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Development and Management of Investment Properties

by Lloyd D. Hanford, Sr., CPM

Mr. Hanford is a well-known San Francisco property manager, a past president of the Institute of Real Estate Management and a noted speaker and writer in behalf of the real estate profession. His newly-revised book is the standard text of the Institute's Course II, but is available to non-course registrants. If you are in the field of real estate, the book will give you a clear picture of the benefits you're missing if you don't offer investment property management and guidance as a service to the public. If you offer management now, it is an invaluable tool for improving your operation, providing maximum benefits to your clients and gaining top profits for your firm.

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BRIEFING THIS ISSUE

SHAPING THINGS TO COME

Two issues of major national importance were the subjects of discussion at the IREM Open Session during the NAREB New York convention: housing low-income groups and air pollution. Speakers included Jason R. Nathan of the New York City Department of Housing and Development, Thomas C. McGrath, Jr., of HUD, and Doyle J. Borchers of HEW.

MANAGEMENT 1969: PROBLEM PREDICTIONS

IREM Chapter Presidents were requested to look ahead toward the coming months and predict what their one major problem would be. While answers varied as to locale, rising cost of operation and its radiating effects were most frequently commented upon.

THE MANAGEMENT LETTER: ONE MAN'S FORECAST

Lloyd D. Hanford, Sr., CPM

Taking a "20 Answers" approach, Mr. Hanford outlines areas which he thinks will represent the greatest troublespots and changes in the field of property management in 1969.

RETIREMENT HOTEL: AN ECONOMIC INVESTMENT AND UNIQUE SOLUTION TO A SOCIAL DILEMMA, PART II

Leonard P. Richman

Mr. Richman concludes his study of the varying facets of operating a residence designed to provide low-income retirees with comfortable pleasant living. This segment is devoted to the operation of food and dining services and how to establish and maintain an atmosphere of sound physical and mental health among residents.

MERCHANDISING NEW APARTMENT CONSTRUCTION

Sidney Glassman, CPM

Mr. Glassman highlights some aspects of apartment merchandising, which includes achieving a unified motif among planners, architects, and advertising personnel. He emphasizes the need for a total picture, from exterior landscaping to interior light fixtures, which will focus the value of the apartments. The Orleans Village in Washington, D.C., shown on our cover, illustrates the use of a characteristic motif to achieve successful merchandising.

CORRECTION: A Manager's Primer on Shopping Centers

September/October 1968 issue

An error occurred on page 200 in reference to the formula for determining tenants' share of common area maintenance cost. The formula should appear as follows:

\[
\text{Area of Store} \times \text{Annual C.A.M. Cost} \over \text{Total Rentable Area of S.C.}
\]
Shaping Things To Come

New York City was the site of the 1968 Convention of the National Association of Real Estate Boards last November. As always, the open educational sessions of the Institute of Real Estate Management highlighted the multi-faceted convention. In addition to an "on-line" computer-for-property management demonstration and the stimulating management roundtables, IREM presented three well-qualified speakers who tackled subjects of prime importance to real estate practitioners. The entire texts of their addresses are presented on the following pages.

Putting Management Firms into The Urban Renewal Picture
Jason R. Nathan

Development, Investment and Management Aspects of the 1968 Housing Act
Thomas C. McGrath, Jr.

Air Pollution and Real Estate
Doyle J. Borchers
Putting Management Firms into the Urban Renewal Picture

by Jason R. Nathan

I'd like to present a few elements which I believe will possibly have value—instructional value and perhaps service value—to you in real estate management fields around the country. I think we're in a period—and we have been in this period for some time now—in which many of our values and responsibilities and the critical nature of many of our problems have all become so intertwined, complex and difficult that many of our assumptions and concepts are being changed as radically as the urban scene is being changed.

To say that we are in the midst of an urban revolution or a civil war or a national crisis as serious as any we've faced since the Civil War is not to exaggerate. But to say that we know what the response is would not only be exaggeration but the height of self-delusion, because we as a nation don't really know what the response is. I doubt that many of us feel that we have devised the kinds of formulas necessary to be able to deal with the urban revolution that exists today.

By the same token, those of us who have something to do with the real estate field, as well as those in other fields, are striving and clutching and wondering what kind of role we can play in our own professions. How can we get a handle on providing some kind of aid or assistance? How can we make some kind of contribution? That is something I'd like to spend a bit of time on but before I do that I'd like to make a few preliminary comments regarding the 1968 Housing Act.

Now I'm talking of business opportunities in terms of the conventional thrust and objective of profit. And I want to mention to you one of the most significant and yet unrealized and widely unknown sections of the new Housing Act. The 1968 Housing Act was both a promise and a dis-aster. It contains the broadest set of expanded program authorizations in public housing, urban renewal, model cities, rehabilitation, FHA assistance, flood insurance, riot insurance—all of these are contained in the act. In that sense it is, if anything, a watershed piece of legislation.

When I say that at the same time that it was a triumph it was also a tragedy, I am referring to the fact that the authorizations in the act were one thing and the appropriations process another: he that giveth can also taketh away. And the Congress that passed the new legislation in its broadest and most visionary mood then turned around and chopped the appropriations almost to nothing. In many ways the 1968 act simply adds to the frustrations, the rising expectations without fulfillment that we see as almost standard operating procedure in the nation.

There is an important element in the 1968 Housing Act that you, as people in the real estate field, should be aware of. All of you know about investment, depreciation, accelerated depreciation; there are several sections in the 1968 act that are right down your alley. As real estate professionals, as advisors to clients, as people with real estate investment responsibilities, take a look at what is called the National Housing Partnerships. This concept was suggested by the commission President Johnson appointed and headed by Edgar Kaiser and was written into this legislation.

It provides through many complicated vehicles a new opportunity—many of us believe—for bringing private enterprise, private investment, private real estate development interests into the "battle" to rehabilitate the slums of the nation's cities. This National Housing Partnerships concept provides an opportunity for partnership and investment interests to be able to go into the slum areas with real estate construction, investment and development and be able to gain the benefits of long-term accelerated depreciation. Secondly, even if you are able to get the accelerated depreciation in the early years of a real estate development, unless you have some assurance that you can get out somewhere between eight or ten years, it does not work out to be as advantageous an investment as necessary to attract private capital fully.

There is a related section of that bill for the application of an early commitment by FHA for a low- or middle-income
It has been said that home ownership is good and sometimes many of us who have been involved in public programs miss the real meaning of that. We see the only answer as publicly-assisted or public housing or subsidized housing. The result of this is that many of us who have been in this field for so long sort of pooh-pooh the idea of private property ownership, of having a role in its decisions, management and profits. Those of my associates in government who take this attitude could not be more short-sighted. If there's anything that 30 years of public housing has proved—probably more in the small cities than in the large—it is in many ways the futility of building public housing if you don't build pride at the same time.

While there is an inevitably expanding role as all of these government programs expand to tackle the increasingly critical problems of the cities, I would suggest that at the same time there must be an expansion of the concept of a piece of the action. When I say that this is in the best sense of conservative response to difficult problems, I say that because of the simple fact that by ownership or by participation or by "a piece of the product," the people in the community who have felt so deprived and alienated and therefore without a sense of relationship or responsibility can achieve these by that piece of the action. If in fact the values of responsibility, the values of private property are to survive through this difficult period, when in many ways they are under attack, the concept involved in expanding this sense of participation, of ownership, whether it be by fee ownership for traditional small home ownership or, in a larger city, cooperative ownership or whatever, must be promoted. These things make sense because they can have a role in conserving property value. When a piece of property or a business is mine or I have a share in it, I have a sense of
It is, how critical it is, but what can I do? I recognize the problem, I know how difficult it is, but how can I do? I can participate as a member of my community but as a real estate man or as an attorney, what can I do? Isn't there something contrary to my interests and the direction of my business that is suggested by having 'a piece of the action' or by local ownership or by local business development?

I suggest to you that the answer is absolutely not. There is nothing inconsistent; in fact in every real way the interests of private business, the interests of the real estate profession, in small communities as well as large, are wholly consistent with the needs and desires and directions of communities in the disadvantaged areas.

I would like to suggest two things very specifically. The first relates to my own experience and contact with so many smaller cities which the majority of you represent. Many of these small cities are developing urban renewal programs, one or two urban renewal projects in a city. When I was Regional Director [of HUD] in Philadelphia, I was responsible for six states plus the District of Columbia and something in excess of 200 cities' renewal programs. The average renewal program is being carried out in cities of around 50,000 population and usually entails one moderate-size project. If there is one thing which runs through all of them as standard, it is the need of the small or medium-size city for professional real estate management advice and assistance. I'm not speaking of only appraisal and negotiation but the simple needs and problems of real estate management. In many ways, the local government operations are really unable—or incompetent—to deal with the complexities of real estate management.

I would suggest to most of you who are from smaller cities that you ought to make yourselves aware of what kind of public real estate acquisition, management, and development programs are being carried on in the city. Find out from the local agencies involved what kind of assistance they need. I'm speaking in large part about contract assistance, for example, in which they have a real need for continuing work, consulting and advise.

Going beyond this, in a completely non-monetary, non-contract sense, if there's anything that we in New York and in smaller cities all across the country see as a constant, it is the fact that as local community groups develop moderate income housing, they face the problem of developing expertise in managing that property. In the case of the indigenous nonprofit organization, for example, that is sponsoring a 50-, 75- or 100-unit housing development, it is not enough simply to say to them "We are available" to enter into a contract to manage their property.

I've talked about business opportunities under the Housing Act, I've talked about contract services with local agencies, I now want to talk about non-monetary elements. Since I've given a pitch to two elements of potential profit, I think I can also throw in one for nonprofit. If what I said is true about the conservative value of developing expertise in the sense of participation, then I think in the long run one of the real contributions you can make as a public service—a non-monetary public service—is to find out what kind of local community sponsorship is being developed in your city and what kind of assistance it needs.

The local Baptist church, in many cases the local Negro Baptist church, is carrying out the sponsorship of a housing development. It's one thing for us to recognize how difficult management is and to say, "My God, they don't have experience." But it's another thing to recognize the development of that experience by relating to you, by your offering on occasion to have a man spend an evening...
a week during the construction period talking with a group about the importance of management and management concepts; by having the local real estate association undertake a concerted program offering these kinds of services.

No single service can at the same time be more realistic, be more helpful and needed, and more directly bring your professionalism, your expertise, your experience into the act in a real way and at the same time offer or make possible the building of a bridge. This may sound idealistic but I suggest it isn’t at all. It may sound as though we’re looking for ways of spending lots of time and wasting time but I would suggest it’s not that at all. It seems to me this is a very real and very tangible way of providing what to you is a simple kind of knowledge and assistance but what to others would be an invaluable introduction into something which to them is complex and oftentimes impossible.

If that housing development is successful and succeeds in part because of your efforts, it seems to me that you will have made a contribution of no small importance.

I hope that what I’ve talked about is not only the revolution in the cities, not only the opportunities in the new Housing Act for a new kind of private investment potential, but the business and public service opportunities and the need for local real estate professionals in so many of our cities to find out what is going on and where local agencies need assistance and contract assistance. With these, I hope I’ve given you some kind of a perspective or a well-rounded, several-faceted insight into some of the problems as well as the opportunities.

Jason B. Nathan is Administrator of the Housing and Development Administration for the City of New York, to which he was appointed by Mayor John V. Lindsay in November, 1966. He is responsible for directing all city activities in the housing and development fields, including urban renewal, middle-income housing, code enforcement, rehabilitation, demolition and the municipal loan program. Prior to this, Mr. Nathan served as a Regional Director for the Federal Department of Housing and Urban Development. He holds a LLB degree from the Harvard Law School, is a Phi Beta Kappa and is a member of Pi Sigma Alpha, the national political science honorary fraternity.

Some Aspects of the 1968 Housing Act

by Thomas C. McGrath, Jr.

I have been asked to discuss the Housing and Urban Development Act of 1968, with particular emphasis on those provisions of the act pertaining to multi-family housing for low and moderate income families. Before I get into the specifics, I would like to make a few remarks about the act in general.

The Housing and Urban Development Act of 1968 is the most comprehensive piece of legislation ever enacted by the Congress to deal with the multitude of problems facing housing and our cities. We are all aware that many of our citizens are not able to obtain on the market place decent housing which they can afford. This is a problem which we have addressed in other legislative enactments in the past. However, in 1968, for the first time, the Administration proposed and Congress adopted a plan of action which not only recognizes this problem but also sets a definite period of time within which to overcome it.

