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"A student chapter offers young people the opportunity to get together with a common purpose. Through scholarships, competitions, speaker meetings, community projects and working closely with the local association, these students are encouraged to become professionals through access to knowledge . . . Then they start asking 'How can we change or improve this?' It's that kind of questioning that propels the industry."

Dr. Jack Willenbrock
Professor of Civil Engineering and Faculty Advisor
Penn State University

Bridging Industry and Academics

As the educational arm of the National Association of Home Builders, the Home Builders Institute represents the industry at many levels in America's educational system. From participating on college accreditation boards to providing special NAHB membership to students and faculty, HBI serves as liaison for today's building industry and tomorrow's builders.

Student Chapters—Investing in the Future

The NAHB Student Chapter program was established in 1971. It first offered students enrolled in construction and related courses the opportunity to receive special membership benefits. Since that time, the Association has developed a national student chapter network with thousands of university, vocational and high school student members.

NAHB Student Chapters interact closely with local builder associations and get a first-hand look at the industry. Student members have the opportunity to meet their future employers at association meetings. They work side by side with professionals on community projects, and receive financial support through fundraisers and scholarships.

On the national level, students have access to a complete range of industry materials and receive *Newsline,* the quarterly NAHB student chapter newsletter.

Starting a Student Chapter—First Steps to Professionalism

To apply for affiliation as an NAHB Student Chapter is simple. The school, through a faculty advisor, requests an application packet from the HBI University Services Coordinator. After the application is completed and returned to HBI, it is processed and presented to the NAHB Board of Directors for review. Once the Board approves the application, a membership plaque, membership certificates and cards are sent to the sponsoring builder association to be presented to the new student chapter.

Academic Subscriber's Program—Keeping Current

NAHB's Academic Subscribers Program was formed in 1982 to offer full-time professors, instructors and administrators in high schools, voc-tech institutions, colleges or universities, access to current information about the building industry. There are two levels of membership:

Academic Associates—receive *Builder* magazine, NAHB's award-winning monthly publication; *Nation's Building News*, NAHB's semimonthly newspaper covering the latest industry developments; student discount rates for NAHB's national convention and national seminars; a 25 percent discount on all NAHB bookstore publications and, unlimited access to the National Housing Center Library.

Academic Members—receive all the benefits of Academic Associates, plus exclusive NAHB economic forecasts and position papers.

Participating in the Accreditation Process

HBI also represents the education and training interests of the building industry at the policy level. Members from HBI's Board of Trustees and HBI staff sit on the Board of the American Council for Construction Education (ACCE). The primary goal of this private, non-profit corporation is to promote and continue the improvement of postsecondary construction education. Recognized by the Council on Postsecondary Accreditation (COPA), ACCE accredits 4-year baccalaureate degree programs in construction, construction science, construction management and construction technology. By working with other representatives in the construction community and the general public, HBI assists construction educators establish and maintain criteria and standards for accreditation. Through this active participation, HBI serves the interests of potential students by helping them identify institutions and programs that offer quality education in the field.

For more information about HBI University Services, contact:

Student Chapters and Academic Subscriber Program, *University Services Coordinator*	1-800-368-5242 ext. 494
Accreditation Information *Vice President, Training*	(202) 822-0494

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1087-006

HBI Community Revitalization Projects



"In Boston, one of our most critical priorities is making sure that Boston residents get a full and fair opportunity —through access and training— to participate in Boston's surging downtown economy. We have found that "Boston Rebuilds" is an important program for helping us reach those people who might otherwise not be served."

The Honorable Raymond L. Flynn
Mayor of Boston

Rebuilding Lives and the Nation's Housing Stock

In 1981, the Home Builders Institute entered into a unique partnership with the city of Baltimore. Unskilled young people rehabilitated three formerly abandoned city-owned buildings while learning hands-on construction skills. When the project was completed, Baltimore had newly refurbished units for low- to moderate-income families. In addition, the newly trained men and women were placed in construction jobs.

The success of this single pilot project has evolved into HBI's Community Revitalization Projects. Today, this nationwide initiative trains local area unemployed and underemployed residents for rewarding careers in the construction industry. At the same time, cities across the country receive safe and affordable housing.

A Win/Win Situation

Community Revitalization Projects unite various government departments, community organizations and private businesses. In addition, residents discover a new-found sense of neighborhood pride. Many groups benefit from the projects: The *city* restores abandoned buildings at a reasonable cost. *Trainees* receive excellent work experience, learn positive work attitudes, and obtain jobs in the building industry. Local *builders* gain a new cadre of entry level workers. And, *families* in need of housing have greater options in living accommodations.

A Successful Community Partnership

HBI's Community Revitalization Projects address two important needs: employment and housing.

Employment/Training—Community Revitalization Projects consist of classroom instruction and hands-on training. The open-entry/open-exit, competency-based program includes an employer-validated curriculum.

Trainees learn from experienced tradesmen hired by HBI. Proper handling of tools, basic skills and good work habits are stressed and training is adapted to the student's special needs. Some sites offer remedial math and English as a second language as well.

Most rehabilitation projects enable trainees to learn carpentry, electrical wiring, plumbing, masonry, painting and other marketable trade skills. On the average, each person receives approximately 700 hours of training. When placed in local jobs, the trainees keep and use their professional tools.

Training funds for Community Revitalization Projects come primarily from the Job Training Partnership Act (JTPA), including local Private Industry Councils (PICs), and state training coordinating committees.

Housing—The municipality provides HBI with access to abandoned, city-controlled buildings which serve as training sites. HBI has rehabilitated single-family homes, apartment buildings and light commercial space. HBI has also been successful in adaptive reuse. Construction funds, usually provided by the city's Housing Department, State Housing Trust Funds, or Community Development Block Grants, aid in the purchase of building supplies and materials.

Once work is completed, the building is sold or rented to low- to moderate-income residents.

Local Builders—Making It Work

A vital element to the success of a Community Revitalization Project is the support of the local home builder association. Members are instrumental in providing a solid employer base for those who complete training. Local builders also play a pivotal role in providing technical assistance on the projects. This support enhances the overall quality of work and allows trainees the opportunity to get first-hand experience with future employers.

The Time to Rehabilitate Is Now

Through its Community Revitalization Projects, HBI helps neighborhoods restore their sense of pride, provides unemployed people with valuable experience and jobs, and offers low- to moderate-income families the opportunity to live in safe and affordable housing.

For more information contact:

Director of Special Projects 1-800-368-5242 ext. 550

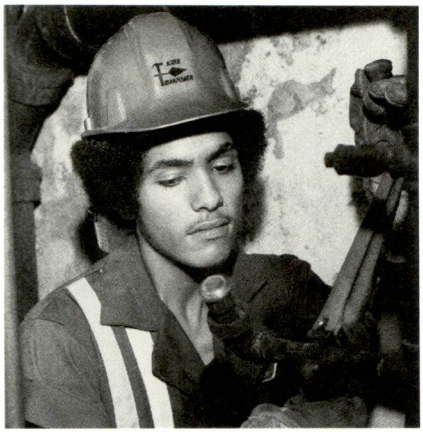
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1087-008

Job Corps

HBI



"It's plain and simple, without Job Corps, I'd be dead or in jail. Now I see my life going somewhere, because from here I will have something of my own that no one can take away from me."

Keith Lomax
HBI Plumbing Trainee
Potomac Job Corps Center
Washington, D.C.

The Building Industry and Job Corps

The Home Builders Institute, the educational arm of the National Association of Home Builders, became involved with Job Corps in 1974. At that time HBI offered seven construction trades training programs to 150 full-time trainees at the Woodstock, Maryland, Job Corps Center. Today, HBI provides training in 11 trades to more than 6,000 young men and women at Job Corps Centers nationwide. HBI's role in Job Corps is two-fold: to develop and deliver industry-validated construction training programs and to find gainful employment in the building industry for HBI Job Corps graduates. As a result, HBI has trained more than 50,000 youths for rewarding careers in the building industry through Job Corps.

Job Corps—A Commitment to Youth for More than 20 Years

Established in 1964, Job Corps is the world's oldest and largest residential education and vocational training program for disadvantaged youths. Funded by the U.S. Congress and administered by the U.S. Department of Labor, Job Corps provides remedial education, vocational training, counseling, and health care to men and women between the ages of 16 and 22.

Job Corps' goal is to turn America's hardest-to-employ youths into productive, independent citizens. A study conducted by an independent research group showed that over a three-year period, Job Corps returned $1.46 to the government for every $1.00 invested—primarily through increased tax revenues and lower income maintenance payments. This pay-back strongly supports Job Corps' reputation for fiscal integrity.

HBI Training Programs—Building Better Futures

HBI provides Job Corps training in painting, plumbing, carpentry, building and apartment maintenance, brick masonry, landscaping, electrical wiring, floorcovering, cement masonry, solar installation and plastering.

Corpsmembers are trained for a minimum of 800 hours by a journeyman instructor hired by HBI. They may remain in the program for a maximum of two years. Trainees graduate only after they have acquired proficiency in basic skills and exhibit the proper attitudes needed to succeed in their trade.

The backbone of HBI training programs is "hands-on" experience. Corpsmembers work on community projects, actual work sites or Vocational Skills Training (VST) projects, which involve the rehabilitation of Job Corps Center buildings and facilities. This practical experience has been repeatedly proven to be the best preparation for the world of work.

HBI Placement—The First Step to Rewarding Careers

One of the most beneficial aspects of HBI Job Corps training is its job placement. HBI's unique relationship with NAHB and its members provides a large potential employer base for the placement of Job Corps graduates. As a result, HBI has one of the highest placement rates in Job Corps. Corpsmembers who are hired are allowed to keep the professional tools supplied to them by HBI during training. After trainees are on the job, HBI regularly confers with employers to monitor their performance and progress.

Partners in Job Corps

Without the strong support of business, labor and national volunteer organizations, Job Corps could not succeed. The building industry supports Job Corps in many ways. The NAHB Auxiliary donates educational materials, books, recreational equipment and scholarships through its national Job Corps Center Assistance Program. NAHB members actively participate on Job Corps Community Relations Councils to match HBI training with worthwhile community projects and they consult with Job Corps instructors to ensure HBI training will continue to meet the building industry's employment demands.

For more information about HBI activities in Job Corps, contact:

Job Corps Training (202) 822-0550
Vice President, Program Development

Instructional Personnel & Curricula (202) 822-0550
Job Corps Program Managers

Job Corps Placement (202) 822-0551
National Coordinators

Job Corps Center Assistance Campaign (202) 822-0410
NAHB Auxiliary

Home Builders Institute

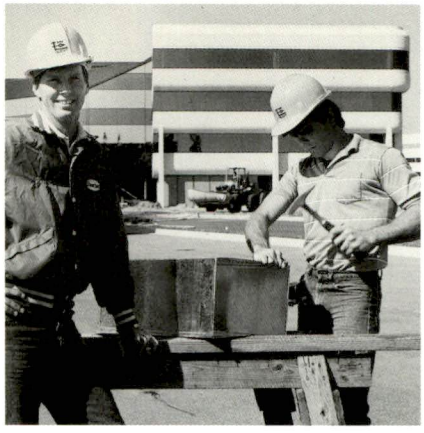
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1087-001

Craft Skills

HBI



"I got a lot out of the Craft Skills apprenticeship program when I was in it. Now that I have my own business, I have six apprentices working for me. The first apprentice I hired six years ago is still with me today. He's a great guy and is as enthusiastic about the trade as I am. These guys are the sharpest people we can find. They just have that extra drive. And that's the name of the game—better response time and getting the job done."

Kerry E. Hunter
President
Hunter's Air Conditioning and Heating, Inc. and
1978 Most Outstanding HVAC Apprentice
Presented by the Northeast Florida Builders Association

A Legendary Success Story

The Craft Skills Training Program is the cornerstone of the Home Builders Institute's success in "hands-on" trades training. This pre-apprenticeship and apprenticeship program was established in 1967 to alleviate the industry's shortage of skilled construction workers. Since then, it has become HBI's longest running job training program.

More than 100 state and local builder associations are served by Craft Skills programs throughout the country. More than 50,000 men and women have entered the home building industry as a result of this grass roots network of training.

Training a New Generation of Builders

Under the program, previously unskilled, unemployed and underemployed people are recruited and trained in carpentry, electrical wiring, plumbing, heating and air conditioning, building and apartment maintenance, rehabilitation and remodeling.

Craft Skills programs are funded through a long-standing grant from the U.S. Department of Labor, and are administered by the Home Builders Institute. Over the years, millions of dollars in seed money have been used by state and local home builder associations to start Craft Skills training programs.

Craft Skills at the Local Level

HBI's national staff works closely with each association to assess area training and employment needs and to obtain additional funding for construction training programs. To many associations, HBI's support is a vital link in offering members a strong, reliable pool of skilled tradesmen.

A full-time apprenticeship coordinator is hired by the builder association to recruit people for the program, tailor the curricula to local construction needs and standards, place apprentices with employers, monitor training classes and administer the program. After careful screening by the coordinator and by the apprenticeship committee, comprised of local employers, a class is assembled. An instructor, usually a journeyman in the craft, will teach the trainees eight hours a day using a combination of classroom instruction and on-the-job training.

Pre-Apprenticeship training is conducted in two phases. During the first five weeks, trainees learn the care and use of basic tools, safety, first aid, building materials, construction math and, if needed, receive literacy training. A positive attitude, pride in workmanship and self-motivation are also stressed. Toward the end of the first phase, trainees work on an actual job site. The newly trained craftsmen build, rehabilitate or remodel day care centers, senior citizen homes, shelters for the homeless and other community projects.

During the second pre-apprenticeship phase, trainees receive 16 weeks of on-the-job training as full-time employees of builders or sub-contractors. The local coordinator monitors each trainee's job performance, overall attitude, attendance record and skills proficiency.

Upon completion of pre-apprenticeship training, trainees can continue refining their trade through *Apprenticeship* programs sponsored by the local home builder association. All HBI sponsored apprenticeship programs are registered with the Federal Bureau of Apprenticeship and Training or the appropriate state agency.

Collaboration is the Key

By working with NAHB builder associations to administer Craft Skills training programs, HBI helps assure the building industry of a continuous and adequate supply of entry-level workers. Local contractors not only provide jobs for trainees and apprentices, but in many cases, are also active members on Private Industry Councils (PICs), the administrative body for numerous community training programs.

For more information on starting a Craft Skills program, funding sources, or apprentice sponsorship, contact:

Apprenticeship Program Administration (202) 822-0550
Vice President, Operations

Apprenticeship Programming (202) 822-0494
National Coordinator

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1087-002

REAL ESTATE

Vol. 2, No. 12

OUTLOOK

December 1989

A Monthly Forecast for the Economy and Real Estate



FORECAST SUMMARY

- The Department of Commerce released its first revision to third quarter real GNP growth, declaring that the economy advanced at an annual rate of 2.7 percent, a shade faster than its initial estimate of 2.5 percent. The upshot is that demand appears to have been stronger, while worrisome levels of inventory building were less alarming than originally thought.
- The Commerce Department reported that the index of leading economic indicators, slipped 0.4% in October, following two months of increases. To date in 1989, the index has fallen five times, increased four, and remained unchanged once.
- Housing starts activity rebounded in October to an annual rate of 1.42 million units, 12.0 percent faster than the September pace of 1.268 million units, but 7.3 percent below the October 1988 annual rate of 1.532 million units. Single-family housing starts moved up 6.9 percent to an annual rate of 1.027 million units, but were 9.6 percent below their October 1988 pace of 1.136 million units. Starts of multi-family units were also up strongly in October.
- October sales of existing single-family homes reacted positively to lower interest rates, remaining unchanged from their healthy September annual rate of 3.52 million homes. The pace of existing home sales was 4.3 percent below the October 1988 annual rate of 3.68 million units.
- Despite the healthy pace of existing single-family home sales, the median price of an existing single-family home slipped $2,200 to $92,100 in October, a decline of 2.3%. The median price for new single-family homes was up 5.3 percent in October to $127,900, and had risen 13.3 percent from its October 1988 median price of $112,900.

IN THIS ISSUE

- Economic Commentary: VALEDICTORY FOR THE DECADE, by John A. Tuccillo
- Outlook for the Economy and Real Estate, by Sean A. Burns
- Household Housing Expenditures: Effects of a Changing Population, by John Simonson and Mary Schwartz

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VALEDICTORY FOR THE DECADE
Economic Commentary

If you believe in forever,
Then life is just a one night stand.
If there's a rock n'roll heaven,
They're sure to have a hell of a band.

by
John A. Tuccillo
Chief Economist and
Senior Vice President
Real Estate Finance

Yes, but decades pass and it's only human to mark their passage with some retrospection, a process in which economists achieve 50 percent accuracy. In a few weeks, we move into a new decade (OK, don't quibble--I know that the Nineties don't really start until January 1, 1991, but see how many people invite you to their turn of the century party on December 31, 2000!). What did the Eighties represent? What did we accomplish? What lessons do we take with us toward the third millennium?

It was a decade that came in with the bang of Mt. St. Helens and went out with the twin scourges of Hugo and the quake. We learned that our friends at the beginning of the Eighties, the Japanese, may not be our friends by the end, but that old enemies are no longer as adversarial, as the Wall came tumbling down. Chernobyl and the Exxon Valdez showed the real costs of progress; our discards came back to haunt us, both as physical trash choking the environment and the human beings trapped by drug dependency and illiteracy.

We also learned that while democracy is, in the words of Winston Churchill, "the worst form of government, except for all the rest", it is the most difficult to sustain. Our elections became financial and media extravaganzas, and produced Congresses that have become increasingly paralyzed simply trying to produce an annual budget. That the Eighties were dominated by Ronald Reagan is as much a reflection of the changing ground rules of our political system, as it is a barometer of the needs of the country.

In economic terms, the decade was a resounding success. The nation is moving into the eighth consecutive year of growth, and even our two largest failures, the collapse of the thrifts and the stock market crash, appear to have had little lasting impact on either the housing finance system or the economy at large. Americans simply brushed aside the bad news in their rush to follow the advice of Barrett Stong, "The best things in life are free, but you can give them to the birds and bees. I need money, that's what I want."

Let's look at some of the major economic lessons of the Eighties:

Capitalism is a powerful force. Is there any doubt that the wave of freedom sweeping over the Communist world from China to East Germany stems from the powerful example of the prosperity achieved in the U.S., Western Europe and Japan? More to the point (and perhaps difficult to stomach), drug trafficking would not be nearly as successful and as hard to eliminate as it is were it not organized as a capitalist enterprise. In 1981, Reaganomics brought us back to the principles on which this economy was founded, and unprecedented growth resulted. That example has been taken to heart by many others in many ways.

Short-run wisdom and long-run wisdom don't always coincide. The free love of the Seventies turned out not to be free after all, as compelling as was its case. Also in the Seventies, what looked like a good idea--using the flood of young baby-boom workers to produce goods, rather than renewing obsolete capital--placed us in a dramatically inferior economic position to Japan and Germany. On the brighter side, the recession of 1981-82 engineered by the Volcker Fed seemed awful at the time, yet successfully squeezed inflation out of the economy and set the stage for the strong growth during the rest of the decade.

What goes up must come down. Not too long ago, we viewed the Communist Bloc as a monolithic superpower. And in 1980, Dallas and Houston were the places to be, and interest rates and oil prices were skyrocketing. Forecasts made at that time by extrapolating trends were dead wrong. And while it's true that economists have predicted eight of the last two recessions, it's human nature to assume that what happened yesterday will happen forever. Ain't so, and during the Eighties we learned that good markets turn sour, and bad markets improve. Think about that the next time you're tempted to worry about the Japanese.

Markets work. The most striking thing about the thrift debacle has not been its size or its cost or the numbers of institutions affected. Rather, it's that there has been no noticeable disruption of the housing finance system. The reason here is that the financial market found ways around the regulations that bound mortgage transactions. The upshot was the creation of an alternative system that took up the slack generated by the loss of the thrifts.

So those were the Eighties. The Nineties will bring their own triumphs and disasters, and we'll learn more lessons in the inexhaustible complexity of human existence. But can the end of the century really be so near? Has Saturday Night Live really been on for fifteen years? Is Mick really forty-six?

Outlook for the Economy and Real Estate

THE ECONOMIC OUTLOOK

The Department of Commerce released its first revision to third quarter real GNP growth, declaring that the economy advanced at an annual rate of 2.7 percent, a shade faster than its initial estimate of 2.5 percent. However, the composition of the new growth estimate changed substantially with the revision. Essentially, final sales in the economy (broadly defined as total demand less change in inventories) moved up by a full percentage point, and inventory change moved down by almost as much. The upshot is that demand appears to have been stronger, while worrisome levels of inventory building were less alarming than originally thought. However, the after effects of Hugo are still swirling amidst these revisions. By one measure, the net increase in the real GNP estimate can be explained by insurance payments made by foreign companies in the wake of Hugo. The statistical minutiae aside, the economy still seems on course for the vaunted "soft landing," although recent indicators suggest the approach might get a bit bumpy.

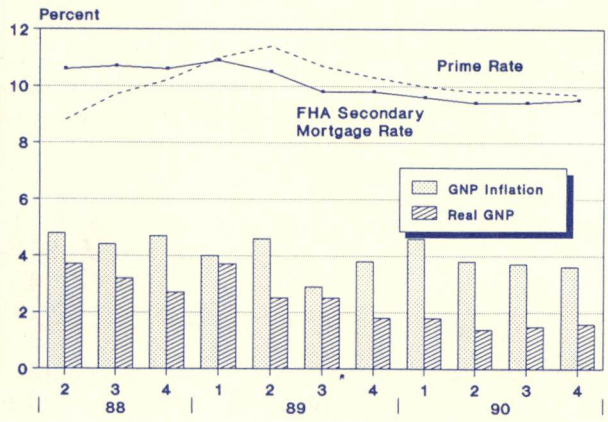
Outlook Mixed, Leading Indicators Say

The Commerce Department reported that its chief forecasting tool, the index of leading economic indicators, slipped 0.4% in October, following two months of increases. The index is popular because it is a composite of 11 indicators of economic activity which were selected to predict activity six to nine months in the future. It is believed that three consecutive monthly declines indicate a recession is probable. To date in 1989, the index has fallen five times, increased four, and remained unchanged once. In October, the index was buoyed by fewer unemployment claims, increases in plant and equipment orders, and a rise in building permits. The six components contributing to the October decline were all related to manufacturing: a shorter average workweek, slower orders for consumer goods, faster delivery times, less of a backlog for durable goods, higher material prices, and sagging consumer expectations. Any one month's report on the leading indicators should always be evaluated carefully, but other data confirms that the manufacturing sector has weakened significantly in recent months.

Sluggish Manufacturing Sector

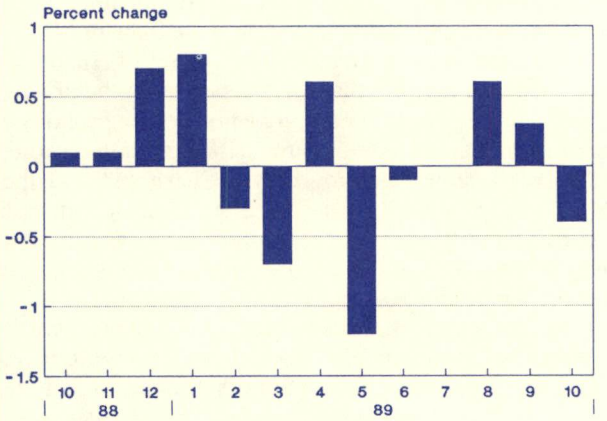
More concrete evidence of a slowdown in manufacturing has appeared with striking regularity in the monthly survey of purchasing agents by the National Association of Purchasing Managers. The November report marked the seventh consecutive month for which the index fell below a reading of 50. Generally, readings below 50 indicate that the manufacturing sector is extremely soft. Important trends in a few components of this composite index included the fifth consecutive monthly decline in factory production, the tenth consecutive monthly drop in manufacturing employment, and a decline in new orders for manufactured goods. The industrial sector has been going through a period of adjustment brought on by both weaker domestic demand and recently sluggish export growth. On a positive note, this slack demand has eased pressures for higher prices in some industries, and this may ultimately lead the Federal Reserve to lower interest rates.

GRAPH 1: THE ECONOMIC OUTLOOK



Source: Bureau of Economic Analysis; E NAR estimates.

GRAPH 2: LEADING INDICATORS WEAKEN



Source: Dept. of Commerce

GRAPH 3:FACTORIES SLOW, PURCHASERS SAY



Note: Index values under 50 indicate a weakening economy.
Source: Natl. Assn. Purchasing Managers

Will the Consumer Be Back in Time for Xmas?

With manufacturing enduring a slowdown, the indomitable spirit of the American consumer has again been looked to for help in propping up economic growth. In fact, much of the 2.7% advance in third quarter real GNP growth was due to consumer spending. On the surface, it seems that consumers are still up to the task: personal income growth surged 0.9% in October, the fastest pace since March, and just in time for the Christmas buying season. But a host of special factors were behind the income spurt: bonus checks for auto execs, and the earthquake, to name two. But while it's still too early to tell, there are signs consumers are winded from their stint at the forefront of economic growth. October retail sales were down 1.0 percent from September, but up 4.6 percent from October 1988. The October decline was the largest since January 1987, but both then and now the retreat was due to sharp drops in auto sales. Excluding auto sales, October retail sales were up 0.2 percent. So, a late Christmas season comeback should not be ruled out. Retailers did report that sales picked up after Thanksgiving, so Christmas might just come a little late this year: particularly with five shopping weekends between the holidays this year.

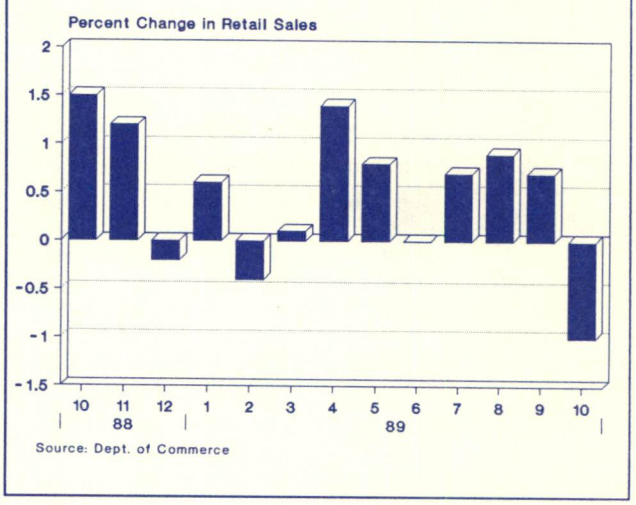
Slower Auto Sales Are Just a Symptom

Flat auto sales are muffling consumer spending as well. October was the first month in which Americans curbed their personal spending in more than a year, and sagging car sales were almost entirely to blame for the 0.2% drop. There was a time not too long ago that an extended stay in the Detroit doldrums meant a recession was likely for the entire economy. But in 1989, auto production at partially or wholly-owned Japanese plants in the U.S. will surpass one million units. These plants operate at lower costs than older ones run by the Big Three U.S. car companies. With these margins in their favor, Japanese auto makers have enjoyed an 8.2% rise in sales from January to October 1989, and in the process, have grabbed a 25.4% share of the market, up almost three percentage points. Sales at the Big Three have plunged 6.2%, trimming their combined share by 1.6%.

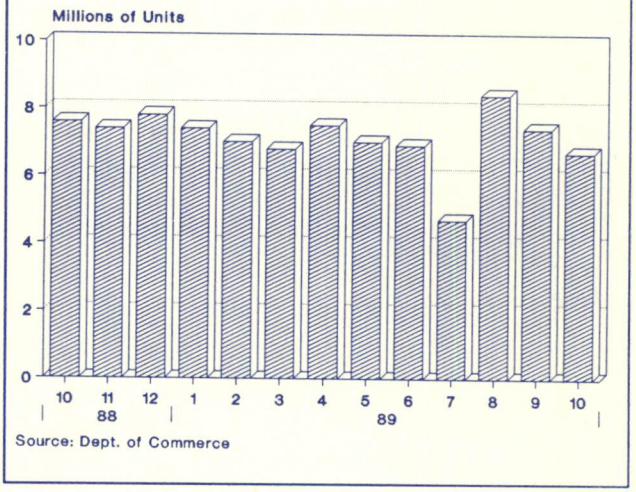
Slow Growth, Modest Inflation...Lower Rates?

As evidence of the economy's slower growth trend mounts, expectations grow that the Federal Reserve will soon ease its monetary policy and thereby allow interest rates to drift down again. The Fed is widely believed to be a bit more concerned with keeping the economy out of a recession, than it is worried about an acceleration in the rate of inflation. In fact, the Fed's next move to ease credit is so widely anticipated that many financial market wizards claimed to see ghosts of looser credit during the short Thanksgiving week. The markets reacted so strongly to these sightings that the Fed had to enter the markets on the following Monday to realign the federal funds rate to confirm that it had only been providing more credit to meet the needs of the busy shopping weekend. Still, the Fed is expected to loosen credit before the year is out. This easing of credit might be precipitated by a weak November employment report, which is due to be released on Friday, December 8.

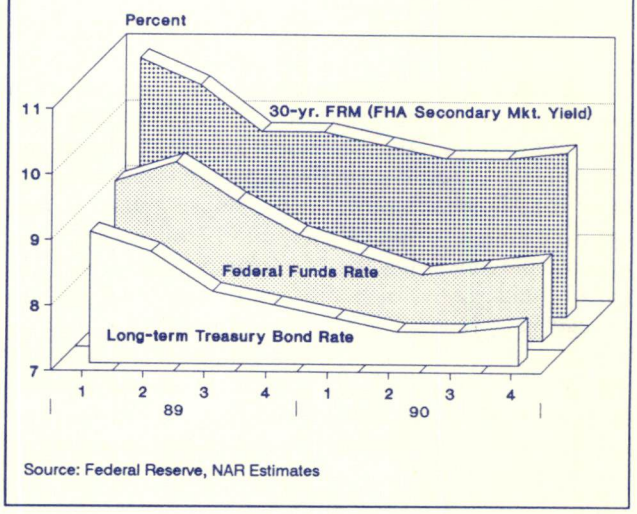
GRAPH 4: RETAILERS WAIT FOR XMAS



GRAPH 5: AUTO SALES PLUNGE



GRAPH 6: INTEREST RATE OUTLOOK



HOUSING STARTS

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

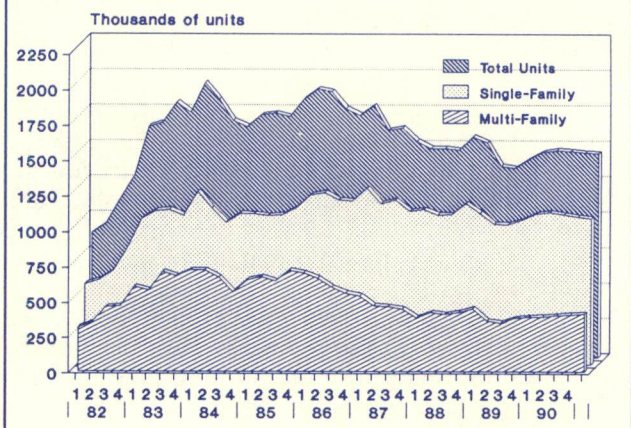
	Total	S-F	2-4	5 and up
Oct 1989	1420	1027	73	320
Sep 1989	1268	961	59	248
Aug 1989	1329	990	56	283
Jul 1989	1420	1026	57	337
Jun 1989	1406	972	55	379
Oct 1988	1532	1136	63	333
Oct 1989 Changes From (%):				
Sep 1989	12.0	6.9	23.7	29.0
Oct 1988	-7.3	-9.6	15.9	-3.9

REGIONAL DATA

	Northeast	Midwest	South	West
Oct 1989	176	289	562	393
Sep 1989	166	248	480	374
Aug 1989	140	236	563	390
Jul 1989	189	274	531	426
Jun 1989	168	242	552	444
Oct 1988	198	273	582	479
Oct 1989 Changes From (%):				
Sep 1989	6.0	16.5	17.1	5.1
Oct 1988	-11.1	5.9	-3.4	-18.0

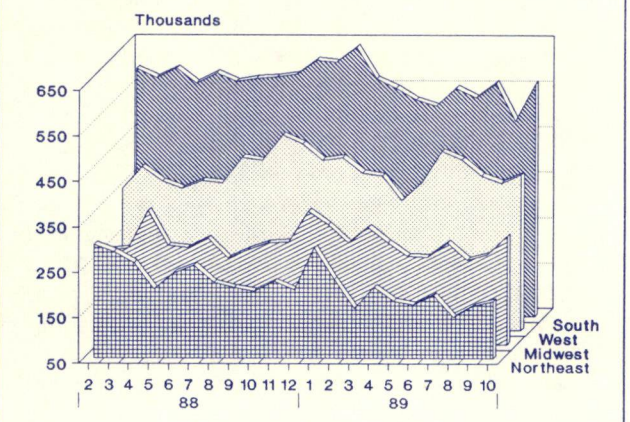
Source: Bureau of the Census; Construction Reports, Series C20

GRAPH 7: HOUSING STARTS



Source: Bureau of Census; Real Estate Outlook forecast

GRAPH 8: HOUSING STARTS BY REGION



Source: Bureau of Census

Privately owned housing starts activity rebounded in October to an annual rate of 1.42 million units, 12.0 percent faster than the September pace of 1.268 million units, but 7.3 percent below the October 1988 annual rate of 1.532 million units. Single-family housing starts moved up 6.9 percent to an annual rate of 1.027 million units, but were 9.6 percent below their October 1988 pace of 1.136 million units. Starts of multi-family units were also up strongly in October. The rebound in activity was directly related to the recent drop in interest rates, and does not indicate a reversal of the slowdown in the general economy. Rather, the latest starts figures simply moved starts activity back up to the pace that had prevailed in July before plunging 6.4% in August and 4.6% in September.

