JULY 1982

HOUSING

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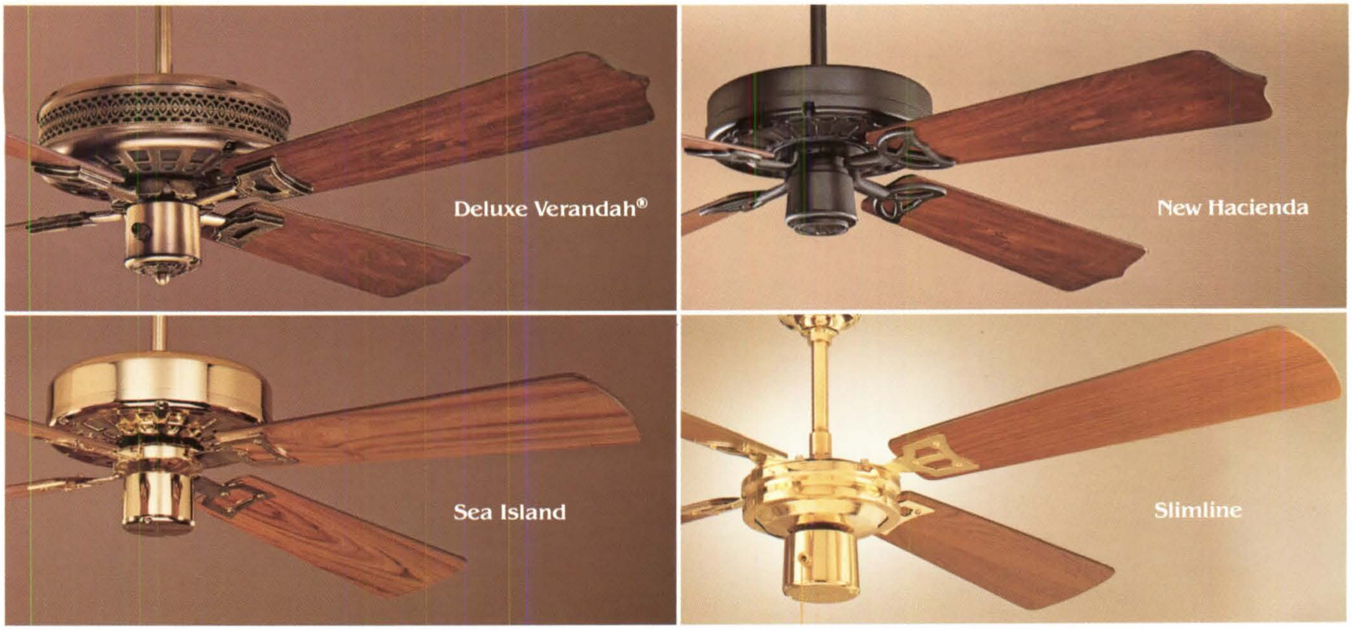

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For the name of your nearest NuTone representative or distributor, **Dial Free 1-800-543-8687** in the continental U.S. Or write to the address below. Ohio residents call 1-800-582-2030. In Canada write NuTone Electrical Ltd., 2 St. Lawrence Avenue, Toronto, Ontario M8Z 5T8.

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HOUSING

COVER

Jefferson Square, a 50-unit project on the outskirts of Northfield, Minn. *(see pages 40-42)*. Photo: LaVerne Hanson

NEXT MONTH

Award winning design ideas from the Homes for Better Living program . . . HOUSING's exclusive quarterly construction cost guide . . . Interior merchandising: Do's and don'ts for decorating model homes

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This issue of Housing is published in national and separate editions.

There's one good thing you can learn from hard times

These past few years, it's been all too easy to get wrapped up in the money side of our business—the latest interest-rate gyrations, the newest wrinkle in creative financing, the ups and downs of the S&Ls, for example. But in times like these, it's important to reexamine every aspect of the operation: Is the office running as smoothly as it could be? Are the consultants—architects, accountants, lawyers—used to best effect? The subs? The sales force?

In good times, most people are too busy to plan any changes and they can afford the cost of any inefficiencies. Now, however, the efficiency of each employee, department or consultant may be the margin between survival and failure.

Thus we planned this issue to remind builders of the importance of management basics. And in preparing it, we were reminded again of the extent to which homebuilding is a people business. Every step of the way, from concept to sales, a homebuilder's most important asset is the people who work for him. But all too often he takes these people for granted. Like the prominent California builder who recently told a session of the Pacific Coast Builders Conference: "A year ago I didn't know the names of half of our sales staff. Now I know each one personally. I'm on the phone with them each weekend making deals on houses."

It's a cliche to say that the people who work for us are our most important asset. But when you stop to think about it, it's more true in our business than in most. We expect our architects to understand buyers' lifestyles so they can design homes that are truly liveable, our salespeople to have the sort of empathy that leads prospects to overcome their fears and make a huge commitment, and our construction people to work as a team in producing a superior product on a tight schedule. And all too often the builder, who is in essence the team captain, is unaware of the problems each individual faces in doing his part.

Maybe one of the good things that can come from these hard times is for builders to learn to work more closely with their employees and subs. They should learn what each needs to make him more effective, learn that these are individuals with motives and ambitions of their own, remember that their success and his are intertwined.

A good start in helping see things from the workers' perspective is the article "Get along with your subcontractors," which begins on page 51. It's the work of Steve Willson, who joined the HOUSING staff as an Associate Editor last month after two years on *Popular Mechanics*. Willson's article is particularly heartfelt—probably because he himself worked as a framing contractor for eight years.

—NATALIE GERARDI

CALORIC.
WE BUILD RANGES AS IF YOUR REPUTATION DEPENDED ON IT.

For the past 95 years, the people in our Topton plant who design and build Caloric ranges have put their reputations on the line.

Because we're in the same business you are: delivering to a buyer a quality product that is dependable and trouble-free.

Maybe it's our Pennsylvania Dutch heritage or just plain stubbornness.

But to us the kitchen is the heart of the home, where families gather to enjoy good food and company. So when it comes to ranges, we'll never succumb to fads, frills or shortcuts.

How many companies do you know that still hand-dip their ovens in porcelain, inside and out? And weld—not bolt—the oven into a unitized chassis? We do it so that even after shipping, your customer's new range is the same precision appliance it was when it left our plant.

If your customer is looking for a juicy charbroiled steak, have her look into a Caloric.

Because we invented our exclusive, patented Ultra-Ray® gas broiler for every steak lover, and every dealer who sells to them.

Just like charcoal, Ultra-Ray gives off searing infra-red heat. But unlike charcoal, Ultra-Ray is smokeless. Because it burns at a super-hot 1500°F, it's faster than charcoal. Your customers can broil a sizzling steak in less than ten minutes—without preheating!

At Caloric, the toughest standards are the ones we set for ourselves.

Every Caloric gas oven design is certified by the American Gas Association. And our electric ovens are given a test most electric ovens wouldn't even attempt to take. It's the Oven Heat Uniformity Test. Using the rigid requirements of this test, we make sure our electric ovens bake as evenly as our gas ovens do. So when your customer puts a cake in the oven, it will come out just the way she wants.

When it comes to cleaning ranges, not cleaning them is better yet.

Both Caloric gas and electric self-cleans are true self-cleaning ovens. And they have to get hot enough on the self-clean cycle in order to reduce all the food particles to ashes.

So we use a double insulating system in our gas and electric self-cleaning ovens. This helps keep the heat in the oven and out of the kitchen.

And, because your customer does 80% of her cooking on top of the range, we have a convenient tilt-top on our electric ranges and a lift-off top on our gas units. We've also removed everything from the burner boxes that could snag on clothing or prevent easy wiping.

Sure, it costs more to build them the way we do. So why do we do it?

Our name is on it, that's why. And because our range frames are built with heavy steel and porcelain, our ranges won't buckle, rust or flake. Just lift off a door of a Caloric and a door of a comparable range. Ours is heavier. And when it comes to selling them, heavier is better.

From top to bottom, inside and out, pound for pound, we're about the best range made. We can say that, because the families who own Calorics tell us so.

Can you think of a better reason to sell a Caloric?

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WE BUILD RANGES AS IF OUR REPUTATION DEPENDED ON IT.

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CRESTLINE

HOUSING HOTLINE

Transferees may be an improving source of prospects for homebuilders. Willingness to be relocated to another city is the highest that it has been in five years, according to a survey by Employee Transfer Corp., a national relocation firm with offices in eight cities. ETC says that replies from 377 of 1,250 employees who were transferred last year indicate that 84.9 percent would be willing to relocate again, reversing a four-year downturn in employee willingness to move. (Such reluctance was also cited in a survey conducted last year by Employee Relocation Council [HOUSING, May] of 520 member companies.) The reversal, says a representative of ETC, is conceivably due to economic factors inducing more people to transfer in order to keep their jobs.

Transferred employees often have an exaggerated opinion as to the value of their homes, says Robert G. Kaestner, executive vice president of the National Assn. of Independent Fee Appraisers. Pitching the services of appraisers, Kaestner says both companies and transferred employees can benefit from a "current" estimate of value by an independent third party. "Companies have become more generous in what they allow a transferring employee," he says, but need current appraisals so they do not incur costs that are more than fair to the employee. At the other end, a transferred employee needs to know what property values are in an unfamiliar market.

Broker/developer Bruce R. Herron has found a way to keep building and selling, with the help of suppliers and subs. Herron, who built 35 of the 39 housing units constructed last year in Salem, Ohio (a town of about 14,000), targeted older residents as his market, and built affordable condo apartments close to their old neighborhoods. To keep his finance costs at a minimum, Herron persuaded suppliers and subs to either defer payments on their bills for up to 90 days or to take part payment in the form of equity in his project, earning 13% annually for three years. Sixteen of 21 units in his Cambridge Square project, were financed that way; 19 have been sold for $26,500 to $29,000.

The Dept. of Labor, taking new steps to make it easier for pension funds to invest in residential mortgages, made final a recently-proposed exemption to the so-called prohibited transaction rules of the Employment Retirement Income Security Act (ERISA). In effect the change would allow a construction pension fund, for example, to buy a mortgage on a property that its members were involved in building—so long as certain other conditions are met. Some of those conditions: The mortgage must be eligible for purchase by federal mortgage agencies and must be made for owner-occupied non-farm property of one to four units; it must be originated by an "established mortgage lender"; and the "price paid or received by the pension plan must be at least as favorable to the plan as a similar transaction involving unrelated parties."

More fallout from the urea formaldehyde insulation ban [HOUSING, Apr, *et. seq.*] can be expected by manufacturers of the formaldehyde used in producing the insulation. Fifteen such companies have been named in a potential multimillion-dollar class action lawsuit filed last month in Philadelphia Common Pleas Court. The suit, says one of the two legal firms representing the plaintiffs, was filed "on behalf of Pennsylvania residents who suffer from illnesses caused by toxic fumes emitted from the insulation." If early indications portend the future, the UF foam ban by the Consumer Products Safety Commission could prove a boon to legal organizations. Suits against it have already been filed by the Formaldehyde Institute and the CP Chemical Co., and Ralph Nader's Public Citizens has gone to court asking for an extension of the ban to some commercial applications.

HOUSING HOTLINE

First-time homebuyer blues could well be the subtitle of a study just released by the U. S. League of Savings Associations. Called "Homeownership: The American Dream Adrift," the study confirms what's been evident for a long time: that first-time buyers have been priced out of the market to a great extent—with a mere 13.5 percent of last year's home sales going to first-timers, compared to 36 percent in 1977 when the League first began collecting data on housing trends. What's more, because of escalating prices and mortgage rates even those first-timers who bought in 1981 found it difficult, having to stretch their budgets to accommodate higher monthly payments even though the homes they bought tended to be on the low end of the price scale. More specifically, the median price paid by this segment of the market last year was 20.3 percent higher than the $48,950 reported two years earlier.

A $620 million mortgage loan swap—the largest of its kind in history—was made last month between Home Savings of America, the nation's largest savings and loan association, and the Federal Home Loan Mortgage Corp. (Freddie Mac). Home Savings sold mortgages it acquired late last year and early this year when it merged with nine smaller thrifts and received Mortgage Participation Certificates from FHLMC. The Freddie Mac PCs are securities that can trade in investment markets much like stocks and bonds. The institutions merged with Home Savings, which is a subsidiary of H.F. Ahmanson & Co., Los Angeles, were: Security Federal Savings and Loan of Sikeston, Mo.; Hamiltonian Federal Savings and Loan of Ladue (St. Louis); Southern Federal Savings and Loan of Broward County, Pompano Beach, Fla; Republic of Texas Savings Assn. of Houston; Buffalo Savings and Loan Assn. of Houston; Royal Federal Savings Assn. of Dallas; El Centro Federal Savings and Loan Assn. of Dallas; Civic Savings and Loan Assn. of Irving, Tex.; and Hyde Park Federal Savings and Loan Assn. of Chicago.

Delinquency is the word to watch in the mortgage field, these days. The National Delinquency Survey conducted by the Mortgage Bankers Assn. of America disclosed a record high foreclosure rate of .53 percent (approximately 100,000 homes) during the first quarter of the year. The survey, conducted since 1953, also showed that 5.35 percent—or more than one in every 20 loans—were 30 or more days past due during the same quarter. In the previous quarter, the foreclosure rate was running at .41 percent, and the mortgage delinquency rate at 5.18 percent. High unemployment is being blamed for the escalation in delinquencies. Says Dr. Thomas R. Harter, MBA's chief economist: "Historically, the last payment that financially strained homeowners will miss is their mortgage payment." The survey, which includes data from all types of mortgage lenders, covers eight million mortgage loans on one-to-four unit residential properties, totaling an estimated $223.6 billion of debt.

Rallying to the support of Rally '82, NuTone's promotion to rev up the building industry [HOUSING, Apr. *et. seq.*], President Reagan responded to a 65′-long telegram sent him April 7 by the company employees: "Your telegram . . . is one of the most effective answers I have seen to those who say the present recession will never end," the President wrote. "This recession will end—and America will enter a period of rapid growth without inflation—because of men and women like yourselves who are determined to make it happen. No one can persuade me that the American homebuilding industry is permanently out of the race. It will come back strong because the people whose livelihoods depend on it will make whatever commitment is necessary to get the recovery started this year. I am proud to join with you in support of 1982 as the RALLY Year. The statistics may take a few months to catch up—they always do—but with the sort of spirit you have displayed, I am confident the RALLY is off to a good beginning."

HELP YOUR CUSTOMERS FIND FINANCING THEY CAN AFFORD.

Interest rates are pricing many homebuyers out of the market. That's bad for people who want to buy homes. And it's equally frustrating for builders who want to sell them.

NEW MORTGAGE OPTIONS

One way we help is with mortgage instruments that bring housing finance within the range of more buyers. We're Fannie Mae, the Federal National Mortgage Association. By purchasing loans from primary lenders, we've become the largest single source of mortgage money in the nation. Now we've developed a number of mortgage finance plans aimed at solving the affordability problem. Every plan features lower initial payments, making it easier for home buyers to qualify for mortgages.

BUYDOWN MORTGAGES

In a buydown, the seller, builder, the buyer's relatives, or even the buyer makes a lump sum payment to the lender at the time the loan is originated. This sum is used to lower the buyer's payments during the early years of the loan. Fannie Mae was the first national investor to qualify buyers on the reduced payments. In our new, expanded program, we will offer both temporary and permanent buydowns. The allowable temporary buydown period has been extended to 10 years, and the amount of the buydown may be considerably larger than in the past. In addition, Fannie Mae will purchase permanent buydowns, which reduce the interest for the entire life of the loan.

Fannie Mae is now purchasing mortgages that combine adjustable rate mortgage (ARM) plans and buydown provisions, further adding to the affordability of these loans. The terms of Fannie Mae buydowns are purposely flexible, to accommodate each individual situation.

GRADUATED PAYMENTS ON ARMs

An alternative method of lowering monthly payments in the early years of a loan is the graduated payment option on Fannie Mae's six-month, three-year and five-year adjustable rate mortgages. This means that a buyer is able to defer part of the usual payment to later years, thus reducing the initial monthly payments and lowering the amount of annual income needed to qualify for a loan.

LAND LEASES

Under land lease plans, buyers finance only their homes and rent the land with the option to purchase it at a later date. Down payments are lower and monthly payments are also often less than with a completely financed purchase. Fannie Mae now purchases mortgages with land lease arrangements.

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Year	Effective Interest Rate to Borrower	Borrower's Monthly Payment	Year	Effective Interest Rate to Borrower	Borrower's Monthly Payment
1	13.5%	$767.43	1-30	16.5%	$928.05
2	14.5%	$820.45			
3	15.5%	$874.03			
4-30	16.5%	$928.05			

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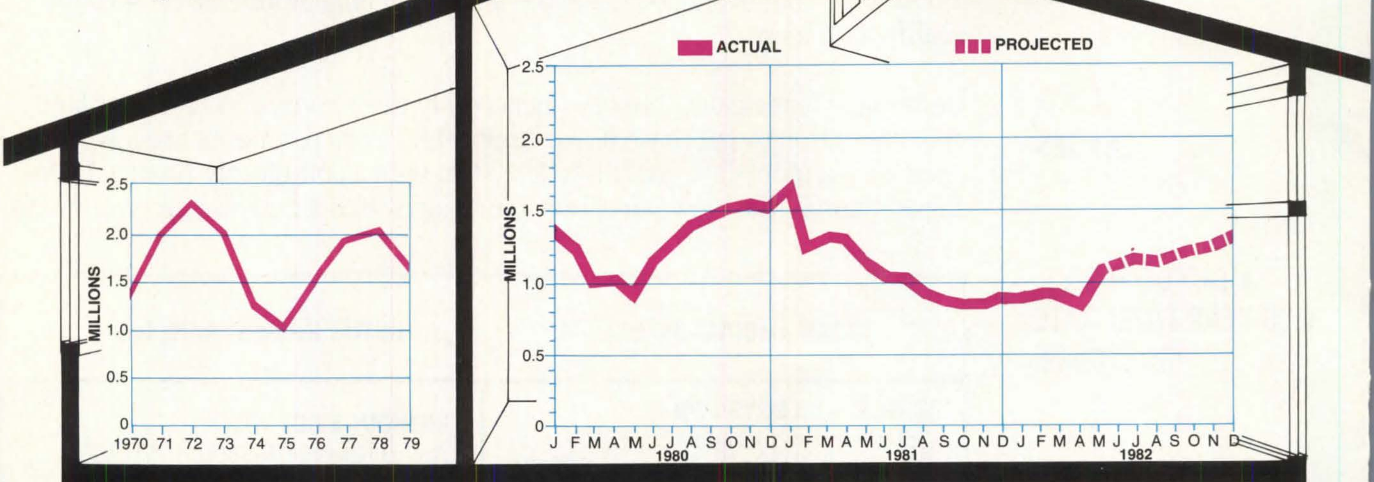
INDICATORS
from McGraw-Hill's Economics Department

Housing Starts
The Long-Term Picture



May's surge in housing starts is obviously not the true trend. By the same token, though, it belies the sinking spell in March and April. On average, homebuilding is still rising from the recessionary lows of late last year. And improvement has come in the face of mortgage rates stuck in the stratosphere and a mortgage finance industry teetering on collapse. Sadly enough, rates are certain to stay sky high over the rest of the year. But a decline of a point or so is in the realm of possibility. And the midyear tax cut will not only bolster potential homebuyers' incomes but also recharge savings flows to lenders. Thus the outlook is for a steady uptrend in building despite an unfriendly financial climate.

May's 22.3% surge in starts surprised the experts. The doom-and-gloom camp tried to discount the notion of real improvement by emphasizing that multifamily starts jumped an outsized 47%, especially because of two-to-four-unit structures. But what's the matter with that? Moreover, improvement lay in the critical market areas. Starts in the bellwether South soared 31% and even bettered year-ago results. The gain in the West was a welcome 27%. An extra benefit was the 15% rise in the Northeast, though new activity in the North Central region edged down. Corroborating the notion of more fundamental improvement was a decent 10.2% increase in building permits in May. Here too, the two-to-four-unit category showed unusual strength, jumping 47.4%. But authorizations for single-family homes posted a meaty 9.3% gain. The regional breakout is less promising. Permits in the South slipped by 1%. But the West jumped 22% and the North Central region soared by 45%. All told, the pattern suggests that the improvement in starts is not a fluke.

Construction Activity
In Thousands of Units/Year [7]

	5/82	4/82	5/81	Change From Previous Mo.	Change From Year Ago
Private Housing Starts	1,086	888	1,172	+22.3%	− 7.3%
Single Family	622	572	776	+ 8.7	−19.8
Two-to-Four Unit Bldgs.	101	65	105	+55.4	− 3.8
Other Multifamily	363	251	291	+44.6	+24.7
Total Building Permits	969	879	1,178	+10.2	−17.7
Single Family	492	450	659	+ 9.3	−25.3
Two-to-Four Unit Bldgs.	112	76	112	+47.4	0.0
Other Multifamily	365	353	407	+ 3.4	−10.3
	4/82	**3/82**	**4/81**		
Private Housing Completions	965	929	1,439	+ 3.9%	−32.9%
Single Family	587	587	928	0.0	−36.7
Two-to-Four Unit Bldgs.	84	77	116	+ 9.1	−27.6
Other Multifamily	294	265	395	+10.9	−25.6
Private Units under Construction	676	682	906	− 0.9	−25.4
Single Family	395	399	521	− 1.0	−24.2
Two-to-Four Unit Bldgs.	44	45	65	− 2.2	−32.3
Other Multifamily	237	238	320	− 0.4	−25.9

April's 15.3% plunge in new-home sales was a disaster in its own right. But the abysmal 315,000 annual selling rate also represents a 31% collapse over the last four months. At the present low ebb, it would take 10.3 months to clear the supply of new homes for sale, the highest since last September. Still worse, existing home sales dropped 4.5%, killing a two month rally. Here also, home prices actually rose 1.5% on thinner volume. Mobile home shipments have been essentially unchanged lately, gaining a slim 1.2% in April. But the really discouraging report was that the market for home repairs and alterations shrank by nearly 7% in the January-to-March quarter to a seasonally adjusted annual rate of $42.9 billion. And that's down nearly 6% from a year ago.

Market Activity
Annual Rate

	4/82	3/82	4/81	Change From Previous Period	Change From Year Ago
New Single-Family Sales[7]	315,000	372,000	467,000	−15.3%	−32.5%
Average Sales Price[7]*	$85,700	$84,700	$84,700	+ 1.2	+ 1.2
Backlog of New Homes[7]	10.3 mo.	8.8 mo.	8.7 mo.	+ 1.6	+ 1.5
Existing Home Sales[6]	1,900,000	1,990,000	2,630,000	− 4.5	−27.8
Average Sales Price[6]*	$80,300	$79,100	$77,300	+ 1.5	+ 3.9
Mobile Home Shipments[7]	255	252	265	+ 1.2	− 3.8
	1982 1st Qtr.	**1981 4th Qtr.**	**1981 1st Qtr.**		
Spending on Home Repair, Etc. (billions/year)	$42.9	$46.1	$45.6	− 6.9%	− 5.9%

Construction Cost Indices

1967 = 100

	5/82	4/82	5/81	Change From Previous Mo.	Change From Year Ago
Wholesale Price Index—					
All Construction Materials[8]*	293.4	293.8	288.5	− 0.1%	+ 1.7%
Asphalt Paving[8]	582.1	593.7	610.7	− 2.0	− 4.7
Portland Cement[8]	338.5	337.8	332.3	+ 0.2	+ 1.9
Softwood Lumber[8]	320.5	323.7	358.2	− 1.0	−10.5
Plywood[8]	230.6	234.1	248.3	− 1.5	− 7.1
Plastics Products[2]	145.7	149.6	155.1	− 2.6	− 6.1
Production Index—Construction Supplies[4]*	123.9	123.4	146.5	+ 0.4	−15.4
Construction Employment(000)[8]*	3,899	3,890	4,223	+ 0.2	− 7.7
Unemployment Rate—Constr.[8]	18.8%	19.4%	15.7%	− 0.6	+ 3.1
Hourly Constr. Earnings Index[8]	139.0	138.3	129.9	+ 0.5	+ 7.0
	4/82	**3/82**	**4/81**		
New Materials Orders (000)[7]	$10,498	$11,909	$12,843	−11.8%	−18.3%
Materials Shipments (000)[7]	$11,287	$11,581	$13,056	− 2.5	−13.5

Financial Activity*

	4/82	3/82	4/81	Change From Previous Mo.	Change From Year Ago
Net New Deposits, S&Ls (millions)[3]	($ 5,209)	($ 1,284)	($ 70)	($3,925)	($5,139)
Outstanding S&L Mortgages (millions)[3]	$16,256	$15,523	$18,448	+ 4.7%	−11.9%
Mortgage-Backed Securities—S&Ls (millions)[3]	$42,055	$39,895	$28,644	+ 5.4%	+46.8%
Net New Deposits—Mutual Savings Banks (millions)[5]	($ 1,800)	($ 868)	($4,146)	($ 932)	($2,346)
	5/82	**4/81**	**5/81**		
Effective Mortgage Commitment Rate (Convent., 25-yr., 75%)[3]	17.28%	17.39%	16.12%	−0.11	+1.16
Atlanta	17.04	17.13	16.30	−0.09	+0.74
Boston	17.40	17.63	16.36	−0.23	+1.04
Chicago	17.72	17.72	16.84	0.0	+0.88
Dallas/Ft. Worth	16.52	16.80	16.14	−0.28	+0.38
Denver	17.44	17.51	16.67	−0.07	+0.77
Los Angeles	17.33	17.44	16.07	−0.11	+1.26
Miami	16.93	17.02	15.94	−0.09	+0.99
Washington, D.C.	17.15	17.10	16.61	+0.05	+0.54
	6/83	**12/82**	**6/82**		
Ginnie Mae—8% Futures Contract— % Yield[1]	13.656	13.781	13.880	−0.099	−0.124

General Economic Indicators

	5/82	4/82	5/81	Change From Previous Mo.	Change From Year Ago
U.S. Industrial Production Index (1967 = 100)[4]	140.3	140.6	152.7	− 0.2%	− 8.1%
Personal Income (billions of dollars)[7]	$2,548.1	$2,531.5	$2,367.4	+ 0.7	+ 7.6
Savings Rate[7]	5.6%	5.8%	5.4%	− 0.2	+ 0.2
Total Employment (Millions)[8]	100.117	99.340	101.045	+ 0.8	− 0.9
Unemployment Rate[8]	9.5%	9.4%	7.5%	+ 0.1	+ 2.0
Wholesale Price Index (1967 = 100)[8]*	298.6	297.9	294.1	+ 0.2	+ 1.5
Retail Sales (billions of dollars)[7]	$89.236	$87.899	$86.361	+ 1.5	+ 3.3
Domestic New Car Sales (millions/year)[7]	6.276	5.457	5.738	+15.0	+ 9.4
	4/82	**3/82**	**4/81**		
CPI (1967 = 100)	284.3	283.1	266.8	+ 0.4	+ 6.6
CPI - Home Ownership	370.6	365.7	339.3	+ 1.3	+ 9.2

Sources: (1) Chicago Board of Trade; (2) Electrical Marketing Newsletter; (3) Federal Home Loan Bank Board; (4) Federal Reserve Board; (5) National Association of Mutual Savings Banks; (6) National Association of Realtors; (7) U.S. Department of Commerce; (8) U.S. Department of Labor. All data seasonally adjusted unless marked by an asterisk (*). In most cases latest figures are preliminary, with revisions shown in next month's table.

A few bright signs take some of the gloom out of markets for construction supplies — even though new orders for wares plunged nearly 12% in April and shipments fell 2.5%. These represent new recessionary lows and undo the March rebound. Surprisingly, however, suppliers kicked up their production runs in April—a scant 0.4%, but the first rise since March, 1981. Having drawn down inventories by $1.7 billion, suppliers may have to meet even the present low demand with increased output. Similarly, construction employment turned up in May, though modestly, and building tradesmen experienced a rise of 0.5% in average hourly earnings. And while wholesale prices for construction materials and supplies edged down by 0.1% during May, the seasonally-adjusted change was an increase of 0.2%. Here the recent pattern continued: Goods generally sold in auction markets suffered price weakness. But quotes were generally firmer for manufactured wares.

So-called budget compromises aren't washing with money market traders since there's little chance the politicians will raise taxes and cut social programs in this election year. Thus, a predicted $104 billion federal deficit for fiscal 1983 is almost certain to prove wishful thinking. Similarly, the Treasury will be heavily into the market to finance all the red ink. And it is now free again to float high yield, long term issues. With private credit demands unabated, it's no wonder that rates have backed up. The one saving grace lately has been the Federal Reserve—to everyone's surprise but ours. Our prediction had been that the Fed would ease up on credit growth lest it foster a bona fide depression, and that's what has happened. If the Fed had tried to stick to its 5.5% growth targets, rates would now be back to all-time highs or even beyond. A drop of around 150 basis points in long rates through this fall is possible as the current bout of distress borrowing by business eases. But mortgage rates will ease more slowly, since lenders will be locked into their present money costs for a while, given the maturities and high yields on savings certificates.

Technically, the recession is ending. Industrial production is still falling, off 0.2% in May. But with consumers buying more heavily and inventory liquidation slowing, real GNP is in for a slight rise in the April-June quarter. The tax cut and Social Security payments boost will surely lift economic growth. But business will hardly be booming. Business capital spending is in a tailspin, for example, falling at around a 20% annual rate in real terms. But economic growth in the 3%-4% range over the next four quarters will be somewhat helpful to housing, since soft growth means less pressure on interest rates. The focus of concern is now on early 1983, when private and federal credit demands begin to bump heads. Much hinges on the budget tussle on Capitol Hill. Frankly put, if hard estimates of the deficit for fiscal 1983 get to around $130 billion, expect resurgent interest rates and another recession.

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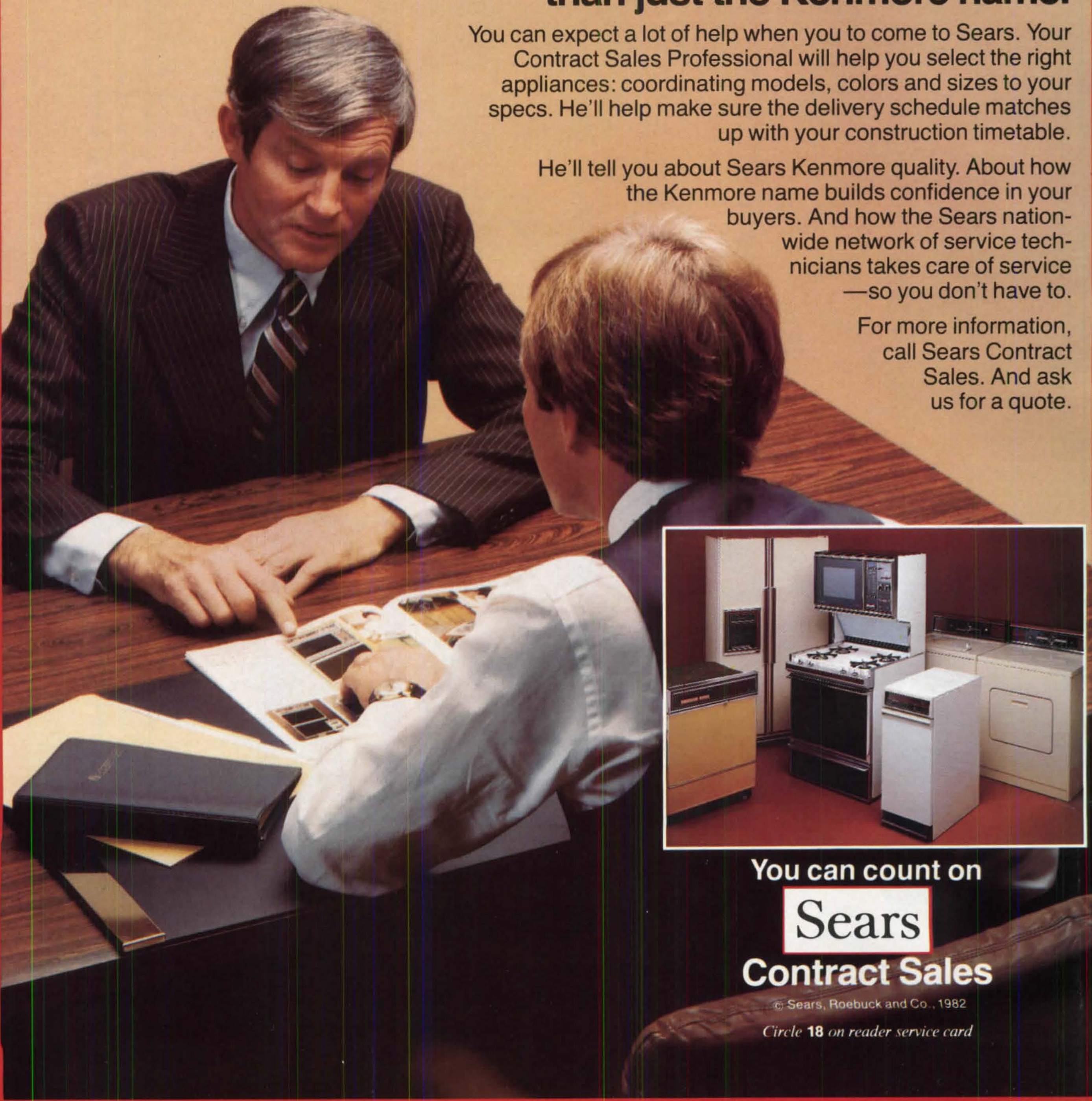

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Putting the thrifts' problems into perspective

A popular assumption regarding the severe distress afflicting the savings and loan industry has long been that once interest rates come down, the industry's problems are over. Not so anymore. Interest rates have now stayed so high for so long and the financial services industry is changing so dramatically that a basic overhaul of the thrift industry lies ahead even if rates do come down.

