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U.S. HOUSING AND HOME FINANCE AGENCY

OFFICE OF PROGRAM POLICY
AND
INTERGROUP RELATIONS SERVICE

EQUAL OPPORTUNITY IN HOUSING

A
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■ Demand for dwellings by nonwhite families throughout metropolitan areas will certainly grow as employment opportunities expand to outlying areas and as income increases. We can expect that the movement of minority families into better homes and better neighborhoods will accelerate. This will not happen all at once. Minority families, like others when they move, like to choose their own time, their own houses, and their own locations.

Availability of a large volume of housing to nonwhites—big enough to provide freedom of choice from among a full range of prices, designs, and locations is important not only to them but to the building industry and to each community.

This will mean that the transition to integrated neighborhoods will be based on individual voluntary family decisions rather than on involuntary pressures of restricted ghetto patterns. In turn, this new free movement will facilitate the acceptance of these newcomers in the neighborhoods. It will also mean that communities will find it easier to deal with development and redevelopment needs. And it means that many builders will have the opportunity of expanded markets.

Prior to President Kennedy's Executive Order on Equal Opportunity in Housing of November 1962, many developers were successfully selling or renting units to non-white households. Since issuance of this Order, the number of such developers has increased throughout the Nation.

The case studies presented within this text describe the experiences of several developers who are operating on an open-occupancy basis. While the limited number of cases prevents generalization, it is gratifying to note that in no case did a developer or builder handling units with an open-occupancy policy suffer an economic loss. In many instances, developers found their market widened and project sales insured by a first come first served policy.

It is our hope that the presentation of a variety of experiences of open-occupancy developers will encourage others to engage in the practice with confidence ■

ROBERT C. WEAVER, *Administrator,
Housing and Home Finance Agency.*

Equal Opportunity in Housing

A SERIES OF CASE STUDIES

■ These studies were made under the direction of Morton J. Schussheim, Assistant Administrator for Program Policy, and Booker T. McGraw, Assistant to the Administrator for Intergroup Relations.

The Agency is indebted to the builders and developers whose work is described here and whose cooperation made the studies current and alive.

Dr. Harold A. Lett, who had been consultant to the Levittown, N.J., development is responsible for part of the Levittown study. Eunice Grier, of the Washington Center for Metropolitan Studies, prepared the report of Prairie Shores (Changing Neighborhood Patterns, Chicago, Ill.) and gave the Agency permission to revise the study for this publication.

The other studies and Comments on the Case Studies were prepared by Ralph E. Showalter, Deputy Assistant Administrator; with the assistance of Mrs. Marian P. Yankauer, Urban Sociologist; Marshall Kaplan, Urban Planner; and Richard Townsend, Technical Publications Writer-Editor, former staff members of the Office of Program Policy ■

EQUAL OPPORTUNITY IN HOUSING

A SERIES OF CASE STUDIES

Table of Contents

	Page
<i>Introduction</i>	6
<i>Comments on the Case Studies</i>	7
 SUBURBAN DEVELOPMENTS	
1. Changing a Racial Policy, Levittown, N.J.....	17
2. Integrated Subdivisions Compared, Northeastern United States.....	27
3. The Influence of Equal Employment Opportunity, Poughkeepsie, N.Y.....	31
 DEVELOPMENTS IN CENTRAL CITIES	
1. Changing a Neighborhood Pattern, Chicago, Ill.....	39
2. Integration in Urban Redevelopment, Richmond, Calif.....	45
3. Fair Housing in Town-Houses, San Francisco, Calif.....	49
 DEVELOPMENT ON CITY FRINGES	
1. Strictly a Business Venture, Columbus, Ohio.....	57
2. 221(d)(3) Rental Units and Community Attitudes, Madison, Wis.....	61
 OPEN-OCCUPANCY—A PRACTICAL APPROACH	
An Interview With Edward Eichler, President, Eichler Homes, Inc., one of the Nation's largest homebuilding firms.....	67

Introduction

■ The case studies presented here are a sampling of situations where nonwhites have been able to exercise freedom of residential choice. The developers in these studies are representative of those who have sold, rented or leased their housing on an open-occupancy basis. These builders have lost neither business nor reputation by dealing with Negroes. On the contrary, their operations in existing market conditions were successful.

The examples were drawn from diverse types of areas—in city centers on the west coast, in rapidly growing suburban and fringe areas of the east and midwest, on vacant “passed over” sites near some older Negro residences, in a large urban renewal area in Chicago adjacent to a predominantly Negro private development, and outside a small city with specialized employment. Increasing educational and employment opportunities among Negroes, coupled with increased exurban location of industry and commerce, are resulting in expanded home market potentials among these families. These factors and the growth of urban populations make inevitable the movement of Negroes into residential areas previously closed to them, in cities and in suburbs, as well as into newly developed areas. The Executive Order on Equal Opportunity in Housing, and an increasing number of state and local ordinances outlawing discrimination in housing will facilitate this trend.

The studies suggest that there are ways in which builders and their sales firms, selling on an open-occupancy basis, can enjoy success in the face of these new market facts. They also point to practices which may lead to failure.

The experience reported in these studies should provide useful guidelines to the housing industry in the years ahead ■

■ These studies present a diversity of scale of operation, market condition, house price and design, location, sales techniques, and of other factors. This diversity, which cannot be summarized in theoretical or statistical generalization, does provide a rich record of experience which invites comparative comment. Among the factors discussed below are: purchasers' reactions to the interracial developments, disposition of houses next door to Negro purchasers, competitors' reactions to the open-occupancy builder, site location as a factor, civil rights group tests of builders' sales and rental policies, the influence of equal employment opportunity on the suburban housing market, and the size of the nonwhite demand ■

PURCHASER REACTION TO OPEN-OCCUPANCY AND DEVELOPERS' RESPONSE

■ The successful developers studies have devised different techniques to answer questions posed by hesitant white buyers. For example, at Levittown, N.J.,¹ the developer was advised to be as matter of fact as possible, leaving conclusions to purchasers. Similarly, in response to general questions, a west coast builder provided no more information than was called for by the question.