All four regions experienced an increase in the rate of housing starts activity during October, but only the Midwest saw starts surpass their October 1988 pace. In the Midwest, housing starts rose 16.5 % in October to an annual rate of 289 thousand homes, and were 5.9% higher than their October 1988 pace of 273 thousand units. In the Northeast, October housing starts were up 6.0% from September, but down 11.1% from a year ago. In the South, starts surged 17.1% in October, but were off 3.4 % from their October 1988 pace. In the West, housing starts rose 5.1% in October, but were down 18.0% from their October 1988 annual rate.

NEW HOME SALES

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

Oct	1989	649	Mar	1989	555
Sep	1989	652	Feb	1989	621
Aug	1989	726	Jan	1989	700
Jul	1989	738	Dec	1988	669
Jun	1989	647	Nov	1988	650
May	1989	653	Oct	1988	718
Apr	1989	607			

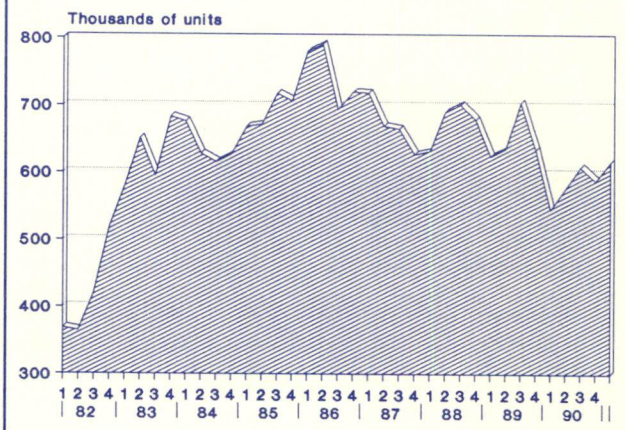
Oct 1989 Changes From:		Annual Totals:	
Sep 1989	-0.5	1987	671
Oct 1988	-9.6	1988	676

REGIONAL DATA

		Northeast	Midwest	South	West
Oct	1989	99	113	276	161
Sep	1989	67	109	261	214
Aug	1989	88	104	293	241
Jul	1989	99	127	282	229
Jun	1989	73	99	259	215
May	1989	89	99	271	195
Oct	1988	96	111	274	238
1988		102	97	276	202
1987		117	97	271	186
Oct 1989 Changes From:					
Sep	1989	47.8	3.7	5.7	-24.8
Oct	1988	3.1	1.8	0.7	-32.4

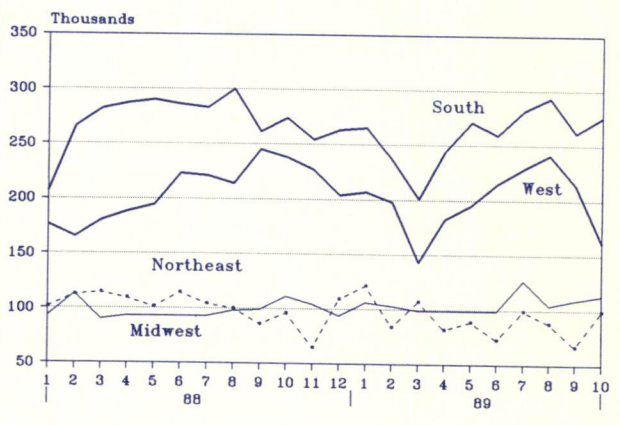
Source: Bureau of the Census; Construction Reports, Series C25

GRAPH 9: NEW HOME SALES



Source: Bureau of Census; Real Estate Outlook forecast

GRAPH 10: NEW HOME SALES BY REGION



Source: Bureau of Census

Sales of new single-family homes were virtually unchanged in October at an annual rate of 649 thousand units, or 0.5% below the September annual rate of 652 thousand units. New home sales figures can and do fluctuate wildly from month to month. In fact, September new home sales were initially reported last month to have fallen 14% from their August pace, but the Bureau of Census revised this figure to a smaller 10.2% decline. The November and December reports on new home sales may show a slight uptick in activity due to lower interest rates during the fall, which has helped boost housing starts activity. However, the large sampling errors encountered by the Bureau of Census make drawing any inferences from the monthly data a treacherous undertaking.

By region, there were some very wide swings in new home sales activity. In the Northeast, new home sales shot up 47.8% to an annual rate of 99 thousand homes, but were only 3.1% faster than the October 1988 rate. In the Midwest, new home sales moved up 3.7% in October to an annual rate of 113 thousand homes, and were 1.8% above the October 1988 annual rate. In the South, new homes sold at an annual rate of 276 thousand units, or 5.7% faster than the September rate, and were virtually unchanged from the October 1988 pace. In the West, the annual rate of new home sales plunged 24.8% in October to 161 thousand units, from 214 thousand units in September. The October 1989 sales pace was 32.4 percent slower than the October 1988 annual rate of 238 thousand units.

EXISTING SINGLE-FAMILY HOME SALES

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

Oct	1989	3520	Mar	1989	3400
Sep	1989	3520	Feb	1989	3480
Aug	1989	3480	Jan	1989	3550
Jul	1989	3330	Dec	1988	3920
Jun	1989	3360	Nov	1988	3710
May	1989	3210	Oct	1988	3680
Apr	1989	3400			

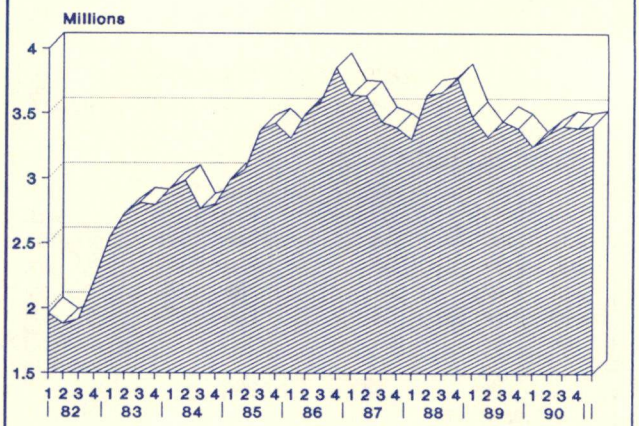
Oct 1989 Changes From (%):		Annual Totals:	
Sep 1989	0.0	1988	3594
Oct 1988	-4.3	1987	3526

REGIONAL DATA

	Northeast	Midwest	South	West
Oct 1989	580	980	1340	610
Sep 1989	590	990	1340	590
Aug 1989	590	980	1350	550
Jul 1989	550	910	1300	570
Jun 1989	510	960	1280	600
May 1989	610	810	1230	580
Oct 1988	640	940	1410	690
1988	673	929	1350	642
1987	685	959	1282	600
Oct 1989 Changes From (%):				
Sep 1989	-1.7	-1.0	0.0	3.4
Oct 1988	-9.4	4.3	-5.0	-11.6

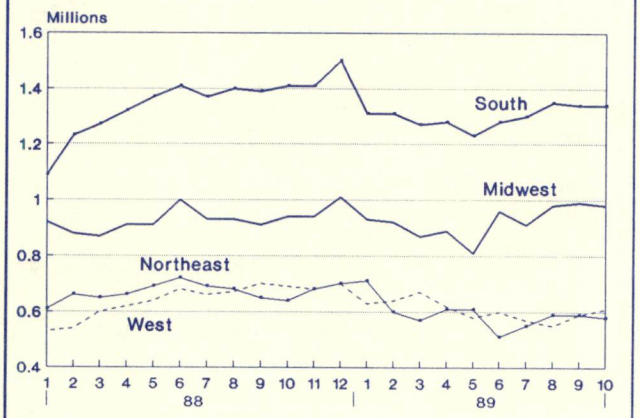
Source: NATIONAL ASSOCIATION OF REALTORS®
Economics and Research Division

GRAPH 11: EXISTING HOME SALES



Source: NAR Economics & Research; Real Estate Outlook forecast

GRAPH 12: EXISTING HOME SALES BY REGION



Source: NAR Economics & Research

October sales of existing single-family homes reacted positively to lower interest rates, remaining unchanged from their healthy September annual rate of 3.52 million homes. The pace of existing home sales was 4.3 percent below the October 1988 annual rate of 3.68 million units. However, put in the context of sales activity during 1989, the October annual rate was the highest since January's pace of 3.55 million units. With fixed rate mortgages available at rates below 10 percent, buyers previously priced out of the market apparently have reconsidered their situation and jumped back into the market. However, buyers in high cost areas are still finding it difficult to purchase homes, despite the lower rates.

In the Northeast, the annual rate of existing home sales fell 1.7% in October to 580 thousand homes, and was 9.4% below the October 1988 annual sales pace. In the Midwest, sales slipped by only 1.0% to an annual rate of 980 thousand homes during October, and were 4.3% ahead of the October 1988 sales pace. In the South, sales of existing homes were unchanged in October at an annual rate of 1.34 million homes, but fell 5.0 percent below the October 1988 annual rate of 1.41 million units. In the West, October sales activity was up 3.4 percent to an annual rate of 610 thousand existing homes, but remained 11.6 percent below its October 1988 sales pace of 690 thousand homes.

SINGLE-FAMILY HOME PRICES

(In Dollars)

NATIONAL DATA

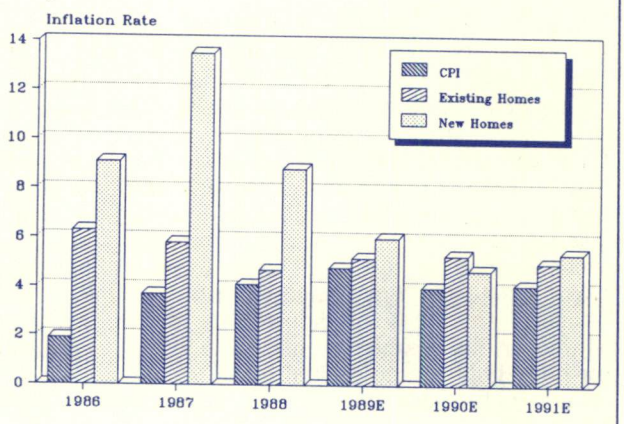
		Median		Average	
		Existing	New	Existing	New
Oct	1989	92,100	127,900	116,500	151,900
Sep	1989	94,300	121,500	118,400	151,900
Aug	1989	94,800	122,700	120,800	159,000
Jul	1989	96,700	116,000	122,100	140,300
Jun	1989	93,400	122,800	118,800	153,600
Oct	1988	88,900	112,900	112,300	137,300
1988		89,300	112,500	112,800	138,300
1987		85,600	104,500	106,300	127,200
Oct	1989				
Changes From (%):					
Sep	1989	-2.3	5.3	-1.6	0.0
Oct	1988	3.6	13.3	3.7	10.6

REGIONAL DATA

		Northeast	Midwest	South	West
Oct	1989	143,300	70,900	83,400	142,200
Sep	1989	145,700	72,200	84,400	147,600
Aug	1989	149,000	71,900	86,100	147,500
Jul	1989	147,100	73,400	87,200	146,500
Jun	1989	149,900	72,000	85,000	134,500
Oct	1988	144,400	68,000	80,500	130,000
1988		143,000	68,400	82,200	124,900
1987		133,300	66,000	80,400	113,200
Oct	1989				
Changes From (%):					
Sep	1989	-1.6	-1.8	-1.2	-3.7
Oct	1988	-0.8	4.3	3.6	9.4

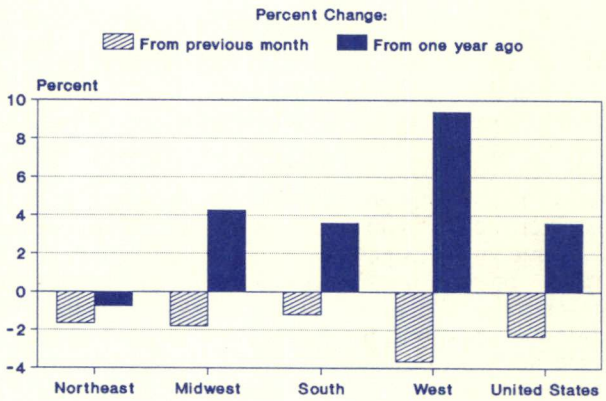
Source: NATIONAL ASSOCIATION OF REALTORS®
Economics and Research Division

GRAPH 13: HOME PRICES



Source: Bureau of Census; E Real Estate Outlook forecast

GRAPH 14: HOME PRICES BY REGION



Source: NAR Economics & Research; Real Estate Outlook forecast

Despite the healthy pace of existing single-family home sales, the median price of an existing single-family home slipped $2,200 to $92,100, in October, a decline of 2.3%. The drop in interest rates that encouraged the healthy sales activity allowed buyers who had previously been priced out of the housing market to make purchases. This, in turn, contributed to a larger volume of home sales in the moderate price range, as those previously priced out of the market are not likely to purchase homes in the upper brackets. The median price declined in all four regions during October, but remained above October 1988 levels in every region except the Northeast, where it was 0.8 percent below its October 1988 reading. The Midwest median price increased 4.3 percent since October 1988, the South median price was up 3.6 percent, and the West median price was up 9.4 percent.

The median price for new single-family homes was up 5.3 percent in October to $127,900, and had risen 13.3 percent from its October 1988 median price of $112,900. But as mentioned earlier, sampling errors affect the new home sales data, and these wide swings in new home sales prices are more than likely linked to them.

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Forecasting & Policy Analysis Division

HOUSEHOLD HOUSING EXPENDITURES

Effects of A Changing Population

Given the cyclical nature of housing, it is understandable why the demand for housing is often represented primarily as a function of current and anticipated inflation, interest rates, the supply of mortgage credit, etc. However the longer run demand for housing, often obscured by "shocks" to the economy, responds to the population's demographics, including its changing age structure and household composition. In "Increasing Singles and Aging 'Boomers': Impacts on Household Finances and Implications for Housing" (Real Estate Outlook, August 1989), we looked at the financial resources of households of various types. Moreover, we humbly speculated about the implications for household formation and housing demand if current trends in finances, savings and income continue into the future.

This article will look at another aspect of housing demand. How much of their financial resources are households of various ages and types spending for housing services? How will this impact future demand? Both this article and "Increasing Singles and Aging 'Boomers'", are excerpted from an upcoming NATIONAL ASSOCIATION OF REALTORS® staff study, Demographics in the U.S. -- The Segmenting of Housing Demand.

THE HOUSING "HAVES" AND "HAVE NOTS"

A well-documented growing inequality in the income distribution is being reflected in a growing gulf between the "haves" and "have nots" in the housing market. While growth in housing affluence among households toward the upper end of the distribution has been characterized as "quite remarkable", the declining share of income going to poor households has contributed to equally apparent housing problems, if not deprivation, for many.[1] Between 1981 and 1987, there was substantial growth in the number and percent of higher priced homes sold. Some 356,000 existing homes were sold for $120,000 or more in 1981 (14.7 percent of the total); an estimated 726,000 were sold for $150,000 or more in 1987 (20.6 percent of the total).[2] The number of new homes sold at these prices increased by 155 percent between 1981 and 1987; as a share of total new home sales the increase was from 15 percent to 26 percent.[3] Much of this reflects increased demand by affluent households for more amenities and more spacious, well-appointed homes.[4]

A few select characteristics of new homes indicate how striking the supply response has been. From 1984 to 1988, median new home size increased over 13 percent (from 1,605 sq. ft. to 1,815 sq. ft.); the proportion with more than two baths increased from 28 percent to 42 percent; new houses with four bedrooms or more increased from 18 percent to 26 percent; and the proportion with two- or more car garages rose from 55 percent to 66 percent.[5]

In sharp contrast to the affluence evidenced by increased sales of higher priced homes, housing deprivation has increased appreciably as well. Deprivation occurs not only for those households which are homeless but also for those poverty households which are deprived of other essentials because they must spend enormous income shares for housing. The housing cost burden to poverty households varies across household types. Housing costs constitute an excessive burden for more poverty renters than owners, and for more poverty households under age 65 than for the elderly. It is estimated, for example, that the typical renter household having an income below the poverty level spent 65 percent of its income on housing in 1985. This compares with 35 percent for elderly renters, 31 percent for black renters, and 27 percent for all renter households. On the other hand, the typical poverty household which owned its home in 1985 spent 47 percent of its income on housing. This compares with 19 percent spent by elderly owners, 21 percent by black owners, and 18 percent by all owner household.[6]

Whereas nearly 4 out of 5 (78.6 percent) of poor renters under age 65 and living alone pay more than 50 percent of their incomes for housing, only about one-half (50.8 percent) of their elderly cohorts do so. For married couples without children the situation is somewhat reversed; a substantially larger proportion of poor elderly renter couples pay more than 50 percent of their incomes for housing than is true for married renter households under age 65 (83.6 percent versus 73.6 percent). Available evidence from the 1985 American Housing Survey indicates that, while spending substantial portions of their incomes for housing, low-income households which rent consume relatively low levels of housing. For example, the typical renter units occupied by a poverty household in 1985 provided 379 square feet of floor space per person, about 83 percent of the median (458 square feet) for all occupied rental units.[10]

EVIDENCE FROM CONSUMER EXPENDITURES SURVEYS

The most reliable data currently available regarding household expenditures are collected by the Bureau of Labor Statistics in its periodic Consumer Expenditures Surveys (CES) and by the U.S. Department of Housing and Urban Developoment in its biennial American Housing Surveys (AHS). However, the Consumer Expenditure Survey is the only national survey that provides data both on household expenditures and on demographic characteristics of households. CES data gathered in 1973, 1981, 1985, 1986, and 1987 provide a useful perspective for assessing changes in household expenditure and consumption patterns during the 1970s and 1980s.[7]

Table 1 shows real income and expenditures both per household and per capita for selected CES periods. Differences in levels of and changes in household and per capita income/expenditures illustrates the influence of reduced average household size over the period.

Table 1
REAL HOUSEHOLD EXPENDITURES FOR SELECTED YEARS, 1973 - 1987
(1987 dollars)

Income/Expenditure	1973	1981	1985	1986	1987	% Change 1973-1987
Household Income	$27,244	$24,952	$26,528	$26,411	$27,326	0.3%
Household Expenditures	21,861	21,580	23,458	23,538	24,414	11.7
Shelter Expenditures (% of Income)	11.9%	14.1%	15.3%	15.6%	15.2%	3.3
Fuel & Utilities (% of Income)	3.6	6.3	6.6	6.5	6.1	2.5
Per Capita Income	$9,394	$9,241	$10,202	$10,017	$10,510	11.9
Per Capita Expenditures	7,425	7,891	8,936	8,773	9,390	26.5
Shelter Expenditures (per capita)	1,056	1,399	1,559	1,535	1,598	51.3
Fuel & Utilities Expenditures (per capita)	461	609	669	690	643	39.5

SOURCE: Marc E. Smyrl, Income and Expenditures of Selected Consumer Groups 1973-1985, CRS Report No. 88-318S (Washington, D.C.: Congressional Research Service, The Library of Congress, 1988), Tables I & II, pp. CRS-7 & CRS-9 based on Consumer Expenditure Surveys 1972-73, 1980-81, 1985; "Consumer Expenditure Survey Results from 1986," NEWS, U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C. (April 14, 1988), Table B, p. 3; and "Comprehensive Picture of Consumer Spending Released by Bureau of Labor Statistics," News, U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C. (July 6, 1989), Table B, p. 3.

Decline in household expenditures during the 1970s was not as great as the decline in income and, during the 1980s, expenditures increased more than did income. Hence, real expenditures per household were nearly 12 percent higher in 1987 than they were 14 years earlier, despite real incomes being virtually unchanged. Real expenditures for shelter by householdsincreased by 3.3 percent relative to income and for fuel and utilities by 2.5 percent. This does not necessarily mean, however, that households increased their consumption of housing goods and services; that is, an increased share of income could have been necessary to purchase the same amount of housing in the face of declining real incomes. However, as shown in Table 1, declining incomes account for only part of the increased share of income spent for housing, housing share rising when real income increased during the 1980s as well as when it declined during the 1970s.

The growth in per capita expenditures for shelter and fuel and utilities over the period is much more pronounced. Expenditures in both categories increased some 3 to 4 times as much over the 1973-1987 period as did total household expenditures.

What does this imply? First, the approximately 10 percent smaller typical household in 1987 consumed a substantially larger volume of housing goods and services (some 40 percent to 50 percent larger in per capita terms) than in 1973. Second, this apparently reflected increased preference for housing relative to other goods, services, or savings.

Table 2 shows financial characteristics of three selected groups of households in 1973 and 1985: young households, elderly households, and single-parent households. Because baby-boomers ranged in age from 9 to 27 in 1973 and from 21 to 39 in 1985, comparing characteristics of the typical young household aged 25 to 34 in those years should reflect changes attributable to coming of age of the baby-boom generation.

As with households age 25 to 34, the elderly comprised over one in five U.S. households in 1985, and their proportion is increasing; changes in their expenditure patterns between 1973 and 1985 may be instructive as to future patterns as well. Although single-parent families totaled only slightly over one in twenty U.S. households in 1985, they make up a rapidly growing proportion of the population thought to face special housing finance problems.

Consistent with alternative data sources, young households appear to have suffered a decline in real incomes (nearly 4 percent) between 1973 and 1985, although their per capita incomes increased nearly 14 percent. This apparent anomaly undoubtedly owes in large measure to a nearly 16 percent decrease in the average size of households with heads aged 25 to 34 during this period. At the same time, however, real expenditures for shelter and for fuel and utilities increased by some 44 percent in per capita terms, about the same as for all households. Indeed, average incomes and expenditures for young households differ little from the general population, either in terms of their 1985 levels or in changes occurring during the preceding 12-year period.

Elderly households experienced a larger increase in household income (11.4 percent) than did either of the other two groups discussed here.[8] But they, too, increased their housing expenditures far more than their incomes increased. Consistent with conventional wisdom, the elderly appear to have had much lower incomes in 1985 than did the population as a whole ($15,836 versus $25,127 household incomes, and $8,798 versus $9,664 per capita incomes).

The elderly also spent a much larger proportion of their 1985 incomes than did the general population (95 percent versus 88 percent), but this represented about an 8 percent increase from 1973 for both groups. Moreover, the elderly spent a substantially larger percent of their per capita incomes for shelter and for fuel and utilities in 1985 than in 1973 (24.8 percent versus 20.0 percent). Again, this mirrors the housing expenditure pattern for the general population in 1985 and 1973 (21.8 percent versus 16.1 percent).

Whereas single-parent households had incomes roughly comparable with those of elderly households in 1985, their income per capita was only about 60 percent as high and the rate of growth only about one-third as great as for the elderly. Single-parent households reported spending more than they earned, per household as well as per capita.[9]

Despite spending less for housing per capita than did the general population, young households, or the elderly, single-parent households spent a far larger percent of their incomes. Indeed, single-parent households spent an average of one-third of their per capita incomes for shelter, fuel, and utilities in 1985. This compares with 27 percent in 1973 and with about 22 percent for the general population in 1985.

CONCLUSION

Several conclusions seem worth noting from the income, expenditure, and housing consumption patterns observed from the Consumer Expenditures Surveys. First, from 1973 to the mid-1980s, all household groups substantially increased their inflation-adjusted expenditures for goods and services generally and for housing services in particular. Second, because of substantial decreases in household size (except for the elderly) during that period, per capita expenditures increased much more than did average household expenditures (again, except for the elderly).

Third, because growth in real incomes was so uneven, in fact decreasing for young households, increased real expenditures posed quite different relative burdens for disparate groups of households. Whereas the typical U.S. household increased its total expenditures as a percent of income from 80 percent to 88 percent between 1973 and 1985, the corresponding increase was from 79 to 86 percent for young households, from 87 percent to 96 percent for the elderly, and from 103 percent to 108 percent for single-parent families. Corresponding increases in household income spent for shelter, fuel, and utilities were from 15 percent to 22 percent for all households, but from 18 percent to 23 percent for young households and from 26 percent to 33 percent for single-parent households.

Fourth, young households' income and expenditure patterns seem to correspond closely with patterns for households generally. Whether this indicates that baby-boomers are emulating other households or vice versa is difficult to say. However, if the pattern continues as

Table 2

REAL INCOME AND EXPENDITURES BY HOUSEHOLD TYPE, 1973 and 1985
(in 1985 dollars)

Income/Expenditures	1985	$ Change 1973-85	% Change 1973-85
YOUNG HOUSEHOLDS[a]			
Household Income	$25,535	-$1,050	- 3.9%
Household Expenditures	21,979	+ 994	+ 4.7
Per Capita Income	9,457	+1,149	+13.8
Per Capita Expenditures	8,140	+1,460	+21.9
For Shelter	1,654	+ 507	+44.2
For Fuel & Utilities	527	+ 162	+44.4
ELDERLY HOUSEHOLDS[b]			
Household Income	15,836	+1,617	+11.4
Household Expenditures	15,132	+2,725	+22.0
Per Capita Income	8,798	+ 434	+ 5.2
Per Capita Expenditures	8,407	+1,109	+15.2
For Shelter	1,338	+ 281	+26.6
For Fuel & Utilities	842	+ 218	+34.9
SINGLE-PARENT HOUSEHOLDS[c]			
Household Income	15,385	+ 575	+ 3.9
Household Expenditures	16,648	+1,400	+ 9.2
Per Capita Income	5,305	+ 677	+14.6
Per Capita Expenditures	5,741	+ 976	+20.5
For Shelter	1,239	+ 303	+32.4
For Fuel & Utilities	523	+ 208	+66.0

[a] Household head or individual aged 25-34.
[b] Household head over age 65.
[c] Household having one parent and children under age 18.

SOURCE: Marc E. Smyrl, Income and Expenditures of Selected Consumer Groups 1973-1985, CRS Report No. 88-318S (Washington, D.C.: Congressional Research Service, The Library of Congress, 1988), Tables VI, VII, X - XIII, pp. CRS-17, CRS-18, CRS-23, CRS-24, CRS-26, & CRS-27 based on Consumer Expenditure Surveys 1972-73, and 1985.

baby-boomers move into middle age, projecting housing demand will be difficult indeed.

Finally, that demographic factors are interrelated is obvious, precisely how they are related less so. Reduced average household size for most segments of the population seems to account for per capita income increases outstripping increases in average household income, despite greatly increased numbers of two-earner households. The usual explanation is that preferences for living alone, for single-parenting, and the like necessarily mean lower average household incomes because of fewer earnings sources. An alternative explanation seems equally plausible, namely, that increased per capita incomes may have enabled many individuals to form smaller households, thereby occasioning increased housing consumption per person. Both relationships undoubtedly exist, but we currently have no way of knowing which predominates. Nevertheless, increasing numbers of small and single-person households which are relatively affluent could increase the demand for smaller, well-appointed homes but it is difficult to say with much certainty.

by
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Mary Schwartz
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1. See, for example, Michael Carliner, "Income distribution and the Housing Industry," Housing Economics, Vol. 37 (December 1988), pp. 4-7.
2. A. home sold for $120,000 in 1981 was about equvalent to one selling for $150,000 in 1987. Existing home sales statlistics are from Existing Home Sales 1985 (Washington, D.C.: NATIONAL ASSOCIATION OF REALTORS®, 1986), Table 1, p.3 and Table 18, p. 16; and Existing Home Sales, 1988 (Wasington, D.C.: NATIONAL ASSOCIATION OF REALTORS®, forthcoming), Table 5.
3. See Michael Carliner, "Income Distribution and the Housing Industry," Housing Economics, Vol. 37 (December 1988), p. 6.
4. See Mary-Lynne Francois, "Recent Trends in the Size and Amenities of Newly Constructed Housing Units," Real Estate Quarterly, Vol. 5 (Fall 1986).
5. "Characteristics of Housing Completed in 1988," U.S. Department of Commerce and U.S. Department of Housing and Urban Development, Joint Release (March 2, 1989), Table 1.
6. U.S. Department of commerce and U.S. Department of Housing and Urban Development, Current Housing Reports, H-150-85, American Housing Survey for the United States in 1985, (Washington, D.C.: U.S. Government Printing Office, 1988) I, Table 4-13, p. 148 and Table 3-13, p.88.
7. Analysis in this section draws heavily upon Marc E. Smyrl, Income and Expenditures of Selected consumer Groups 1973-1985, CRS Report 88-318 S, Washington, D.C.: Congressional Research Service, The Library of Congress, 1988.
8. This probably owes in part to average size of elderly households increasing from 1.7 persons in 1973 to 1.8 persons in 1985. See Smyrl, Table XII, p. CRS-26.
9. Part of the explanation may be high underreporting of income for this group, e.g., undeclared child-support payments. See, for example, Smyrl, p. CRS-22. However, that underreporting of income by single-parent households is any greater than for say, the elderly, is largely conjectural.
10. U.S. Department of Commerce and U.S. Department of Housing and Urban Development, Current Housing Reports, H-150-85, American Housing Survey for the United States in 1985, (Washington, D.C.: U.S. Government Printing Office, 1988), Table 403, p. 24.

