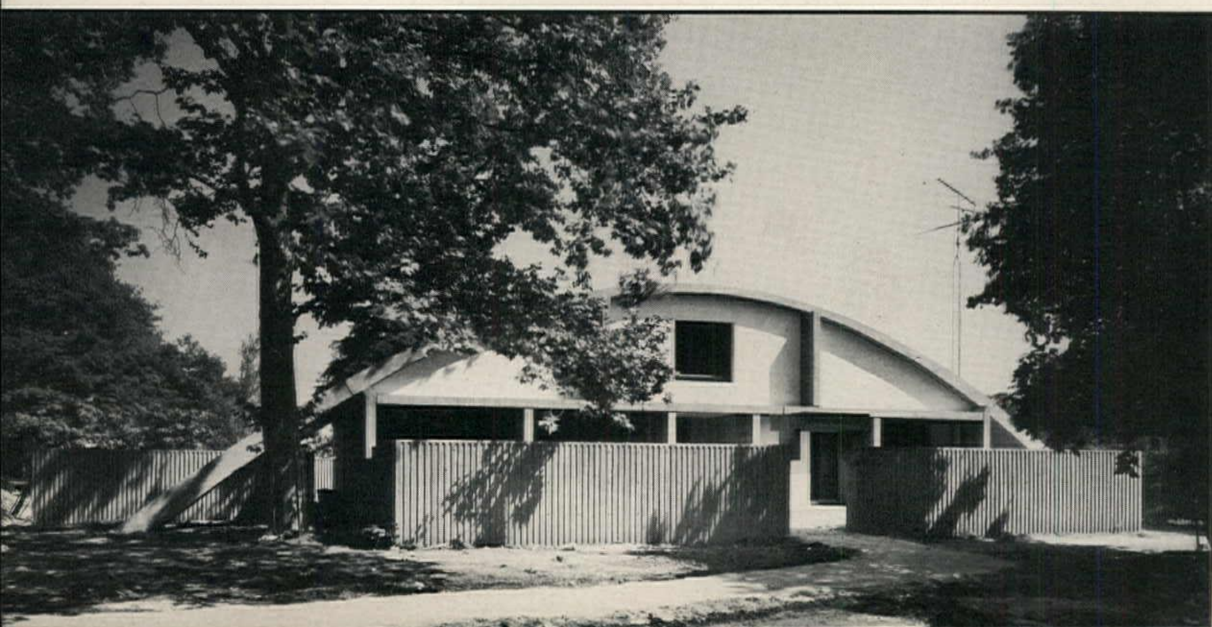


PHOTOS: JEREMIAH O. BRAGSTAD

The truncated exterior appearance *(left)* of this vacation retreat is pure deception. Inside, there's 2,580-sq.-ft. of living space arranged in an open, spacious design that closes off only a sauna, tub, lavatory and storage areas *(see plans)*.

Essentially a single-level rectangle with sleeping loft above, the house is oriented on its steep mountain slope so that it is sheltered from prevailing winds.

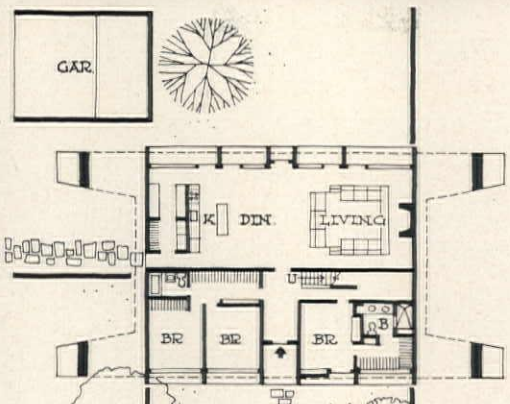
The living room *(below)* is semi-secluded from the kitchen by a two-level-high wall which partially shapes the contour of the loft sleeping quarters. Atop the loft is a sundeck, reached via an indoor-outdoor staircase.

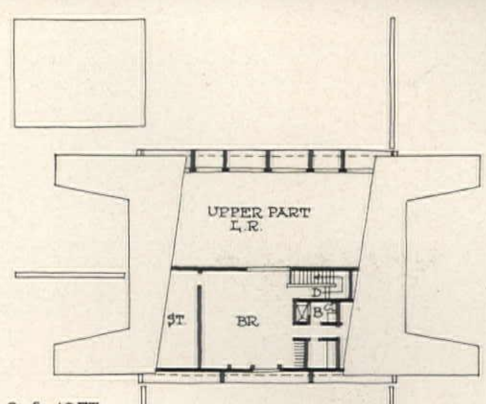


BEN SCHNALL

Beneath this sweeping parabolic arch is a surprisingly simple plan—a 45'x54' rectangle with three bedrooms across the front *(photo, left)*, an open kitchen-dining-living area *(upper right)* across the rear and a study *(right)* on a mezzanine above the bedrooms.

The 3,300-sq.-ft. house was designed for a couple whose grown children return for fre-





PHOTOS: EZRA STOLLER

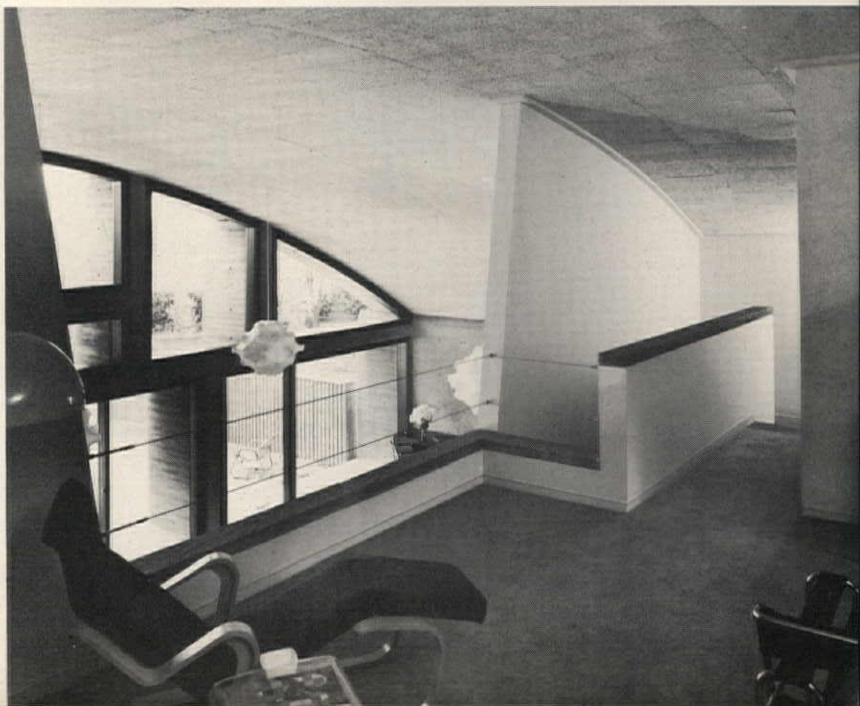
FIRST HONOR AWARD

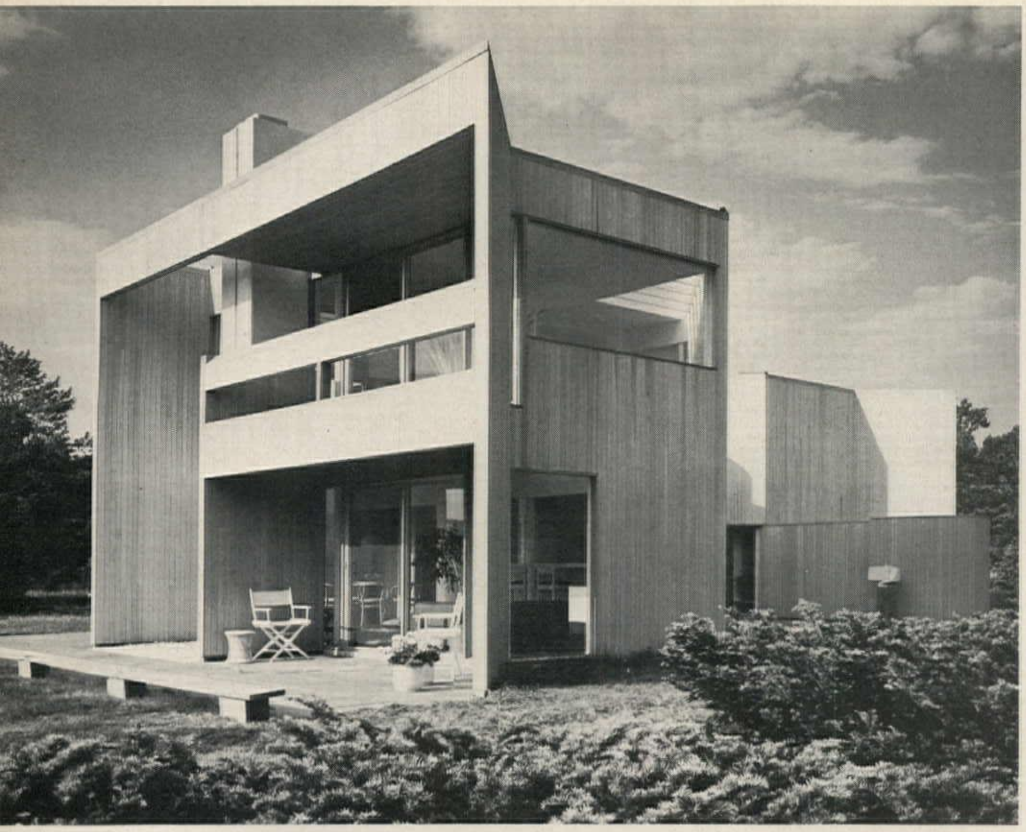
ARCHITECT: *Marcel Breuer & Herbert Beckhard*
BUILDER: *Barnes Building Co.*
LOCATION: *Lawrence, N.Y.*