The developer of a successful subdivision in the Northeast, invited hesitant buyers to talk with white neighbors of Negro families in his project. In a nearby comparable subdivision, the builder invited his hesitant buyers to speak with moved-in Negro families; his development was not a success. The successful developer was firm in his open sales policy, saying what he believed about legal requirements, moral obligations, and the market. Two other builders, Hankin in upstate New York and Eichler in northern California, had to face hostility or fear on the part of some owners already in their subdivisions. Their response was strong and clear. To the prospective customer, they pointed out that the developer's investment was much larger than that of a homebuyer. Eichler offered to buy protesters' homes at the original prices. He found no takers.

These cases are in sharp contrast to Levittown, Pa. (not included in these studies). There, rioting induced by fear and prejudice ran rampant. The developer adopted a hands-off policy after his original all-white policy had been breached by a resale to a Negro family.

At Levittown, N.J., salesmen at first reported that house hunters showed a tremendous interest in the subject of racial occupancy.

¹ See table of contents for the studies referred to by location or developer's name in these comments.

After the firm had decided to abandon its all-white policy and to assist in the orderly introduction of Negro families to the development, salesmen were asked to keep an accurate record of the number and kinds of questions asked. Salesmen then reported that only 11 percent of all prospects indicated any interest in the subject. Less than 2 percent of the prospects appeared to have an uncompromising opposition to open occupancy. This points up the importance of instructions to sales force in the success or failure of an open occupancy development.

Since it is well known in their market areas that Eichler Homes and Hankin Homes are open to all, these builders can make a logical and persuasive argument to buyer prospects who are worried about possible panic selling and reduced property values. Negro occupancy will not prompt any panic in their developments, they say, because the white buyers locating there are fully aware of the nondiscrimination policy. On the other hand, in developments sold to whites only, residents may not be prepared for a change in policy and the advent of Negro neighbors; once Negroes move in to those neighborhoods, panic could result and a wave of sales could depress values. Thus, the open-occupancy policy is represented as a kind of stability insurance—it protects property values. Their experience supports their argument.

Of the successful developers analyzed in the case studies, several stressed the qualitative aspects of their housing in advertisements and in sales talks. For example, when Eichler salesmen met resistance on the part of Negroes or whites to a nearby public housing project occupied by lower-income households, they emphasized the uniqueness and completeness of the environment created by the development itself. At Kramer's Prairie Shores in Chicago, some prospective tenants wanted to know whether Negroes would be segregated within the building; the reply was that prospective tenants "could choose any apartment or building they desired, regardless of color." But more than that, the Prairie Shores developers believed they must show early in their selling program that their units were attractive to white buyers. Hence special showings of the buildings, in advance of general advertising, were made for employees of a nearby hospital and educational institution. These efforts produced 45 white applications and 5 Negro applications. By the time Prairie Shores was publicly announced, salesmen could inform prospective customers of the established interracial pattern.

The question of social relationships at shared community facilities (schools, parks, swimming pools, etc.) came up several times in these studies. No friction appears to have been generated in these interracial situations. Neighborhood cooperation between whites and nonwhites is specifically reported as characteristic in the studies at Columbus, Ohio, Madison, Wis., and San Francisco, Calif.

Among the apprehension expressed by some builders and by some homebuyers is the idea that Negroes will not maintain their property. This fear was not substantiated. Kerr in Columbus and Sinaiko in Madison concluded that houses and home maintenance practices of the nonwhite seemed no different from those of other homeowners in their

developments. At the 221 (d) (3) site in North Madison white tenants volunteered their impression that "the Negroes are desirable tenants." The tenants also volunteered testimony on the desirability of their Negro neighbors before the Madison Planning Commission in a zoning hearing regarding another open occupancy development now being built nearby.

The House Next Door

The most pervasive fear expressed by builders and real estate salesmen relates to the effect Negro occupancy will have upon the sale or rental of the housing immediately adjacent to the Negro-occupied unit. Another fear is that Negroes will "bunch," either in one development or within one section of a development. The cases studied are illuminating on these points.

In Eichler's Geneva Terrace development, the first Negro applicants asked to buy a home across the street from the model home. The family was sold this home. The sale had no reported adverse effect on other sales. Both houses on either side of this family were sold easily, as were other houses in the subdivision.

In the Poughkeepsie, N.Y. case, each builder in turn appears to have been anxious to sell as many houses as possible to white families before allowing a Negro family to move in. To the builders, these sales seemed important enough to risk the hazards of violating the New York State law against discrimination in housing. For the Negro families, the fears of the builders meant a penalty of a long wait—as long as 18 months from date of contract—before being able to move into their new homes.

Evidence from these cases does not justify the widespread concern that housing units next to Negroes will be especially difficult to handle. Barret in Richmond, Calif., and Sinaiko in Madison reported no sales resistance. Rental units proved no problem for developers at Prairie Shores or at Northport in Madison.

The Levittown, N.J., experience in this matter is inconclusive. There have been long-term vacancies in housing units adjacent to those occupied by Negroes, and there also have been sales of such houses, even when other houses were vacant and available. Salesmen there reported that customers asked whether Negroes lived in the houses next door to the one they were interested in. The salesmen implied that persons who did not object to the presence of Negroes in the development might still object to their immediate proximity.

As for "bunching," Malofsky, Kerr and Kramer did not report any tendency of Negro families to locate near each other. Eichler's salesmen found that Negro families generally were amenable to suggestions that they select units which would avoid a ghetto effect. In the Poughkeepsie case, the first two Negro purchasers were within three lots of each other; this happened on one block where there were about 50 lots to choose from. Selections were based, however, on grading, view, and other amenities, rather than on one Negro family's desire to be near

another. The bunching pattern did not prevail when the development neared completion.