It is estimated that approximately 26 million new and rehabilitated housing units must be added to our present housing supply over the next 10 years. Six million of these units must receive some form of federal assistance to make them available for those low and moderate income citizens who will not be able to afford decent housing and to replace existing substandard housing.

The 1968 act sets this production as a national goal and directs the President to report to the Congress every year for the next 10 years on the progress being made and to recommend any actions needed to keep progress at the necessary level. The act also provides authorization for the first three years of the program and establishes new tools for bringing into the housing market the equity and mortgage funds needed to reach the goal.
I would like to emphasize at this point what I believe to be one of the most important features of the new act: that is, the full recognition that if we are to achieve these housing production goals we have set ourselves, we must rely heavily upon the full and active participation of private enterprise.

Up to now, private participation in our subsidized housing programs has been encouraged but not utilized to its full potential. To tap this potential, the 1968 act provides two new FHA mortgage insurance programs to serve lower income families. These programs will provide housing that is privately constructed, privately financed and privately owned. To attain this full private participation, federal assistance will be provided in the nature of interest subsidies for both homeownership and rental and cooperative housing. This approach will take the federal government out of the direct lending business, in which it finds itself with the 221(d)(3) program, and permit a much larger number of housing units to be produced than is presently possible.

Other significant features of the act, directed at encouraging greater private participation, are the authorization of the National Housing Partnership, the conversion of the secondary market operations of FNMA to private ownership and the authorization of a new program of federal guarantees for private developers of new communities.

The National Housing Partnership, which will be funded and operated privately, should bring equity capital into the field of low and moderate income housing, especially rental housing. Although it is anticipated that the initial investors in the Partnership will be primarily large corporations, the law requires that the National Partnership supply only 25 percent of the equity for a particular undertaking unless the remaining investment cannot be raised from local investors. This should give many of you an opportunity to participate on an equity basis in low and moderate income housing ventures while benefiting from the expertise of the National Partnership.

The new private FNMA will continue to provide an important secondary market for FHA and VA mortgages but, for the first time, the private shareholders will have a definite say in its operations. Additionally, the authorization of a new federally guaranteed "mortgage-backed security" which FNMA, along with private mortgagees, is now authorized to issue, should attract large amounts of investment capital into the mortgage market which are not now available. This new security will enable an investor, such as a pension fund, to buy a share of a trust fund consisting of FNMA-held mortgages without committing itself to the long-term investment that is identified with mortgages or involving itself in servicing problems.

This principle of a federally guaranteed obligation, tradable in the market, is also behind the New Communities Program authorized by Title IV of the act. Under this approach, the federal government would guarantee the obligations of a private developer, issued for the purpose of supplying capital to him to acquire large tracts of land and to pay for the initial cost of preparing the land for the development of housing and industrial, commercial and public uses. The repayment of the obligation will be keyed to the expected cash flow of the developer and thereby enable him to proceed with development without worrying about payments during those lean years when the cash out-flow far exceeds income.

As you can see, we have attempted in the 1968 act to devise means whereby private funds, on both an equity and a
mortgage basis, can be utilized to provide major segments of the capital needed to meet the 10-year goal. Let me now turn to the details of the act respecting multifamily housing for low and moderate income families.

The most significant feature is the new FHA rental housing program set out in a new section 236 of the National Housing Act. Under this new program, a cooperative, nonprofit or limited dividend sponsor can obtain an FHA-insured mortgage on its rental project for lower income families at a market rate of interest. To help the project owner provide housing at a rental rate that can be afforded by these families, the federal government will contract to make a payment to the mortgagor, on behalf of the mortgagor, to cover the difference between the amortization cost under the mortgage at the market interest rate and what the amortization cost would be if the mortgage carried a 1 percent interest rate.

This interest reduction payment will permit the project owner to establish a rental rate low enough to provide decent housing for many families who could not otherwise afford it. This rate would be known as the basic rental rate. There would also be established for each unit a fair market rental rate—calculated on the basis of no federal assistance.

A tenant will be required to pay 25 percent of his monthly income toward the fair market rent of his unit. However, a tenant must always pay at least the basic rental and will not have to pay in excess of the fair market rate. To the extent that the tenant's payment exceeds the basic rental for the unit, the excess will be paid to the federal government, so that we have what amounts to a flexible subsidy based on the income of the tenants. The same principle will work for cooperatives except, instead of rent, we will be dealing with the cooperative's monthly charges under the cooperative's agreement with its members.

It is expected that this program will provide a major component of the six million housing units for low and moderate income families needed to be produced during the next 10 years. For the first three years, the Congress has authorized contract authority of $75,000,000 in the first year, $100,000,000 in the second year and $125,000,000 for the third year. This total of $300,000,000 is estimated to be enough to provide approximately 725,000 units. I think that I should say at this time that our authorization, by Appropriation Act as required by the law, for the first year has been set at $25,000,000. It is our hope that the Congress will later authorize the remaining $50,000,000 for this fiscal year 1969.

These projects would be governed by the same general conditions as to mortgage amount and terms as are projects now being built under the 221(d)(3) below-market interest rate program. It is hoped that once the program is fully funded and operational it will replace the 221(d)(3) program as well as our program of direct 3 percent loans for housing the elderly.

The new 236 program with an effective 1 percent interest rate will enable project owners to supply housing at a lower cost than is possible under these two older programs. It also has the distinct advantage of relying on the private mortgage market rather than direct federal investment.

I would like to point out one very interesting feature of the 236 program. A limited dividend sponsor will be able to sell the project to a nonprofit organization or a cooperative, which will in turn be able to obtain a new FHA-insured mortgage under 236 to cover the purchase price. This has not been possible in the
past under other FHA multi-family programs. However, a provision of this sort was looked upon as essential to achieve the large-scale participation of private enterprise believed necessary. It provides a means whereby a profit motivated sponsor can readily dispose of his property, if his capital needs dictate or after the tax benefits derived from accelerated depreciation have run their course.

The 236 program is the basic approach contained in this act for private involvement in rental and cooperative housing. As these projects will be privately owned and managed, significant opportunities will be presented to those of you who are in the management field to provide the professional management services needed to assure that, once this housing is built, it is maintained properly and operated in such a fashion as to retain its attractiveness and usefulness.

In addition to the 236 program, there are other features of this act which I believe will be of interest to you. Under a new section 235 of the National Housing Act, assistance payments, in the form of an interest subsidy, are made available to encourage homeownership. The income levels served and the effect of the subsidy are approximately the same as under the rental program. However, instead of providing a payment on behalf of a project owner, payments are made with respect to the individual homeowner. This homeowner need not be the occupant of the normal single-family home with which we are all familiar. Instead, he may be a member of a cooperative project or the owner of a unit in a condominium. Thus, the new section 235 can enable many lower income families to achieve an ownership interest in their housing through a variety of methods.

Under all approaches, the basic mortgage limits are $15,000 per unit or $17,500 in high-cost areas. However, for a family of five or more, these limits can be increased by as much as $2,500. For a condominium project, which may be a standard multifamily project of garden or highrise construction, the mortgage amount would include not only the value of the dwelling unit but also a proportionate share of the value of those facilities in common ownership. For a unit in a cooperative, it would be that part of the overall project mortgage attributable to the dwelling unit. Payments for members of cooperatives may only be made with respect to units in projects with mortgages insured by FHA under its 213 program. The mortgage on a condominium unit must also be insured by FHA, generally meeting the requirements of FHA's condominium program under section 234 of the National Housing Act.

The payment for the homeowner is made to the mortgagee and is based on the difference between his required monthly payment under the mortgage for principal, interest, taxes, hazard insurance and mortgage insurance premium and 25 percent of his monthly income. However, the maximum payment cannot exceed the difference between the required monthly payment for principal, interest, and mortgage insurance premium at the market interest rate and what the payment would be for principal and interest if the mortgage carried an interest rate of 1 percent. For a member of a cooperative, the payment is based on his proportionate share of the similar items in the cooperative's mortgage payment.

You will note that under the 235 program the homeowner's required payment is 20 percent of his income as opposed to the required 25 percent under the 236
program. This difference is based on the fact that the homeowner must also pay for the cost of his utilities and maintenance, items normally included in the rental payment made by a tenant.

At this time it would be appropriate to discuss what the income limits are for these two new programs. They are the same for both programs and are at two levels. Under the basic limitation, a family will qualify whose income does not exceed 135 percent of the admission limit for public housing in its community. However, in recognition that in many communities families with incomes in excess of even these limits are not able to obtain standard housing, 20 percent of the funds may be utilized to assist families whose incomes do not exceed 90 percent of the levels established for a community under the 221(d)(3) program. Family income is calculated after deducting $300 for each child living with the family and excluding the income of any such child. Similar deductions are made to determine that part of the income of the family on which the required monthly payment is based.

For both programs, income will be re-examined every two years. In the rental program, this will be the responsibility of the project owner. In the homeownership program, it will be the mortgagee's responsibility.

Under the homeownership program it will also be possible to assist a family to purchase its dwelling unit, on either an individual or condominium basis, where the dwelling unit is part of a project with a mortgage insured under section 236 or receiving rent supplements. Thus, it will be possible for a 236 or rent supplement project to start out as a rental project and then be converted to a condominium project with the management under both cases continuing unchanged.

Other features include a new provision permitting the conversion of a 221(d)(3) below-market interest rate project to either condominium or cooperative ownership. Under this provision, below-market financing will be retained but the project's occupants will be given the opportunity to become owners of their own housing. The act also provides for utilization of the condominium principal under the 221(h) program and its ultimate successor, the 235(j) program. Under these programs, a nonprofit organization or, in the case of 235(j), a public body can acquire substandard housing and rehabilitate it with FHA-insured financing and then sell the housing to lower income families. The act also contains a modification of the basic FHA condominium program to permit the insuring of mortgages for individual condominium units in structures containing from two to 11 units, without first requiring a project mortgage on the whole property.

As I mentioned earlier, Congress has provided $25 million in funding for the rental program. The same amount was authorized for the homeownership program. Also, the regulations for these two new programs were recently issued. Therefore, both are operational.

I have attempted to set out some of the more salient features of this most significant piece of housing legislation. I have not tried to cover all of them nor have I touched upon those provisions which do not directly relate to housing. I think that you will see that there are many exciting and challenging opportunities for you, the professionals in the field of housing. This housing must not only be built and sold but a great amount of it must be professionally managed.

I hope that you will seriously explore the possibilities of participating in providing this housing and help us meet the national goal of eliminating substandard housing in this country over the next 10 years. In fact, your participation is essential to its success. Yet, this participation is not possible without a reasonable return on your investment of both money and time.

Thomas C. McGrath, Jr., is General Counsel of the U. S. Department of Housing and Urban Development. A former Congressman from the Second District in New Jersey, having served on the Banking and Currency Committee, Mr. McGrath is the first General Counsel of HUD. He is a graduate of the University of Pennsylvania Law School and belongs to the American, New Jersey and Pennsylvania Bar Associations.
Air Pollution
And Real Estate

by Doyle J. Borchers

Members of the Institute of Real Estate Management know as well as any group in America how much we have in this country for which we should be thankful. We have been blessed with incredible riches but now, in some ways, we are paying the consequences of that prosperity. One of the most important costs of our "good life" is air pollution.

Here in New York, over the Thanksgiving weekend two years ago, we were given an indication of that cost. Some of you may remember how President Johnson described that grim experience when, in January 1967, he asked Congress for a stronger law to control the pollution of the air. In a special message on our growing environmental problems, this is what the President said:

"Two months ago, a mass of heavily polluted air—filled with poisons from incinerators, industrial furnaces, power plants, cars, bus and truck engines—settled down upon the 16 million people of Greater New York.

"For four days, anyone going out on the streets inhaled chemical compounds that threatened his health. Those who remained inside had little protection from the noxious gases that passed freely through cooling and heating systems.

"An estimated 80 persons died. Thousands of men and women already suffering from respiratory diseases lived out the four days in fear and pain.

"Finally, the winds came, freeing the mass of air from the weather-trap that had held it so dangerously. The immediate crisis was ended. New Yorkers began to breathe 'ordinary' air again.

"Ordinary air in New York, as in most large cities, is filled with tons of pollutants: carbon monoxide from gasoline, diesel and jet engines; sulfur oxides from factories, apartment houses and power plants; nitrogen oxides, hydrocarbons and a broad variety of other compounds. These poisons are not so dramatically dangerous most days of the year as they were last Thanksgiving in New York. But steadily, insidiously, they damage virtually everything that exists."