"Interest rates are one problem, certainly, but there are technical and competitive problems that are much more fundamental," says H. Brent Beesley, director of the Federal Savings and Loan Insurance Corp. and central figure in the government's efforts at managing the thrift crisis.

Beesley explains that thrifts are locked into a bricks-and-mortar marketing approach while their money market funds and brokerage house competitors are scooping up deposits with one-third of the overhead costs of the thrifts. Many financial institutions, particularly commercial banks, are investing heavily in electronic teller and electronic funds transfer systems to cut down the costs of full-service branches, but the great majority of the nation's thrifts are poorly positioned to invest in such systems. The thrifts, which traditionally make most of the loans to homebuyers, lost $6 billion last year and are well on the way to a loss of similar magnitude this year.

Largely as a result of such losses, Beesley's agency has been kept busy handling shaky institutions, merging 30 of them last year into healthier institutions. The assistance provided the surviving institutions by the FSLIC cost nearly $1 billion, constituting a sizeable drain on the corporation's $5.7 billion fund backing deposits at federally insured savings and loans.

"We are well aware that mergers cannot go [on] forever at current interest rates," FSLIC director says. "We are merely spreading the remaining net worth of the industry thinner and thinner."

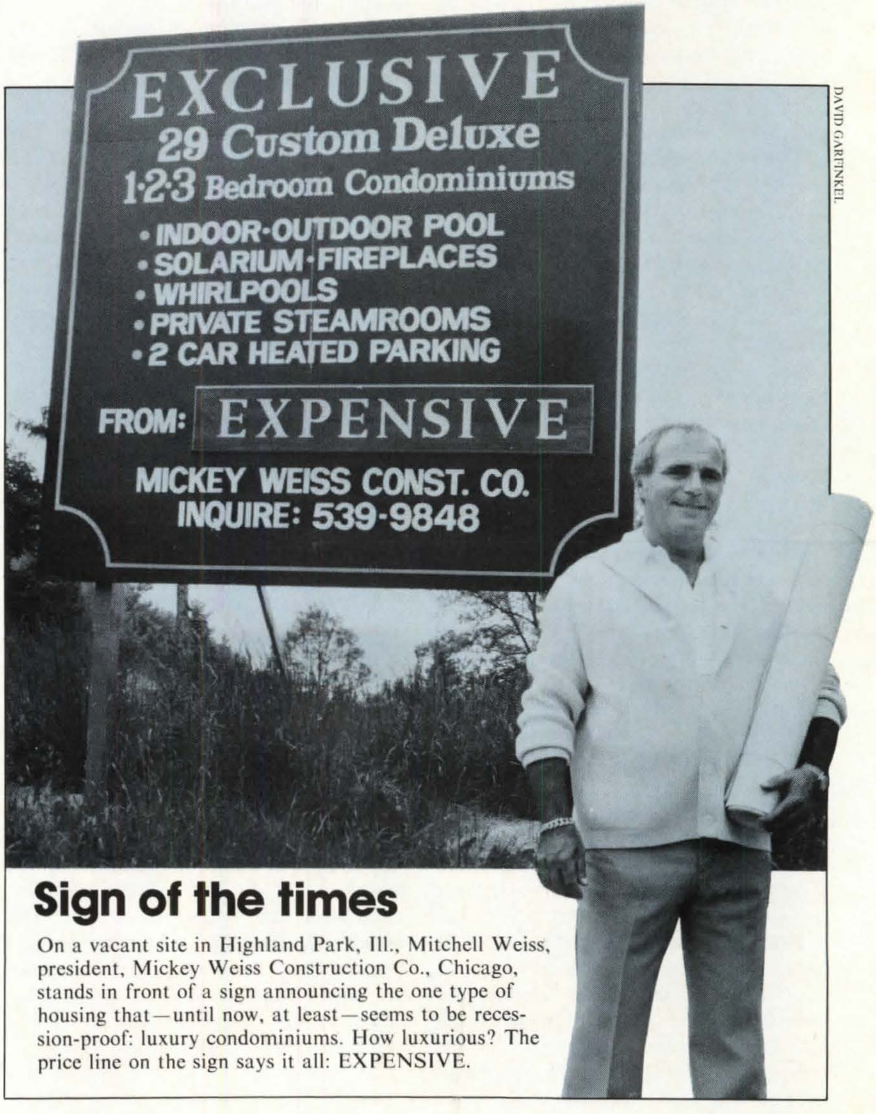
Today and tomorrow. Thus, efforts to do something about the thrift crisis are taking on several dimensions. Officials are trying to prevent the industry from collapsing outright at the same time they are trying to prepare it for the day when the crisis relents.

At the Federal Home Loan Bank Board, Beesley is grappling mainly with short-term problems. Chairman Richard T. Pratt, meanwhile, is attacking the longer-term issues by pushing for an expansion of thrift powers. To the consternation of Congress, which is considering legislation on many of the same issues, Pratt proposes letting thrifts provide a complete array of financial services—business loans, mutual funds, equity positions in real estate ventures, etc.

Three-way support. The Board's philosophy that the thrift crisis is more than a transitory phenomenon is shared by the Administration and Sen. Jake Garn (R-Utah), chairman of the Senate Banking Committee. After initially resisting any special federal aid for the thrift industry, Garn, the Administration and the board have united behind legislation that would provide authority for the FSLIC to inject capital into shaky thrifts in greater amounts than only its insurance fund would permit. And all three parties behind Garn's legislation also support the notion of combining thrift assistance with more fundamental legislation expanding the thrifts' power and their ability to compete.

Says Deputy Treasury Secretary R.T. McNamar, "The objective of this exercise is not to preserve the status quo forever. The objective is to make

Continued



DAVID GARFINKEL

Sign of the times

On a vacant site in Highland Park, Ill., Mitchell Weiss, president, Mickey Weiss Construction Co., Chicago, stands in front of a sign announcing the one type of housing that—until now, at least—seems to be recession-proof: luxury condominiums. How luxurious? The price line on the sign says it all: EXPENSIVE.

Reagan stands firm; vetoes buy-down bill

(As HOUSING went to press, President Reagan had just vetoed the buy-down bill. Following is the scenario leading up to the veto.)

After weeks of near-miraculous legislative push-and-shove, both houses of Congress—in the face of a threatened presidential veto—overwhelmingly adopted a program to stimulate housing starts this building season.

In reaching a compromise, the final legislation provided $2.6 billion in mortgage interest rate subsidies to be committed yet this year to finance more than 200,000-plus starts.

In addition the compromise adopted, as the House members wanted, $400 million in subsidies to finance the purchase of an estimated 32,000 unsold new homes in builders' inventory.

The maximum mortgage covered is $67,500 for buyers with incomes up to $30,000 a year; but $100 million is to be allocated to finance mortgages up to $90,000 in high-cost areas. In all cases, the mortgage subsidy is four percentage points the first year, decreasing by 0.75 percentage points each of the remaining four years.

The funds would have to be committed by next January 1, and buyers would have to pay back the amount of the subsidy when the house is sold or refinanced. Over five years, that subsidy could run over $13,000.

President Reagan had called the original House and Senate bills "budget busting bailouts." But both Republicans and Democrats argued they were voting for a program to create jobs quickly, an anti-recession program that would spread its benefits throughout the economy.

Meanwhile, back home. Those running for re-election were eager to tell constituents of their pro-housing vote. Some Republicans want to make it clear that they aren't 100 percent committed to doing nothing for the economy until last year's tax-and-spending cuts turn things around.

House and Senate pro-housing blocs put necessary legislation—both the authorizing bill and the separate appropriation of the necessary funds—in the so-called "urgent supplemental appropriation bill."

Since that bill carried funding needed to prevent the shutting down of a number of important government agencies and programs, congressional strategists figured they had the program wrapped in what appeared to be a veto-proof package. But vote counters in both the House and Senate claimed a Reagan veto would be upheld.

The two versions. The compromise adopted by the conferees was a classic split-the-difference solution—taking something from both House and Senate versions of the bill.

'Homebuilding is not going to come back... without this legislation.'

Sen Richard Lugar (R-Ind.) led the Senate to approve a $5 billion five-year program, limited to houses started after the bill's enactment. The House, however, wanted only a $1 billion, one-year bill that would also help builders by subsidizing buyers of newly built homes already in builders' inventories.

In arguing for the effectiveness of the mortgage subsidy proposal Sen. Lugar said that "As we near 12% mortgage rates in this country, extraordinary numbers of people are prepared to buy houses. When we get to 11.5% . . . there are several million prepared to buy houses in this particular building season."

Lugar said that he found it "inconceivable that mortgage rates will come down four percentage points in this building year." Homebuilding, he said, "is not going to come back in 1982, or with very little likelihood in 1983 either, without this legislation. . . ."

Sen. Jake Garn (R-Utah), the conservative chairman of the Banking Committee, told the Senate that "in just the last two years over $16 billion" had been cut from HUD budgets—a huge offset to the $1 billion appropriation called for in the bill for its first year of the compromise bill.

The strongest opponent of the legislation, Sen. William Armstrong (R-Colo.), argued that the legislation would be vetoed.

Armstrong's views coincided precisely with those expressed by White House aides and the Office of Management and Budget in their campaign to keep any such legislation from reaching the President's desk—and thus put him on a political hot spot.

"The proposal . . . far from advancing the cause of homeownership, actually is a setback for most families' efforts to achieve that goal," Armstrong told the Senate.

"Why? Because it will add to the deficit, undermine congressional credibility in our determinations to control federal spending and, thereby, postpone the lowering of interest rates which will bring homeownership back within the reach of all or most American families," Armstrong said.

Background. The NAHB worked closely with Lugar in presenting the housing program as the only "jobs creation" bill that Congress was likely to be able to adopt this year. Lugar worked to keep the stimulus focused solely on housing—brushing off attempts add programs aimed at other recession-battered industries.

This kept the housing legislation from becoming "a Christmas tree," Lugar said, that would surely bring down a Reagan veto.

In the House, a grass-roots rejection of Speaker Tip O'Neill's leadership threatened a majority vote to finance the housing sudsidies with funds available—but unused—from the synfuels program.

O'Neill and other leaders then agreed to pull the homebuilding subsidy out of the languishing omnibus housing bill for priority treatment.

—DONALD LOOMIS
McGraw-Hill World News, Washington

Thrifts' problems *continued from page 19*

sure that there's an orderly transition to what is an inevitable new structure in our financial institutions."

House differs. There is no unanimity in Washington as yet, however, on McNamar's view. The House has already passed its version of thrift assistance, authorizing an $8.5 billion fund at the Treasury to be tapped as needed by thrift institutions to maintain their net worth—the excess of assets over liabilities—at the two percent level the regulators consider the acceptable minimum. The House version contains no change in thrift powers, nor is the House likely to consider separate legislation this year overhauling the financial services industry.

So when the Senate and House versions of the legislation go to conference, the Administration and the Senate conferees must get House conferees to accept an expansion of thrift powers if the reshaping of the industry is to proceed. And winning the assent of the House conferees would mean the amended legislation would have to go back to the House floor for another vote.

—DAVID WALLACE
McGraw-Hill World News, Washington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Good news and bad news from the rental front:

There's an old story about a man with his head in the hot oven and his feet in the freezer. On "average," he was comfortable. Much the same could be said about the current state of the rental market. While rents overall just about kept pace with inflation last year (the rental component of the Consumer Price Index rose 8.5 percent compared with an 8.9 percent overall hike), contrasts between specific markets are extreme. For instance:

In San Diego, rents soared during a recent six-month period—rising at least 20 percent. In several cases, owners are enjoying increases up to 30 percent. The reasons for such high rent hikes, industry sources say, are unusually high occupancy rates (98 percent), high interest rates and continuing population growth in southern California.

"People cannot afford to buy because of the high interest rates, so they're turning to rentals," explains David Carpenter of John Burnham & Co., which manages 293 rental units.

Carpenter also points out that nearly 30 percent of available condominiums have been converted into rentals—a twist on the usual conversion story. "People cannot afford the condos, so owners are renting them," Carpenter says.

Likewise, in Houston, rents increased over a recent six-month period at a steady clip of almost 1.5 percent per month or 18 percent per annum, according to the Houston Apartment Association.

Again, owners and managers single out high interest rates and a burgeoning population as reasons for the rent spiral.

"Houston is one of the fastest growing towns in the country and there's a constant demand for rentals," says Charles Turet of the Jetero Corp. "We see a 70 percent turnover of our units every six months."

Jack Dinerstein, president of The Dinerstein Co., which owns and manages nearly 10,000 units, recalls that in 1980 rents increased less than five percent. "We've seen hefty increases only in the last 18 months," he says. "When building began to slacken, coupled with the very low increases, rents just started to take off."

A spokesman for the Houston Apartment Association says that in 1981 permits for new construction of rental units plummeted to all-time lows.

Despite the recent boom in rentals, owners and managers see signs of a slowdown on the horizon. One factor: the pickup of construction.

"We expect at least 17,000 new units to be on line by the end of the year and that should drive down rents," says Jerry McGinty of the Houston Apartment Association.

Owners also anticipate that tumbling oil prices on the world markets will contribute to a slowdown. "The oil glut has triggered a slump in the drilling business throughout the state, and when the oil business slows down, so will rents," says Dinerstein.

Soft spots. On the other hand, many cities—Seattle, Boston, Detroit and Miami, to name four—are weathering dramatic drops in rents and 10 to 15 percent vacancy rates—the result of the current recession coupled with high interest rates and heavy unemployment.

In Seattle, for example, where Boeing employees have suffered huge layoffs and the wood products industry's profits are down, rents have headed downward by 10 percent over several months.

"Things have gotten so bad around here that some owners are offering a

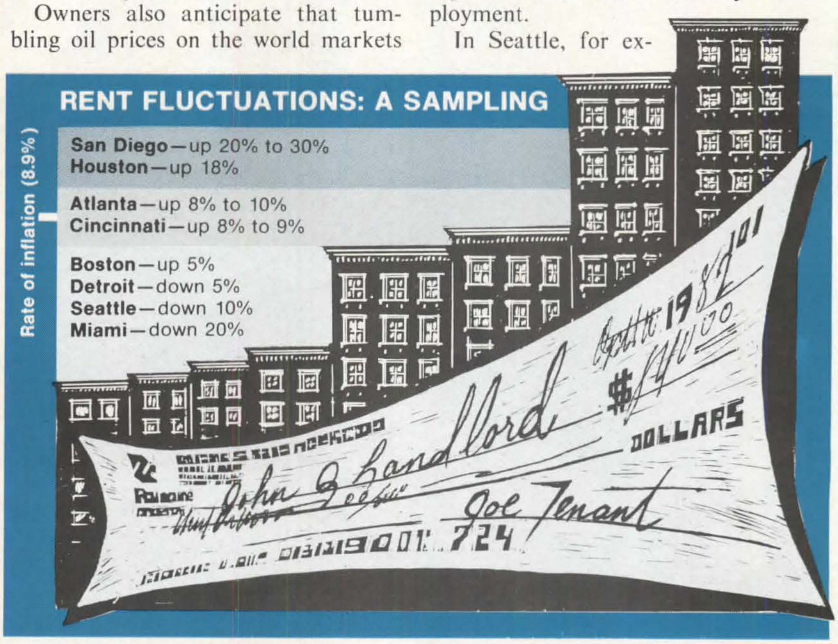

ILLUSTRATION: DAVID KLEIN

FINANCE

ARMs: Edging along toward uniformity

The typical adjustable rate mortgage offered by a savings and loan association has its interest rate and monthly payment adjusted annually, its rate tied to the national average Federal Home Loan Bank Board mortgage contract rate and is likely to have a cap on interest rate or payment increases over the life of the loan.

This is the finding of a nationwide survey of 400 S&Ls conducted by American Mortgage Insurance Co. of Raleigh, N.C., a leading private mortgage insurer. Although the survey suggests there has been some movement toward standardization, AMIC President Claude Pope says the industry is still a long way from a uniform ARM. "I don't see the marketplace settling on one financial instrument," says Pope. "Uniformity will come, but we're not there yet."

Even though lenders have lots of leeway in structuring ARMs, the survey reveals consensus on several features.

Two-thirds of the S&Ls polled, for instance, tie the rate of their loans to the national average FHLBB mortgage contract rate. Only nine percent base their rates on an index of their own cost of funds and fewer still to Treasury bills. Large S&Ls were three times more likely than small ones to use the six-month Treasury bill rate.

Pope speculated that the popularity of the FHLBB index is probably related to the fact that Freddie Mac, which purchases loans from S&Ls, will only buy loans using that index.

Adjustments come sooner. Over half the S&Ls—58 percent to be exact—adjust the interest rate on the loan yearly; some 13 percent every three years and another 12 percent every six months. A comparison with a similar survey conducted a year ago suggests that lenders are abandoning the three-year adjustment frequency for annual adjustment.

Lenders must factor in consumers'

Mixed report reflects economic pattern

free month's rent every six months," says Rubin Salant, president of Condominium Builders Inc., Seattle.

Another owner, Edwin Suhrbier, president of Suhrbier Management and Development Co., reports that his company, which owns and manages 339 subsidized units, is experiencing vacancies of up to 18 percent in some of his projects. "Even subsidized housing out here has been affected by the huge unemployment rates in the aerospace industry and the lumber business," Suhrbier says.

Detroit, with the highest unemployment in the nation is also experiencing a downward spiral in rents.

"We're looking at maybe a five percent reduction in rents in the tri-state area around Detroit and that's just the beginning," says Donald Houlahan, president of USA Realavest Inc.

One owner reports that while he's "holding his own," he is seeing vacancy rates as high as 25 percent, coupled with no growth in rent rates.

A college-cost connection. Another city with empty apartments is Boston. According to The Greater Boston Real Estate Board, vacancies stood at 8.17 percent in the Boston area as of Feb. 1, and rents have increased only five percent during a recent six-month period. Owners and managers explain the higher-than-normal vacancy rate and slow growth in rents by saying that students, perhaps Boston's biggest resource, are no longer an important factor in the market.

"With the high cost of tuition and the recession, students are returning to dormitories or doubling up," says Paul McGinley of Anderson Notter Finegold Inc.

Many owners are beginning to convert rentals into condos. "We believe the rental market is going to tighten up drastically; everyone is converting rentals to condos to eat up some of the slack," says one owner.

High unemployment is also affecting the rental market in Birmingham, Ala., where vacancy rates are running as high as 15 percent and rents are showing no growth, according to a spokesman for Housing Systems Inc. "We've been hit hard by unemployment in the automobile and aerospace industries," he says.

In Miami, rents have plunged by as much as 20 percent, despite continued population growth, according to Fred Mann of Keyes Management. "Rents have gone through the floor here because nobody is buying all the condos that were built over the last two years," he says.

Another owner, Janis Enterprises, reports that 1,500 sq. ft. of space which rented last year for $650 goes for $525. "We have a surplus. . . . It's that simple," a spokesman for Janis explains.

In step with the CPI. Meanwhile, some markets have carved out a middle road; rents in these cities are at pace with inflation. In Cincinnati, for instance, rents have increased steadily over six months by eight to nine percent, according to owners interviewed by HOUSING.

"The market is much softer than last year because of all the layoffs, but we're still aggressively increasing our rental rates by nine percent," says Neil Bortz, president of Towne Properties.

Other owners report that vacancy rates have been hovering at around seven percent in the city to nine percent in the suburbs. "We believe that the vacancy rates and unemployment have slowed last year's hefty growth of rents in Ohio," says one.

In Atlanta, owners report they are seeing "modest growth" despite airline layoffs. Ken Edwards, president of Ken Edwards Enterprises, says his rents are going up by about eight to ten percent per year. Edwards, who owns over 600 units, cites a five percent vacancy rate as one reason the rental market is holding up in spite of the recession and unemployment.

Another owner, Housing Systems Inc., reports that while rents are up and vacancy rates are holding at five to seven percent, there's a disproportionate glut of one-bedroom apartments. "Young people are doubling up or moving back with their parents," a spokesman says. —CABELL BRUCE

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concerns and fears about ARMs when structuring these loans. On that score, says Pope, lenders find that consumers are more concerned about possible fluctuation in the monthly payment than anything else.

Tom Kennedy, a vice president and loan officer with All State Savings & Loan, Glendale, Calif., agrees. All State now offers two adjustable rate loans: one where the rate is adjusted every six months and the payment annually; another with rate and payment fixed for five-year periods. The five-year program, says Kennedy, "is more acceptable to consumers."

Nevertheless, the AMIC survey shows a definite shift by lenders toward annual payment adjustments—63 percent of those polled making such adjustments versus 51 percent a year ago. Just over a quarter change the payment every three years; only a few use a six-month adjustment period.

Payments less firm. The practice of putting a cap, or upper limit, on payment increases appears to be waning. Only 19 percent—compared to last year's 28 percent—limited payment increases allowed at each adjustment. The number of S&Ls placing a cap on how much payment can rise over the life of the loan also dropped, from 39 percent to 13 percent. Caps on the interest rate increase are more common with just under half placing a limit—usually two percent—on the allowable increase.

'I don't see the marketplace settling on one financial instrument.'

The trends toward more frequent rate and payment adjustments and elimination of caps on payment increases, suggest lenders are structuring ARMs so as to shift the risk and cost of rate fluctuation to consumers. Even so, Kennedy sees "gradual consumer acceptance": not necessarily because the public likes the adjustable loans, but because, borrowers "are slowly realizing we (lenders) cannot make 30-year commitments."

Yet the survey shows that almost half of the S&Ls polled still offer fixed-rate loans, proving that the reports of the death of such mortgages are greatly exaggerated.

Even so, Pope feels ARMs will come to take up a larger share of the market, but, he doesn't expect any single mortgage instrument to dominate the way the fixed-rate mortgage prevailed in the past. Contributing to the growth of ARMs, says Pope, is the continued development of the secondary market for them. He describes that market as already "fairly active" and predicts it will heat up even more. This will go hand-in-hand with another trend: The S&Ls' move away from portfolio lending. "There has been a gradual trend to sell to the secondary market," Pope notes. With lenders less willing to take the risk of holding 30-year loans, he believes "the desire to continue that trend will be there." —W.L.U.

Top court says loser needn't pay legal fees

A Montana manufacturer of prefab modular homes has been pushing an expansive interpretation of the National Labor Relations Act that would make it more expensive for unions to use unfair picketing tactics. But on June 2, a unanimous U.S. Supreme Court rejected the company's idea.

Summit Valley Industries Inc. had little trouble winning its basic NLRA complaint against the Carpenters and Joiners Local in Butte. That conflict arose over the fact that employees at the Summit Valley plant were represented by the teamsters, not the carpenters.

The carpenters at first called the employee affiliation a violation of its work preservation agreement with the area contractor associations, but backed off on that charge when it discovered that Summit Valley was not a signatory to that agreement.

But the carpenters told its members not to work on installation of houses made in the Summit Valley plant, and then picketed the plant when Summit Valley sent its own employees out to homesites to do the installation.

When the company complained to the National Labor Relations Board, the board agreed that both the picketing and the refusal to put up Summit Valley houses were unlawful union activities. Using that ruling as proof of union wrongdoing, Summit Valley sued the carpenters and won a damage award of $3,675 to cover its business losses from the carpenters' actions.

And the issue in question. But Summit Valley wanted much more. Among its losses, the company claimed, were its legal fees in fighting the union at the NLRB. Those bills came to $13,604.33. Neither the trial court in Great Falls nor the U.S. Court of Appeals in San Francisco would buy that argument.

Neither would the Supreme Court. Although in most countries the losing side in a litigation must pay the other party's legal bills, the "American Rule" has always been that each litigant is responsible in paying his own attorneys. Although Congress has written exceptions to this general rule into some laws—such as the antitrust statutes and civil rights acts—the NLRA is not one of them. Justice Thurgood Marshall explained for the justices. He said Summit Valley's argument that, in allowing employers to sue for damages from unlawful union activity, Congress meant to okay suits for legal fees just isn't supported by the words of the act or the record of its debate in Congress.

—DANIEL MOSKOWITZ
McGraw-Hill World News, Washington

Faces in the news

Hills

Davis

Carla Anderson Hills, former secretary of the U.S. Dept. of Housing and Urban Development, has been elected to the board of directors of the Federal National Mortgage Association (Fannie Mae). She is a partner in the law firm of Latham, Watkins & Hills.

Leon T. Kendall has been elected president of the Mortgage Insurance Companies of America. Kendall, chairman of the board of Mortgage Guaranty Insurance Corp., Milwaukee, is a former president of the Securities Industry Council.

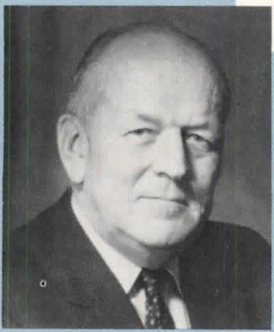
Herbert W. Gray has moved up to the position of chairman of The National Association of Mutual Savings Banks. Gray is the chairman and CEO of the Mutual Bank For Savings, Boston. Elected to succeed Gray as NAMSB vice chairman is **M. Todd Cooke,** chairman and CEO of The Philadelphia Saving Fund Society.

The National Savings and Loan League has nominated **Frank L. Coffman Jr.,** president of First Federal Savings and Loan Assn., Harrison, Ark., to serve as president. Succeeding Coffman as vice president will be **James A. Coles,** president of United Savings Assn. of Texas, Houston.

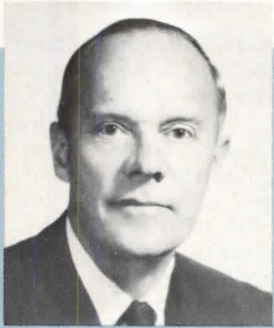
Richard J. Davis has been nominated president of the Mortgage Bankers Association of America. He is currently the president of Virginia Investment and Mortgage Corp., Portsmouth, Va. Succeeding Davis as first vice president will be **James M. Wooten,** president of The Lomas & Nettleton Company, Dallas.

Kendall

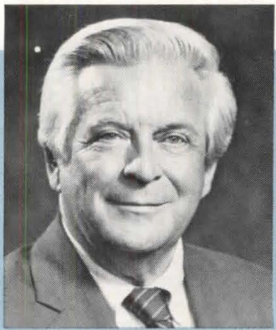
Wooten



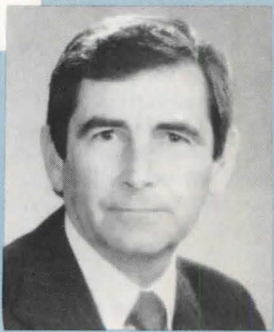
Gray



Cooke



Coffman



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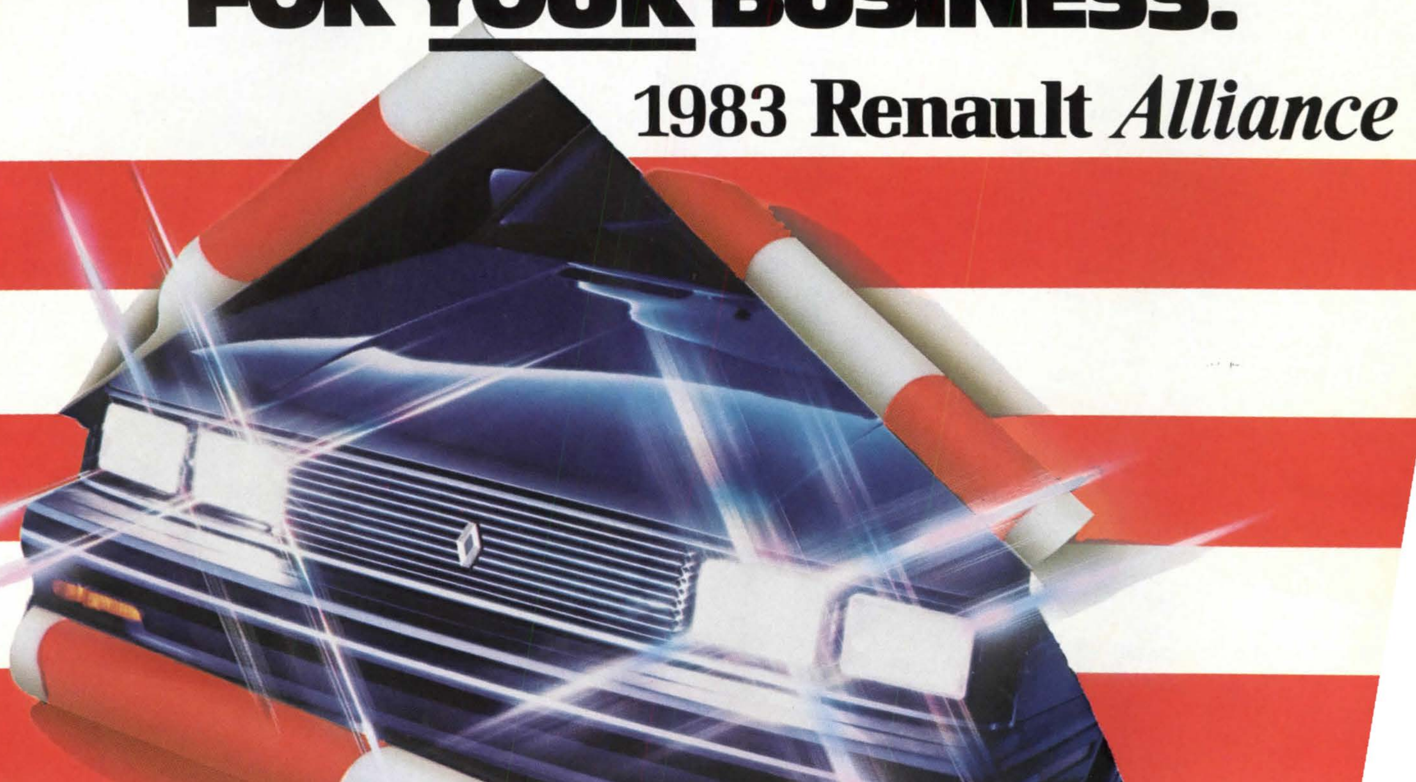

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Housing advocates support Reagan viewpoint

Somewhat surprisingly, a relatively new and potentially powerful lobby—the Housing Roundtable—is supporting the Reagan Administration's position on current housing legislation. What's surprising is that the group—patterned after the highly influential Business Roundtable and supposedly getting organized to speak for the housing and housing finance industries in Washington—is not backing homebuilders who have been quick to rally around Congress' attempts to aid the industry with a much-targeted buydown bill *(see page 20)*.

More specifically, says Weston E. Edwards, CEO of Merrill Lynch Realty Associates, the Housing Roundtable, among other things, is an "advocacy group" that will generate support for the recommendations of the Housing Commission, now that it has disbanded after delivering its sweeping report to the White House.

Big-name board. Edwards is chairman of the new group's board of directors, whose other members include CEOs of some of the biggest homebuilding and building materials and equipment companies, financial organizations and real estate brokerage firms.

Edwards describes the group as "nonpartisan," but it is clearly a big business organization that seems thus far inclined to back Reagan Administration programs and policies.

For example, when asked about the emergency housing stimulus bill backed by the homebuilders and a broad bipartisan coalition in both houses of Congress, Edwards said, "One bailout leads to another" and what the industry needs is "a general leveling of interest rates more than anything else"—a position that squares with the Administration's opposition to the program.

Furthermore, he suggests that the starts that might be stimulated by the mortgage bill "are not likely to reach" the levels predicted by Sen. Richard Lugar (R-Ind.) and other program proponents.

Reaction mixed. At the National Assn. of Home Builders, one official was privately critical, but at the National Assn. of Realtors, a staffer said the new group "gives the big guys a separate voice."

Among the issues that Roundtable will tackle, Edwards said, are current legislative programs, deregulation to make housing more affordable, establishing "a more viable secondary market" for mortgages with pension funds and insurance companies, and removing "market instability caused by excessive reliance on seller financing" of housing sales.

Garry Brown, a Washington attorney and former GOP congressman from Michigan, is vice chairman of the board of directors and a consultant to the group. He says the executives involved created the Roundtable as an "umbrella organization" that would try to "reconcile differences in the industry."