The Kerrs in Columbus, faced with slow moving houses, offered extras such as tiled floors and bushes and optional brick facing and aluminum siding. It is not suggested that such techniques are usually needed to sell houses in an open-occupancy project or when Negroes live next door. It is suggested that the use of such techniques might move a development off dead center when fear of the results of open-occupancy have resulted in a lull. The successful sale of some houses will make the other sales easier. The wise developer may use such techniques for the morale of his sales force where necessary.² In nearly all of our cases, however, a successful development needed only a continuation of the usual aggressive sales campaigns ■

THE UNFAIR COMPETITOR

■ Several of the case studies established that brokers and developers warned prospective buyers away from a competing development because it was open to Negroes. They pictured their own exclusively all-white projects as safe alternatives. Open-occupancy developers resented this practice and recognized it as a threat to their successful business operations. In no case, however, did a builder appear to suffer significant damage because of this competitive practice.

In some areas, Government agencies have asked builders to enter into a formal or informal agreement whereby all will embark upon open occupancy at the same time, and all will refrain from exploiting fear and prejudice. Some industry leaders believe this approach can succeed if it is an undertaking of the industry itself; intelligent self-interest on the part of industry leaders would establish ethical practices to everyone's profit ■

SITE LOCATION AS A FACTOR IN OPEN-OCCUPANCY

Both central city and suburban sites with successful open occupancy are represented in the case studies. The central city sites were close to Negro concentrations. The suburban site in one case study, where two developments are compared, was also close to a Negro settlement and absorbed existing scattered Negro homes into its new developments. The other two suburban sites were on farm land with little or no Negro population nearby.

Since none of the subdivisions studied had as a primary objective the achievement of open occupancy (in fact some of them accepted the

² For example, at East Hills Park in Pittsburgh (which is not among the case studies), about 10 percent of the houses are under a lease-purchase agreement. The lessee pays approximately \$10 to \$15 more per month than the 13 renters at the development. Thirty-five dollars of the monthly payment then are credited to the lessee if he exercises his option to purchase at the end of the first year. This procedure allows the occupant to pay off his entire downpayment during the first year. Introduced when sales had slowed down in this development, this lease-purchase agreement was offered in the belief that a year's exposure to living in a row house and in interracial housing would alleviate any worries that whites might have about living in this open-occupancy community.

policy reluctantly), the developers experienced no racial prejudice problems in securing the sites desired. Choice of sites was not dictated by the fear of community opposition or by an effort to get away from Negro dominance, or to hide behind a physical barrier which would isolate the development from a community—considerations which had influenced site selection for many interracial housing developments in the past. The sites in the cases studied were chosen because in the opinion of the developers they were marketable and for other economic reasons not associated with negative racial considerations.

For example, the Kerrs were attracted to South Columbus because it was a largely undeveloped area where they could plan and build a large new community with an almost certain market. In Madison, Sinaiko was initially attracted to the southern part of town because he could buy tax-delinquent lots at a cheap price. The northern part of Madison appealed to Malofsky because it was near working and shopping centers.

The success of Prairie Shores rental policy (about 75 percent white and 25 percent Negro occupancy from the beginning) provides a striking contrast to its older Chicago neighbor, Lake Meadows, in which occupancy of the first five buildings was 98 percent Negro. In Lake Meadows the gradual shift to lower Negro occupancy (75 percent Negro in the sixth and seventh buildings and 50–25 percent Negro in later buildings) coincided with Prairie Shores successful demonstration of integration. Both developments were in an area adjacent to a Negro slum. Community amenities, especially shopping, which were available when Prairie Shores went up but which were completely absent when Lake Meadows started renting, the difference in time (5 years of increasing publicity in favor of open occupancy), and the attractiveness of the prices appear to be factors which accounted for the ability of Prairie Shores to draw white tenants to an area which they had previously avoided.

The two Northeastern subdivisions compared were on land which had been passed over in earlier development. The presence of a few scattered and substantial Negro homes nearby, which were not the kind of dwellings which a developer could expect to buy and remove, influenced earlier developers against using the site. Eventually, however, because of proximity to built-up areas and to transportation and employment, the site became desirable enough to encourage development in proximity to the existing Negro homes.

The Geneva Terrace site was set among mixed land use and near an integrated public housing project. The success of the new development is due to planning, design, and market factors; proximity to downtown, a growing market for in-town, single family upper and middle income housing in San Francisco; and, to the large size of the development which made it an identifiable community. These conditions completely eclipsed the negative features of the site.

Barrett's site was also within a growing city of the San Francisco Bay area. His project was built on an urban renewal site. Though his price range was considerably lower than at Geneva Terrace, Barrett

had no difficulty in selling on a nondiscriminatory basis in this central location.

Siting of an open-occupancy development is one of the features which affects its attractiveness to whites. From these case studies, no new generalizations can be made about site alone. According to traditional market concepts, location near slums militates against the possible success of not only open occupancy but of any kind of private development. Yet proximity to community facilities, employment centers or transportation; the type and quality of development; the attractiveness of individual units; and, the competitive position of a development's prices attract buyers. In the cases studied, these factors were clearly more influential than the presence or absence of Negroes in the neighborhood ■

BUILDER'S SALES OR RENTAL POLICY AND CIVIL RIGHTS GROUPS

■ Two of the developers studied had contact with civil rights organizations before Negroes moved into the developments. In New Jersey, Levitt had received repeated protests of his whites-only policy from the NAACP, the American Friends Service Committee, and a State agency. Poughkeepsie developers entered into contracts with Negroes, but they were fearful and put off Negro occupancy as long as possible. As a result, they were formally charged in complaints to the State agency enforcing New York's fair housing law.