Today in America we are releasing pollutants into the air at a rate of more than 140 million tons per year. This mass of toxic matter in the air constitutes one of the major health challenges confronting the American people. But it also constitutes an enormous economic problem. We are paying billions of dollars every year for the dubious privilege of living with—rather than controlling—air pollution.

Now this, of course, is the sort of broad, general statement that has been made many times by many people and because of this it tends to lose some of its meaning. So let's get down to just a few of the specifics. Here are some figures suggested by a recent look at the problem:

1. The cost of residential repainting and repair attributable to air pollution is estimated at more than $700 million a year.
2. It costs $100 million a year to paint steel structures to repair the damages caused by air pollution.
3. The air pollution factor in the cost of maintenance of commercial and industrial properties, exclusive of the cost of painting steel structures, is estimated at more than $300 million per year.
4. The cost of the corrosion of metal caused by air pollution is put at $300 million per year.
5. The cost of commercial laundering, cleaning, and dyeing due to air pollution is estimated at nearly $700 million per year.
I certainly have not touched on all the ways in which air pollution causes economic losses but I believe I have established the point that the price tag of failure to support effective air pollution control in this country is high.

One direct and obvious economic loss is the decrease of land values in polluted areas. Invariably, the polluted part of town becomes a lower economic area. Odors released by industrial processes drive people out of the neighborhood and thereby depreciate real estate values. In a recent study of two similar areas in St. Louis, property in the area subjected to unpleasant odors sold for as much as $1,000 less per parcel than properties in the unaffected area. The property value loss from polluted air in this one neighborhood was estimated at nearly $750,000.

What are we going to do about all this?

One of the most effective weapons available to us in preventing air pollution is the use of scientific planning techniques in guiding future city development. Much can be accomplished by foresight in the selection of new industrial and commercial sites to avoid the creation of new air pollution problems and to prevent the new sites themselves from becoming the victims of pollution.

Throughout the country, it is being increasingly recognized that housing and community development programs are far more than just a means of replacing old buildings with new ones. Through such programs, we seek to protect the health and welfare of our citizens and to reverse the historical process of urban deterioration and decline that has affected so many American cities.

The quality of our cities' air is of primary importance to all who are concerned with the protection, revival and development of urban life. While careful attention to the traditional features of housing and redevelopment programs is an integral part of any comprehensive urban improvement plan, this frame of reference must be enlarged.

The most idealistic housing program is likely to fall short of revitalizing our cities if our buildings and people continue to be subjected to the dirt and gloom and foul odors and assaults on human health and well-being that are part and parcel of air pollution. The importance of air pollution control on the whole process of community redevelopment was recognized by Mayor Joseph M. Barr of Pittsburgh in his testimony in support of the Clean Air Act, which was enacted by the Congress in December 1963.

"It is no exaggeration," Mayor Barr said, "to state that the smoke control program was the mainspring of the entire urban rebuilding program in the area during the past 15 years. When it was proven that smoke could be removed from our skies, the other problems of urban blight and decay fell into manageable proportions. In my judgment, without effective smoke control, there would have been no urban renewal, no mammoth rebuilding program in Pittsburgh. Air pollution control has contributed immeasurably more to Pittsburgh's progress as an attractive place to live and work than any other project in the community development effort."

The problem is that, nationally, we have not been controlling air pollution. As our trends of urbanization and industrialization have continued their fantastic upward spiral, the pollution problem has not only increased alarmingly but has become far more complex than what we now know is the relatively simple matter of dealing with smoke abatement.

President Johnson put our present-day
dilemma into clear perspective in his 1967 special message when he said: "The pollution problem is getting worse. We are not even controlling today's level of pollution. Ten years from now, when industrial production and waste disposal have increased and the number of automobiles on our streets and highways exceeds 110 million, we shall have lost the battle for clean air—unless we strengthen our regulatory and research efforts now."

It was in response to the President's urgent recommendations that the Air Quality Act of 1967 was developed and passed—providing this country with the greatest opportunity it has ever had to prevent and control air pollution.

Signed into law in November 1967, the far-reaching new legislation provides a blueprint for a systematic effort to deal with air pollution problems on a regional basis. It calls for coordinated action at all levels of government and among all segments of industry. The Air Quality Act establishes a broad program to deal with air pollution along three major avenues:

1. A mechanism for controlling industrial and other stationary sources through regional action involving state and local agencies.
2. Continued national regulation of motor vehicle pollution, together with establishment of state inspection systems to insure compliance.
3. A greatly increased national research and development effort, including cooperative government-industry programs, to find new and more effective methods of controlling air pollution sources.

Under the act, the Department of Health, Education and Welfare must first delineate broad atmospheric areas of the nation in which climate, meteorology and topography—all of which influence the capacity of air to dilute and disperse pollution—are generally homogeneous. Next, the Department must designate air quality control regions based on meteorological and other technical factors as well as social and political factors.

Concurrently, the Department must develop and publish air quality criteria indicating the extent to which air pollution is harmful to health and damaging to property as well as detailed information on techniques for preventing and controlling it. Provided with this information, states are then expected to develop ambient air quality standards and plans for implementing these standards in air quality control regions. The Department will review and evaluate these standards and plans and, once they are approved, the states will be expected to take action to control pollution sources in the manner outlined in their plans. If a state's efforts prove inadequate, the Secretary of Health, Education and Welfare is empowered to initiate abatement action.

In the past 11 months, we have been working hard to put into action the national plan for clean air that was laid out in the Air Quality Act. Last January the National Air Pollution Control Administration fulfilled the first federal requirement under the act when we defined eight atmospheric areas covering the 48 contiguous states.

Soon after the act became law, we established a goal of designating 32 air quality control regions by mid-1969, thus including the majority of the nation's population within the regional control program. We have made good progress toward that goal. By the end of 1968 we expect to set in motion the national plan requiring the states to adopt ambient air...
quality standards and to establish plans for their implementation.

With the release of criteria documents on the sulfur oxides and particulate matter, together with reports on techniques recommended for their control, the compliance time schedule for state reaction begins. For example, the governors of the states included in the first designated air quality control regions of the District of Columbia, New Jersey-New York-Connecticut, metropolitan Chicago and metropolitan Philadelphia interstate areas would be required to indicate within three months their intent to adopt ambient air quality standards for sulfur oxides and particulate matter. During the ensuing six months, the affected states promulgate the standards; and during the next six months implementation plans for their emission standards and other control details are developed for consideration by the Secretary of HEW. Following his approval, the concerted regional effort to control air pollution begins—and in these regions it is expected to be in the spring of 1970.

The process of adopting standards in the various states is a demanding technical task, and one that involves important decision-making on broad and complicated economic, social and political questions. The adoption process, as set forth in the Air Quality Act, includes the holding of public hearings and thus provides a forum where the voices of all those who will be affected by controls can be heard.

It is here that you as members of the Institute of Real Estate Management can play an important role, for your membership broadly represents both the polluters and the public to be served. You surely are sensitive to the economic and social problems of air pollution in your states and therefore can be of invaluable help in the exercise of prudent political decisions needed to bring about effective control programs.

The Air Quality Act says, in effect, that we must now control air pollution without delay and dalliance. It says at the same time that in so doing, we must not create more problems than we solve. It invites all of us, the government and the private sector, to take responsible action to control pollution.

When President Johnson signed the act last year, he said, "For all that it will do, the Air Quality Act will not end pollution. It is a law—not a magic wand to wave and cleanse our skies. It is a law whose ultimate power and final effectiveness rests with the people."

I think you will agree with me that you as businessmen represent a segment of the people who can do a great deal to insure that the act achieves its intended purpose.

I hope that you here today who represent industry's concern with the problem of environmental pollution will urge your colleagues in industry to follow the responsible course of constructive cooperation and to accept the Air Quality Act as the progressive and equitable legislation that it is. If industry does this, no magic wand will be needed to restore the quality of our air.

Doyle J. Borchers is Special Assistant for Regional Activities for the National Air Pollution Control Administration of the Department of Health Education and Welfare. He entered federal service in 1964, serving one year as an assistant to the General Counsel for the Department of Agriculture and then transferring to the Public Health Service. He served as Chief of Legal Procedures for three years prior to being appointed to his present office. He is a graduate of the Baylor University School of Law and is a member of the Texas State Bar and the United States Supreme Court Bar.
The challenges of 1969 for those in property management seem to concentrate on the problem of spiraling costs of operation and labor and that of providing adequate housing for low and middle income groups. These two subjects are the most frequently mentioned in the following pages of our annual survey of IREM Chapter Presidents who were requested to "predict" what they thought would be the biggest problem their area will face during 1969.

Inflation, increased taxes, increased labor costs all require the property manager to put into play his most creative techniques in order to maintain or increase the level of property income achieved in past years. Correlative to this, several chapter presidents noted that the management firm itself would be subject to increased costs of operating its own office and the need to compete for clients. Only those offices fully prepared and equipped to handle today's situations would be successful.

Housing for low income groups also took priority among the survey respondents. Several of the problems involved include how to supply such housing at today's costs without putting it out of reach of the very people for which it was intended, and how to achieve a balance between the workings of private enterprise and government subsidies. Continuing coordination of programs is seen as significant, as is the need for complete recognition of professional management.

From around the country, chapter presidents reported that vacancies are at an all-time low. However, despite this fact, they call for a continuing program of upgrading property which is essential to bring the highest return today as well as in the future.

These are the key elements, which despite local and regional developments and situations, can be expected to keep managers on their toes in the coming year.
JOHN R. BAKER, cPM/Alabama Chapter (1969)
During 1969 property managers will be faced with the challenge of maintaining the net income of property at the same level as experienced during previous years. Faced with increased cost for both services and supplies, more efficient ways of operation must be discovered and put into effect. This is mandatory where long-term leases do not permit rental increases or where escalation provisions are not adequate to meet the increased expenses. At a time when new facilities, especially office space, are coming on the market, securing rental increases in older buildings and from present tenants will require skillful negotiations and maximum efforts.

DANIEL M. ABRAMS, cPM/Arizona Chapter (1969)
Due to the recently completed state reappraisal, many property owners are faced with increased real estate taxes. Vacant land owners have been hit especially hard and in a few cases their taxes have increased as much as 800 percent. Many owners will be forced to either develop their properties or sell; the number of land speculators will be reduced. Taxes on raw desert acreage away from the cities are still quite low even with this year's tax increase. Shopping centers, commercial, industrial and apartment building owners will have to increase rents to offset the tax increase. Most tenants will have no choice but to "grin and bear it" since vacancies are at an all-time low. FHA's October 1968 report indicated the residential vacancy factor was less than 1 percent and apartments less than 4 percent. The coming year will see the start of a big building boom in this area.

NEAL C. FLOYD, cPM/Charlotte Chapter (1969)
We feel the biggest problem in our area is that of educating people to accept the new housing laws. We have been at work for some time on a program to make as smooth a transition as possible and hope our work will pay off.

CARL W. WALZAK, cPM/Northern Colorado Chapter (1969)
Denver is faced with several problems in the area of high density housing. Recent increases by painters and sheet metal workers, plus high interest rates, have compounded the builders' problems. Small builders of apartment buildings have been eliminated through economics. In the coming year, as in the past, only large builders with borrowing power for large complexes will stay in the picture. A major deterrent to apartment construction is the unavailability of sites large enough at prices compatible with today's building costs. In the ensuing year, we will see another boost in rental rates. This will be an opportune time to up-grade tenancies and maintenance programs.

WILLIAM J. CHARBONEAU, cPM/Connecticut Chapter (1969)
Our problem, like everyone else's, is to keep pace with rising maintenance costs and taxes. We must also convince owners that in good times (vacancy loss is practically nil at this time) his property must be constantly improved. This is necessary should the market again become a tenant market, in which case the owner's property can continue to bring the highest rate of return and be competitive with anything in the surrounding neighborhood.
W. E. CAMPBELL, CPM/Florida East Coast Chapter (1969)
We are going through a great building boom here in southeast Florida. Our biggest problem is trying to get the developers, mortgage companies, etc., to be aware of what a CPM is and the advantages of professional management of the properties being developed. If we can get the point across, we will have taken a great step forward in our profession.

MERTON S. C. LAU, CPM/Hawaii Chapter (1969)
The biggest problem our area is likely to face during 1969 will be that of providing sufficient and adequate housing for middle and low income groups. We are experiencing a definite shortage in these categories. This problem can be attributed to several factors—the tight money situation, high cost of construction, high land costs, stringent building and zoning codes and an accelerated growth in population.