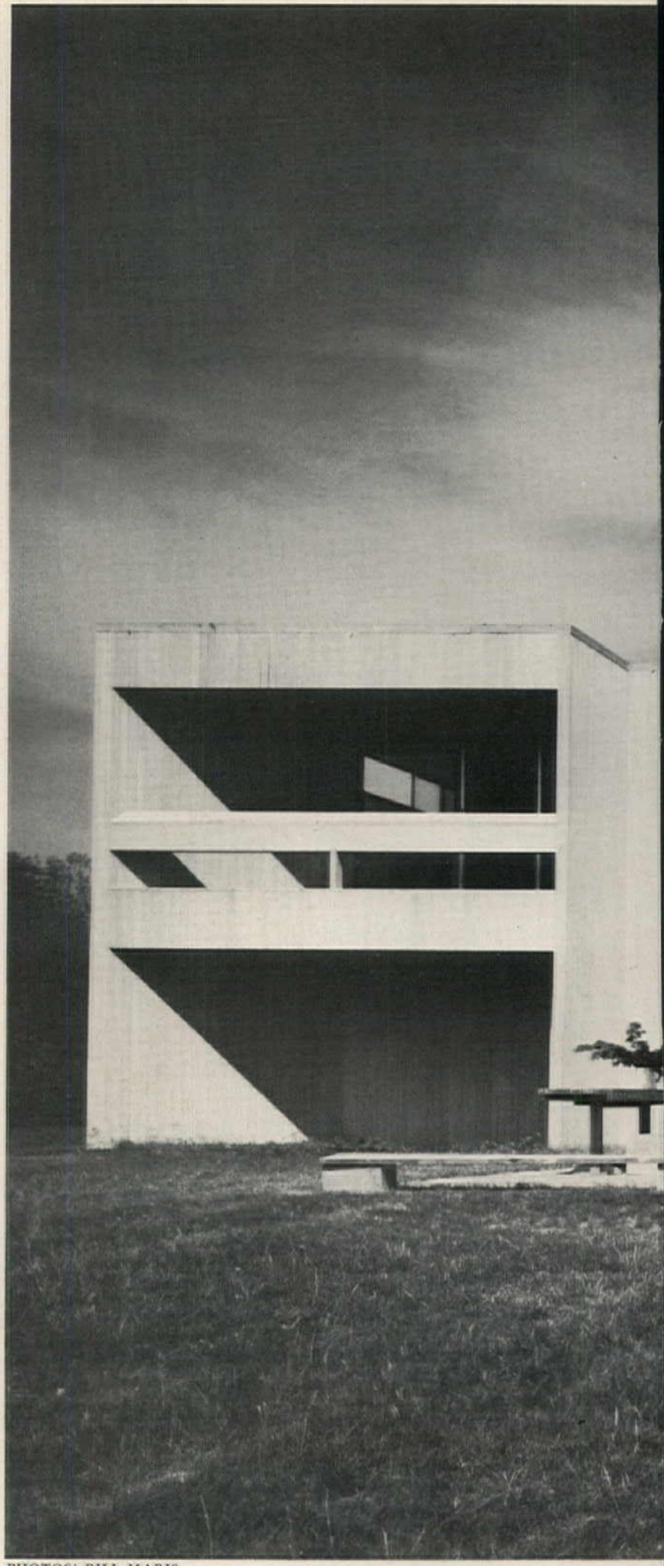
quent visits; hence the extra bedrooms. At the rear *(above, left)* it is wide open to a view of a seaside marsh and wildlife sanctuary; in front the bedrooms are screened from the street by a walled entry court; and at the sides walls are windowless for privacy from neighboring houses.

The large set-back windows at the rear are shielded from sun-glare and rain by deep overhangs and wing-wall sections. At the front the single small upper-level window is set into white textured stucco.

The arch, sun screens, side and garden walls and some interior walls are of cast-in-place concrete. To deaden sound a strongly textured insulating cork was used for the ceiling and gypsum board for partitions.







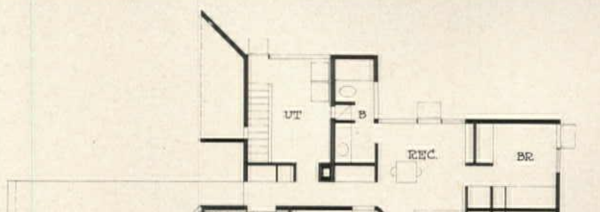
PHOTOS: BILL MARIS

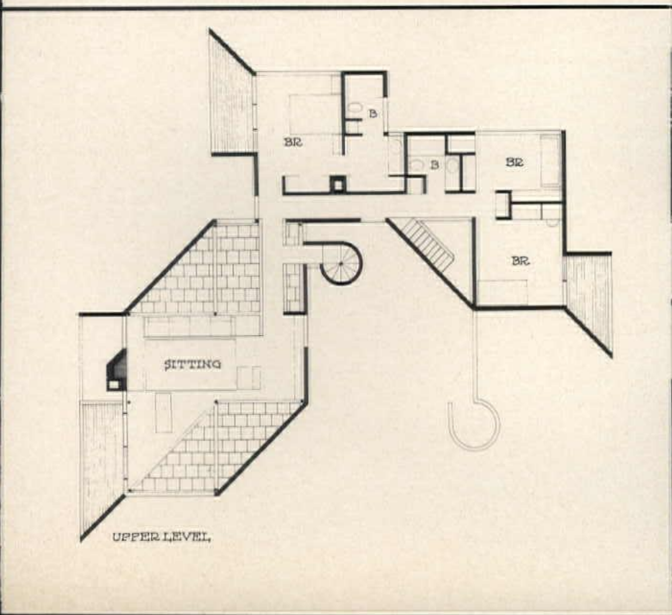
AWARD OF MERIT

ARCHITECT: *Julian & Barbara Neski*
BUILDER: *Peter Wazlo*
LOCATION: *East Hampton, N.Y.*

Its free-form shape suggested by the pattern of trees and bushes of an adjacent nursery, this 2,787-sq.-ft. house is a year-round vacation retreat for a family of five. It consists of three, two-level wings: One *(left on plan)* comprises a family room, kitchen and upstairs sitting room that is connected via a bridge to the middle wing's master bedroom. The third wing contains a playroom and four children's bedrooms.

By combining an angular wall structure with extensive use of glass *(far right)*, the architect gave the upstairs sitting room an unusually spacious feeling, an effect which was heightened by locating a spiral staircase outside.