Considerable time, money, and effort were spent at Levittown, New Jersey, and at Poughkeepsie for conferences, litigation, the filing of reports and public relations. However, such extra expenses were not required in the other communities studied.

It can be expected that for some time civil rights organizations may test out developers' policies. In some cases, Negro purchasers will be assisted by fair housing groups whose representatives accompany Negro families to the model homes to assure fair treatment. The attitudes of builders and salesmen in such situations will largely determine the outcome of these efforts. Evidence in these case studies indicates that peaceful integration of the developments can result if sales policy is firmly set on a course aimed toward that end.

Over 400 fair housing committees have been established throughout the country. They can provide volunteer help and services to the builder similar to that rendered by Levitt's consultants in Levittown, N.J. Builders can obtain names of committee officers from the President's Committee on Equal Opportunity in Housing, Washington, D.C. ■

THE INFLUENCE OF EQUAL EMPLOYMENT OPPORTUNITY

■ Increasing and better employment opportunities for Negroes will result in increased demand for better housing for their families. Through the expansion of suburban employment, an expansion in which Negroes can be expected to participate, demand of nonwhites

for housing near work will affect the private suburban developer more and more.

For example, in Levittown, the first 13 Negro families to buy were employed in professional capacities in nearby new plants of RCA and Campbell Soup. In Poughkeepsie, all of the Negroes who lived in the developments on the old Krakower farm were IBM employees and other Negro IBM employees lived in other suburban locations not included in our study. The Northeastern developments and Malofsky's apartments in Madison mostly attracted families whose wage earners were employed in this immediate area ■

With more suburban industries adopting fair employment practices, it may be expected that more Negro families will be willing to break their ties to the central city and move near their work in suburban areas. Predominantly these will be families of the same educational and economic levels as the white families in the neighborhoods. Furthermore, they will usually be coming into situations where there are few Negro families; here they will be able to establish a new pattern of social relationships. These are affirmative aspects of the changing situation, aspects which builders can look upon as encouraging to an open-occupancy policy. Changes can be expected not only in large metropolitan areas where large numbers of well-paid Negroes already live, but in cities in the 100,000 to 500,000 range where the largest proportional gains in Negro population are taking place ■

THE SIZE OF NONWHITE DEMAND

■ The size of the Negro population which might be attracted to the kinds of developments studied varies greatly. In the income range it serves, Levittown, N.J., is accessible to several thousands of Negro families. The Poughkeepsie developments could only expect the few Negro employees of IBM, mostly newcomers to the area. Although there is an emerging Negro middle and upper income group in the San Francisco Bay area, the price range at Geneva Terrace certainly limited the number of Negroes who could buy there. Barrett's prices in the Bay area were much lower, yet less than 20 percent of his purchasers were Negroes. The two Northeastern developments are near a large concentration of Negroes and their unit price range is within reach of many thousands of Negroes. Prairie Shores is in Chicago, home of the country's second largest Negro population. The experience of its neighboring development, Lake Meadows, indicates that the price range was attractive to Negroes.

The number of Negro applicants in the developments studied was nowhere near as large as purely income data would indicate. Most of the developments studied entered into the market on an open-occupancy basis before enunciation of the Executive Order on Equal Opportunity in Housing, which covers certain Federally-aided housing programs. In fact, some of the developments studied constituted a substantial part of the good housing locally available for Negroes. Growing successful

experience with open occupancy, and rising Negro incomes, will complement the impact of the Executive order leading to increased demand for housing by Negroes outside of all Negro areas ■

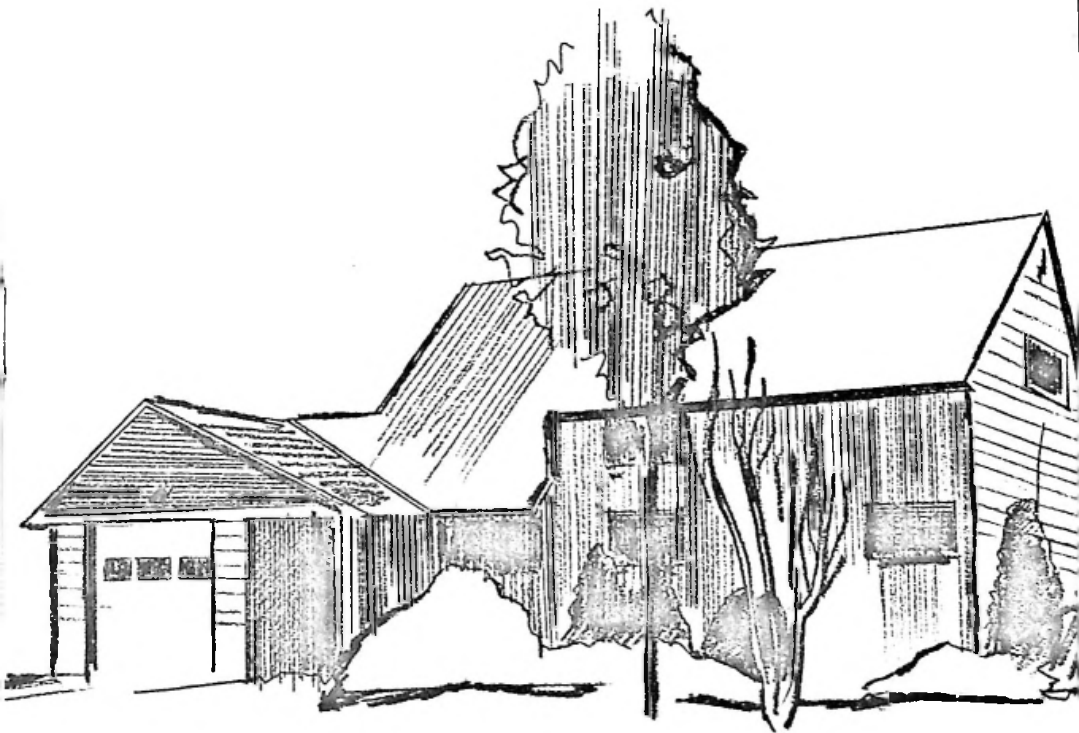
SUMMARY

■ To sum up, successful open-occupancy operations in these studies had generally the following factors in common:

1. The developers realized that their attitudes can mitigate or contribute to the fears of whites by the attitude developers take toward the presence of Negroes in their subdivisions. Accordingly, they treated sales to nonwhites as part of the normal way of doing business and sought to make open occupancy a positive factor in their sales approach.
2. The developer's open-occupancy policy was applied with firmness and consistency. Aggressive and imaginative sales techniques were maintained.
3. The quality, price, and design of the units were attractive and highly competitive. The sites were selected with a careful assessment of the market.
4. Developers selected qualified salesmen or responsible brokers. These individuals understood and carried out the developers' policy relative to open occupancy ■

SUBURBAN DEVELOPMENTS

- 1. Changing a Racial Policy, Levittown, N.J.*
- 2. Integrated Subdivisions Compared, Northeastern United States*
- 3. The Influence of Equal Employment Opportunity, Poughkeepsie, N.Y.*



Changing a Racial Policy

LEVITTOWN, N.J.

■ The first Negro families purchased homes in Levittown, in August 1960, after intervention by the agency enforcing the State antidiscrimination law. At that time, Levitt had sold 2,500 homes during 2 years in this development originally planned for 16,000 homes. In discussing this experience, Mr. Levitt is quoted by the Associated Press as saying "We had no violence or picketing, but our sales ground to a halt and remained that way for nearly 18 months." The newspaper account goes on: "Sales resumed, he said, when people became aware 'there was no big bugaboo' about Negroes being in a development. Today there are 30 Negro families among the 5,500 in the community."

While exact sales figures are not available, it is believed that FHA has insured the great majority of sales, and therefore its figures on insurance written indicate the rate of sales.¹ In the first 3 months of operation 470 mortgages were insured, a rate of 156 a month. Then in 1959 insured mortgages numbered 1,700, or 145 a month. In 1960, the first year of Negro entry, insured mortgages dropped to 1,000, or 80 a month, and in 1961 and 1962 the monthly rate dropped to 50 and 40 respectively.

When relevant economic and market data are examined, however, a serious question arises: How much, if any, of the drop in sales at Levittown can be ascribed to the presence of Negro families? One pervasive factor which is immediately available is the slowdown in growth of employment. The entire Philadelphia market area is designated as one of high continuing unemployment; accordingly, it is eligible for special aids, such as accelerated public works. In Burlington County, where Levittown is situated, and where about 40 percent of 1960 Levittown residents worked, the rapid rate of industrial growth which had been predicted in the 1950's slowed down perceptibly by September 1960. As table A shows, between September 1958 and September 1960, 6,000 new jobs were added in Burlington County, a yearly rate of 3,000. But in the following year only 1,800 jobs were added and between September 1961 and September 1962 only 584 new jobs were created. Thus, employment growth also "ground to a halt" at exactly the same time that Levittown sales took a similar dip.

Another factor directly reducing sales at the time of the first sales to Negroes was the provision of substantial quantities of on-base housing at McGuire Air Force Base, where in the last 4 months of 1960, the Defense Department provided 1,200 units of housing for airmen and officers. Residential building on the Base continued through 1961, until a total of 690 units for officers and 1,060 units for airmen became available. For these 1,750 service families, the Defense Department

¹ Approximately one-fifth of the homes in Levittown were conventionally financed.

TABLE A

	Sept. 1958	Sept. 1959	Sept. 1960	Sept. 1961	Sept. 1962
Total industrial employment.....	28, 299	29, 644	33, 948	35, 783	36, 367
1. Manufacturing.....	14, 940	14, 402	17, 281	18, 356	18, 232
2. Wholesale and retail.....	5, 371	5, 735	6, 344	6, 548	6, 916
3. Transportation.....	1, 985	1, 792	1, 536	1, 530	1, 267
4. Commercial and utilities.....	1, 564	1, 464	1, 430	1, 337	1, 390
5. Small services and amuse- ments.....	1, 499	2, 462	3, 173	4, 107	4, 484
6. Finance, insurance and real estate.....	675	659	783	870	891
7. Construction.....	2, 053	3, 012	3, 238	2, 863	2, 808
8. Other.....	142	118	164	172	179

had previously paid quarters allowances (\$80 to \$100 per month for airmen and \$110 to \$135 per month for officers). These allowances clearly placed the McGuire personnel in the Levittown Market (\$12,500 to \$14,900) before September 1960. In fact, the 1960 Census (taken in the spring), showed that 18 percent of Levittown male workers were employed in the armed services. Additionally, the Burlington County Planning Board's report of 1960 emphasized the strong economic influence of McGuire Air Force Base and Fort Dix on the community.

Finally, Levittown taxes rose dramatically after 1960. During the first few years Levitt had given a substantial subsidy to the new school district and to the town, to help finance essential new services. As planned, these subsidies were gradually reduced as the development grew. Logical as this was, the effect upon the average Levittown household budget was drastic. Between 1959 and 1961, the yearly tax payments on a \$5,000 assessment rose 50 percent, from \$240 to \$370, to which the Levittown residents reacted by rejecting the school budget when first presented. The rise continued the following year so that a \$5,000 assessment brought yearly tax payments of \$424, almost doubling taxes in 3 years. This increase in taxes can be translated into \$15 per month added carrying charges, a sum sufficient to support an additional \$2,500 mortgage. Again in 1962 the school budget was rejected and controversy over rising costs was widely publicized. The fact that original purchasers in Levittown were unprepared for this rise in taxes justifies the conclusion that the increased taxes were a barrier to purchase by some families previously in the Levittown market.