SIDNEY J. LEVENTHAL, CPM/Houston Chapter (1969)
This year will see the advent of “apartment-city” complexes. Houston is experiencing a tremendous apartment building program. Occupancy rate is excellent in properly managed projects and the forecast calls for it to remain high. However, with new construction entering the market, the older projects that do not offer the latest amenities will have to look to proper management to compete.

ROBERT E. DINN, CPM/Indianapolis Chapter (1968)
The basic concept that “people make real estate value” has never been more in evidence here. The metropolitan area, in the face of mortgage money uncertainty, national political change, war policy vacillation and other crises, continues to be a booming center of real estate activity. Optimism, though unspoken, is certainly evidenced in the total commitment of the real estate industry here.

J. RUSSELL DOIRON, CPM/Louisiana-Mississippi Chapter (1969)
Our area is enjoying a tremendous industrial plant expansion. Existing plants are enlarging their capacity and many new installations are either under construction or are in the planning stage. Housing is essential and a vitally important factor for consideration by industry when making these plans. It will be our purpose to work actively, at the local level, with all parties involved in this great economic movement so beneficial to the cities within the jurisdiction of our chapter.

JOSEPH L. YOUSEM, CPM/Los Angeles Chapter (1969)
CPMs in the Los Angeles area face several major problems in the coming year: 1) The ratio of operating expenses to gross income has risen steadily and we have not been able to increase rents proportionately. It will take tremendous effort to provide an adequate return from investment properties. 2) Finding properly trained resident managers and
supervisory personnel is a continuing problem. Our local IREM chapter should take the lead in establishing educational programs for these personnel. 3) The ever-increasing cost of operation of our own offices is a major problem and we must look ahead to automation wherever possible. I firmly believe that only through data processing can we serve our clients in an efficient and professional manner and realize a reasonable profit for ourselves.

DAVE DERMON II, cPM/Memphis Chapter (1969)
In addition to seeing our properties adversely affected by the ever upward spiral of inflation, the basic problem here in 1969 will be the provision of additional housing. Developers and builders have been, for the most part, unwilling to go ahead with projects geared to the low and moderate income families. This lack of supply, together with increased demand for housing by those displaced by our expressway construction and urban renewal, has engendered a housing shortage not seen in the local market for some time. All indications are that this trend will continue throughout 1969. There will be some additional headaches for managers locally as a result of the federal open housing law which takes effect January 1, 1969. Our difficulty along these lines will require a great deal of patience and reason tempered by sound judgment.

WILLIAM BRAUER, cPM/Milwaukee Chapter (1969)
During 1968, construction was halted by a 13-week concrete strike and many projects were delayed while the market continued to grow. This year should see ample funds at moderate rates along with excellent apartment occupancy in good buildings. However, even marginal properties are strong because of pent-up demand. Downtown office rental should continue strong and good outlying buildings seem to be well received. Strong management is needed to take advantage of the 1969 market conditions so that maximum earnings may be realized.

KENNETH R. JENSEN, cPM/Minnesota Chapter (1969)
Our area is experiencing great expansion of its downtown office building district. The recently opened Midwest Plaza Building was 100 percent occupied very quickly and there are several other new buildings planned for our downtown district that will not be completed in 1969. I predict that the biggest problem in Minneapolis and other Class A cities in Minnesota will be our inability to expand the office requirements of both existing and new tenants. In other words, our business is so good it's terrifying.

ROBERT CRONHEIM, cPM/New Jersey Chapter (1968)
There is a great shortage of livable housing in the New York-New Jersey region. The older core cities in this area continue to face problems brought about by high real estate taxes; the need for more services; increasing operational codes, particularly municipal payrolls; and a shortage of land for development of ratables. Federal programs have been unsuccessful in the cities, and industry is continuing to move into suburban areas, taking jobs with them. At the same time, the cities are being flooded with a migration of uneducated and unskilled minority groups. The result must be increasing unemployment and the obvious solution to the problem is reduction in population density and planned dispersion. How this is to be done within our democratic framework without enormous government subsidies presents a very interesting question.
JOSEPH L. CLARK, CPM/North Carolina Piedmont Chapter (1969)  
By far the worst problem here is maintenance—rising costs but particularly the shortage of personnel to employ at any price. Qualified mechanics in sheet metal, heating and air conditioning and odd jobs are in drastically short supply. A second problem is the continuing lack of mortgage money for the small investor.

CHARLES KAHN, JR., CPM/Philadelphia Chapter (1968)  
The same basic problems that we faced last year still exist. These have to do with internal and external securities for properties under our management. For new challenges and opportunities in the field of real estate management, it is becoming increasingly incumbent for management offices to relate more directly to government programs and projects. The government is becoming a large developer, lessor and participant and for that reason attempts should be made to apply professional management techniques and have local, state and federal government recognize and work with those men who are qualified. This is a very broad field and I think it bears investigation, followed by an active, coordinated program with all government agencies.

ALBERT FREEDIN, CPM/Quebec Chapter (1969)  
Management problems for our area in 1969 include some which are peculiar to our city. They include: 1) the abolition of (or at least the easing of) antiquated rent controls; 2) the elimination of a real estate surtax on all properties having an assessed value of over $100,000; 3) discouraging further real estate and school tax increases which have averaged 10 to 20 percent each year for the last five years, making today's taxes 100 percent higher than they were five years ago. All of these matters are having a detrimental effect on real estate investments and construction here.

KENNETH W. FRANKEL, CPM/Rochester-Western New York Chapter (1969)  
Our community has been an excellent new construction and development area during the last several years. A substantial amount of new commercial and office building construction has occurred or is presently underway in the downtown area. Like many other high income regions, the growth of new housing and marketing areas in the suburbs continues. Housing for the elderly and low income families has also been on the upswing but it is substantially short of the pace in other areas. One of our primary problems will be to continue accelerating this latter building and improvement program for senior citizens and lower income groups while holding costs to a degree where these citizens can reasonably afford the accommodations.

HERBERT E. HETZLER, CPM/St. Louis Chapter (1968)  
The two biggest concerns seem to be labor costs and the ultimate disposition of cases pending before the Wage and Hour Administration, specifically referring to the Arnheim-Neely case.
WILLIAM R. SCHOEFFLER, CPM/Sacramento Valley Chapter (1969)
Metropolitan Sacramento's major 1969 goal is to sustain its growth through increasing job diversification. A large drop in employment by one of our major industries created severe social and economic consequences, and a period of painful readjustment is nearing its end. Countless property investments have been lost due to the frenzied pace of growth and its sudden curtailment. Investors are wary of going through the same cycle again. Emphasis now will be on the transformation from a single-industry-oriented community to a variety of industries.

LARRY CAIRNCROSS, CPM/San Diego Chapter (1969)
In San Diego, the supply of vacant housing is at an all-time low, especially in apartments and all indications are that this will continue well beyond 1969. Although new construction is up, it is not increasing at a rate sufficient to satisfy pent-up demand and net population increases; this is due to shortage of labor. Vacancies are so low and rents going up so fast that many are concerned about housing the low income group. Certainly one of our major problems in 1969 will be to direct that concern to a "free enterprise" solution and avoid "government control" solutions like rent control. Another major problem in a market like this is keeping management clients; property managers must be on their toes with creative management ideas to keep their clientele.

KARL S. FANTLE, CPM/Tampa Bay Chapter (1969)
The present shortage of single-family housing as well as multi-family housing will be on the increase. Not only will returning service men from Viet Nam be in the market for housing but many will want to live in a warmer climate and choose Florida for their new residence. The west coast of Florida, with its various amenities, will attract many of these.

BOB C. BARTLETT, CPM/Tulsa Chapter (1968)
The coming year should see a continuation of the high level of activity achieved in 1968, described by many as Tulsa's most active real estate year in recent history. The proposed industrial barge transportation system on the Arkansas River, with a terminus point near Tulsa, will have an increasingly important impact on the real estate economy. The impact will be felt in all facets of the business: land acquisitions heavy; construction at an all-time high; office space vacancies low; apartment vacancies almost nonexistent; and foreclosures at a low rate. It will be a year with few, if any, development sales or rental problems. The severest problems are likely to be experienced by those real estate-oriented enterprises that cannot maintain their competitive position due to deficiencies in quantity or quality of services.

ALBERT N. JUSTICE, CPM/Virginia Piedmont Chapter (1969)
one of the major problems facing us in the Richmond area during 1969 will be to combat rising costs of maintenance and services for our properties. With continued inflation and lack of a corresponding increase in rental rates due to a more than adequate supply of apartments and office buildings on the market in our area, we find that owners' margin of profit is being seriously threatened. Our job will be to maintain a continued high standard of maintenance in order to satisfy tenants but, at the same time, keep an even closer eye on the costs of such services.
These last-minute contributions arrived too late to be included in preceding alphabet order.

CHARLES L. STROBECK, CPM/Chicago Chapter (1969)
In Chicago, managers in the residential field will face problems centered around a tight market in the luxury areas yet face the need of upgrading lower properties and leasing property in secondary areas. The office building market will continue to be extremely strong with a very low vacancy factor even though an excess of 2,000,000 square feet of new space will come on the market. Rising operating costs and real estate taxes will continue to squeeze the profit in all types of property, making the professional manager a necessity and important factor in the market place.

J. REX POTTER, CPM/Cleveland Chapter (1969)
Custodial supervision of the properties which we manage is becoming an increasingly difficult problem. Present wage scale of this type personnel precludes obtaining qualified personnel. Building owners do not realize in most cases that the custodian of their property is in fact the most essential person on the premises. In many cases, he is more important than the property manager or the managing agent. Until owners recognize the need for skilled, qualified personnel who can be obtained by offering a livable wage, this dilemma will continue to exist. The increased cost of general maintenance trades for apartment properties is also becoming a major problem. They are unavailable when a crisis arises and charge exorbitant rates.

DERRILL E. WOLFE, CPM/Columbus Chapter (1969)
The Columbus rental market will remain strong in apartments and prime office buildings where professional management and good merchandising practices continue. Real estate taxes will increase as will water and sewer rates causing rents to be forced up. Several new office buildings are being planned for construction near Capital Square and as a very prosperous community, Columbus' economy remains strong and growing.

MARTIN L. LITWIN, CPM/Dallas-Fort Worth Chapter (1969)
In the area of shopping centers, there has been and still is an over-abundance of retail space for lease, particularly in neighborhood and community centers. The manager's problem will be to fill this space at satisfactory rentals and with tenants who will have a reasonable chance for success in competing with the major stores. In the areas of apartment houses and industrial buildings, there appears to be sufficient demand to fill most of the existing and projected developments. The one problem common to all types of properties pertains to the necessity for raising rents in order to meet the ever-increasing fixed and operating costs, with special emphasis on higher taxes and maintenance costs.

FRED G. JONES, JR., CPM/North Florida Chapter (1969)
We have two problems here in Jacksonville. The first is a new zoning regulation that was promulgated without the help of any qualified people from the industry (Realtors or CPMs, etc.) The second problem is the formation of a local chapter of the National Apartment Association; we feel that we can help these people and our problem will be in getting our message across to them.
CHARLES L. WEISBERG, cPM/Louisville Chapter (1969)
Our biggest problem facing us in 1969 is "people." There are more people desiring apartments than there are units and fewer qualified people available for the construction and servicing of new apartments—it's a vicious circle. The coming year will find rents being increased in order to keep up with increased cost of labor and material.

SHEPARD BROWN, cPM/New England Chapter (1969)
The biggest problem that this area will face in 1969 is inflation and all its ramifications. In Massachusetts the spiraling costs of government are directly reflected in rapidly increasing real estate taxes. It also is driving up rents very rapidly; it has become increasingly difficult to build apartments that have rents realistically available to low and middle income tenants. Inflation already has a by-product in eastern Massachusetts cities where there have been major attempts by city and state authorities to set up rent control. An additional problem lies in the danger that rapid development of land, done on a short-term outlook, will overlook good taste and best use of the land.

LOUIS ENGELBERG, cPM/Western Pennsylvania Chapter (1969)
The biggest problem to the property owner and manager in this area is the continuous rise in city, county and school district taxes and the enormous inflation in repairs and maintenance that cannot be, in most cases, recouped by rent increases. The insistence of the tax bodies to raise most of its income by levying it against the property owner is obviously the easiest means of collection. A second problem pertains to the difficulties of rent collections, due to reluctance because of fear or political impact and the hesitancy of local officials to enforce existing laws.