Up to now, Edwards says, the industry is "so diversely represented" in Washington that it is "hard for Washington policy makers to get any recommendations" out of the industry. The Housing Commission showed "an ongoing need for something like this," Edwards says.

In fact, Edwards has already seen Housing Secretary Samuel Pierce Jr. and White House aide Shannon Fairbanks "to bring them up to date on what we're doing."

Edwards says the Roundtable is slated to be a place where members can "trade off a lot of issues" and presumably come up with consensus recommendations, but it has yet to take any official position on any particular housing question.

The Roundtable's next meeting is scheduled to be held at the end of July in New York. It will be hosted by board member Robert F. Dall, managing director of Salomon Brothers, the investment bankers.

Among the 15 present members of the board, which is to be enlarged to make it more representative, are the CEOs of two of the nation's major homebuilding companies: Eli Broad, chairman of Kaufman & Broad, and Malcom M. Prine, president and CEO of Ryan Homes.

Other members of the board are John W. Crighton, of the Weyerhaeuser Co.; E.B. Madden, of Guerdon Industries; Leland S. Prussia, of Bank of America; Anthony Frank, of First Nationwide Savings & Loan; James F. Montgomery, of Great Western Financial Corp.; J. Michael Jackson, of Electronic Realty Associates; Richard J. Loughlin, of Century Real Estate Corp.; Claude E. Pope, of AMIC Corp.; Richard J. Flamson III, of Security Pacific National Bank; Robert F. Dall, of Salomon Brothers; and Thomas R. Bomar, of Amerifirst Savings & Loan Assn. —D.L.

News conference, electronics style

Rockwool Industries didn't want to waste time getting news of its "Guaranteed-R" program out to contractors, builders and the news media. "We felt," said company President Nick Dye, "we had a rather important and unique concept to communicate. We wanted to communicate it quickly." That's why, on May 11, the Denver-based subsidiary of Susquehanna Corp. sent three top executives before television cameras. Linked to 25 Holiday Inns across the country via a private satellite TV network, Rockwool introduced its blow-in mineral wool insulation program [HOUSING *Product News*, June] to over 1,000 persons across the U.S. One such "teleconference" is shown underway in Troy, Mich.

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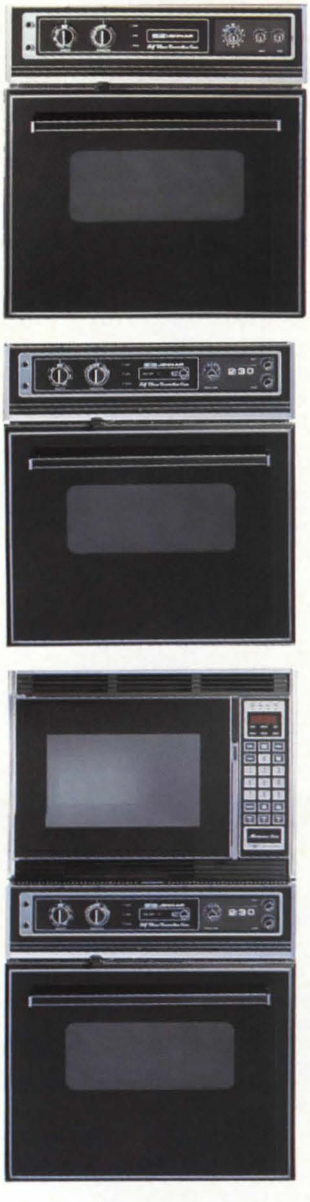

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The ovens have greater capacity than ever before. They make it possible to roast a 24 lb. turkey, or to cook on three racks at the same time.

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And they all retain our exclusive selective-use feature, so that they convert from conventional radiant cooking to convection cooking at the flick of a switch.

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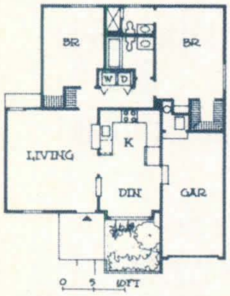
Homeowners make 'uncomplementary' charges

CHICAGO—A uniformed guard on the porch of the sales trailer carefully eyes the car of a late afternoon visitor as he drives up the road cutting through otherwise vacant land.

The visitor leaves his car and enters



the trailer. After asking the sales agent about the still-to-be-built homes, he inquires about the guard outside. The agent replies that he comes on duty in the evenings—to keep kids off the site, so they don't pull up flowers or hurt themselves and sue the builder for their injuries.

Two multimillion-dollar lawsuits, however, suggest a different explanation as to why Levitt Homes Inc. has a guard posted at its Gingerplace subdivision site. One, filed by the builder against members of two homeowners' associations and several individuals, charges that area residents staged an emotional demonstration on Saturday, May 22, which damaged the builder's business. It was that day that Levitt began offering sales contracts for small homes—979 and 1,068 sq. ft., to sell, respectively, for $48,990 and $50,990—in an area of Naperville bordering on subdivisions where larger homes are currently valued between $70,000 and $110,000.

In an affidavit filed to support the Levitt Homes claim, Senior Vice President Harvey P. Rafofsky charges that the homeowners "commenced impeding and stopping the flow of automobile traffic into Gingerplace . . . by stepping into the street with signs and handing out written statements to the persons in the automobiles."

Would-be buyers 'alerted'. The statements, among other things, threatened lawsuits against individuals who bought houses from Levitt Homes, the builder's suit alleges. And the existing homeowners also mentioned intentions to sue the builder for "fraud . . . violating zoning laws . . . and illegally amending restrictive covenants." Among the damages Levitt Homes claims is a permanent loss of sales resulting from the actions.

The protestors, in a suit against Levitt Homes, claim that it has "amended restrictive covenants" in attempting to build the smaller homes, and that their construction would cause existing residents to "suffer great harm in that the character and the nature of the neighborhood will be damaged." Other allegations in the suit, which seeks to restrain Levitt Homes from building and asks for monetary damages, are that property values would fall and that the development, if allowed to proceed, "will prevent the subdivision from being an innovative and creative approach to the development of land and living environments."

Levitt is seeking a total of $15 million in damages; the protestors are also seeking $15 million in damages.

Builder gets go-ahead. As of now, a county judge has turned down the homeowners' request for a preliminary injunction, which would have prevented Levitt from breaking ground, says Peter Coblentz, attorney for the City of Naperville and a member of Ancel, Glink, Diamond, Murphy and Cope, a Chicago law firm. "Consequently, they're free to build out there," he says.

Elliot Wiener, president of Levitt Homes, says from headquarters in Royal Palm Beach, Fla., "I don't think the public reaction is warranted," and defends the company's product against Naperville homeowner attacks: "This is not subsidized slum housing; these are quality houses." He adds, "If the market were better, the houses (two-bedroom, one bath, as shown at left and three-bedroom, one bath) would sell for more."

The Florida-based builder, a wholly-owned subsidiary of Starrett Housing Corp., closed its models in Naperville and two other Chicago suburbs in March, 1980, because of slack sales, and turned inventory over to a real estate broker. However, Levitt Homes kept large holdings of land in Naperville and other suburbs. Wiener says 80 lots have been fully developed at Gingerplace, and that the company has enough land to build "200 to 300 houses" in the subdivision. He adds that, "zoning was (previously) approved for the houses where we're building." —D.G.

Showhouse wins Gold Nugget award

HMX-1, HOUSING magazine's prototype in space-stretching design, won the Grand Award in the "Best Manufactured Single-Family Home" category in this year's Gold Nugget Awards program, co-sponsored by the Pacific Coast Builders Conference and *Builder* magazine. Entries were judged by Don Bowman, AIA of Mithun Associates, PS; Tom Moon, president of the Orange County chapter of AIA and of Tom Moon Associates; Rick Morrall, building editor of *Sunset* magazine; Ken Agid of the Marketing Dept.; Frank Anton, editor of *Builder* magazine; Hank Metzger, AIA and senior vice president/partner of Peter Lendrum Associates; Ralph Bender, AIA of Ralph Bender and Associates; Robert Lesser of Robert Charles Lesser and Co.; and Dimitry Vedensky, AIA of Dimitri Vendensky Architect.

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CAROLE EICHEN
Carole Eichen Interiors
Fullerton, Calif.

How to bring 'dead' space to life

Many model homes have areas that defy furniture placement. Others include oddball spaces that seem too small to serve any practical purpose. Yet you can't ignore such spaces; left empty they only draw attention to themselves. Prospects would wonder about the wisdom of investing in a unit that includes such wasted space, and might even suspect the floor plan has other flaws which they've missed.

What's the solution? You must demonstrate that the space is functional—and a good interior designer should be able to come up with creative ways to do that in even the craziest corner.

Prospects may not want to copy your model-home scheme—a ceramics collector might want to display pottery in that "awkward" niche where your merchandiser shows a game table—but you will have sparked imaginations and convinced would-be buyers that the square footage is worth spending for.

To get your creative juices flowing, here are some examples of problem spaces we've conquered.

LELAND LEE

1. Built-in seating helps save space in an awkwardly planned breakfast nook *(above)*; upholstered bench makes it possible for table to be positioned out of the way of traffic. Project: Chanticleer, Thousand Oaks, Calif. Builder: Mark III Homes. Carole Eichen Interiors project director: Janice Kennedy.

JOHN BARE

2. Stained glass saves the day in the living room at right. A horizontal window interrupts the only furniture wall and draperies behind the sofa would have been awkward. Project: Millstream, Huntington Beach, Calif. Builder: Schaefer Development. Carole Eichen Interiors project director: Margo Hazlett.

The furniture squeeze. When a space designated "breakfast nook" isn't really large enough, why not try built-in seating to save on floor space? That's what we did in the nook shown in photo 1 where placing chairs all the way around the table would have created almost a total roadblock between kitchen and family room.

Or what if there's a window on the only furniture wall in a unit's living room? Rather than drape such a window, which means putting the sofa in front of draperies, we used stained glass *(see photo 2)*, which gives the impression of a piece of art above the sofa without blocking all the light.

(I'd like to point out that we're going to be confronting more and more problems like this inconveniently placed window because we're asking architects to work under greater constraints than ever before in designing smaller units at higher densities.)

Salvaging space. Here's where creativity really gets called into play. You might call it "space-stretching" interior merchandising.

One example of a "nothing" area that we turned into an asset is shown in photo 6 at right.

I've seen similar spaces handled by sticking in some plants and a chair. Well, no one sits upstairs watching the philodendrons grow—and your prospects know it. But someone might, indeed, enjoy sitting at a desk "above it all" writing letters or catching up with household paperwork. What's more, the bookcase we installed adds a lot of drama and creates a focal point for people climbing the stairs.

Other examples: An under-the-stairs "game room" in photo 3 and a solution to a bathroom storage problem *(photo 5)*.

LEE HOOPER

3

LELAND LEE

4

LELAND LEE

5

GEORGE SZANIK

6

3. Under-the-stairs solution is a set of bookshelves and a game table flanked by two chairs. We first showed this cozy cranny back in 1974 [H&H, Nov.], but the idea is timeless.
Project: Bradford Place, Stanton, Calif.
Builder: Robert H. Grant Co.
Carole Eichen Interiors project director: Janice Kennedy.

4. 'Leftover' corner becomes a study/work center when outfitted with a desk and appropriate lighting.
Project: La Jolla Summit, La Jolla, Calif.
Builder: Gentry Construction Co.
Carole Eichen Interiors project director: Janice Kennedy.

5. Bathroom niche allows for a decorative as well as practical treatment—a wicker hamper for dirty linen.
Project: Coachman Ridge, Clearwater, Fla.
Builder: Arthur Rutenberg Corp.
Carole Eichen Interiors project director: Irene Slaght.

6. Mini-library at the top of the stairs is a good use of limited space. Floor-to-ceiling bookcases also provide a dramatic focal point for those looking up from below or climbing the stairs.
Project: Mira Verde, Palos Verdes, Calif.
Builder: B.R. Morris.
Carole Eichen Interiors project director: Janice Kennedy.

Ten new homeowners answer the question:

Cheryl Thayer, North Manor, Norcross, Ga. Our primary motivation was taxes. We are a two-income family and we had to do something because of what we were paying in rent and to the IRS. We didn't have the cash to get into any kind of tax shelter, so a house was our only viable option.

We paid just under $64,000 for our house and we financed it with a conventional loan through Pulte Home's mortgage subsidiary. We are paying 16.5%, but Pulte is buying down the rate for the first three years. They call it a subsidy and we call it a buydown, but I guess what really matters is that they are paying $166.66 a month for 36 months. That's roughly 3.25%. And even with that, our payments are more than double what we paid in rent. It doesn't really bother us that in a few years we will be paying the full rate. We are not oblivious to the situation, but we'll cross that bridge when we come to it. Our incomes are growing and we should be able to handle the payments. □

Carolyn Smith, Feather Ridge, Rancho Penasquitos, Calif. I'm business manager at an automobile dealership, so you could say that I went from the frying pan into the fire. But, I'm 36 and I've been renting all these years. Now that I'm in a nice tax bracket, I had to get something going to save myself some money.

I looked around and looked around and then Broadmoor Homes came out with a 10% mortgage, so I bought because the financing was right. It's a nice feeling to have to have a 10% fixed-rate, assumable loan, especially in today's climate when other people are paying 16% and 17%.

Although I'm single, I have been raising three kids in rental houses. And believe me, you get tired of renting, especially with kids. I went from 1,300 sq. ft. to 1,000, but I only have one child left at home, so I didn't need as much space. Sure it's more expensive—my payment is close to double—but I think I made the right decision because taxes were my biggest consideration. □

Roger Shay, Coco Plum, Coral Gables, Fla. If I had my choice, I'd have rented. But we moved here with three children from an elaborate home in New Jersey. The family position argued strenuously for settling down. It was difficult enough to move without adding more problems.

I'm an investment counselor, and you might say I went against the rule of thumb that says when you move from one region to another, you should rent for a year to study neighborhoods and values and the like. But I did study the South Florida market and decided on Coral Gables.

I am financing my $800,000 house at prime. I know that high interest rates, high prices and economic uncertainty argue against such a purchase. But I believe the best thing you can do to protect yourself is buy the kind of value in the kind of neighborhood that would cushion any mistake you might make in going right into a new home. □

Max Schneiderman, Leisure Village, Camarillo, Calif. We first started coming out here from Michigan to visit our son and daughter-in-law. Each time we visited, we came to like California more and more. What's not to like? Let's face it, the climate is ideal. When we decided to give it a try, we concentrated on finding a nice place to buy. Even though my wife and I weren't sure we were going to stay, we bought a two-bedroom, two-bath duplex for $103,000. It was our second choice. The model we really liked wasn't available. When we decided we would stay, we figured we might as well move to our first choice.

We paid cash for both houses. Even though the appreciation on the first one was about 30 percent, I had to pay that much more for the new one. So there was no profit; it was sort of an exchange. The new one, which also is a two-bedroom, two-bath duplex, cost $140,000. The buyer of our first house had no trouble getting a loan because I agreed to carry the financing at two percent below the market.

I paid cash as a matter of security. As far as the deductions are concerned, the situation works both ways. If I had put the cash into another investment, I would have had to pay taxes on my earnings and that would have wiped out the deductions. It is a far better feeling when you own your home free and clear. I'm 69 and I've been a homeowner for 30 years. I paid cash, but it took a lifetime. □

Robert Jackson, Forest Knoll, Palatine, Ill. I'm still asking myself why I bought now. Seriously, though, I'm what you'd call a late homebuyer. I'm 37 and I felt that I didn't want to wait any longer. I've been living in apartments all my life and so has my wife. And I believe all those articles that say when interest rates come down, the price of housing will go back up again.

We were married in 1980 and with two paychecks, we had an awful lot of money coming in. We were able to live off one check and were accumulating a good piece of change. But the taxes were killing us. It was a shock to see what Uncle Sam took every week and know that we still had to pay something at the end of the year. We had to do something. So we bought a townhouse for $78,500 with a payment of $901 a month. Out of that, we pay almost $800 a month in interest. That's a tax deduction we didn't have before.

We took a five-year balloon at 12%. A three-year balloon might have been a little scary but not a five. Something's got to happen with interest rates by then. Too many people are shut out of the housing market. They're going to let Uncle Sam know and something will be done.

I was completely turned off by the resale market. I didn't like the idea of seller-assisted financing, because I didn't want to do something behind the bank's back and have them foreclose. So we concentrated on new homes where the financing is arranged between the builder and the bank.

The builder here went under and the bank took over. But banks aren't in the building business, so I'm confident that my bank will renegotiate with me when the five years are up. I may not get the same 12% rate that I have now, but we'll agree on something. □

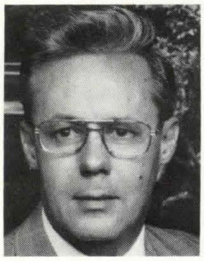
'Why did you choose to buy a house now?'

Kathy Bivings, Village of Panther Creek, The Woodlands, Tex. Why would any lunatic buy now? For me, it was a combination of factors. Uncle Sam was taking a large part of my paycheck, so in the interest of keeping some of it for myself, I bought a house for the tax deductions. But I also was interested in living in a more stable environment. I am general manager here at The Woodlands. That's analogous to a city manager, and the fatality rate among city managers is quite high. So my house gives my life some semblance of stability; it's a place to come home to.

I like The Woodlands a lot, and there are plenty of employment opportunities in the Houston area. If I leave this job, I'd continue to live here.

The mortgage on my three-bedroom, 2½-bath house is really screwy. It has a graduated variable rate with negative amortization. It enabled me to qualify for a larger loan than I could have gotten otherwise. The payments on my $86,000 house go up seven percent a year for the next five years, then they are pegged to the six-month T-bill with changes every 2½ years. There's no prepayment penalty, so if rates drop I'll refinance. But if they don't drop, I'm still no worse off than I would have been had I continued renting.

But I'm also betting that values here will rise faster than negative amortization. This isn't a bad place to be. Values keep rising. When I settled three weeks ago, my house was worth $6,000 more than I had paid for it. And if worst comes to worst, I'll bail out. □



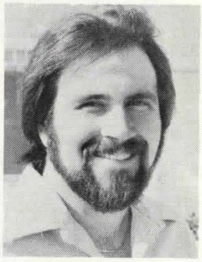
Donald Knighton, Nottingham Forest, Overland Park, Kans. We've always been the kind to put money into our home rather than a long vacation. This is the third house we've owned in the Kansas City area, and we've bought all three in the same way. We buy a little more house than we should, but in a few years my salary catches up and the payments are easier.

We sold our previous home, which we owned for seven years, for just about twice what we paid for it. And we used about 85 percent of the equity we had in that house as a down payment for the new one. We didn't really have a problem selling the old one. We tried to sell it ourselves to save a few bucks but when we got within three months of settlement, we decided to get professional help and the broker sold it within six weeks. Our buyer was transferred here and his company helped him get a mortgage.

We bought our new house for $210,000 with a negotiable rate mortgage. The lender has to renew every three years and I have the option of paying off the mortgage or refinancing. Rates are tied to a Federal Home Loan Bank Board index and there are limits as to how much they can go up and down.

The fact that rates can go up frightens me a little, but rates also can go down. I am optimistic that rates will either come down or salaries will be adjusted upwards, so I don't see where there will be much difference. And frankly I don't think rates will stay as high as they are.

We investigated to find the best type of mortgage and the best rate we could, and the RRM was what we thought was the best compromise. If the interest rate on a fixed mortgage was proper, I might have wanted one, but I wouldn't lock myself into a high rate for 30 years. □

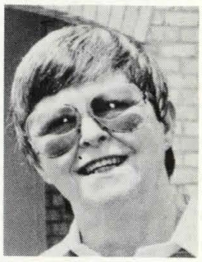


Edward Krum, The Colonies, Tex. The biggest reason for buying was the tax break. Since my wife and I both work, we're in a pretty substantial tax bracket. And when you rent, you get no tax deductions.

When we were first married, we went looking for a house. We watched mortgage rates go from 10% to 16% and we got pretty discouraged. We studied adjustable and variable mortgages, but we couldn't see ourselves getting into that. They're too new. We wouldn't even consider one until all the bugs are worked out of them.

We looked at this area early on but it was too far away from Dallas. When Fox & Jacobs offered 30-year mortgages at 14%, it didn't look so far away anymore.

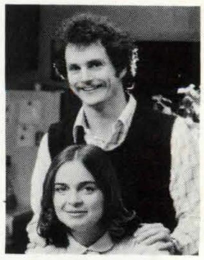
Although the payments on our $52,000 house are $350 more a month than what we were paying for rent, we're not strapped. We just made up our minds that we could do it. In the six months between when we signed our contract and when we closed, we forced ourselves to budget for the larger payment so we could get used to it. □



Mrs. John Borman Jr., Burke Cove, Burke Centre, Va. My husband is a retired hotel manager, so we've lived in everything—apartments, our own home, condominiums and hotels. At our age, you just don't want to wait if you can afford to do something. The interest rates didn't seem to bother my husband, so I figured why not.

We moved to Virginia because we thought it would be a good place to retire and be close to our only son. We rented for two years, just long enough to see if we really liked the area. But we became disenchanted with our apartment because the people seemed so transient. And there are not that many desirable rental units on the market here.

We bought a two-bedroom, two-bath garden apartment for $57,500, that's only a mile from my son. I know they say it is a bad time to buy, but do you think it's going to get any better? Once prices go up, it's very hard for them to come down. If the price seems reasonable, why wait? The point to buying is that at least you have an investment. □



Janet Kipps, Crestwood, Union City, Calif. My husband and I planned to buy a house since we were married a year and a half ago. We started saving every penny we could, and last December we put $29,000 down on a $123,000 house. We didn't save all of that in a year—we each had a few thousand already.

You go into somewhat of panic out here about housing. You can just see the prices increase. Although they seem to be stabilizing somewhat now because of the recession, we were anxious to get settled in a home. Not knowing whether prices and mortgage rates would go up, we thought we should get going when we could. The builder helped us out with financing by buying down the interest rate to 13.75% for the first two years; then it goes up to 15.25%. The buydown brought our payment down $200 to $1,100. That sounds like a lot, but that's good for the [San Francisco] Bay area. □

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A HOUSING MAGAZINE EXCLUSIVE

HOUSING DEMAND INDEX®

Third Quarter, 1982

Let's start with something positive for a change: This quarter's housing demand index didn't deteriorate much, if at all, from last quarter's.

Trouble is, approximately 75 percent of the SMSAs (Standard Metropolitan Statistical Areas) covered are still rated poorer-than-average or very poor—the same percentage as last quarter. So much for the power of positive thinking.

The prime culprit, of course, is interest rates. Dr. Alfred Gobar, the California-based analyst who prepares the index, explains, "Interest rates continue to be high, substantially beyond the point when we anticipated that take-out rates would fall to the 13% or 14% level." And the reason they didn't fall, says Gobar, is "caution on the part of savers and lenders about the strength of will of monetary policy makers to sustain the current policy stances." [In other words, everybody figures that Fed Chairman Paul Volcker—even if he does stand 6'7"—will cave in to political pressure and ease the clamp on the money supply.]

But interest rates aren't the whole story. The recessionary economy has significantly hurt many builders, especially those operating in markets with economies tied to industries like steel, automobiles—and housing.

"The drop in major indices in these markets is enormous," says Gobar. He claims he hasn't seen anything like it in the past 20 years. Markets like Eugene, Springfield, Tacoma and Sokane, he says, "have endured a longer period of dislocation than they did in 1974-75 and are in truly dismal economic straits."

All this means that builders are facing a lot more than a floundering housing market. They're up against a floundering economy. It also means that things are a lot worse now than they were during the recession and housing slump of 1974-75. Back then, Gobar claims, the slump weeded out a lot of marginal builders. But the length and depth of this recession, he warns "is beginning to erode even the strong builders." Probably "has begun to erode" is more accurate, but enough pessimism for now. On to the few bright spots.

Key markets like Houston, Los Angeles and San Francisco, Gobar points out, show "early evidence of a beginning of a recovery." Other markets—notably Oklahoma City, Tulsa and Shreveport—are exhibiting strong fundamental economic growth. And a look at the index shows that some markets—Dallas, Denver, Phoenix, San Antonio, for example—are making the first signs of a run toward recovery.

As for solutions, it appears lower interest rates alone won't be enough. If this industry is to turn around, interest rates will have to fall. But even if interest rates moderate, Gobar says by way of summary, "it will take a good deal of economic recovery before housing markets return to what they were before."—WALTER L. UPDEGRAVE

How to read the index

Five symbols are used:

▲ A green solid triangle indicates a very strong market with significant pent-up demand.

△ A green open triangle indicates a better than average situation, with demand increasing faster than supply.

○ A white circle indicates the market is in relative equilibrium— that is, supply and demand are increasing at similar rates.

▽ A red open triangle indicates a poorer than average situation, usually an overbuilt market.

▼ A red solid triangle indicates a very poor situation that could be overbuilt by as much as two years.

Each SMSA is evaluated three ways:

1. Degree of opportunity—in effect, a summation of all factors affecting the market.
2. Demand by units—just what it says.
3. Demand by purchasing power—the relative ability of the market to pay current prices or rents.

Each of these categories is in turn divided into three sub-categories:

1. All housing in the SMSA.
2. For-sale housing—single-family detached and some mid- and high-priced condos.
3. For-rent housing—rental apartments and low-priced condos.

Atlanta has improved a bit, but not enough to cause undue optimism. The low price of single-family under construction is a positive sign, not to mention the city's economic growth, which may set the stage for more improvement later. However, Gobar warns that "it is not time to initiate new projects yet."

Baltimore has deteriorated sharply the last two quarters. Single-family homes are still priced within reach, but Baltimore's shaky economic underpinnings are scaring away possible buyers.

Boston finally seems to have peaked, after its tremendous streak of increases dating back to 1976. It's not as good a market today as it was last quarter.

Cleveland's demand indices have hit their lowest point since the housing demand index was first published back in 1978. Gobar predicts it will take "a substantial period of time" for Cleveland's economy to turn around and for the housing market to improve measurably. Meanwhile, homes are still being built, leading Gobar's computer to wonder where the buyers will come from.

Dallas is on the rise again with the most recent quarter showing a strong growth in demand. Since this quarter's growth follows two weak quarters, it may be some time before the city's improved economy boosts this market to its former strength.

Denver's indices have begun to improve marginally, but not enough to cause a dramatic change in the ratings; they will climb, though, if the current trend continues through the next quarter.

Detroit's situation, according to Gobar, "is so bad that neither the indices nor words accurately express the weak market in this area."

Eugene continues to plummet with no end to the drop in sight.

SMSA (Market Area)	DEGREE OF OPPORTUNITY: ALL HOUSING	FOR SALE	FOR RENT	DEMAND BY UNITS: ALL HOUSING	FOR SALE	FOR RENT	DEMAND BY PURCHASING POWER: ALL HOUSING	FOR SALE	FOR RENT
ALBANY, NY	▼	▼	▼	▼	▼	▼	▼	▼	▼
ALBUQUERQUE, NM	▽	▽	▽	▽	▽	▽	▼	▼	▼
ALLENTOWN, PA	▼	▼	▼	▼	▼	▼	▽	▽	▼
ATLANTA, GA	▽	▽	▽	▽	▽	▽	○	△	▽
AUGUSTA, GA	▽	▽	▽	▽	▽	▽	▽	△	▽
AUSTIN, TX	▽	▽	▽	▽	▽	▽	▼	▼	▼
BAKERSFIELD, CA	○	○	○	○	○	○	▽	▽	▼
BALTIMORE, MD	▼	▼	▼	▼	▼	▼	▼	○	▼
BATON ROUGE, LA	○	△	▽	○	○	○	△	▲	▽
BIRMINGHAM, AL	▽	▽	▼	▼	▼	▽	○	△	▼
BOISE, ID	▼	▼	▼	▼	▼	▼	▽	○	▼
BOSTON, MA	△	△	○	△	△	○	○	○	▼
BUFFALO, NY	▼	▼	▼	▼	▼	▼	▽	○	▼
CHARLESTON, SC	▽	▽	▽	▽	▽	▽	▼	▽	▼
CHARLOTTE, NC	▼	▼	▼	▼	▼	▼	○	△	▼
CHATTANOOGA, TN	▼	▼	▼	▼	▼	▼	△	△	▼
CHICAGO, IL	▼	▼	▼	▼	▼	▼	▼	▼	▼
CINCINNATI, OH	▼	▼	▼	▼	▼	▼	○	○	▼
CLEVELAND, OH	▼	▼	▼	▼	▼	▼	▼	▼	▼
COLORADO SPRINGS, CO	○	○	○	○	○	△	○	△	▼
COLUMBIA, SC	▽	▽	▽	▽	▽	▽	○	△	▼
COLUMBUS, OH	▼	▼	▼	▼	▼	▼	▼	▽	▼
DALLAS-FORT WORTH, TX	△	△	▽	△	△	▼	○	○	▽
DAVENPORT-ROCK ISLAND, IA-IL	▼	▼	▼	▼	▼	▼	▼	▼	▼
DAYTON, OH	▼	▼	▼	▼	▼	▼	○	○	▼
DENVER, CO	○	○	▽	○	○	○	○	○	▼
DES MOINES, IA	▼	▼	▼	▼	▼	▼	○	○	▼
DETROIT, MI	▼	▼	▼	▼	▼	▼	▼	▼	▼
EL PASO, TX	▽	▽	▽	○	○	○	▽	○	▼
EUGENE-SPRINGFIELD, OR	▼	▼	▼	▼	▼	▼	▼	▼	▼

To make best use of the index, keep these points in mind

Point #1: The chart's simplified symbols represent complex statistics, so they provide only a general picture. A builder, no matter how high his market is rated, must still analyze his own situation very carefully.

Point #2: The reports indicate the degree of risk in a given SMSA rather than the number of housing units that can be built there. A large SMSA with a poor rating would still support more new housing than a smaller SMSA with an excellent rating. But the relative degree of risk for the developer or lender would be much greater in the larger SMSA.

Point #3: The reports are projective, not historical. That is, they forecast demand six months ahead rather than describing the situation as it now stands. An SMSA may have strong sales or low vacancies but still be a poor risk; building-permit figures may indicate imminent oversupplies. Conversely, an SMSA that looks bad on the surface today may actually be turning around and getting healthy.

Point #4: The reports are for the SMSA as a whole, describing the general situation. So a low-rated market may offer good opportunities for specific kinds of housing in specific locales.

Houston has jumped back on the right track after a detour of almost six months. All indices are up by a significant margin over last quarter.

Kansas City is in such bad shape that Gobar claims his computer "thought it was looking at Detroit for a minute."

Knoxville's boost from the World's Fair has had only a "marginal impact on our indices," says Gobar. Still, he believes the market there is probably better than the ratings show.

Los Angeles rebounded a little after being "laid back" for three bad quarters. Gobar's estimate: "It will probably be six months, however, before the economic improvement shows up in the housing market." The high cost of housing in this market continues to hurt sales.

Louisville's economy, Gobar claims, "is awful and getting worse." The bad news doesn't stop there: The market appears overbuilt in every category and the product is too highly priced for incomes in the area.

Madison dropped dramatically in the ratings because construction over the last year exceeded absorption by about 2,000 units.

Memphis's overall economic environment improved slightly, kicking it up a notch in the ratings. Still, the market is overbuilt and the price of new housing is too steep relative to residents' incomes. Gobar offers this caveat: "We may have overreacted to the improvement and the ratings shown may be a little better than the market really is."

Miami's demand picture has improved slightly. Still, prices here are so high that the marginal improvement in demand isn't likely to get many builders off the beach and back to the construction sites.