While the slowing of rate of growth in employment, the provision of a substantial amount of on-base housing for service personnel and the doubling of taxes may not, either separately or in conjunction with each other, explain the drop in sales in Levittown in 1960, their influ-

ence cannot be discounted, and the drop cannot be ascribed entirely to the presence of Negroes.

Even the move-in of Negroes into Levittown, N.J., itself took place under circumstances which were unique, and which were influenced greatly by events outside of the development. The first Negro families moved into Levittown, N.J., only 2 years after the riots at Levittown, Pa. Yet, some 8 percent of earliest sales in New Jersey were to families moving from the Pennsylvania Levittown.

There is no doubt that in 1960 and 1961 competitors of Levittown in Burlington and Camden Counties attempted to capitalize upon public fears that had been generated by publicity about racial occupancy in Levittown, Pa. Although all subdivisions in New Jersey were subject to the law against discrimination, responsible observers reported that Negroes visiting other subdivisions were given glowing descriptions of the freedom they would find in Levittown, "where the ice has been broken." Conversely, the subdivision which did not then have Negroes may have been offered as more attractive to white prospects. Nonetheless, within a few months Negro families began moving into other subdivisions also. By 1963, within 10 miles of Levittown, Negro families were known to live in three or more previously all-white new subdivisions.

In May 1963, the Burlington County Human Relations Council surveyed 32 Negro families in Levittown (about 90 percent of all the community's Negro families) to learn whether the houses contiguous to Negro-occupied houses were vacant or sold. Twenty-eight families reported that both adjacent houses were occupied or where a corner lot was involved that the adjacent house was occupied. Subsequent to the survey, two white families have bought homes next door to Negro families.

Thus, out of 32 Negro families, only two still have adjacent houses vacant (one has both houses vacant, the other has just one next-door vacancy). These two families live in Hawthorne Park, the newest and yet-incomplete section.

One reason for these vacancies is suggested by some residents of Levittown: the present sales force at Levittown is not the same as that trained by the consultants in 1960. There is some indication that these salesmen are reluctant to show houses next to Negroes to white prospects. Nonetheless, within a 3-month period in 1963, three out of six "next" houses were sold ■

DEMAND FOR LEVITTOWN HOUSES AMONG NEGROES

■ Although Levittown drew 44 percent of its early residents from the Philadelphia area, and one-third of the community's residents continued to commute to Philadelphia, surprisingly few of Philadelphia's Negro families moved to Levittown. In 1963, only 35 to 40 families in Levittown were Negro and a substantial number of them were new to the metropolitan area. Yet 1960 census data would indicate that there were about 13,000 Negro families in Philadelphia with incomes

between \$7,000 and \$10,000 per year, who were apparently financially eligible as purchasers.²

In the decade between 1950 and 1960, however, home ownership among Negroes in the Philadelphia area, primarily in the central city, increased from 29 percent to 43 percent. A considerable part of this home ownership was found in sound older housing at reasonable prices. Some of it was located in "prestige" areas of the city where white families remained. Since 1960, the opening of other neighborhoods in the city to Negro occupancy (some of it on an integrated basis), undoubtedly has absorbed some of the effective demand among non-whites for housing in the suburban areas.

Employment opportunities outside of the central city appear to affect the demand for suburban housing among nonwhites—as is shown by the high percentage of nonwhite families in Levittown working in RCA and Campbell Soup installations in Burlington and Camden Counties ■

USE OF CONSULTANTS

■ In March 1960, while an appeal was pending in the U.S. Supreme Court from an order requiring sale to qualified Negroes, Levitt employed a "human relations" team of man and wife, both Negroes, to prepare the residents of Levittown to receive the first Negro purchasers. In their approaches to the township government, the residents, and the community leaders, this team acted as consultants to the Levitt firm.

A third consultant, chosen by the original team was a white educator and human relations specialist. His initial assignment was to visit homes with clergy and organization leaders, finding residents whose positive interest in open occupancy would be important to the community.

Since the opening of Levittown, the American Friends Service Committee had been actively working in the community and meeting with Levitt to attempt to change his racial exclusion policy. NAACP leaders in southern New Jersey had also been active. During all the time discussed in this report, the Friends Committee continued to work actively with Levittown residents.

The work of the consultants in Levittown was part-time, beginning March 19, 1960 and ending August 6, 1960, after the first Negro purchasers moved in ■

DEVELOPING ORGANIZATION

■ In initial conferences with the Levitt officials, a plan of action was outlined that would call for movement on several fronts in the community within a limited period of time. To implement the plan, the

² This figure excludes families with more than two earners contributing to the family income. These families are considered as not typically in the market for suburban housing.

consultants required and received assurances from the firm in the following matters:

1. The firm would cooperate without interference or hindrance, and would underwrite reasonable and necessary expenses of operations;
2. The firm would assist the consultants in obtaining a working knowledge of Levitt's building plans and operations; extent, nature and methods of sales and financing practices; factual report on the climate of public relations between the firm and the surrounding community, and acquaintance with the nature and constituency of Levittown's social organizations;
3. Provision by the firm of meeting facilities; aid of the firm's personnel in assembling the several strategically located individuals and groups in both Levittown and Willingsboro communities, with whom the consultants would work;
4. The firm's immediate revival of all preliminary applications filed previously by Negro homeseekers, and processing of these applications in a completely normal manner, if the consultants were able to locate and invite these earlier applicants to renew their interest. Implicit in this operation was assurance of routine and normal acceptance and processing thereafter of all white and nonwhite applications ■

INFLUENCES IN THE WILLINGSBORO TOWNSHIP

■ Within 5 days after the off-the-record conferences with Levitt officials, a visit was made to the home of a clergyman who was recognized as a principal leader in the Levittown community. His cooperation was secured. Two available members of the Township Committee and the Chief of Police were invited to a preliminary off-the-record conference. Legal developments and the voluntary change of racial policy were presented objectively as a preface to discussion of the economic implications, and the moral and ethical considerations involved. This discussion provided a measure of the understanding of and reactions to the issues of open occupancy housing in Levittown and Willingsboro.