OLIVER A. TALMAGE, cPM/San Francisco Bay Area Chapter (1969)
The major management problem in 1969 will be to keep income of a property at a level sufficient to meet continuously rising costs and at the same time to be of service and communicate with the tenants so that they do not feel they are being taken advantage of in the housing scarcity of this year. Rather than boasting to prospective tenants of 100 percent occupancy, it is our responsibility to be sympathetic and offer assistance to locate them wherever possible.

DONOVAN H. VAN DAM, cPM/Utah Chapter (1969)
Our aim in 1969 will be to upgrade property management in our area. We shall strive to convince property owners and agents of owners of the need and advantage of proper training in this field.

WILLIAM R. BANNECKER, cPM/Western Washington Chapter (1969)
The biggest problem facing the Seattle area during 1969 will be the task of conditioning building owners toward the professional manager to a degree more related to the area's soaring real estate activity. Unfortunately, too many owners look to other sources for managerial talent.
THE MANAGEMENT LETTER:

One Man's Forecast

by Lloyd D. Hanford, Sr., CFM

Most of us, either formally or informally, indulge in forecasting the future based upon our past experiences and what we see on the road ahead. Actually, it is a function of management planning to assess the future. We may enjoy lullabies that tell us the bad will disappear and a golden horizon will assure a wholesome, easy and happy life for all, but history tells us that this just is not the way the economic ball bounces.

We of the real estate fraternity are rightfully concerned with the economic and social winds which blow in our faces. We watch the tides as they ebb and flow, hoping they will wash some good ashore but fearful they can engulf us.

There are so many pressures at work that it becomes increasingly difficult for the most astute observer to forecast the immediate future with a reasonable degree of credibility. Thus the amateur is out in left field trying his hopeful best to estimate what will happen next and what the final outcome will be. It would be fun if our lives didn't depend on it but this is serious business where other people's thoughts modify our own ideas. With this in mind, I record a few opinions as to what my crystal ball foresees for 1969:

1. Small real estate offices will continue to disappear and to be replaced by larger organizations either by mergers, buy-outs or through associations.
2. The untrained Johnny-come-lately salesman or broker will not be able to survive.
3. Successful enterprise will become impossible without professional specialization.
4. Interest rates on conventional mortgage loans will continue to rise fractionally with a high of about 8½ percent.
5. Loopholes in the income tax laws will be closed, particularly as to prepaid interest and doubtful tax-exempt organizations.
6. Construction and land costs will increase, mostly due to inflation and partially as a result of scarcity and demand.
7. Family and business incomes will increase to reflect business and living costs.
8. Taxes in all categories will rise and some new tax levies will be imposed to broaden the tax base and to offset the rising cost of government.
9. The new administration will continue to expand social and welfare activities with some minor changes but responsive to political expediency.
10. FNMA, HUD and the new Government National Mortgage Assn. will encourage real estate activity at higher levels and adjusted to the national economy.
11. If the Vietnam involvement should end (which is doubtful), defense spending will be channeled in other directions. This will retain current business and industrial activity with more attention paid to a balanced budget in years ahead but not in 1969.
12. Single-family houses will rise fractionally in price. Low-to-medium priced housing sales will depend upon the amount of the mortgage loan and the size of the monthly payments. Interest rate will not be a serious factor. Houses in the luxury class, close to the central city, will continue in strong demand; rising sale prices will be little affected by financing problems. Most residential sales will be in the outlying and suburban areas of the larger communities and sales activity will decline slightly.
13. Residential rents will rise fractionally and occupancies in semi-luxury, medium and low rental units will continue to average higher than 90 percent in most large cities. Occupancies in luxury units will continue to rise in spite of higher
rents, provided facilities, services, conveniences, amenities and prestige are available. In all rental housing, design and appearance will become critical factors.

14. Condominiums and co-ops will enjoy increased demand at higher prices in those communities where land is scarce in desirable locations.

15. High value investment properties and development projects will continue their drift into the hands of big-money or high-credit groups.

16. Activity in medium-to-low priced investment properties will decline in spite of strong demand. Present owners will hold rather than face the difficult problem of re-investment.

17. Financing will be more difficult and expensive for investment properties. Most large loans will be made on a “piece of the action” basis. Except for certain special situations, banks will not acquire substantial long-term loans for these investment portfolios. Pension funds, insurance companies and savings and loan associations will dominate the investment property and land development lending market.

18. There will be an expanding use of the computer and other highly sophisticated business machines in the real estate business but effective economic use will be confined to large organizations and associations. There will be a growing conviction that the computer is only a mechanical device which does not replace the human mind.

19. Social crises will continue to occur but their intensity will diminish as far as the total picture is concerned. Increasing respect for the law and stricter law enforcement will become evident. Open housing and equal opportunity will become an accepted fact.

20. The average American will have more money with which he will buy more goods, conveniences, comforts and services. He will be more selective in his spending, paying greater attention to quality.

This list could go on and on but the reader might get tired and the writer would find himself in more uncertain areas. Enough has been said to indicate the direction in which I think we will go. Disagreement is anticipated but, at least in my opinion, these are the things we must watch during 1969. As usual, industry, training, intelligence and honor will be rewarded. Happy New Year!

Lloyd D. Hanford, Sr., CPM, San Francisco, was 1958 national president of the Institute and 1964 Chairman of NAREB’s Build America Better Committee. He is currently faculty director for IREM’s Course III and an editorial advisor for the JOURNAL OF PROPERTY MANAGEMENT.
RETIREMENT HOTEL:

an economic investment and unique solution to a social dilemma

Part II

by Leonard D. Richman

FOOD AND DINING NEEDS

Without good food, well served in pleasant surroundings, the entire aim of living in a retirement hotel becomes subverted. If there is any one area of discontent which can be disastrous to the total concept, it is failure in the food department. When the retirement hotel is designed for people of limited incomes, the problems of budget control augment the chances of failure. Shibboleths surrounding the kitchen and dining room must hence be unmasked. Sound research, reflecting precise recognition of needs, goals and new food technologies, must supplant wasteful practices, long unquestioned.

The entire food purchasing, preparation and service program should be considered in light of the fact that eating is an important social experience and the need for satisfying this goal within well delineated budgetary limits.

Persons eating in cafeterias rarely derive the pleasure which accrues from service by waitresses at tables. In most cases, it is the difference between "dining" and "eating." In terms of dollars, dining service will generally cost around $7 per resident per month. This cost has to be evaluated against alternative goals and in relationship to cost limitations.

Besides a higher level of social integration evolving from heightened conversational opportunities, sit-down dining has other advantages, particularly significant when serving older people. There is less confusion and noise resulting from accidents and spills. Residents do not have to endure the impatience and physical discomfort of standing in line. Above all, sit-down dining permits an expanded sense of refinement and well-being.

The smaller tables ward off an intense institutional look and contribute to a more desirable atmosphere. Depending on layout, seating capacity can generally be predicated upon 10 to 12 sq. ft. per person.

**Seating and Meal Hours**

The social director should designate seating arrangements which can be changed monthly. In this way, recognition can be given to personality conflicts which may arise from time to time. Even more important, a nodding acquaintance will often ripen into a friendly relationship at mealtime, adding to social experiences.

If the dining room is not large enough to accommodate all residents at one time and if it is not practical to expand the room, consideration must be given to the possibility of allowing residents to come into the dining room at any time during a given 60-minute interval. A second possibility is having a complete second seating for luncheon and dinner, commencing approximately one hour after the first dining hour. The former system assumes the average resident will eat in less than half an hour. The waitress can then clear and set up quickly for a second resident, so an average of 1 1/2 persons eat in a given seat in 60 minutes. The primary disadvantages of this system evolve around a limited opportunity for socializing, problems in making announcements and achieving neatness of the dining tables, for dining in this way is inevitably more chaotic.

The latter method provides for a complete second seating which, however, extends the length of time for food preparation, serving and cleaning. These problems are primarily operational, with possible concommitant effects on the cost of food handling and recreational programming. When the "food day" is extended, second shifts may be required in the kitchen and the dining room. Similarly, social programs will not end until later in the evening.

Incidentally, it is interesting to note attendance for breakfast is invariably characterized by many absences. While a second seating is needed for luncheon and dinner, breakfast will seldom require more than one seating.

When there is a single seating and residence rates are held to a minimum, suggested meal hours are:

<table>
<thead>
<tr>
<th>Meal</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast</td>
<td>9 a.m.</td>
</tr>
<tr>
<td>Luncheon</td>
<td>12:30 p.m.</td>
</tr>
<tr>
<td>Dinner</td>
<td>5:15 p.m.</td>
</tr>
</tbody>
</table>

While retired people often have difficulty in "making ends meet," the retirement hotel, such as the Chelsea House in Chicago, can offer an economical as well as socially enriching way of life to its residents.
Residents of Chelsea House enjoy the atmosphere of gracious dining; courteous waitresses are aided by seating charts which detail beverage requests for breakfast, lunch and dinner.

With such a schedule, assuming proper set-up and organization, dining room attendants (who receive meals and work an eight-hour day) can start at 8:30 a.m. and be finished by 7:30 p.m. This 11-hour span involves three hours off during the day for three meals furnished by management. If dining hours are less compact, most hotels would have to introduce the cost of a second shift. When feasible, a six-day week should be supplanted by a five-day week.

KITCHEN PERSONNEL AND EQUIPMENT

Personnel and equipment need to reflect both the type of service intended and the type of menu selected. In the retirement hotel, food should be essentially salt-free and sugar-free and basically simple. Residents may season food according to taste at the table.

In terms of service, the appetizer, salad, dessert, water pitcher and coffee pitcher are placed on the table before the resident sits down. The attendant has only to clear and place the 10-inch entree plate (containing entree, vegetable and potato) on the table. All planning consequently reflects this basic procedure.

With an eight-hour work day, spanning
11 hours, four people can handle kitchen duties:

1. The pantry girl, starting at 8 a.m. and finishing at 6 p.m., can prepare as many as 750 desserts, appetizers and salads each day as well as assist in dishing portions.

2. The cook will prepare a simple breakfast and a hot or cold entree for both lunch and dinner.

3. The dishwasher arrives at 10 a.m. and works until 7 p.m. daily.

4. The kitchen cleanup man arrives at noon and works until 9 p.m. He finishes any dishwashing not completed, washes and polishes all equipment and washes walls and floors.

The work of the cook and the pantry girl should be interchangeable. This is sometimes hard for observers to understand. The retirement hotel, using many prepared items and keeping food good but simple, should never have a cook wanting to embellish the food. If a pantry girl cannot do the cook's work, then her orientation leaves something to be desired.

Equipment needs for this type of institutional feeding are minimal, highlighting the tremendous economics inherent in feeding quality food to large numbers of people at one time.

No reach-in freezer or cooler should be bought. All such needs are best fulfilled by one large "roll-in" freezer and one cooler. Everything is handled on carts. For example, an ice cream dessert is made up by the pantry girl and placed on a rolling cart which goes into the freezer; the cart can then be rolled into the dining room for serving. There should never be any intermediary handling.

Fryers, steamers and many other equipment items are unnecessary. One or two ranges, including hot tops, and one or two double convection ovens should be able to take care of virtually all cooking needs. The selection of the hot food cart is extremely important; the operation benefits from smaller capacity carts and more of them.

If feasible, kitchen walls should be of ceramic tile. The most practical floor covering is generally quarry or ceramic tile.

**Organization**

Both kitchen and serving personnel require a high degree of organization.

In the kitchen, dishing-up is an operation of paramount importance. The entree plates should be pre-heated and covered before being placed into hot carts which are wheeled into the dining room to await the start of service. A four-man team should be able to dish up and place in hot carts six plates per minute or 360 per hour.

Thus, for the crucial hour before lunch and dinner, three dining room attendants (or two attendants and the pantry girl) must assist the cook in dishing up. Under some conditions, the cook can start two hours ahead of time with only one helper.

To evaluate the needs and costs of food service, attention should be focused on the organization of the set-up and clearing work and the volume of work assigned to each dining room attendant as well as the type of cart used for these functions.

Under most conditions, a dining room attendant should be able to handle between 90 to 120 table settings. Experience indicates that work be assigned so that each attendant is responsible for all the tables in a given section of the dining room. Each attendant should have one busing cart plus at least two other multi-
shelf carts to facilitate clearing, which should be done "by item" to aid the dishwasher. Under certain conditions, dining room attendants can carry dish racks on their carts, clearing directly into the racks.

When setting up, cups and saucers should be moved into the dining room in the dish racks in which they were washed earlier. A card on each table, graphing the beverage each resident uses for meals, facilitates leaving coffee, tea packet or milk at the setting required. Failures in this area generate untold confusion.