SMSA (Market Area)	DEGREE OF OPPORTUNITY: ALL HOUSING	FOR SALE	FOR RENT	DEMAND BY UNITS: ALL HOUSING	FOR SALE	FOR RENT	DEMAND BY PURCHASING POWER: ALL HOUSING	FOR SALE	FOR RENT
FLINT, MI	▼	▼	▼	▼	▼	▼	▽	○	▼
FRESNO, CA	▼	▼	▼	▼	▼	▼	▼	▼	▼
GARY, IN	▼	▼	▼	▼	▼	▼	▼	▽	▼
GRAND RAPIDS, MI	▼	▼	▼	▼	▼	▼	▽	▽	▼
GREENSBORO, NC	▽	▽	▽	▽	▽	▽	○	○	▽
GREENVILLE, SC	▼	▼	▼	▼	▼	▼	▽	▽	▼
HARTFORD, CT	▽	▽	▽	▽	▽	▽	○	○	▼
HONOLULU, HI	▼	▼	▼	▼	▼	▼	▽	○	▼
HOUSTON, TX	△	△	○	▲	▲	△	▽	○	▼
HUNTSVILLE, AL	△	▲	△	△	△	△	△	▲	△
INDIANAPOLIS, IN	▼	▼	▼	▼	▼	▼	▼	▼	▼
JACKSON, MS	▽	▽	▽	▽	▽	▽	○	○	▽
JACKSONVILLE, FL	○	○	○	○	○	○	▽	○	▼
KANSAS CITY, MO-KS	▼	▼	▼	▼	▼	▼	▼	▼	▼
KNOXVILLE, TN	○	○	○	○	○	○	△	△	○
LANSING, MI	▼	▼	▼	▼	▼	▼	○	○	▼
LAS VEGAS, NV	▽	▽	▽	▽	▽	▽	▲	▲	▽
LEXINGTON, KY	▼	▼	▼	▼	▽	▼	▽	▽	▼
LITTLE ROCK, AR	▼	▼	▼	▼	▼	▼	▼	▼	▼
LOS ANGELES-LONG BEACH, CA	▽	▽	▽	○	○	▽	▼	▼	▼
LOUISVILLE, KY	▼	▼	▼	▼	▼	▼	▼	▽	▼
MADISON, WI	▼	▼	▼	▼	▼	▼	○	○	▼
MEMPHIS, TN	▽	▽	▽	▽	▽	▽	▼	▼	▼
MIAMI, FL	▼	▼	▼	▽	▽	▽	▼	▼	▼
MILWAUKEE, WI	▼	▼	▼	▼	▼	▼	▽	▽	▼
MINNEAPOLIS-ST. PAUL, MN	▼	▼	▼	▼	▼	▼	▼	▽	▼
MOBILE, AL	▼	▼	▼	▼	▼	▼	△	△	▼
NASHVILLE, TN	▽	▽	▼	▽	▽	▽	▽	○	▼
NEW BRUNSWICK, NJ	▼	▼	▼	▼	▼	▼	△	△	▼
NEW HAVEN, CT	▼	▼	▼	▼	▼	▼	○	○	▼

Orlando's fortunes are looking up after a temporary dip that bottomed out last October. Gobar's prognosis for this market: "Sales should pick up if the economic improvement continues."

Phoenix is rising again—and if its economic resurrection continues, its ratings will improve rapidly in the short term.

Pittsburgh better steel itself for further decline. Leading indices don't even show any signs of bottoming out, let alone of turning up.

Portland is still on the long downward slide it began back in April, 1980. The only difference is that, over the last quarter, the city's economic indices began declining at an even faster pace.

Sacramento, though not quite as bad as last quarter, is hardly what it's been in the past. For those wanting a more precise summation, Gobar predicts: "Sacramento may improve sometime soon."

San Antonio is on the way up again. Over the past year supply exceeded estimated demand only marginally, and in the latest quarter demand well outstripped completions. Prices are well within reach of buyers. If this rosiness continues, look for further improvement here.

San Francisco's economy is substantially healthier. However, high prices—median value of owner-occupied housing exceeded $150,000 a unit in Marin County, for instance—stifles attempts to capitalize on demand. The result, says Gobar, is that potential renters and buyers, supported by economic activity in the San Francisco/Oakland area, are priced out and look to surrounding cities for shelter.

Seattle hasn't jumped in the ratings, but its economy has improved slightly. However, it's economy, heavily dependent on the airline industry, bears close watching. More airlines going belly up could send the economy into a tailspin.

Stockton is under intensive care after all indices collapsed during the last quarter. Gobar's computer is keeping a bedside vigil, looking for signs of recovery.

Tampa pulled a bit of a turnaround from last quarter, jumping up a rung or two almost across the board. Demand is up, prices are within reach and the city's industrial index recently flexed its muscle.

	DEGREE OF OPPORTUNITY			DEMAND BY UNITS			DEMAND BY PURCHASING POWER		
SMSA (Market Area)	ALL HOUSING	FOR SALE	FOR RENT	ALL HOUSING	FOR SALE	FOR RENT	ALL HOUSING	FOR SALE	FOR RENT
NEW ORLEANS, LA	▽	▽	▼	▽	▽	▼	△	△	▼
NEWARK, NJ	○	○	○	○	○	○	▽	▽	▼
NEWPORT NEWS, VA	▽	▽	▼	▼	▽	▼	▽	○	▽
NORFOLK, VA	▼	▽	▼	▼	▽	▼	▼	▽	▼
OKLAHOMA CITY, OK	△	△	△	▲	▲	▲	▼	▼	▼
OMAHA, NE	▼	▼	▼	▼	▼	▼	▲	▲	○
ORLANDO, FL	△	△	○	△	△	△	△	▲	▼
PENSACOLA, FL	○	○	○	○	▽	○	▼	○	▼
PEORIA, IL	▼	▼	▼	▼	▼	▼	▼	▼	▼
PHILADELPHIA, PA	▼	▼	▼	▼	▼	▼	▽	○	▼
PHOENIX, AZ	○	○	○	○	○	○	△	△	▼
PITTSBURGH, PA	▼	▼	▼	▼	▼	▼	▽	○	▼
PORTLAND, OR	▼	▼	▼	▼	▼	▼	▼	▽	▼
PROVIDENCE, RI	▼	▼	▼	▼	▼	▼	△	△	▽
RALEIGH, NC	▽	▽	▼	▽	▽	▼	○	△	▼
RICHMOND, VA	▽	▽	▽	▼	▼	▼	△	△	○
ROCHESTER, NY	▽	○	▽	○	○	○	▼	○	▼
SACRAMENTO, CA	▼	▼	▼	▼	▼	▼	▽	○	▼
ST. LOUIS, MO	▼	▼	▼	▼	▼	▼	○	○	▼
SALT LAKE CITY, UT	▽	▽	▽	▽	▽	▽	○	△	▼
SAN ANTONIO, TX	▽	○	▽	▽	○	▽	○	○	○
SAN DIEGO, CA	▽	▽	▽	▽	○	▽	▼	▼	▼
SAN FRANCISCO-OAKLAND, CA	△	△	△	△	△	△	▼	▽	▼
SAN JOSE, CA	○	○	○	△	△	○	▼	▽	▼
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LOW-COST FAMILY HOUSING–
WITH A HIGH-COST TOWNHOUSE LOOK

Jefferson Square might easily be mistaken for a high-end townhouse project rather than for what it is: subsidized rental housing built under HUD's Section 8 program. The 50-unit project in Northfield, Minn. proves that even under the strictures of a government program, one needn't bow to the humdrum design that marks much housing for low- to moderate-income families.

The master-planner was LaVerne Hanson of Arvid Elness Architects in Minneapolis. Hanson, who had designed HUD-sponsored projects before, was familiar with the strict minimum property standards that dictate everything from site plantings to interior finishes. Given a $1.8 million construction budget, from the Minnesota Housing Finance Agency, he came up with a plan that "would be pleasing—as well as one that would meet market needs and code requirements."

Hanson took his design cues from the older, single-family housing surrounding one portion of the site: hence the predominance of two-story plans and the peaked roofs, ensuring that the project related visually with the more affluent, established neighborhoods nearby. The exterior decorative treatment, alternating two shades of blue around a horizontal white band, was a detail also borrowed from the older homes. That device, while unifying the project, also promoted visual variety, while helping reduce the apparent height of the taller buildings.

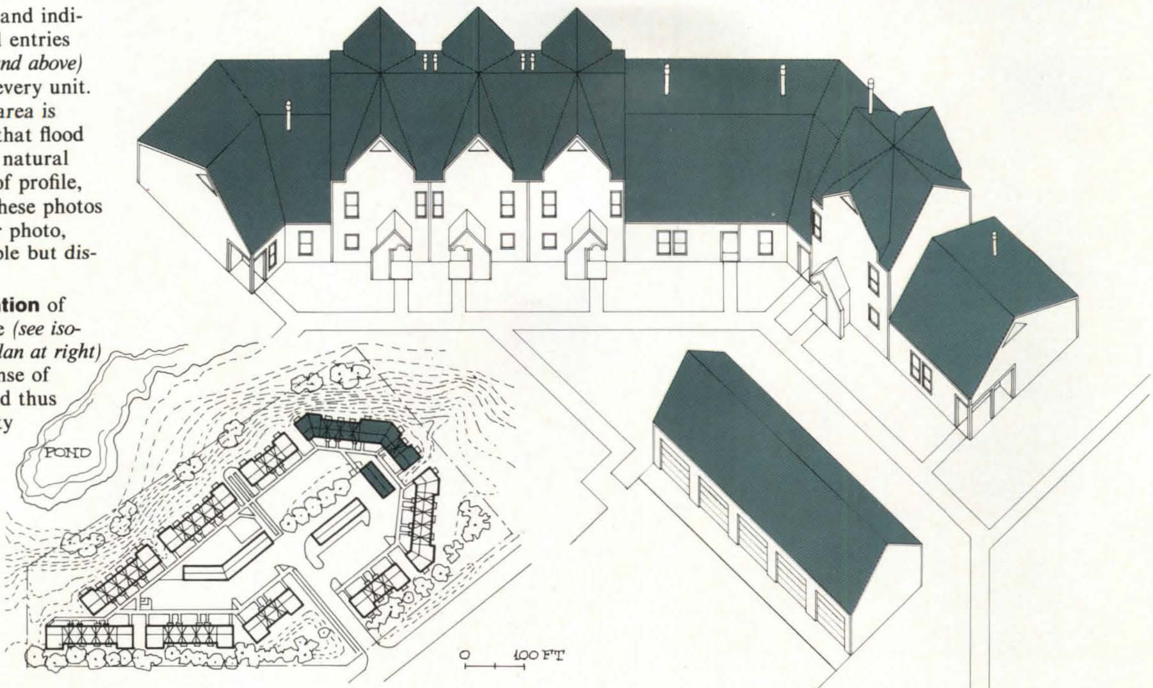
Child safety, security and creating a community environment were primary considerations in designing the family-oriented development. The site plan, with all 50 units along the perimeter of the 5.5-acre property, embraces a

PHOTOS: LA VERNE HANSON

Private patios and individual, sheltered entries *(see photos left and above)* are features of every unit. Access to deck area is through sliders that flood living area with natural light. Strong roof profile, so apparent in these photos and in our cover photo, emphasizes simple but distinctive design.

Inward-orientation of Jefferson Square *(see isometric and site plan at right)* encourages a sense of community—and thus enhances security for residents.

Note angled units, which add dimension to the streetscape, avoiding monotony.

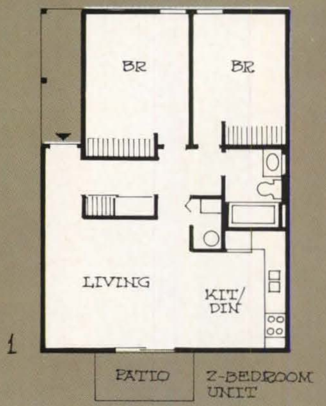


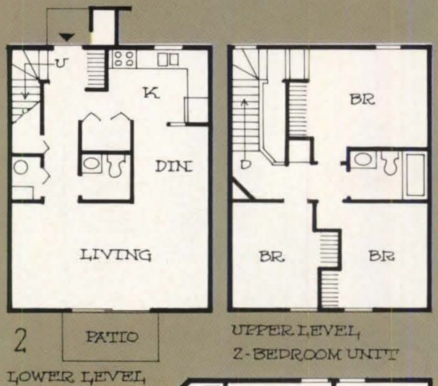
TO NEXT PAGE

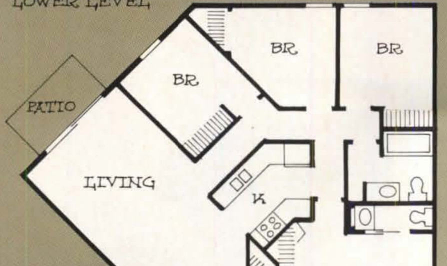
central playground/office/parking area. Children's activity areas are easily monitored. Note that, for safety, the sidewalk system *(see isometric and site plan, previous page)* directly connects play areas to the rest of the project; a child needn't cross any vehicular area.

Jefferson Square's attractive design, workable floor plans *(below)* and consideration of family needs rewarded the developer with enthusiastic community acceptance—a rarity for developers who work on publicly-assisted housing. The average tenant is a young, upwardly mobile family with 1.7 children, and a median income of $5,800. —JENNIFER A. WAGNER

A sampling of floor plans and...

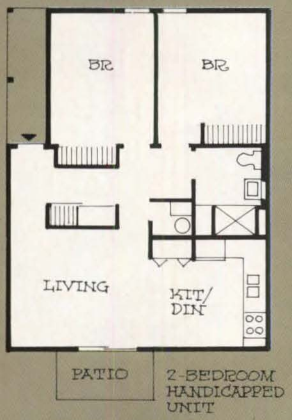






Four compact floor plans ranging from 764 to 1173 sq. ft. work well for singles or families. Special features: Plan 2 master bedroom opens to entry area below; downstairs, stud wall between kitchen and dining room has pass-through. In Plan 3: open wall above kitchen sink overlooks living room.

...one for the handicapped



Modified two-bedroom unit provides housing for the handicapped, as required by code. Jefferson Square includes two such units. Some changes made to accommodate the wheelchairs include:

Throughout the unit:
- Doorways widened to 3 ft., six inches wider than usual;
- Electrical receptacles raised;
- Light switches lowered.

In the kitchen:
- Kitchen countertops and range lowered;
- Undersink cabinets eliminated;
- Range controls located at front of appliance;
- Refrigerator has double-doors for easy access to both compartments.

In the bathroom:
- Barrier-free shower installed;
- Water closet raised;
- Grab bars throughout bath.

According to Jerry L. Sovell, Sovell Management Co., Minneapolis, a consultant to owner/developer Avery, the modified two-bedroom unit did not cost substantially more to construct than the regular plan, despite its slightly larger size and special built-in features.

ARCHITECT: Arvid Elness Architects Inc., Minneapolis
DEVELOPER: Hustad-Avery Co. Inc., Eden Prairie, Minn.
CONTRACTOR: Watson-Forsberg, Minneapolis
LANDSCAPING: Arvid Elness Architects Inc.

A BUILDER'S GUIDE TO MANAGEMENT

Management is more than just sitting around being the boss. It's communicating, supervising, administrating—and a host of other executive skills that we often let slide in the press of day-to-day worries. But it pays to stop every now and then and take stock of what we're doing well and what we could be doing better. That's why we're devoting the next 20 pages to a review of some management skills—to remind you that while it's important to be up on the latest data on Reaganomics, the Fed's tight-money policy, etc., it's even more important for you to keep your executive skills in top form.

ILLUSTRATION: MARTHA GRADISHER

For example, how long has it been since you conferenced future plans with your accountant so he could tell you how they'd affect your bottom line? When did you last ask a trusted sub to help keep your prices from escalating too fast? And what have you been doing to keep down the cost of construction money and holding inventory? Those are some of the "basic" management skills covered in this issue.

You'll also discover how some industry people are learning to manage better by putting computers to work—and how management missteps are sending some Canadian builders back home.

More specifically, here's the rundown of our management feature:

DRAW ON THE MANY SKILLS OF AN ACCOUNTANT

Money manager, computer expert, financial emissary, market analyst, pension planner, personal finance and tax expert, general business guru—the homebuilder's accountant can represent all of those people and more.

"Don't use your accountant just to do bookkeeping," says Michael Amenta, national real estate partner with Laventhol & Horwath. "You can hire a bookkeeper for that. Use your accountant for the highest level of service—as your confidante, consultant, tax planner and sounding board."

Adds Bob Garland, the national real estate partner at Touche Ross, a Big 8 accounting firm, "It's foolish to use accountants as bean counters."

The type of accounting firm that you hire should depend on the size of your business, what kind of product you build, where you build it, your financing sources and the size and knowhow of your staff.

Some builders may need an accountant to comply with SEC regulations or bonding requirement—and in those situations a certified audit may be the most important service the accounting firm can provide.

Or you may find an accountant helpful because of his computer expertise. Most larger accounting firms have partners who specialize in computer software—especially in management service departments.

Whatever your needs, the choice of your accountant is an important business decision. Here are some pointers on how to get your money's worth.

Choosing in-house or outside service is the first decision you make

It's usually a question of your size. The small-volume builder doesn't need a large accounting staff. Most of his bookkeeping is handled by a secretary.

But once you reach the $8 to $10 million mark, says Eli Hoffman, an audit partner at J.H. Cohn, a 200-person firm, based in Newark, N.J., it makes sense to employ several in-house bookkeepers and a controller or chief accountant. "Have your management reports and financial information prepared by the internal staff," he says. "This keeps auditors' fees down."

Stan Ross, co-managing partner of Kenneth Leventhal & Co., advises: "Bring a combined controller/financial guy on early; it's a good investment. He should be able to do the books and understand builder financing. Then you can use an outside accountant for compliance and as a tax and business advisor—providing feedback from the outside about your company."

That brings up the next question: Do you choose a large or small accounting firm? And the answer depends a lot on your own operation.

Larger accounting firms are usually divided into audit, tax and management advisory services, and other departments. And they typically will assign what in accounting parlance is called an engagement partner from one of those areas to your account. An advantage of a large firm is the range of services it offers and, typically, a wider knowledge of what's going on in the marketplace, legislation, etc.

Yet many homebuilders opt for smaller firms because of costs. In a firm the size of Bill Acalin's (a two-person operation in Anaheim, Calif.), a partner charges $60 an hour. In a Big 8 or large regional firm, partners' hourly billings can go as high as $200. Also many builders like the more personalized attention given by a small firm.

Jim Barisic, an Irvine, Calif. builder, uses a very small firm. "One man knows everything about my business. He doesn't need to call a staff meeting or haul in three partners every time a problem arises," Barisic explains.

Bill Acalin calls it "grass-roots accounting." He says: "The smaller CPA substitutes as a comptroller/financial officer for firms that are too small from an accounting standpoint to hire someone on staff. With me they get, in effect, a financial vice president for about $5,000 a year."

If a homebuilder outgrows that approach, it may pay to have two firms; the small firm the builder's been dealing with for years for basic accounting and a larger firm for tax planning and business advice.

"Firms in the five to twenty partner range are fine for the small homebuilder," says Stan Ross, "but as soon as you expand your product or move to new geographic locations, systems get more complex and a bigger firm is going to save you money."

Bob Garland concurs: "Once you have your own in-house staff, you're probably at a point where you need more sophisticated systems and tax specialists." But this Big 8 partner adds: "It's much too expensive to have a Big 8 firm do your business bookkeeping and if that's what you expect from your accountant, you shouldn't be using a large firm."

Accounting is a personal service business where the client/accountant relationship is very important

Most accountants would agree that it's not the firm but the individual that's most important when you select an accountant, and that applies "whether it's a large or small accounting firm," says Mike Amenta, national real estate partner with Laventhol & Horwath. "Your accountant's personality and whether you get along with him is much more important than the experi-

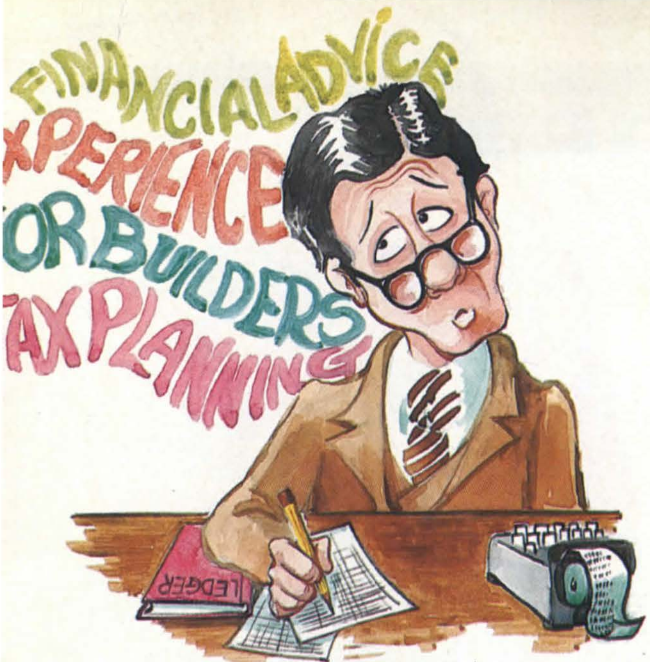


ILLUSTRATION: MARTHA GRADISHER

ence. If you have the experience and don't get the service, it won't do you much good."

Obviously, though, "you want to choose someone with a level of knowledge beyond accounting and auditing," says Stan Ross, whose firm specializes in real estate.

Adds Bill Acalin: "I would say the major criterion is that the individual has had some experience in the construction field or in real estate.

"Cost allocation and cost control for homebuilders are things you don't learn in school," he says. Acalin, who started with a Big 8 firm, followed with a stint with a large homebuilder. Today, about half his clients are small to medium size builders.

But even if you don't choose an accountant with as much specialized experience as Ross and Acalin have, you do want someone who has at least a few other homebuilding clients.

Here's why your accountant should be a homebuilding specialist

Whether on-staff or hired from the outside, you obviously need a technically proficient auditor and a knowledgeable tax person. But beyond that, homebuilding has some specific accounting requirements, and the CPA you choose should be comfortable with them. Cost accounting and cash management are the two areas that come to mind, and in looking at those areas your accountant should set up the books so your business runs at peak efficiency.

For example, Anthony DeCandia of J.H. Cohn saw that one of his homebuilding clients had $150,000 on hand when $150,000 would be enough to meet payroll and float requirements.

"Keeping that much money in a checking account is like keeping your money under the pillow," DeCandia says. "I told him to put $150,000 in CDs. The interest could equal the profit on another house."

Accountants can also advise their clients when it's best to bill, collect and invest—important tips for homebuilders.

"We help our clients decide when to bill-out a customer," says DeCandia. "You can lose interest if you wait 10 to 15 days."

Homebuilder Saul Ellis of Prairie Village, Kan., uses a tax attorney to get much of the tax and negotiation advice others get from their accountants. But he has his CPA do a complete cost accounting for each unit in a project.

Somewhat similarly, Jim Barisic has his accountant prepare forecasts on a project-by-project basis and also spin out a cash flow projection for each complex. "He helps me know within a 60-day period exactly where I stand," Barisic says.

An accountant with homebuilding knowhow can help develop ideas for running your business more effectively. Says Mike Amenta: "You should rely on your accountant to help you make major decisions—what you build, how you should build, and how you should finance what you build."

A creative accountant may also find ways to sell your houses or get the best rates for your money. For example, DeCandia realized that one client's homes weren't moving because prospects couldn't come up with the down payment. So he suggested the builder lend the down payment for a 20-year period at a nominal rate. The homebuilder moved more units than he would have otherwise.

DeCandia also suggested that another builder/client offer a modest discount to buyers who were willing to pay part of the price up front.

The amount lost through discounting the price was more than recouped by the builder because he used his customer's money rather than a high-interest construction loan.

An accountant well-versed in the building business might also help you finance a piece of equipment by negotiating a tax-benefit lease; or he might develop a rental package in which properties are syndicated to buyers looking for special tax-benefits available under new provisions in the tax law.

And many larger firms could help you carry out a market feasibility study (or tell you if you really need one) and help you develop pension plans and benefit packages to keep key employees on board.

A good accountant can turn your audit into a valuable management tool

An audit is first and foremost the verification by an outside accountant of a company's financial statements and controls. But if a savvy accountant is involved, it can be a lot more.

"To us, the audit is history," says Eli Hoffman of J. H. Cohn. "And we use history to improve the future."

Auditors familiar with your company should be looking at trends—are gross profits going up or down, for example—and comparing your company with any others that they work with.

Many accountants recommend quarterly reviews. Fees for such work can add up; but it's money well spent if the quarterly reviews yield valuable management information that helps improve operations.

Since an audit is really a gauge of the financial health of a company, one key element is a management letter—a document that makes observations and recommendations about the company's internal control mechanisms.

"It's a real management tool, full of salient comments," says Richard Hanson, chairman of the national real estate group of Coopers and Lybrand, and a co-partner in the firm's Chicago office.

Management letters always accompany a certified audit (one that's required for all public companies and by third parties such as regulatory agencies, banks, etc. for many nonpublic companies). And there's no reason why you can't request one to accompany a compilation and review—in which data is gathered about a company but not necessarily audited.

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KEEP YOUR BUSINESS HEALTHY BY STAYING IN CONTROL

ILLUSTRATION: MARTHA GRADISHER

An important job for your accountant is to help present your company as an appealing prospect to lenders

"The reputation of your CPA can add credibility when you go to the bank," says Eli Hoffman. "And the bigger firms, with many banking clients of their own, can reach out to sources of financing for you.

"Banks like to see how a company is run. Sometimes you may want to present information to your lender that doesn't appear in your audited statements or that you wouldn't normally give out—like the cost and profit per house. But the bank wants to know: Is this guy competent? Proper financial statements and the right data can give the bank faith in you."

Stan Ross has a checklist of do's and don'ts for approaching a lender. Among the information to include:

- Key financial data on prior projects to demonstrate performance;
- A full cash flow analysis and projection until sale or rent-up;
- A breakdown of major segments of the projects, such as land and infrastructure;
- The timing of cash investment;
- Tax implications.

Don't over-generalize, he says, but also don't throw in extraneous, overcomplicated details. A sharp accountant knows what your lender needs to see and how best to present it.

A good CPA can also help you put together financing packages you never dreamed of. Ross, for example, pioneered the mortgage-backed bond as a financing tool for some of his clients.

Bob Garland of Touche Ross asks: "When is the last time you asked what services your professional advisors offered?" You can, of course, just use your accountant for the audit or tax matter. That may be all you need. But if you bother to ask what else your accountant can do, you may tap a new resource that can help your business run more profitably.

Stan Ross sums it up in what he calls the double count. "For every dollar you pay your accountant," he says, "you should get two or three dollars worth of knowledge."

—JANE A. SILVERMAN

Bob Snyder is beating the housing blues. Last year he built 22 units in a wooded area close to Burlington, Vt. This year he's planning for at least 34 units—single-family and townhouse mix—a figure that could rise to 46.

The Snyder Co., of which he is president, operates simultaneously as land developer, builder, Realtor and, up to a certain point, as a financing source.

Admittedly, Burlington is light-years away from the kind of problems facing sick cities like Detroit and Louisville. Five big companies, including arms of IBM and GE, plus one university, three colleges and a medical center currently thrive in the area. "No one here is worried at the moment about losing a job," he admits.

Still, Snyder's performance stands apart. Some builders in the area are struggling to unload inventory. A number of smaller firms are out of the business. "Conditions aren't what they used to be," he says.

Success for Snyder leans heavily on close control and a penchant for deep planning

The planning begins with Snyder constantly scouting new sites. "We spend a lot of time choosing location," he says. "The site has to match attractive natural assets with proximity to employment, shopping, schools, etc."

When a likely piece of land turns up, the company goes into action, taking an option at a set price for 18 months to two years. Snyder contracts with a local engineering firm to come up with a "sketch plan" and two or three alternates. The sketch plan includes a location map, lot and road layout, plus preliminary findings on sewage disposal and water source.

"We submit the best plan to the planning commission for first approval," Snyder says. "Initially, we judge the land on whether or not we can put in at least 50 lots. From experience, we know we can break out with a profit at that level." His current project, Sun-

derland Woods in Colchester, Vt. will put 99 units—75 of them single-family—on 105 acres, 53 of which are open space to be owned by the homeowners' association.

From land purchase to the cleanup of the last house, Snyder makes a detailed projection of hard and soft costs

Then the projection gets a quarterly review—and, where necessary, a revision to reflect cost changes. So Snyder is always ready—with ammunition in hand—to make a sound decision on where to cut costs, whether to raise prices, or both. "We never want to get down to the last three houses, only to find we're losing money," he explains.

The detailed projection, begun as soon as the planning commission approves a sketch plan, involves a detailed, item-by-item analysis of the company's prospects for profit. "We have long checklists for land development, construction and soft costs, more than we'll ever use in any one project. But we seldom forget anything, since the list is so inclusive," Snyder says.

He bases his analysis of each item on thorough research coupled with his own knowledge of the business. Examined are zoning regulations, land configuration, historical data (from company files), financing costs, labor and material costs, consulting costs, overhead and time. "We know that time and the cost of money are the two wide-swinging variables in that list," he says. "That's one reason why our quarterly review is a blessing."

When the bottom line of these calculations shows the profit he seeks, Snyder lets a second contract with the engineering firm for the detailed presentation necessary for the public hearing at which final approval is given—assuming all facts are in order.

Paperwork completed before the final engineering study becomes the projection for a PUD, and land development begins. One quarter down the road, Synder makes the first review.

"We also keep a cost-in progress card for each unit," he explains. "There are 27 categories on every card. Every time we write a check from the cash disbursements journal, we post it to this CIP card. So we always have at hand a running total of the actual costs for each category on a particular house. At the end of every quarter, we add up the card totals, making sure that everything checks with the cash disbursement journal. We use these figures to make cost adjustments for the next quarter."

Snyder says by using this system he's consistently no more than $200 off on actual unit costs, and often is right on target.

Keeping tight control over every phase of the operation gives the company flexibility

Although at first that may seem to be a paradox, Snyder explains: "Knowing where we stand at any particular time allows us to move in a new direction when we see a need."

For example, not long ago Snyder determined he was missing sales to "transfer-ins" because he had no inventory of houses families could buy and move into on short notice.

"So we changed our strategy," he says. "Now we have two spec houses under construction at all times. This year, we sold four houses I'm sure we wouldn't have sold if construction hadn't been as far along as it was."

One strategy he doesn't change is refusing to build away from his own projects even though from time to time prospects ask him to. "We're working with known facts in the PUD," he says. "That's where I want to stay."

And although the company has the capability, Snyder won't contract for custom work. "We have one townhouse model and five single-family plans—a 'Cape,' 2 two-stories, a split-entry and ranch," he says. "We'll make minor changes for buyers, but by sticking to our basic designs, we keep a lock on costs." Snyder also has gotten tough on subs and suppliers. "We told them we either get the same price as last year, or we look elsewhere," he said. "We did switch lumber suppliers and saved quite a bit."

The company has no crews of its own, but Snyder does employ a full-time superintendent. Since each project is self-contained, the super keeps far better control over what's happening than someone charged with overseeing scattered sites.

Single-family prices in Sunderland Woods run from $66,500 to $90,000; townhouses go for $51,900 and $52,900—a range that could be described as moderate for the area.

Hewing to marketing basics also greases the company's sales path

For one thing, Snyder sticks with basic design. "Our models are styled along Colonial lines—what buyers here want," Snyder says. "We don't experiment when a style sells consistently."

For another, Snyder offers proven amenities. At Sunderland Woods, for example, he put in a pool and two tennis courts at the start, "to make the natural setting even more desirable. It worked. We won a lot of credibility up front from buyers," he says.

Thirdly, though the temptation is for Snyder to banner-line the company's financing plan as many competitors do, he resists. "We stress our image, ad after ad. In small print, at the bottom of an ad, we mention that 'We can help you with financing.' "

That financing help is designed to make it easier for buyers to qualify. Here's how the program works:

Assume the current rate is 17%, and a buyer with a good future can't quite make payments at that rate. Snyder's plan lets the buyer in at 14%, a rate at which the bank qualifies him. The 14% interest continues for the first year; 15% for the second year, and 16% for the third year. At the beginning of the fourth year—and until the mortgage is paid off—the rate is 17%.

Snyder puts in escrow a sum equalling the difference in payments for the first three years. Each month, the bank draws out enough to make up the difference between 17% and the rate the buyer is paying. At the end of five years the buyer will pay Snyder the sum originally put in escrow.

"We give up interest on that money," says Snyder, "and get back inflated dollars. But we win buyers who might otherwise pass us by; and who, down the road, will be candidates for a move-up—at full interest."

Snyder joint ventures with Housing Capital Corp., a subsidiary of the Housing Partnerships in Washington, D.C. "That's been very satisfactory for us," he says. "I don't lie awake at nights worrying about . . . additional equity we need. It's given financial stability to our operation." HCC provides most of the cost projection forms for Snyder, but he drew up his own cost-in-progress forms to suit his particular way of doing business.

Of course the forms help. But for Snyder, control is the watchword. With it, he sees a bright future, even in this tough economy.

—JOHN INGERSOLL

LOCK UP THE RATE ON CONSTRUCTION LOANS

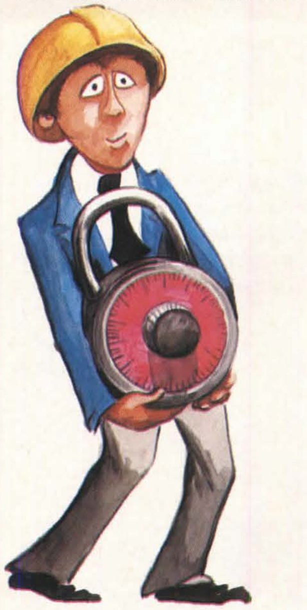


ILLUSTRATION: MARTHA GRADISHER

Within the industry one should find very little disagreement about the fact that when it comes to cost control nowhere is that task more difficult than in dealing with the construction loan. In times of rising or volatile interest rates, the interest expense on a construction loan whose rate is pegged several points above prime can stop a potentially profitable project dead in its tracks—*before* the developer even gets a chance to take his product to the consumer.

Up to now, the only vehicles available for controlling construction-loan expense were either extremely complicated and unwieldly—hedging the loan with Treasury bills—or within the reach of only large builders and developers with sterling credit ratings—financing via fixed-rate Eurodollar loans [HOUSING, Aug. '81].