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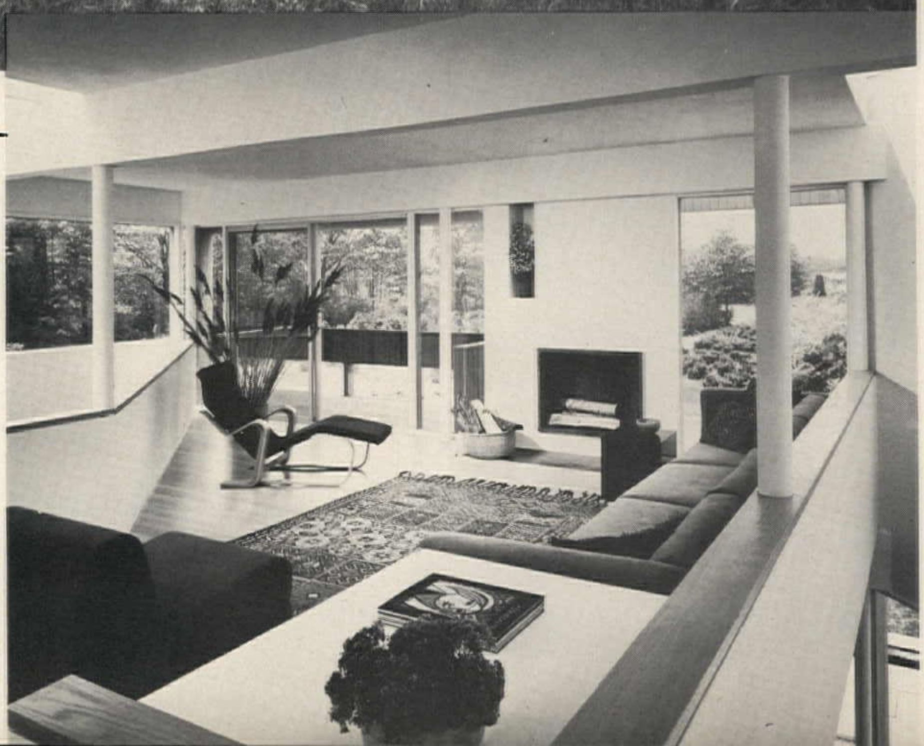
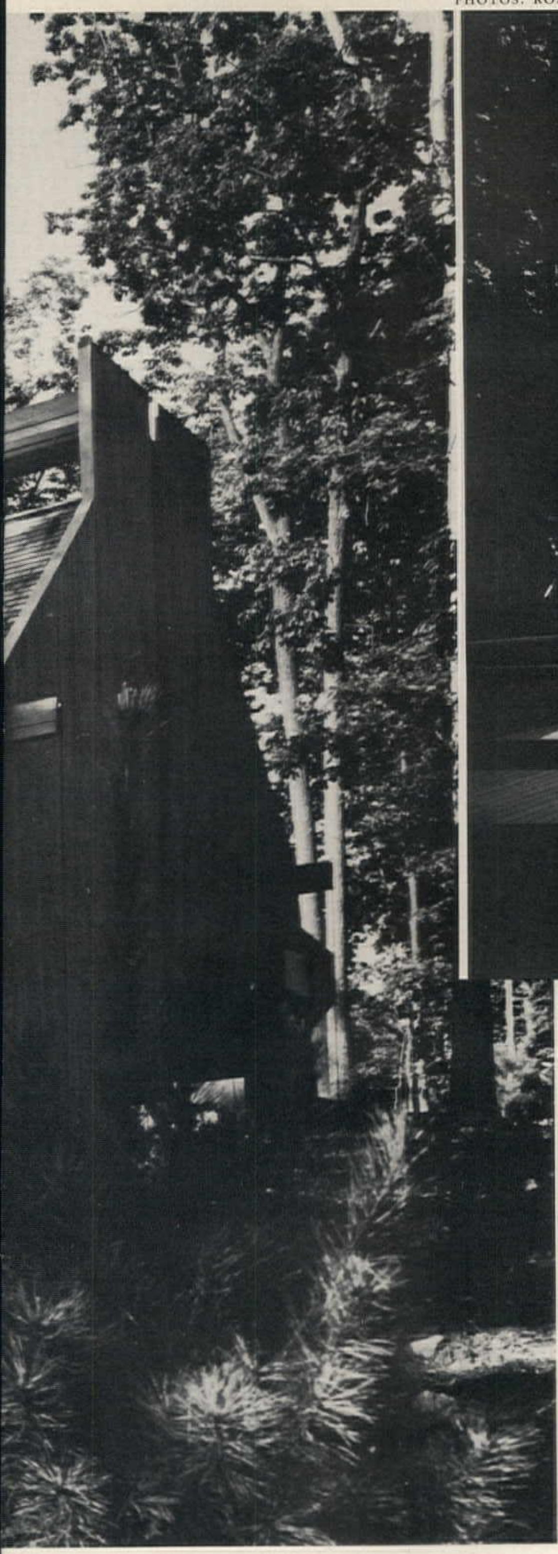
SITTING
UPPER LEVEL

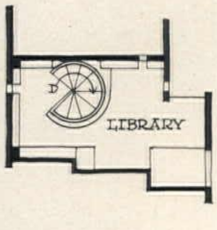


Here's a classic example of a site whose main asset—a heavy stand of trees—poses the principal design problem: how to bring enough daylight into the house while retaining as many trees as possible.

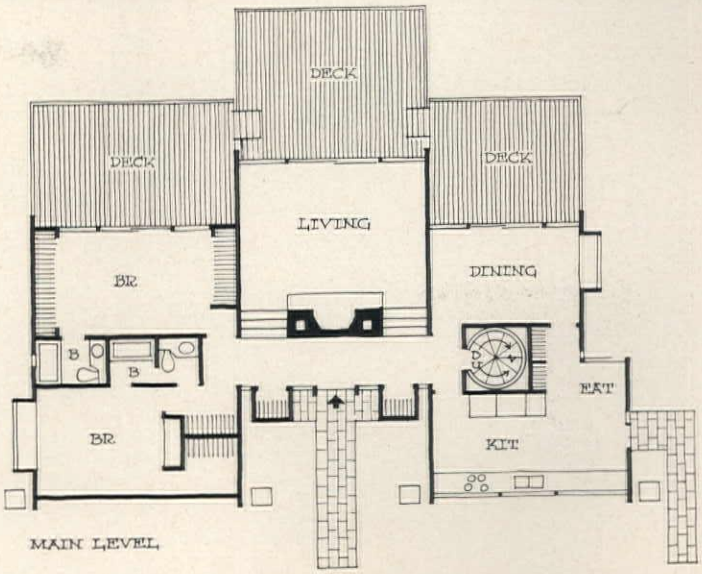
Clerestory windows, set above steeply pitched roofs, supply the answer. This arrangement makes for a relatively constant quality of re-

PHOTOS: ROBERT C. LAUTMAN





UPPER LEVEL



MAIN LEVEL

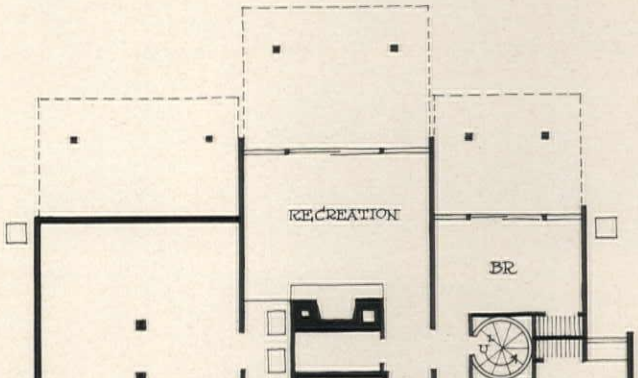
AWARD OF MERIT

ARCHITECT: *Hugh Newell Jacobsen*
BUILDER: *Graham James Jr.*
LOCATION: *McLean, Va.*