U.S. ECONOMIC OUTLOOK

DECEMBER 1989

	QUARTERS								YEARS				
	ACTUAL		FORECAST						ACTUAL		FORECAST		
	1989.2	1989.3	89.4	90.1	90.2	90.3	90.4	91.1	1987	1988	1989	1990	1991
AGGREGATE ECONOMY													
Gross National Product													
(billions of dollars)	5202	5279	5350	5431	5502	5572	5642	5728	4524	4881	5233	5537	5860
% Change	7.1	6.1	5.5	6.2	5.3	5.2	5.1	6.3	6.9	7.9	7.2	5.8	5.8
% Change (w/out inflation)	2.5	2.7	1.7	1.7	1.4	1.5	1.6	2.3	3.7	4.4	3.0	1.8	2.1
Consumer Price Inflation (CPI)	6.4	2.4	4.0	4.2	3.9	4.2	4.1	4.1	3.7	4.1	4.8	4.0	4.1
GNP Inflation (GNP Deflator)	4.6	3.2	4.0	4.5	3.8	3.7	3.6	4.0	3.1	3.3	4.2	3.9	3.7
Unemployment Rate - Civilian	5.3	5.2	5.4	5.5	5.6	5.6	5.7	5.7	6.2	5.5	5.3	5.5	5.6
Civilian Employment-Household Basis (millions)	117.3	117.5	117.7	117.9	118.2	118.4	118.6	118.9	112.4	115.0	117.3	118.3	119.4
Percent change	1.3	0.7	0.5	1.0	0.8	0.8	0.7	0.9	2.6	2.3	2.1	0.8	1.0
Index of Industrial Production	141.8	142.2	141.8	142.1	142.0	142.9	143.6	145.4	129.8	137.2	141.8	143.9	146.8
Manufacturing Capacity Utilization	84.4	83.9	82.8	82.7	82.4	82.6	82.9	83.5	81.0	83.6	84.1	83.6	83.6
Domestic Auto Sales	7.3	7.9	6.2	6.6	6.9	7.0	6.8	7.0	7.1	7.5	7.2	6.8	7.0
Federal Tax Receipts (NIPA) as % of GNP	20.2	19.7	19.7	20.4	20.5	20.5	20.5	20.5	20.1	19.9	20.0	20.5	20.5
Federal Expenditures (NIPA) as % of GNP	23.0	22.6	22.7	22.7	22.6	22.6	22.5	22.7	23.7	22.9	22.9	22.6	22.5
Deficit(NIPA)	-145.4	-149.4	-147.8	-125.3	-118.2	-118.7	-117.3	-125.6	-161.3	-145.9	-150.7	-119.9	-121.8
as % of GNP	-2.8	-2.8	-2.8	-2.3	-2.1	-2.1	-2.1	-2.2	-3.6	-3.0	-2.9	-2.2	-2.1
REAL ESTATE MARKETS													
HOME SALES													
Total Single-family Home Sales													
(thousands, single-family resales plus													
97 percent of single-family starts)	4286	4405	4376	4278	4383	4433	4402	4410	4633	4650	4395	4374	4443
Percent change -- year ago	-8.2	-6.1	-10.2	-5.2	2.3	-0.3	1.0	3.1	-1.6	0.3	-5.5	-0.5	1.6
Existing Single-family Home Sales (thousands)	3323	3443	3385	3245	3339	3404	3389	3408	3512	3594	3407	3345	3450
Percent change -- year ago	-8.8	-6.0	-10.2	-6.7	0.5	-1.1	0.1	5.0	-1.4	2.3	-5.2	-1.8	3.2
Housing Starts (thousands)	1352	1339	1402	1452	1466	1460	1448	1444	1634	1495	1428	1457	1435
Percent change -- year ago	-8.4	-8.8	-9.8	-4.3	8.4	9.1	3.3	-0.5	-9.8	-8.5	-4.5	2.0	-1.5
Single-Family Units	993	992	1022	1065	1076	1061	1044	1034	1156	1088	1019	1061	1024
Percent change -- year ago	-6.2	-6.1	-8.9	-0.4	8.4	6.9	2.1	-3.0	-2.2	-5.9	-6.4	4.2	-3.5
Multi-Family Units	360	346	380	387	390	400	405	411	477	407	384	395	411
2-4 Family Units	53	57	60	61	61	63	64	65	65	59	57	62	65
Percent change -- year ago	-8.1	-5.8	-11.2	2.3	15.4	10.0	5.8	6.2	-23.0	-9.5	-3.4	8.8	4.0
5+ Family Units	307	289	320	326	329	337	341	346	412	348	326	333	347
Percent change -- year ago	-15.0	-17.4	-12.2	-16.1	7.1	16.6	6.7	6.2	-24.4	-15.6	-6.2	2.2	4.0
New Single-family Home Sales (thousands)	636	705	635	546	577	610	588	616	673	677	650	580	649
HOME PRICES													
Existing Home Prices - Median $(1000)	93.0	95.3	94.5	96.2	97.9	100.2	99.7	101.4	84.9	88.9	93.5	98.5	103.4
Percent change -- year ago	4.6	5.7	6.6	5.4	5.3	5.2	5.5	5.4	5.8	4.7	5.2	5.3	5.0
New Home Prices - Median $(1000)	119.5	120.1	125.0	123.4	126.3	127.3	128.4	129.7	104.7	113.9	120.7	126.3	133.1
Percent change -- year ago	5.8	4.5	8.9	4.6	5.7	6.0	2.7	5.1	13.5	8.8	6.0	4.7	5.4
FINANCIAL MARKETS													
Long-Term Interest Rates													
30-year Fixed Rate Mortgage (FHA Secondary)	10.5	9.8	9.8	9.6	9.4	9.4	9.5	9.7	10.2	10.5	10.3	9.5	9.8
1-year ARM (effective rate)	9.7	9.7	9.5	9.2	9.0	9.0	9.1	9.2	8.5	8.5	9.7	9.1	9.3
Corporate AAA Bond Rate	9.5	9.0	8.8	8.6	8.4	8.4	8.5	8.5	9.4	9.7	9.2	8.5	8.8
Government Bond Rate	8.7	8.1	7.9	7.7	7.5	7.5	7.6	7.8	8.6	9.0	8.4	7.6	8.0
Short-Term Interest Rates													
Federal Funds Rate	9.7	9.1	8.6	8.3	8.0	8.1	8.2	8.4	6.7	7.6	9.2	8.2	8.4
3-month T-Bill Rate	8.4	7.8	7.6	7.3	7.0	7.2	7.2	7.4	5.8	6.7	8.1	7.2	7.4
Prime Rate	11.4	10.7	10.3	10.0	9.8	9.8	9.7	9.7	8.2	9.3	10.8	9.8	9.8
Discount Rate	7.0	7.0	7.0	7.0	6.7	6.5	6.5	6.5	5.7	6.2	6.9	6.7	6.5
Value of the U.S. Dollar (Trade-Weighted Avg.)	100.4	100.5	97.9	96.2	93.9	91.8	90.4	89.7	96.9	92.8	98.7	93.1	89.9
Percent change	19.7	0.4	-9.8	-6.9	-9.3	-8.5	-5.8	-3.0	-13.6	-4.3	6.4	-5.7	-3.5

Source: Forecast produced using Laurence H. Meyer and Associates' model of the U.S. economy.
Assumptions and simulations by Dr. John Tuccillo, Dr Frederick Flick, and Sean Burns.


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STABLE MORTGAGE RATES BOOST HOME RESALES IN NOVEMBER, NAR SAYS

WASHINGTON (Dec. 27, 1989)--Continued declines in mortgage interest rates boosted sales of previously-owned homes in November to the highest level of the year, according to the National Association of Realtors.

The association recorded a seasonally adjusted annual sales rate* of 3.59 million existing single-family homes last month, which rose 3.2 percent from October's rate of 3.48 million units. The resale pace was the highest since December 1988, when NAR recorded a rate of 3.92 million units.

However, resales overall were slower than that of one year earlier. The national resale rate was 3.2 percent below that of November 1988, and year-to-year declines were posted for the Northeast and West.

Sharp differences between sales activity in high-cost areas and more moderately-priced markets likely will continue next year, said NAR President Norman D. Flynn. But, the combination of interest rate stability and level home prices likely will keep home sales strong overall, he noted.

He discounted recent reports of a pending national housing recession, noting that such predictions are based primarily on a slowdown in expensive markets, particularly in the Northeast, where prices reached an unsustainable level.

In addition, Flynn pointed out that an examination of the performance of home prices over the past several years shows that housing has been a positive investment for the typical American family. "People who are predicting hard times for housing are not considering how much prices rose in high-cost areas over the past few years," Flynn said.

For instance, in the Northeast, the median existing-home price for November was $145,800, which was 3.6 percent higher than that for November 1988. However, over the past five years, the Northeast median price has surged more than 85.0 percent.

-more-

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In November, the resale pace in the Northeast was 590,000 units, 1.7 percent above the October pace, but 13.2 percent below the pace of a year ago.

"Some large, high-cost markets have experienced some softening this year," said NAR Chief Economist John A. Tuccillo. "However, many smaller, secondary cities are quite strong. When combined, this may average out as an overall slowdown in sales and prices at the national level. But, it doesn't mean the sky is falling."

On a national basis, falling mortgage rates likely will keep home sales steady, as home buyers continue to take advantage of favorable financing, Tuccillo said.

According to the Federal Home Loan Mortgage Corp., the national average commitment rate for 30-year, conventional, fixed-rate mortgages declined from 9.82 percent to 9.74 percent during November.

The national median price for existing single-family homes in November was $93,000, up 5.1 percent from November 1988. Half the homes sold for more than the median, half for less. So far this year, the national median home price has remained in the low- to mid-$90,000 range.

The South recorded a resale pace of 1.42 million units, rising 9.2 percent from October, and 0.7 percent from one year earlier. There, the median existing-home price was $82,400, rising 2.5 percent from November 1988.

In the Midwest, the resale pace was 950,000 units, 4.0 percent below that for October, but 1.1 percent above the November 1988 rate. The median price in the Midwest, $70,900, was 5.2 percent higher than the price one year ago.

"Lower mortgage rates and affordable home prices are bringing moderate-income buyers into markets in the South and Midwest," Tuccillo said. "The median prices for those regions reflect the large volume of sales of lower-priced housing."

In contrast, the West, with concentrations of high-cost housing, posted a November median existing-home price exceeding that for the Northeast. There, the median price was $150,200, jumping 14.7 percent from November 1988. The resale pace in the West, 640,000 units, rose 3.2 percent from October, but fell 5.9 percent from one year ago.

In November, there were 2.42 million existing single-family homes available for sale, representing an 8.1-month supply at the November resale rate. In October, an inventory of 2.17 million units was recorded, which was a 7.5-month supply at the October resale rate.

NOVEMBER EHS--add two

The National Association of Realtors, the nation's largest trade association, is the voice for real estate, representing more than 800,000 members involved in all aspects of the real estate industry.

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*The annual rate for a particular month represents what the total number of actual sales for a year would be if the relative resale pace for that month were maintained for 12 consecutive months.

Seasonally adjusted annual rates are used in reporting monthly data to factor out seasonal variations in resale activity. For example, home sales volume normally is higher in the summer and relatively light in the winter months, primarily because of differences in the weather.

EXISTING SINGLE-FAMILY HOME SALES VOLUME (Units)

	United States	Northeast	Midwest	South	West
			Annual Total		
1981	2,419,000	353,000	632,000	917,000	516,000
1982	1,990,000	354,000	490,000	780,000	366,000
1983	2,719,000	493,000	709,000	1,035,000	481,000
1984	2,868,000	511,000	755,000	1,073,000	529,000
1985	3,214,000	622,000	866,000	1,172,000	554,000
1986	3,565,000	703,000	991,000	1,261,000	610,000
1987	3,526,000	685,000	959,000	1,282,000	600,000
1988	3,594,000	673,000	929,000	1,350,000	642,000
			Seasonally Adjusted Annual Rate		
1988: Nov.	3,710,000	680,000	940,000	1,410,000	680,000
Dec.	3,920,000	700,000	1,010,000	1,500,000	700,000
1989: Jan.	3,550,000	710,000	930,000	1,310,000	630,000
Feb.	3,480,000	600,000	920,000	1,310,000	640,000
Mar.	3,400,000	570,000	870,000	1,270,000	670,000
Apr.	3,400,000	610,000	890,000	1,280,000	620,000
May	3,210,000	610,000	810,000	1,230,000	580,000
Jun.	3,360,000	510,000	960,000	1,280,000	600,000
Jul.	3,330,000	550,000	910,000	1,300,000	570,000
Aug.	3,480,000	590,000	980,000	1,350,000	550,000
Sep.	3,520,000	590,000	990,000	1,340,000	590,000
Oct.[r]	3,480,000	580,000	990,000	1,300,000	620,000
Nov.[p]	3,590,000	590,000	950,000	1,420,000	640,000

Source: NATIONAL ASSOCIATION OF REALTORS
[r] = Revised
[p] = Preliminary

REGIONS OF THE UNITED STATES

NORTHEAST: Connecticut; Maine, Massachusetts; New Hampshire; New Jersey; New York; Pennsylvania; Rhode Island; Vermont

MIDWEST: Illinois; Indiana; Iowa; Kansas; Michigan; Minnesota; Missouri; Nebraska; North Dakota; Ohio; South Dakota; Wisconsin

SOUTH: Alabama; Arkansas; Delaware; District of Columbia; Florida; Georgia; Kentucky; Louisiana; Maryland; Mississippi; North Carolina; Oklahoma; South Carolina; Tennessee; Texas; Virginia; West Virginia

WEST: Alaska, Arizona; California; Colorado; Hawaii; Idaho; Montana; Nevada; New Mexico; Oregon; Utah; Washington; Wyoming

MEDIAN SALES PRICE OF EXISTING SINGLE-FAMILY HOMES

	United States	Northeast	Midwest	South	West
1981	$66,400	$63,700	$54,300	$64,400	$96,200
1982	67,800	63,500	55,100	67,100	98,900
1983	70,300	72,200	56,600	69,200	94,900
1984	72,400	78,700	57,100	71,300	95,800
1985	75,500	88,900	58,900	75,200	95,400
1986	80,300	104,800	63,500	78,200	100,900
1987	85,600	133,300	66,000	80,400	113,200
1988	89,300	143,000	68,400	82,200	124,900
1988: Nov.	88,500	140,700	67,400	80,400	130,900
Dec.	88,700	143,000	67,700	78,200	128,700
1989: Jan.	$89,700	143,800	67,800	82,400	130,700
Feb.	91,900	142,600	69,900	86,700	127,800
Mar.	92,000	143,600	69,900	84,000	138,000
Apr.	92,900	144,000	70,400	85,200	142,700
May	92,600	143,800	70,300	84,100	142,300
Jun	93,400	149,900	72,000	85,000	134,500
Jul.	96,700	147,100	73,400	87,200	146,500
Aug.	94,800	149,000	71,900	86,100	147,500
Sep.	94,300	145,700	72,200	84,400	147,600
Oct.[r]	92,600	143,200	71,600	83,600	142,300
Nov.[p]	93,000	145,800	70,900	82,400	150,200

SOURCE: NATIONAL ASSOCIATION OF REALTORS

[r] = Revised
[p] = Preliminary

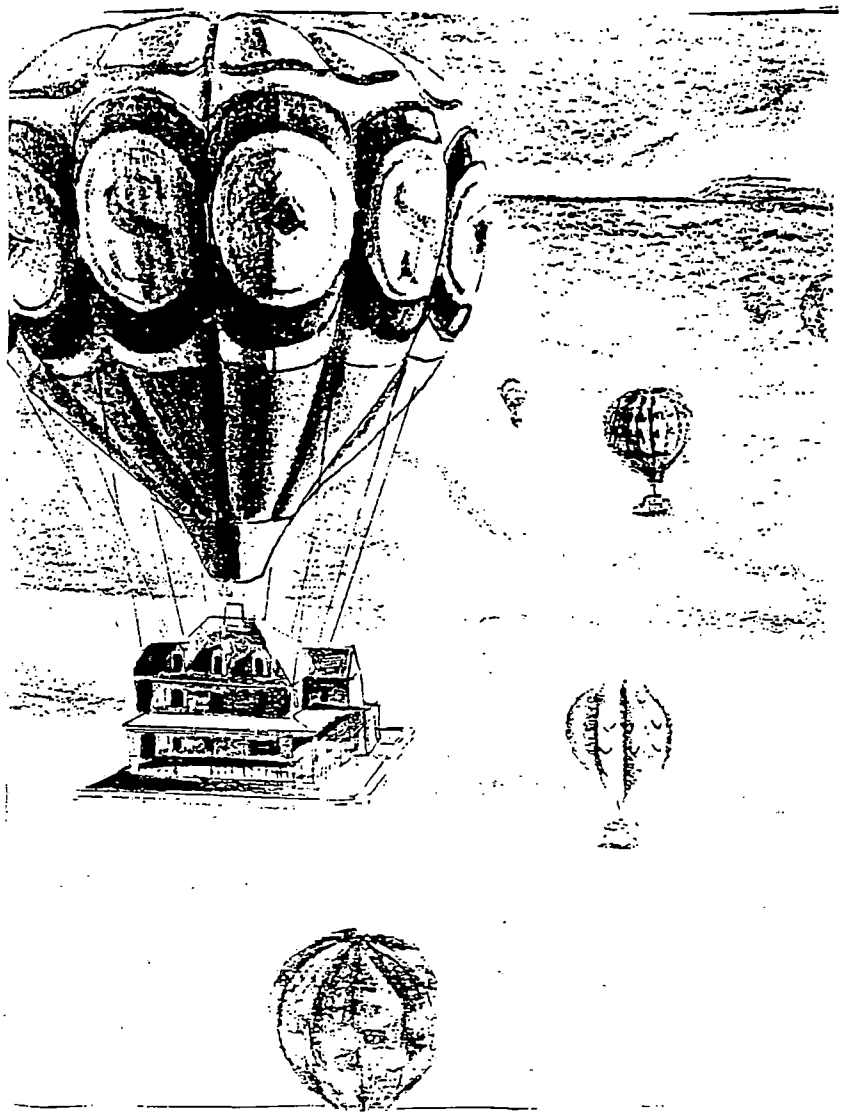
National Association of Home Builders
GRAND OPENING CEREMONIES
11:00 a.m.
Friday, January 19, 1990

PRODUCTION SCHEDULE

11:00 a.m.	Overture - Atlanta Pops Orchestra
11:06	Offstage intro of MC Johnny Mann
11:07	Johnny Mann intro Joint Service Color Guard
11:10	Johnny Mann intro Pledge of Allegiance (person to be determined)
11:12	Color Guard off
11:14	Johnny Mann intro Patsy Garner, NAHB Convention Chairman (will give remarks on scope of convention)
11:18	Patsy Garner intro Shirley Wiseman
11:19	Shirley Wiseman speaks of accomplishments of NAHB in 1989
11:23	Shirley Wiseman intro President Bush
11:24	**President Bush speaks**
11:40	President Bush, NAHB Senior Officers and Patsy Garner cut ribbon
11:42	**(At this point, the President may leave the stage and building or remain for the Lee Greenwood performance)**
11:42	Shirley Wiseman intro Lee Greenwood
11:43	**(Lee Greenwood will sing both or only one song...depending on President Bush's schedule)**
11:43	Lee Greenwood sings "I OWE YOU" to track
11:46	Lee Greenwood intro chorus, children and sings live with Atlanta Pops, "GOD BLESS THE USA"

ribbon cutting 1ST

11:50	(If President Bush remained for "GOD BLESS THE USA", he would leave the Omni Coliseum at this time)
11:51	Johnny Mann requests the crowd to remain seated for finale
11:53	Johnny Mann intro Atlanta Pops orchestra and chorus medley
11:56	Johnny Mann intro production number of National Anthem, chorus and soloist.
11:57	Special Production of "NATIONAL ANTHEM"
12:02	Reprise and special effects on finale
12:04	Johnny Mann thanks everyone and gives exit instructions



NO!

REAL ESTATE PRICES WILL *NOT* COLLAPSE IN THE 1990s.

There has been a great deal of speculation recently in academia and the media about the future appreciation rate of residential property. Some have even gone so far as to suggest that real house values could decline by as much as 47 percent during the next 20 years. Confronted with this near fatal prognosis for housing, the National Association of Home Builders (NAHB) and BUILDER sought second opinions. For this special report, we asked NAHB President Martin Perlman and five prominent housing market analysts to present their views on the outlook for home prices and to respond to the theory that a collapse of real estate values is just around the corner. Here are their responses.

THE BIG CRASH THEORY OF REAL ESTATE

By Martin Perlman

President
National Association of
Home Builders

You've read about it before in your morning newspaper. "Good Morning America. The real estate market is about to collapse." It goes like this: the market softens, then turns sour. Demand evaporates. Real estate values plunge. Homes once priced at $200,000 are now worth $100,000.

Crazy as it might seem, the media is enchanted with a doomsday scenario. And the media is fed just enough tidbits of information to keep the presses rolling on the "big crash" theory of real estate.

So let's set the record straight.

New home prices and real estate values don't follow a straight line. They rise, level off and, in some cases, even dip, according to economic and market conditions. For example, real estate values rose rapidly during the late 1970s when inflation was at or near the double digits and the economy was red hot. When the economy fell into its deepest recession in modern history in the early 1980s, appreciation rates and prices flattened out. As the recovery gathered momentum, values shot up between 1985 and 1988. Now, they appear to be leveling off again as the market and economy slow.

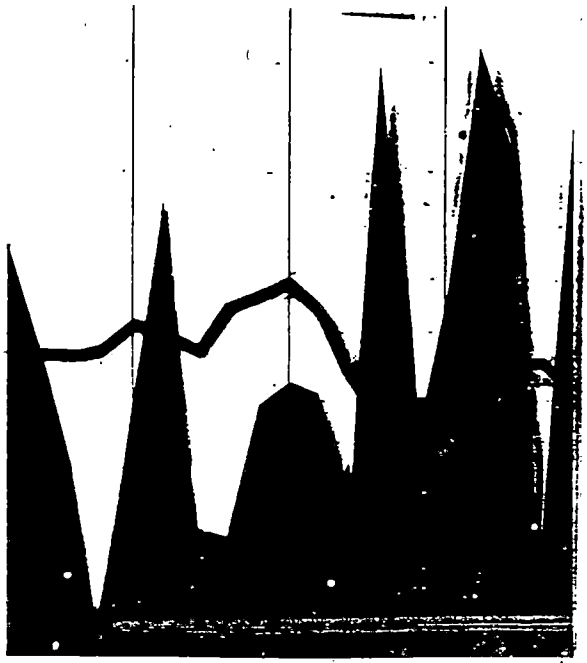
People tend to forget or never consider the fact that the costs of constructing housing are "built in." A builder doesn't arbitrarily set his prices. He looks at his costs, his competition, and his market.

First, consider the hard costs of building a home. Start by adding up the costs of buying and financing raw land, and then turning that land into developed lots. That's a pretty good start, accounting for between 25 to 35 percent of the sales price of a home. And there are plenty of hidden costs in this process—bureaucratic delays in processing subdivision plans that can drag on for months or even years; escalating taxes, fees and builder-provided improvements to the public infrastructure; and the ever increases in labor and materials to clear, grade and improve land into developed lots.

What about raw land prices? Isn't undeveloped land market- or demand-driven? That's true, but that doesn't mean land values will drop 50 percent as soon as demand diminishes. Sure, highly leveraged land speculators who bought at the peak of the market may get burned, resulting in some fire sales. But most land is owned outright by individuals or corporations, both of which have the staying power to ride out a downturn. Land owners will take their land off the market, and wait for the next expansion rather than dump the property at rock-bottom prices.

Moreover, the great land crash theory ignores one of the basic laws of economics in a capitalist society: as a resource becomes scarce, its value increases. That's true for land, particularly in highly populated urban areas where land suitable or zoned for residential development is in short supply.

Then add in the costs of labor (most subcontractor costs) and materials, which account for close to half of the sales price. Sure, you might be able to negotiate a better deal with your subs during a bad market when they are eager for work. What we really gain during downturns is better quality work, fewer scheduling bottlenecks and quick delivery of building materials to the site. But those savings, in dollars and cents, are not great. By and large, labor and material costs don't tumble during recessions; they just level off.



Homes Less Prone To Sharp Swings

Stock prices have risen and fallen sharply on numerous occasions during the past 20 years. In sharp contrast, the annual increase in home prices has been much more predictable, averaging about 7 percent per year since 1970.

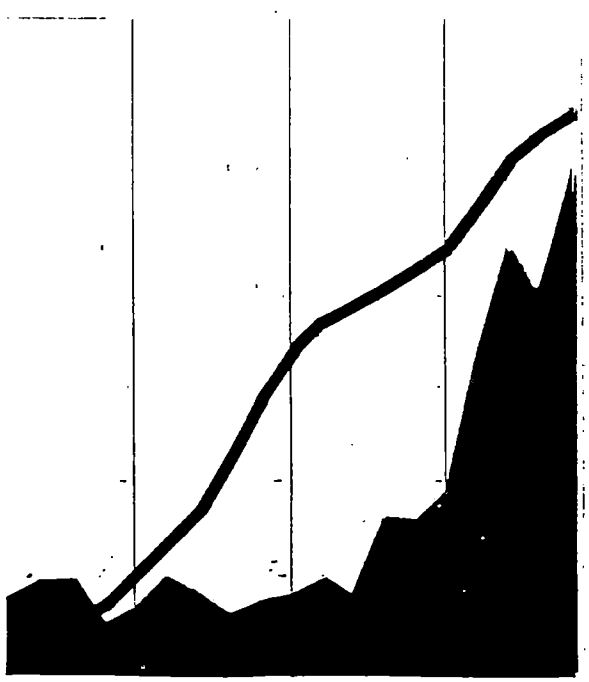
Martin Perlman, who has built more than 5,000 single-family houses in the Houston market since 1964, is the 1990 president of the 157,000-member National Association of Home Builders. He has a B.A. in political science from the University of Texas.

In terms of soft costs, a builder's financing and marketing costs are more likely to go up than down during recessions. We carry finished homes, developed lots and land for longer periods and usually at higher interest rates. And we make more concessions to close sales — free options and upgrades as well as interest rate buy downs. We purchase more ads to attract buyers and spruce up our model homes to compete for a declining number of customers.

But the doomsayers never even consider the actual costs of land and construction as a key factor in setting home values. Instead, they cite demographic trends. The baby boom following World War II is now giving way to the baby bust generation born in the late 1960s and 1970s. Therefore, they contend, demand for housing will weaken and values will drop. But that simplistic scenario defies some basic logic.

First, it incorrectly assumes that housing demand is created almost entirely by a single generation. That's simply not so. But even if it were true only about half of the 77 million baby boomers now own homes. Many will marry later in life and purchase their first homes in their late thirties or early forties. Others will divorce and remarry, creating new households.

Moreover, people rarely stay in the same home forever. They buy second, third and even fourth homes as they move through different stages of their lives. And people live longer, creating a growing demand for all types of housing designed for the elderly. So while the numerical size of any age group will indeed fluctuate according to birth rates years ago, it is important to remember that the overall population of America is still increasing and that its population is becoming increasingly diverse.



House Prices Outpace Stocks

Between 1970 and the end of 1989, the median price of an existing home rose 300 percent compared to a 250 percent increase recorded by stocks listed on the Dow Jones Industrial Index.

Making the Most Out of a $10,000 Investment

Often overlooked when comparing investment options are the leveraging and tax advantages of purchasing a home. This hypothetical example analyzes those benefits over a 10-year period. One household uses its $10,000 in savings as a downpayment on a home; the other buys a $10,000 Treasury bond and continues to rent. Looking at the bottom line 10 years later, the home owner outearns the renter by more than $49,000 on the initial $10,000 investment.

Secondly, the U.S. is a huge country with thousands of individual housing markets. And its people are on the move, changing residences, on average, every seven years. The population may rise in one market and fall in another, which makes comparing the national demographic statistics against housing production numbers a rather useless exercise until somebody creates an inexpensive method for transporting existing housing from one area of the country to another.

Finally, the building business is fiercely competitive—a fact largely ignored by academics trying to make a name for themselves, stock analysts with their own ax to grind and others trying to sell the doomsday theme. Competition is the great equalizer. It keeps prices down and quality up. If a builder's prices are too high, it won't take long for competitors down the street to put him out of business.

History, perhaps, is the best predictor of what the future may bring. Sure, extreme circumstances can topple any market. We saw real estate values skid during the Great Depression and, more recently, in Houston, Denver and other oil patch markets when their super-heated, energy production driven economies of the early 1980s collapsed almost overnight. But those were the exceptions rather than the rule. In fact, had the extreme conditions that brought down the Houston and Denver economies spread nationwide, the entire country would have faced nothing short of a financial collapse.

But real estate is a seasoned veteran of the business cycle. Home values have weathered the ups and downs of seven cycles since the end of World War II. During those 50 or so years, housing has appreciated at a rate slightly above the nation's inflation rate.

And U.S. housing costs—although high by our standards—are well below those of other industrialized nations in Europe or the Far East. In terms of per-foot-costs, amenities and quality, U.S. housing is still the best buy in the world. Recently I asked a Japanese business acquaintance why his fellow countrymen were paying what I considered outrageous prices for commercial real estate in Southern California. He smiled, responding, "We see L.A. as the Tokyo of the 1950s."

America's 60 million home owners have very little to worry about. The total value of owner occupied housing is more than $4 trillion, accounting for about one fourth of our nation's total wealth. But more importantly, housing is "home" to us, insulating the value of our homes from the violent gyrations that can send stocks up one day and down the next. We are tied to our housing, emotionally as well as economically. And we will always need a place to sleep.

Barbara Allen

Barbara Allen is a vice president and housing analyst for Kidder, Peabody & Co., Inc. She previously worked for Prudential-Bache Securities. She has an MBA from the University of Alabama.

House price collapses are a favorite forecast of "media" economists and their comrades in crisis-mongering, the media. Instead of providing rational discourse and dispassionate perspective on economic trends, the forecasts that I have examined closely have several common characteristics:

- Abject ignorance about the quality—or lack thereof—of various housing data. Relevant analysis of any topic begins with an assessment of the usefulness and reliability of available data.
- An inability to incorporate (or even perceive) the multiplicity of factors that comprise housing trends. A mechanistic extension of current and implied demographic trends is a tried-and-true recipe for forecasting failure. Just ask Malthus.
- An underlying tone of condescension, creating suspicion about motivation. In two instances, this turns to contempt for the readers' intelligence when one considers the writers' conclusions.

For example:

- The Comstock Partners' *Homesick* predicted a national collapse in real estate prices (~~and I quote~~ "[Houston, Dallas, and Denver] will probably prove to be mere warm-ups for the main event on a national basis", and recommended purchase of the equities of thrifts, regional banks, and money center banks.
- The Mankiw-Weil piece predicting a 47 percent decline in real housing values ended with the following: "Does our finding imply that readers of this paper should sell their homes and become renters? There are at least three reasons that such an action may not be called for." Then they point out that "there continue to be substantial advantages to homeownership." Could these have an impact on pricing? The authors don't say. And they add "there is substantial uncertainty about future housing prices. No kidding.

How can anyone take this seriously? I'm not smart enough to predict housing prices, but a recent ad by the Housing Information Council of New Jersey captures my view quite aptly. Next to a picture of an actual house, the copy states (and I paraphrase) that the house sold for $3,800 in 1924 and since then, the U.S. has endured over 50 years of calamities: a stock market crash, the Great Depression, a world war, two undeclared wars, hippies, yippies, yuppies, 17½ percent mortgage rates, and another stock market crash. Despite all this, the same house recently sold for $550,000.

I calculate the annual price change on that house as a positive 8 percent, significantly better than the long-term inflation rate of 3–4 percent. Another calculation I did recently, using the Commerce Department's constant-quality index over the past 25 years, generates a 6 percent annual price gain for housing.

Compared to stocks—which have traditionally (over 50 years) generated 9 percent annual growth—housing is far less volatile. In financial terms, on a risk-adjusted basis, housing has been a clearly superior investment for the typical American. And I have not included tax benefits or the emotional positives of owning one's home.

I suspect that the next 50 years are likely to contain many calamities similar to those that dotted the preceding half-century. I also suspect that house prices are likely to rise over time at a rate exceeding inflation by 1 to 3 percent annually.

William C. Apgar, Jr.

William C. Apgar, Jr. is an associate professor at Harvard's John F. Kennedy School of Government and acting director of the Joint Center for Housing Studies of Harvard University. Apgar received a Ph.D. in economics from Harvard University and specializes in housing and community development research.

The recent Joint Center for Housing Studies Report, *The State of the Nation's Housing*, focuses on the problems caused by the continuing high cost of housing. As the report observes, there is much disagreement about the causes and the extent of these housing problems. No place is this more apparent than in the current disagreement among forecasters over house price trends and the implications of these trends for housing affordability in the decade ahead.

Though down from its early 1980s peak, the cost of homeownership remains high relative to the income of potential first-time home buyers. Following sharp rent increases in the mid 1980s, rent burdens also stand at record high levels. Admittedly, the affordability picture may brighten in the future, as income growth slowly overtakes past price increases, but this process is slow and of little importance to those currently caught in the housing cost squeeze.

In sharp contrast to this cautious view is the widely discussed forecast of Gregory Mankiw and David Weil. In a paper, first released by the prestigious National Bureau of Economic Research, Mankiw and Weil write that the aging of the baby boom and the resulting decline in household growth imply that, "the real housing prices will fall by a total of 47 percent by the year 2007."

Admittedly forecasts of house prices test the limits of economic analysis. Housing economists have fundamental disagreements as to why house prices soar in one region and fall in another, so it is little wonder that there is no consensus on future trends. What is hard to understand is the widespread attention given the Mankiw and Weil paper. With a single equation, Mankiw and Weil attempt to model complex housing market dynamics. Moreover, by confusing the asset price of the existing housing stock with the supply price of new housing construction, the Mankiw and Weil paper is fundamentally flawed. While useful in stimulating discussion as to how best to model housing asset prices, the paper provides little empirical understanding of either the cause of past housing price increases or likely future trends in housing prices.

Simple logic suggests the need to understand the relationship between construction costs and the price of existing housing. A slowdown in household growth may indeed reduce housing prices in some market areas, but these declines are limited over time by housing construction costs. Any substantial decline in house prices would result in cutbacks in new construction and investment. This slowdown in the expansion of housing supply will continue until household and income growth expands demand and exerts sufficient pressure on housing prices to trigger increased new construction activity.

Housing construction involves payments for land, labor, building materials, and construction period financing, as well as builder profits. A slowdown in residential construction may reduce interest rates or building material prices, but in an emerging global economy, interest rates and the costs of building materials are increasingly insensitive to fluctuations in the domestic economy. Similarly, a slowdown in housing construction may limit employment opportunities in residential construction, but this alone is unlikely to reduce construction sector wages. Indeed, by slowing the rate of growth of the labor force, the aging of the population could very well exert upward pressure on wages in all sectors of the economy.

These comments suggest that any major decline in housing construction costs must come out of land or builder profits. A slowdown in housing construction may indeed limit builder profits. But the housing sector of the economy is highly competitive, which keeps profit margins from getting out of line. To the extent that builders are unable to diversify into residential rehabilitation or other construction, they will leave the industry, preserving the profit margins of those who remain.

Now accounting for some 30 to 40 percent of the cost of a new unit, land price trends are key to forecasting future construction costs. The growth of households and housing demand will slow, not stop, in the years ahead. The new housing construction that must take place to accommodate this growth will continue to exert pressure on available land resources. Without a major change in public attitudes concerning growth and development, continued growth pressures will keep land prices from falling sharply in the years ahead.