The administrator or his assistant should check all set-ups, cleanliness of the tables and the dining room approximately 20 minutes before mealtime.

TRAY SERVICE AND SPECIAL DIETS

The hotel should provide tray service only subject to the following stipulations: 1) additional charges to residents should be sufficient to compensate for higher handling costs and be high enough to prevent malingering; 2) the resident's doctor must request such service; 3) the service is rendered over a maximum of a five-day period. These stipulations are necessary since the cost of tray service is often substantially higher than envisioned. Trays must be retrieved as well as delivered.

The hotel should generally reject all requests for special diet tables. Residence rates will skyrocket once these are accepted. Such diets also counter the concept of providing retirement living for persons of comparatively sound mental and physical health.

Persons who are overweight should be urged to count calories. Meals each day will generally total 2600 calories.

CONVENIENCE FOODS AND PORTION CONTROL

In most cases, the hotel will benefit through the use of convenience foods (e.g., cake mixes or instant mashed potatoes). While they cost more, the user proceeds on the assumption that a slightly higher food cost will be more than offset by lower labor costs. The hotel should furthermore be constantly on the lookout for new convenience food items being marketed, but there are still many such foods which will be found inappropriate.

Portion control is a must in the retirement hotel and can be achieved through the control of size of ladling instruments and by purchasing foodstuffs in a loaf form, which can be accurately sliced, or items already set up in fixed portions. Without proper and equal portion control, the dining facility ends up with highly disgruntled residents or complete loss of control over expenditures.

FOOD FATIGUE

Dietitians and restaurateurs have long been aware of how easily people get tired of the "same old food." The problem is obviously intensified when catering to residents within budgetary limits.

While leading dietitians speak of planning menus on a "minimum three-week cycle," with reference to a retirement hotel, however, a three-week cycle is not warranted because:

1. There are not yet enough good, desirable items to pick from which lend themselves to portion control, ease of preparation, minimum seasoning and cost budgets;

2. Residents so eagerly await the next meal that a few specially desirable items (like broiled chicken) can be repeated as often as twice a week without intensifying food fatigue.

As a rule, a two-week cycle has much to offer. Buying and preparation are simplified with a two-week cycle and the better food items, actually used, will probably stay popular longer. Throughout the year, various menu items can be dropped and others added.

The best ways to overcome food fatigue are by informing residents regularly about how this psychic reaction can set in; being certain that food intended for hot service is served hot; serving meals on time; training waitresses and other personnel carefully as to how to respond to impatience or lack of courtesy on the part of residents.
In the hotel, the administrator is really the food manager. His duties in this area include hiring personnel. Neither the cook nor a head dining room attendant is trained in terms of personnel selection or recruitment and these functions will best remain with the administrator.

He is also responsible for menu preparation since he will have the budget to research availability of items, comparative costs, reliability of resources and strength of resident demand for each item. He will take inventory, bearing in mind that there should always be foodstuffs left over which are deducted from the next order. In addition, he must supervise ordering, checking in of shipments, posting the menu for the day and daily inspection of facilities.

He is responsible for writing daily directives to the cook showing how many meals to prepare for each luncheon and dinner. Deductions must be made for residents in the hospital, or otherwise away from the hotel, and the percentage of absentees regularly anticipated. Guests of residents and a certain number of staff employees entitled to meals must be added to this figure. In a larger hotel, many of these duties can be delegated to the assistant administrator or auditor.

ANNOUNCEMENTS

Meal hours should be utilized for announcements but certain procedural safeguards are important to observe. Announcements should be made by the social director and not by the administrator. To permit the latter to do so detracts from his stature. The person making the announcements should speak in a well-modulated voice and should never speak without a good microphone and intercom system. The need for good amplification is intensified by the hearing deficiencies of many older people. Announcements should rarely exceed two minutes and can probably be omitted during breakfast.

MAINTAINING MENTAL AND PHYSICAL HEALTH

Like social attitudes, health is capable of change and being affected by change. The way in which a person responds to apparent changes in health further affects his health as well as his behavioral patterns in relation to others. In various social contexts, these changes in turn cause reactions and induce differing behavioral patterns on the part of those around him.

It is therefore apparent that the real character of a retirement hotel will vary relevant to health factors, reflecting admission standards; the way in which residents are conditioned to respond to health problems and changes; and “departure standards,” which must be established and respected in terms of health.

Considering variations in health and health attitudes, a retirement hotel might well be the same as a fine resort hotel. There, despite many of the inevitable infirmities of age, people generally have a fine appearance and make others feel good accordingly. When residents are well-groomed, they most often take pride in themselves, participate in activities, eat regularly and keep pace with children, friends and relatives living elsewhere.

At the other end of the spectrum, the retirement hotel may find itself used by people who just sit all day, waiting for time to pass, too ill either physically or emotionally to engage in social activities. Many of these residents should have gone to a nursing home in the first place; many others should have entered one subsequently when their health began to deteriorate.

Thus the character of every retirement hotel will not be the same and it should be recognized that the health of residents is probably the prime variable affecting its personality.

ASSURING MEDICAL CARE

It is surprising how few persons of retirement age and status are attended regularly by a specific doctor. This presents several problems for both the hotel and the resident. It would be unwise for the hotel arbitrarily to refuse admission to a person having no doctor of record yet
Outlets for physical recreation include a four-hole putting green at Chelsea House; other facilities for the upkeep of health and good grooming encourage residents to maintain a positive approach to life.
otherwise fully qualified and obviously capable of adjusting to the environment. By doing so the hotel assumes the feel of an institution.

If the hotel fails to induce the resident to establish a doctor-patient relationship, it can create a disadvantage to both the hotel and the resident. An established doctor will most often assure the resident of proper concern for health and treatment. Even more important, he can assure access to a hospital if the need arises. One of the most important responsibilities of the administrator is to emphasize constantly the need for a regular doctor.

DOCTOR'S OFFICE

Despite the fact that the hotel must never get involved in the practice of medicine, it is still desirable that a proper facility be established somewhere on the premises for a doctor to examine a resident. This office should be made available to any physician caring for any resident. Moreover, the hotel should endeavor to interest an outstanding internist in the needs of the residents and do everything possible to persuade him to establish regular hours on the premises.

The presence of a doctor's office and the knowledge that a doctor comes to the building regularly will do much to enhance the feeling of security and provide increased attention to health needs.

ROLE OF NURSE

The hotel nurse, whether Registered or Practical, assumes multiple duties. These include:

1. Maintaining medical records, enabling the hotel to contact the resident's doctor if necessary.
2. Ascertaining that there is an established doctor-patient relationship, and should one not exist, persistently encouraging the resident to establish such a relationship.
3. Taking emergency calls from residents—day or night—and staying with them until either a doctor or other emergency aid is provided.
4. Acting as receptionist for any doctor using the examining room. In addition, she will arrange appointments for residents seeking the "staff physician" who regularly holds office hours in the hotel.

The nurse, whether Registered or not, must understand that the hotel is neither licensed nor equipped to provide nursing care. She must not assume the responsibility for prescribing or handing out even such simple medications as aspirin. She further must realize she has no right to accept responsibility for reminding the resident to take prescribed medicine.

GROOMING STANDARDS

As indicated previously, without minimum standards for dress and grooming, the retirement hotel quickly assumes the atmosphere of an old people's home rather than a residence for participative living. It is therefore imperative that, prior to being accepted for residency, the applicant fully understands the minimum standards and agrees to accept them. The resident nurse might well be the best person to enforce grooming standards.

Even though residents ostensibly accept this code, they may gradually revert to slovenly habits. Women must be encouraged to wear something more than a worn house dress or wrapper. They should also be encouraged to visit the beauty salon regularly. Men must be similarly encouraged to use the barber shop as often as is necessary.

In this connection, if the developer can possibly afford it, he should completely equip and decorate the beauty salon and barber shop and deliver a "key package" to the operators. More important, a way should be found to subsidize the use of these facilities.

There is no question that dress and grooming affect health. When a person knows he is dressed well and looks well, he responds accordingly.

MAJOR HEALTH PROBLEMS

There would appear to be certain major health problems more or less inherent in or common to a large percentage of older people. These are diabetes, high blood pressure and heart trouble and loneliness.

The retirement hotel is probably not the right residence for the diabetic who requires a special sugar-free diet. It can serve food which is essentially "sugar-free," but this is certainly not the same thing as "free of sugar." Invariably, there will be a substantial amount of carbohy-
drates in the meals. If a person with diabetes is able to exercise control through compensatory amounts of insulin, then it is presumable that he can live adequately in a retirement hotel. Others, it is regrettable but true, should be domiciled elsewhere.

With reference to high blood pressure, doctors will often prescribe a completely salt-free diet. Here again the retirement hotel is not equipped to provide such a diet. At best, most foodstuffs are prepared without any salt or sugar being added and residents are able to add these at the dining table. If a person must have a completely salt-free diet, a nursing home or other type of similar facility must be recommended.

From our own experiences, however, it is interesting to note that a limited sampling of incoming residents at Chelsea House, checked after one month, was found to show a substantial drop in blood pressure after getting away from family members and moving to private quarters. It is to be hoped that a more adequate sampling can be worked with in order to possibly project more significant correlations between physical surroundings and blood pressure levels.

As to cardiovascular problems, the hotel should, of course, have as few steps as possible and can invariably attempt to guard against certain other situations which may have disturbing effects upon heart conditions. Still the retirement hotel is not intended for persons who have severe cardiovascular disabilities.

From many viewpoints, loneliness can be the greatest impediment to the health of retirement-age people. Inattentive or unsympathetic relatives can frequently establish an unfortunate correlation between loneliness and mental illness. On the other hand, it is to be hoped that the environment of the hotel can do much to dispel such hurts. Here the resident can be with people and become part of a group when he wishes and can withdraw to privacy when he needs solitude.

**OTHER MEDICAL FACILITIES**

Whenever possible, a dental chair with a small laboratory should be set up in the hotel. A properly qualified dentist can be induced to come in regularly to serve residents who do not have their own dentist. The dental profession is constantly exploring and evaluating new techniques for handling hygienic, restorative and operational dental needs. These developments are of special significance in view of the direct effects many oral diseases have on other parts of the body.

Another important service the hotel can provide is that of a podiatrist. Older people commonly have trouble with their feet, and if a podiatrist and facilities can be located on the premises, residents will make great use of such services.

As a rule, the podiatrist can work in a room as small as 10 x 10 just so he has room for the patient's chair, his own chair and the little whirlpool bath which is so often employed prior to treatment.

**PHYSICAL EXERCISE**

While it is impossible to generalize as to just how much physical exercise any one resident should have, an effort should be made to encourage light exercise. Many hotels endeavor to set aside 10 to 15 minutes every morning when an instructor leads residents in light exercises. To avoid self-consciousness, it is best to separate the men and women.

When the hotel is located opposite a park or enjoys its own private grounds or gardens, residents should be constantly reminded to take advantage of these facilities to get into the fresh air regularly.

**SUMMARY**

Just as there are "art forms" characteristic of any given civilization, so too we should speak of "housing forms" and recognize the retirement hotel as a new "housing form."

In reality, such terms as "lowrise," "highrise," "hotel," "furnished," "unfurnished," "corridor-type," and "walkup" all represent housing forms which reflect the differing needs of different people at different stages of history and technology. At the same time, these housing forms directly affect the social and physical ways in which people live and respond to their physical environment.

Though the percentage of persons living in retirement hotels may always be small, the potential growth and social good inherent in this housing form should be significant and worthy of careful inquiry.

The economic, physical and administrative techniques for effective retirement hotel development have been examined. The vast urban market for such facilities has scarcely been penetrated and the gratification in creating a successful opera-
tion in this field cannot be overstated.

A lengthening life expectancy annually
pushes growing numbers of Americans
beyond the age of retirement. Social
workers, government agencies and welfare
groups are turning their attention to the
special problems of the elderly as the
ranks of retired citizens expand. Newspa-
cr paper columnists, feature writers, tele-
vision panel shows, symposiums, and group
discussions are assisting with an inter-
change of ideas about how to face retire-
ment realistically. Most authorities agree
that the average American is highly ap-
prehensive about growing old.

We have come to realize that, though
aging is necessarily an individual experi-
ence, fear and loneliness seem to be the
overriding emotions common to the pro-
ess, fear and loneliness seem to be the
process. The retirement hotel, at least im-
,plicitly, recognizes that the following
emotional concerns are inherent in the
growth of the retirement hotel and deserve
careful delineation in relation to the re-
tiree:

1. Fears of eventual physical deterio-
ration and resulting dependency upon
others: Inevitable minor physical and
esthetic deteriorations.