Chemical Bank launches plan for non-res projects

But, by tapping into pension funds, Chemical Bank, a major New York City commercial bank, has been able to launch a program that makes fixed-rate construction lending not only possible, but relatively easy to fund and simple to understand. The program also makes such loans affordable: At a time when the prime rate is at 16%, Chemical Bank can offer a fixed-rate, two-year construction loan for as low as 17.5%.

So far, says Craig Hatkoff, assistant vice president at Chemical and creator of the program, such loans are only being used to finance commercial projects. But, he claims, the program can work with residential projects, particularly multifamily projects. "There are unlimited options as to how we can apply this to housing," says Hatkoff. However, those options will have to wait until long-term interest rates drop and the housing market rebounds.

To come up with the Chemical Bank plan, Hatkoff had to find a way to hurdle the one obstacle that had always prevented commercial banks from making fixed-rate construction loans: The fact that "we (commercial banks) don't have fixed-rate lending capability," as Hatkoff puts it. Commercial banks, he says, operate primarily with money borrowed for periods of 90 days or less.

So Hatkoff began looking for some sources who had the ability to lend at fixed rates and he came up with pension funds—an $800-billion pool of assets whose stability and growth made it a natural for fixed-rate lending. It turns out that when Hatkoff approached them, the funds were receptive to the idea of funding short-term loans as a way of "shortening up" their investment portfolios to hedge against inflation.

Chemical Bank's program has a three-pronged structure

First, there are the lender-investors such as pension funds or other institutional investors who actually fund the construction loan. Second, there's Salomon Brothers, the Wall Street brokerage firm, which uses its contacts with investors to market the fixed-rate lending program to potential lender-investors. Finally, tying everything together is Chemical Bank, which structures the loan and backs it with a letter of credit. The letter of credit is the backbone of the program since it puts the full faith and credit of Chemical Bank behind the loan. This takes the risk associated with a construction loan off the pension fund making the loan. In short, says Hatkoff, the letter of credit means that "if the borrower doesn't have the dollars to pay off the loan when he's supposed to, the investor can walk into Chemical Bank and get paid off."

Here's how the program works: A borrower who wants, say, a two-year construction loan is matched, via the Salomon Brothers network, with an investor or investors willing to make a commitment for the amount of the loan the borrower needs. Typically, the loans will fall into the $10 to $50 million range. Chemical Bank and the borrower come up with a funding schedule, which details how the loan funds will be drawn over the project's construction period, and they present this schedule to the lender. The lender then knows in advance how funds will be disbursed over the term of the loan, which usually ranges between 18 and 36 months.

The funding schedule is sacrosanct even if construction lags

Once the funding schedule is set, explains Hatkoff, Chemical Bank guarantees the lender that the funds will be drawn according to that schedule and that the lender's return will be based on that schedule, even if there are variations in the actual construction schedule.

For instance, if there is a strike or other delay which prevents scheduled loan disbursements from being put into the project, the pension fund still puts up its money according to the schedule and Chemical Bank holds the money, usually investing it in 30-day commercial paper, until the money can be used for construction.

The lender still gets the agreed-upon, fixed rate for this money, even though the construction delay has prevented the money from actually being invested in the project. Conversely, should the project accrue costs more quickly than anticipated in the funding schedule, the lender still adheres to the schedule and Chemical Bank puts up the cash needed to cover costs. Assuming the project's costs were only temporarily out of sync with the funding schedule, Chemical Bank would recoup its outlay from later loan disbursements.

In the event of an actual cost overrun, says Hatkoff, something "would be worked out between Chemical and the borrower." The first step, in such a case, would be to try and get the developer to put more equity into the project. That failing, as it usually does, according to Hatkoff, the cost overrun would probably be covered by a second mortgage from Chemical. In any case, the pension fund, or other investor making the fixed-rate loan, is only responsible for funding the amount of the original commitment. And, in the event of a default before completion of a project, Chemical Bank not only guarantees the loan, the bank also guarantees the lender will get its fixed rate of return for the scheduled term.

There are three steps involved in pricing the fixed-rate loan. Basically, the rate eventually charged to the borrower reflects a return paid to the lender-investor, a fee to Salomon Brothers and a fee to Chemical Bank.

The lender-investor's return, says Hatkoff, is usually calculated by adding a premium of 150 basis points to the yield of Treasury notes with maturities equivalent to the fixed-rate loan. "If the construction loan were for 24 months," explains Hatkoff, "we'd look at a 24-month Treasury note." Assuming the 24-month Treasury note was paying 13.5%, then adding the premium of 150 basis points brings the investor's return to 15%.

To this is added Salomon Brothers' fee for marketing the program to the pension funds and other investors. For this service, Salomon Brothers gets a half percent of the commitment amount of the loan—paid up front. Since the commitment amount wouldn't normally be outstanding during the entire term of the loan, the half percent commitment fee doesn't necessarily translate to an extra half percent added to the rate of the loan. However, according to Hatkoff, on a typical 24-month construction loan where, on the average, half the commitment amount is outstanding over the life of the loan, Salomon Brother's half-percent fee would roughly translate to an extra 50 basis points, or half percent, added to the investor's rate.

Finally, there is the fee Chemical receives for providing the letter of credit. Hatkoff stresses that this fee is negotiable and could range anywhere from 150 to 500 basis points, depending upon the particulars of the project, the credit worthiness of the borrower and other factors.

Chemical's aim in setting this fee, also payable up front, says Hatkoff, is "to make the same spread on a fixed-rate deal as if we'd done it conventionally (floating rate)." Assuming Chemical's negotiated fee was 200 basis points, the interest rate charged to the borrower would amount to 17.5%—15% to the pension fund, 0.5% to Salomon Brothers and 2% to Chemical.

So far, Chemical has targeted the program toward the public pension funds

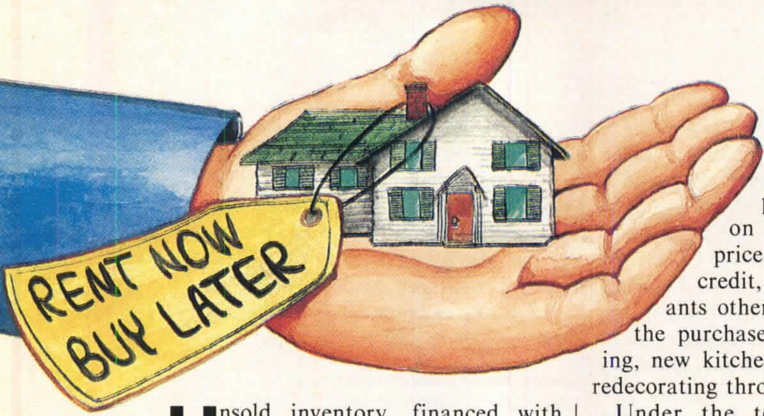
New York City's employee retirement fund has committed $260 million, or two percent of its $13 billion in assets, to the fixed-rate construction-loan program, for example. According to Hatkoff, the New York City fund has "expressed strong interest to do residential" projects with the program. Chemical would also like to go to the large corporate and non-public union pension funds. However, ERISA, with its restrictions on transactions between related parties, has been a stumbling block to date. A recently announced change in ERISA rules could eliminate at least some of that problem *(see Hotline, page 11)*. Besides pension funds, life insurance companies and savings and loan associations have already participated in the program, says Hatkoff.

Ultimately, the fixed-rate lending program should expand

Hatkoff expects that Chemical will increase its activity and that other banks will launch similar plans. Farther down the road, he'd like to see the program evolve into one where the construction loan would automatically turn into a permanent loan at the completion of construction, eliminating the need for two lenders on a project by rolling the construction lender and permanent lender into one. Such a system, says Hatkoff, is probably still quite a ways off.

In the meantime, though, Chemical Bank's program is going strong: According to Hatkoff, the bank has issued commitment letters to borrowers totaling some $400 million. All that the borrowers are waiting for now is for interest rates to fall, so they can lock in their fixed-rate loans at lower rates. —WALTER L. UPDEGRAVE

CUT THE COST OF CARRYING INVENTORY



Unsold inventory, financed with expensive, above-prime-rate construction money, is a red-ink problem in the best of times. Given today's market conditions, such inventory represents a monthly cash drain that can push a builder who's teetering on the edge of financial collapse over the brink.

Which is why so many builders, saddled with unsold units have come up with a spate of creative financing and marketing programs to eliminate—or at least reduce—this cash-flow drain.

One holding action that can help offset such carrying costs, says Allen L. Schmidt, president of London Development Corp. in Skokie, Ill., is a rent-now-buy-later program, using a lease with option to purchase. Specifically, Schmidt advises offering a one-year lease that gives the tenant the right to buy at a pre-determined price during a specific period of the lease.

Schmidt is offering such a program at a condo conversion in a Chicago suburb. And it's a marketing program that would be just as viable if put into effect at a new for-sale project. Here's how it works:

The lease runs for one year, and during the first five months the "tenant" has an option to purchase his unit for $62,500. "If a buyer pays all cash," Schmidt says, "he gets a $4,000 discount."

Otherwise, a tenant exercising his option to buy is required to put down 20 percent of the purchase price. Schmidt offers a contract-of-sale for the balance at an annualized rate of 12%. This 80 percent balance is amortized over 30 years, but the contract has a three-year term, requiring the owner to refinance at the end of that time. For tenants who turn buyers, $200 of each month's $475 rent (for the first five months) is credited toward the purchase price—a $1,000 credit in all. But the required down payment still is based on the $62,500 sales price. Besides the $1,000 credit, Schmidt offers tenants other perks for exercising the purchase option: new carpeting, new kitchen floor and complete redecorating throughout the home.

Under the terms of the lease, Schmidt has the right to market the unit to outside buyers during the full term of the lease, including the first five months. With proper notice to the tenant, he may show the unit to prospective buyers. And, should Schmidt find such a buyer, the tenant has a five-day right-of-first-refusal. "If he waives that right," says Schmidt, "he accelerates the termination of the lease to 60 days after the point of waiver of the right-of-first-refusal, even though this is sooner than the original lease term."

The major achievement of the lease with option to buy is that it generates rental income, which defrays interest expense on a unit. Another important advantage, according to Schmidt, is that it makes "today's renter more likely to be tomorrow's buyer." The renter has already spent time, money and energy to move into the unit, and this expenditure may make him less willing to relocate. Another incentive: By buying, the tenant recovers part of his rental outlay. "It's hard for a potential buyer to walk away from this type of arrangement," contends Schmidt, which leads him to call it the "bird-in-the-hand" method of turning renters into buyers. Once the prospect has a vested financial interest in the home, he's much more easily "caught."

By renting or leasing with an option to purchase, the builder may also be eligible for capital gains treatment on the sale. At the top income-tax bracket, this means paying a 20 percent capital-gains rate instead of the 50 percent rate on ordinary income. However, Schmidt warns that a lease-with-purchase option should be structured so that the IRS doesn't conclude the sale actually took place when the tenant moved in. He says one way to avoid that possibility is to include clauses in the lease asserting the developer's right to market the unit and giving the lessee the right of first refusal.

There are other advantages for the builder who offers to lease with a purchase option, or just rents out a for-sale unit

The new Accelerated Cost Recovery System allows a fifteen-year write-off for real property, which provides valuable depreciation expense. According to Schmidt, "there are a lot of people out there looking for write-offs and tax shelters," and the depreciation on a for-sale unit being rented could be an effective lure, bringing investor-buyers into a project. Schmidt suggests syndication of a for-sale unit as one way of attracting investors and allowing them to share the depreciation and other tax-deductible expenses. A builder might also try to take advantage of some of the equity-sharing programs in which an investor takes a co-ownership position, puts up a portion of the down payment on a unit and—in some cases—shares carrying costs with the tenant-co-owner living in the unit. The co-owner-investor gets a percentage of the home's appreciation and also shares in the tax-deductible expenses, including depreciation.

The interplay of fast depreciation, low capital gains rates and the potential for appreciation in the home's value, Schmidt says, make single-family homes, townhouses and condominiums very attractive candidates for sale to investors. And in the current depressed market, Schmidt sees such sales as one effective way of dealing with the burden of high carrying costs.

There's more than one way to move 'stagnant' inventory—but not if you cut expenses willy-nilly

There are ineffective ways of dealing with carrying costs too. According to Carol Ann Cardella, president of Cardella and Associates, a Cincinnati-based marketing consultant firm, the most common mistake builders make is spending too much time looking for ways to decrease expenses and cut overhead while "devoting insufficient time to increasing income." A troubleshooter for projects where absorption is slow, Cardella warns that a mad scramble to cut costs very often results in the builder transferring his nervousness over finances to the sales force, which, in turn, signals a lack of confidence in the project to customers.

"It is imperative," contends Cardella, "that you don't convey your heat to people who need to be positive." Instead of seeking ways to cut corners and eliminate minor expenses, builders should spend all of their time, energy and money finding ways to drum up income through sales. When it comes to alleviating the pressure of carrying inventory, Cardella tells builders "your best shot at relief is income."

So she suggests picking out a portion of inventory best suited to a particular market segment—i.e., empty nesters or young married couples—and targeting all marketing efforts toward that group with the aim of increasing absorption in that particular market.

Another suggestion: Extra compensation can be an effective tool for moving a lagging product. Says Cardella: "Put the most compensation dollars or reward on the absorption of product type or location that is choking you." Sales people, she adds, tend to ignore such units in favor of easier sells. But by offering perks like premiums, higher commissions or an all-expense-paid vacation as incentives, the builder gives his sales staff a good reason for pushing, rather than ignoring, hard-to-sell units.

Sometimes, according to Cardella, a change in the sales force may be in order. "The attention and enthusiasm span of the sales rep is six to nine months per site," she claims. After that, it becomes more difficult for sales people to keep the level of enthusiasm needed, particularly during a confidence-eroding slump. New sales people bring a fresh outlook and new enthusiasm to the project.

"A sales rep who related to people who bought a particular product may not relate to those who will be buying the remaining product type," she notes. In that case, the choice of sales personnel should complement the earlier decision concerning which market segment will be targeted in order to increase absorption.

—WALTER L. UPDEGRAVE

GET ALONG WITH YOUR SUBCONTRACTORS

Everyone knows about the problems builders have with subcontractors: poor workmanship, disappearing materials, callbacks, extra charges, schedule setbacks to name a few. And the costs generated by these problems are all too obvious when you look at the bottom line.

Other, more subjective, costs also exist, and while they cannot be assigned a specific dollar value, they are no less real. For example, poor relations with tradesman affect the quality of the product and therefore its marketability. And the day-to-day emotional stress caused by repeated conflict and confrontation can take its toll on a builder's health.

The small builder in particular, who lacks superintendents to buffer the friction, may come to see the construction site as a sort of war zone, filled with contending parties who follow their own self-interest without concern for the project as a whole.

These problems are complex and stubbornly resistant to change, but there is one good reason to seek improvement: money. If a job runs more smoothly, efficiency is naturally increased and so are profits.

One way—and perhaps the best way—for a builder to begin dealing with these troubles is to understand what the other side is thinking. Here's what two thoughtful—and articulate—subcontractors say.

What most builders don't fully understand is that a subcontractor is not an employee

So says Neal Barrett, a long-time carpentry subcontractor in the Rochester, N.Y. area.

"The sub is an independent businessman who is entering a deal with another independent businessman, and he wants to be treated that way," Barrett explains. What's more, "he doesn't like his judgment being questioned every day or being told how to do his job by someone who doesn't understand it as well as he does."

Barrett points out that builder and subcontractor have much in common: Both have people to manage, a payroll to meet, bank loans to finance, and future jobs to line up. Yet, he says, "when it comes right down to it, I've never thought the builder actually cares about my desire to make a living: He just wants me to help him make a living."

This basic lack of respect is obvious from the beginning, namely during price negotiations.

"The builder's attitude seems to be take it or leave it." Because of this, Barrett's price is usually forced downward, regardless of the circumstances, as if it was an unspoken rule that the financial interest of the builder and subcontractor could never coincide.

Barrett's response: He takes it or leaves it, depending on how much other work is available. If business is slow he agrees to lower the price, and then once the job is under way he looks for ways to recoup part or all of the difference. The result is extra charges.

Of course, the builder can simply refuse to pay for the extras, but it generally doesn't work out that way. "For the money involved, going to court is as big an aggravation for him as it is for me," says Barrett. "And besides, there are usually so many loopholes in the specifications that I'd have a reasonable complaint."

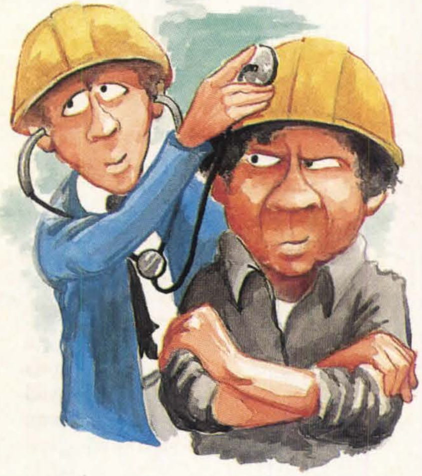
The following is a typical loophole: The architect will forget to include—or will not know—certain details that should be on the plans. When Barrett's contract is signed, it's understood by both parties that work not shown on the plan will result in an additional charge. So, when the the appropriate accommodations have to be made, he uses the occasion to get some of his money back.

ILLUSTRATIONS: MARTHA GRADISHIER

Good knowledgeable builders don't operate this way, but there aren't many of them around anymore—and that's part of the problem

According to Barrett, the building business where he works is becoming crowded with real estate agents and architects-turned-developers who do not understand or appreciate the nuts and bolts of the work, and who frequently neglect to hire anyone who does. Even some former contractors-turned-builders are not adequately familiar with all phases of the work to run a job successfully.

"The solution requires a change in both attitude and operating procedure. And," says Barrett, "by changing attitude I don't mean just being friendly



with the subs, though that might solve some of the short-term problems."

Here's what he suggests:

1. Take some of the personality out of the relations and start respecting or not respecting a sub based on his construction abilities instead of his social skills. Frequently there are differences in education, upbringing, lifestyle, or outlook that erect barriers between builders and subs. But these should not play a large part in something that is basically a business undertaking.

2. Operate on the assumption that cooperation makes more sense than confrontation. Put a lot of effort into establishing some communication, a two-way street.

3. Make a point of knowing exactly what the specifications of a job are before it begins. And that means right down to the fraction of an inch for everything. This is the only way a sub can hope to make an accurate bid and the only way a builder can reduce extra charges. If more is written down in the beginning, fewer problems will arise later.

4. Demand this thoroughness from the architect and engineer. It's their job, they should do it.

5. Find out what kind of cooperation the sub needs. Often a sub will ask for a favor that will make his life easier and not cost the builder anything. There's simply no point in not doing it. It's good politics and the kind of thing that can pay off later. In return, the builder can reasonably ask for the same from the subs.

6. Ask for subs' advice on ways to cut construction costs—not by cutting their prices but by doing other things, such as reducing materials waste. Don't forget, the veteran sub knows his job a lot better than anyone else and, as such, represents a vast storehouse of information. Why ignore it? Why not make the most out of it?

Not all subs have Barrett's faith in detailed specs

Tom Stewart, another longtime subcontractor and occasional general contractor in the Cincinnati area is presently framing for a big builder and he has some interesting things to say about specifications and builder-subcontractor relations.

"My present builder's specifications book is about three inches thick," says Stewart. "At first I had some trouble getting used to it because I've always had to make design and construction adjustments as I went along. But I can see why such detailed specs are a good idea. Still there's much that can't be written down, many things that have to be straightened out along the way."

Stewart goes on to imply that rigorous specifications can contribute to inefficiency. "I've come up with a few ideas that would have made things work out better for me and the builder, but it's quite a challenge getting through to someone who's willing to make a change. The supervisor will listen to what I have to say and basically agree but then say something like, 'Well, Tom, that's a good idea but we really can't let you start modifying the specs because everybody else around here would start doing the same thing and then we'd have a big mess.' "

ILLUSTRATIONS: MARTHA GRADISHER

It can be argued that Stewart is more capable and concerned than most subcontractors. And it can also be argued that a supervisor's reluctance to alter specifications in the middle of a job is understandable. But when a system of specifications becomes so rigid that it discourages further improvement, something is wrong.

Because of such experiences, Stewart maintains that having everything "written down" will not—by itself—drastically improve subcontractor relations. Like Barrett, he thinks a change in attitude is required.

The only way to truly improve relations is to develop a rapport with your subs

"This sort of thing takes time," says Stewart. "You have to see what each one does well and what they don't do well. You have to learn which ones you can trust and which ones you have to watch. You have to be willing—or willing to hire someone—to be on the job day after day and make sure everyone gets what they need."

Anyone who has been around the business for awhile, knows what's required: The materials have to be delivered on time, and one sub can't make another's life miserable. It takes a lot of coordination, but that's the builder's job.

"If the framer is starting out on Wednesday, then the foundation has to be backfilled the day before. Otherwise the job will take longer and the framer ends up paying for the builder's ignorance or lack of organization," says Stewart, adding, "and that comes right out of the sub's margin.

"In the end you basically get what you pay for. I know sometimes, when I'm handling a job, I will give the work to someone who isn't the best around simply because he has a good price," says Stewart. "But then I have to factor in more of my own time to make sure the job is done right. If I can't afford the time, then I have to go with the guy who has the better reputation even though his price is higher. Of course this only applies if you care about quality."

Poor quality is probably the biggest hidden factor in housing price inflation

According to Stewart, not only do people have to pay more for what they get, but what they get is so much less than they used to get. The builder who doesn't know or care about quality is not going to get it. If there's no incentive for doing good work, then it's not going to be done.

"Right now I'm working for much less than I did a year ago. These prices are about three or four years old. It's just the nature of the business. During the good times I get my price; In the bad times, when there isn't much work, they get theirs. But this business has been bad for quite a while, and that affects the sub just as much as the builder. You can see how a subcontractor can get pretty cynical, especially when he sees the cost of housing going up and up while his prices are going down. It doesn't take an old-time sub long to size up the situations." And in the process, he can figure out what the minimum quality requirements are.

"Knowing your job is the best way in the world to promote good relations. If you don't know what you're doing, you'll have no firm basis on which to make quick decisions and you're not going to be respected by the subs."

What separates builders and subs more than anything else is the nature of their jobs

The builder wants to bring a saleable product in on budget and on schedule and thus he is extremely goal oriented. The sub, on the other hand—by the very specialized nature of his job—has little involvement in this goal. He is job oriented. To expect him to become goal oriented without some obvious benefit is unreasonable.

The days are gone when a carpenter signed his spiral staircase so everyone would know who built it. The mystique of tradesman as artisan is gone, and no amount of wishing—by itself—is going to bring it back.

If a builder wants to improve communications, he should emphasize what he and his subs have in common and de-emphasize what they don't

Both are involved in the same business and this involvement is voluntary: No one is forcing anyone into the building business, especially these days. Both are interested in quality. And both want to make a reasonable living with a minimum amount of conflict.

One practical way to promote better communication is suggested by Neal Barrett: Involve the sub in the planning stages of a job, and make a policy of soliciting his opinions on a regular basis during the course of the work. This kind of coordination would be time-consuming, particularly in the beginning, but what would the long-range benefits be?

First, it would help narrow the gap between the goal the builder seeks and the job the sub is doing. As such, it would help reduce tensions.

Second, it would help reduce hard costs. By having the appropriate input at the appropriate time, the subcontractor would have a very real stake in the smooth running of a job. If extra charges, callbacks and poor workmanship were not drastically reduced, it would be a direct reflection on his knowledge, experience and professionalism.

Third, an ongoing dialogue would be established and there would be a policy of cooperation already in place when unexpected difficulties arose.

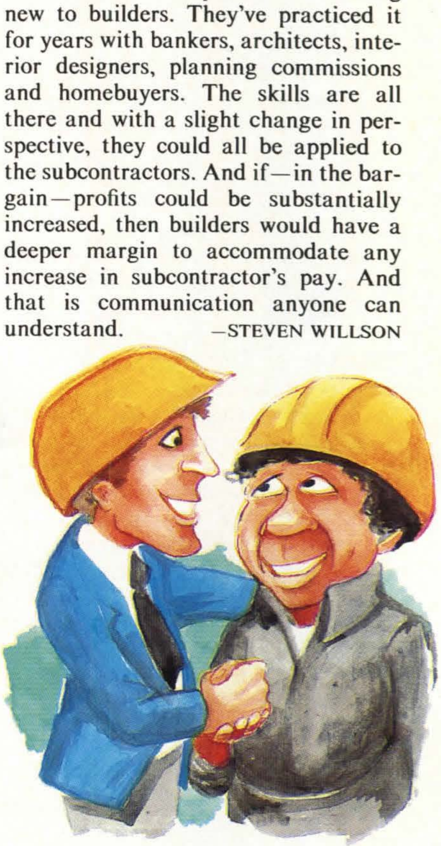
Fourth, the subcontractor would not be forced to financially subsidize a builder's lack of experience or organization. His margin would be more secure and the basis for much hard feeling eliminated.

Fifth, both parties would learn the difficulties and pressures that each has to accommodate. Understanding breeds tolerance.

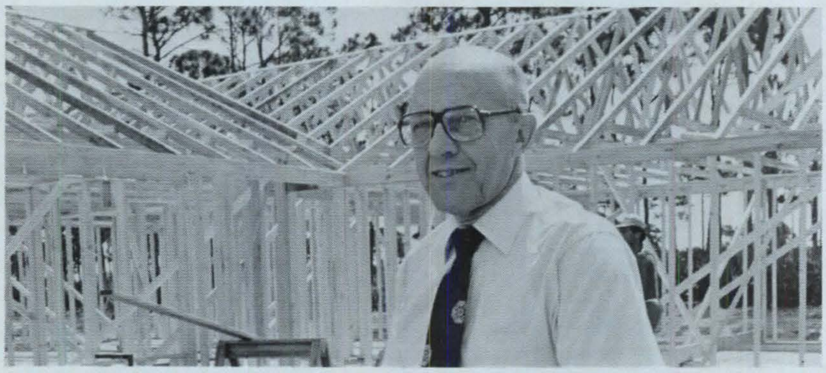
Sixth, many of the coordination responsibilities that were formerly the sole province—and headache—of the builder would be shared.

The list could go on. And this is not just theory. Similar techniques of communication and cooperation have been used with success in industry for some time.

This kind of cooperation is nothing new to builders. They've practiced it for years with bankers, architects, interior designers, planning commissions and homebuyers. The skills are all there and with a slight change in perspective, they could all be applied to the subcontractors. And if—in the bargain—profits could be substantially increased, then builders would have a deeper margin to accommodate any increase in subcontractor's pay. And that is communication anyone can understand. —STEVEN WILLSON



GOOD MANAGEMENT STARTS WITH GOOD COMMUNICATION



Carl L. Oaks' employment history with Florida's General Development Corporation reads like an edition of the American Dream. He began nearly 25 years ago as a carpenter, was promoted to superintendent, then project manager and finally vice president.

During these years the company mirrored his success. In 1957 General Development built 153 homes in one Florida community, generating sales of about $2 million. Last year they built 2,500 homes throughout the state and grossed $322 million.

When I started with General Development, almost 25 years ago, I was a carpenter on a driveway form crew; now I'm a vice president. I've had the opportunity to grow with this company from the ground up, holding a wide variety of management positions along the way.

In the course of those 25 years I've become convinced that the key to this company's success has been its commitment to actively developing communication among all the people working for us. Without the give and take this arrangement allows, I'm certain that our product quality would have suffered greatly, our construction costs would have been much higher, and our profits—if there were any—would have been much lower.

We now have what I think is the best construction schedule in the country, and the best subcontractors and supervisory personnel too. But this was no accident. Our policy of involving people in the larger aspects of their work is backed up with explicit incentives. We promote from within the organization, advancing the people who understand our system and who work well in it. My history in the company is a perfect example.

To be successful, this kind of involvement must be firmly rooted in a concrete framework, namely the construction schedule. We have put a great deal of effort into making ours both efficient and realistic and that effort has paid off. The vast majority of the 2,500 houses we built last year were completed within 20 to 22 working days, from layout to c. of o.

In this schedule, every phase of construction on each house is plotted on a daily basis; it's also inspected on a daily basis. Every afternoon when the superintendents come back from making their rounds, they note the work that was completed and accepted and leave blank those things that weren't. So it's possible for our project managers to know within 24 hours if any part of any single unit is falling behind and to act quickly to correct the problem. But this strict adherence to schedule would not work unless we had good rapport with our subcontractors.

'Such two-way communication breeds real cooperation.'

We cultivate that rapport at all our projects with regular weekly meetings that include both the superintendents and the subcontractors, and at which the project manager presents the schedule for the upcoming week and reviews the one just past. These meetings last an hour or two and serve to keep everyone well informed and prevent even minor difficulties from getting out of hand. They also provide a forum where our subs can air any problems they're having with us or with each other. Such two-way communication breeds real cooperation.

Over the years, we've found very few contractors who didn't respond to this arrangement. But they were easy to replace. Our present subs are more likely to move ahead of schedule.

With this system in place, we know exactly when a house will be completed, and can guarantee—far in advance—a firm occupancy date. Strict scheduling like this also provides corporate with dependable information on which to accurately plan for the future.

Because we feel that our contractors make an effort to cooperate with us, we try to reciprocate. Years ago the company paid the subs on a monthly basis. Having been a contractor myself, I knew the problems this caused. So we instituted a weekly pay schedule and have used it ever since. Now the subcontractors can discount their bills and don't have to take out short-term loans to meet their payrolls.

If a contractor submits an invoice on Wednesday, he will be paid on Friday of the following week. The only expense he has to carry is the initial 10-day lag. This is probably the biggest single reason we are able to keep the high quality contractors we have now.

We have made other accommodations as well that were a direct result of listening to and trying to understand the problems our contractors faced. For a long time we negotiated their contracts on a yearly basis. This kept the cost of our houses stable for a year and let our salespeople make a firm price commitment to potential buyers.

But when inflation became so extreme in the last few years we decided to renegotiate contracts every six months. And we have a built-in escalation clause that provides for an increase in the contractors pay during the contract period—if he can prove an increase in his materials costs. We are definitely not interested in breaking our subcontractors.

We have opened up similar avenues of communication between the planning and construction divisions of the company. When our architects are finished with a preliminary plan, they send it to us for a critique from the standpoint of construction feasibility and economy. After the designers have reworked the plan based on our recommendations, we forward the plans to subs for their bids. At the same time we ask for their input on how the units could be built faster or cheaper.

If a suggestion will adversely affect the quality of the product, we ignore it. But generally we receive good, solid ideas. This practice alone probably saves us between two and three percent on our overall construction costs.

By involving both construction management and the contractors in the design stages of a project, we end up with a more realistic schedule. More people are involved and committed to the project running well. As such we reduce some of the pressure on our superintendents. They can function primarily as quality control people—which should be their purpose—and less as referees trying to solve endless disputes.

We also have a radio system where all the subs can call into a base station at the construction office and ask the supers questions. This eliminates a lot of wasted time driving around the project for both parties.

By trying to improve their working conditions and by being committed to promoting from within we keep our effective supers. This fulfills the company's need for an established stock of knowledgeable and competent personnel and allows us to fill our senior positions with people who have real construction experience: They have spent enough time in the field to know both what the company needs and what the people they supervise need. And they know how to make those two concerns compatible.

'I'm convinced that when people know exactly what they are supposed to do, they will usually do it.'

We also make an effort to keep our project managers directly informed of corporate policy decisions. I have a meeting with them every month or two so we can discuss how all our communities are proceeding. This involves them in the larger picture and provides them the opportunity to consult with each other—to learn how someone else may have solved a particularly difficult problem.

To keep corporate similarly informed we maintain a master schedule that includes all the sites we are currently building. It is updated weekly by progress reports from all project managers. And to ensure this information is reliable I spend a great deal of time in the field.

I attempt to visit all projects every two weeks to go over the schedule, and attend the supervisor and subcontractor meetings. My job is to function as a direct link between corporate and the people who are doing the actual construction, and to provide both with the reliable information they need.

This contact is extremely important on the personal level as well, and should not be underestimated. It is a very real indication that higher management is concerned with the work being done. It also gives me the opportunity to explain to the people in the field precisely what is required of them. Regular one-to-one communication is crucial. Otherwise the door is open to endless speculation. I'm convinced that when people know exactly what they are supposed to do, they will usually do it.

Our policy of cooperation is also extended to our present and potential homeowners. We have services in all communities to fulfill our warranty obligations as quickly as possible. And recently we became involved in modifying our house designs to incorporate Florida Power and Light's energy rating system.

But these days our most pressing responsibility is to produce a less expensive house. And because of our management policies we have been able to ask for and receive price concessions from our contractors. By working with instead of against them we have managed to lower our overhead and pass these savings along to the customer.