In short, it is unlikely that the asset price of the existing housing stock will fall substantially in the years ahead since it is unlikely that housing construction costs will decline significantly. Rather than focus on the single equation of Mankiw and Weil, those concerned with future house price trends would do better to examine factors that influence long term trends in construction cost. It is these trends that guide long term price dynamics and limit any persistent decline in asset prices.

The need for this continuing study is significant. For many Americans, their homes are their largest single asset and homeownership provides a large portion of their accumulated wealth. Arguably there is no price more important in the American economy than the price of housing.

slowing of

cut 1 line

lose 1 line

Kent W. Colton

Kent W. Colton is executive vice president and chief executive officer of the National Association of Home Builders. Formerly the staff director of President Ronald Reagan's Commission on Housing, Colton received a Ph.D. in urban studies from the Massachusetts Institute of Technology.

Periodically, stories or "studies" appear suggesting a crash in house prices. Although most families buy a home so they will have a place to live in comfort and security, the investment aspects of homeownership are obviously important to home buyers, and "crash" stories raise concerns. Therefore, a key question is: Where are house prices headed in the future?

First, it's important to realize that over the last decade there have been significant differences between the various regions of the country. A severe recession in the oil patch states led to house price drops in certain areas of the country, while prices in other regions increased substantially.

Now, parts of Texas and other states are beginning to revive, even as other markets slow down. Regional variations will undoubtedly continue from year to year, so home buyers and home owners need to watch longer term national trends with local variations in order to project house price trends in their particular market.

Over time, housing has been a safe, steady, and profitable investment. Over the last 20 years, the median price of new homes has increased at an overall rate that is greater than the Dow Jones stock market average. Perhaps even more important, the rise has been steady—especially compared to stock prices. The relative lack of volatility in home values, and the effectiveness of homeownership as a hedge against inflation, reflect the fact that acquiring shelter is the primary motivation for most home purchases. People generally don't dump their homes, as they might dump stocks, bonds, ~~or commodities~~, in response to a shift in the market.

In looking at where house prices are headed in the future, we must look at overall demand. ~~There has been a lot~~ of talk about the "baby boom" giving way to the "baby bust," and indeed, the overall growth in the demand for housing will slow.

However, it is important to remember that demand for housing will continue to grow in the decades ahead, even though the rate of growth in demand will drop, reflecting demographic factors. This slowdown in demand growth will not be sudden, severe or unexpected. In fact, the slowdown in demographic demand began in the [illegible] and the slowdown in the rate of household formations in the 1990's will only be about half as severe as the reduction in household formations in the 1980s compared to the 1970s.

Moreover, because the population age structure is shifting to a greater concentration of middle-aged people and households, most of the cutback in housing demand will be absorbed by a drop in apartment construction and production of mobile homes. The market for single-family homes should remain fairly strong—as long as the economy holds steady. Also, housing demand will continue to exist for trade-up housing because people who already own their first home will want to "move-up" to a bigger or more desirable home.

In addition, as current and potential home owners look at the value of housing compared to other investments, the tax benefits and the "leverage" advantages of buying a house are significant. (By "leveraging" I mean investing a comparably small amount of money to make a down-payment, while realizing an increase in appreciation based on the full value of the house). These benefits provide further stability to house prices over time.

New house prices in the future, then, will depend on the cost of producing additional homes. Over the long term, if house prices are too low to cover the cost of raw land, land development, construction, overhead, financing, and normal profits, builders will stop building and there won't be enough new homes to meet the demand from additional households and to replace units lost from dis-

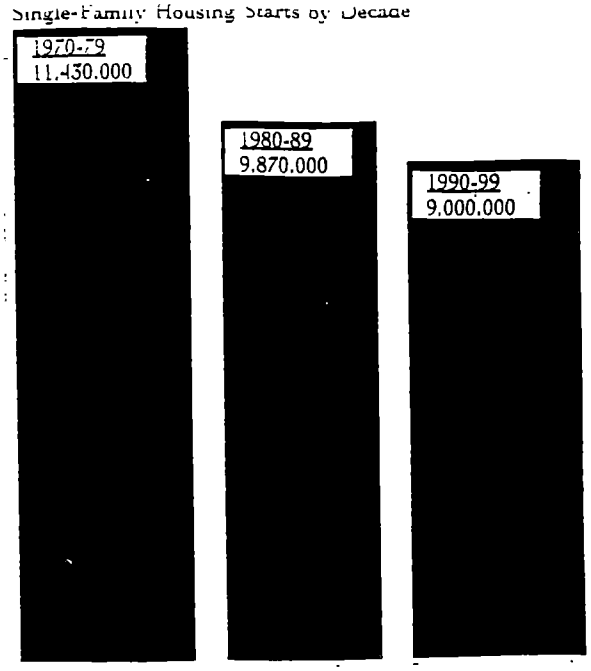
aster, demolition, or obsolescence. On the other hand, if home prices rise beyond the point necessary to provide normal profits after paying normal costs, then more builders will enter the market and the competition will bring prices back into line.

This doesn't mean that demand doesn't affect prices, since the prices of many of the materials and services contributing to a new home's price are sensitive to demand. Over the longer term, though, weaker demand in home building will cause labor and capital to move into other areas of the economy.

As I noted, regional variations can be significant, and several areas of the country have experienced reductions in demand growth far more severe than those projected for the country as a whole in the 1990s. Except where house prices had been inflated by speculative investment and imprudent lending, those regional slowdowns did not translate into price declines.

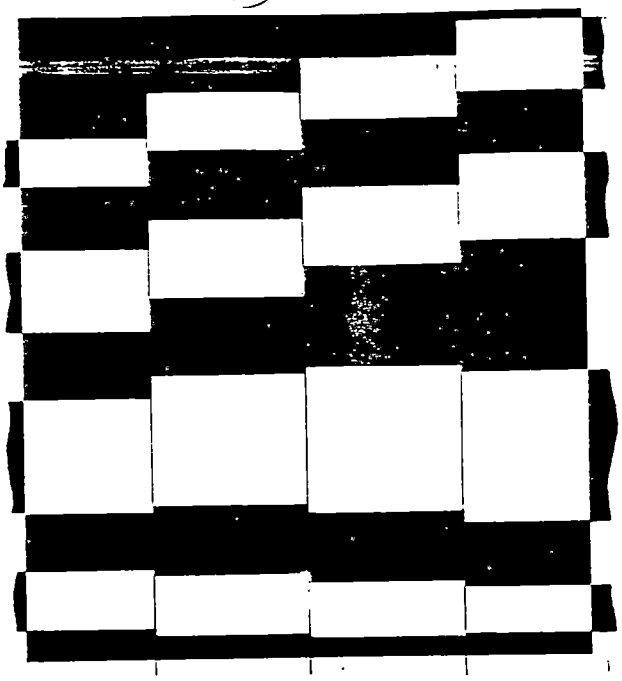
In summary, then, house prices in the years ahead are likely to move roughly in line with overall inflation. Whether they increase more or less than inflation will depend on the strength of regional markets along with a number of other contributing factors. Shortages of land available for development in urban areas and local jurisdictions' increasing use of impact fees and growth controls will tend to raise house prices, while improvements in productivity will tend to lower prices. House prices are also very sensitive to interest rates and energy prices, because financing costs and the costs of energy-intensive materials, such as cement, are major factors in the cost of producing housing.

Even though the price of a constant-quality house will move roughly in line with inflation, the median new home price will increase faster than inflation, because new houses will continue to be bigger with the new features and high-quality components demanded by the "trade-up" market.



9 Million Single-Family Starts Projected for the 1990s

NAHB projects 9 million single-family starts for the 1990s, down from the record 11 million started in the 1970s.



Nearly 106 Million U.S. Households Projected by Turn of Century

The total number of U.S. households will continue to rise in the 1990s, although at a slower pace than the 1970s when the baby boom generation first hit the housing market. The U.S. Bureau of the Census projects the formation of 11 million additional households between now and the turn of the century. The biggest increases in the number of households will be among households in the 35-54 age range and those over 75.

Photo
Bruce
Wells
1989

Robert Van Order

Chief Economist, Freddie Mac

Robert Van Order is chief economist at the Federal Home Loan Mortgage Corporation. He is responsible for primary and secondary mortgage market analysis and research, macroeconomic analysis and forecasting. He holds a Ph.D. in economics from Johns Hopkins University.

Will house prices continue to grow as they have in the past? In the short run, house price changes are dominated by the overall state of the economy. When inflation rates go up, as in the 1970s, house prices follow, though not perfectly. Business cycles are notoriously hard to forecast, which limits a lot of what we can say about the next few years. However, if we take a longer look, say over a 10- or 20-year period when cycles are "averaged out," we can say more.

A recent study by Gregory Mankiw and David Weil ("The Baby Boom, The Baby Bust, And The Housing Market") takes a long-term look and estimates the effects of long-run demographic changes on house prices for the next 20 years. Their study comes up with the often-quoted prediction that inflation-adjusted house prices will fall by 47 percent over the next 20 years. This sounds rather shocking, and indeed, it is almost certainly an overestimate. However, even on its own terms it is not as bad as it looks. The 47 percent is spread over 20 years (about 2 percent per year) and it is for *inflation-adjusted* prices. That is, they do not predict that house prices will fall, only that they'll grow by 2 percent per year less than prices generally.

I think (and I think most analysts agree) that this is overstating what is likely to happen. The study's basic point is that the strong housing demand and rapid real house price growth of late (especially in the 1970s) were mainly due to the big stimulus that came as the baby boomers came of age, and this will be reversed as the baby busters (from the low birth years of the late 1960s and early 1970s) come of age. There is certainly some merit in the argument; but the study overstates the impact because its statistical analysis doesn't incorporate the ability of supply adjustments to limit price declines and because it leaves out other factors, such as the effects of growth controls and the role of taxes and inflation, that might explain some of what happened. In any event, gradual (remember we have 20 years) adjustment of housing supply should minimize most of any disruptions that demographic changes will cause.

Nonetheless, the statistical results in the study are too strong to dismiss entirely, and they are not just of the 1970s. There was a decline in "real" prices in the late 1950s and early 1960s when a similar demographic change (the relatively sparse group born in the 1930s and early 1940s was coming of age) took place. Furthermore, house prices probably have not kept up with inflation for much of the 1980s, so there is some recent precedent for real price declines. Hence, I think that we will see house prices grow by less than the inflation rate in the 1990s. Mankiw and Weil could be half-right: we could see prices rise by 1 percent less than inflation. However, absent cyclical changes (e.g., a real credit crunch), that is an upper limit, and I am skeptical about a real decline persisting for as long as 20 years. Over the last 25 years, house prices have grown on the average by about 0.5 percent more than general inflation. That could be reversed, but history does not suggest divergences between house prices and other prices by anything like 2 percent a year for as long a period as 20 years.

While this may seem like a big deal to home owners accustomed to large capital gains on their houses, it is not catastrophic, and it promises some benefits. It means, for instance, that first-time buyers will find ownership a little easier, and homeownership rates among young households should go up. It should mean that housing decisions will be based more on houses themselves, rather than on their expected appreciation or their use as a tax shelter, and it may mean some easing of rents (relative to inflation).

John Savacool

John Savacool is a senior economist and director of Real Estate and Construction Services for Wharton Econometric Forecasting Associates (WEFA). Savacool has a B.A. in economics and political science from Temple University.

Over the past year or so the media have paid greater attention to the level of home prices and it has resulted in a few irresponsible stories about the "imminent" collapse of home prices. Obviously there is a tight link between income levels and home prices. Because of our cultural upbringing, most of us want our own single-family home and, except for the few that have more money than we know what to do with, most of us stretch to the limit when we buy a home.

It is true that there are a large number of metropolitan areas in the country where home prices are very high, but most of these areas also have very high levels of income per household. It is also true that home prices have taken a dramatic plunge in some areas over the last decade, but most of these areas had poorly diversified economies. When the major industry in the area collapsed, so did the area's heavily dependent economy, went into a depression, and which, in turn, pulled down home prices.

In well diversified local economies, the rate of increase in home prices follows the rate of increase in household income. As far as I can tell, the last time home prices fell at the national level was during the Depression in the 1930s. Even following the stock market crash in October 1987, 25,000 people lost their jobs in the New York area and market prices simply went flat for a year. They did not decline on an annual basis. Stories about home owners slashing their asking prices can be dramatic, but they are often at odds with the overall trend in market prices. This occurs when the media pick up on a handful of buyers trying to sell properties and treat the cut in asking price as an indicator of a decline in the price level for the market as a whole.

At the present time, the level of existing home prices relative to household income for the nation as a whole is well below the peak reached during the late 1970s and early 1980s. New home prices relative to household income have increased sharply over the last few years, but this simply reflects the fact that the composition of new construction has shifted towards the upper end of the market. In spite of the fact that new home prices relative to household income have been rising for the last eight years, we still have not set any new records.

Looking at metropolitan markets individually, prices of both new and existing housing are generally in sync with other market trends, including growth in household incomes and the actual costs of construction. Therefore, speculation about a collapse in real estate values is pure nonsense.

HOUSE CONSTRUCTION COSTS	$96,843
1 Excavation	$2,475
2 Foundation	8,605
3 Steel	460
4 Carpentry, lumber and trusses	24,965
5 Windows and doors	2,573
6 Stairs	685
7 Roofing and siding	6,880
8 Gutters and downspouts	430
9 Plumbing	6,075
10 Electrical	4,418
11 HVAC	2,900
12 Insulation	1,255
13 Drywall and painting	8,000
14 Garage doors	415
15 Cabinets, counter tops and appliances	3,127
16 Tile and carpet	4,338
17 Trim material and hardware	2,618
18 Landscaping	2,440
19 Driveway	940
Village permit fees	6,884
Construction overhead	5,160
Interest	1,200
Subtotal	$96,843

LAND AND LOT DEVELOPMENT	$38,657
Raw land	$17,000
Impact fees, school and other contributions	5,195
Engineering and soil testing	995
Mass earthwork	1,588
Sanitary and storm sewers, water mains	5,257
Streets, curbs and gutters	7,520
Overhead	750
Interest	4,500
Miscellaneous	752
Subtotal	$38,657

SOFT COSTS	~~$24,440~~ $24,400
Sales commissions	$3,500
Closing costs	450
Advertising and marketing	4,200
General and administrative costs and profit	13,406
Warranty expense	1,000
Contingency	2,044
Subtotal	$24,400
TOTAL PRICE	**$159,900**

11

reset x 19 inches wide

LASER 30 LASER 30

VIP SYSTEMS, INC.
314 SWANN AVE., ALEXANDRIA, VA 22301
TELEPHONE: 548-2164 FAX: 548-9651

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The latest round of controversy on the future of home prices was triggered by N. Gregory Mankiw and David N. Weil, professor and graduate student, respectively, at Harvard University. In a working paper made available to the media, Mankiw and Weil constructed a model to project future prices for housing based primarily on demographic trends.

Mankiw and Weil based their model on estimates that demand for housing begins at age 20 and peaks at age 40. Using data from the 1970 Census, demographic demand for housing was estimated by multiplying the number of people in each age group by the estimated demand per person of each particular age group. From that, they then calculated the relationship between construction costs (used to represent home prices) and their measure of demographic demand.

In the 1970s, construction costs and demographic demand for housing rose rapidly. In contrast, Mankiw and Weil noted that inflation adjusted construction costs rose little in the 1960s and 1980s when demographic demand for housing was less.

Based on this assumed historical relationship between changes in construction costs and demographic demand, Mankiw and Weil projected that as growth in demographic demand slows, real construction costs will fall about 3 percent annually over a 20-year period.

As a result, forecasting a collapse in real estate values has become the media hype of the year. Recently, the following headlines have appeared in some of the nation's leading publications.

Crumbling Castles. The recession in real estate has ominous implications.
Barron's, Dec. 18, 1989.

The Great Housing Bust. Americans like to view their homes as perpetual piggy banks. But changing demographics are bringing an end to the 45-year housing boom.
Newsweek, Dec. 25, 1989.

Home-Price Slump Spreads to Both Coasts, Causing Market Jitters. Slide after extended boom isn't viewed as harbinger of a general recession. Was it overrated investment?
The Wall Street Journal, Dec. 21, 1989.

When A House Is Just A Home.
Money Angles, Andrew Tobias, *Time*, Dec. 18, 1989.

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20TH STORY of Level 1 printed in FULL format.

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December 5, 1988

Good Story Anecdote

SECTION: Vol 4; No 9; Sec 1; pg 9

LENGTH: 1128 words

HEADLINE: Richard Dostie: Builder Adopts Plight of Homeless Children

BYLINE: Carole Perkins

DATELINE: Jacksonville; FL; US

BODY:

It was in Miami at 8 a.m. on a Saturday last summer that the severity of the homeless problem hit Richard Dostie. People --many of them -- were sleeping in the streets and under interstate overpasses, some sheltered only by pieces of cardboard.

"There must have been 100 homeless in a two-block area. It was so early that I knew they had to have been there all night. It bugged me," said the 34-year-old Dostie, who is president of a home construction company in Jacksonville that builds about 115 houses a year. The company, founded as J. Rene Dostie & Son Inc., is in the process of changing its name to Richard R. Dostie New Home Collection.

The plight of the homeless once again hit Dostie when he attended a September conference of the National Home Builders Association in Reno, Nev., and viewed slides showing homeless men, women and children throughout the country.

"It struck a chord that builders should be involved," said Dostie, who then signed up to attend a November symposium on the homeless in Washington, D.C.

Dostie said he wanted to do something about the homeless, but he wasn't sure just where to begin or what to do. What he did know was he had to act soon with the holidays not far away.

After interviewing several local missions, Dostie learned that the City Rescue Mission was the only shelter in Jacksonville funded solely by private donations. He then sponsored a benefit party at one of his developments, the Woods, where guests donated $ 5 or more, and raised $ 5,700 for the City Rescue Mission. Dostie earmarked the funds to help homeless children.

The father of three said he is especially bothered by the numbers of children without homes. "I can't imagine a child not having an apartment or a home and having to sleep outside. It blows my mind," Dostie said.

Born in Niagara Falls, Dostie grew up in a close-knit family. The oldest of three sons, Dostie is following in the footsteps of his father, Rene, who started the company in 1958. He believes in spending whatever free time he has with his wife, Ginny, and their three sons: Rick, 10, Christopher, 7 1/2, and Michael, almost 3.

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The Business Journal-Jacksonville (c) 1988 UMI/Data Courier

When Dostie is not at his Hartley Road office, he coaches Little League and is active in the family's parish, the Mandarin Church of Christ. "A group of us came from another church. We were 19 and now we're up to 275," said Dostie, who helped build the new church. Dostie also squeezes in flag football on Sunday mornings and basketball on Tuesday nights, as well as a quick daily workout at the local health club.

A brass sign on Dostie's desk says "The Boss," but Dostie doesn't believe in being dictatorial: "It's not my nature." He is also quick to give credit to his 10-member staff. "Most have been here quite a while; we try to prevent turnover," said Dostie, who praised his operations manager, Norris Lackey. "He's my right-hand man. He's done an excellent job and we have a mutual respect. I believe in treating everybody the way you'd want to be treated. Everybody's important. I guess that's my Christian background."

Richard Dostie was only 19 when he entered the family business. His father had moved his family from Quebec to Jacksonville after tiring of Canadian winters. That was in 1958. "My dad started the business from scratch," said Dostie. His brothers, Rene and David, were to follow him into the business.

Dostie worked construction every summer for his father, but he really had planned on becoming a lawyer and was attending the University of Michigan when his father called to say he was ready to sell the business and semi-retire at age 44. Dostie took a semester off to try his hand at the business, and he "fell in love with it and never went back."

And his love for the business still continues. "I like to provide homes. People become very excited when they get a new home," said Dostie, who finds it a challenge to produce an affordable home and still earn a good living. "I like to know I'll be providing homes for the next 50 to 100 years. It gets in your blood."

Dostie builds only single-family detached homes, starting at about $ 64,000. "That's as low as we can get," said Dostie, who has built homes in the developments of Brandychase in Mandarin, Crystal Springs and Colony Glen, homes in Westside in the mid-range ($ 70,000 to $ 100,000), and the Woods near Atlantic Beach, which sell for $ 130,000 to $ 200,000.

ALSO A SERVICE

"I like that first-time home buyer. It's a real challenge to operate a company and build an affordable home for the first-time buyer," said Dostie. The more expensive homes -- $ 150,000 and up -- are the easiest to build because money doesn't limit the builder, he said.

Each of the three Dostie brothers owns his own company. "My dad's theory was that with his three sons in separate companies, they should never fight. And we've adhered to it and it's worked like a charm. The three of us are best of friends," he said. "We try not to build homes and compete against one another."

The three brothers and their father, however, do work together in land development, at Cobblestone in Arlington and Rive St. John, lots along the St. John River, selling for $ 50,000 to $ 200,000. "We split the responsibility. I do the governmental work; David does the utility; Dad does the planning; and Rene gets the catch-all. He gets the bad end of the stick," Dostie said. "It works well. We don't ever argue, although we don't always agree."

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The Business Journal-Jacksonville (c) 1988 UMI/Data Courier

Dostie also worked on the Planning Commission for five years, two as chairman. Ray Newton, city planning director, said Dostie was "always one to be counted on." During his tenure as chairman the commission processed 856 zoning exceptions, 521 variances, approved two district plans and approved capital improvement programs, enumerated Newton. "He was the most conscientious and dedicated chairman we've ever had and he understood the concept of growth and supported it. He was an advocate."

Dostie is also the outgoing president of the Northeast Florida Builders Association, of which he was a director for five years before working his way through the official offices. "I believe you have to give back to the industry that helps you," Dostie said.

And, as far as help is concerned, he believes in passing it on. While in Washington, Dostie said he saw dozens of homeless rummaging through trash cans for food. "It shouldn't happen, not in America," he said. "The homeless are not just bums. Sure there's a percentage of drug users and maybe we can't solve their problems, but when a husband and wife don't make enough to live . . . it's sickening.

"If we help people get back on their feet, it's better for the country, and we won't be raising a generation who know homelessness. That's why I'm an advocate of affordable housing."

GRAPHIC: Photo

SUBJECT: Construction companies; Corporate presidents; Social responsibility; Fund raising; Family owned businesses; Personal profiles; South Atlantic

NAME: Richard Dostie

GEOGRAPHIC: South Atlantic Region; Jacksonville; FL; US

COMPANY: Richard R Dostie New Home Collection; SIC: 1521

LOAD-DATE-MDC: December 12, 1989

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THE WHITE HOUSE

Office of the Press Secretary

EMBARGOED FOR RELEASE
UNTIL 11:30 A.M. EST
FRIDAY, JANUARY 19, 1990

TEXT OF REMARKS BY THE PRESIDENT
TO THE NATIONAL ASSOCIATION OF HOME BUILDERS CONVENTION

Omni Coliseum
Atlanta, Georgia

January 19, 1990

It's great to be back among the Home Builders of America.

Before we moved to the White House, Barbara and I were a home builder's and a realtor's dream. We lived in 28 places in 45 years. And yet, in a real sense, wherever we lived -- whether it was in Houston, Washington, New York or Beijing -- our family had one true home that we took with us wherever we went.

I remember the first place Barbara and I lived in, when George Junior was just a baby -- a tiny ramshackle shotgun house in the oil town of Odessa, Texas. It had a makeshift partition down the middle that cut the house into two apartments, leaving us with a small kitchen and a shared bathroom. An old water-drip window unit that cranked up like a West Texas dust storm still couldn't drown out the noise of the all-night parties next door.

Of course, that first house Barbara and I lived in couldn't compare to the new "smart houses" that you, in the NAHB, are building. We were fortunate that the wiring even worked, while today you are putting telephone, television and power together on one master cable, linked to a computer. It's remarkable what free enterprise and American ingenuity can do.

Yet, despite it all, Lord Byron was right -- a home is a place in the heart. I can't speak for our neighbors, but for us, that little shack was home. And I have to wonder, and worry, how many families break apart because they can't afford to buy or rent a home even half as decent as our first place.

We cannot allow the high costs of housing to suffocate the financial life of America's young people. When it comes to housing, this must not become a society of "haves" and "have nots."

The fact is that for the last decade and a half, the cost of new homes -- the cost of the American dream -- has been escalating. Young couples just starting out, low and moderate-income Americans, unmarried people trying to invest in the future -- many are finding themselves priced out of the home market, especially new homes.

To create decent housing that people can afford, the government and private sector must cut some red tape. So I have asked Jack Kemp to convene a blue ribbon commission to identify these barriers to affordable housing construction and to make recommendations on how to eliminate them.

But the truth is, there's one housing policy, and one sales strategy, that's better than all others combined -- a healthy, growing economy with low, long-term interest rates. This first month of the 1990s marks the 86th month of economic growth in America. As Shirley says, it was housing that paved the way to the longest peacetime recovery in modern history. You built nearly ten million single-family homes in the '80s, and nearly five million multi-family units. And by working together, the housing industry will help keep this country going strong in the '90s.

The engine of homeownership in America is the private enterprise system. And by helping those entrepreneurs and risktakers, more Americans will have access to the dream of homeownership and decent housing.

But to keep America moving, we will need the cooperation of Congress. I can think of one simple action Congress can take to give the economic expansion a boost. It has already been debated. It has already won the support of the majority of Members. What we need now is a simple up-or-down vote to cut the tax on capital gains.

Some call a capital gains tax cut a favor for the rich. They should know better. They should know what you know -- that a capital gains tax cut favors economic growth, jobs and opportunity for working America. It favors every American who makes a living, day after day, brick by brick, hammer on nail.

A capital gains tax cut will help every American who holds a job or owns a home. So I call on the Democrat leaders of Congress to give the American people a break, and to let the House and Senate work their will by having an up and down vote on the capital gains tax cut.

Also vital to home buyer and home builder alike are low and stable rates of interest. A one-percent increase in the interest rate knocks millions of families out of the market. In the last few years, millions of families could afford a new home because mortgage interest rates have dropped from 18 percent in the early 1980s to less than 10 percent today. And I want to see them come down even more.

The 1990s must be another decade of lower taxes and lower interest rates. But to have a stable economy, it must also be a decade in which Washington, at long last, adopts fiscal policies as sound as those of the average American household.

None of us is allowed to spend our bonus before we earn it. Nor should Congress start planning where to spend a possible "peace dividend." To the extent that world events allow us to cut defense spending, then we should recognize that cutting the Federal budget deficit would be a true dividend for America's taxpayers and our children's future. We must get the deficit down.

And, too often, Congress forgets that every house is the handiwork of an architect, a surveyor, a mason, a plumber, a carpenter, a painter and dozens of other working men and women. If Congress levies new burdens on our economy, it is these very people who will be put out of work.

But, of course, even if we do cut the capital gains tax; even if we do keep interest rates low; even if we do protect the economy -- this is cold comfort for those Americans who languish in the projects, or the thousands of others who know no shelter at all.

These Americans need help. And they need hope -- so that's just what I call our program -- HOPE, which stands for Home Ownership and Opportunity for People Everywhere.

Our program addresses the full range of housing concerns --from shelter for the homeless, to affordable housing for low-income families, to greater access to jobs.

Let's start with what HOPE can do for first-time home buyers. It's time Congress let Americans use their IRA savings to get into that first house.

Then there are those who must live in the poverty and fear of public housing. They are disproportionately minority Americans. They suffer abuse from drug-dealing predators within -- and the last thing they need is abuse from without. And concerning the latter, let me say just one thing: Atlanta is a great, cheerful city that has proudly risen from the ashes of a distant past. And so for those who plan to revel in a rally of hate here tomorrow, let them know this: Atlantans, like all Americans, turn their backs on bigots.

To escape violence and crime, to live in decent housing -- our public-housing tenants must first be empowered. Empowered to choose where they want to live. Empowered by housing vouchers.

Low-income families don't need us to build new public-housing horrors. They need decent low-income housing. And that's why I call on Congress to extend the low-income housing tax credit.

Earlier, I discussed capital gains. But even this cut would not be enough for America's impoverished inner-cities -- often as desolate and shattered as a war zone. No, for these communities, we've got to go one step further and eliminate the capital gains tax altogether within enterprise zones.

There is something perverse about discriminatory lending practices that have kept the FHA out of the very places that need the most help. So my Administration will ensure that FHA is true to its first mission -- to make housing affordable for low- and moderate-income families. It's wrong to draw a red line around the inner city. It's not right or fair. And we're going to replace the redline with a greenline for opportunity and jobs for the future.

The centerpiece of HOPE is to let all Americans live in dignity and control their destiny -- and dignity is exactly what resident management projects allow. Tenant management and tenant ownership is not just an experiment -- it's the future.

But even more is needed. We are all going to have to work in a partnership to solve the problems of the helpless and the homeless. My Administration is going to do its part by expanding homeless assistance. Late last year, I signed a bill that boosts funding under the McKinney Act to reduce homelessness. Our HOPE proposal will tie shelter with basic services for those in need. And Secretary Kemp, I know, will tell you of other steps we are taking.

You're certainly doing your part -- building and renovating shelters for the homeless; for battered women; for troubled children and retarded adults. And you're working with the Job Corps, taking the unskilled, the out-of-work, and training them for lifetime careers in construction and maintenance, and I congratulate you on your commitment.

But our partnership needs a third element -- that constellation of volunteers I call the Thousand Points of Light. I couldn't come to Atlanta, without taking note of one such point of light, a part-time carpenter and his wife who have provided shelter for so many in this very city -- former President Jimmy and Rosalyn Carter. They deserve our thanks, as do all the people behind Habitat for Humanity.

And so does a woman named Ella McCall. Ella was once a homeless mother. Now she has her masters degree, and serves the homeless as a social worker at a shelter in Washington, D.C. When a family strives to move out of a shelter into a home, they need Ella. When a homeless mother wanders lost, with her children in tow, she needs Ella. And when I look out the south window of the White House at dusk, and see the distant figures of ragged men bedding down for the night -- I pray to God that this country finds more people like Ella McCall.

Your work in job training, Jack Kemp's work in tenant management and ownership, Ella McCall's work with the homeless --all of this ultimately saves the taxpayers money. But this isn't about money. It's about caring.

And if it takes love to make a house a home, then perhaps the same could be said of a country. For the poorest among us, America must not just be a place to live in, but a home for all.

# # #


An Essay on the State of the Nation's Housing
Where Will Our Children Live?

An Essay on the State of the Nation's Housing

By Shirley McVay Wiseman
President
National Association of
Home Builders

March, 1989



I have been a home builder for 25 years, and I've seen some big changes in the housing industry, especially during the 1980s. This decade has done some great things for housing in the areas of home finance and building technology. But it has also been a time when the cost of homeownership has grown more and more out of reach for our young people. I want to do something to address this problem, not just because I believe that homeownership makes good citizens and gives working people the financial security they need. I want to do something because Americans haven't changed. Homeownership is still at the top of the list of the good things they want for their families. And I know beyond the shadow of a doubt that our great country is still able to deliver on that promise. It just means trying a little harder.

In this special report I will describe the scope of our housing problems. I will suggest some of the things we should be doing to open up housing opportunities for home owners and renters alike. And so that we don't lose sight of where this country should be headed, I want to briefly retrace the history of the industry's progress over the past 40 years. Signs are growing that if we don't take a hard look at our housing policies now, then we are headed for a housing crisis in the 1990s and beyond. And that is something that we cannot allow to happen because it will undermine those personal and national achievements that are the bedrock of our democracy and our economic system.

I have posed one basic question: "Where will our children live?" It is my personal conviction that we must be relentless in finding an answer to this question. And in the process of finding that answer it is my hope that we will begin rediscovering the sense of purpose and the values that have been the source of our nation's unique genius and pride.

Where Will Our Children Live?



Photography: © Jerry Mesmer

When President Bush says he wants to make America a kinder, gentler nation, I know what he's talking about. That's because I still remember my childhood in rural Arkansas. Money wasn't everything, even though in those days it was often in short supply. Looking back over your shoulder you could still see the devastating impact of the Great Depression. And the breadwinner in the family was grateful for a job, a decent home, food on the table.

There was more than enough poverty to go around when I was young—although we never considered ourselves any worse or better off than our neighbors. Poverty was not what made the greatest impression on me. What I prize most from my childhood was the feeling of family and community. That was a time when neighbors were neighbors and people weren't afraid to pitch in and help the family down the road. From Mom and Dad I learned about the need for striving, for achieving, for taking responsibility for myself and others.

I was fortunate to grow up in a nurturing environment, and I doubt that I would have been able to achieve success as a builder without the love and support I received as a child. That's why it's so disturbing to see increasing numbers of our young people growing up today without that kind of advantage. I'm not a sociologist, though dealing with the public as long as I have you can't help but become a pretty good judge of character. I don't have the total answer to the vicious cycle of poverty that seems so totally unnecessary and more and more is taking a toll on the lives of our children. But I do know that decent housing, good neighborhoods, caring families and top-notch schools are indispensable to molding adults who can make a contribution to society. We need to offer hope and encouragement to all our children. And decent housing is an obvious place to start.