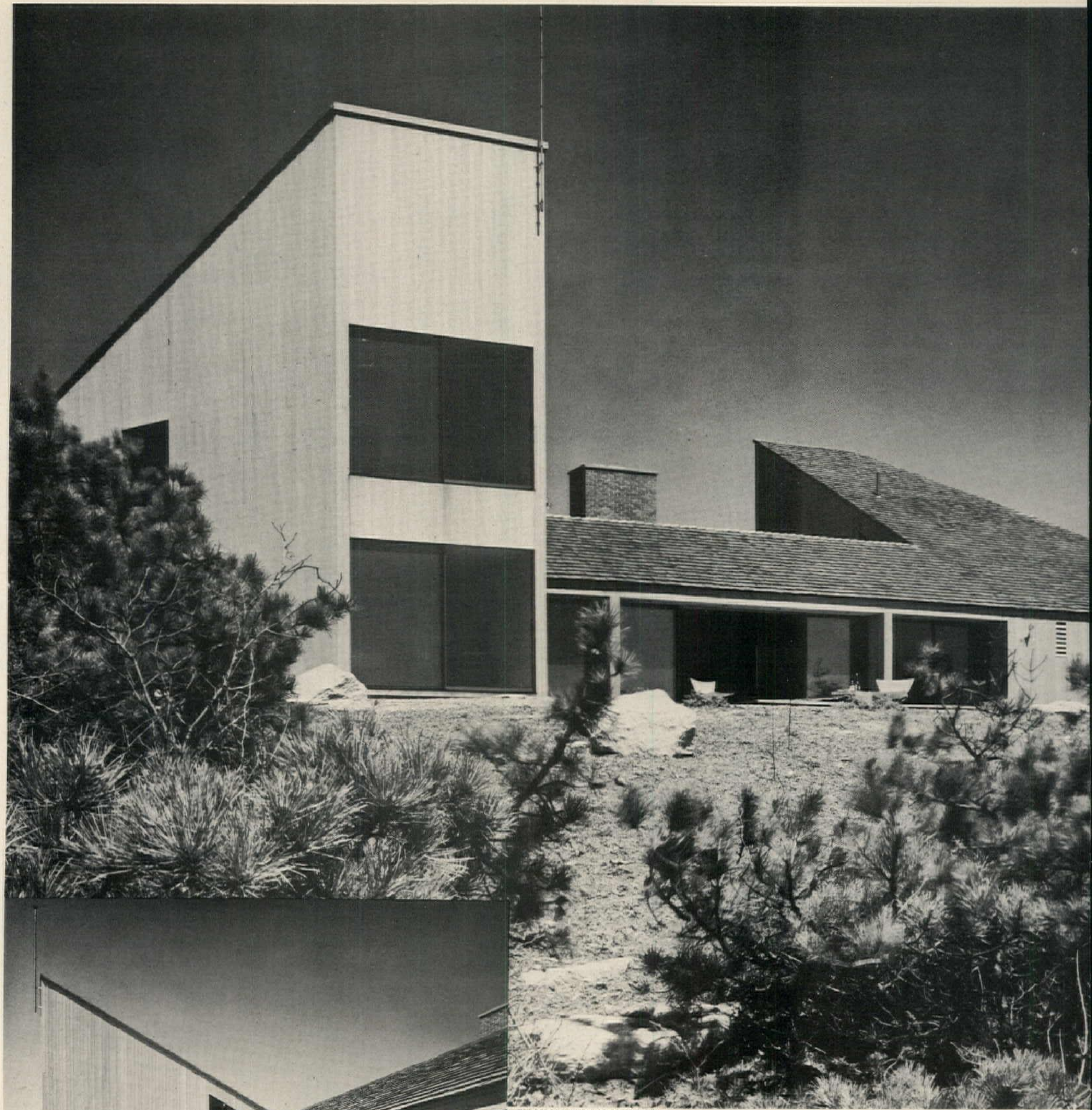
flected light on both sunny and overcast days, while eliminating the skyglare problem that would have resulted if skylights had been used.

Interior treatment adds to the light, spacious feeling of the main living area at the rear *(photo, above right)*. For example, white walls in the living room, dining room and master bedroom rise to the steeply pitched ceiling. And glass walls with sliding doors open the entire area to large decks *(above left)* and the woodland view.

In contrast to the open rear the front of the 2,840-sq.-ft., hillside house *(left)* is closed for privacy. Slit windows provide light for the kitchen, which is above one of the three additional bedrooms and below the library.

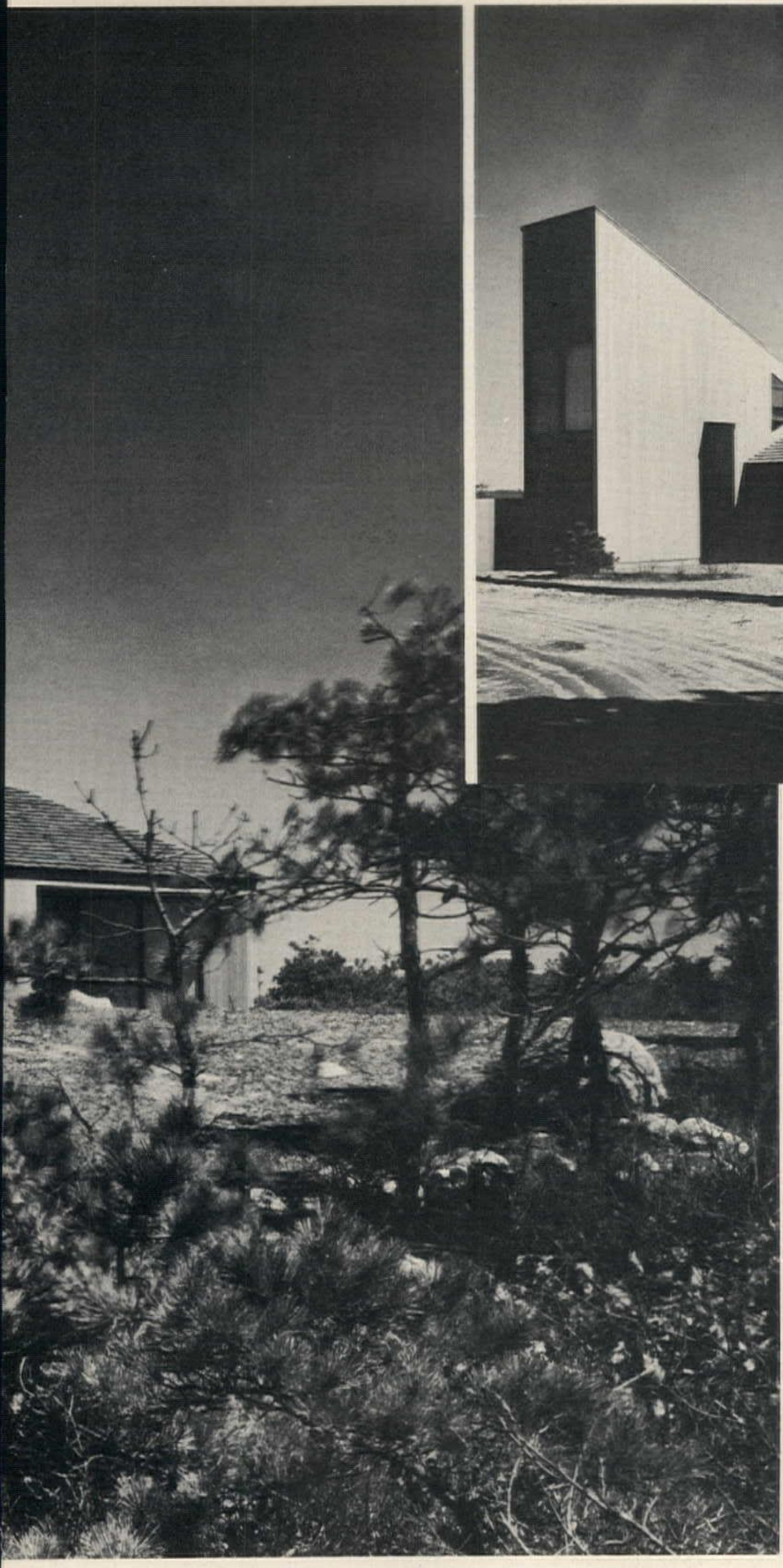


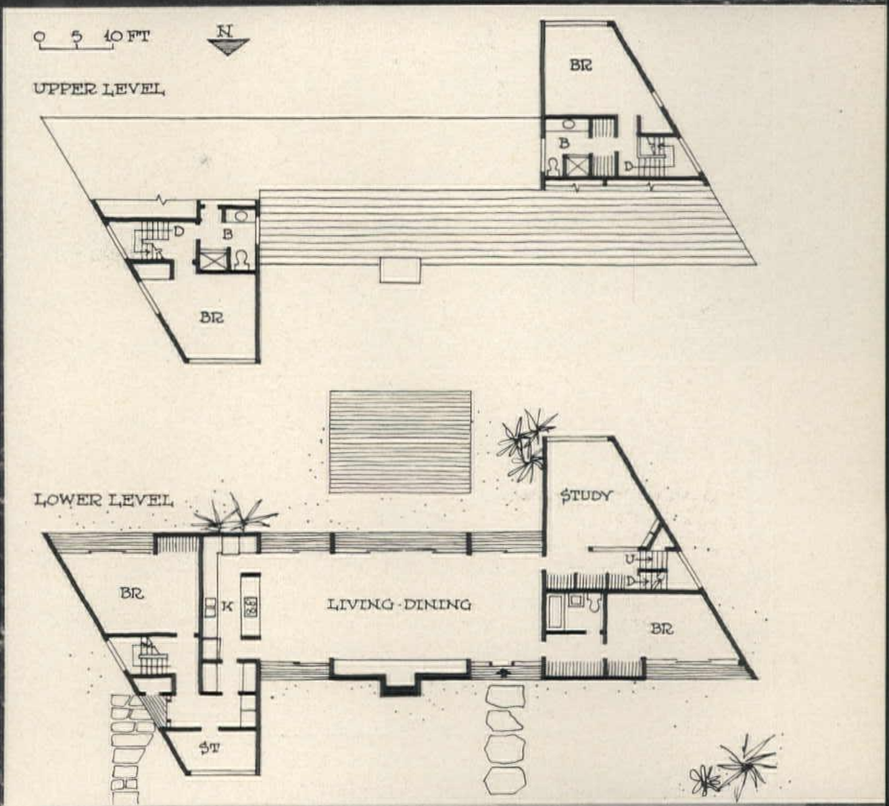
LOWER LEVEL



PHOTOS: PHOKION KARAS

A Z-shaped plan serves two purposes in this waterfront vacation house—isolating the adults' and children's bedrooms from each other and sheltering both indoor and outdoor family areas from a southwest breeze that sometimes becomes an uncomfortable wind.