2. Fear that he will no longer be useful
or necessary to anyone, a concept
which is strengthened as he recalls
replacement in his work by a younger
person.

3. Anxiety about death in which he
often becomes increasingly concerned
with the mysteries of death and life
after death.

4. Fear of financial dependency—a fear
too often depressingly realistic under
today's living conditions for the eld-
ery.

5. An increased anxiety, conscious and
unconscious, producing a sadness
about past failures and unfulfilled
aspirations.

6. A heightened sense of loneliness as
the older person loses more and
more family members, friends and
acquaintances.

A drastic change in attitudes can enable
many older persons to face retirement
years with confidence and anticipation.
The retiree can be taught to accept in-
evitable changes in a constructive manner;
to think positively rather than negatively
about retirement.

To maintain self-respect, he can develop
interests, hobbies and activities which can
be sustained effectively in retirement. He
can resolve to continue to grow mentally
and spiritually. Perhaps most important,
he can learn to play and relax, to indulge
himself in the many ways he never could
afford—in time or money—during his
working years.

The retirement hotel functions to assist
the retired person with his problems in
many of these ways. It can provide clean,
comfortable quarters and good healthful
meals at a price realistically geared to the
retired person's limited income. It provides
the companionship of associates who share
problems and programs to expand interests
and to enrich retirement. The staff and
surroundings of the retirement hotel offer
persistent encouragement to keep the re-
tiree active and well.

The developer and administrator must
constantly be alert to the four prime
variables which directly affect the person-
ality of the particular hotel:

1. State of health of residents;
2. Primary ethnic or religious back-
grounds, or ancestral derivation or
race, of residents;
3. Vocational background of residents;
4. Levels of general cultural and edu-
cational attainment of residents.

To the extent that persons of retirement
status could be afforded significant choice
as to retirement hotels, it would be im-
portant to observe the extent to which the
second variable was afforded recognition.
If lines were not drawn fast or imposed,
this might represent a healthy "pluralism"
and a higher quality of social integration.
On the other hand, the same freedom of
choice could reflect devisive and unhealthy
patterns of prejudice. The point at which
"clannishness" ends and "segregation"
commences is a difficult one to discern and
merits further investigation and appraisal.

Finally, there is still much to be learned
about the interplay between need, pro-
gram and physical environment. It is to
be hoped that interested agencies and
persons will be able to conduct the re-
search requisite to point the way.

Photos appearing in both installments of this
article by Frank Sells.

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board of IRMCO Hotels Corp., Chicago, firms
prominent in the syndication and management of
large apartment buildings and apartment hotels.
Merchandising New Apartment Construction

by Sidney Glassman, CPM

In today’s market it may not seem too appropriate to discuss merchandising—since the last year and a half has seen a very sharp contraction in supply of new apartments and a very noticeable tightening of the rental market. However, even in this market, good merchandise, coupled with good merchandising, rents first and at a premium as compared with the general run of products.

Generally, therefore, in a poor market, well-presented quality merchandise has a far superior rental performance and in a good market quality merchandise can achieve premium rentals.

The purpose of merchandising and its end goal, rapid rental to a good clientele, should not begin with the completion of models for the building but with the concept. Merchandising should start with building plans and site planning and it is imperative that the management team which will be involved in selling the product must be involved from the very beginning.

The first thing necessary to intelligently plan any new job is a market survey which gives the architects the parameters to which they will design. Architects are in a sense technicians and must have guide lines. They must be directed to design first to the economics of the building, second to how people will live in the building and lastly to how management will operate the building. They need to know:

1. Type of building
2. Amenities required
3. Rent levels
4. Unit mix
5. Tenant profile

All of the above information then has to be coordinated with the site design. This includes the land coverage, extent of planting and landscaping, and treatment of parking. In highrise buildings this site design may include plaza and fountain areas; style, color and detail of the building including the motif of the community; the outside lighting, etc.

In short, there is a lot of money to be spent on the outside of the building before one can even consider in detail the building interior.

Among the items to be considered inside the building, particularly in highrises, are lobby areas, party rooms, elevator lobbies, laundry rooms, trash disposal, garage and traffic patterns for the tenants. The scope and style of amenities also have to be considered, such as room sizes, foyers, eating space, appliances, equipment and type of finish hardware, lighting fixtures, vanities, oversize mirrors, built-ins, etc.

The total picture of the inside and outside of the building plus the location will then put into focus the value of the apartments and justify the rent level for them.

Planning and Presentation

Planning and presentation are a team effort which includes the management executive, interior decorator, advertising agent and sign and display people. The management executive has to decide the scope and cost of the presentation.

When considering the decor of model apartments, it should be tasteful and designed to show advantage the features of each particular model. It is not usually desirable to have this done by a furniture or department store because while the building owner is interested in renting apartments the store is interested only in merchandising furniture.

The design of the project’s brochure should be tied in with the motif of the community, the displays and the signs. It should be striking without being gaudy.
Establishing a general motif for an apartment complex makes for essential identification and aids in merchandising. Seen here are two examples of varying themes: at right, the colonial design of Concord Village; and below, the Tudor motif of the Bedford Village.
and should include floor plans. Rental prices should not be included so management can retain flexibility to adjust prices if tenant reaction so warrants it.

The use of displays has been of prime importance in merchandising. It is axiomatic that the display in a good setting is a most powerful and important selling tool. It is usually desirable to alter one of the model apartments near the model area and organize it into a display room and merchandising center. This again requires coordination between advertising personnel, sign and display consultants and management. Integrated displays including floor plans, site plans, pictures and illustrations, maps and in many cases a large, detailed accurate display model are designed. This merchandising center is a focal point and is to be tastefully furnished, carpeted, draped and arranged to rent apartments.

The display model is of prime importance and the typical floor plan is coordinated with the model so that the rental agent can fit the plan over the model and show the prospective tenant the exact location and orientation of any apartment. Display centers are tremendous tools for pre-renting apartments and, of greater importance, there are no surprises for the tenant; he can even see what the view from the apartment will be. In many of our jobs the goal is to be 50 percent rented even before actual model apartments are available.

In some cases a freestanding display center can be built. This may or may not include full scale model apartments. In the Crystal City complex in Washington, D.C., $150,000 was spent on a display building with movable walls, so that apartment models could be altered as the various buildings in the development were started. (See Journal of Property Management, May/June 1968.) Renting began six months before actual models or apartments were available for inspection. When the latter were ready—months before first occupancy—buildings were 60 to 70 percent rented.

In Watergate, the monumental co-op built on the Potomac River in Washington, D.C., a display center was built showing only kitchens and bathrooms. Together with their other visual displays, pre-sales were considerably over 50 percent when the building opened.

SIGNS & MOTIF

The use and placement of signs in garden and highrise apartments may differ but their goal is the same. That is 1) to identify the project quickly and easily; 2) to be directed in such a way as to easily find the display center; and 3) to be easily directed to the model apartments. Signs should be designed within the theme or motif of the development. There should also be permanent signs which may be different from those used during the rental period.

The Charles E. Smith Company has followed the above integrated approach in all of its recent projects.

In Crystal City, the theme was contemporary architecture with enormous lobbies and large open spaces with clusters of globes for outside lighting.

In Orleans Village, the motif was New Orleans colors, wrought-iron railings and balconies and outside lighting with the same motif. Bedford Village had a Tudor theme, with stucco and battens and colors compatible with the theme; Concord Village had a colonial motif.

ADVERTISING PROGRAM

The advertising program is usually set up months in advance of opening. It is
also coordinated to fit in with the motif of the brochure, the display center and the architecture. It includes display and classified ads and is usually set up with a budget for the first three months of a new development. Reports on traffic and rentals are made daily and fed back to the advertising people so that timing, type, frequency and size of ads are constantly reviewed and updated.

Our organization will spend approximately $100 to $125 per unit on a job of about 400 units including displays and brochures—from opening to 95 percent rented.

DISPLAY CENTER PERSONNEL

Last but not least is the all-important item of personnel. If the management firm can utilize already trained and experienced personnel from other buildings and openings, the battle is half won. Otherwise, personnel must be trained to present the public with a favorable image of both the management firm and the new development.

Personnel must know the buildings, the detail of decor and finish, the layout and all the strong points of the apartments and the project. They should also know the answers to any questions on less favorable items that may come up.

Normally, on a big job, a dozen or more persons will be involved in the merchandising. It is usually anticipated that a new project will be open and manned seven days a week, 12 hours a day.

The temporary personnel required need to present the same image and have similar knowledge of the job as do your three or four people who will remain permanently on the job. Therefore, it is important that the better qualified and permanent personnel be spread among the temporary people on shifts. The overall control of quality and performance, of course, remains with the property manager who must be close enough to the job to have a feel for his market and the public's response to the product. He should also be able to constantly check, evaluate and correct his merchandising people.

In many large companies, a cadre of part-time rental clerks are kept busy nearly the year round opening new projects with remarkable continuity of performance, even in different projects.

Sidney Glassman, CPM, is vice president of Charles E. Smith Management Co., Washington, D.C., and is in charge of residential management. He is an economic and real estate market consultant as well as a lecturer in real estate market analysis at American University.
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SEND INQUIRIES TO: JOURNAL OF PROPERTY MANAGEMENT, 155 E. SUPERIOR, CHICAGO 60611

1-1 NOISE ANALYSIS QUESTIONNAIRE

Noise problems in industrial or other locations can be evaluated through information submitted on a noise analysis questionnaire developed by Singer Partitions, Inc. The questionnaire enables non-acoustically trained personnel to provide an organized approach covering the nature of the noise problem, how the noise is transmitted, on-site environmental conditions, pertinent area dimensional data, available noise measurement data and noise reduction efforts already undertaken.

1-2 FLOOR PRODUCTS CATALOG

The 1969 edition of Azrock's catalog of resilient flooring products is available. The 16-page catalog contains full-color illustrations of all colors and patterns in Azrock vinyl asbestos tile, asphalt tile, feature strip and cove base. Also included is general information on sizes, gauges, uses, installation, light reflectance values and brief specifications.

1-3 ARCHITECTURAL PANELS

C/S Conamic Panels, a refacing material, has been introduced by Construction Specialties, Inc. The panels are available in a broad range of finishes —opaque or translucent, matte or glossy, smooth or textured, white or in color. Made of Pyroceram (R) brand material, C/S Conamic Panels are lightweight, designed to resist impact and abrasion. Non-porous, they will not absorb dirt but wash clean in the rain, the different treatments required by such diverse stains as chocolate, ball-point ink, blood, face cream and chewing gum.

1-4 CARPET CARE CHART

A "Spot and Stain Removal" chart to aid in emergency carpet care is available from West Chemical Products, Inc. The chart, which measures 9" x 12" and is printed on stiff paper, outlines the different treatments required by such diverse stains as chocolate, ball-point ink, blood, face cream and chewing gum.

1-5 SAFETY CABINETS

Eagle Manufacturing Co. has issued a brochure describing its Eagle Safety Cabinets. The cabinets are designed to provide safe storage for oil and gasoline cans as well as containers of other flammable liquids. Titled "How to Store Flammable Liquids," the folder describes the cabinets, their design features and uses. Sizes, capacities and other data are given.

1-6 FLOOR MAINTENANCE PRODUCTS

A line of flooring maintenance products for commercial and institutional interiors has been introduced by Armstrong Cork Co. Called Headliner, the line incorporates a floor finish, wax, cleaner and a wax remover, all blended of interrelated, compatible chemicals. The products are designed for traffic areas where abrasive wear, spillages, tracked-in water and soil, heel marking, etc., are encountered. They are available in 5-, 30-, and 55-gallon containers.
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1-7 CARPORTS

Metal Avning Components, Inc., has introduced a colonial roofline carport for apartment projects. The carport unit is available with roof pans of either aluminum or steel, rolled to any desired length, and with a depth of 20' or 40'. The latter depth permits entry from either side. A 20' span between columns allows two automobiles to be parked side-by-side. Roof pans are supported by 3" x 3" steel columns and a 10" "C" beam. All structural members are 11-gauge hot-dipped galvanized steel. The gutter system is integral with the fascia. The structural roof pans are first galvanized and then poly-vinyl baked and roll-coated for minimum maintenance after installation.