Our success is basically the result of our perspective. By cooperating with the people who work for us, by seeking out and listening to their contributions, we have maintained a consistently high level of productivity and efficiency. It's not a secret, it's just common sense. □

PUT SOME BYTE INTO MANAGEMENT

How four building-industry firms use computers as time-savers, problem-solvers and jacks-of-all trades

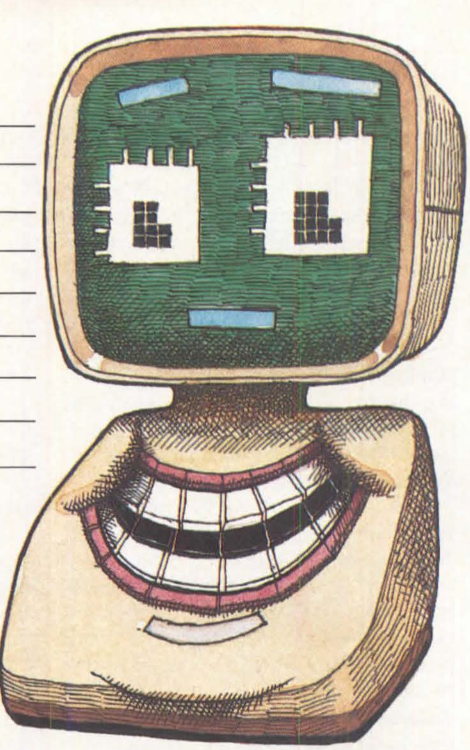


ILLUSTRATION: AL HERING

Builders are getting comfortable with words like "byte" and "bit" and "hardware" and "software," as technological advances drive down the cost of small computers.

And the computer industry, sensing an opportunity, is starting to tailor systems for the building industry.

"There are about ten good builder software packages on the market," says Scott Sloan, a Reston, Va. builder, a developer of an estimating program and chairman of NAHB's data processing committee. "Up until a few years ago, the only software available to the homebuilder was warmed-over general contractor software."

In addition, some software companies are developing packages that work on a number of different brands of hardware, increasing the options open to builders. (In the past, vendors designed software for one type of hardware only.)

"We set out to see if small computers—those in the \$3,000 to \$5,000 range—could be used by builders," says Bruce Franklin, president of Enterprise Computer Systems Inc. of Jacksonville, Fla. "We found that about 80 percent of the builders—the ones who build up to 30 or 35 houses a year—can use this type of system."

This led Enterprise and Construction Data Control of Tucker, Ga., to develop systems that are compatible with many different computers. Thus, a builder can shop around for the best deal and purchase both hardware and software for under \$10,000.

"It takes some of the mystique out of buying a computer," says Franklin, "because no matter what system the builder buys there is a builder-oriented software package that can go on it."

This is a recent development. Even before such advances in software, however, and even before the price cuts, more and more building-industry firms were finding that computers made sense for them as management tools. On the following pages, you'll find how a number of firms are using computers in different ways and what their experiences have been. —FRAN J. DONEGAN

FOR A BUILDER/REMODELER
AN INCENTIVE PLAN FOR JOB CREWS

A leased TRS-80 II from Radio Shack and an accurate estimating program are providing Country Lane Builders of South Lancaster, Mass., with an unexpected bonus: a way of motivating its construction crews and increasing productivity.

If the job comes in below estimate, the company and the crew split the difference 50-50, with the workers' share apportioned according to job rank. "In the six months we've used this system, we've never had to dip into contingency funds to finish a project," says President Dick Harmon.

Harmon feels that the incentive program not only spurs the workers to work more efficiently, but also spurs the supervisors to hire good people.

Country Lane does commercial and residential building and remodeling. At present, Harmon has backed off from new residential work and is concentrating on remodeling. He is currently renovating a commercial building that will contain 14 apartments and two commercial spaces.

"In normal times I consider myself a homebuilder," he says. "For now, I'm positioning myself for when the housing market turns around."

Harmon decided to get a computer at a time when his business was growing, and he faced the choice of getting one or expanding his office space to accommodate more personnel. After a year of looking for a system, he finally settled on software from Construction Data Control of Tucker, Ga., because he liked the way the company handled inquiries. He bought CDC's package for builders, which includes an estimating program and an integrated program containing modules for general ledger, accounts payable, payroll and job costing, and a word processing program. And he leased rather than bought the Radio Shack computer so he can switch to new hardware as it is developed.

In addition to increased productivity, Harmon cites the following benefits of his system:

1. *It offers speed and flexibility in estimating.*

Harmon already had a good manual estimating system, so, he says, the real benefit of the computer system "comes from being able to get instant estimates for any changes." An added benefit: customers feel the estimates have more authority when they see the data being fed into the system.

2. *It sharpens estimating skills.*

Harmon says that the program forces him to pinpoint every facet of a job. On his current renovation, for example, he knows not only the cost of the demolition labor, but the fee for renting dumpsters and the amount of debris each will hold.

3. *It permits up-to-the-minute job costing.*

Harmon usually takes an estimate and feeds it directly into job costing. "This program is exceptionally good," he says. "I don't care how good a manual system might be, it's never current enough."

Job costing allows Harmon to track purchase orders and add invoices to the system. With this information, he not only can tell if the project is on budget, but he can project future costs. The system also tells him which bills he paid and can print out a list of every check he wrote for the job.

4. *It keeps track of company finances.*

The payroll and other financial modules of the program tell Harmon the status of the company at all times. He says, "They enable me to close the books on the company each day rather than waiting until the end of the month."

5. *It saves secretarial time.*

The system's word-processing capability is ideal for proposals, contracts, end-of-job letters, etc. Harmon will soon use it for direct-mail promotion.

6. *It even provides extra income.*

Harmon is so enthusiastic about the system that he demonstrates it for other builders, remodelers and general contractors. He doesn't sell the product, but he does get a commission from CDC on sales that result from this demonstration.

At first, Harmon had hired a programmer to put his business on line, but personal differences cut short the programmer's stay at Country Lane. Harmon put the company's information into the system himself. He says there were minor problems, but they were solved over the telephone by CDC.

Harmon decided to lease the hardware for two reasons: a 90-day trial period, and the fact he didn't have to lay out a large amount of cash all at once. Country Lane pays $445.31, which includes a $100 service fee, per month. If Harmon wants to switch to hard from floppy disks or to use more than one CRT (the computer viewing screen) in the future he can. CDC will supply the programs, which Harmon purchased, on hard disks. He will pay the difference in price between the hard and floppy disks—about $500 per program.

So far, Harmon's rental fee for hardware has run about $8,500 and he's spent about $6,000 for software. He has an eye on upgrading in the future, "but I'm not thinking of changing right now, because the system I have meets my present needs."

FOR A CONDO CONVERTER
A READY INVENTORY AND PROSPECT CHECK

A hook-up between the mainframe system in Regis Homes' Newport Beach, Calif., headquarters and its Illinois branch allows the company to keep track of soon-to-be-vacated apartments at a huge conversion project and to spot tenants who may be likely conversion candidates.

Regis is converting the 1,547-unit Four Lakes Village in Lisle, Ill., to condominium as a joint venture with Daon Corp. Originally Regis had installed a Digital Equipment Corp. VT-100 terminal, display and printer system so that it could tap into the Digital PDP-1134A mainframe in California to figure conversion cash flows and project future income and expenses. As an experiment, however, a unit tracking system was added. Thus, the computer provides the following:

1. *It offers advance notice on when a lease will expire.*

2. *It keeps track of the physical plant.*

The computer contains:

- Descriptions of each apartment's carpeting, appliances, bathroom fixtures, etc.
- The condition of heating and central air-conditioning units.
- A list of construction work that has been scheduled.
- A maintenance schedule for units and recreational facilities.

"It used to take hours to obtain this information," says project manager Harvey Shein. "Now we have the answer in minutes."

3. *It serves as a marketing tool.*

Not only does the computer contain detailed information on the project's physical plant, but it also contains similarly detailed information on its tenants' earnings, employment and other credit factors.

"This gives us a demographic summary of our renters," says Shein. "We can quickly see how many qualify to purchase their apartments."

By keeping close tabs on prospects and market conditions, the company knows whether to extend the lease or

COUNTRY LANE BUILDERS D E T A I L E S T I M A T E PAGE 4
OB NO: 634 05/21/1982 PROJECT NUMBER: 1 NOUSIS
STIMATOR: HAMMOND PROJECT: NOUSIS APPARTMENTS V 1 37
RIG: 051482 REV: 052182 LOCATION: CENTRAL STREET, LEOMINSTER, MA.

AT #- LINE # / ONT-LOCATION	D E S C R I P T I O N	Mat'l / Labor Qty	Unit	Price *	MAT'L AMT	LABOR AMT	SUB CONTRACT	TOTAL
	CATEGORY 90 - ROUGH CARPENTRY							
90- 31	ROUGH CARPENTRY - PARTITIONS WOOD	38	LF	3.08	117		0	
ARP-EIGHT	2" X 4", 16" OC, 10' HIGH	38	LF	2.57		98		215
90- 43	ROUGH CARPENTRY - PARTITIONS WOOD	30	LF	3.52	106		0	
ARP-EIGHT	2" X 6", 24" OC, 10' HIGH	30	LF	2.23		67		173
90- 54	ROUGH CARPENTRY - PARTITIONS WOOD	0		0.00	0		0	
ARP-EIGHT	ADD FOR EACH OPENING	5	LF	1.03		5		5
90- 28	ROUGH CARPENTRY - PARTITIONS WOOD	68	LF	3.08	209		0	
ARP-FIVE	2" X 4", 16" OC, 10' HIGH	68	LF	2.57		175		384
90- 40	ROUGH CARPENTRY - PARTITIONS WOOD	20	LF	3.52	70		0	
ARP-FIVE	2" X 6", 24" OC, 10' HIGH	20	LF	2.23		45		115
90- 51	ROUGH CARPENTRY - PARTITIONS WOOD	0		0.00	0		0	
ARP-FIVE	ADD FOR EACH OPENING	5	LF	1.03		5		5
90- 27	ROUGH CARPENTRY - PARTITIONS WOOD	61	LF	3.08	188		0	
ARP-FOUR	2" X 4", 16" OC, 10' HIGH	61	LF	2.57		157		345
90- 39	ROUGH CARPENTRY - PARTITIONS WOOD	20	LF	3.52	70		0	
ARP-FOUR	2" X 6", 24" OC, 10' HIGH	20	LF	2.23		45		115
90- 50	ROUGH CARPENTRY - PARTITIONS WOOD	0		0.00	0		0	
ARP-FOUR	ADD FOR EACH OPENING	5	LF	1.03		5		5
90- 34	ROUGH CARPENTRY - PARTITIONS WOOD	54	LF	3.08	166		0	
ARP-HALL2	2" X 4", 16" OC, 10' HIGH	54	LF	2.57		139		305
90- 46	ROUGH CARPENTRY - PARTITIONS WOOD	20	LF	3.52	70		0	
ARP-HALL2	2" X 6", 24" OC, 10' HIGH	20	LF	2.23		45		115
90- 57	ROUGH CARPENTRY - PARTITIONS WOOD	0		0.00	0		0	
ARP-HALL2	ADD FOR EACH OPENING	3	LF	1.03		3		3
90- 35	ROUGH CARPENTRY - PARTITIONS WOOD	52	LF	3.08	160		0	
ARP-HALL3	2" X 4", 16" OC, 10' HIGH	52	LF	2.57		134		294
ATEGORY CUMULATIVE TOTAL					1156	923	0	2079

Estimating program forces Country Lane to pinpoint every facet of the job.

try to sell the apartment.

"We get three to five sales a month by approaching the right tenant with the right offer for conversion," says Shein.

4. *It matches prospects with financing packages.*

5. *It prints leases and contracts.*

Shein says the system was installed in the fall of 1980 but it took until December 1981 to debug, mainly because of the volume of information on each unit. In fact, at press time, the tracking program was out of service.

The company bought custom software at a cost of $25,000. Employees now "talk" to the main system in Newport Beach about three or four hours every day via telephone lines.

"Before we got our computer, all marketing research, accounting, inventory control and maintenance scheduling were done manually," Shein says. "Now our staff has time to spend on more important projects rather than filling reams of paper."

FOR A LANDSCAPE ARCHITECT
AN EASY REFERENCE OF PLANT CHOICES

As Steven Halsey, principal of Van Dyke/Halsey Design Group, Inc., in San Diego, Calif., puts it: "The computer system has given us a more objective way of operating in a business that is essentially subjective."

The firm installed an Apple II computer to speed up the processing of information and to act as a design tool.

1. *The computer helps designers choose the right plant.*

Suppose, for example, that a designer is working in an area that has sandy soil on a slow-draining beachfront plagued by winds that deposit salt on alkaline soil. He may want a plant with a root system that establishes solid ground cover, and he may also want something that produces blue flowers from April to October.

The designer simply types these requirements into the system and the computer prints a list of plants that meet the requirements.

"Once he sees the possible choices he can make esthetic decisions," says marketing director Pam Gunnarson. "And in the process, he has saved hours of research."

2. *The computer helps manage the budget.*

```
                PLANT SELECTION CRITERIA
                       25-May-82

Type          : Tree                     Soil Tolerance
Exposure      : FullSun                    Type       : Clay,Sand,Loam,Rocky
Persistance   : Evergreen                  Moisture   : Wet,Dry
Sunset Zone   : 18-24                      Drainage   : Well,Poor
Height        : .0-500.0                   PH         : Acidic,Neutral,Basic
Growth Rate   : Slow,Moderate,Fast       Seasonal Interest
Form          :                            Flower     :
Density       : Heavy,Medium,Light         Fruit      :
Texture       : Fine,Medium,Coarse         Foliage    :
Foliage       : Dark,Medium,Light          Bark/Bra.  :
Branch Struct : Single,Multi               Fragrance  :
Tolerances    : HET
Special Uses  : TRP

                    SELECTED PLANTS

arecastrum romanzoffianum   hibiscus rosa sinensis
brahea armata               macadamia integrifolia
brahea edulis               macadamia tetraphylla
butia capitata              phoenix canariensis
casimora edulis             phoenix dactylifera
chamaerops humilis          phoenix reclinata
chorisia speciosa           trachycarpus fortunei
cordyline australis         washingtonia filifera
dombeya wallichi            arecastrum romanzoffianum
dracaeno draco              bambusa oldhamii
feijoa sellowiana           chamaerops humilis
ficus benjamina
```

Plant requirements are fed into the computer to obtain a list of possible options.

The time and money budget for each project is entered into the computer and then updated daily. Then, at regular company project meetings, each project is examined in terms of how the money and time spent relate to the original budget.

"This helps keep the job moving and eliminates the problem of finishing a project and discovering that you spent 200 more hours on it than originally planned," says Gunnarson. "The system lets us know where and why overruns are occurring while we can still do something about them."

3. *The computer prepares estimates.*

The company says that these can be done in one-tenth the time it took to figure estimates manually, because when one variable is changed the system can adjust the entire estimate automatically.

4. *The computer assists in land planning.*

It does this by projecting how much of the site is going to be built out and how much will be open space. This allows owners to make decisions before the project begins.

The firm bought off-the-shelf software for accounting. However, it had to commission an independent computer programmer to develop the design and management programs it needed, because tree and plant characteristics, for example, were not contained on existing software packages. This was somewhat inconvenient, although the programmer was available to correct problems. "It would have been more convenient to deal with a large software company that could fix the problem right away and that could provide us with another disk to use while ours was being serviced," Gunnarson says. But, she adds, large companies don't offer such specialized software.

The system is somewhat limited for the firm's future needs. Even though it added a double disk drive to double the hardware's capacity, floppy disks don't have the capacity the firm needs. Already Van Dyke/Halsey has catalogued over 1,500 plants. It takes three floppy disks for the trees alone, and several more for the shrubs. The company expects to switch to hard disks when it expands the system.

The hardware cost about $8,000, and Gunnarson estimates that the company paid at least that much for software and man hours spent bringing the company on line.

The firm may market its software to other landscape architects, but not until the system is perfected and the firm can develop a good manual for it. Says Gunnarson: "This is our first computer. In time we will grow out of it and move on to a larger system."

FOR A HOME MANUFACTURER
CONTROLS FOR A GROWING BUSINESS

An expanding business—both in terms of volume and services—made Modular Custom Homes of Newcastle, Calif., start looking at computers a few years ago.

After years of building in the neighborhood of 40 units a year, the company increased its volume to 123 units in 1980. And, at the same time, it expanded its services to include site preparation, erection of the shell and financing.

The company wanted more timely information on its growing business and looked for an in-house computer system. "Unfortunately, the small systems didn't have enough memory and the larger ones were too expensive," says controller Bonnie Fitch.

Another problem: Packaged software was unsuitable for the company's manufacturing, contracting and engineering functions, for the inventory control, payroll and job-costing system weren't integrated to meet the company's needs.

The solution was a time-sharing service. Modular has hooked into a Hewlett Packard 3000 series III computer owned by Data Management Computer Systems of Auburn, Calif., which also designed Modular's software.

To "talk" to the main computer, Modular has HP 2644 and HP 2621A video terminals and an HP 2635A printer in its office. The terminals hook up to the main computer by telephone lines. The printer shares the same line as one of the terminals, so by flipping a switch the user at Modular can get a hard copy of anything displayed on that screen.

Modular's personnel tap into the system by using passwords. Each department has a password for its own area, preventing anyone but senior management from gaining access to the entire system.

Modular is using the computer system for payroll and inventory control, but it finds the cost accounting program the most important. Departments enter information on labor costs, subcontractor and supplier fees, materials and production costs, overhead, and drafting and engineering time and materials weekly or daily, depending on the volume of Modular's business. The system then generates a number of reports.

1. *Job-status report.*

This keeps Modular on top of every job. The information is entered daily and printed reports are issued weekly. The report covers over 75 steps, from issuing contracts to actual building.

"We sometimes have over 100 contracts pending," says Fitch. "This tells us what stage every job is in and what is holding it up."

Since the company builds its custom packages in the plant while the site is being prepared, this report helps it build and deliver on schedule.

2. *Report on estimated versus actual costs.*

At the start of each project, the company assigns an estimated cost for materials, subs, labor, etc. At regular intervals, it compares actual costs with this estimate.

"This helps us control costs," says Fitch. "When we finish a project, we aren't suddenly faced with several thousand dollars in expenses."

3. *History of purchase report.*

This contains a listing of material suppliers Modular deals with. The user enters the part number to get a listing of the vendors who carry the material needed. He then compares prices.

In addition to the above, the company is implementing an estimating program for its custom panelized packages. But it is bogged down in getting all the information into the system.

Fitch says it took the company about six months to put payroll and job status on the system; it has been tinkering with the estimating program for three years, now.

Data Management charges Modular a flat fee per month for each terminal: $500 for continuous access and $250 for part-time access. Modular got a bargain on the software, for it got it from Data Management when that company was just starting in business.

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05/17/82          JOB-STATUS REPORT - CRITICAL STATUS    PROJECTED vs ACTUAL          PAGE 28

                         426        483       487       479     480       481       510
                     COMPL FINAL  BUILDING  ARCH COMM   NOD     LOAN      DISB      MTO
                       PLANS &    PERMITS   APPROVAL   REC'D  RECORDED   FUNDED   COMPLETED
                     ENGINEERING   REC'D     REC'D *
*********************************************************************************************
PAS   1111 DUTTON, KESTON E.                                                          Actual
                      10/20/80    04/08/82  99/99/99          99/99/99  99/99/99        Date
METHOD          VIRGIL-G
OF PMT:                                                                            Projected
          CONTRACT DATE  22/22/22  22/22/22  22/22/22          22/22/22                  Date
TYPE HOUSE:    09/06/80

     426            483               487               479          480               481
  LOT TOO SMALL!  OWNER HAS PERMITS  COASTAL COMM=PROBS              7/1 CUST.HANDLING
                                                                                       510
     LOT 14, BLOCK 135, UNIT 6    CAMBRIA                SAN LUIS OBISPO   CA
*********************************************************************************************
PAS   1162 VALLEY UTD. METHODIST CHUR                                                 Actual
           D.L. KEEFAUVER, PASTOR  06/08/81  11/11/11  99/99/99       99/99/99          Date
METHOD          RUSK-R
OF PMT:                                                                            Projected
          CONTRACT DATE             22/22/22                                             Date
TYPE HOUSE:    07/30/81

     426            483               487               479          480               481
                  WA. TO ANNEX TO CITY
                                                                                       510
     LOT 9, RANCHO SAN RAMON      SAN RAMON              CONTRA COSTA      CA
*********************************************************************************************
PAS   1215 DESIGN DEVELOPERS, INC.                                                    Actual
           J.M. YOUNGER           03/23/81  11/11/11  99/99/99 99/99/99 22/22/22        Date
METHOD          HILL-C
OF PMT:                                                                            Projected
WELLS     CONTRACT DATE  22/22/22  22/22/22                    22/22/22                  Date
TYPE HOUSE:    02/01/80