Too often today there is an absence of purpose in the lives of our young people. Too often that vacuum is being filled by drugs, violence, frustration and despair. For the American society at large there is the underlying feeling that maybe we have left too much to chance, that we have taken for granted too many of the good things, that we have allowed our social priorities to drift, that we are living off the achievements of the past rather than planning for the future. I am convinced that the American people are ready for some national leadership on housing. Just as it has in the past, our industry is ready to start moving this country forward toward achieving even greater things for future generations.

Since 1950 America's home builders have constructed nearly 62 million new housing units or more than 60 percent of the nation's total housing stock.

A Mighty Economic Engine

If you think that housing can't do the job, then you don't know your 20th century American history. Consider the latest chapter. We experienced an extremely difficult recession during the opening years of this decade. That downturn was one that builders are unlikely ever to forget because for more than two years sky-high interest rates put the survival of our firms on the line. That was the recession that changed the way builders do business. We diversified out of single-family home building into such activities as rentals or remodeling, or chances were we didn't make it. And the lessons of that recession were so harsh that to this day builders are building closer to the market and are much less likely to venture into the speculative construction that was standard up through the 1970s.

In the minds of most Americans the good economic times that followed obscured the memory of that recession. And it was housing that paved the way to the longest peacetime recovery in modern history. Housing is a mighty economic engine and the record will show that the current housing expansion, already one of the longest ever, has led to the production of 10 million new homes since 1983, roughly 10 percent of our entire housing stock. It's a proven fact that when the housing assembly line starts moving, that soon boosts demand for a widening range of consumer goods and services. And that translates into bountiful new jobs and new tax revenues.

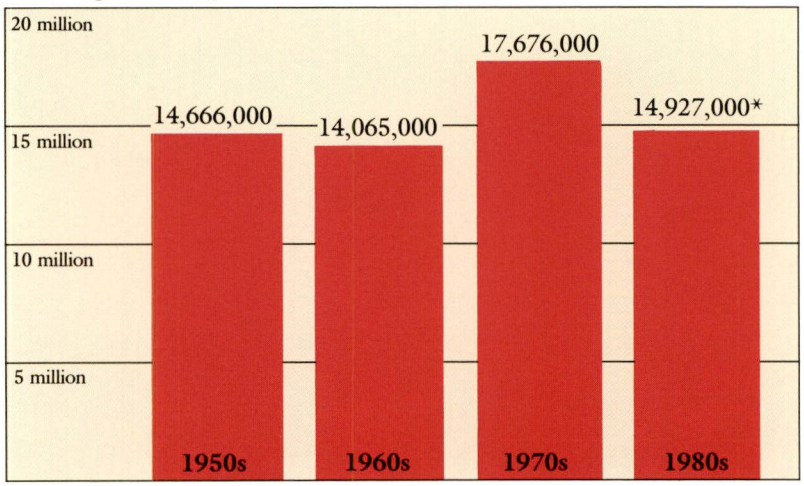
Rebuilding the Nation

Just after World War II, housing was an even more deliberate tool of national social and economic policy. At the war's end, 10 million soldiers returned from overseas to reunite with their families and begin civilian careers. At the same time, there was a crying need for new housing because relatively little had been built during the 1930s and during the first half of the 1940s our productive might was concentrated on the war effort.

In 1945 it was estimated that the U.S. had reached a chronic housing shortage of 3.6 million units. The country was faced with a massive rebuilding effort. We didn't flinch at the challenge. Instead we embarked on a course that ushered in a miraculous era of steadily rising productivity and growth, an era that put housing on center stage. In 1948, we dedicated a record 38 percent of the nation's total credit to housing. That was one of the best investments we ever made.

For the first time, the innovations of the 1930s in the Federal Housing Administration and in the banking system were brought into play on a wide scale. You didn't need to be a millionaire to move into your own home even though when you did it felt as good as a million dollars. With the invention of the long-term amortized mortgage and low downpayment, virtually any working family could aspire to homeownership. And in a low interest rate environment, millions of Americans didn't have to dream about a home of their own for too long before that dream became an exciting reality.

Housing Starts by Decade



*Includes NAHB's housing starts forecast for 1989.
Source: U.S. Bureau of the Census; compiled by the NAHB Economics, Mortgage Finance and Housing Policy Division.

Housing— A Stabilizing Force

As a builder, I have seen that excitement first-hand. It happens every time a family walks through the front door of their new home. And I have experienced that excitement as the mother of two children who bought her first home in Lexington, Kentucky, with financing from the Veterans Administration. Like so many others, I know that homeownership is a stabilizing force for the family. I know that it made our lives better. It is an opportunity that America simply cannot afford to abandon because there is nothing that can replace it.

From the mid-1940s and on-

ward into the 1970s, housing enjoyed boom years. Production in each succeeding decade rose to new heights. At the outset, we started off with Levitt-towns and new tract towns. Almost overnight, thousands upon thousands of new homes—built for quality but inexpensively—sprang up across the suburban landscape. About 14.7 million new homes were built in the 1950s, a record 1.95 million in 1950 alone. There followed massive public works projects, such as those pioneered by New York State Park Commissioner Robert Moses, leading a massive push from the cities. The Highway Act of 1956 launched a multi-billion dollar road building program to further speed the development of the countryside. Expansion of the housing stock grew at an impressive pace: more than 14 million new homes in the 1960s and an unprecedented 17.7 million in the 1970s.

We were optimistic about the future and proud of what we had accomplished in only a few short years. Our new homes represented that optimism. We were happy, and our families were growing. Our population began to swell so quickly it was called the baby boom. We worked hard in our jobs. Our salaries increased. We eventually were able to buy bigger homes with bigger yards to raise bigger families. And in the process we discovered that housing was a ladder, and that each time we climbed a new rung there were improvements in our lives. We never stopped to wonder where our children would live. We just assumed that they would pick up where we left off. After all, they were better educated. They grew up with the material things we had never had. Their future was a boundless horizon of opportunity.

Following is the preamble of NAHB's 1989 Statement of Policy, which was adopted by the association's 1,700-member Board of Directors on Jan. 23, 1989.

"Where Will Our Children Live?"

We, the nation's home builders, raise this fundamental question because of the problems now permeating America's housing market. During the past six years, we have built 10 million new housing units, which represent a remarkable 10 percent of the nation's total housing stock. Even so, millions of young Americans are priced out of the housing market; millions more are living in substandard housing or paying too large a portion of their incomes for rent; and hundreds of thousands of men, women and children are sleeping in the streets.

A nation that is indifferent to the plight of its youth is a nation that is stealing from its very future. Yet even today, one out of five Americans under 18 lives below the poverty line. Many live in substandard housing, go to schools where they don't learn, and play in drug- and crime-infested neighborhoods.

Moderate- and middle-income families, the best housed people on earth, are discovering that, for their children, the dream of owning a home is now turning into a nightmare. Of the nearly 59 million Americans who are in, or who will be entering, their prime home buying ages during the next four years, fewer than half can expect to become home owners.

America is rapidly being polarized into a nation of "housing haves" and "housing have-nots." But this deepening division is not inevitable. It can be reversed. The choice is now before America.

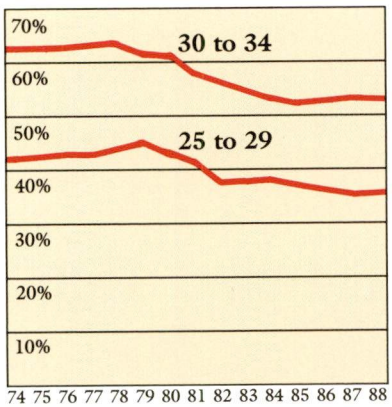
The major task before our nation today is to recognize and confront that choice, to develop a national consensus for housing and to press for a renewed commitment to the national goal of providing decent, affordable housing for all Americans.

Our task is not an easy one. Meeting the diverse housing needs of the American people means re-establishing housing as a top national priority. That, indeed, will test the leadership abilities of our nation's elected officials. That also will require the genius, competitive spirit and full productive capacity of the nation's home builders. But the inauguration of a new President of the United States and the convening of a new Congress make 1989 an opportune time for the nation to reassess its priorities and to move forward with a bold, new housing agenda.

To start the process, the National Association of Home Builders calls on President George Bush and the Congress to adopt a "National Housing Agenda for the 1990s." By mobilizing our nation's unsurpassed resources behind such an agenda, we can and we will extend the current economic expansion, increase homeownership opportunities among young households, strengthen the nation's housing finance system, revitalize and expand the nation's aging infrastructure and increase the supply of affordable housing for low- and moderate-income households, the handicapped, the elderly and the homeless.

Homeownership—A Dream Deferred

Homeownership Rates By Age of Household



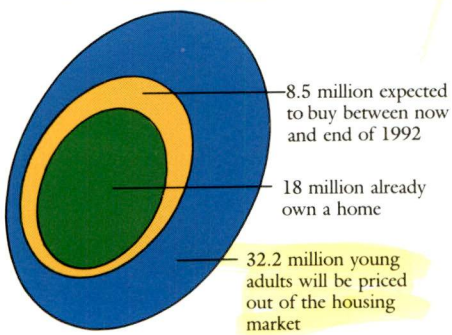
Homeownership Opportunities Drop Sharply for Nation's Young Adults

Homeownership rates among 25 to 34 year olds dropped sharply between 1980 and 1988. Had the nation's overall homeownership rate held constant at its peak 1980 level, an additional 2 million households would own homes today.

Source: U.S. Bureau of the Census.

Universe of Potential First-Time Home Buyers
1989-1992

58.7 million Americans in 25 to 34 age range



Half of America's Young Adults Are Priced Out of the Housing Market

By the end of President Bush's first term in office, 58.7 million Americans will have entered, be in or will have passed through the prime home-buying ages of 25 to 34. Of that number, less than half can realistically expect to own a home.

Source: NAHB Economics, Mortgage Finance and Housing Policy Division.

Yet history has a strange way of confounding our expectations. In those lofty housing opportunities we had envisioned for our children we were wrong. A lot of them have made it across the threshold of homeownership, but just as many have not. Despite one of the best housing expansions our industry has ever known and the construction of millions of affordable homes scaled to the financial needs of families just starting out, a declining percentage of our children in the lower age brackets from the mid-20s to the mid-30s, traditionally the prime first-time home buying years, have been able to establish a foothold in the for-sale housing market.

We in the housing industry knew that the marketplace was going to be flooded by young, first-time buyers during the late 1970s and the early years of the 1980s. Just as we had to build new schools in the 1950s and 1960s to accommodate the educational needs of the baby boomers, now we would have to build new homes. And we knew that we were going to have to take a fresh approach in our use of land and construction techniques because the costs of building a home had risen at an alarming rate. We recognized that we had to design our product so that it was affordable to the young. During the recession we had a lot of spare time for planning affordable housing.

Local regulation of the industry has remained a problem, but we made progress. Working with the Department of Housing and Urban Development we were able to demonstrate in locations across the country how revisions in the regulatory approach enabled us to build better homes at a significantly lower price. Where land was expensive, we were often able to reduce costs by building more housing on smaller lots. We rethought how we built houses every step of the way and modern technology was there to hasten our cost-cutting efforts.

When the clouds over the economy started breaking up in 1983, we were ready to build homes that our children could afford to buy. Mortgage interest rates receded sharply, and for a time actually dipped below the 10 percent mark, where many had never expected to see them again. Even so, they remained at a high level by historic standards. Luckily we were able to soften the impact of higher financing costs by resorting to innovations in the mortgage market. Chief among them were Adjustable Rate Mortgages (ARMs). Lenders offered ARMs at initial interest rates that were well below rates on fixed-rate mortgages, usually by two to three percentage points. The favorable interest rates on ARMs have kept production of single-family homes above the one million level to the present time.

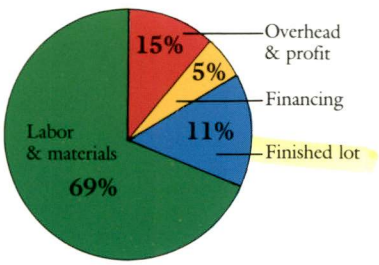
A Hurdle for Young Families

We gave housing affordability our best shot on both the regulatory and financial sides, but we fell short. This is how the record reads: the homeownership rate for 25 to 29 year olds dropped from a peak of 44 percent in 1979 to 35.9 percent in 1988. A similar decline happened among households in the 30 to 34 age bracket. Homeownership fell from a peak of 62.6 percent in 1978 to 53.2 percent in 1988. Contrary to our high expectations for our children, they are losing ground in one of the most crucial aspects of their lives: housing.

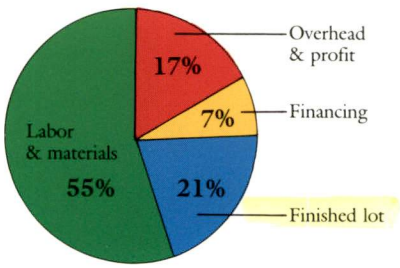
Breaking Down the 'Sticker' Price of a New Single-Family Home

As a share of the overall price of a house, the cost of land and land improvements has risen sharply during the past 40 years. Advances in construction technology and improved building materials in the meantime have lowered the proportionate costs of construction labor and materials.

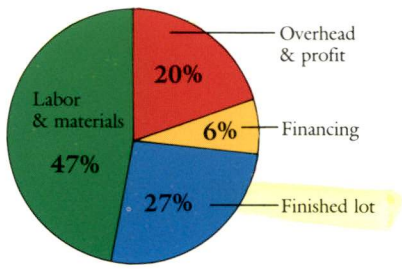
1949 — Sales Price $9,500



1969 — Sales Price $26,000



1988 — Sales Price $112,500



Source: NAHB Economics, Mortgage Finance and Housing Policy Division.

This year the number of Americans in the prime first-time home buying age group between 25 and 34 will reach a peak of 43.6 million. From the beginning of 1989 and to the end of 1992, 58.7 million Americans, nearly a quarter of the entire U.S. population, will pass through or enter into these pivotal home buying years. Of these, about 18 million are already home owners. Another 8.5 million are expected to buy homes by 1992, assuming that the current rate of homeownership in this age group holds steady. This is undeniably good news, but it still leaves more than half of the young adult population outside of the ranks of the nation's home owners. Millions of these individuals stand on the margin of homeownership. And it is on this front that a major battle for reinvigorating our national commitment to housing and homeownership will be won or lost.

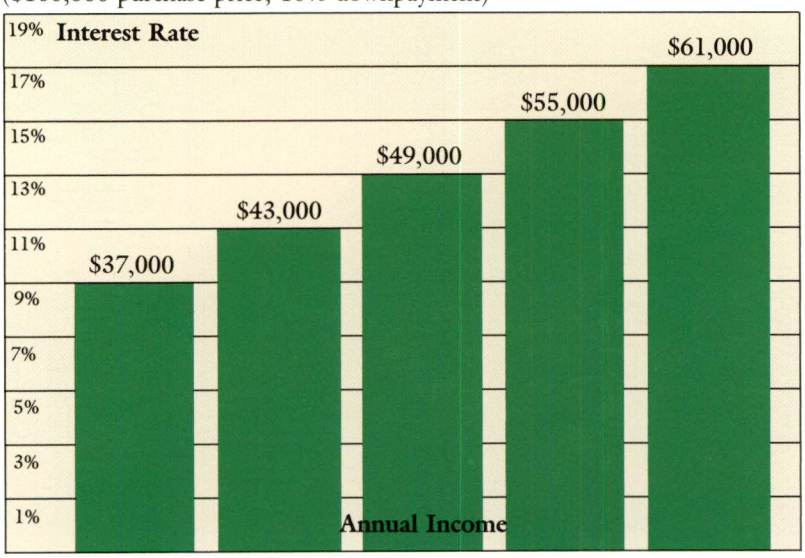
Changing Times

I know from my experiences as a builder how difficult it is to build a truly affordable home today. Times have changed dramatically. In the mid-1960s when I first got started in the home building business, I was building a three bedroom, one story single-family home with 1,042 square feet of living space. It sold in the Lexington market for $12,750.

Like most builders I knew, I started my business on a small scale, buying individual lots, using the land as collateral to obtain a construction loan, completing construction of the unit in three months and closing the deal with the buyer. As I earned the confidence of my banker and as the demand for housing increased, I expanded my operation. Before long I was buying larger tracts of land, developing and subdividing the land myself and building 20 to 30 units at a time.

Back then the home building business was 99 percent hard work. The selling price of my $12,750 home broke down like this: $3,000 for the developed lot (the raw land and its improvements, including the costs of hooking into the city's water and sewer systems); about $7,000 in labor and material costs to actually build the unit, with most of the work being performed by subcontractors; and the remaining $2,750 to cover my financing costs, overhead and profit. If I walked away with a net profit of $1,000, I was happy with the deal. Most of the income was rolled over to capitalize my operation and purchase more land.

Income Required to Qualify for a $90,000 Mortgage at Different Interest Rates
Based on a 30-year, fixed rate mortgage of $90,000 ($100,000 purchase price; 10% downpayment)



Low Interest Rates Are the Key to More Affordable Housing

As interest rates rise, lenders require higher incomes to qualify for higher monthly mortgage payments.

Source: NAHB Economics, Mortgage Finance and Housing Policy Division.

From All Walks of Life

My customers came from all walks of life. I built homes for policemen, teachers, shop owners, factory workers, city employees, printers and the man who delivered my milk every morning. Most were traditional households consisting of a husband and wife and children. Unlike today's home buyers, most qualified for a mortgage with only one income, which was generally less than $8,000 a year.

My home buyers typically took out FHA-insured loans. Some used VA financing. Rarely did out-of-pocket expenses to cover the downpayment and closing costs exceed $1,000. Monthly housing payments were also affordable. A typical $12,000 loan at 6 percent amortized over 20 years, along with real estate taxes and insurance, required a monthly payment of about $100, which was less than one-fourth of my average buyer's monthly income.

A typical starter home in Lexington today is 1,400 square feet, with two baths and three bedrooms. It costs $90,000, including $20,000 for the finished lot. Assuming 5 percent down and a mortgage amount of $85,000, the monthly payments are about $950. An income of $40,000 is needed to qualify.

A Widening Affordability Problem

Yet when it comes to housing prices, Lexington home buyers can consider themselves fortunate. In some of our higher-cost cities, $150,000 will buy only a modest condominium. To afford that, even before monthly maintenance fees and taxes are added into the equation, a buyer must be able to make a substantial downpayment and have a relatively high income. Assuming the buyer of a $150,000 apartment makes a 20 percent downpayment of $30,000, monthly payments for principal and interest on an 11 percent, $120,000 loan amount to $1,142. This requires an income of $49,000.

Affordability is a problem virtually anywhere in the country. The median price of a new home in 1988 was $112,500, up almost 8 percent in a year. Last year's home price was up 130 percent from the median cost of $48,800 in 1977, a time when mortgage rates were far lower than they are today.

The average cost of new and existing homes in the 32 major metropolitan areas surveyed by the Federal Home Loan Bank Board was $129,400 during the third quarter of 1988. In Boston, the most expensive market during that period, the average cost of a single-family home was $203,300. But even in Louisville, Kentucky, the least expensive housing market in the survey, the average house wasn't all that affordable: it cost $86,700.

A Common Concern

Housing affordability is a problem that confronts all but the very wealthiest of young Americans. It is a common concern from Wall Street to Main Street, from our cities to the countryside. That concern can be heard repeatedly in conversations with U.S. congressmen, leaders in business and industry and virtually any middle-class parent of a young adult. After complaining about the high cost of college

tuition, the next topic is where is my son or daughter going to live and how are they ever going to be able to afford to own a home?

The desire to own a home remains stronger than ever among young adults. Housing has become a topic of growing frustration. The harder a family saves for a downpayment, it seems the faster home prices climb. The American dream of owning a home is on a treadmill. It is always just out of reach, even as incomes rise. Without the accumulation of equity in a previous home, it can be almost impossible for young workers to put together the cash that buys the ticket to homeownership, the mainstay of the nation's middle class.

A Greater Share of Income

Starting out today, there is no question that families must spend far more income on housing expenses. According to research by the Joint Center for Housing Studies of Harvard University, homeownership costs consumed 17 percent of household income in 1970, 11.4 percent in 1975, 16.8 percent in 1980 and 33.7 percent in 1985. They declined to 26.2 percent in 1987, largely reflecting falling mortgage rates, which are heading up again.

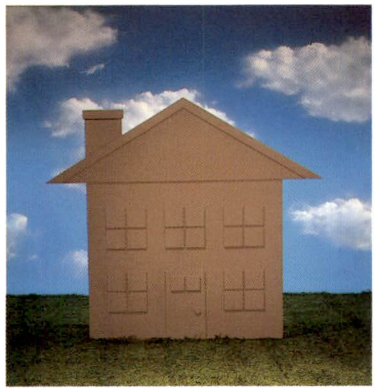
To make matters worse, rents are rising, reducing income that otherwise could be saved toward a downpayment. The rental burden among married couples aged 25 to 34 with children, according to the Joint Center, jumped from 17.1 percent of income in 1984 to 21.9 percent in 1987. This trend will intensify. Although vacancy rates are at record levels in many parts of the Sunbelt, they will decline. And the new tax laws have reduced severely incentives for investment in multifamily development. To be feasible, new projects need higher rents.

Housing Costs Keep Moving Higher

1968	
Mortgage rate	7%
Median price of a new home	$24,700
10% downpayment	$2,470
Monthly payment*	$148
Required income	$8,500
1978	
Mortgage rate	9%
Median price of a new home	$55,700
10% downpayment	$5,570
Monthly payment*	$404
Required income	$21,600
1988	
Mortgage rate	10¾%
Median price of a new home	$112,500
10% downpayment	$11,250
Monthly payment*	$946
Required income	$46,300

*Monthly payment for principal and interest.
Source: NAHB Economics, Mortgage Finance and Housing Policy Division.

The Housing Affordability Crunch
The cost of building and financing a home has gone up more rapidly than household income during the past 20 years, creating an affordability crunch for first-time buyers. The median price of all new single-family homes sold in 1988 was $112,500, up 355 percent from 1968. Interest rates rose from an average of 7 percent in 1968 to 10¾ percent in 1988.





A Challenge for Our Government

Without prompt action we risk locking out growing numbers of young Americans from the economic and social advantages that were enjoyed by their parents through homeownership. The evidence is mounting, and we all know it. That's why for the first time in ages housing was a major issue in the election campaigns of 1988. Of the new president and Congress that were sent to Washington, the people back home are looking for fresh leadership. Housing is one of those issues on which that leadership will be judged.

For the past two years, some of our most accomplished home builders as well as members of NAHB's staff have sat down with housing activists in the Congress and some of the foremost intellects in our universities to work out some innovative solutions to our housing problems. Because of mushrooming federal borrowing in recent years, our housing policy makers this time out did not have at their disposal a fat bankroll of taxpayer dollars to fix things. And maybe this is a blessing in disguise, because it has forced us to go back to the old housing framework and see what's there and worth saving.

As a person who put in 16 hour days for more than two years learning the HUD housing programs, it came as no surprise to me when it was reported to the Congress that the idea of federal insurance in the Federal Housing Administration (FHA) and Veterans Administration (VA) was one of the most effective, cost-efficient ways of providing homeownership opportunities. Along with tax incentives to encourage and enable prospective home owners to save toward downpayments, bringing the FHA and VA programs up to date offers a promising approach without putting additional strains on an already overcommitted federal budget.

Several recommendations to bolster homeownership opportunities are on the table. As the Congress continues its efforts to shape landmark housing legislation, there is growing enthusiasm over a number of approaches that will help bridge the housing affordability gap. These include:

- Pegging the FHA mortgage ceiling to 95 percent of the median price of a home in a given area. The ceiling would be computed separately for new and existing homes. This is badly needed because the most recent $101,250 mortgage limit is grossly insufficient in high-cost areas. It was below the cost of last year's median-priced home in 20 percent of all metropolitan areas, including five of our top 10 cities.
- Allowing first-time home buyers to use tax-free funds from Individual Housing Accounts or IRA, Keogh and 401(K) retirement plans for downpayments. Planning for a family's financial future ought to start with the purchase of a home. The financial return on an investment in a



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new home is unparalleled. And in the meantime, money invested in homeownership plays a far worthier social purpose than money sitting in a bank.

■ Reducing FHA downpayment requirements and expanding the availability of FHA Adjustable Rate Mortgages. In the conventional mortgage market, ARMs have been a major factor in offsetting the negative impact of rising interest rates. They have enabled home buyers to start off with more affordable financing. On a trial basis, zero downpayment FHA loans merit consideration for first-time home buyers.

The Regulatory Challenge

Of course, the full measure of housing affordability cannot be provided by the federal government. Of the many cost components of building a new home, none over the past decade has increased as rapidly as the cost of land. Building more housing on less land is the obvious solution. Yet this is often easier said than done. Too many communities have yet to recognize that their zoning ordinances and their other building regulations are unfair and out of date.

I can remember when the mayor of any town thought it was one of his chief duties to encourage development and growth so that the community would be a better place to live. Today, where regulation has gotten out of hand, housing prices have become so high that the workers who serve the community often can't afford to live there.

California provides a dramatic example of where we have gone wrong in our regulatory oversight of housing. That state has suffered from a growing trend among localities to assess charges against new home buyers in order to pay for improvements in facilities and services that everyone uses. We in the home building industry know better. It's only fair that these ought to be financed out of general tax revenues. In a 1987 survey, California builders reported that development fees and requirements for utilities, amenities and land dedications added $19,000 on average to the cost of building a typical single-family home. When we have to include a government cost of this size in the sales price of the new homes we build, it is almost impossible to provide an affordable home for the carpenters, bricklayers, school teachers, nurses, police and firemen, office support staff and others workers who we want to be an integral part of our communities.

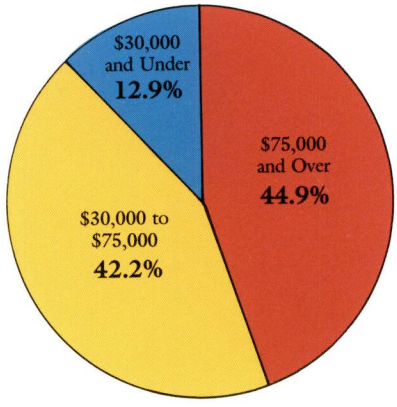
Economists as well as builders and other community leaders know that a healthy supply of affordable housing is indispensable for local economic growth. Through education of the voting public significant progress has been made toward advancing this message. We look forward to making even greater strides in regulatory reform in the future, because this is crucial for a final resolution of the housing affordability issue.

Preserving the Mortgage Interest Deduction

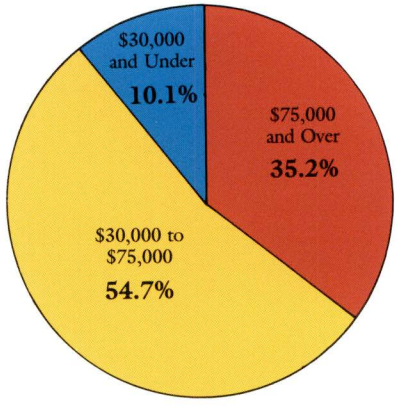
Not everything that the Congress is considering is necessarily geared to improving housing problems, either. Congressmen have been reluctant to talk about it, but there has been a movement on Capitol Hill to scale back and perhaps eventually eliminate the single most popular item in the nation's tax code: the mortgage interest deduction. Proposals to cap the deductible amount of interest from home mortgages would do more harm than all the good many in Congress hope to achieve in the next housing bill.

By reducing actual monthly mortgage costs significantly, the mortgage interest tax deduction has opened up homeownership opportunities for millions of American families. It is the cornerstone of our housing policies. With housing costs more formidable than ever, it is hard to imagine a worse moment for tampering with this deduction. Worse still, efforts to cap the deduction have been based on the false premise that this will provide a meaningful source of new tax revenue. The truth of the matter is that relatively few additional tax dollars would be gained unless the deduction were reduced to the point that it impinged upon most existing home owners. In that case it would be a prescription for chaos at a time when we ought to be seeking greater stability in our nation's housing policies.

Who Pays What Share Of Federal Taxes?
By Income Group



Who Gets What Share of the Mortgage Interest Deduction?
By Income Group



Mortgage Interest Deduction Promotes Homeownership Opportunities

The mortgage interest deduction is the cornerstone of the nation's housing policies and one of the few remaining tax breaks for middle-income Americans. The bulk of tax savings from the mortgage interest deduction go to households making between $30,000 and $75,000 a year. They pay 42.2 percent of all taxes collected and receive 55 percent of the benefits from the mortgage interest deduction.

Source: Joint Committee on Taxation and Internal Revenue Services; compiled by the NAHB Economics, Mortgage Finance and Housing Policy Division.

Housing for the Poor



Unfortunately, the nation's housing problems do not end with the middle-class young who are attempting to get on the first rung of the housing ladder. This is only where they begin. It stands to reason that if the more affluent segments of the population are experiencing difficulties, then those with the lowest incomes are even worse off.

The sad story is that for a broad segment of families with lower incomes, there is no such thing as affordable housing today. According to the Joint Center, from 1981 to 1986 the number of vacant rental units rose from 1.54 million to 2.66 million. But 90 percent of these vacancies occurred in units renting for more than $300 a month, well beyond the means of most low-income households. The total number of units renting for less than $300 declined by nearly one million units between 1974 and 1983.

From 1975 to 1983, the number of poor people paying more than 50 percent of their income for rent increased from 3.7 million to 6 million, almost half of all low-income renters. Among young single-parent families with children, rents have grown especially burdensome. Their rents increased from 34.9 percent of income in 1974 to 58.4 percent in 1987.

Part of the rental affordability problem stems from the Tax Reform Act of 1986, which sharply reduced incentives for investments in multifamily projects. Unless some of these incentives are restored, the problem will get worse. The adverse impact of the new tax rules on the multifamily sector is already being felt by renters in some of the nation's tighter apartment markets, which tend to be concentrated in the big cities of the Northeast. But in other parts of the country, where vacancies continue at near-record levels, it will be a few years before the impact of a severe slowdown in the production of rental housing will become apparent.

Aside from restoring some tax incentives for the production of apartments, Congress will again have to address this housing problem by maximizing the use of federal dollars. This could be accomplished by targeted production programs that might require matching contributions from states and localities to stimulate the construction of affordable rental housing. The availability of tax-exempt revenue bonds should also be expanded to meet this purpose. Housing vouchers are also part of the solution in areas where there are vacant apartments.

On the Margin of Homelessness

If millions of Americans are on the margin of homeownership, millions more are just one financial setback from joining the homeless population. Clearly, poverty is on the nation's plate and one of the places in which it has become most evident is housing. The fastest growing segment of the nation's homeless population is made up of families, usually single mothers, with children. Their need for support is urgent, starting with basic shelter and continuing with a range of services that will help them to return to jobs and financial self-sufficiency.

The causes of homelessness in this country are many. The needs of the homeless are varied. And a lasting solution to the problem will not come easily. Full funding of the Stewart B. McKinney Homeless Assistance Act, which President Bush has promised to support, is the first step we need to take. The homeless people on our streets are a reminder that even in the best-housed nation on earth, shelter is a basic human need that we should never take for granted. The problem of homelessness in America has gone on for too long. Now is the time to show that we care too much about our fellow human beings to allow this problem to continue.



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Housing—A People Agenda

Housing is a people industry. I suppose that is what attracted me to the home building profession in the first place. And that is why I have remained a builder even though I know that housing is one of the most cyclical industries there is. I have faced some tough times in my business when interest rates were up and chances are I'll see some tough times again, even though recent changes in the way our industry is capitalized provide some reassurances. And the building process itself can be full of complications and uncertainty every step of the way—from getting the go-ahead at the planning office to negotiating a good price on your building materials to working with subcontractors and rounding up a crew when construction laborers are in short supply.

Despite all those aggravations, I would say every minute I have spent as a builder was worth it. There is something special about building a house and then watching a family making that house a home. I can drive down streets in Lexington today and look at the homes I built 20 years ago and take away the feeling of satisfaction that I have helped build a better life for the people who live there. As home builders we don't just trade on a dream. We turn that dream into a reality. We share in the pride and joy of millions of hard working Americans in their homes. For decades our country has used homeownership and its housing to define what the American way of life is all about. In our housing we have discovered opportunities our ancestors never dreamed possible. I am committed to keeping those opportunities alive, so that years from now when we are asked, "Where will our children live?," we can answer with a smile: "Our children will live in decent, affordable housing which will provide a safe haven for raising their families and a solid foundation for pursuing their life's goals."

Shirley McVay Wiseman
President
National Association of Home Builders



Shirley McVay Wiseman, a home builder from Lexington, Kentucky, and Lake Wales, Florida, is the National Association of Home Builders' 1989 president.