1-8 FLOOR COATING

A non-skid floor and deck coating is available from the Epoxo Coating Division of Falcon Safety Products, Inc. Epoxo coating is designed to prevent slipping on floors, walkways, stairs, ladders and ramps of all kinds. One application forms a bond on steel, concrete, macadam, aluminum, stone, linoleum and asphalt. Minimal preparation is needed to apply Epoxo to any clean, dry, stable surface, manufacturer claims. It can be applied by roller or spread with a brush, trowel or even sprayed. Drying time is about five hours and average coverage per five gallons is approximately 225 sq. ft. Epoxo is available in red, green, gray, black, white and safety orange.

1-9 EDP ENVIRONMENTAL CONTROL SYSTEMS

A four-page brochure from Liskey Aluminum, Inc., features Liskey-Aire environmental control systems, engineered for precision control of temperature, humidity and air cleanliness in data processing centers. The modular units are available in a choice of blue, red, gray or custom color finishes to blend with other equipment. The brochure also illustrates the inner workings of the unit. Enlarged photographs of various sections offer visual details of how Liskey-Aire provides filtered and tempered air. Maintenance features are also described.
1-10 STAIR COVERINGS

A catalog showing a complete selection of color coordinated molded rubber and vinyl stair coverings is available from the R. C. Musson Rubber Co. Matched color inks show realistic color reproductions of the products. Two new colors are shown in addition to seven regular marbleized colors. Also available is a detailed catalog of rubber and vinyl mats, matting and matting frames.

1-11 CONDENSER CHILLER PACKAGE

A gas engine-driven air-cooled condenser chiller package has been announced by Acme Industries. The unit, called the “Acme GED Air-Cooled Condenser Chiller Package (Series CAEH),” is designed for rooftop or other outdoor installation. It is available in six models covering a nominal capacity range of 22.5 through 80 tons; it is completely factory piped, assembled, tested and shipped as a single package. The unit consists of 13 principal operational components. The control system provides two control cabinets—one for the electrical system and the other for housing all pressure-control switches. The unit is 20’ long, 9’ high and 8½’ wide.

1-12 ANTI-STATIC AEROSOL

Statikil, Inc., has available its aerosol spray formula designed to eliminate static electricity shocks in carpeting. Carpet surfaces can be treated by spraying parallel with carpet, allowing the

Allstate Insures with Sargent Maximum Security System

Allstate Insurance Company’s new 722,783 sq. ft. complex at Northbrook, Illinois, was conceived from the start with area control in mind, the most modern security devices — including closed circuit TV, a central control guard station, and the Sargent Maximum Security System.

The new lock system prevents unauthorized key duplication: the unique six-sided reversible keys with precision milled indentations cannot be duplicated on “corner-store” key cutting machines.

In addition, the Sargent lock cylinders are also singularly pick-resistant. Unlike conventional cylinders, which have a single row of five or six pins, the new cylinder has 12 key pins, located on three different rows. The pins converge on the key from three different angles, making the cylinder all but impervious to the usual professional picking or “raking” techniques.

A total of seven levels of master-keying are available, four more than conventional systems. Since it does not use the pin split method of master keying, the security of these lock cylinders remains unimpaired even at the Absolute master key level where well over 24 thousand safe unduplicated key changes are available.

For full information on the Sargent Maximum Security System, write to Sargent & Company, 100 Sargent Drive, New Haven, Conn. 06509 • Peterborough, Ontario • Member Producers’ Council.

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VOLUME 34, NUMBER 1, JANUARY-FEBRUARY 1969
mist to settle on the carpet. Effectiveness lasts about a month, depending upon humidity, manufacturer states, and with succeeding applications the effectiveness of the neutralizing spray increases. Statikil is available in 16-oz. spray cans and in bulk concentrate gallons.

1-13 HOUSEKEEPING CART
The Geerpres "303" housekeeping cart is available for use in commercial and institutional facilities. Its open design permits carrying brooms and dust mops with their heads down, to aid in eliminating the spread of dust, dirt and germs. The Geerpres "303" holds mops, brooms, brushes, mopping outfit, vacuum, pails, toilet tissue, all types of cleaning materials and simple tools. A four-bushel capacity snap-on vinyl bag for emptying wastebaskets also is provided. Rubber-tired, ball-bearing casters aid in achieving silent maneuverability and a heavy-duty rubber bumper extends around the chassis to save furniture and woodwork.

1-14 PARKING BROCHURE
A brochure describing various techniques in parking lot design is available from T. A. Constantine & Associates. The two-color, 12-page brochure features renderings of three recent Constantine parking projects. It also describes architectural and engineering services available from the parking consultant firm for parking structures of all kinds—surface, multi-level, and underground—for commercial, industrial and residential facilities.

1-15 CONCEALED SUSPENSION SYSTEM
Eastern Products Corp. has announced its production of TAB-LOCK 281, a concealed acoustical suspension system. The system, based on a series of interlocking tees, is designed to create a concealed ceiling grid that is structurally stable without tiles. TAB-LOCK 281 offers an uninterrupted plane surface. Installation is non-progressive and tiles are installed after all other trades have completed work, manufacturer states. The grid uses standard 12" x 12" kerfed and rabbeted tiles. Tiles and grid components are salvagable.

1-16 MAINTENANCE SPRAY CHEMICALS
Curtis Industries, Inc., has available its line of Curtisol Spray Chemicals for industrial maintenance jobs. The line includes specialized lubricants, coatings, cleaners, penetrants and adhesives. They are packaged in "job size" containers with propellants, spray orifices and extension tubes matched to the need of the contents. As a group, the chemicals are designed to keep equipment operating efficiently.

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1-17 POURABLE CEMENT

A compound that mixes with water to a pouring or pliable consistency for the repair of cracks, holes or breaks in concrete is available from Hartline Products Co., Inc. The compound, called Rockite, is designed to form a permanent bond within an hour after application. It can be applied as a fluid or mixed to a pliable consistency for knife, spatula or cement-trowel application. It is available in packages of from one to 125 lbs.

1-18 PAINT STRIPER

The Speed King Paint Striper is available from Speed King Enterprises. The unit has a swivel wheel with lock which is designed to hold the machine in position for straight-line striping and releases for striping circles or curves. It also has a built-in control in the handle to aid in regulating paint flow.

When empty the unit weighs 10 lbs. and holds up to a gallon of paint. It is designed to work on asphalt, cement, concrete, tile or wooded surfaces, manufacturer's claims.

1-19 DRAFTING TABLE

The Stacor Corporation has announced its Stacromatic STA series of combination drafting table/reference desk. Designed for row installation, each of the units is a 37" high automatic drafting unit that combines a foot-pedal operated drafting board with a reference desk and file on the rear side. The drawing board is composed of kilndried wood which range in size from 37½" x 48" to 43½" x 72". A full-width plan drawer comes with the desk as well as a tool drawer with sliding plastic tray and lock. There is also a catalog file drawer. A three-receptacle electrical outlet is located on the side of the desk.

1-20 CARPET TILES

The Ozite Corporation has introduced a line of carpet tiles called "Fashion-Aire." The 9-inch square tiles are made of polypropylene olefin fiber and backed with a high density foam rubber cushion. They are designed to absorb noise and reduce breakage, manufacturer states. Fashion-Aire carpet tiles come in 15 decorator colors and may be installed permanently with Ozite adhesive.

When requesting information, please refer to key number.


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We are pleased to announce that we have opened a Real Estate and Land Department specializing in the South of France and more particularly in the region of "BAS-LANGUE-DOC" bordered by the coast of the "FLORIDA of EUROPE" extending from Marseilles to the Spanish border. Our services include such activities as camping, caravanning — renting and purchase of bungalows on sea side or interior — purchase of built or bare land — We also search capital for investment in land and touristic promotion — Please contact us for further information:

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San Francisco
Oct. 5-11
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Washington, D.C.
Mar. 12-15
The Mayflower
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These two vital areas are covered in reading assignments, lectures, and group discussions. The reading material includes a specially-prepared lecture supplement which will serve as a lasting reference book for the student, together with a classified book of forms actually in use throughout the real estate management profession.

Thirty points toward admission to CPM membership will be granted for successful completion of Course 1 and a passing grade on the examination. Successful completion of the Course 1 examination is a requisite for Institute membership.

Limited to 90 participants. Tuition: $195.

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Varied types of investment property are studied, including residential and commercial. Specially prepared workbooks and problem books are supplied to participants to assist them in developing practicable, workable feasibility studies and management surveys. Analysis includes management, valuation, market research, cash flow projections, financing, and the economics of alternates, all of which are oriented to active real estate practice. An invaluable sample feasibility study and management survey is also given the student which can be used as a long-term reference source.

Through lectures, reading, and group discussions, all assisted by experienced faculty, the student will learn to solve the many practical problems presented in the course. The examination will test the student not on his memory, but on how well he is able to solve the realistic problems presented.

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Teaching and perfecting the technique of preparing the all-important management survey is the prime objective of Course 3, truly the graduate course of the Institute's educational program. Completion of Courses 1 and 2 or equivalent experience and training are the prerequisites for Course 3. This program of study applies the case-study method to the analytical process and the preparation of the survey. First hand data-collecting experience is provided through a personal visit to a subject building—commercial, residential, or shopping center. Full data concerning the property, the immediate area, and the general region are supplied.

In the overall skill-practice and education experience of the participant, the individual's problem-defining and -solving facilities are tested and improved through group discussion in which national management experts take part.

The participant cannot help but benefit from learning objectives of the management survey; report preparation methods; application of market, neighborhood, and regional data; site inspections of the property, neighborhood, and comparables; identification of major problems and alternate solutions; economic analyses; writing the final report.

Attendance at the course and submission of a satisfactorily written survey earns 20 points toward Institute membership.

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The new IREM Course 4 is a down-to-earth study of the day-to-day problems faced by the man on the firing line in office building management as well as presenting the overall picture needed by executive management and owner-executive. In broad scope and in detail, the challenging concepts needed in developing an office building from its embryonic "idea" stage to a working unit complete with procedures and problems is presented in a realistic, practical manner. With lectures coupled with expertly-moderated discussion groups, and carefully selected supplemental material, the course will provide detailed data for every phase of office building development, leasing, and management.

The course of study will not only concern the historical development, style and functional changes, and criteria forming a base for office building demand in small, medium, and high rise office buildings, but also will include a comprehensive discussion and illustration of the feasibility study, site selection, preparation and all important areas of financing, and merchandising the new project.

Classes will be limited to 90 registrants to assure close-knit discussion groups of not more than 30 each. Written supplementary material will include numerous standard forms for efficient processing of paperwork, reprints of professionally written articles not available elsewhere, and original material. Tuition: $195.
Add authority to your activity* with the in-depth income/expense information of the 1968 Apartment Building INCOME-EXPENSE ANALYSIS

We assume you have a vital interest in investment property, or this announcement wouldn't have attracted your attention. From time to time most real estate practitioners take part in some or all of the activities listed here and would like to draw comparisons from a compilation of data gathered from apartment building operators throughout the country. These data reflect the actual 1967 income and expense experienced in apartment building operation. The 1968 Apartment Building Income-Expense Analysis published by the Institute of Real Estate Management is the only available compilation of these meaningful figures. The 1968 edition of this publication reports on over 1,500 apartment buildings containing nearly a half-million rooms.

Buildings are presented in four different categories: walk-ups, 12-24 units; walk-ups, 24 units and more; highrise elevator buildings and garden apartments. Geographically, four regions covering the U.S. and Canada are shown and up to 41 specific metropolitan areas. All expense categories are separately listed such as taxes, heat, payroll, etc.

An examination of this year's Analysis indicates:
- Gross possible income per room, per annum is up in elevator buildings built from 1931 to 1945, and those built after 1960, but in the same type of building constructed from 1945 to 1960, gross possible income is down as well as in this type of building prior to 1921.
- Taxes are the single largest expense item in operating apartment buildings and in a comparison with last year's report, it indicates that they have increased in percentage more than any other operating expense.
- Nationally, vacancy figures continue to trend downward, but tenant turnover and resulting expenses from turnover continue to rise.
- The newer small walk-up buildings cost much less to operate on an expense ratio basis to income than older buildings—the same holds true for garden apartments.

The figures reveal an almost endless variety of pertinent data about buildings, and how age affects the income-expense ratio of buildings and the way expenses are trending.

The Institute makes this information available in an attractive, sturdy, easy-to-read and use publication, the 1968 Apartment Building Income Expense Analysis. The cost for this new, bigger and more comprehensive than ever report is only $20. Orders will be serviced in order of receipt. Act now for prompt attention.

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