     426            483               487               479          480               481
  HOLD TIL JAN.'82  BLD.PLANS&SALES 4/24                             WELLS DELAY
                                                                                       510
     CHANEY ROAD                  ALAMO                  CONTRA COSTA      CA
```

Job-status report keeps Modular up to date on all jobs.

WHY THOSE CANADIAN GIANTS ARE HEADED HOME AGAIN

The once-sweet smell of success for Canadian homebuilders come south has soured for many. Not all have tasted defeat in the volatile American housing business, but certainly the biggest, who for a while were threatening to show the Americans how to play the homebuilding game, are now eating those earlier threats.

Case in point: Toronto-based Cadillac-Fairview Corp., Canada's largest public developer (combining residential and non-res work) in February announced plans to withdraw completely from U.S. homebuilding operations (as well as Canadian homebuilding operations).* More recently, subsidiaries of its Florida operation, Cadillac-Fairview of Florida Inc., created quite a stir by auctioning off 150 luxury condominium units in four buildings—three of them in Miami Beach, the other in Hallandale. The units sold for an average of about 50 cents on the dollar of the highest price listed—a list price which was exaggerated, says marketing consultant Lewis Goodkin of Miami, who worked with the builder on the auction. Actual market value of the units was lower than the highest list price, so they sold for a real price of about 70 cents-per-dollar of market value, he says.

Second case: Nu-West Group Ltd., Calgary-based and Canada's largest homebuilder, lost $31 million (Canadian) last year in its U.S. homebuilding operations. It has closed down in Seattle and Denver, and announced it will phase out Phoenix operations by the end of the year.

What happened to change the fortunes of the Canadian giants who, in the latter half of the 1970s could do no wrong in the hot markets—California, Arizona, Texas, and Florida—they chose to build in? Most observers agree they got swallowed up by their own success—by growing their businesses faster than they could grow the controls to manage, and ultimately by becoming overconfident and paying too much for land and building too many houses.

Behind the early success and ultimate problems of Canadian builders operating in the U.S. are several factors: the relationship between the builders and the Canadian banking system; a multi-market approach to building by many Canadian companies; and remote-control management procedures.

The Canadian banking system would be incomprehensible to anyone who thinks the U.S. system is representative of banking in most countries.

In her book *Men of Property: The Canadian Developers Who Are Buying America,* journalist Susan Goldenberg explains, "Expansion would have been impossible . . . without financial support and the developers have always had enthusiastic backing from the Canadian banks. The importance of this cannot be overestimated.

"Canada has a national banking system of only 11 banks, compared with the regionalized system of 15,000 banks in the U.S."

Further, the Canadian banks are sizeable on a world scale. While several U.S. money-center banks are larger than any Canadian bank, the Canadian lenders dwarf the financial institutions that most U.S. builders do business with. And, more important, builder-lender relationships have been far easier in Canada than in the U.S.

"Canadian banks approach the developer more as a form of corporate lending, while U.S. banks tend to look at loans on a project-by-project basis," says Oskar Brecher, a former Cadillac-Fairview executive, now president of American Landmark Developments Inc., New York City.

About three years ago John E. Belda, then senior vice president of Nu-West Inc., a Phoenix subsidiary of the Calgary concern, told HOUSING: "We have more cash and we're not afraid to spend it. American companies make a small down payment and tie up the land for a year or two. We pay cash and buy it."

At that time, many critics were charging that Canadian companies like Nu-West, were grossly overpaying for land, driving up the market price—a charge Belda denied [HOUSING, Sept. '79]. Nu-West now admits, somewhat indirectly, that it may have been too sanguine. In April, at the annual meeting, H. Earl Joudrie, parent company president and CEO, announced a plan to reduce its U.S. real estate assets by $250 million (Canadian) or by 42 percent. His reason: "To significantly reduce the sizeable debt of this company and related high-interest and carrying costs."

Why would a company worry about carrying costs on land it paid cash for? It wouldn't, if it were the company's own cash. But what Belda left unsaid is that Nu-West, like other Canadian giants, was highly leveraged—and got credit readily from one of the mammoth Canadian banks backing builders in their U.S. adventurism.

One thing the Canadians are famous for is buying large parcels of land on credit and land banking it—a dangerous, controversial strategy, as American builders who are far more used to a volatile market than Canadians well know. Current economic policies have lowered the current rate of inflation while leaving interest rates high.

Michael Galway, executive director of the Canadian Institute of Public Real Estate Companies (of which major Canadian builders are members), has this explanation for the current wave of tent-packing by the Canadians. "Leverage as a way to do business went out the window with Mr. Reagan's interest rates."

Says analyst James Cripps of Pemberton Securities Ltd., Vancouver: "In defense of these [Canadian] companies, you can say that they were lulled into styles of doing business based on a credit environment thought to be unchangeable from a political standpoint. . . . Meanwhile, what's happened with the disappearance of cheap, easy credit is that certain deals now don't make sense."

How much more leveraged are Canadian giants than U.S. builders? Ira Gluskin, an analyst with Brown

* Commitments will be honored for projects that were on the boards before the announcement, says a spokesman for Cadillac-Fairview Homes West, a joint venture in which Cadillac-Fairview U.S. Western Region Inc. has a 50 percent financial interest. The joint venture is committed to build 13,400 houses in southern California over the next few years. But discussions now in progress, says the spokesman, are aimed at finding ways to withdraw financially as soon as possible. Stanley V. Michota Jr., senior vice president, urban development, for Cadillac-Fairview U.S. Western Region Inc., says the company fully intends to build 750 multifamily units in three 25-story buildings in California Plaza, a downtown mixed-use project in Los Angeles. "California Plaza is as representative of our future direction as anything I can think of," he explains.

ILLUSTRATION: DAVID G. KLEIN

Baldwin Nisker in Toronto, gives this analogy: "If your typical American builders' debt-to-equity ratio were one-to-one, Canadians' would be four-to-one."

America's big builders, he says, such as Ryan, Ryland and Pulte, have "no land, no debt, quick turnover," and Gluskin sees this as a far better strategy to insure survival. "In general, the U.S. companies have a lot more equity—it's as simple as that."

Points out marketing consultant Goodkin: "The Canadians came in from a country where they had a tremendous amount of money, and they thought, here's this enormous market with no tomorrow." But at the sunset of the decade, the plots on the graphs of the money lenders crossed in the night, and what economists call an "inverted yield curve"—as well as many other financial rearrangements, which hurt the housing industry—appeared as the dawn of the '80s broke. "As bullish as our environment is, the rate of inflation eventually was far outstripped by the cost of money," notes Goodkin.

The Canadians' aggressive expansion was also due to their experience operating in more than one locale.

The geography and demography of Canada dictates that an ambitious developer must learn to build in more than one location, if he is to grow.

Says Brecher: "The Canadian companies thought they had better controls than most of the U.S. operators. I'm not saying there isn't anyone who couldn't duplicate these controls, but most of the Canadians had . . . a greater level of comfort in operating in many different . . . locations."

Since there were limits to housing growth in Canada, developers from north of the border saw entry into the booming U.S. market of the late '70s as a logical extension of what they had done in their own country. Only half joking, analyst Cripps says, "I think they wanted to own the world."

For a while, it appeared to some observers that they were going to. In the go-go market of 1978 to 1980, their expansion into hot Sunbelt growth centers was phenomenal; seemingly limitless financing engendered skyrocketing growth that many considered rudely excessive.

"They became very aggressive in their acquisitions," says consultant Goodkin. "For the most part, their acquisitions weren't well thought out—in terms of the depth of the market, in terms of the price they paid. They paid too goddamn much in many cases—for raw land, and with Daon [Development Corp., Vancouver], for buildings, too."

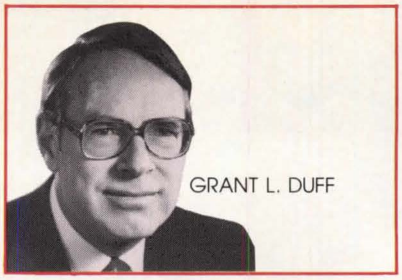
Adds Brecher, "Canadian developers are willing to sign on the bottom line, while U.S. corporations are willing to expose only bits and pieces."

Brecher refers to the U.S. builder's practice of limiting liability on a project-by-project basis, by forming separate corporations. Canadian builders form far fewer subsidiaries, in part because of Canadian tax law: It does not allow subsidiaries of a corporation to consolidate losses and profits for tax purposes as U.S. corporations are able to do, explains analyst Cripps.

Canadian-style remote-control management wasn't as well suited to U.S. market diversity as to the more uniform Canadian market.

At first it was considered a plus. In 1979 John W. Poole, president and CEO of Daon, told HOUSING that he remembers comparing notes with a U.S. developer during the 1974-75 recession: "Our balance sheets were very similar. But there was one big difference: He had 4,000 employees and we had less than 250. When the crunch came, he was gone."

One reason that lean remote control management won't work too well in the U.S. over the long haul was pointed out by Walter Bannister, executive vice president of Genstar Corp., also based in Vancouver, who told author Goldenberg for her book: "The differ-


GRANT L. DUFF


KENNETH D. CAMPBELL


OSKAR BRECHER

ences between regulations in Canada and the United States are mind-boggling. In Canada it [the regulatory process] is reasonably uniform and reasonably difficult."

Although at first blush it would seem that facing fewer regulations would make it easy for Canadians used to steeling themselves against tough comprehensive planning schemes, that's not the case. Since U.S. markets differ widely, they require knowledgeable local management—both for designing the product to local standards and for dealing with local regulatory peculiarities.

Costain Ltd., a bright light among the Canadian giants—although the smallest of the public homebuilders—realizes this well. Says Grant L. Duff, president and CEO, "We try to hire people locally and give them a lot of freedom. I don't think anyone in the homebuilding business can sit in Toronto—or New York, or Los Angeles, for that matter—and manage a homebuilding business [long-distance]." Costain is renowned among Canadians and Americans for hiring top-notch local managers.

Tales of the ill effects of lean management, and a more corporate than small-builder attitude among the Canadian giants, abound.

Houston builder Doyle Stuckey says: "What the Canadians didn't realize was the lack of management sophistication in our industry. They operate on a manufacturing principle rather than a subcontractor, semi-assembly concept." And local project managers took note and gave vent, he says, when they were out of the hearing range of their Canadian employers. "The grumbles I heard from the construction people was they had to stay in board meetings all the time when they needed to be in the field."

Market insensitivity—thanks to long-distance management—has been attributed to the Canadians. Boca Raton, Fla., builder Doug McNeil, president of Lakehill Community Builders Inc.—and an architect by training—says of the Canadians: "I think they're pretty good builders, good contractors . . . good on scheduling and good on pricing. But sometimes you walk onto a project and somehow it 'feels' Canadian. The design is a little bit brutal, a little bit cold."

Early warning systems

Although some marketing and management *faux pas* certainly put enough red ink on the various company bottom lines to require them to quit U.S. homebuilding, there also were some little-publicized prior decisions to do so. For example, Cadillac-Fairview adopted a corporate strategy in August, 1980, to withdraw from all single-family housing development.

And in late 1976, Nu-West Chairman Ralph Scurfield made a decision to diversify the business to make it less vulnerable to recession. In the 1977 annual report, he said, "It is the company's intention to study opportunities for further diversification. In particular, we will be seeking opportunities for major investments in less cyclical businesses, such as the energy field, to increase the portion of our income that is protected from the fluctuations that tend to affect residential construction." Nu-West now holds Voyager Petroleums Ltd., which it bought in 1979 and which has oil and gas operations in the U.S. and Canada.

In fact, none of the large Canadian builders is solely a homebuilder, with Costain coming closest to not being diversified (Duff says about 15 percent of its business is in office and commercial construction). How does this affect the company's performance?

Costain is everybody's darling

President Duff says modestly, "I think we're suffering as much as some of the U.S. homebuilders." But behind that statement lies an apt, and serious, comparison—Costain's strategy is more akin to U.S. builders' than its Canadian brethren's.

Analyst Gluskin says: "Housing either has to be small or your principal business." Costain, he says, "is the most professional of the companies; they are one of the few making money building homes, and they are the only one not pulling out."

According to its annual report, Costain earned $10.4 million (Canadian) on revenues of $169.7 million (Canadian) in calendar 1981. Last year they closed 868 units: 732 in Canada, and 136 in the U.S.

For a comparison of scale, Costain, with the equivalent in U.S. currency of $136 million in sales, would rank after the seventeenth-largest U.S. public builder in sales volume, just under Ponderosa Homes, a southern California builder, says Ken Campbell, president of Audit Investments Inc., New York. So while Costain is the smallest Canadian public homebuilder in the U.S., it ranks among the heavyweights in U.S.-builder terms.

Costain seems to have avoided the peril of long-distance management. And the ample management it does hire are top notch, by many accounts. Says consultant William Becker, based in Teaneck, N.J., "Costain went in and hired the best people they could find."

Genstar is out of the housing picture

"They pretty well made a decision to back off of housing construction and be solely a developer," says Alan Nevin, senior vice president, Sanford R. Goodkin Research Corp., Del Mar, Calif. Noting that Genstar owns

Broadmoor Homes Inc., a southern California builder, Nevin says: "My guess is that Genstar is going to let that entirely fade away; sell off the remaining inventory and call it quits."

Genstar is a diversified giant: Besides housing and land development, it is in financial services, marine services, and building supplies, etc.

Though its future may not be bright in housing construction, it's very strong in land development, says a source close to the company, who adds: "I think Genstar is ideally located in San Diego with all its land holdings. Southern California has a history of above-average growth, and it's a market that will pick up most quickly with an economic turnaround."

Cadillac-Fairview has attracted most attention because of its sheer size

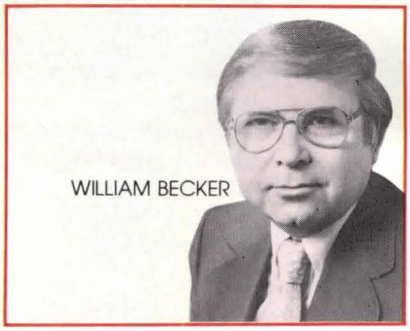
"It has never been a good homebuilder," says analyst Cripps. The company was formed by the merger of a shopping center developer and a land developer and apartment developer/owner, and "when the company was put together, there was a certain amount of tension," he says.

In a report to shareholders dated February, the company demonstrated why it wasn't faring so well in the U.S. housing market: Of 5,415 units started during the year ending February 28, 1981, 2,883 remained unsold—2,576 in the U.S., the rest in Canada.

Becker reports a project that Cadillac-Fairview developed in Smithville, N.J., near Atlantic City but outside commuting distance, was a victim of the Canadian syndrome of misreading the market. "I was called . . . to do the feasibility study," he says. "They built a quality development—environmental amenities, a lake, everything—and they didn't pay attention to the marketplace."

What happened, he says, is that land development costs forced participating builders to price themselves at least $10,000 above the market. "The guys who built single-family died; the guys who built townhouses sold," he reports. (In this case, Cadillac-Fairview was only the developer, bringing others in to build.)


H. EARL JOUDRIE


WILLIAM BECKER

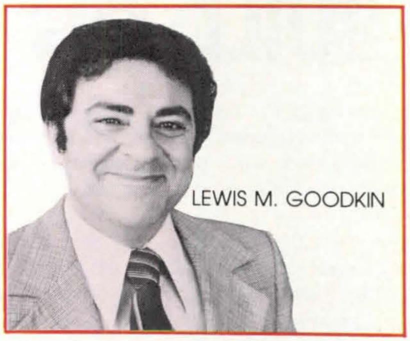
Nu-West is a dramatic case of a fallen Canadian giant

Gluskin holds little hope for the company. "On a scale of one to 20, I'd say Cadillac-Fairview's problems are about a two and Nu-West's are about a 19." He says they're going to retrench dramatically. Part of the problem, he says, is diversification. He is irked that the company avoids the maxim to either stay small or stay mostly in housing. "When Nu-West was only a house builder, they were not bad—they were almost good."

As mentioned before, Nu-West has publicly announced it is out of U.S. homebuilding, after having sustained $31 million (Canadian) in losses in its U.S. real estate operations last year. Analyst Cripps says their strategy of piling up too much in their land bank has done them in. Analyst Nevin isn't counting the company out of future development, however: "My guess is they'll stay with land development."

Daon is the subject of American scorn from coast to coast

On the East Coast, in Miami, Goodkin says: "Daon was a total disaster here."


LEWIS M. GOODKIN

The company is widely regarded as having killed the condo conversion market in Dallas-Fort Worth [HOUSING, Aug., '80], and in southern California, Nevin says: "They were the laughing stock of the local market. They overpaid—maybe by 20 to 25 percent. They fanned the inflation."

Canadian analysts hold the company in slightly higher esteem—but then, there is no such thing as condominium conversion in Canada.

"Daon has perceived quite correctly that the residential land market right now is non-existent," says Harry Rannala, an analyst with Merrill Lynch Royal Securities Ltd., Toronto. "They will, however, remain a major land developer." The firm is doing a good job of reducing a heavy inventory overhang, he adds: "Their policy was to get out of the conversion market and they have made phenomenal progress on that." At the end of April, they had 3,600 units, reduced from 8,900 in inventory about a year ago, he says.

The lesson: Don't be greedy

It's instructive that smaller Canadian homebuilders, notably Minto of Ottawa, are doing well in South Florida, according to industry sources. But, says analysts, the big Canadians—like expanding U.S. companies in the early '70s—made the same mistake of trying to cover too much ground all at once.

The philosophy that "if you have large amounts of capital, you could generate endless profits doesn't work," says Goodkin. Housing must be a management-intensive business at the local level, he adds, and the big Canadian firms didn't operate that way. "They didn't measure the risks," he says.

—DAVID GARFINKEL

2 SITES THAT WEREN'T TOO STEEP TO BUILD ON

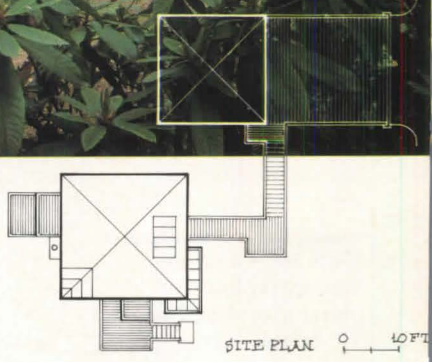
Steep sites are often the last to go when a neighborhood opens for development. Yet for the developer or architect who finds ways to deal with them imaginatively, such sites offer as much, if not more, good news than bad.

Steep sites typically provide superb views, making them highly marketable to homebuyers at premium prices. Yet they often cost less undeveloped than their flatter counterparts, because they are usually more difficult and expensive to work.

The architects for the two houses shown here managed to avoid some of the construction problems that stop builders from considering steep sites. Each, faced with a different set of circumstances, found ways to build without raising construction costs above the area norm. In fact, the house at bottom right came in below the norm—and without drastic changes having to be made to the terrain.

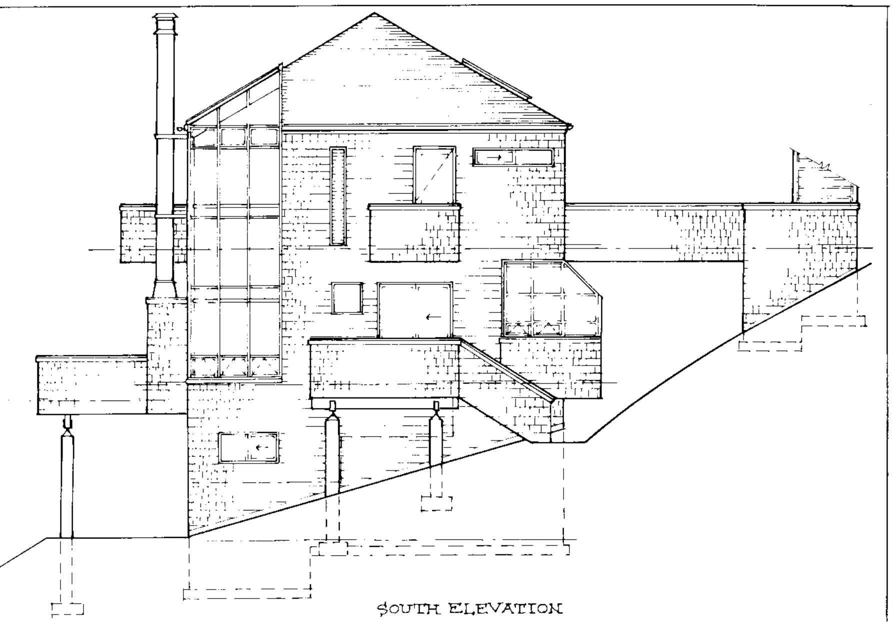
Architect Jay Fulton of Repass and Fulton, Kenmore, Wash., designed and lives in the house at top right. Fulton, who also acted as his own contractor, did have some minor excavation work done. But he avoided having to construct an access road down to the site by locating the garage at street level and, as the inset drawing indicates, connecting the garage to the entry of the house by a stairway and bridge. Thus, the three-level house is entered at the master-bedroom level, rather than at the more usual living-area level. Fulton chose cedar shingles as his finishing material for the garage and stairway as well as the house, providing visual continuity among them and, at the same time, blending them into their wooded surroundings.

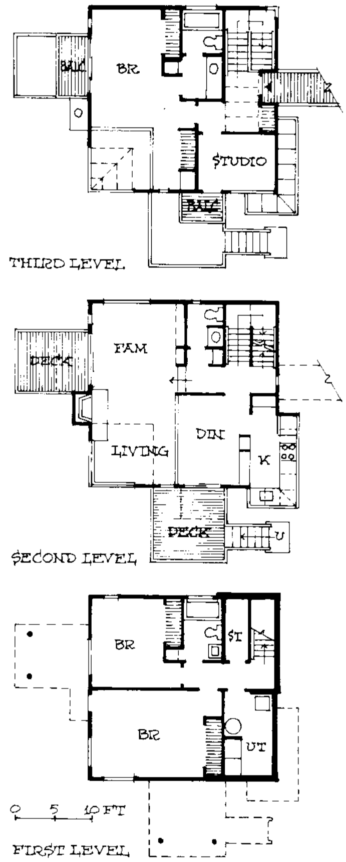
A different problem faced Bernard Stein of Swatt and Stein Architect and Planner of Oakland, Calif., when asked to design the house at bottom right. Tract builder/developer Thomas Lam, who owned the lot (it slopes 25°), had just completed two other homes on similar sites, spending a "fortune" on retaining walls. He wanted to avoid that expense here. The architect devised a plan that allows the house to follow the contours of the hill. Pier-and-grade-beam construction was specified for the foundation. Setbacks and overhangs at various levels enhance the set-in feeling. —F.J.D.



MINOR EXCAVATION WORK AND A STEPPED FOUNDATION SECURE HOUSE INTO HILLSIDE

PIER-AND-GRADE-BEAM CONSTRUCTION PROTECTS AGAINST SEISMIC SHOCKS



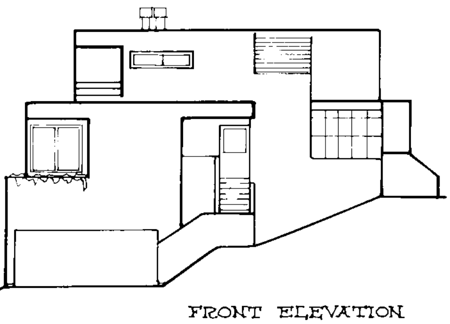


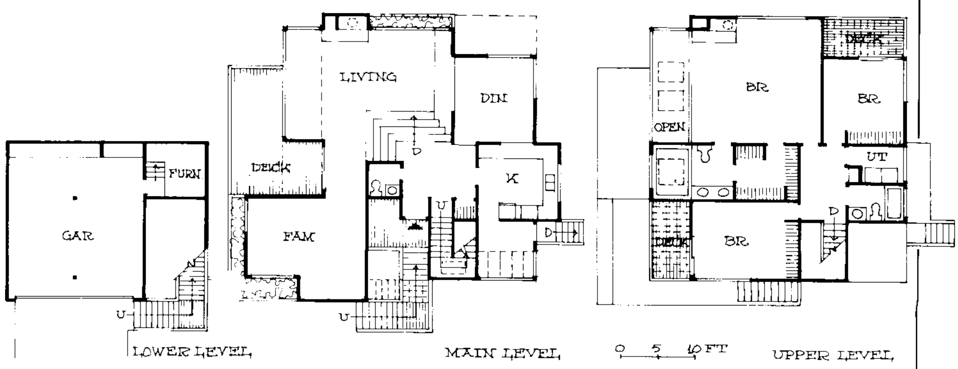
A terraced slope allowed architect Jay Fulton to build this house in Kenmore, Wash. *(photo, above left)* without extensive excavation work. The hill dropped from the street, leveled off somewhat, then dropped again, a fall of about 36′ from the street to the basement of the house. Fulton scooped out part of the hill to install the stepped foundation *(see drawing)*.

The concrete columns that support the deck in the rear of the house and the two supporting the stairway were constructed by pouring concrete into cardboard tubes with 10″ diameters. After the concrete set, the cardboard was peeled off.

The stairway that connects the garage and the house enters the building at the third floor where the master bedroom and Fulton's studio are located, rather than on the main living level *(see plans)*.

Two-story-high greenhouse-like windows bring light and some heat into this westerly oriented building. Fulton isn't worried about overheating during the summer because the deciduous trees surrounding the house should provide adequate shading.





Anchored to bedrock, this house in Oakland, Calif. meets the seismic requirements of the local building code. Architect Bernard Stein specified a 6″-thick concrete grade beam around the perimeter, following the slope of the hill.

Contractors had to bore down through the hill until they hit rock, anchoring the piers that support the grade beam (not shown in plan).

Stein designed a 20′-high window area for the street facade. Double-glazed windows allow natural light to filter into the main living areas and the master bedroom of this north-facing structure. Roof decks and trellises shade east and west windows.

The house was built under California's Title 24 program, which limits glazing to no more than 16 percent of the exterior. But this house has 37 percent; Stein compensated for the extra glazing by building 2×6 walls for added insulation values. Plywood siding complements the materials used on nearby buildings.

Formaldehyde issue sends a chill through the manufactured housing industry. According to the May '82 "Manufactured Housing Investor," a newsletter out of Alexandria, Va., HUD is now studying levels of formaldehyde in manufactured homes—and is probably, along with the Consumer Product Safety Commission (CPSC), moving toward a federal product standard on outgassing in that type of housing. Consumer concern is already strong: In the last 90 days, said one HUD contact for the newsletter, the department has received over 900 requests from wary mobile home owners for information on the formaldehyde issue. Equally nervous, however, are investors and the larger financial community, according to Jack Wynn, editor and publisher of the newsletter. If, says Wynn, the industry does not handle the issue quickly and properly, the manufactured housing industry could suffer the same fate as the UF foam insulation industry [HOUSING *Hotline*, June]. Concludes Wynn in his newsletter: "The manufactured housing industry will have to shed its 'low profile' on the formaldehyde issue."

University and a manufacturer team up to study indoor air pollution. Citing a lack of available data on the subject, the University of Massachusetts, Amherst, Mass., and Rush-Hampton Industries Inc., Longwood, Fla., are cosponsoring a live-in laboratory to investigate indoor air quality in energy-efficient houses. The laboratory is a 3,600-sq.-ft. house built and occupied by Dr. Salvatore DiNardi, associate professor of Industrial Hygiene at UM and Janice DiNardi, program coordinator for Health Sciences at UM's Division of Continuing Education, and their two sons. The passive solar house designed by architect Peter Kitchell has over 500 sq. ft. of south-facing glazing and 300,000 lbs. of concrete for storage. Dr. DiNardi estimates the tightly sealed house should have .3 air changes per hour. The house will be monitored continuously for three to five years. The first phase of testing will identify indoor air contaminants, such as formaldehyde from furniture and building products and solvents from paints and glues. The company, which paid for a computer to monitor test results and is sponsoring a graduate student to help with the testing, manufactures air treatment systems for individual rooms. The results of this program could help Rush-Hampton develop whole-house purification systems.

DOE's nay to appliance standards draws fire from congress, states and consumer groups. DOE wants to scuttle a plan requiring energy-performance standards for major home appliances, because it feels market pressure has already forced manufacturers to make energy-saving products [HOUSING, Jan.]. But critics of DOE's decision say that 30 percent to 50 percent of major appliances are purchased by homebuilders who look for products with the lowest cost. Rep. Richard Ottinger (D-N.Y.) calls DOE's actions "the worst and most conspicuous anticonsumer action taken by this administration." One reason: The decision not to issue standards will nullify state energy performance regulations now in effect in about 40 states. Some states, such as California, plan to file for exemption from federal pre-emption if the "no-standards" proposal becomes final. Ottinger is going to introduce legislation to keep state regulations in effect, regardless of DOE's actions. And the Natural Resources Defense Council plans to continue an existing court suit to force the department to issue federal standards.

The tile industry is holding its own in these recessionary times. The evidence of that success comes from Ceramic Tile Distributors of America (CTDA) executive committee member John Morris, who announced that CTDA membership had increased 15 percent in the first half of the fiscal year. Morris noted at a recent meeting that during that same period memberships in many trade associations declined by as much as 25 percent. Tile business has been buoyed primarily by the remodeling industry, plus wider use of tile in the home and non-res buildings.

Manufacturer of ventilation systems offers factory rebates. To help celebrate its 50 years in the building industry, Broan Manufacturing Co., Hartford, Wis., has set aside 50 days—ending August 9—when builders can receive factory-direct rebates on 50 of the company's products. Items included in the offer: MicroMate (microwave shelf and range hood), medium-priced ceiling fans, whole-house ventilators, bath fans, heaters and vac power units. For more information contact a Broan distributor.

On-the-job safety: The forgotten cost-saver

Joe Crowley, vice president of sales and marketing, Senco Products Inc., has 30 years of industrial business experience.

The current economic situation is causing many of us in the building industry to realign our priorities. One area we mustn't neglect, however, is that of safety in the workplace. For, while safety may not be the hottest topic on the scene, your ability to deal with safety problems can become an important element in working out your bottomline. Accidents cause losses in productivity and potentially increased costs in other areas. So, if spending a small amount of time on a safety program helps you avoid such problems, the program then becomes a highly cost-effective tool.

How will having your crew spend valuable time on safety training save money? Consider these statistics from Ohio's Industrial Commission, Division of Safety and Hygiene, and you'll understand why the real costs involved when an accident occurs far outweigh the initial costs for the time it takes to train your personnel.

Puncture wounds result from the most common accidents in the category of power-driven tools. Victims experiencing a puncture wound have a lost-work-day-average-per-accident of 66.5 days; the overall lost-day average for all accidents in the power-driven hand-tool category is 39 days.

In relation to these figures, even after an employee's initial medical bills are paid, other costs can occur. Besides increased payments in the form of insurance premiums and Workmens' Compensation, they include: a loss of productivity, the cost of training a replacement, or the need to pay overtime to cover lost production. Other areas of concern: the increased possibility of federal and/or state governmental safety and health inspections following an accident and the chance of legal action being taken against your company.

Tool-related problems. Almost all accidents related to tool operation may be directly or indirectly associated with workers who think they can increase production by modifying already efficient tools.

Such modifications typically involve changes that defeat certain safety features. One common modification is the defeat of the trigger-work contact system. This system requires that the trigger be depressed and a surface contact safety held against a work surface, thus allowing the tool to fire. Many workers will modify the tool by taping the trigger open so that the tool will fire with only surface contact. Thus, contact with any surface will trigger action.

A similar modification has employees taping or wiring back the work contact safety so that the tool will fire with only a pull of the trigger. After a while individuals tend to forget about having made the modification and may trigger the tool simply by hitting it against their legs or a hard surface—possibly injuring themselves or a co-worker should a nail or staple ricochet. Another bad habit: A worker keeps his finger on the trigger, setting up an opportunity for surface-contact accidents similar to the one mentioned above.

Other tool-related problems involve violations of the manufacturer's recommended practices. Two examples: exceeding recommended operating compressed air pressures and the use of bottled air or gas such as oxygen and carbon monoxide, which may cause the tool to explode.

One modification made by the manufacturer has been the design of a sequential firing mechanism. This system requires that work-surface contact be made before the trigger is depressed—a type of "restrictive" control promoting worker safety in certain fastening situations.

Unfortunately, there's no way to prevent all accidents. But let me point out that the wearing of safety glasses should become the first rule. This will not stop an accident from occurring, but will prevent an extremely serious and debilitating eye injury should one occur.

Communicating safety. A contractor in Virginia has incorporated good safety practices into his cash-bonus program. Through arrangements with his insurance company, he received rebates depending on a yearly safety record. Some of the contractor's techniques in communicating the idea of safety to his workers include:

- A "Silver Dollar" program award to an employee who knew the safety slogan of the week;
- The use of closed circuit video on the job site;
- The designation of monetary awards for safety achievement;
- Incorporating the program into the company's overall profit sharing system.

Most manufacturers of pneumatic tools offer safety programs that are available to your workers. For example, our recently updated program is designed—through the use of printed materials and a film—to communicate the basics of pneumatic tool safety. The hazards of improper tool use and proper tool methods are described in simple and easy-to-understand terms. We have seen that safety programs such as ours have proven quite beneficial.

All of us in the industry are concerned about costs and the safety of those using our tools. To keep safety as a priority, our safety program is available to any company by contacting any local Senco representative or by calling Senco Products Inc., 8484 Broadwell Road, Cincinnati, Ohio 45244 at (513) 388-2000.