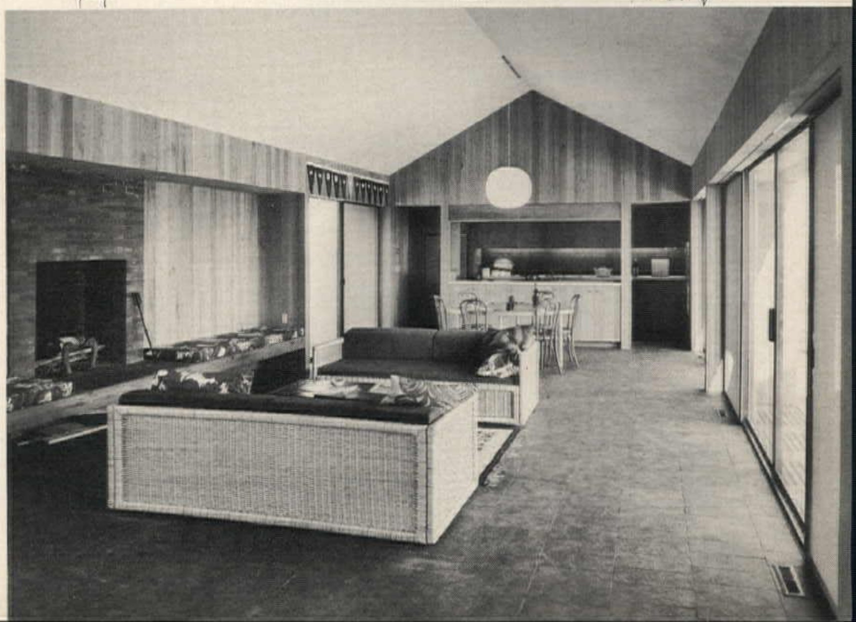


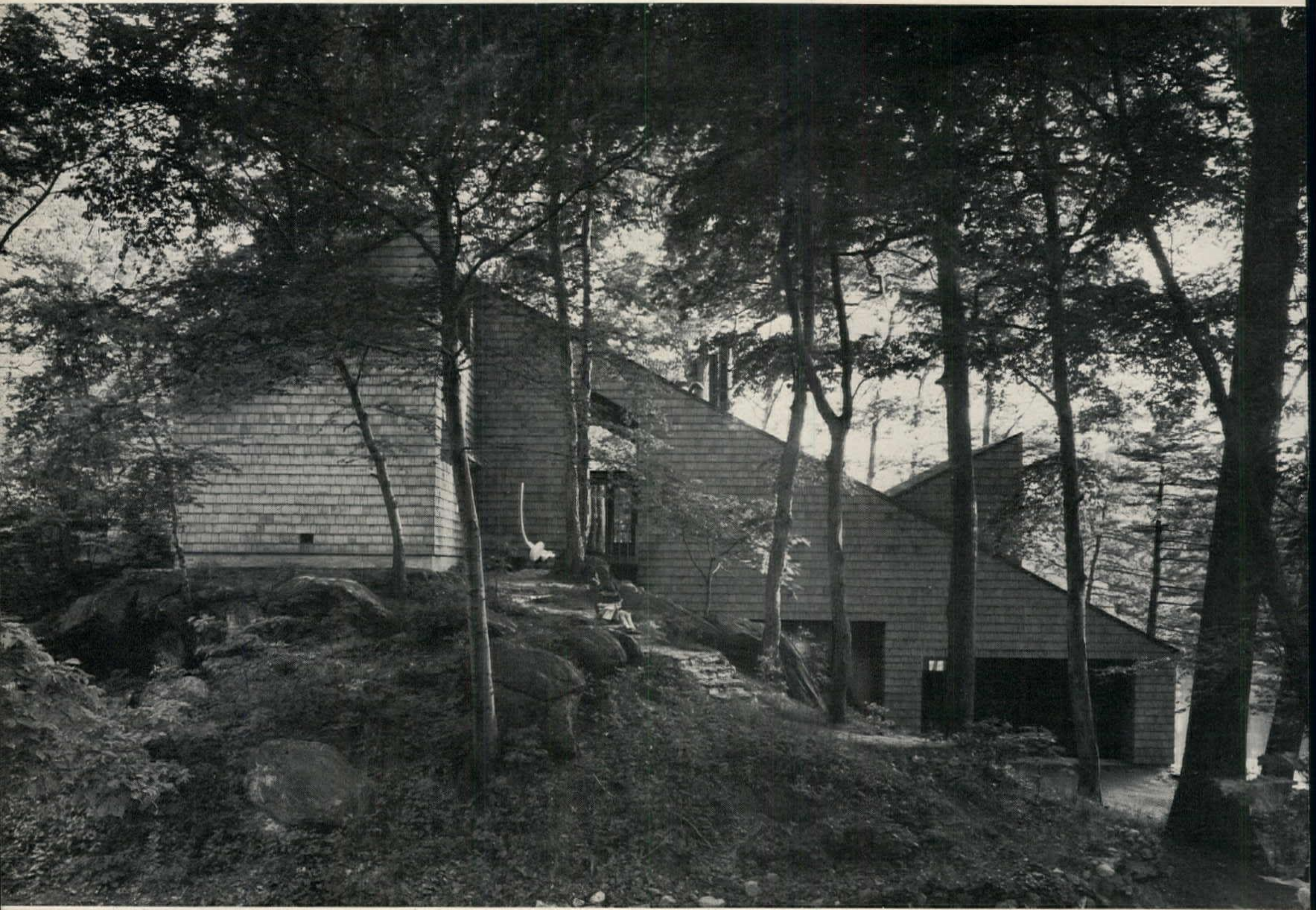
AWARD OF MERIT

ARCHITECT: *James A.S. Walker*
BUILDER: *Henry E. Bumpus & Sons*
LOCATION: *Cape Cod, Mass.*

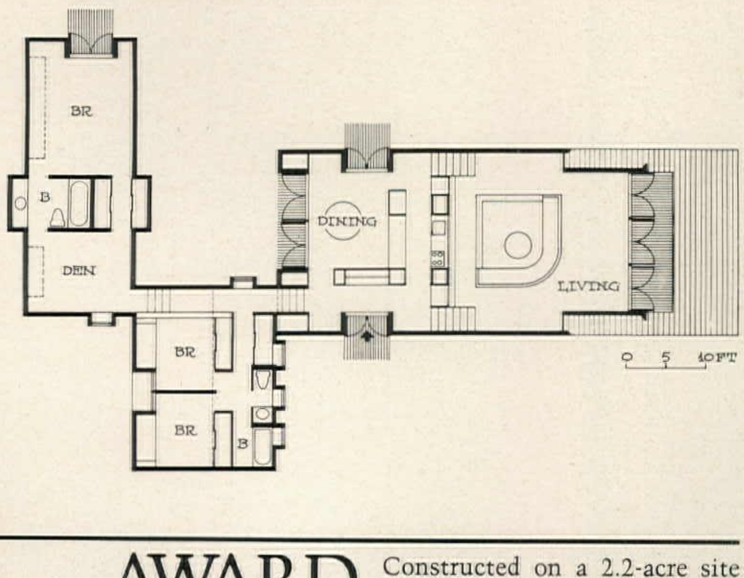
The main section of the 2,900-sq.-ft. house is a 45'x15' common room (*photo, right*) with an open kitchen at one end and sliding glass doors opening the rear wall to a patio (*above and left*) and a view of the water. Flanking this one-story section is a pair of two-story wings—one for the owner's two teenage children, the other with a master suite (bedroom on the second floor, study on the first) and guest quarters.