The first woman ever to serve as president of the 157,000-member association, she is also the president of Wiseman Construction & Development Company, Inc., of Lexington, and of Wiseman Homes of Florida, Inc.

During her 20-year career in building she has constructed more than 1,500 single-family homes and apartment units and developed commercial property and a shopping center.

She served as the HUD deputy assistant secretary for single-family housing in 1983 and 1984. In 1984 and early 1985 she was HUD's general deputy assistant secretary for housing/federal housing commissioner.

Wiseman has been active in the National Association of Home Builders for almost 20 years and has served as a national vice president, a member of the Executive Committee and chairman of the Committee on Membership. She became an NAHB life director in 1979. Also active in state and local builder associations, Wiseman has served on the board of directors of the Home Builders Association of Kentucky and chaired and/or served on a number of that association's committees. She was named Builder of the Year by the Kentucky association in 1980.

In 1975, Wiseman was president of the Home Builders Association of Lexington. She served on its board of directors from 1972 to 1978 and chaired and/or served on a number of its committees.

The association named her its Builder of the Year in 1978. Wiseman also founded the Home Owners Warranty Corporation of Lexington and served as its first president in 1976.

A founder and officer of Lexington Housing for the Handicapped, Wiseman also served as an adviser to the Urban League.

Wiseman served on the Small Business Administration's National Advisory Board in 1982 and 1983 and on its Social Security Task Force in 1982.

She was recently appointed to the Florida Developmental Disabilities Council by Florida Governor Bob Martinez.

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Robert D Bannister
Senior Staff Vice President

February 1, 1990

Christina Martin, Research Assistant
[redacted]
111 Old Executive Office Building
The White House
Washington, D.C. 20500

Dear Christina:

I wanted to drop you a note to tell you how enthusiastic the 13,000 flag waving homebuilders were in response to President Bush's speech in Atlanta, Georgia. It was one of the best speeches that any group has ever heard on housing.

I heard many comments about the President's remarks which included a Member of Congress saying "I believe I just heard the best speech George Bush ever gave." Also, numerous builders said that George Bush said more about housing in 20 minutes than Ronald Reagan did in eight years.

I really appreciate all of your efforts in the development of that speech. Again, it was a tremendous hit and we will be sending video tapes to the 800 local home builders associations throughout the country.

If I can be of any assistance in the future, please do not hesitate to contact me.

Sincerely,

Robert D Bannister
Senior Staff Vice President

RDB:kok

P.S. I attended the State of the Union message last night and was delighted to hear the Presidents remarks on housing and the HOPE announcement.

National Association of Home Builders
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Washington, D.C. 20005



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PREPARED BY

The National Association of Home Builders
Public Affairs Division
November, 1988

HELPING PEOPLE

**A Guide to
Community Service Activities
by State and Local
Home Builders Associations**

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National Association of Home Builders

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Helping People: An Industry Commitment

by Dale Stuard

PRESIDENT, NATIONAL ASSOCIATION OF HOME BUILDERS



The American home building industry has made the United States the best housed nation in the world. Visitors from other countries are often amazed at the quality, size and comfort of American homes. Producing the best products possible has long been a hallmark of our economic system and the American way of life.

But not everyone in our society reaps the rewards that our nation offers. Fortunately, another hallmark of the American way of life is to help people who are in need. State and local home builders associations, as well as individual members, have been in the forefront of many efforts to assist such people.

Helping People: A Guide to Community Service Activities by State and Local Home Builders Associations presents a sample of the types of community service activities that our industry has undertaken throughout the country. This publication is not intended to describe every activity by every association. Its purpose is to provide a cross section of activities so that association members and other interested parties may be inspired to initiate similar activities in their communities. For each entry, an address and telephone number has been provided to obtain further information.

The variety of community service activities by associations is quite impressive. They include:

- Building or renovating shelters for the homeless
- Building or renovating homes for battered women
- Building or renovating homes for troubled children
- Building or renovating homes for retarded adults
- Building or renovating homes for needy individuals
- Fundraising
- Job training for unemployed youths and adults
- Neighborhood revitalization (providing both housing and job training)
- Helping urban homesteaders
- Weatherization of homes for the needy
- Building or renovating hospital guest houses/Ronald McDonald Houses
- Habitat for Humanity projects
- Programs for people with disabilities
- Bringing daycare facilities up to code

A common thread runs through many of these projects. Home building has provided a good life for American builders, and many of these builders want to show their gratitude by giving something back to their communities. Community service projects allow builders to feel good about helping people who are in need. These projects also allow builders to develop closer ties with various segments of the community, which can help a great deal when they need to work together in the future.

The National Association of Home Builders encourages all of its state and local associations to be involved in their communities. We want all citizens to realize housing as "The American Promise."

FOREWORD

The Ten Things You Should Know Before Undertaking A Community Service Project

by Marlene McMahon, CAE

PRESIDENT, EXECUTIVE OFFICERS COUNCIL
NATIONAL ASSOCIATION OF HOME BUILDERS

Participating in a community service project is one of the most rewarding activities a state or local home builders association can undertake. As with any construction project, you should approach community service activities with a specific plan of action. Here are ten helpful things you should know before you get started.

1. It is almost always better for an association to concentrate its resources on one project rather than spreading itself thin with many projects.
2. An association should appoint an organizing committee to coordinate all involvement in the project. Often, the energy and initiative of one dedicated member of the committee can be the impetus for undertaking a project and seeing it through to completion.
3. Treat all projects as serious jobs, and do not do anything on a handshake basis, no matter how well-meaning the participants.
4. Two of Murphy's Laws are, "Everything takes longer than it should" and "Nothing is as simple as it looks." Expect everything in a community service project to take longer and be more difficult to coordinate than a typical job because of the use of volunteers. Also beware that major remodeling can be more difficult than building from scratch, because you may encounter unforeseen complications in a dilapidated existing structure.
5. Figure out how much land, labor and materials will be needed, and how much association members and other sources in the community can reasonably be expected to donate. Be prepared to engage in fundraising as well as construction on some projects. If necessary, look for sources of grant money.
6. Skilled labor is preferable if you have difficulty finding someone who can make a sizable commitment of time to supervise the project. Trainees can be an excellent source of free or inexpensive labor if they are properly supervised.
7. Try to involve community groups in the projects, such as on an advisory committee.
8. Try to get the help and support of local government entities for the project. This is especially important for matters involving zoning, inspections, and possible funding.
9. Involve the local chapter of the NAHB Auxiliary and other groups within your association in the effort. Community service projects are an excellent way to create greater cohesiveness among your members.
10. Stick to construction—don't try to manage social service facilities. Builders associations can give community projects credibility during fundraising, because donors will know that the construction will be in competent hands. Likewise, builders associations should defer to community groups on matters involving social issues.

The community service activities described in this publication can be a great source of pride for the home building industry. But for every call that a builders association has answered, many more needs are crying for help. By planning future involvement in your community wisely, you can bring a great sense of fulfillment to people in need and members of your association.

Shelters/Homes for Special Needs Populations



Illustrations by Kenneth Krawczyk

NEBRASKA

Adopt-A-Shelter

Metropolitan Omaha Builders Association

The Metropolitan Omaha Builders Association (MOBA) has initiated a program to "Adopt-A-Shelter" each year to help the homeless. In November, 1987, MOBA wanted to undertake a community service project. According to MOBA board member Robert Pettegrew, "The public has been good to us over the years by supporting the association's annual Home Show and Street of Dreams, so we decided to have an annual program that would put something back into the community." The association decided upon a project to help the homeless, both because homelessness was one of the most pressing needs facing the Omaha community and because the builder members felt that such an activity would be fitting for those who make their living by housing people.

MOBA first sought input and guidelines from advocates involved with the homeless community. Through discussions with the president of the Coalition for the Homeless in Omaha, the association found that the Dorothy Day House was in the most critical need of help. The "Day House" was the only shelter in Omaha where the homeless could get out of the elements and have a hot meal during daytime hours. The Day House had lost the lease on its last facility. The Coalition for the Homeless had been working on a new facility for six months, but the shelter was not yet open.

MOBA's Board of Directors decided to adopt the Day House as its 1988 project. Within a week, the association formed a 10-person shelter committee which contacted two of the Day House community members to obtain a wish list. Once the wish list was complete, the committee began soliciting contributions of labor and materials from MOBA member firms, and in some cases, non-members. All subcontractors, builders, and suppliers who were asked to help with the project gave beyond MOBA's expectations, ultimately donating close to $50,000 in labor and materials.

More than 150 people contributed to the renovation. By February, 1988, the Day House opened its doors, only 90 days after MOBA's board of directors approved the project. The shelter provides meals, showers, medical care, laundry facilities, job referral, counseling, and access to other social agencies. After completion, MOBA set up a hotline so that if the shelter developed a construction problem, an MOBA member would respond.

The MOBA Auxiliary played a major role in making the project a success. Around the time of the opening, the Auxiliary held an "Adopt-A-Shelter Shower," at which the women contributed clothing, food, medical supplies, and money to the Day House. In March, members sold "Adopt-A-Shelter" T-shirts at $10 apiece, with the entire proceeds being donated to the shelter. And in April, the Auxiliary's board of directors voted to use $200 from their philanthropic fund to purchase picnic tables for the shelter.

MOBA has developed the "Adopt-A-Shelter" treehouse as its official logo. The association plans to undertake a new project each year to demonstrate its ongoing commitment to the homeless in Omaha.

Metropolitan Omaha Builders Association
295 N. 115th Street
Omaha, NE 68154
402-333-2000

TEXAS

Women's Haven

Builders Association of Fort Worth & Tarrant County

The Builders Association of Fort Worth and Tarrant County (BAFWTC) built a 17,000 square foot structure in 1987 for Women's Haven of Tarrant County, a home for battered women and children. Women's Haven had been housed in an old 6,000 square foot, one-story county building with a 32-person capacity, but on occasion, had squeezed in as many as 48 women and children. The old building provided little opportunity to help the women and children regroup in a positive environment. In 1986, the organization was forced to search for a new home when the county announced that it was reclaiming the building to use as a minimum security prison.

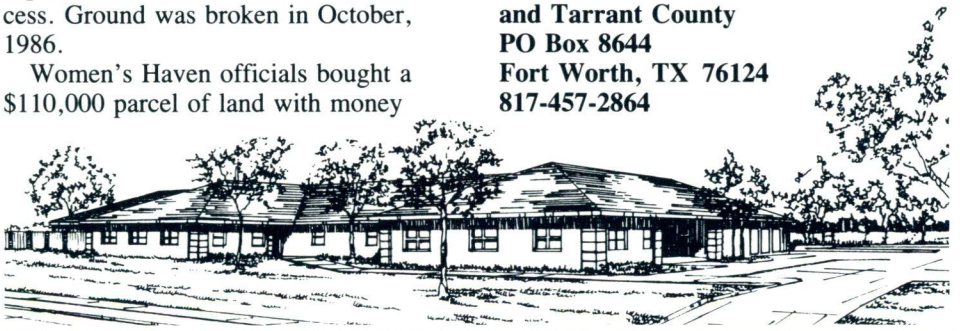
Former BAFWTC president Herman Smith, who is also a past president of the National Association of Home Builders, became aware of the plight of Women's Haven and decided to help. He convinced the BAFWTC board of directors to support the construction of a new shelter. BAFWTC drew preliminary plans, and an announcement was made at city hall that the association would join hands with Women's Haven to build the home. BAFWTC also formed a steering committee to promote the concept, and local publicity generated strong support even outside the association's membership. A builder member was hired to serve as project superintendent, which was a key to success. Ground was broken in October, 1986.

Women's Haven officials bought a $110,000 parcel of land with money raised on their own. BAFWTC solicited donations through its association publications and other sources for the projected $1.5 million that was needed for the construction of the home. Association members were directly responsible for donations of $400,000 in labor, materials, and money. Another $900,000 was received through grants which directly resulted from association involvement.

The new facility was dedicated in May, 1987. Its 13 bedrooms can temporarily house 54 women and children who need to get out of abusive home situations. BAFWTC's Remodelors Council has agreed to do touch-ups and minor repairs as an ongoing project.

The partnership and cooperation between the builders association and Women's Haven was the key ingredient to success. Women's Haven understood the issues involved in helping battered women and children, but lacked expertise in construction. Various foundations agreed to support the project when they heard that the builders association was becoming involved and the construction would be in competent hands. According to Women's Haven executive director Sharon Marshall, "We would never have been able to build our building without the builders association."

Builders Association of Fort Worth and Tarrant County
PO Box 8644
Fort Worth, TX 76124
817-457-2864



VIRGINIA

Friends of The Homeless Shelter

Peninsula Housing & Builders Association

The Peninsula Housing and Builders Association (PHBA) is renovating a building in Newport News, Virginia, to be used as a temporary shelter for the homeless. In 1987, PHBA wanted to become involved in a community service project. At the same time, the local board of Realtors was seeking involvement in community service work, so the two groups combined their efforts. They were especially interested in finding a project that was housing related.

The City of Newport News purchased an old AFL-CIO union hall for $95,000 with the intent of PHBA converting it into a shelter for the homeless. The one-story brick building was to house 25 to 30 people, mostly single men and women but with a few rooms for small families.

PHBA agreed to undertake the entire renovation of the facility, while the Realtors agreed to raise funds for the project. In order to obtain grants from the federal, state, and local levels, PHBA and the Realtors had to form a separate corporation, which was called "Friends of the Homeless, Inc."

Tony Collins, president of PHBA's Remodelors Council, agreed to supervise the project on a volunteer basis. Members of PHBA donated labor, materials and cash. If the project had been undertaken by a private contractor, the estimated cost would have been $80,000. But because of the donations, it will end up costing only a small fraction of this.

Friends of the Homeless formed an advisory committee comprised of numerous community and civic groups. Some of these groups enthusiastically embraced the project, helping with publicity and donations. For example, both a local church and the local chapter of the Knights of Columbus agreed to make bunk beds if given the lumber. Also, the Knights of Columbus and the local Jaycees agreed to gather volunteers to paint the shelter.

Neither the builders nor the Realtors felt they had the ability to manage the shelter when completed. Sizable sums of money were needed for operating costs. Friends of the Homeless raised more than $70,000 through government grants, and the Realtors were able to raise $16,000 through a raffle. The City is working with Friends of the Homeless to arrange for the ultimate management of the shelter.

PHBA member Hal Morris, one of the directors of the project, said, "Since there is a builders association and board of Realtors in most areas, and because most cities are facing the problem of homelessness, I would think that our project might be one approach for concerned businesspeople and local governments to form a coalition to seek solutions."

Peninsula Housing and Builders Association
760 McGuire Place
Newport News, VA 23601
804-595-1600

PENNSYLVANIA

Wesley House

Home Builders Association of Chester and Delaware Counties

The Home Builders Association of Chester and Delaware Counties (HBACDC) in 1988 completed a thorough renovation of the Wesley House, the only emergency shelter for the homeless in the City of Chester. The shelter, formerly a vacant church, is operated by the United Methodist Church's Eastern Pennsylvania Conference, and has served homeless people for more than four years. Wesley House can accommodate up to 100 men, women and children. It is located in an economically distressed neighborhood with large open areas where substandard housing units have been demolished.

HBACDC's remodeling project included improvements in the kitchen and laundry areas, upgrading equipment, and enlarging the dining facilities. The changes also improved the aesthetics of the facility and made it more homelike. The renovations would have cost $70,000 if the project had gone out on bids, but the donations by HBACDC dropped the cost to a small fraction of this. Members made contributions ranging from the architectural plans to the finish and trimwork. HBACDC's executive association council also donated $1,000 to buy Christmas gifts for the children who reside in the shelter.

Vince Finisdore, who chaired the HBACDC's Wesley House committee, said: "People recognize homelessness as a problem, and it's something we thought we could throw our weight behind. We want to have an impact in helping real community needs that exist in both counties where we make our livings." The association is currently seeking to become involved in additional community service projects.

Home Builders Association of Chester and Delaware Counties
1502 McDaniel Drive
West Chester, PA 19382
215-692-7733



CALIFORNIA

LIEU-CAP Shelter

Greater Los Angeles Area Chapter
Building Industry Association of Southern California





The Greater Los Angeles Area Chapter of the Building Industry Association of Southern California put an addition on a Los Angeles County shelter for homeless women with children. The addition to the LIEU-CAP (Low Income and Elderly United—Community Assistance Project) Shelter in Venice increased the capacity of the facility from 18 beds to 30.

When the project was undertaken in 1987, Los Angeles County had an estimated 35,000 homeless people, but had only 3,500 beds to accommodate them. The LIEU-CAP Shelter tries to offer immediate housing for families in crisis. It assists mothers in providing for the health and welfare of their children, and helps them to move into the mainstream of society. For example, it offers money management classes to teach mothers to save money and "sacrifice effectively" for their long-term goals, such as finding an apartment and paying rent. The shelter also offers mental health counseling and assistance on how to find childcare.

The builders association's community relations committee made a major commitment to building the addition. Members donated expertise, labor and materials to make the project a success. Without the addition, an average of 52 homeless women and children were being turned away by the shelter each day. With the addition, the shelter did not have to turn away as many of these homeless people.

Greater Los Angeles Area Chapter
Building Industry Association of
Southern California
1571 Beverly Boulevard
Los Angeles, CA 90026
213-250-8870

CALIFORNIA

Lancaster Community Shelter

Antelope Valley Chapter
Building Industry Association of Southern California

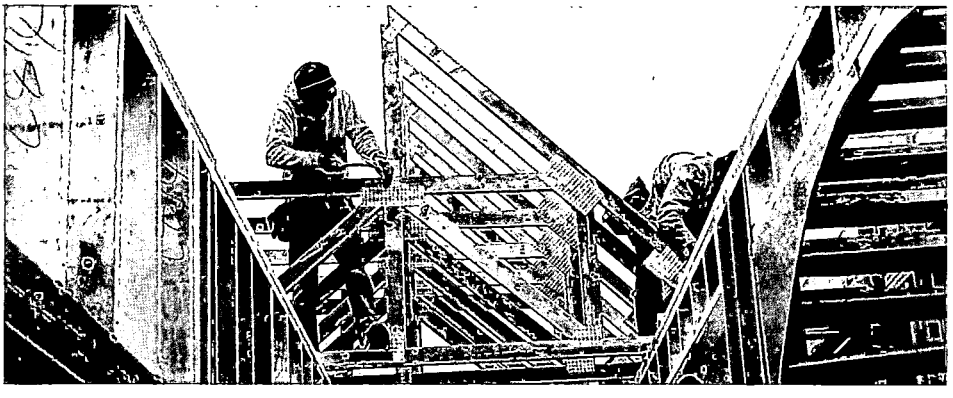
The Antelope Valley Chapter (AVC) of the Building Industry Association of Southern California is building a 9,000 square foot shelter for the homeless. The Lancaster Community Shelter will accommodate 50 people. The single story facility will include men's and women's dormitories, two units for families, a kitchen, a dining area and living quarters for a manager. The shelter is being built in cooperation with the City of Lancaster and the Lancaster Redevelopment Agency.

"The objective was to build the shelter through donations of labor and materials," said AVC representative Herb Hirsh. Ground was broken on March 11, 1988 during a ceremony in which U.S. Senator Pete Wilson, and representatives of the city council, community groups and AVC participated. On April 23, after lumber, concrete and labor had been donated, an old fashioned "barn raising" took place. The entire framing for the structure was completed that day by more than 100 volunteers. Over 50 companies in the Antelope Valley have contributed to the project. Hirsh said, "The business community has been very generous, contributing labor and materials in all phases of construction."



The shelter will be owned by the city but will be operated by a private, non-profit organization selected by the city.

Antelope Valley Chapter
Building Industry Association of
Southern California
1805 West Avenue K
Lancaster, CA 93534
805-948-5518



SOUTH CAROLINA

Providence Home

Remodelors Council of Greater Columbia
Home Builders Association of Greater Columbia





The Remodelors Council of Greater Columbia (RCGC), which is part of the Home Builders Association of Greater Columbia, organized a major renovation of Providence Home, a local homeless shelter. In the spring of 1988, RCGC chairman Jim Richardson contacted the City of Columbia to offer assistance on projects involving the homeless. By coincidence, the city had just begun searching for a contractor to perform renovations on Providence Home.

Providence Home consists of three buildings which provide emergency shelter for homeless men, women, and families. The State of South Carolina had granted $63,000 for the renovation to be administered through the city's Department of Community Development. However, the proposed renovations on two of the buildings were estimated to cost over $150,000.

RCGC formed a committee to determine the plausibility of completing the project within the amount of the grant. By revising the specifications of the remodeling job and getting pledges from council and association members for donations of materials, the committee was able to recommend that RCGC take on the project. RCGC decided to renovate the men's and women's shelters simultaneously rather than one at a time.

RCGC members worked on the project during the month of July. Nicknamed the "Miracle Marathon at Providence Home," the work was performed mainly on weekends because summer is a busy time for remodeling contractors. The major source of free labor was inmates from the Watkins Pre-Release Center, a state corrections facility. Supervised by council contractors, the inmates were able to work during the week.

The members of RCGC are very proud of their work at Providence Home. The project received a substantial amount of local news coverage. RCGC hopes to have some grant money remaining after all the bills are paid to make a cash donation to the shelter. Jim Richardson said, "We hope that our successful effort will inspire other councils and associations to acknowledge the homeless problem and to do whatever they can to help."

Home Builders Association of Greater Columbia
P.O. Box 725
Columbia, SC 29202-0725
803-256-6238

NEW MEXICO

Villa Santa Maria Boys Home

Remodelors Council of Central New Mexico
Home Builders Association of Central New Mexico

The Remodelors Council of Central New Mexico (RCCNM) redesigned and remodeled a bathroom in a shelter for abused boys. The Villa Santa Maria Boys Home, which houses 15 boys aged 7 to 14, approached RCCNM for help. The project consisted of gutting the existing facilities, enlarging the area by 40 percent, repairing plumbing lines, and installing three showers, three urinals, two toilets, three sinks, a window, and floor and wall tiles. Another requirement was that all areas had to be reinforced to withstand possible physical abuse. The total cost of the job would have been about $22,000 if let out to bid.

The project was completed while the boys were on a camping trip for two weeks. In mid-1987 when the work was done, RCCNM had only nine builder members. The members of the council donated an average of 16 hours each, and additional time was donated by employees of members. Members worked evenings and weekends, and made many out-of-pocket contributions of small items.

The project helped the members of the council develop a sense of pride in their ability. It also displayed their commitment to the community. The council now has decided to undertake a yearly community service project.

Home Builders Association of Central New Mexico
5931 Office Boulevard, N.E.
Albuquerque, NM 87109
505-344-3294



ALABAMA

Alabama Sheriff's Boys Ranch

Huntsville/Madison County Builders Association

The Huntsville/Madison County Builders Association (HMCBA) built a new home for the Alabama Sheriff's Boys and Girls Ranches, Inc., a non-profit charitable organization for dependent or neglected children. The children at the ranches come from broken homes; some come from county departments of human resources throughout the state, and others from private referrals. Each child accepted into the program must participate willingly.

The children at the ranches are taught values, responsibilities, and to respect others as well as themselves. They attend community schools and are involved in school activities and sports. The children and staff also attend community churches and are involved in church activities.

In January, 1986, HMCBA undertook the project of building a new boys ranch in Madison County. The new home is 5,040 square feet and provides shelter for 12 boys and houseparents. The association formed a committee to solicit materials, labor and supervisory help. The new facility was dedicated in December, 1986. HMCBA benefitted by creating public awareness of the association as a vital and caring part of the community.

Huntsville/Madison County Builders Association
2809 Triana Boulevard
Huntsville, AL 35805
205-536-2602

NORTH CAROLINA

Western Carolina Rescue Mission

Home Builders Association of Greater Asheville

The Home Builders Association of Greater Asheville (HBAGA) framed the upstairs portion of the Western Carolina Rescue Mission for alcoholic men. The association had previously approached the mission about performing repairs on the mission building. At the time, the building was being leased, and the mission board felt that putting money and materials into a leased building would be imprudent. A capital fund drive was launched in March, 1986, and by the beginning of 1987, the mission had paid two-thirds of the cost of the building. The mission then recontacted HBAGA for assistance.

The matter was brought before the HBAGA board of directors. The association agreed to undertake the project, provide carpenters and donate materials. All the work was done by volunteers on one Saturday. As a result of HBAGA's help, the mission was able to proceed with the next phase of its renovation work.

Home Builders Association of Greater Asheville
34 North Ann Street
Asheville, NC 28801
704-254-8677

GEORGIA

Group Home for Retarded Adults

Home Builders Association of Metropolitan Atlanta

The DeKalb Chapter of the Home Builders Association of Metropolitan Atlanta (HBAMA) designed and constructed a 2,300 square foot residence for mentally retarded adult women. Changes in educational laws have contributed to an increase in mentally retarded individuals remaining in their home communities longer to attend educational programs especially designed for them. As these individuals mature, their aging parents become unable to provide the needed level of care. Most families prefer to place them in community residential homes instead of admitting them to large institutions.

In July of 1984, the DeKalb Chapter of HBAMA was seeking to become involved in a community service activity. They contacted the DeKalb County Health Department, which presented the idea of the home for retarded adults. The association formed a project committee which began by working with county and state officials to design the home and help secure donations of resources and funding. The committee called upon association members to donate all of the materials, labor, legal services, financing services, and cash necessary to complete the house. The members responded by donating the concrete, steel, roofing, windows, insulation, a heat pump, appliances, carpet and other materials and services before ground was broken.

The home, valued at $150,000, is situated on a parcel of land donated by the parents of one of the residents. Construction began in mid-1985 and was completed in the spring of 1986. HBAMA's original goal was to build the home with as few dollars as possible. The project committee anticipated having to amortize only $10,000 to $20,000 in construction costs. They were then going to lease the home to the county to cover taxes and any costs for labor and materials not donated.

In late 1986, HBAMA attempted to reduce or eliminate the debt. A successful campaign, which included a raffle, netted enough funds to retire the debt, thus enabling the association to maintain the property without a mortgage. A comparable facility would cost the county an estimated $1,000 per month. HBAMA was able to lease the property back to the county health department for only $300 per month, saving the taxpayers $700 per month and $8,400 per year. Taxpayers also save an estimated $4,000 per resident per year, because the cost of care in a home like this is lower than the cost of care in a large institution.

Home Builders Association of Metropolitan Atlanta
P.O. Box 450749
Atlanta, GA 30345
404-938-9900

INDIANA

St. Mary's Child Center

Indiana Builders Association

Builders Association of Greater Indianapolis

The Indiana Builders Association (IBA), with the assistance of the Builders Association of Greater Indianapolis (BAGI), built and donated a new 10,000 square foot home in Indianapolis for the St. Mary's Child Center in 1986. The center houses children with mental, emotional, and physical disabilities.

The center had been housed in a physically deteriorating abandoned grade school. IBA member Bob Thompson, who had been asked to inspect the building in 1985, said that it was beyond repair, but much to the surprise of the center, offered to build a new one. IBA made a commitment to become involved in the project. A group of 45 community leaders, tagged as "godfathers," oversaw all phases of the effort.

Hundreds of individuals made contributions. Suppliers donated concrete, lumber, windows, trusses, roofing, guttering, flooring, plumbing, heating and cooling, electrical equipment, and various other materials. Craftspeople, decorators, painters, and others donated their skills either free of charge or at very low cost.

Government entities also helped. City administrators in Indianapolis allowed tax credits for the land that saved thousands of dollars. The state government helped with speedy processing and approval for construction.

The new one-story center, valued at $500,000, was completed in 14 months, and was dedicated—debt free—in November, 1986. The facility, dubbed by one newspaper as the "miracle on West Street," now serves as the day home of 100 pre-school age children, offering hot meals, professional supervision and training, new furniture, new toys, and a fenced-in playground.

When the new building was completed, the center suddenly found itself with increased space and double the number of children to serve, so more staff and equipment were needed. IBA has made a commitment to hold annual charity golf tournaments and roasts to raise money to help the center.

Indiana Builders Association
1011 N. West Street
Indianapolis, IN 46202
317-236-6334



PENNSYLVANIA

Saint Vincent Guest House

Builders Association of Northwestern Pennsylvania

The Builders Association of Northwestern Pennsylvania (BANP) completely gutted and remodeled a facility to house the families of patients undergoing treatment at the Saint Vincent Health Center in Erie. The guest house has nine double rooms, each with a private bath, plus a kitchen, dining area and lounge area for general use.

When BANP decided to become involved, the original intent was to create one central facility that would meet the needs of all area hospitals. Further investigation and development of the concept with hospital representatives resulted in a commitment to produce a facility for the Saint Vincent Health Center.

BANP had previously been involved in a similar renovation of a hospital guest house. The project caused strains on volunteer manpower and finances. An important lesson learned from the experience was that remodeling jobs should never be done on a handshake basis, no matter how worthy the cause or how good the intentions of the parties involved. Hence, for the St. Vincent project, the hospital and BANP developed a written agreement which clearly spelled out the roles, rights and responsibilities of each party.

The space and most materials were provided by the hospital. BANP provided the manpower and the expertise. Some 30 member firms and over 100 volunteers contributed to the project. BANP worked closely with an architect to develop a set of plans. One representative of the hospital was given the authority to make decisions, and was designated as the sole contact with BANP. He coordinated everything on Saint Vincent's part and kept all departments of the hospital informed.



Construction took 16 months, with completion occurring in the spring of 1987. The project included rearranging the entire interior layout, including the replacement of a staircase. The building also required a new heating system, new electrical service, new water service, complete insulation, installation of an alarm system and the replacement of all windows. Day-to-day operation of the facility is handled by the hospital, with BANP and community representatives serving on an advisory committee.

BANP executive officer Robert Price commented that small, independent businesspeople have difficulty making an impact in the area of community service by acting individually. But by participating in a project through a builders association, Price said that members can make an impact far greater than the sum of what each could do alone.

Builders Association of Northwestern Pennsylvania
2415 West Grandview Boulevard
Erie, PA 16506
814-833-3999

NEBRASKA

Renovated House

Remodelors Council-Home Builders Association of Lincoln

The Remodelors Council of the Home Builders Association of Lincoln (HBAL) completely renovated a deteriorating home in 1987 in order to help revitalize one of Lincoln's older neighborhoods. The house, which was under threat of being condemned, had been donated to the Neighborhood Housing Service (NHS) of Lincoln, a local non-profit agency.

The Remodelors Council decided to take on the job, with 44 contractors donating labor. These and other HBAL members contributed materials. NHS provided an additional $20,000 for materials. Before construction began, Remodelors Council members and volunteers spent about six weeks tearing down walls, sweeping out hundreds of dead cockroaches and cleaning about two inches of dirt and garbage from the basement.

The Council replaced the original dirt floor with a concrete floor. New subflooring, insulation, custom kitchen cabinetry, carpeting, and vinyl were added. A completely new plumbing system was installed throughout the house along with new electrical wiring. New staircases were built to the second floor and basement to meet current codes. Walls and floors were reframed, and new siding and a new roof improved the outside appearance. The Remodelors Council provided about 1,600 hours of labor.

NHS put the finished 1,600 square foot, four-bedroom home up for sale for a low-income family (80 percent of area median income). Preference was given to applicants who had the necessary downpayment, who had a family, who were residing in the same section of town, and who were willing to improve the neighborhood through volunteer services. The home was soon purchased by a couple with four children for $41,000. The money was used to pay off a city lien on the property and to recoup NHS's investment for materials. The couple had heard about the availability of the home through their church.

For the Remodelors Council, the project represented a successful cooperative effort with neighborhood residents, the city government, and the business community. Also, because Lincoln's Remodelors Council was relatively new, the project brought together members who previously had been only casually acquainted and bonded them together as a more cohesive organization.

Home Builders Association of Lincoln
941 O Street
Penthouse Suite 1010
Lincoln, NE 68508
402-476-3385



MARYLAND

Project New Hope

Remodelors Council of Western Maryland
Frederick County Builders Association

The Remodelors Council of Western Maryland (RCWM), which is part of the Frederick County Builders Association (FCBA), renovated a home for a mother and six children who had been living separately in the homes of friends. In November, 1987, Mark Lancaster, a member of RCWM's board of directors, read about the family's plight in the newspaper, and by the following evening, presented blueprints, a three-page materials list, and a $30,000 estimate to the rest of the board. The next day, RCWM called the Solid Rock Assembly of God Church and offered to renovate the church's former parsonage into a five-bedroom, three-bathroom apartment for the family. The goal was to complete the project and reunite the family by Christmas.

The Remodelors Council enlisted the assistance of FCBA. Contributions of time and resources were made by 75 businesses, both large and small. Work began on November 24. The project required drywall, exterior and interior doors, flooring, bathroom fixtures, carpet, and ceiling light fixtures. It also required demolition of walls, floors, and the chimney, complete insulation, window and door construction, interior finishing, plumbing and installation of the bathrooms, and extensive electrical work. The final cost for labor and materials was an estimated $50,000.