Despite fears and reservations expressed about possible social and economic consequences, public officials all recognized their obligations to uphold the law. The young, career-minded Chief of Police made it clear that (regardless of any views on race relations held by himself or any member of his department) recent racial conflict in the Pennsylvania housing development was sufficient warning to him that alert and unbiased law enforcement was his only alternative. Although the police force serving Willingsboro was composed of fewer than 10 men, the Chief of Police had no fear of his ability to secure full and efficient service from his men in any phase of the operation. Therefore, concern with immediate provision of human relations orientation for the police force was dismissed.

On the following day, the consultants and officials of the firm met in closed session with publishers and editors of the two local newspapers,

one a daily and the other a weekly. Discussion permitted frank assessment of the proposal to admit Negro home buyers, consideration of possible public reaction in an admittedly supercharged community atmosphere, and examination of the roles the local press could play in allaying or accentuating fears. Without any studied effort to suggest or press for hard and fast promises or agreements, the discussion resulted in a consensus that the normal routine reporting of fact would best be served by thoughtful avoidance of language or story emphasis that could heighten racial fear or prejudice. This consensus also embraced the general idea that special reportorial emphasis upon the move-in of expected Negro purchasers would serve no good, but could have unpleasant or disastrous effects.

On this same day, extended conversation with the firm's sales manager provided him with factual data on the entire issue, and with the opportunity for determining the influence he would be able to exert upon his subordinates and clients. Through him, plans were set for a full-scale conference with the entire sales force.

On March 26, the third day of an intensive weekend operation, the consultants and firm officials met with the full township committee and the chief of police. They reviewed fully the developments to that time and the proposed next steps. A proposal for the formation of an official Human Relations Council was accepted by the township committee. Arrangements were made for selection and appointment of such a body that could give leadership to the total Willingsboro community as well as to the Levittown project ■

REACHING THE LEVITTOWN COMMUNITY

■ The third weekend of operations—April 1-3, 1960—was devoted to an evaluation of developments to this point and of proposed new steps. Approval by the township committee of the plan for a Council on Human Relations had enabled the home-visiting consultant to start compiling a list of responsible people in the community who were being suggested for leadership responsibility by clergymen and others. Through similar contacts, the consultant was able to identify those persons who, as bearers of rumors and inflammatory discussion, were spreading unrest and fear. One such person was a door-to-door delivery man whose employer willingly transferred him to another route.

On Saturday, April 9, the entire sales force was assembled for a full afternoon of discussion of the change in the company's policy. The salesmen had already been informed of the change, but at that time the sales manager laid down simple rules to be observed in the receiving of Negro applicants and in answering the questions of race-conscious white prospects. The orientation session was designed to accomplish two principal missions: (1) to obtain through discussion some measure of the responsiveness of this highly influential group of opinionmakers to the new policy, and (2) to enable the consultants

to present the inevitable situation which conditions and the law imposed. There was no hope of converting those holding negative views. The session was geared to reinforce the official position of the employing firm with facts and research findings, and information as to the legal aspects of their own acts as agents of a building firm. Each salesman was also encouraged to recall various types of questions asked by prospects as a means of testing their skills in reacting, and to provide clinical treatment of problems posed.

As an exercise in objective observation as well as of professional restraint on the part of the sales force, and to provide the consultants with some quantitative measure of public reaction to earlier publicity, each salesman was requested to maintain for a 2-week period a check sheet on the number of prospects who raised the racial issue, as against the total number of persons interviewed. They were asked also to summarize the substance of each conversation bearing upon the racial issue. Meantime, each man was instructed that at no time would he, directly or indirectly, raise the issue of race; that when questioned by a prospect he would react without evasion, defense or apology but with a manner that suggested to the questioner that the matter was not of specific concern to him or the firm.

Whereas earlier subjective reporting by salesmen had implied that they had had numerous experiences with heavily-charged, emotional exchanges, the day-to-day reporting system disclosed that a comparatively small minority (11 percent) of all prospects indicated any interest at all in the question of racial occupancy of Levittown dwellings. Only 1.7 percent of all prospects gave evidence of holding uncompromising views in opposition to racial inclusion and, therefore, might be considered to be "lost" prospects; 4 percent registered minor notes of disapproval giving no suggestion of lost interest in buying; and 2.4 percent opposed buying a house that was immediately next door to a member of a racial minority.

Previous to Levitt's change of policy, a voluntary human relations council which served the entire county had been one of the severest critics of the firm; it had been instrumental in channelling the first legal complaints against the firm. This group, once it was convinced of the company's integrity of purpose, was willing to become an active and friendly ally in the transition program. The consultant team arranged with leadership of this council for an evening of exchange of information and views. The value of selecting a recognized authority in the field of human relations for this kind of specialized service was demonstrated in this and several subsequent situations. Recognition of and confidence in the competence and integrity of the human relations consultants by others operating in the same field of interest, disposed immediately of the suspicion which arose in dealing with an "adversary." Representation of company intent and purpose, by the consultants, had the same effect as would have been an engineering consultant's appearance on a technical issue or an architect's interpretation in matters affecting building code observance ■

MOBILIZING LEVITTOWN LEADERSHIP

■ In the new, rapidly growing exurban community of more than 2,000 families, the most widely influential and well-established social institution was the church and synagogue. Nearly a score of Catholic, Protestant, and Jewish congregations were worshipping in the edifices which, through arrangements with the Levitt corporation, were erected as each park community took shape and its religious needs were determined. From these institutions, in turn, there emerged the many clubs, societies and organizations which characterize the more settled American community.