Low-maintenance materials include white-cedar-shake roofing, red-cedar siding and slate flooring in the common room.





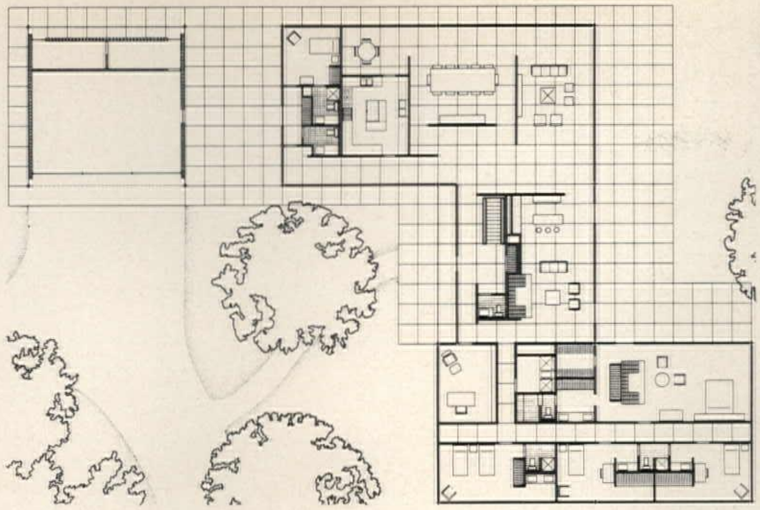
PHOTOS: EZRA STOLLER



AWARD OF MERIT

ARCHITECT/BUILDER: *Allan Anderson*
LOCATION: *Rye, N.Y.*

Constructed on a 2.2-acre site so steep as to be thought unbuildable, this house integrates the slope into its design. Separate sheds for children's and adults' bedrooms at top of grade have common access to the dining room; an open kitchen serves both dining and sunken living areas. Materials, readily available from local lumberyards, kept costs down. Size: 3,000 sq. ft.



AWARD OF MERIT

ARCHITECT: *Clarence Krusinski & Associates Ltd.*
BUILDER: *T.F. Barrett Construction Co. Inc.* LOCATION: *Lake Forest, Ill.*

The problem was twofold: to build a large (5,500 sq. ft.) house that not only would blend into its forest environment but would require minimum maintenance. Both facets of the problem were solved by constructing an exposed Cor-Ten steel structure with bronze-glass perimeter walls. The interior has terazzo floors, plaster walls and ceilings. A combination garage, workshop and storage area of masonry is joined to the main house by a covered breezeway.

PHOTOS: HEDRICH-BLESSING

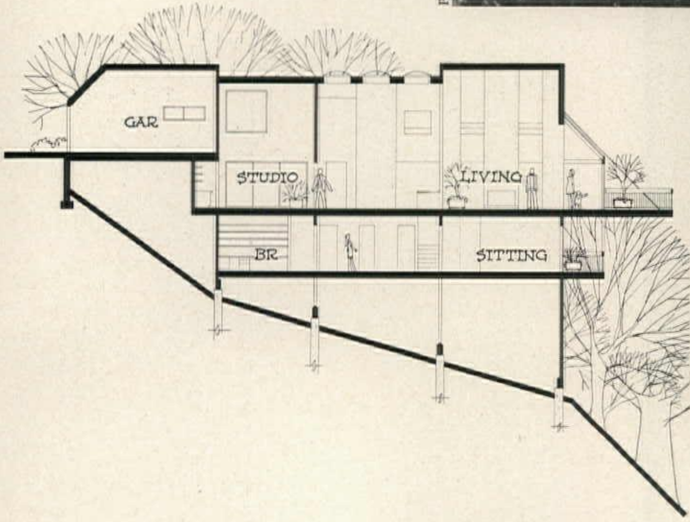
AWARD OF MERIT

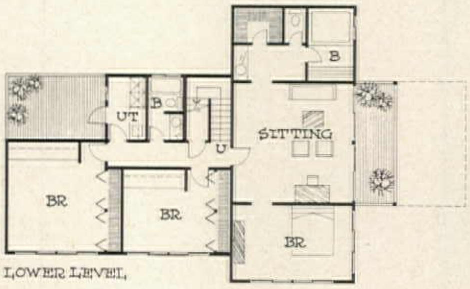
ARCHITECT: *Fisher-Friedman Associates*
BUILDER: *Environmental Structures Inc.*
LOCATION: *Belvedere, Calif.*

Problems of sun, slope and scenery made this design a tricky challenge. The east-oriented site gets the full sun in the morning and not much sun in the afternoon; yet the best view—of San Francisco Bay—is to the south. Skylights and a greenhouse roof over the living room let the owners take full advantage of both the sun and the marina view; in addition, all living and sleeping areas have views to the east or south.

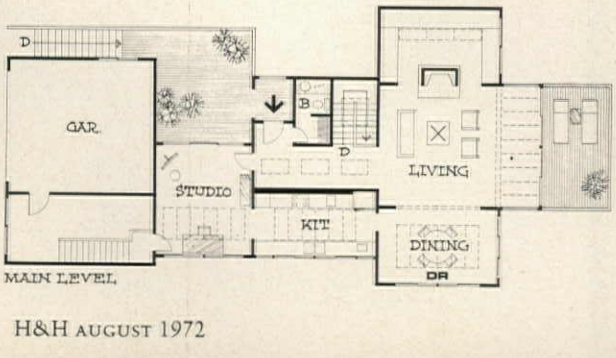
The steep site necessitated the use of tie-rods to support the wooden deck.