RCWM members gave freely of their time at one of the busiest times of the year. Subcontractors worked on the project on evenings and weekends. RCWM was able to compress a six-to-eight week job into three weeks. U.S. Representative Beverly Byron presented the family with the keys to the structure at a ceremony on December 22.

Frederick County Builders Association
15 South Carroll Street
Frederick, MD 21701
301-663-3599



Fundraising



MARYLAND

Operation Tom Sawyer

Suburban Maryland Building Industry Association

The Suburban Maryland Building Industry Association (SMBIA) operates a charitable foundation called Operation Tom Sawyer (OTS). According to OTS President Neil Moreland, "One of the most important aspects of OTS is that it is the only vehicle available to the members of our association to collectively participate in making major contributions to the community."

In 1980, SMBIA formed a committee to identify worthy organizations in need of assistance so that association members could return something to the community. After several months of research, the committee identified two groups which would benefit from the active support and technical expertise of the building industry: the Boys' and Girls' Homes of Montgomery County, and the Family Crisis Center of Prince Georges County.

The Boys' and Girls' Homes help runaways and other troubled adolescents between the ages of 11 and 18. Their seven facilities all needed work, ranging from routine maintenance to extensive repairs. One home needed complete repainting, carpentry, electrical and plumbing work, installation of new appliances and cabinets, and extensive landscaping. OTS addressed the challenge by sponsoring a special Saturday event for SMBIA members at the home, featuring both work and a cookout and softball game.

Within a few years, the activities of OTS grew too large to simply be discussed at periodic committee meetings. The association decided to make it into a separate corporation with charitable foundation status. The OTS Foundation, Inc., was intended to undertake an ongoing community outreach effort, to oversee a formal work plan and fundraising program, and to provide a means for receiving tax-deductible donations which could not be received by SMBIA. The board of directors of the OTS Foundation is composed of SMBIA builder members.

The Foundation has proven to be a valuable means for SMBIA members to contribute time, labor, materials and expertise to help those in the community who are in need. In 1987, OTS helped convert a bus garage into a 30-bed yearround homeless men's shelter. It was built under a public-private partnership in which Montgomery County paid $50,000 of the $90,000 renovation costs. Federal community block grants provided another $15,000. Youths in the County Conservation Corps job training program donated labor.

OTS has also helped youth through the donation and construction of the Tri-County Youth Services Bureau facility in Waldorf. And it has helped needy families through programs such as Magruder House in Rockville. The largest fund-raising event held for OTS is the annual "Day at the Races;" in January, 1988, nearly $10,000 was raised in this one-day event that attracted more than 200 SMBIA members.

In 1987, OTS was awarded a Presidential "C-Flag" by Ronald Reagan in recognition for its outstanding community service. The award is part of the President's Citation Program for Private Sector Initiatives.

Suburban Maryland Building Industry Association
11710 Beltsville Drive, Suite 120
Beltsville, MD 20705
301-572-5900

MARYLAND

Raffle of Renovated House

Apartment Builders and Owners Council
Home Builders Association of Maryland

The Apartment Builders and Owners Council (ABOC) of the Home Builders Association of Maryland (HBAM) gutted and renovated a townhouse in Baltimore and then raffled it off to raise almost $90,000 for the homeless. The effort began in 1985 when the ABOC board of directors appointed a community relations committee to undertake a project to help a local charity. After selecting this project to help the homeless, committee chairman Michael Keelty said, "It seemed a natural marriage—people who provide shelter aiding people who don't have shelter."

A formerly vacant house was donated to ABOC by the city. After the renovation, the only parts left from the original structure were the front wall and two side walls. More than 60 companies donated all materials and services.

The house was renovated in eight months by construction trainees from HBAM's Training Division, a craft skills program established by NAHB's Home Builders Institute. A grant from Baltimore's Office of Manpower Resources provided money for the labor as well as a superintendent. The grant was extremely important, because when the project was being planned, ABOC had expected to have difficulty finding the labor and a superintendent to do the job. The 40 trainees who participated learned entry-level construction skills while working on the project, with the intention of ultimately being placed in jobs in the private sector.

Almost 9,000 raffle tickets were sold at $10 apiece. The Greater Baltimore Board of Realtors helped to sell the tickets, and a local television station helped greatly with the promotion. All of the proceeds were donated to Action for the Homeless, an advocacy and fundraising organization committed to the elimination of the causes of homelessness and to providing adequate services to the currently homeless. In addition, Action for the Homeless provides public education and allocates funds to agencies serving the homeless in Central Maryland.

Baltimore Mayor Kurt L. Schmoke drew the winning raffle ticket on May 24, 1988. The two-bedroom, two-bath house, complete with a Jacuzzi, black marble fireplace, and cathedral ceilings, was valued at $105,000.

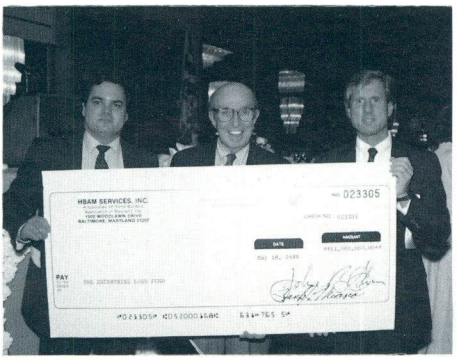
HBAM would like to undertake future projects for the city. One option which has been discussed is to renovate a home each year and sell it for $40,000 or $50,000 to a low-income family. The proceeds from the sale could then be used to defray the costs of materials to build the next house.

Home Builders Association of Maryland
1502 Woodlawn Drive
Baltimore, MD 21207
301-265-7400

MARYLAND

Enterprise Loan Fund

Home Builders Association of Maryland



The Home Builders Association of Maryland (HBAM) raised $1.2 million for the Enterprise Loan Fund (ELF) to finance low-income housing. The money is earmarked for construction loans to non-profit developers, or if left untouched, would generate $30,000 in interest annually. The fund is administered by the Enterprise Foundation, which was founded in 1982 by James and Patty Rouse. Mr. Rouse had retired as chief executive officer of the Rouse Company, a firm with a long standing commitment to revitalizing American cities.

HBAM had previously been involved in a variety of community service activities, including contributions to such projects as the House of Ruth and the Harriett Tubman Center (both are temporary shelters for abused women and children), and Project Shelter (a coalition of homeless advocacy groups). In May, 1987, the association members pledged to raise $1 million for ELF.

Within a year, contributions exceeded the goal that HBAM had established. A total of 350 HBAM members made either personal or corporate contributions to the fund. HBAM president John Colvin said, "We at HBAM have a strong commitment to investing in the communities in which we live and work, ultimately to help people become more self-sufficient and build their financial independence permanently."

The fund pays a return of 3 percent on certificates of deposit ranging from $500 to $100,000 at participating banks. According to James Rouse, what is unique about the program is that people can contribute to a charitable service and get all of their money back with a return of 3 percent annual interest.

Because investors are being paid interest below the market rate, the difference is used to allow developers of low-income housing to borrow money from the fund at below the market rate. The Foundation's guidelines require that developers build projects for prospective homeowners with incomes below $15,000 a year or renters with incomes below $10,000. The Maryland Department of Housing and Community Development has agreed to match money raised by the fund to provide eligible buyers with 15-year, 8 percent mortgages.

Home Builders Association of Maryland
1502 Woodlawn Drive
Baltimore, MD 21207
301-265-7400

CALIFORNIA

Building a Better Los Angeles

Shapell Industries

Building Industry Association of Southern Caliornia

Builder Nathan Shapell, a member of the Building Industry Association of Southern California, formed a non-profit corporation in May, 1987, with Los Angeles Mayor Tom Bradley and County Supervisor Mike Antonovich to help the homeless. Building a Better Los Angeles (BBLA) raised and distributed close to a million dollars to help more than 40 organizations serving homeless individuals, families and children in Los Angeles County. Thousands of homeless people have been helped by the project.

Shapell called BBLA "a unique partnership made up of both city and county governments and the building and financial industries." He said that there were two basic reasons the building and financial industries initiated the campaign. First, Shapell said, "We wanted to inspire other industries: banking, aerospace, retail, high tech, textile, indeed everyone, to come together and make a serious effort to help solve, once and for all, the many problems our homeless are experiencing." Second, according to a report issued by a countywide task force, 64 percent of Los Angeles' homeless population have been homeless for less than a year, and 20 percent for less than 30 days. Shapell said that if these people are not helped within the first six months of their homelessness, they can become chronic street-people who may have trouble ever rising out of their homeless situation. BBLA wanted to reach the people who had recently become homeless as soon as possible to help them back on their feet.

BBLA recognized that there are many excellent programs in Los Angeles dedicated to helping the homeless, but most of them lack sufficient facilities, resources, manpower and funds. With so much energy and funding being devoted to meeting the immediate needs of the homeless, these agencies have had great difficulty in effecting long-term solutions to the problems causing homelessness. There is an urgent need for childcare and education for young children; foster care, family reunification and emancipation support for homeless/runaway/throwaway youth; job training, interview skills, job development programs, and transitional housing for working and non-working adults; and food, shelter, medical care, and therapy for all.

BBLA formed a 29-member advisory committee, consisting of major developers, contractors, architects, and representatives of government, agencies for the homeless, and savings and loans involved in real estate development. In January, 1988, the committee submitted a series of recommendations to Supervisor Antonovich, including: modifying density bonuses that developers may receive for building affordable units in the city and county; a review of city and county land holdings to find land which could be sold to raise money for the construction of affordable units; and instituting a program to encourage private sector development and/or renovation of single room occupancy buildings as permanent housing for the homeless.

Although BBLA has completed its work, Shappell Industries continues to give homeless organizations priority in its charitable contributions.

Shapell Industries, Inc.
Wilshire-San Vicente Plaza
Suite 700
8383 Wilshire Boulevard
Beverly Hills, CA 90211
213-655-7330

NEW YORK

Affordable Atlernative Housing for the Homeless

Associated Builders and Owners of Greater New York

The Associated Builders and Owners of Greater New York (ABO), a local affiliate of the National Association of Home Builders, has proposed a five-year program to renovate 5,000 vacant apartments and house 22,000 homeless people in New York City. The plan is currently under review by government officials.

The problem of accommodating the homeless in New York is at epidemic proportions. In early 1988, the City was spending $1,800 a month to house each of 5,400 homeless families, for an annual expenditure of $200 million. An additional 20,000 indviduals were being accommodated at an annual cost of $250 million. Most of this $450 million has been spent on temporary accommodations, which do not solve the long term needs of the homeless.

In March, 1988, the ABO, under the initiative of president Jerome Belson, agreed to join with the Real Estate Board of New York and the Rent Stabilization Association to propose a not-for-profit corporation called Affordable Alternative Housing for the Homeless (AAHH). The proposed corporation would be run by a five-member board comprised of the presidents of the three organizations, an ABO director, and the ABO executive director.

The apartments would be bought at a cost of $85,000 each, with about $20,000 going toward the purchase price and the remainder for renovation. The bulk of the funding is expected to come from the city and the state. AAHH plans to buy entire buildings, renovate them, and then turn the management over to organizations for the homeless. The city has provided AAHH with a list of vacant, city-owned properties that could be used. AAHH would work closely with social service programs to benefit the residents of the newly created housing. In some instances, units in occupied buildings would be designated for the homeless.

The landlords of vacant properties would offer the buildings for sale to AAHH. All rents for the refurbished apartments would come from welfare now used to pay for the housing in welfare hotels and shelters. These funds would then be turned back to AAHH for the upkeep of the units. The intention is that at some point when the formerly homeless residents become self-sufficient, the units would be turned into low-income cooperatives.

Associated Builders and Owners of Greater New York
122 East 42nd Street
New York, NY 10168
212-986-2626

NEW JERSEY

American Dream Run

New Jersey Shore Builders Association

The New Jersey Shore Builders Association (NJSBA) hopes to raise $50,000 to feed and house the homeless by sponsoring an "American Dream Run" in Long Branch, New Jersey. The association is calling on its more than 750 members to sponsor their employees in a 5-kilometer race in October, 1988. Corporate sponsorship fees are $100 per racer, and NJSBA hopes to attract at least 500 sponsors.

The proceeds will be donated to social service agencies which provide assistance to the homeless. There are approximately 500 homeless families in Ocean and Monmouth Counties, the two counties covered by NJSBA's membership. Many of these homeless people live in shelters and motels. Commenting on the situation, NJSBA president Joseph Louro said: "While it is a nationwide problem, it is starting to affect New Jersey. It is not enough to express concern and sympathy. The American Dream is not being met in New Jersey."

A $6 entry fee will defray the cost of T-shirts for the participants and the administration of the event. The race itself will be coordinated by the Monmouth Athletic Track Club, the largest running club in the state. Cash awards for the overall male and female winners will be $500 for first place, $300 for second, $200 for third, $100 for fourth, and $50 for fifth.



NJSBA plans to make the run an annual event, and would like to see other builders associations sponsor similar events.

New Jersey Shore Builders Association
190 Oberlin Avenue, North
Lakewood, NJ 08701
201-364-2828

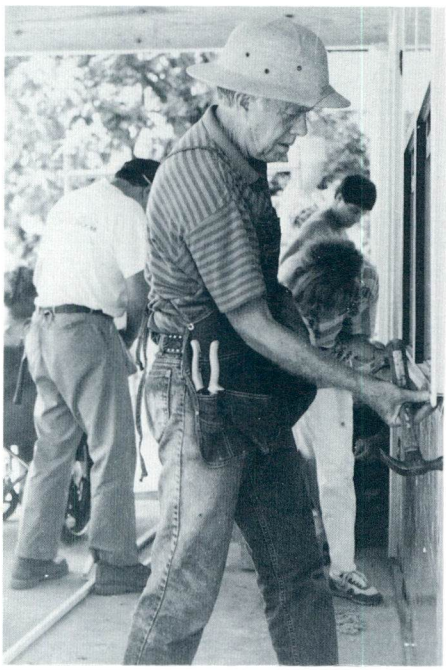
Habitat for Humanity



GEORGIA

Habitat for Humanity Carter Work Project

NAHB Vice President/Secretary Mark Tipton



NAHB Vice President and Secretary Mark Tipton joined with 1,000 other volunteers to help former President Jimmy Carter build twenty homes in the Atlanta area. Tipton, a land developer and general contractor from Raleigh, North Carolina, gave a week of his time to help make shelter and decent housing a matter of conscience to the people of the United States.

Habitat for Humanity, headquartered in Americus, Georgia, was founded in 1976 by Millard Fuller to construct homes for the working poor. It is an ecumenical, Christian, non-profit organization whose goal is to eliminate poverty housing from the world. "We have made a commitment in this country that no human shall go hungry, yet we let people freeze to death on the streets or in shacks," explains Fuller. With the support of volunteers such as former President Carter and his wife Rosalynn, Habitat has constructed more than 3,000 houses for low-income families worldwide.

Homeowners are required to help build their homes with "sweat equity." Each family must spend 300 to 500 hours working on their own or someone else's home. Some families work in a Habitat office to pay back hours. According to President Carter: "Habitat's solution to the housing problem is a hand up, not a handout. It seeks to break the cycle of poverty by working in partnership with needy families to construct new homes. In the process, we build dignity, self-confidence and self-reliance."

Families are carefully chosen to meet Habitat guidelines. They must need new housing, have income sufficient to meet the monthly payments, and have a satisfactory credit rating. And for the Atlanta homes, the families must include children.

Because the majority of materials and labor are donated, Habitat can afford to build sturdy, affordable homes for less than $30,000. Habitat makes no profit from the homes and charges no interest for its loans, which are repaid over a 15 to 25 year period. The houses are typically 1,000 square feet with three bedrooms and one bath. Mortgage payments for the Atlanta homes are $175 a month, including taxes and insurance.

Habitat's long range plan in Atlanta is to build 75 homes by 1990. A campaign is underway to raise $1.5 million to construct the first 50.

Habitat for Humanity
Habitat and Church Streets
Americus, GA 31709
912-924-6935

TENNESSEE

Habitat for Humanity Homes

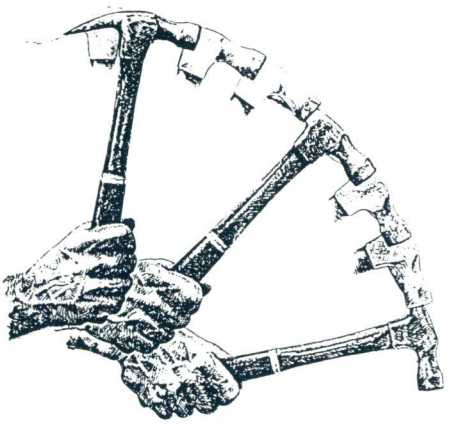
Nashville-Middle Tennessee Home Builders Association

The pre-apprenticeship program of the Nashville-Middle Tennessee Home Builders Association (NMTHBA) is working with Habitat for Humanity to build 10 affordable single family homes for needy families. The project is operated by volunteers and funded through donations of building materials and money from church groups and civic and business organizations.

The trainees from the pre-apprenticeship program are recruited from the long-term unemployed and the economically disadvantaged. They are not paid for the work they perform during their six-week training session. The trainees who participated in the Habitat project, two of whom were women, ranged in age from 19 to 40. According to program coordinator Donny Sloan: "This has been a real good project from a learning standpoint and from the standpoint of helping to provide housing. We do some in the classroom, but they really learn by doing. It is sponsored by the Home Builders Institute, the educational arm of the National Association of Home Builders, as a first step in apprenticeship."

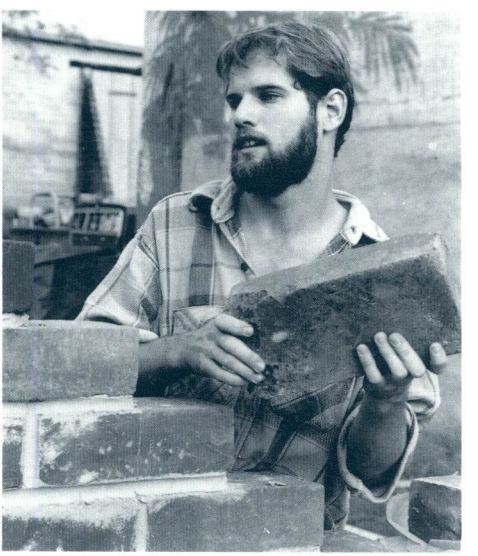
Homeowners must provide 500 hours of labor to the homes they buy from Habitat. NMTHBA president Harry Johnson said: "You are looking at a big commitment on the homeowners' part. That commitment creates pride. That is why we think it is a good long- and short-term project."

NMTHBA donated more than $10,000 of the proceeds from its 1988 Parade of Homes (an event to showcase innovative new homes and to raise money for the association) to buy materials for a home that will be erected in one day to promote Habitat. The home will be built in October,1988. Also, the



Nashville Board of Realtors has donated $14,000 to Habitat's efforts. The money was raised through a golf tournament.

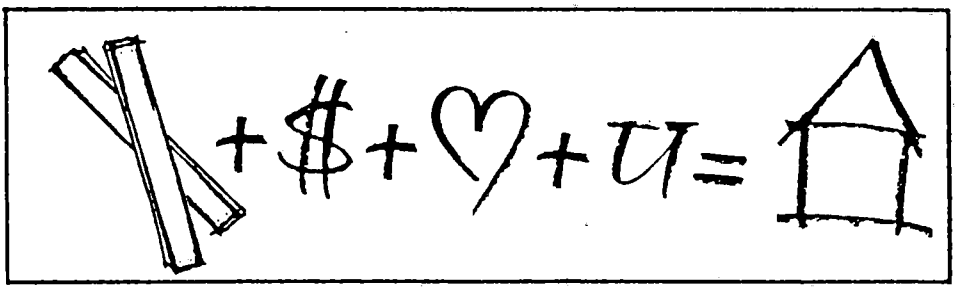
Nashville-Middle Tennessee Home Builders Association
620 North First Street, #210
Nashville, TN 37207
615-244-7814



ILLINOIS

Habitat For Humanity House

Home Builders Association of Greater Chicago



Materials + Money + Love + You = The Gibbs House

The Home Builders Association of Greater Chicago (HBAGC) and Habitat for Humanity built a specially designed house for a quadriplegic child. Four-year-old Natasha Gibbs had already spent more than half of her life in the intensive care ward of a hospital as the result of severe abuse inflicted by her natural mother's boyfriend. Natasha would have had to spend the rest of her life in an institution unless suitable housing could have been found. Her guardian could not afford suitable housing to care for Natasha and Natasha's brother and sister.

HBAGC was able to raise $15,000 for the Gibbs home with raffles, private donations, and two fundraisers—a golf outing/picnic, and a dinner. In addition, many HBAGC members donated materials and labor to the project. Habitat for Humanity secured the building permit and provided a no interest loan on a no-profit basis. Private fundraising will pay off most of the cost of the loan, and the guardian will take responsibility for the remainder of the cost of the home. All of the guardian's payments will build up equity immediately, which will be held in a trust for the Gibbs children. The children will eventually own the house.

The project was organized by HBAGC's Community Outreach Committee. It also involved the association's Young Builders Council, Apartment & Condominium Council, and Sales and Marketing Council.

Home Builders Association of Greater Chicago
1010 Jorie Boulevard
Oak Brook, IL 60521
312-990-7575

Community Revitalization



MASSACHUSETTS

Boston Rebuilds

Builders Association of Greater Boston

The Builders Association of Greater Boston (BAGB) sponsors a program called Boston Rebuilds, which gives people an opportunity to gain experience, basic literacy and vocational skills, and the tools needed to enter the building trades. The program is funded by the Boston Mayor's Office of Jobs and Community Services, with grants provided by the Boston Private Industry Council. Additional private sector support comes from the Home Builders Institute (the educational arm of the National Association of Home Builders), the Home Builders Association of Massachusetts, and the Contractors Association of Boston.

Boston Rebuilds serves a diverse population from neighborhoods throughout the city. Trainees range in age from 17 to 55, and include high school dropouts, dislocated workers, public assistance recipients, veterans, refugees, immigrants, ex-offenders and people with disabilities. Three-quarters are members of minority groups, 20 percent are women, and 20 percent have limited command of the English language. Training takes place at actual housing renovation and construction sites, helping trainees to become accustomed to typical working conditions they will face on the job. The program helps trainees develop the reliability, self-confidence and ability to work in teams that are essential for a successful career in the trades.

Instruction takes place from 7:30 a.m. to 2:00 p.m., Monday through Friday, for an average of 15 weeks. Training is offered in residential carpentry and other related building trades. Experienced and licensed professional tradespeople provide all instruction and supervision. Classroom instruction and tutoring helps the trainees develop basic trades vocabulary and math skills. Trainees receive free safety gear and a free set of basic hand tools, which they can keep when placed on a job. Hands-on training emphasizes the safe and proper use of tools and the safe and accurate performance of basic trades procedures. The program has an excellent safety record, operating over 65,000 trainee hours without a loss-time accident.

Since 1984, more than 200 Boston residents have graduated and entered employment, which represents nearly 90 percent of all of the trainees. The average starting wage is over $7.50 per hour; many graduates make $8 to $10 per hour within one year, in some cases tripling the income they earned before entering the program. Some have entered local union apprenticeships. Others have opened their own companies and have hired new graduates.

During the past five years, NAHB's Home Builders Institute has served as the general contractor for 32 low income housing units produced or in production by Boston Rebuilds. These include an 11-unit structure done in conjunction with Habitat for Humanity; the renovation of an abandoned "crack house;" and the renovation of two structures which had suffered extensive fire and water damage.

Boston Rebuilds
31 Norfolk Street
Dorchester, MA 02124
617-265-9625

KENTUCKY

Abbey Manor

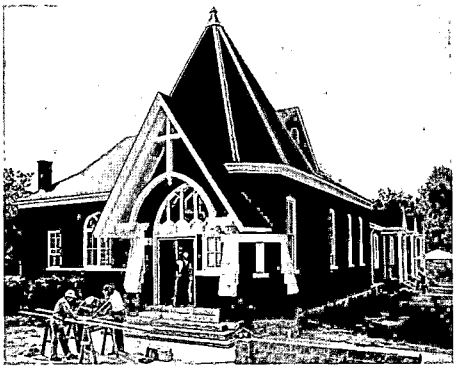
Home Builders Association of Louisville

The Louisville Rebuilds program completely renovated a church destroyed by arson, converting it into a five-unit apartment complex called Abbey Manor. The new apartment complex, located in a historic section of Louisville, retains many of the classic elements of the original church which had been built in 1894—brick facade, steeply pitched roof, wood trim, and leaded glass.

The Louisville Department of Housing and Urban Development contributed $250,000 for the Abbey Manor construction budget. Work on the project, which took 18 months and was completed in September, 1987, was performed by 120 trainees from Louisville Rebuilds. Abbey Manor was the second Louisville Rebuilds project. The first involved the renovation of a single family house in 1985.

Louisville Rebuilds was started by the Home Builders Institute, the educational arm of the National Association of Home Builders, in 1984. The program trains area unemployed youths and adults in construction skills, giving them hands-on experience while renovating community-owned housing units. The completed properties are then made available to low- and moderate-income families. The program is funded by the Louisville and Jefferson County Private Industry Council. Members of the Home Builders Association of Louisville (HBAL) provide technical assistance and help to place the trainees in jobs.

At the dedication ceremony for Abbey Manor, incoming NAHB president Shirley McVay Wiseman said: "We are proud of the Louisville Rebuilds program, and especially Abbey Manor, because it is a symbol of hope. It brings new life to this community. And the many individuals who gained new skills during this 18-month renovation now



have a chance for better lives in new careers in the building industry." The ceremony, attended by Louisville Mayor Jerry Abramson, featured the HBAL Auxiliary presenting two outstanding trainees with $500 scholarships in support of their achievements. To date, 87 percent of the program graduates are employed by local businesses. The trainees who are hired are given a complete set of tools. The typical wage for these entry-level tradespeople ranges from $5 to $7 per hour.

Among other projects undertaken by Louisville Rebuilds since the completion of Abbey Manor are:

- Served as contractor for a weatherization program for the homes of low-income families in Louisville—weatherstripping, insulation, windows and doors. The project was funded by a state grant.
- Built a playhouse for a children's hospital, with materials donated by HBAL members.
- Built a swingset/play structure for a transitional house for homeless families. The materials were paid for in part by the City of Louisville.

Louisville Rebuilds
1025 South 8th Street
Louisville, KY 40203
502-584-1178

NEW YORK

Erie County Rebuilds

Niagara Frontier Builders Association

The Erie County Rebuilds program was designed to rehabilitate abandoned properties in the Buffalo, New York area while offering training opportunities to unemployed community residents. The program is concentrating on a deteriorated area adjacent to a closed-down Bethlehem Steel plant. The state has designated the area as an economic opportunity zone, granting tax credits to businesses which move in.

The Rebuilds program gives people jobs while creating low-cost housing for people who would not normally be able to own property. NAHB's Home Builders Institute (HBI) instructs the trainees in all phases of construction and rehabilitation. When the program was started in March, 1987, the first two buildings on which the trainees worked were donated by the City of Lackawanna. Upon completion of the renovation, they were sold by Lackawanna to low- and moderate-income families. Funds for the training were provided by the local Private Industry Council, while the construction was financed through block grants and by the New York State Low-Income Housing Trust Fund. Materials were also donated by the Niagara Frontier Builders Association and the Lackawanna Community Development Department.

Students are taught carpentry, plumbing, electricity, sheet metal, heating and air conditioning, painting, drywall, and finish work. Counselors teach trainees to estimate the cost of materials and overhead expenses, how to understand contracts, and ultimately how to find jobs.

Erie County Rebuilds
102 Steelwanna Avenue
Lackawanna, NY 14218
716-823-0613



PENNSYLVANIA

Community Revitalization Projects

Pennsylvania Builders Association

The Pennsylvania Builders Association (PBA), through its Division of Training and Education, has initiated two pilot community revitalization projects in 1988. The projects are modeled after the community revitalization efforts of the Home Builders Institute, the educational arm of the National Association of Home Builders. PBA's first pilot project in Harrisburg was started in July, while another in Johnstown began in August. Both are expected to be completed in early 1989.

The concept behind the program is for PBA to completely renovate/rehabilitate abandoned structures (1-3 family living units) that are owned by local municipalities. The funding for each job will come from sources available to the municipality, either federal, state, or local.

The labor will be provided primarily by trainees who are eligible under the Job Training Partnership Act. Trainees will receive hands-on instruction in a variety of building trades (carpentry, masonry, drywall, electrical, plumbing, painting, etc.) over a three-to-five month period, including organized classroom time. The trainees will then be placed in jobs, with tools and wage reimbursements provided to help stimulate their hiring. All construction and training on the projects will be coordinated by a full-time site superintendent on the payroll of PBA, funded out of training and construction contracts.

PBA will reserve the right to complete portions of any project by using paid subcontractors, based on the individual needs and special features of the job—the trainees might not be able to perform some specialized tasks. When a project is completed, the housing unit or units will be sold to low-income families who have never owned a home and who live in the municipality where the homes were renovated.

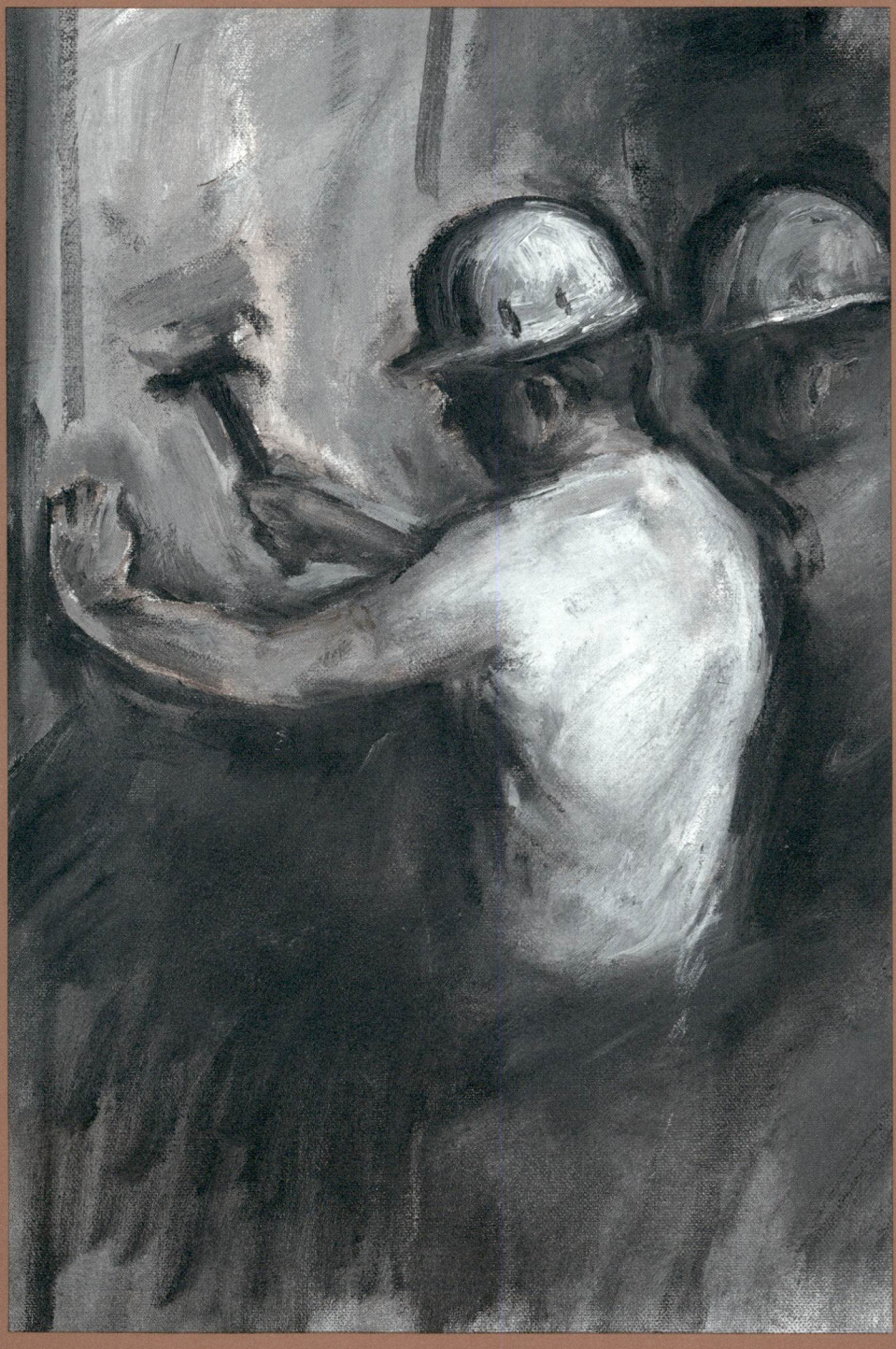


The trainees are given the first opportunity to buy the homes. The homes will be sold at below-market prices, with mortgages provided at below-market interest rates by the Pennsylvania Housing Finance Agency. If all parties are satisfied with the job, additional housing units could be placed under contract. The money generated from the sale of the homes will be used to rehabilitate future properties.