Keeping up with computers

In the past few years, just about every step in the building process—from designing a project to paying subs—has been handled by the office computer. Now the computer industry has gone a step further—offering a hand-held portable unit *(photo 1)* that can go right to the job site. Linked to a master terminal via public phone lines, it allows even quicker access to information. Manufacturers of this and other systems shown here and on the facing page are emphasizing low system costs and ease of operation.

In addition to business systems, these two pages feature computer-aided design systems that streamline the planning process. Also included: a selection of software packages, many tailored specifically to the needs of builders and contractors.

1. 'The Link,' a portable hand-held computer, communicates with a master terminal via public telephone lines. The unit, powered by built-in, rechargeable batteries or ac, handles a range of processing, computing and telecommunications functions. Panasonic. *Circle* **226** *on reader service card*

2. Low-cost computer-aided drafting system, called Summadraft™, is available in three models. All provide central processor, 19″ graphics display screen *(far right)* and a smaller alphanumeric screen. Software from the manufacturer has a wide range of analytical capabilities. Hardcopy printer and plotter are optional. Summagraphics. *Circle* **227** *on reader service card*

3. Sigmagraphics II computer-aided design system features a 256-function touch-sensitive menu. The system allows the user to select up to 16 colors for multicolored plan or design displays. Sigma Design. *Circle* **228** *on reader service card*

4. Two-pen graphics plotter, the HP 7470, is compatible with the manufacturer's computers, as well as with personal and business computers from IBM, Apple and Commodore. The plotter can produce pie, bar and line charts, technical drawings, maps and transparencies. Hewlett-Packard. *Circle* **229** *on reader service card*

5. Small-business computer system consists of keyboard, display screen and small cabinet for processor and memory. According to the manufacturer, a novice can have an accounting module running in two days. Burroughs. *Circle* **230** *on reader service card*

6. Microcomputer system includes video display monitor and detached keyboard. The self-contained S/10 unit operates independently or as a workstation attached to another of the manufacturer's systems. Basic Four. *Circle* **231** *on reader service card*

7. Apple III professional computer system features a built-in, 140K-byte disk drive; up to three external disk drives can be added. Apple Computer. *Circle* **232** *on reader service card*

8. Small business system, Astra Model 230, includes video display terminal and movable keyboard (shown in foreground of photo). System can support up to three local operator stations with optional printers. NEC. *Circle* **233** *on reader service card*

9. Low-cost turnkey computer-aided drafting system, called "EasyDraf²," consists of three components: desktop computer from Hewlett-Packard; companion graphics table; and drafting plotter. AM Bruning. *Circle* **234** *on reader service card*

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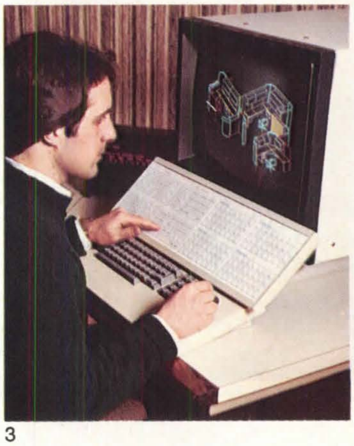

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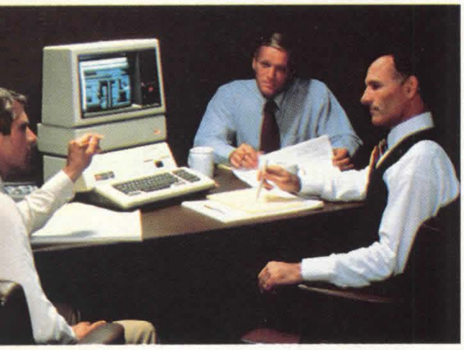

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Software

Executive accounting system for contractors is designed for executives requiring a comprehensive payroll program with union, workers' compensation and certified reports. The software package, featuring an accounts-payable function with subcontractor analysis, runs on the manufacturer's B20 business system. Other capabilities include: job costing, accounts received, purchase order and general ledger.

A financial planning tool, called MULTIPLAN™, is also for use with the B20 business system. Functions include: forecasting, budgeting, capital management and production/cost management. Burroughs. *Circle* **235** *on reader service card*

Equipment cost system keeps track of equipment depreciation and maintenance schedules. The system, for use with Texas Instruments minicomputers, can communicate with the manufacturer's other "Management Accounting for Construction" packages—general ledger, job cost, payroll, depreciation and accounts payable.

"Spreadsheet," also for use with Texas Instruments minicomputers, is a financial planning tool that performs columnar financial projections, computations and general analysis. Timberline Systems. *Circle* **236** *on reader service card*

Business management system for homebuilders is designed for use with Wang 2200 computers. Comprehensive system includes: estimating; scheduling; financial management; accounts payable; payroll; purchase order control; inventory control; job accounting; equipment accounting; fixed asset accounting; and general ledger.

Contractor bid estimating module, also designed to run on the Wang 2200, streamlines the estimating process. Five reports are produced, including labor and material bid estimates and analyses. Office Manager. *Circle* **237** *on reader service card*

Profit management system, for builders and contractors, is designed for use with the manufacturer's Astra™ line of business computer systems. The package features an integrated series of functions including job cost control, payroll, accounts payable, accounts receivable and general ledger. NEC Information Systems. *Circle* **238** *on reader service card*

Business accounting system is composed of five individual systems: general ledger; accounts receivable; inventory control; payroll; and job costing. These systems, available separately, can function independently or interact with one another as one comprehensive accounting system. Business Professional Industrial Systems. *Circle* **239** *on reader service card*

Keeping posted on office standbys

Efficient and simplified tools for scheduling and bookkeeping are always in demand and some of the latest are shown at right and on the opposite page. Particularly noteworthy is the bookkeeping/cost control system from McBee *(photo 7)*. Developed in cooperation with the NAHB, the field-tested system is designed especially for use by homebuilders.

Also shown are a number of space-saving storage systems for computer print-outs and graphics. Several new types of reproduction and drafting equipment are pictured; note the desktop copier from Sharp Electronics *(photo 10)* which gives voiced instructions to make accurate copy work even easier.

1. 'The Tracker System' is an easy way to keep lists and schedules up-to-date. Data is written or typed on card strips and inserted on the magnetic panels. Strips slide up and down on 8½"×11" boards. This scheduling system is recommended for indexed information such as inventory, accounts and equipment; panels can be photocopied. Caddylak Systems. *Circle* **240** *on reader service card*

2. Large-capacity 'rolling' scheduling board, the "Super 52-180," can display 180 items for 52 weeks, with up to 23 weeks visible at a time. Entries are posted, using magnets or write-on/wipe-off markers on a transparent film that moves from right to left across a fixed grid. Visual control board is mounted in a hardwood case with aluminum trim; a wall hanger bar is included. Thirteen other models are available. Rol-a-chart. *Circle* **241** *on reader service card*

3. Computer print-out organizer, from the "Liberty Sorter" line of storage systems, can hold 20,000 sheets in 16 compartments. The sorter, with steel framework and double-walled fiberboard shelves, takes up only three sq. ft. of floor space. Adhesive shelf labels are included. Bankers Box/Records Storage Systems. *Circle* **242** *on reader service card*

4. Stackable flat file cabinets are available with four or five drawers in five sizes: 26"×20", 30¾"×24½", 37"×26", 43"×32" and 50"×38". The self-contained heavy-gauge steel Stakmaster™ units are offered in light grey, black, sand beige and white (for five-drawer units only). The cabinets have a durable baked enamel finish. Aluminum pulls and metal label holders are standard. Recessed base (shown) is optional. Stacor. *Circle* **244** *on reader service card*

5. The 'SuperFile' system houses both vertical and horizontal files for compact storage of plans, prints, charts and maps. A variety of interior components are available to suit most user needs. Two types of cabinets in five sizes are offered; the largest model can accommodate a 42"×60" sheet. Plan Hold. *Circle* **243** *on reader service card*

6. 'Expand-a-plan' management activity schedule can be extended both vertically and horizontally to meet the growing needs of an operation. The magnetic visual control panel, constructed of 20-gauge steel with a protective epoxy finish, is supported by dark brown tracks at top and bottom. Four sizes of sandalwood beige panels are available, as well as hundreds of magnetic accessories. Methods Research Corporation. *Circle* **245** *on reader service card*

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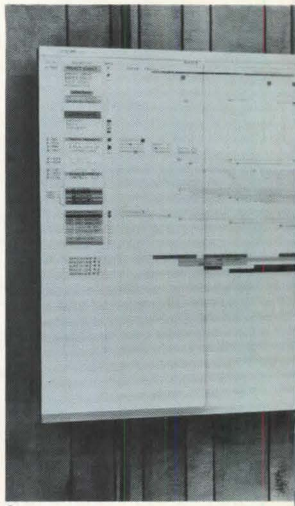

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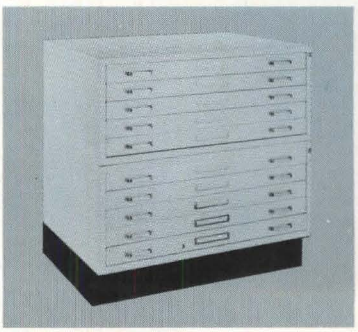

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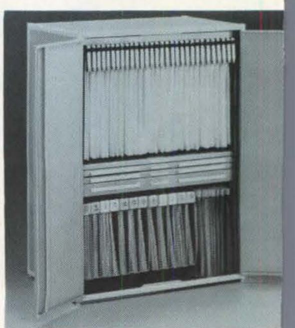

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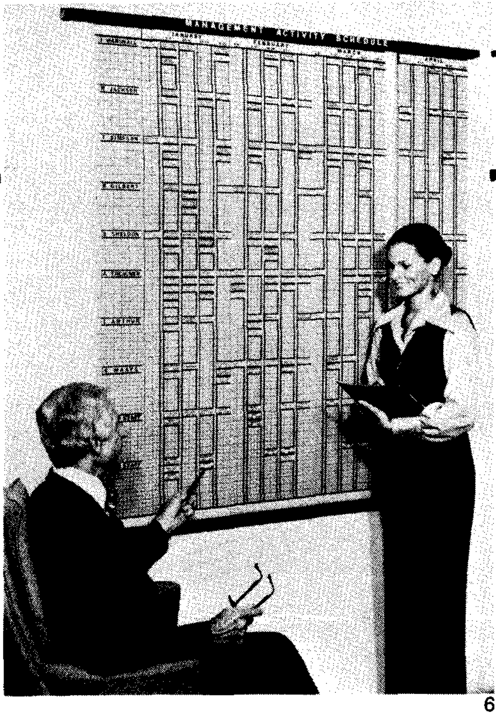

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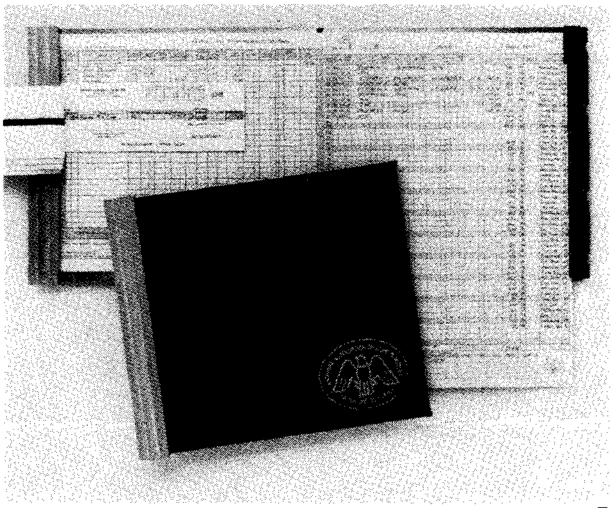

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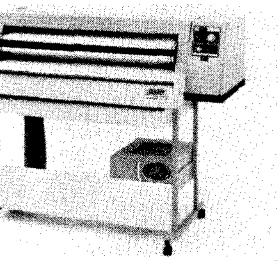

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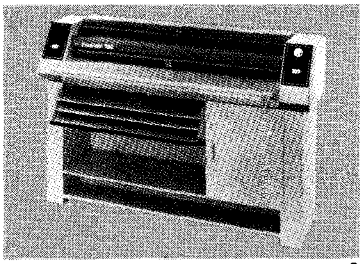

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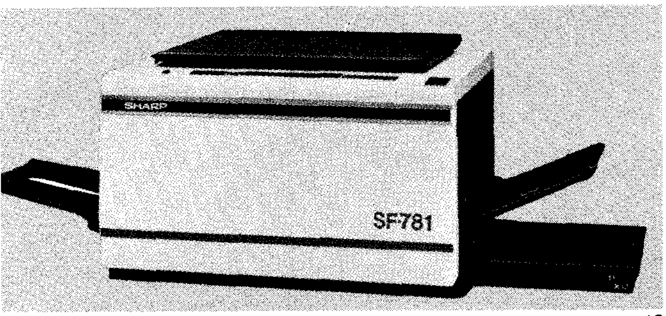

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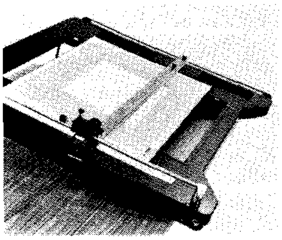

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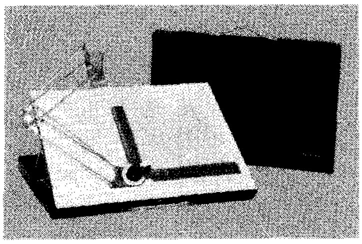

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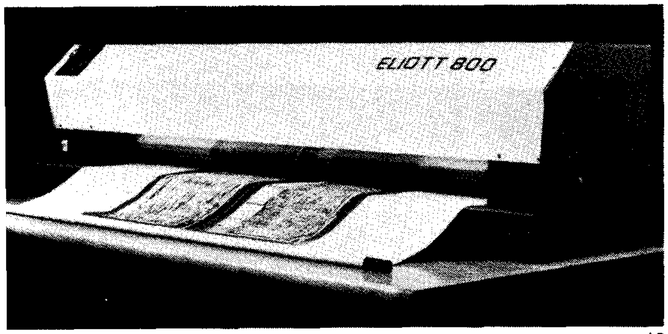


13

7. Simplified bookkeeping/cost control system was developed in cooperation with the Business Management Committee of the NAHB and is officially endorsed by that organization. The job cost ledger, accommodating up to 100 cost codes, displays total job cost history on one form. A manufacturer's representative will help set up the system and explain the forms involved to facilitate posting and balancing procedures. McBee Systems. *Circle* **246** *on reader service card*

8. The 'Professional' diazo copier comes in two models, one featuring automatic separation of print and original. A rear stacking tray and an "Ammonia Arrestor System" for ammonia odor control are standard equipment with both models. Diazit. *Circle* **247** *on reader service card*

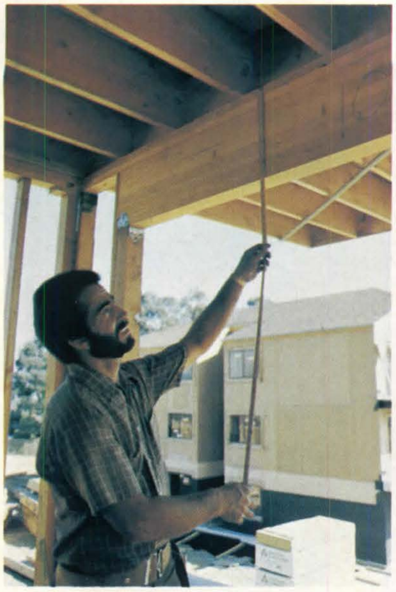
9. Print Vac™ 190 diazo copier is designed to handle most printing and repro-drafting jobs. The floor model, 48″ wide and 43½″ high, incorporates an 11″×54″ feedboard. "Vapor Removal System" vacuums ammonia fumes from prints to reduce odor. A rear print delivery tray is optional. GAF. *Circle* **248** *on reader service card*

10. Compact desktop copier, model SF-781, features a voice function that can "explain" how to remove original, change paper size and correct misfeeds and other malfunctions. Two reduction modes help to standardize copy size, reduce paper expenses and facilitate filing and mailing. Sharp Electronics. *Circle* **249** *on reader service card*

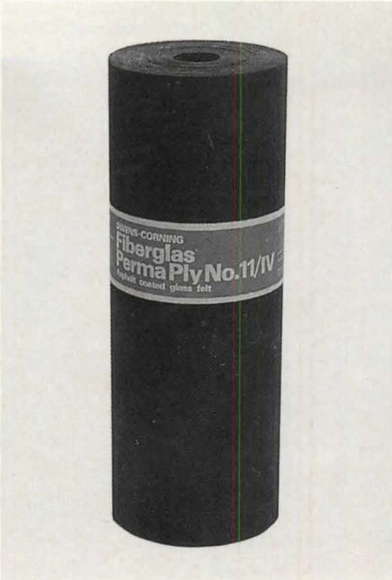
11. The 'Rotoboard Planner' is a portable desktop drawing board with an 18″×24″ surface capable of accurate 90° rotation. Frame is constructed of durable rigid plastic; acrylic drawing surface is covered by a cutting mat and framed in aluminum. An optional backlighting unit is offered. Zi-Tech Division of Aikenwood. *Circle* **250** *on reader service card*

12. Portable drafting kit consists of a parallel-arm drafting instrument mounted on a rigid lightweight vinyl-covered board. The board, offered in 13½″×19½″ and 19½″×27½″ sizes, can tilt up as shown. Features include spring-tensioned arms and removable scales. Kit comes in leatherette attache-type carrying case (shown). Hunter Associates. *Circle* **251** *on reader service card*

13. Diazo print copier, model 800, accepts blueprints and drawings up to 30″×42″. Within minutes, the copier makes a sepia copy that can then be developed on any standard white-printer. Eliott Industries. *Circle* **252** *on reader service card*



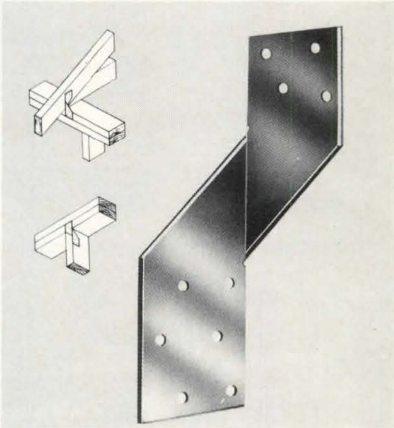
Structural glulam timbers, for residential and commercial use, allow for clearspan floor and roof systems. American Institute of Timber Construction. *Circle* **264** *on reader service card*



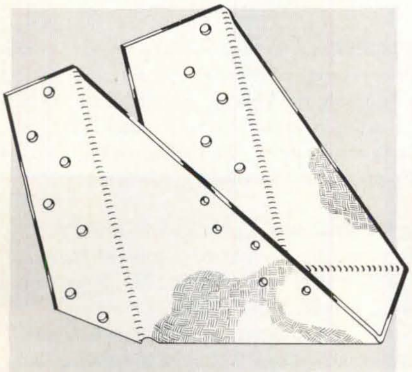
Fiberglas® roofing felt, "Perma Ply No. II/IV," resists rotting, curling and moisture absorption. Product is available in 36″ wide rolls. Owens-Corning Fiberglas. *Circle* **265** *on reader service card*

Tuff-R™ insulating sheathing has a foam plastic core with an aluminum foil face. Board is suggested for use with a ½″-thick gypsum wallboard. Celotex. *Circle* **269** *on reader service card*

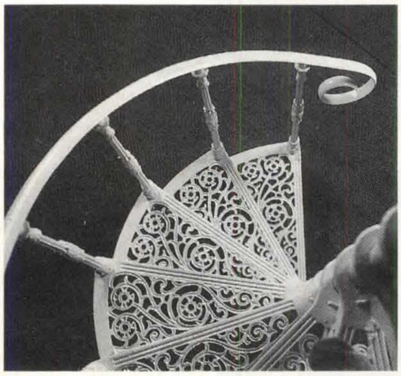
Lightweight 'Enkadrain' matting relieves the hydrostatic pressure build-up that may occur in soil that drains poorly. Composite matting, shown being installed on the roof of an earth-sheltered residence, consists of a compression-resistant nylon mesh webbing heat-bonded to a polyester fabric. Protective matting comes in rolls 99′ long and 38″ wide. American Enka Company. *Circle* **266** *on reader service card*



'Super Storm Clip' anchors roof trusses or rafters to reduce wind uplift problems. The structural connectors fasten wood to wood, concrete, and drywall. Panel Clip. *Circle* **270** *on reader service card*



Heavy duty 45-degree hip jack hanger is designed for use in "problem" corners. Unit is made of 13-gauge galvanized steel; nails are included. Alpine Engineered Products. *Circle* **267** *on reader service card*



Modular cast-iron spiral staircase is a reproduction of a Victorian stair. Unit is recommended for access to attic or loft or as exit from an outdoor balcony. Steptoe. *Circle* **268** *on reader service card*

Window insulation attachment system is designed for use with the manufacturer's products. System allows for easy removal and reuse of insulation. Energy Saving Products. *Circle* **271** *on reader service card*

Lightweight aluminum service body is said to reduce truck fuel consumption and chassis wear. Reading Body Works. *Circle* **272** *on reader service card*

Rotary hammer (*right*) weighs only 6.2 lbs. The model 710, with variable speed and reversing motor, can drill anchor holes up to ⅝″ in concrete. Skil Corp. *Circle* **273** *on reader service card*

Extendo 88 high-lift, with 8″ mast, can raise 2,500 lbs. 42 feet. Features include automatic leveling, four-wheel drive and 90° fork tilt. Attachments such as hydraulic winch, boom extension and special fork are available. Pettibone Corp. *Circle* **277** *on reader service card*

Round woodstove/fireplace, with built-in woodbin, is available in two models. According to the manufacturer, the large wrought-iron surface area and firebrick-lined firebox allow the stove to radiate heat several hours after the fire is extinguished. Moveable units can be connected to an oil-furnace chimney in full accordance with building regulations. Rais & Wittus. *Circle* **253** *on reader service card*

Baffled solid fuel heater, measuring 20″×17½″×30″, is designed to heat an area up to 1,000 sq. ft. Minimum hearth pad is 30″×36″. Firebrick lining and double doors are standard. Options for the 240-lb. steel "Cedar" include fan, brass trim and glass door (pictured above). Sweet Home Stove Works. *Circle* **254** *on reader service card*

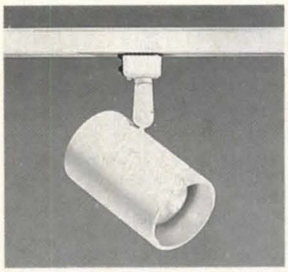
'Wood and Coal Circulator' has cast-iron doors, grates and frame. The unit comes in imperial brown, with silver-tone grill and wood-tone accents. Three U.L.-listed models are available: Two are woodburning; one accepts coal or wood. Pictured is the "Deluxe Ashley Imperial Model C-60E" which has a maximum fuel capacity of 100 lbs. of wood. Ashley Wood Heaters. *Circle* **255** *on reader service card*

Woodburning fireplace insert has a steel body and cast-iron faceplate and doors. Glass door panels can be easily removed for cleaning. The "Moravian" is available in two sizes: 25½"×29"×22½" and 23¼"×26"×19½". Options include solid doors, firescreen and variable speed blower designed to fit below the ashshelf. Quaker Stove. *Circle* **256** *on reader service card*

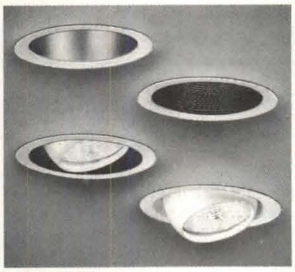
'Power-Trac' residential track lighting installation is shown above in the sitting area of a bedroom. The "Classic" lampholders also come in antique brass, old brass and old copper finishes. McGraw-Edison. *Circle* **280** *on reader service card*

Track-mounted lighting (*above*) includes downlights, "wall washers" and suspended housings. Lightolier. *Circle* **284** *on reader service card*

Amber glass shades and wood and cane wall brackets are shown at left with matching medicine cabinet. Thomas Industries. *Circle* **285** *on reader service card*

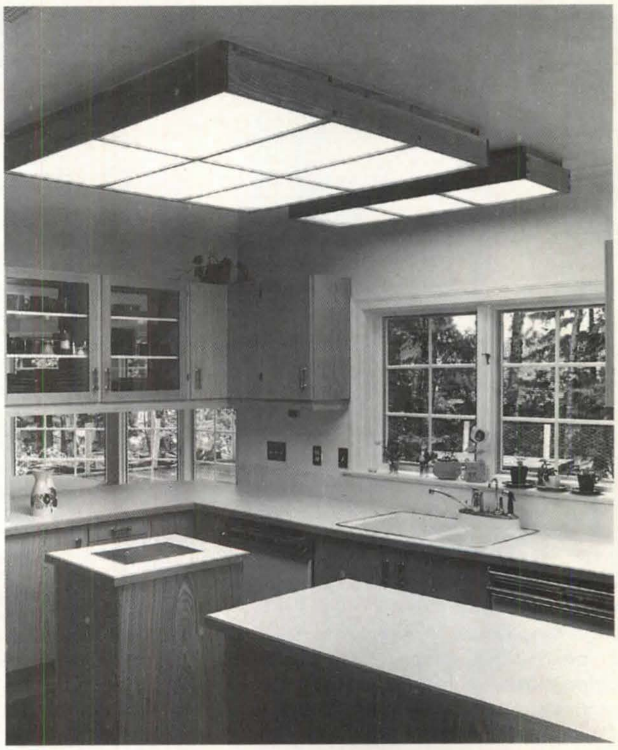


Cylinder lamp adjusts 350° horizontally and 180° vertically. Five finishes are offered. Nu-Tone/Sterling. *Circle* **281** *on reader service card*

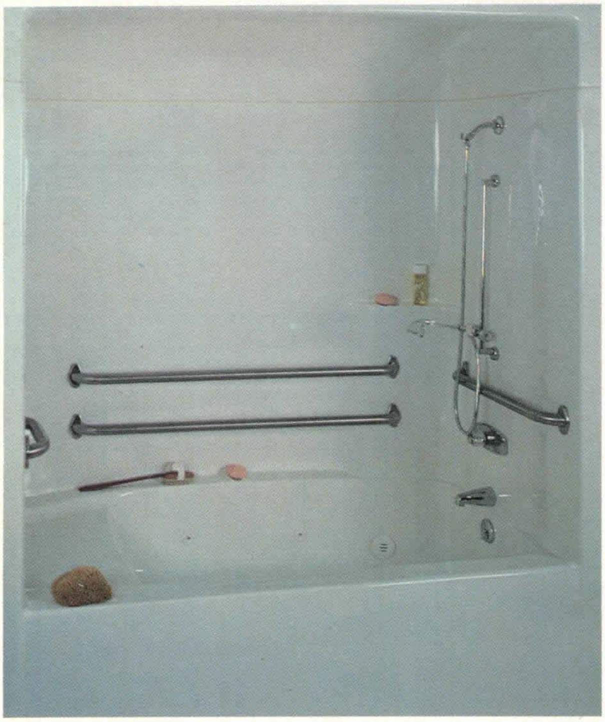


Recessed lighting fixtures, from a new low-voltage line, are designed for use with 25 or 50 watt lamps. Progress. *Circle* **282** *on reader service card*

Decorative ceiling light is from the Light Concepts™ line of vinyl-coated steel fixtures. The side panels on the fluorescent fixture have a "Country Oak" finish with a floral pattern. The model pictured measures 48⅛"×16". Lithonia Lighting. *Circle* **283** *on reader service card*



Energy-efficient fluorescent ceiling fixtures, shown installed in the kitchen above, are offered in three sizes: 1'×4', 2'×4' and 4'×4'. The fixtures are framed in solid oak and feature acrylic diffusers that detach for easy cleaning. Idaho Wood Industries. *Circle* **286** *on reader service card*



One-piece seamless tub/shower is from the Summit Series™ of barrier-free bath designs for the handicapped and elderly. The molded fiber glass stall features grab bars, vanity ledge and tub seat. Whirlpool bath system is optional. Dura Glass Products. *Circle* **259** *on reader service card*

Matching fixtures and accessories are shown installed in a powder room. "Chinoiserie" wall covering design complements the hand-painted ceramic washbasin and 24-carat, gold-plated faucet set. Other decorative details shown in photo include cabinet doorknobs, soap dish and towel rack. Sherle Wagner International. *Circle* **260** *on reader service card*

Tri-view mirrored cabinet is a surface-mount unit, available in 30″ and 36″ sizes. Frames are offered in natural oak, white/gold baroque, gold baroque and chrome. Overhead theatrical lights are optional. Zenith. *Circle* **261** *on reader service card*

Olympus bathtub is designed for island or recessed installations. Preplumbed unit, with built-in, contoured seat, measures 67″ sq. Florestone. *Circle* **262** *on reader service card*

'Basco Frameless' tub/shower enclosure eliminates the need for metal framing around the tempered glass panels. Features include an outside towel bar, adjustable nylon ball-bearing rollers and the "Sta-Kleen" track system. Doors are 57″ high and available in 50″ to 60″ widths. Silver, gold and bronze finishes are offered. Basco. *Circle* **263** *on reader service card*

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Giving a refresher course for builders

In recent years, residential electrical layout has become considerably more complex. And it is therefore a subject that John E. Traister, author of *Residential Electrical Design,* thinks builders and architects should acquire a more specialized knowledge of.

The 192-page book is a comprehensive manual on how to design and draw up an electrical plan for any size residence. Basic vocabulary, symbols and residential needs are considered first. An early chapter is devoted to the National Electrical Code. Later sections explain how to make necessary load calculations, how to lay out branch circuits and feeders, how to accommodate heating equipment.

The book also suggests lighting schemes for each room of the house; sample wiring plans are diagrammed. Also included is detailed information on outdoor lighting and grounding. There is a variety of sample calculation sheets and tables on wire sizing, cost estimation and other important considerations.

Residential Electrical Design, by John E. Traister, costs $11.50. It is published by Craftsman Book Co., 6058 Corte del Cedro, PO Box 6500, Carlsbad, Calif. 92008

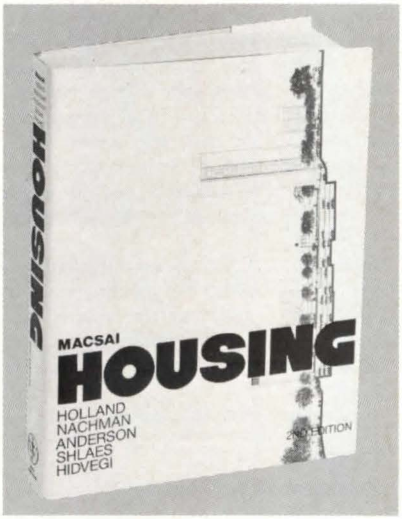
Builders interested in the design of high-density housing—particularly in the form of low-, mid- and high-rise buildings—will want to take a look at the second edition of *Housing* by John Macsai et al *(see photo, right).*

The detailed sourcebook analyzes the many components of housing design and construction, including everything from floor plans to parking and waste disposal. For while an overview is presented, the authors dissect each component thoroughly. For example, an analysis of floor plans summarizes the usual discussion of privacy and zones of living/sleeping spaces—and then enumerates such specific factors as "Entering the apartment with groceries" or "Passing from kitchen to bathroom"—and shows how those activities must affect the way a dwelling unit is designed.

A revision of a book published in 1976, this second edition reflects, says Macsai in his introduction, "changes that took place in the field of housing from 1975 to 1980"—as well as changes made in response to comments received about the first edition.

New emphases include: changing demographics—for example, the rising number of elderly and the consequent need for appropriate housing to accommodate them; codes—particularly for the handicapped; and of course the energy issue, with treatment of both "energy-efficient" design and mechanical systems. New building techniques are also studied, with expanded coverage of such things as new precast and prestressed concrete techniques.

Housing features over 600 illustrations designed to enhance and clarify information; included are sketches, diagrams and photographs. Many principles discussed in the text are highlighted in the presentations of 87 housing projects, with floor plans, site plans, cost data and photographs. There are also many charts and tables detailing information on apartment



and room sizes, sound ratings of various building elements, elevator selection, parking systems and space requirements.

Although the book is meant to be as comprehensive as possible, it is not, says author John Macsai, a *Sweet's Catalogue* for designers. Rather than offer easy solutions, the author hopes to encourage better ones by identifying and clarifying the complexities of successful housing design. The book's scope does not specifically include single-family housing either—although many of the subjects discussed are as pertinent to the "American dream home" as to the higher-density housing this book primarily addresses.

Housing is available for $50. It is published by John Wiley & Sons Inc., 605 Third Ave., New York, N.Y. 10158

Failure to get government or zoning board approvals for a project often occurs solely because it was not properly presented. That's why author M.C. Leaden has written this step-by-step guide, *How To Get Your Building Plans Through City Hall.*

According to the author, the 50-page book is geared toward small contractors—"especially those with a desire to personally carry their ideas from conception through to fruition." Detailed text gives do's and don'ts on everything from how to establish a good relationship with authorities to what paper to use for elevations.

Subjects covered include: building codes; how to prepare your building plans; what your building plans should include; insulation and the energy codes; and building requirements, with information on termite protection, foundations, framing, and finishing.

Renovations, often involving different approval procedures, are given a separate chapter. Over thirty illustrations depict typical wall sections and other construction details and plans for both new and renovation projects.

For a copy of *How To Get Your Building Plans Through City Hall,* write to Firefly Books, 3520 Pharmacy Ave., Unit 1-C, Scarborough, Ontario M1W 2T8, Canada. The book costs $4.95.

The Illustrated Handbook of Home Construction by Halsey Van Orman is a practical, quick-reference guide—a sort of "bible for builders." The handbook guides the reader through the construction of a house from working drawings to the last touch of paint, with how-to data and tips on design and construction. Background information on applicable mathematics, architectural drawings, specifications and contracts is provided.

The Illustrated Handbook also examines many properties of building materials such as sheathing and siding, concrete and framing lumber. Valuable guidelines on designing efficient floor plans for all living spaces, kitchens and bathrooms are featured.

Emphasis is placed upon estimating labor and material costs. Detailed information is provided, with sample tables to help you figure out the time and money needed to complete a job. An appendix features a labor estimating table.

Mechanical systems, including the electrical, plumbing and HVAC systems, are also highlighted. A special section features information on solar space and domestic water heating.

The Illustrated Handbook of Home Construction published by Van Nostrand Reinhold Co., 135 W. 50th St., New York, N.Y. 10020, costs $14.95 for the paperback edition, $21.95 for the hardcover.

Readers defend HOW, free enterprise, etc.

In defense of HOW

HOUSING: Roger Riley is partially correct in his letter of December 1981 about "60 Minutes." Unfortunately, in too many areas of the country anyone can become a builder. But not anyone can become a HOW builder. Admittedly, a few "shoddy" builders may temporarily slip through our screening net, but the 15,000 active HOW builders who erect sound housing should be outraged at Mr. Riley's assertion. We are sure they must resent bitterly being accused of having "absolutely no knowledge." HOW continues to monitor builders and to enforce strict underwriting standards. HOW has recently instituted a builder rating system whereby a builder's individual experience in HOW will determine his rate.

Fifty-three percent of HOW claims are for builder non-compliance in the first two years. But seventy-five percent of those cases are due to builder bankruptcies. From a business standpoint, homebuilding is probably the most hazardous industry in the nation just because of its wildly cyclical nature. Seasoned builders with excellent records are often unable to weather the increasingly frequent recessions we are encountering; therefore, the HOW program makes even more sense for the consumer and the homebuilding industry.

ROBERT J. REID, president
Home Owners Warranty Corp.
Washington, D.C.

A Constitutional solution

HOUSING: Speaking out in HOUSING's Feb. 1982 issue, Roger Wells calls upon us to ". . . do battle for private enterprises." He sees us attacking at three points: First, "Beat your enemies by joining them"; second, "Get more pro-business people into government"; third, "Use the best land planners available."

May the following thoughts add something positive to the work and opportunities ahead:

Writing in a recent issue of *Reader's Digest*, Walter Wriston, CEO, Citicorp, has observed that those who do not believe in the free competition of intellectual and economic ideas have disguised themselves as guardian angels and have *demanded* that a risk-free, pretty society be built for them on a financial basis borne *entirely* by private business, *not* by society as a whole. Query: Does this not violate the intent and historical logic of the Fifth Amendment? Wriston warns that many believe that it may already be too late: That the guardian angels have bankrupted us and sapped our spirit.

By reason of the above and countless other statements by responsible leaders and observers in and out of our industry, Roger Wells' analysis and concerns must be heeded. His position holds water. We can no longer believe that our wealth, luck, wisdom and resources are infinite. . . .

Solution: I am convinced that to attack people and groups such as the civil servants, foremen and mid-level managers identified as enemies by Roger Wells is senseless, divisive, self-destructive. To join them is *worse yet*. . . . To put more pro-business people into government makes sense, but I doubt that we have the time to put sufficient force into office. What then?

To immediately *reform the laws and policies* underlying citizen advisory planning groups *materially and politically supported* by city, county, state and federal government(s). With new laws guaranteeing appeals, penalties, due process, equal protection, the works . . . *obligate* the leaders, board members and political allies of all community planning groups, visual impact review committees and design review boards to respect the U.S. Constitution: To guarantee Constitutional protections to those appearing before them with property rights, economic liberties and dreams at stake. . . . To guarantee to the public at large that so long as they receive material and political support by any level of government they will, under penalty, stay out of partisan politics. To guarantee to the public at large that their practice shall not, for want of time, expertise, objectivity or resources, unduly hinder or block the ability of duly constituted authority . . . to deliberate and act wisely and well for the whole and not for special interests. . . .

In a nutshell, I am convinced that our best hope lies with having the moral courage to go with the Constitution: the rule of law. . . . I believe we are in crisis. Thank you for pulling on the rope. May we soon rediscover our way.

KEN BREMAN
Ken Breman Marketing Co.
San Diego, Calif.

Demand index: any evaluation?

HOUSING: I recently saw the January issue. I was particularly impressed with the housing markets analysis [housing demand index]. . . . Is there a summary of the technical factors used in preparing the housing markets analysis? Are there any historical summaries and/or evaluations of the accuracy of the estimates?

JOHN W. CONE
Los Altos, Calif.

Dr. Alfred Gobar, who prepares the quarterly index, is in the process of comparing his results with 1980 census figures as they become available. We'll publish his findings in an upcoming issue.

On the cost of architects' plans

HOUSING: Reading your article "Shoppers Divvy Up Square Footage in New Ways," [in the] December 1981 issue of HOUSING, I had to laugh when I read the section of "Future Plans" [page 56]. I would like to know what type of "detailed architectural drawings" a person would get for $200. I assume the reference to "detailed architectural drawings" was a draftsman's cost to modify a set of already prepared plans and not a design solution. In a period when design is critical to develop more livable and affordable housing, both new and remodeled, we should look at realistic costs to develop design solutions and you "ain't going to get it for 200 bucks." Your publication promotes many quality projects, and to lead readers to believe that the architectural designs of such projects is a minor consideration is a disservice.

As an architect involved in residential and commercial design, I hope future issues will explore the value of good design and how it relates to the bottom line cost.

DENNIS W. NEIFERT, A.I.A.
Dennis Neifert and Associates
Kent, Wash.

We didn't intend to imply that the architectural drawings referred to would be individualized "design solutions." Rather, the $200 represents the fee a builder might charge for a plan that shows how one of his production homes can be expanded. HOUSING'S *HFBL awards program (this year's winners will be published in our August issue) is evidence that we don't believe design is a "minor consideration."*

A call for action

HOUSING: I refer to Patrick H. Rupertus's letter in the May issue of HOUSING. I totally agree with his point. *No one* in any related industry of housing has come up *against* the Federal Bureaucracy in the political feud going on between the Democrats and Republicans that is causing this economic destruction of our country. It is common knowledge amongst everyone that I speak to that this fight exists and that our elected officials are directly causing the economic chaos now prevalent in our country. How many *more* bankruptcies, foreclosures, unemployment to we have to bear? How many small businesses do we close (that have made this country)? What will it take to get Congress and Senate and our present administration to *get the message?* To put away their boxing gloves and roll up their sleeves and go to work solving our economics within our own country?

. . . Patrick's letter is right. We need an Ad-hoc committee and [to] use our political clout to bring down the heavy arm of the people upon our elected officials of Congress and bring about change today. That does something. Passage of *more* legislation will not solve our problems—that is our problem. We need to de-regulate the Federal bureaucracy and bring back the free enterprise system that *works*—and will always *work*—against any form of *controls*.

I say it's time we started doing something about our own industry.

HARRY R. CLARK, Realtor Associate
Golden West Realty
Carmel, Calif.

We invite your reaction to the views expressed on these pages—or to anything else that affects your interests and those of the housing industry. Write to: Natalie Gerardi, Editor in Chief, HOUSING, 1221 Ave. of the Americas, New York, N.Y. 10020. Due to space limitations, we reserve the right to edit any letters that we publish.

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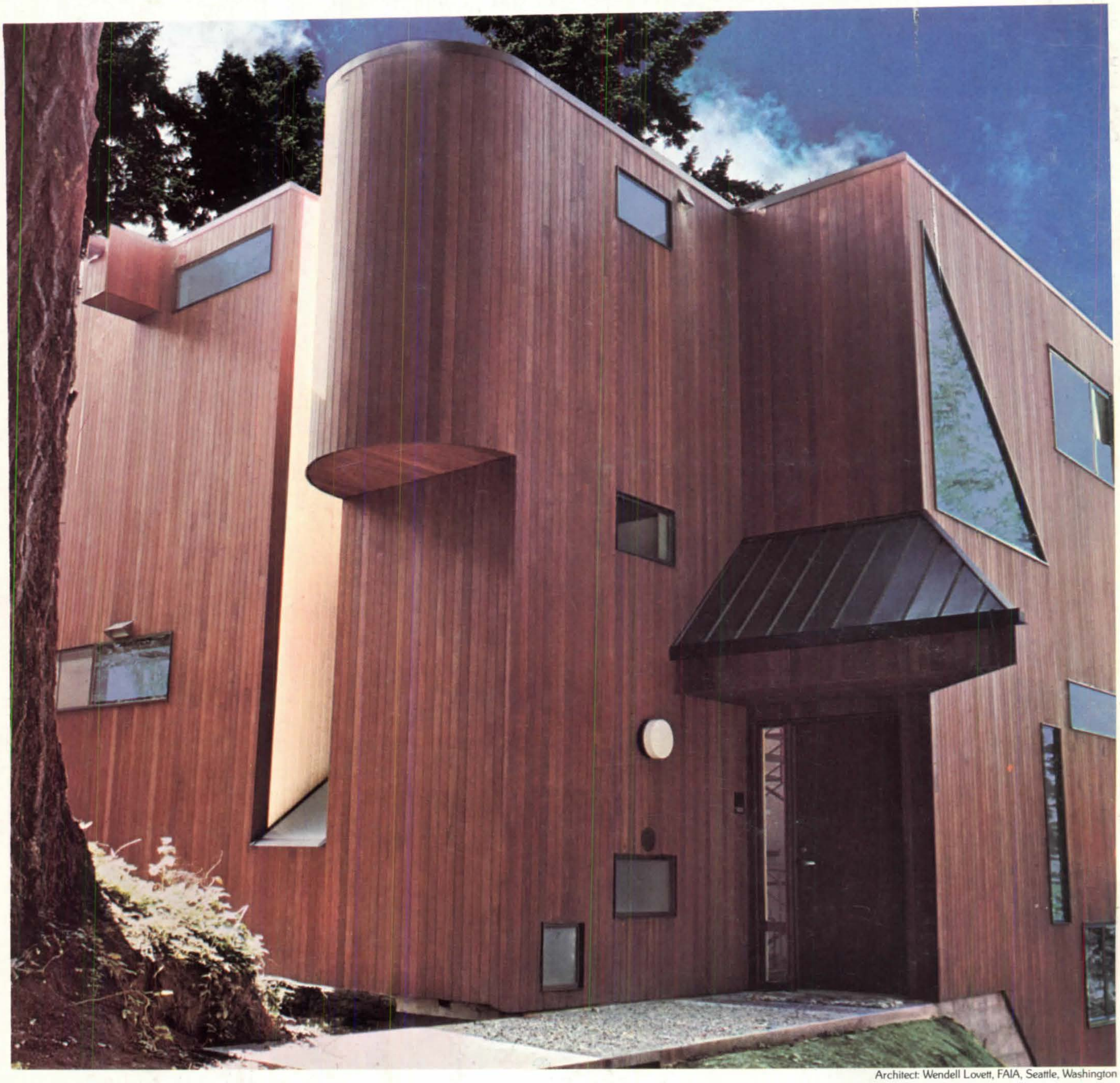

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