PHOTOS: RODNEY F. FRIEDMAN





LOWER LEVEL



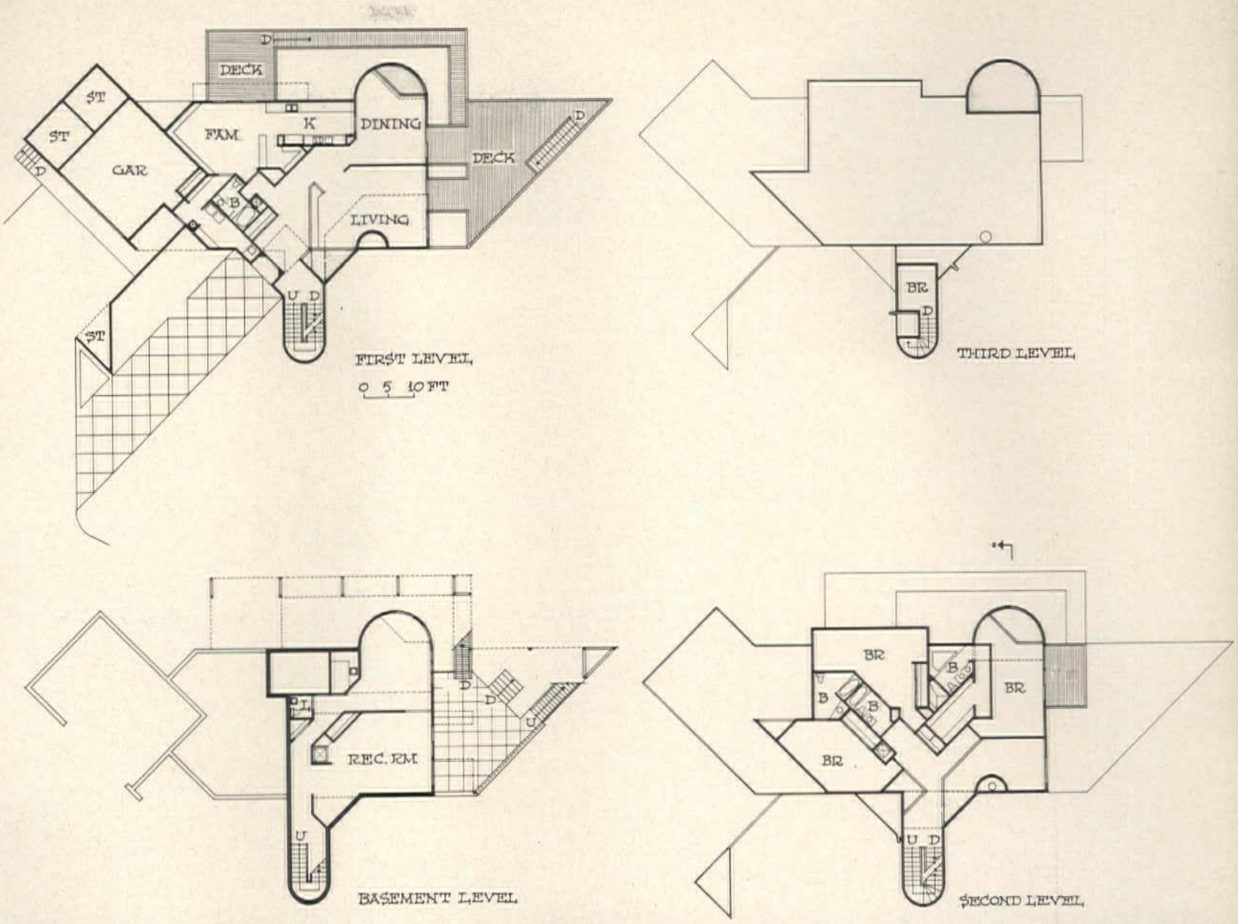
MAIN LEVEL

AWARD OF MERIT

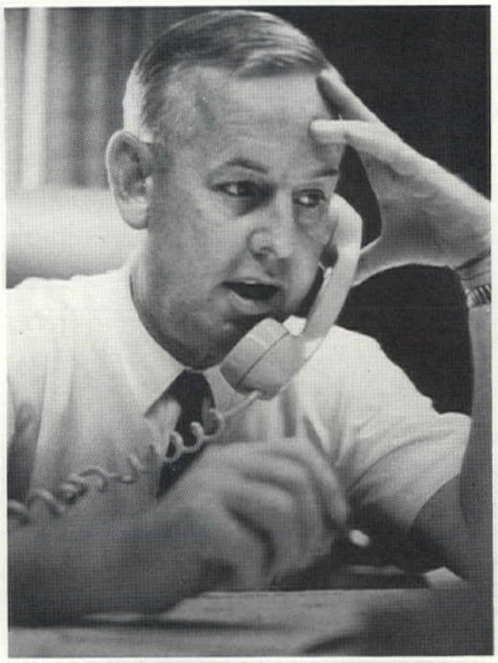
ARCHITECT: *Richard Levin Associates Inc.*
BUILDER: *Jahn Construction Co.*
LOCATION: *Kettering, Ohio*

Imaginative geometric shapes create an informal feeling in this 4,200-sq.-ft. house built for \$140,000. An antidote to monotony, it has room shapes ranging from the rhomboid *(lower left on second-floor plan)* to the half-circle on the opposite corner.

Access to all floors is via a finger-shaped stairwell *(left, in photo)*, at the top of which is a secluded study. The wide variety of hobbies enjoyed by the owners accounts for the diversity of recreational spaces.



WILLIAM PATTERSON



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The $400-Billion

According to a recent survey by the Opinion Research Corporation of Princeton, New Jersey, most Americans think that business profits run about 28%. That is, that the average U.S. company or corporation nets 28¢ on the sales dollar.

Nothing could be further from the truth. The truth is that *U.S. business as a whole nets less than 3¢ on the sales dollar.*

In 1971, as reported by the Department of Commerce, total U.S. corporate profits after taxes amounted to $47.4-billion—or 2.9% of total sales of $1,650-billion.

Some companies, of course, do better than the average. But even the largest, most successful U.S. corporations do not begin to approach the mythical figure that the public has in mind. A Standard & Poor's analysis of the 1971 earnings of major corporations shows that these leaders averaged a 5.6% net on sales. Almost double the national average, but only one-fifth of the reputed average.

But it does not matter, except to the companies concerned, that business *makes* less, as a percent of sales, than most people think.

What matters, and matters greatly to all Americans, is that business *has* less than most people think. Less, far less, in total profits after taxes—which is to say in disposable income to use for its own needs and purposes, or to contribute to other needs and purposes.

If U.S. business had netted 28¢ on the sales dollar in 1971, total corporate profits would have amounted to $462-billion. This is a fabulous amount of money. In every sense of the word—imaginary and immense.

The difference between $462-billion and $47-billion is roughly $400-billion. And it is this difference—this $400-billion misunderstanding—that leads to a great deal of fruitless debate, dissension and division in American society today.

To the extent that the American people believe the myth about business profits—either the precise myth about $462-billion or the more general myth that business has a vast hoard of undistributed wealth—they are deluding themselves.

Or are being deluded. By the very few who think that profits are immoral, or by the very many who think that profits are a very good thing—that ought to be more widely shared. Because they believe that the sharing will solve most of the nation's public and private ills.

The demand for wider sharing presupposes that business profits are a public, as well as a private, asset—a national resource, money in the bank, to be drawn on in case of need.

Let us, for the sake of argument, accept this concept.

And let us also accept the validity and the urgency of the whole array of public and private needs that are usually cited.

The practical question remains—what then?

How much money is there in the bank? If we simply confiscate *all* corporate profits, exactly $47.4-billion.

How far will it go? That depends. Suppose, for example, that we divide it fifty-fifty—half for public needs, half for private. Half to add to the $37.2-billion that business *already* pays in taxes, and half to add to the $450-billion that business already pays in wages.

The $23.7-billion in additional taxes would increase total U.S. tax revenues by about 8%. For one year.

The $23.7-billion added to wages would increase the average American worker's pay check (before taxes) by about 5%. For one year.

Why only for one year? Because the final, practical question remains. What happens when the money is gone?

The confiscation of profits would leave business with nothing to reinvest in the business, and nothing to pay out in dividends to stockholders. Nothing, in short, to invest in the future. And without an investment in the future, there is

Misunderstanding

simply no way of reading the future.

In 1972, American business plans to reinvest some $30-billion in retained earnings (past profits) in the maintenance and expansion of physical facilities. Other billions will be invested by individuals and institutions as an advance on future earnings, in the expectation of profits, and dividends, to come.

Without these commitments, what can we expect from the U.S. economic system? What can we expect from aging, neglected and deteriorating facilities? From an economy without growth or the hope of growth? From, in sum, a free enterprise system no longer free and no longer enterprising?

No one, in all honesty, knows. We can speculate about confiscating $47-billion in profits today, but what would there be to confiscate and divide tomorrow? $40-billion? $20-billion? Nothing? One guess is as good as another—it is purely and simply a gamble.

And a wildly, almost insanely, reckless gamble. Profits are the lifeblood of business, as we know it or can realistically conceive it. To cut off or restrict the flow of profits, to further diminish that vital 3%, is to knowingly risk the health, the well-being and perhaps the very existence of American business.

Business is not sacred. It holds no special mandate, enjoys no special immunity. But neither does it live or die in a vacuum. It lives or dies as an integral part of an interdependent society. A society in which the health and well-being of each major group—business, professions, labor, government, the public—depends on the health and well-being of all. And in which whatever fatally weakens one, fatally threatens all.

It makes little sense to demand that business do what it cannot do. It makes even less sense to take great risks for small rewards. But then it has never made sense to kill the goose that lays the golden egg—and yet the urge endures.

Against this ancient, consuming urge, it may not help to point out to the impatient and avid that it is their own goose they would cook.

But it might help a little, if more people understood that the fabulous egg of business profits is neither so large nor so golden as rumor hath it. So that killing the goose may simply be not worth the trouble.

In the end, business profits can be regarded as a fee. A fee for financing, maintaining and managing the U.S. economy.

A 28%, $462-billion, fee may seem a bit much.

But a 3% fee for financing, maintaining and managing a trillion-dollar economy?

It seems more than reasonable.

The problem of business profits reemphasizes the interdependence of American society. And the misunderstanding about profits reemphasizes the need for a better recognition of the mutual dependence and respective contributions of the major groups in our society—business, labor, government and the general public.

We at McGraw-Hill believe that it is the responsibility of media to improve this recognition. This editorial message is one of a series that we hope will contribute to better understanding.