The project in Harrisburg has been supported by the mayor and the City's Department of Community and Economic Development. The City also agreed to provide funding of up to $35,000 to PBA for the cost of materials. The project in Johnstown involves the renovation of a duplex.

Pennsylvania Builders Association
412 N. Second Street
Harrisburg, PA 17101
717-234-6209

Job Corps/Apprenticeship/ Pre-Apprenticeship



WEST VIRGINIA

Sojourners Shelter

Charleston Job Corps Center



Students from the Charleston Job Corps Center helped to construct the Sojourners Shelter for homeless women, children and families. The shelter, which can house 50 individuals, was formerly a vacant house on a lot in downtown Charleston which the city had purchased for $30,000. The renovation began in late 1985 and was completed in the summer of 1986.

The project was a cooperative venture by the city, the Coalition for the Homeless, the Charleston Housing Development Corporation, and YWCA/Sojourners. The city was instrumental in obtaining a $70,000 community block grant. Local businesses donated materials or sold them at or below market cost. About $7,000 was contributed by private citizens, and Hands Across America gave $5,500.

The 40 students involved in the project were enrolled in NAHB's Home Builders Institute's building and apartment maintenance and carpentry program at the Charleston Job Corps Center. According to the Sojourners Shelter's director Debbie Weinstein, "We couldn't even begin to put a dollar figure on what the labor would have cost without them."

Before the renovation, the three-story house was barely more than a burned-out shell. The walls and floors were buckled and water damaged, the window casings were charred and warped, and the house was full of garbage. The students tore out the old wiring and completely rewired the house. They replaced the plumbing and installed new drain lines to the basement and four bathrooms. They framed and paneled the walls and floors, installed lights, fixtures, appliance hook-ups, and smoke detectors. They also built a three-level recreational deck with a wheelchair ramp and totally rebuilt the front porch, including the floor. One of the only items that was contracted out was the roof, because fixing it was considered too dangerous for the students.

The interior of the shelter looks like a home rather than a sanitized institution. The floors are wood parquet, and the white walls are offset by wood trim and wood bannisters. The shelter now has eight bedrooms and a large modern kitchen. There is a staff room on the first floor.

Upon completion of the project, a reception was held for the Job Corps students who participated. The students were also presented with certificates of appreciation by the mayor. In the words of Charleston Job Corps Center director Karl Husmann: "The students got a chance to apply the technical aspects of what they've been taught and at the same time learned the spirit of volunteerism. Our students come here in a situation of need. Their efforts have improved the quality of life for others less fortunate than themselves."

Charleston Job Corps Center
Virginia and Summer Streets
Charleston, WV 25301
304-344-4041
or
Home Builders Institute
15th & M Streets, NW
Washington, DC 20005
202-822-0550

DISTRICT OF COLUMBIA

Christmas In April

Potomac Job Corps Center

A crew of 20 trainees and eight staff instructors from the Potomac Job Corps Center were among more than 2,000 volunteers from various organizations who rehabilitated 80 homes in the Washington, D.C. area as part of the "Christmas in April" program. The one-day annual event is designed to help elderly, low-income and disabled people in the community maintain and repair their homes. The average cost of repair is $1,250 per home. Christmas in April receives corporate donations of materials and supplies.

The Job Corps youth were enrolled in a training program sponsored by NAHB's Home Builders Institute. They replaced doors, installed drywall, and repaired plaster and paint. All received hands-on training in the process. The one-day event was special for many of the trainees, who had a chance to restore the neighborhoods where they grew up. In the words of 19-year-old painting trainee William Hill: "I remember when I used to hang out in this area before I entered Job Corps. I sometimes ended up in trouble. Now I'm back to do something constructive. And it feels real good."

Home Builders Institute
National Association of Home Builders
15th & M Streets, NW
Washington, DC 20005
202-822-0494

LOUISIANA

Worker Retraining Program

Home Builders Association of Greater New Orleans

The shotgun house of an 81-year-old woman was renovated by 15 unemployed people learning new job skills under the instruction of the Home Builders Association of Greater New Orleans (HBAGNO) and NAHB's Home Builders Institute. The refurbishing of the home of Lydia Kuss in 1985 was part of a federally financed pilot project to retrain chronically unemployed workers while renovating old houses in Jefferson Parish.

The electrical and plumbing fixtures in the Kuss house were replaced, the kitchen was remodeled, interior walls were replastered and repainted, and the exterior was repainted. A $5,000 grant from the Jefferson Parish Community Development Program paid for the materials. Federal and local agencies had been providing money for home rehabilitation since 1977, but the Kuss house was the first to take advantage of the free labor provided by HBAGNO.

Construction foremen and technical experts were provided by the association. The trainees continue to receive unemployment checks while learning trades such as carpentry, plumbing and painting. Several trainees were placed in jobs shortly after the renovation was complete.

Since the completion of the Kuss house, trainees in the program have worked on numerous other homes for low-income people.

Home Builders Association of Greater New Orleans
2424 North Arnoult Road
Metairie, LA 70001
504-837-2700

FLORIDA

Constructive Protest

Miami Job Corps Center

Trainees from the Miami Job Corps participated in a "constructive protest" to call attention to the nationwide need for the greater availability of affordable housing. The Miami Coalition for Care to the Homeless organized the protest to do something positive and different which would have a lasting effect and actually help a family. About 25 volunteers, convicts, politicians and contracted laborers renovated the crumbling home of Gregoria Perez (age 77) and her husband Francisco (age 75).

Before the renovation, the plumbing in the home had not worked properly for years, and there was no electricity in the back of the home. The house was infested with rats, roaches, termites and flies. Also, the ceilings had large holes.

Demolition of the home's interior and the two-story shell in the backyard were accomplished with labor and materials donated by local contractors, hardware stores, and students from the Dade County school system. The Job Corps trainees, who were enrolled in a program operated by NAHB's Home Builders Institute, gave the home new walls, ceilings, floors, carpeting, windows, plumbing and wiring. The Perez's furniture was replaced by new furniture donated by the Salvation Army and Camillus House (which is a shelter for homeless men). The Perezes were also offered free medical care, social services and free clothing.

Miami Job Corps Center
660 S.W. Third Street
Miami, FL 33130
305-325-1287
or
Home Builders Institute
15th & M Streets, NW
Washington, DC 20005
202-822-0550

OREGON

Rehabilitation of Homes For Veterans

Oregon State Home Builders Association

Two home renovations for veterans were completed as community service projects in the pre-apprenticeship program administered by the Oregon State Home Builders Association. The projects were undertaken in cooperation with the Oregon Department of Veterans Affairs. Stipends were provided to the trainees by the Home Builders Institute, the educational arm of the National Association of Home Builders.

The pre-apprenticeship program chose the trainees, selected the building sites, identified specific renovations, and implemented the projects. All materials were provided by the Department of Veterans Affairs. The first project was started in late March, 1988, in Portland. A single family for-sale house was restored for complete occupancy by the middle of April.

The second project involved the rehabilitation of a rental home in Eugene-Springfield, where the rental vacancy rate is only one percent. The work was begun in May, 1988 and ended in June. The instructor and three students donated two weeks of additional time so that the job could be completed. In all, 240 student hours and 80 instructor hours were donated. The Lane County Builders Association assisted with local public relations.

Oregon State Home Builders Association
565 Union Street, N.E.
Salem, OR 97301
503-378-9066

VIRGINIA

Park Place Friends Home

Tidewater Builders Association

Four pre-apprenticeship classes of the Tidewater Builders Association (TBA) assisted in the complete renovation of a 75-year-old vacant home which now provides foster care for neglected and abused children and teaches effective parenting skills so that children and parents can be reunited. The 1987 project was funded through private donations, including one major anonymous donor.

The Park Place Friends Home in Norfolk is unique in the Tidewater area because it is designed specifically to meet the needs of the troubled mothers and fathers of the resident children. Group workshops, individual counseling sessions (led by trained professionals), and close ties with a variety of supportive community organizations help parents obtain the skills they will need when their children return home.



When the TBA job trainees started the job, the house had been vacant for more than four years. Most of its windows and old asbestos shingles were broken, and most of the interior walls had deteriorated so badly that they had to be stripped down to the framing boards before they could be rebuilt.

All of the students in TBA's pre-apprenticeship program entered with no previous construction skill training. The Home Builders Institute, NAHB's educational arm, has operated the program for more than 10 years, training low-income men and women ranging in age from 18 to 60. Most of the trainees are young adults, and they leave the program with a guaranteed apprentice job.

Earlier in the year, trainees from the program had also donated labor to Rainbow Housing, Inc., a private non-profit organization utilizing private donations of funds, materials and labor to provide essential home improvements for low-income, elderly and disabled homeowners.

Tidewater Builders Association
2117 Smith Avenue
Chesapeake, VA 23320
804-420-2566

TENNESSEE

Craft Skills Projects

Home Builders Association of Greater Knoxville

The Craft Skills Training Program of the Home Builders Association of Greater Knoxville (HBAGK) has participated in a variety of community service projects to help the citizens of Greater Knoxville. HBAGK is one of more than 100 state and local builders associations around the U.S. to be served by Craft Skills programs.

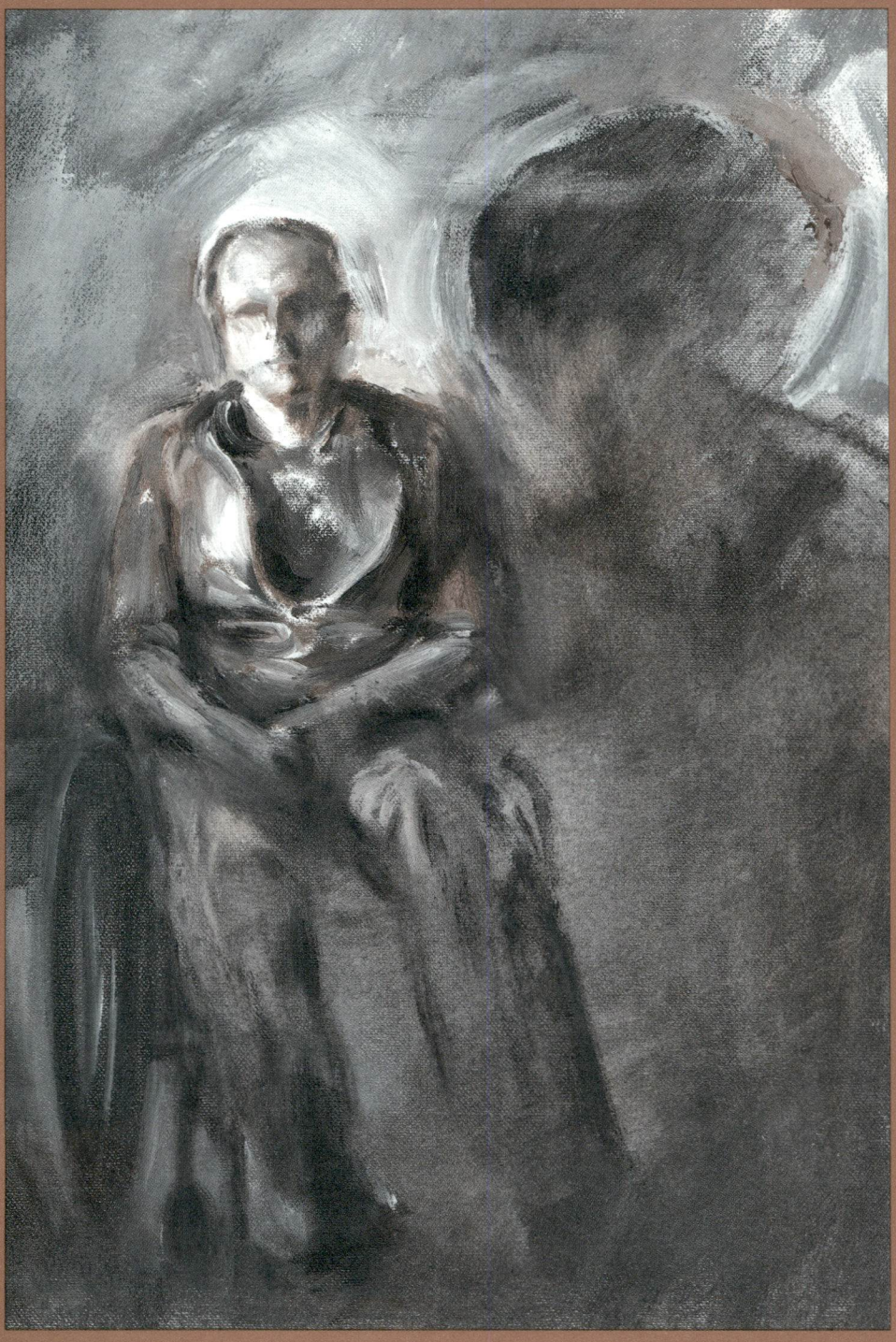
Under the program, previously unskilled, unemployed and underemployed people are recruited and trained in carpentry, electrical wiring, plumbing, heating and air conditioning, building and apartment maintenance, rehabilitation and remodeling. Craft Skills programs are funded through a long-standing grant from the U.S. Department of Labor and are administered by NAHB's Home Builders Institute.

The HBAGK pre-apprenticeship classes have worked closely with Habitat for Humanity. HBAGK completely built one home to give to Habitat with labor provided by the craft skills students and used the trainees to upgrade the carpentry and electrical work on two others. Work on several more Habitat homes is scheduled with HBAGK's help. The trainees are also working with the Wesley Foundation, with financial aid from the U.S. Department of Housing and Urban Development, to renovate run-down structures to be used to house the needy and the elderly.

HBAGK has recently initiated a training and construction program with the Tennessee Valley Authority (TVA), Appalachian Regional Commission (ARC), United South and Eastern Tribes (USET), and the Woodland Land Trust. The pilot project would combine funds from the federal Job Training Partnership Act with contributions from USET, TVA and ARC to build new low-cost homes ($14,000) on land donated by the Woodland Land Trust. Thirty Native Americans will be trained in multiple trades over 16 months to construct seven homes. The homes would be located in an Appalachian coal mining area on the Tennessee/Kentucky border with very high unemployment and very poor housing conditions.

Home Builders Association of Greater Knoxville
221 Clark Street, N.W.
Knoxville, TN 37921-6396
615-546-4665

Other Community Service Projects



UTAH

Ronald McDonald House

Brigham Young University Student Chapter

The NAHB student chapter at Brigham Young University donated more than 150 hours to construct a Ronald McDonald House in Salt Lake City. More than 20 students worked on the project. The facility provides temporary housing for parents and family members of children who are hospitalized away from their hometown.

Some sick children must stay in the hospital longer than a day or two, or must return to the hospital at regular intervals for treatment. For family members who want to be near these children, the combined costs of hotels and medical expenses can be devastating. The Ronald McDonald Houses across the country help families meet the high cost of severe illness and keep families together.

The facility in Salt Lake City is 6,000 square feet, and is located only a block away from a major hospital. The four-story home accommodates 10 to 15 families—about 30 people. The final cost of the project was about $700,000, and about half of this amount was donated in labor and materials.

According to 1987-88 BYU Student Chapter President Cecil Davis: "It's been an outstanding opportunity for everyone. Students get an opportunity to practice what they were learning in the construction management classes, they work hand-in-hand with contractors, and Ronald McDonald gets his house built."

Construction Management Department
Brigham Young University
230 Snell Building
Provo, UT 84602
801-378-2021

TEXAS

Adopt-A-School Program

Texas Capitol Area Builders Association

The Texas Capitol Area Builders Association has created an "Adopt-A-School" program to help students learn building trade skills while helping disadvantaged homeowners in Austin who need help on their houses. The Austin Independent School District, the Austin Tenants Council, and the Austin Housing Authority are also involved.

The program was started in 1987, when some builders had free time due to the Texas housing slump. Initially, about 15 builders volunteered to be construction trades supervisors. Students who were enrolled in a special four-semester building trades course at one of the local high schools worked under the supervision of one of the volunteers. The tenants council supplied the names of low-income homeowners who needed repairs to their properties. Building supplies for the repairs were provided through the Austin Housing Authority.

School officials have been enthusiastic and willing to help students by adjusting class schedules and providing transportation to the building sites. The young apprentices receive hands-on training to learn a trade and participate in public service projects that provide valuable lessons in helping others. Some students who participated in the program began to show improvement in the grades they received in other classes.

Texas Capitol Area Builders Association
1824 East Oltorf
Austin, TX 78741
512-447-4184

FLORIDA

Accessible Housing Council

Builders Association of South Florida

The Builders Association of South Florida (BASF) operates a program called the Accessible Housing Council to help people with disabilities find suitable housing. Another major goal of the council is to create greater awareness and sensitivity to disability issues by developers, builders, design specialists, and sales representatives. The program, which was started in 1984, is available to consumers in Dade and Broward Counties.

Builders belonging to the program advertise the fact by using the council's logo in advertisements. Also, disability groups are given lists of participating builders. A consumer with a special physical need can contact a council builder at the preconstruction stage. The special housing needs are divided into three categories:

1. Items which the builder will provide at no charge, including wheelchair ramps, additional electrical outlets, special wiring, and wider hallways and doors.
2. Items which the builder will install at cost, such as handrails and other special hardware. There is no charge if the hardware is provided by the consumer.
3. Special customized items, such as low cabinets and moveable shelving for wheelchair-bound people. The builder charges for these items the same amount as for a normal change order.

The council tries to answer the housing needs of the blind, deaf, wheelchair-bound, or people with mobility problems due to arthritis, accidents or other causes. For people with disabilities who want to purchase an existing home, AmeriFirst Federal Savings and Loan, a major financial institution in the area, has agreed to make below-market interest rate loans to perform renovations for total accessibility.

The Accessible Housing Council has been endorsed by the Florida Home Builders Association, which is encouraging all local home builders in the state to adopt similar programs. BASF has offered to share background about the program with other associations around the United States.

Builders Association of South Florida
15225 Northwest 77 Avenue
Miami Lakes, FL 33014
305-556-6300

TEXAS

Accessible Bathroom For Needy Family

Texas Panhandle Builders Association

The Remodelors Council of the Texas Panhandle Builders Association (TPBA) in 1986 added a bathroom onto a house of a family with a physically and mentally handicapped son. The Woods Family was having a particular problem with the simple tasks of their son's personal hygiene, especially giving him baths. The son weighed 250 pounds and had to be lifted from his wheelchair into the tub.

The Woods could not afford to add an accessible bathroom, but could not qualify for any assistance from city, state, or national government programs, including the Texas Department of Health-Mental Retardation Center. The Mental Retardation Center referred the case to the Christmas in April Foundation, which did not have the money or expertise for the job. The Christmas In April Foundation then approached TPBA's Remodelors Council for help.

Council president Tommy Ford immediately took on the project, which ended up as a major remodel addition of a 10 by 13 foot bathroom with a roll-in shower for the son's wheelchair. The Remodelors Council had much cooperation from the City of Amarillo, which even provided staff on weekends (when most of the work was done) to perform inspections and keep the project moving. All labor (by 24 builders and remodelors) and many materials were donated by TPBA members. The project would have cost an estimated $10,500.

The project was completed in four weeks. Mrs. Woods commented that the new bathroom enabled her to keep her son at home instead of having to place him in a public institution.

Texas Panhandle Builders Association
6015 S.W. 45th
Amarillo, TX 79109
806-353-3565

OHIO

Easter Seals Perch

Building Industry Association of Lorain County

The Building Industry Association of Lorain County helped a local disc jockey raise money for charity by constructing a tiny house on a catwalk in front of an Easter Seals billboard in Elyria, Ohio. Dave Lenahan of WOBL-AM perched in the little house for five days in September, 1987, in an effort to collect a million pennies ($10,000) for Easter Seals.

The white wooden house, which had windows, black shutters, and a shingled roof, measured four feet by eight feet, and was 25 feet above a motel parking lot. It was equipped with carpeting, a portable toilet, cot, space heater, telephone and sleeping bag. Food and water were hoisted to Lenahan each day on a rope connected to the house. A jug for contributions was put at the base of the billboard, and a local doughnut shop offered free coffee and doughnuts to anyone who stopped by to contribute.

Building Industry Association of Lorain County
43191 North Ridge Road
Elyria, OH 44035
216-233-5172

UTAH

Urban Homesteader Training Program

Home Builders Association of Utah

The Home Builders Association of Utah (HBAU), which has a long standing apprenticeship training program with NAHB's Home Builders Institute, will administer a basic home repairs training program in conjunction with the Salt Lake County Housing Authority's Urban Homesteading Program. Local market conditions demonstrate a need for low-income housing in the Salt Lake area because of plant and company closings and low-paying jobs. The Salt Lake County Housing Authority has a list of 2,500 people who have been waiting from six months to four years for housing. Many of these people are homeless.

The Urban Homesteading Program is designed to provide housing for low-income individuals, utilizing homes repossessed by the U.S. Department of Housing and Urban Development and the Veterans Administration. Families have to restore the houses, many of which are in terrible condition, with do-it-yourself efforts and low-interest (3 percent) federal loans. The homesteaders may receive help from churches, family, or volunteer organizations. The home repairs must be completed within three years, and the homesteader must live in the home for an additional two years. If all obligations are met during this five year period, the homesteader will have the opportunity to buy the home for a small amount.

The HBAU training program is a pilot project designed to help homeowners learn the necessary skills to maintain their homes in reasonable condition as required by the Urban Homesteading Program. Homeowners would learn when they should attempt repairs themselves and when they should call a professional. They would learn how to perform simple repairs and yard maintenance. HBAU would also instruct people on how to understand the financial management requirements of homeownership, such as taxes, utilities, insurance, budgeting and credit.

The homesteading program can restore decaying neighborhoods and help families to regain their dignity. Communities can benefit by conserving existing FHA and VA housing stock, and providing opportunities for low-income families to become tax-paying homeowners. By utilizing the HBAU training, homesteaders will be able to keep their homes in good condition and enhance their neighborhoods.

Home Builders Association of Utah
296 East 3900 South, Suite 200
Salt Lake City, UT 84107
801-268-8750

INDIANA

Caulk of the Town

Builders Association of Greater Indianapolis

The Builders Association of Greater Indianapolis (BAGI) participated in a program called "Caulk of the Town" in 1986. The program was designed to use 1,000 volunteers to lower the heating bills of 100 needy families, and to help raise $100,000 for a local community investment corporation.

Eastside Community Investments (ECI) is a non-profit, neighborhood-based community development corporation which works with the public and private sectors to increase the economic stability in the Eastside section of Indianapolis. About a third of the 11,600 households in the area earn less than $7,500 per year. Many of the homes were built before 1950 and were very energy inefficient, and so energy costs are a substantial burden.

ECI decided to commemorate its 10th anniversary by winterizing 100 homes. ECI asked neighborhood churches to refer the names to owners of older homes who would like to receive information about the project. A team of 10 volunteers was assigned to each house. All work was aimed at reducing air infiltration—caulking, weatherstripping, and window insulation. A hundred BAGI members volunteered to be supervisors and attended a one-hour instruction session a week before the event. The work for each house took about four hours. The event was capped off with a picnic celebration with food and entertainment.

ECI was able to use the value of the volunteer labor ($3.50/hour per volunteer, and $20/hour per supervisor) to leverage state funds for further weatherization of the same houses, which would be subcontracted to professionals. ECI also sought to raise $100,000 from the event. A portion of this was raised through corporate donations, and the remainder from individual contributions. The 1,000 volunteer workers were asked to solicit pledges for each tube of caulk used in the homes which they weatherized.

The event allowed BAGI to participate in a creative partnership with civic groups, corporations, government, churches, and the community.

Builders Association of Greater Indianapolis
1011 Dr. Martin Luther King Jr. Street
Suite 200
Indianapolis, IN 46202
317-236-6330

FLORIDA

Saturday Work-Day

Home Builders Association of Panama City-Bay County

The Home Builders Association of Panama City-Bay County (HBAPCBC) organized a Saturday work-day in March of 1988 to repair the homes of needy people in the community. HBAPCBC's 1988 president Thomas Lumley had suggested to the board of directors in January that the association undertake one community service project each quarter. A committee was appointed to evaluate hardship cases brought to the association's attention by the State Department of Health and Rehabilitative Services.

After examining numerous cases, the committee made their recommendations to the board, which approved the choices. A date was set for the event, and solicitations for labor and materials began. A notice went to all association members asking them to participate. All local media were contacted and asked to cover the work-day. Also, Ron Johnson, the area's representative in the state legislature, was invited to lend his support.

Approximately 15-20 association members turned out, along with Representative Johnson and numerous reporters. The association was able to show its commitment to helping needy families. The event also generated a very positive response from numerous segments of the community who had seen news coverage of the event.

Home Builders Association of Panama City-Bay County
P.O. Box 979
Panama City, FL 32402
904-784-0232



FLORIDA

Caring for Kids

Northeast Florida Builders Association

The Northeast Florida Builders Association (NEFBA) has "adopted" 16 homes in Jacksonville to be used in a pilot daycare program called "Caring For Kids." The program is based on a study completed in 1988 by the Jacksonville Community Council, a non-partisan, nonprofit, community-based organization linking private and public resoures to study and analyze community problems and issues. The study recommended an expansion of daycare services for women who are unable to work due to a lack of affordable childcare.

Caring For Kids has been designed to provide daycare services in those sections of Jacksonville where it is most needed and to train operators to manage daycare centers in their own homes. By training childcare workers, who are themselves mothers unable to work due to a lack of childcare, the program creates direct job opportunities and allows many women not currently in the workforce to seek employment, assured that their children will be cared for.

In order to meet the requirements of daycare facilities established by the Florida Department of Health and Rehabilitative Services, the homes of 16 prospective home daycare operators had to be brought up to code. Barnett Bank, a financial institution which has strongly supported the program, attended an NEFBA board of directors meeting to ask for assistance in making the repairs. The response was enthusiastic and instantaneous. The board members each volunteered to "adopt" a home and make the necessary repairs; in fact, there were more volunteers than houses. Chris Kirby, president of the association's student chapter at the University of North Florida, volunteered the chapter to renovate one of the houses.

NEFBA president Richard Dostie said that the project was ideal for the association. "Had they requested funding for the program, I'm sure we would have been happy to help," he said. "But anyone can write a check. This project calls for the special talents and resources of our members. This is what we do best, and to do it for such a worthwhile program makes it even more meaningful."

Northeast Florida Builders Association
P.O. Box 17339
Jacksonville, FL 32245-7339
904-725-4355

Helping People: A Postscript



Helping People: A Postscript

Kent W. Colton

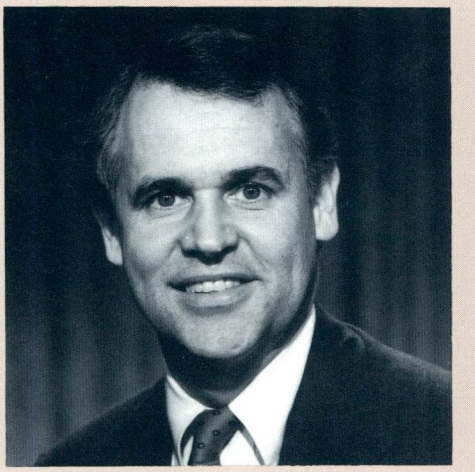
EXECUTIVE VICE PRESIDENT,
NATIONAL ASSOCIATION OF HOME BUILDERS

The motto on the wall by the front door to the National Association of Home Builders headquarters says "Better Housing for All." This phrase is not an empty promise. The home builders of America must continue to be committed to raising the quality of housing for everyone, particularly those who currently lack adequate homes.

Some housing problems are too large for builders associations to tackle on their own. For instance, many homeless people need employment counseling, medical and psychiatric care, and other services in addition to shelter. In these cases, builders should seek to work cooperatively with both community groups and the public sector. Associations generally should stick to what they do best, such as building structures and training people to build structures.

This book clearly shows that builders can point to numerous success stories in the area of community service. Some of them are one-time efforts. Some involve ongoing programs. Still others involve comprehensive efforts to address a variety of problems all at once.

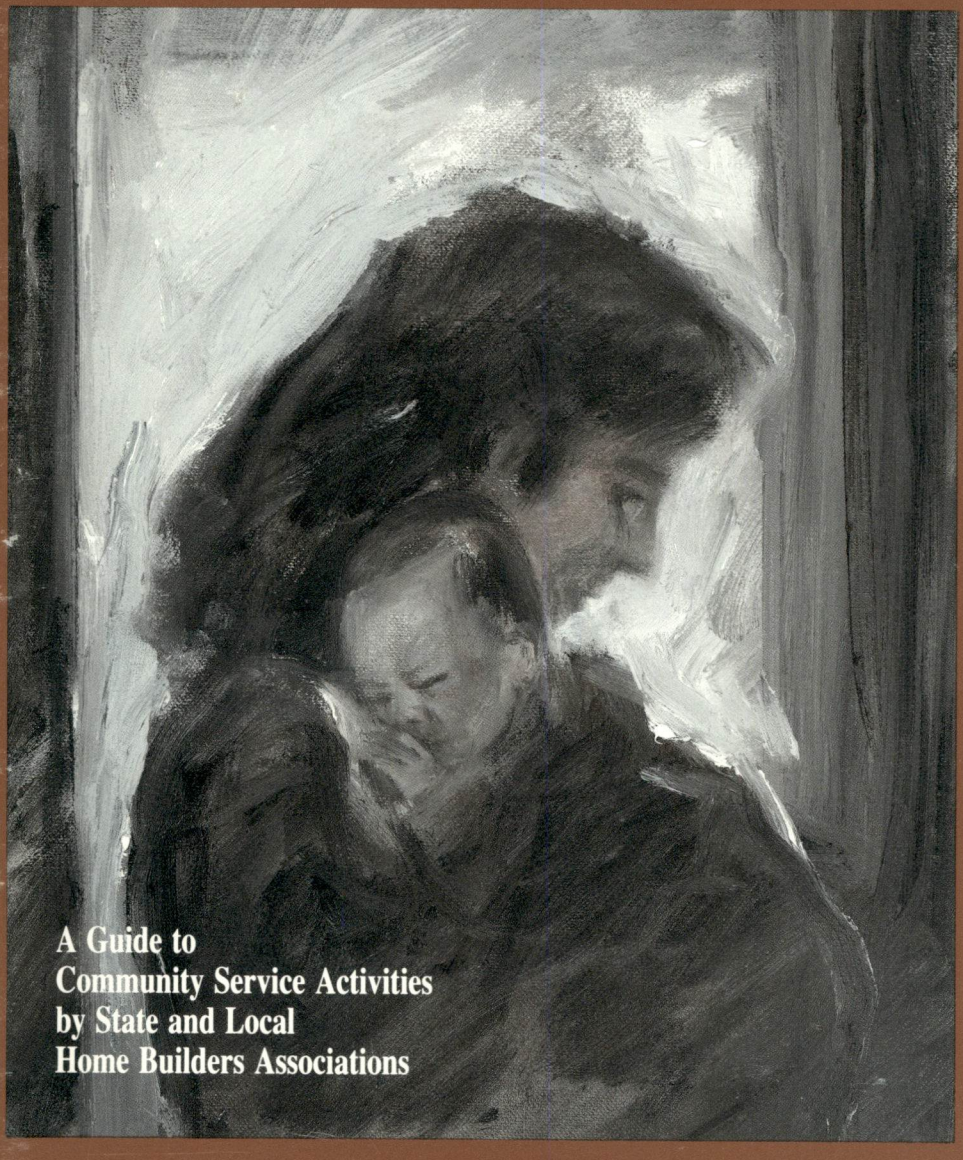
NAHB's Home Builder's Institute has been a leader in this latter area, with its Craft Skills, Job Corps, and Community Revitalization programs. Low-income, unskilled people are taught trades so that they can get jobs, and they often learn their skills by working on construction projects to help the needy or revitalize depressed areas. Most of this work would be impossible without the support of the U.S. Department of Labor. For more than 20 years, the Labor Department has expanded the home building industry's employment and job training programs.



Every activity undertaken by a builders association to help people is important. Sometimes, the problems that must be addressed seem far too big for an association to make a major dent. But every bed in a homeless shelter, every home weatherized, and every dollar raised for a worthy cause is appreciated by the beneficiaries and the general public.

At the National Association of Home Builders, we believe in homeownership. We believe in affordable housing. We believe in the American Dream. But we don't just believe: we are the ones who make it happen. However big the challenges, we must never give up on trying to meet them. In this way, we can keep the motto of "Better Housing for All" a reality.

HELPING PEOPLE



A Guide to
Community Service Activities
by State and Local
Home Builders Associations