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John R Emery

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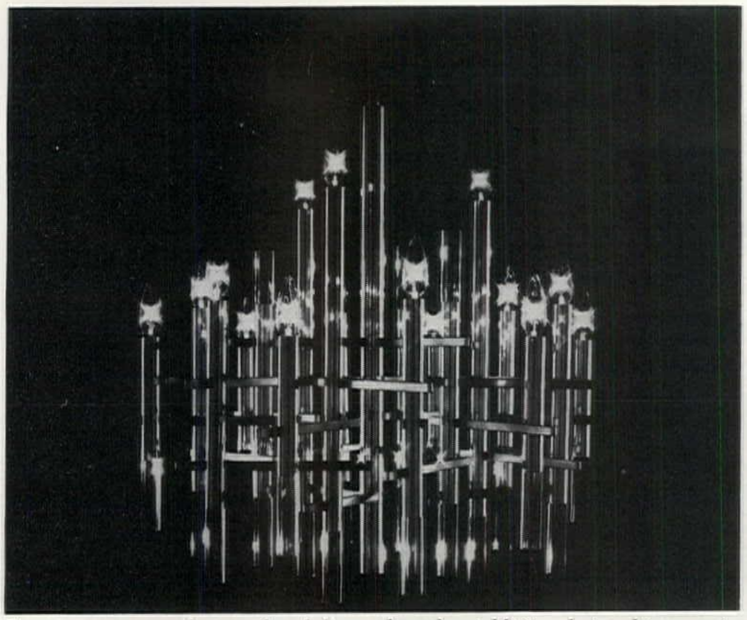
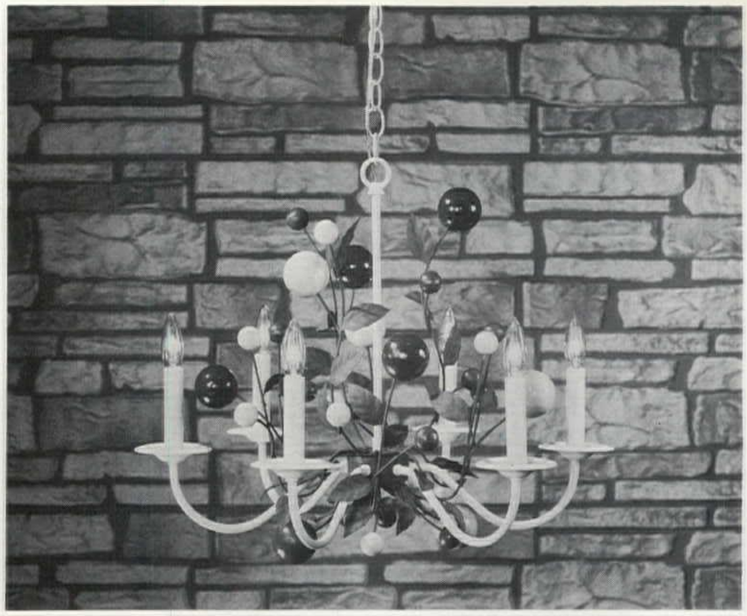
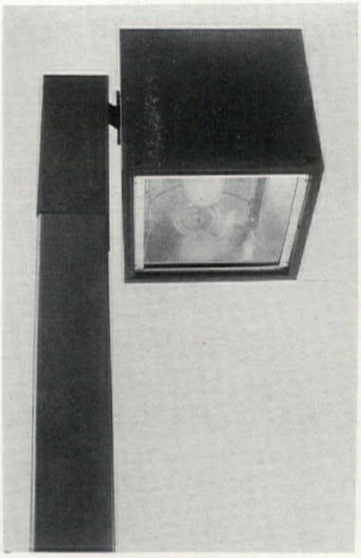


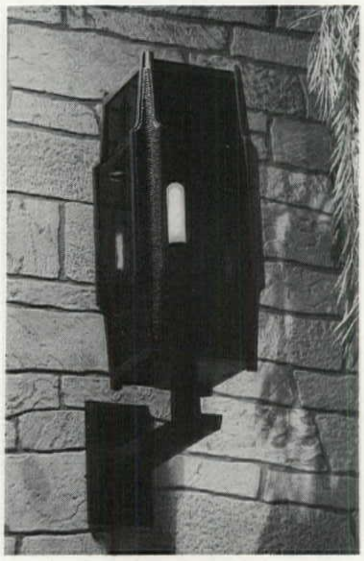
Contemporary sculpture chandelier blends well with modern or traditional furnishings. Fifteen candelabra bulbs are set into polished silver and lucite pillars of varying lengths. Additional visual interest is created by placing horizontal bars at various heights and cross angles. Progress Lighting, Philadelphia, Pa.
CIRCLE 224 ON READER SERVICE CARD



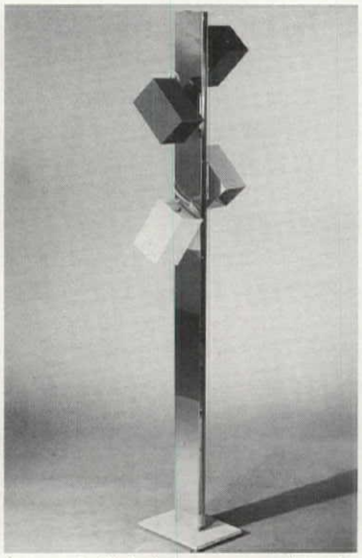
Colorful bouquet chandelier is sure to brighten any eating area and bring the lively feeling of spring indoors. Green leaves and stems topped by red and yellow balls decorate the six-light unit. The fixture, which uses candelabra bulbs, is 22" in diameter, 18" in height and suspends to 36". Del-Val, Willow Grove, Pa.
CIRCLE 225 ON READER SERVICE CARD



Decorative floodlight for outdoor illumination has a rectilinear architectural appearance. The unit has been engineered for a variety of mounting arrangements including ground, walls, poles. It is available individually or in clusters of 2, 3 or 4. All major electrical components are contained in a single power module for easy installation. General Electric, Washington, D.C.
CIRCLE 226 ON READER SERVICE CARD



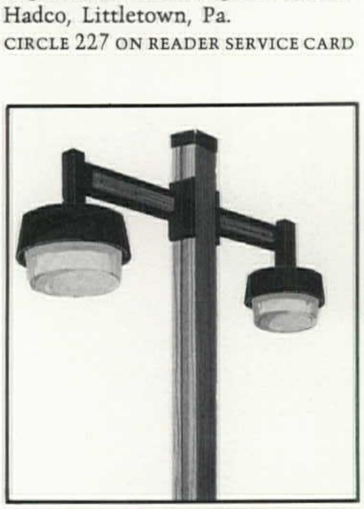
Modern outdoor lighting is cast aluminum offered in either black or burnished-bronze finish. Four other models in addition to the wall lantern shown are available. They are: a single-fixture lamp post, two- and four-fixture posts and a hanging unit. All versions come in either incandescent or mercury-vapor. Acrylic panels are smoke, opal or bronze. Hadco, Littletown, Pa.
CIRCLE 227 ON READER SERVICE CARD

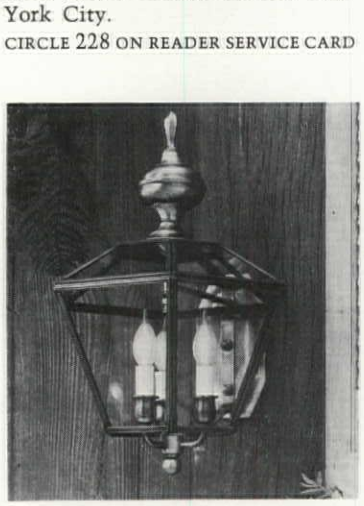


Magnetic lighting systems, "Zonking Place" allows directional lighting to be used in a variety of ways. Light fixtures cling to polished-chrome magnetic strips. The free-standing unit shown stands 67" high and has four fixtures attached. Multi-light system is also available with wall- or ceiling-mounted magnetic strips. George Kovacs, New York City.
CIRCLE 228 ON READER SERVICE CARD

Contemporary-styled wall fixture designed for outdoor use is built to withstand weathering. Durable unit has one-piece die-cast aluminum construction. Textured black-finished canopy and support arm contain all electrical components. The incandescent fixture is offered in either a sphere or cube shape with clear acrylic, glass or opaque glass. Prescolite, San Leandro, Calif.
CIRCLE 229 ON READER SERVICE CARD

Laminated-wood light poles are designed for use with architectural luminaires in outdoor settings. Available in a variety of sizes and configurations, the poles blend well with their surroundings. Units are constructed of high quality lumber that is laminated and pressure treated for preservation. Each pole is equipped with internal wireways and external borings. Weather-resistant units can be stained or painted as desired. Lighting Div., Harvey Hubbell, Broadview, Ill.
CIRCLE 230 ON READER SERVICE CARD





Wall lantern with classic old-world styling accommodates three candelabra base bulbs up to 60W each. The hand-leaded, solid brass fixture measures 18½" high, 13½" wide and extends 13¼" from the wall. The six-sided unit, equipped with a brass mounting-plate, has clear acrylic panels and comes in either brass or bronze finish. A matching post-lantern complete with a standard 3" mount is also offered. Easy relamping is provided. Georgian Art Lighting, Lawrenceville, Ga.
CIRCLE 231 ON READER SERVICE CARD