Home visits had identified clergymen who could form a nucleus for planning a conference with all of Levittown's clergy. Consultants met with this planning group during the fourth weekend, April 8-10, arranging for the full conference the following week. In the latter meeting, all but two were present. Conference participants generally expressed a sense of satisfaction that the racial issue was being met in a forthright and positive way. The two absentees sent messages of regret and assurances of full cooperation. At this conference, a plan of action was designed and accepted as a personal commitment by each clergyman. This plan incorporated the following:

1. That on a chosen Sabbath weekend, each officiating clergyman would deliver a sermon on the impending policy change, stressing the responsibility of all citizens in aiding a peaceful transition.
2. That this Sabbath observance would be geared to an official company announcement accompanied by release to press, radio, and TV in the metropolitan area.
3. That the clergyman would jointly espouse the appointment by the Willingsboro Township Committee of an official Human Relations Council, and each would nominate two members from his congregation.

Responding to the requests of the clergy, and in keeping with promises given earlier to the consultants, the Township Committee formally announced appointment of a Human Relations Council on April 29, and publicized the names of council members and their duties. The council included three clergymen, two persons from each of three park communities then completed or under construction, and two persons representing public school professional staff. The township committee indicated an intent to serve on the council in an ex officio, non-voting capacity. In several exploratory meetings, the council elected permanent officers, set forth its statement of purpose and agreed upon a development plan for an intensive human relations institute for the benefit of the townspeople and its own membership.

The Levitt firm agreed to underwrite the essential operating costs of the council and of the institute. The consultants worked with the council in planning all features of the institute, including the use of recognized human relations authorities as lecturers, panelists and discussion leaders. Scheduled for four 2-hour evening sessions beginning June 2 and extending over a 4-week period, the institute attracted more

than 50 persons for which it had been geared. Subsequently, the council solicited from many human relations agencies throughout the State and country helpful information and literature; prepared a mimeographed handbook for local leadership guidance; inspired discussion programs in various community organizations; and in response to invitations, gave speeches and led discussions throughout the township and elsewhere ■

PREPARING FOR MOVE-INS

■ During the course of these specific developments, the consultants were moving in various other directions. An effort to meet with real estate operators, in the general area, for discussion of mutual problems and responsibilities, brought only token response and was abandoned.

As part of the original, official agreement between company and consultants, all preliminary applications that had been identified as those made by early Negro applicants were reviewed. Those applicants who could be located were invited to renew their interest and formalize their applications. In the meantime the great majority had secured housing elsewhere. Several applicants who were military personnel had gone overseas. Others had abandoned their partially formed ideas of purchasing at this time. Five families, not ready at this time to renew, indicated a desire to apply at some future date; at least three of these now are residents. In the meantime, three homeseekers not numbered among original applicants expressed interest in purchasing Levitt homes. Two of these were prepared immediately to enter into contracts with original commitment of one being made on May 7.

It was considered to be inadvisable to permit details as to actual signing of contracts, particular location of plots purchased, and actual dates of move-ins to become subjects of public discussion. Only officers of the firm, the particular family and the police chief had this information, the consultants preferring not to know. Representatives of American Friends Service Committee, who had close ties to some of the Negro purchasers, knew these facts and worked with the neighborhoods to assure a friendly attitude. Whether or not there were Levitt-town residents who might have chosen to demonstrate in opposition to the move ins may never be known. The first of three families entered on July 25, and the others shortly after. Their entrance proved uneventful. White neighbors, in each instance, welcomed the incoming family ■

OTHER LEVITT HOUSING IN NEW JERSEY

■ Levitt's experience under the New Jersey Fair Housing Law did not discourage him from developing new subdivisions in that State.

Levitt's Strathmore project at Matawan, N.J., serving the New York City market, begun long after the court case at Levittown, had sold all of its 1,905 houses in June 1964 and expected to complete its shopping

center in the fall. Ten Negro families live peaceably in the development and participate in school, church, and social affairs. Two have been elected to local public office. Half of the nonwhite families belong to the Strathmore Bath and Tennis Club, which has about the same proportion of white residents who have joined.

In Franklin Township just outside New Brunswick, N.J., Levitt has begun construction on the first 200 houses in a development of 450 somewhat higher priced houses. The models are furnished and open and the sales manager expects profitable movement of the properties with no serious impairment of the operation due to Levitt's policy of compliance with State antidiscrimination law.

Integrated Subdivisions Compared

NORTHEASTERN UNITED STATES

■ There are two adjoining middle-income open-occupancy subdivisions in the Northeast. One was an immediate success; the other, for a time, was somewhat of a failure. The difference can be explained by (a) market, (b) quality, and (c) sales technique. Other factors that might have accounted for failure or success in the two developments were almost identical.

These include type of house (single-family, detached, frame); size of development (one had 60 houses, the other 40); FHA terms (each offered 3 percent down and 30-year term); physical qualities (both are on flat land and in the path of development); speed of construction (model homes were duplicated within a year in each case); and percent of Negroes (less than 20 percent in each subdivision). Both subdivisions had a few scattered homes nearby which were occupied by Negroes; these homes ranked high in structural quality and visual appeal. Both contractors had expectations of attracting white and nonwhite buyers, as the State law forbids discrimination in selling houses. Furthermore, the two builders had little nearby competition for their priced market; to find dwellings at comparable costs and terms, buyers had to travel further away from major work centers—a distance of 15 to 25 miles. Finally in this list of similarities, both builders eventually handled sales themselves rather than relying on realtors.

If he was looking for differences, a visitor to the successful development in July, 1963 could see more than a dozen building tradesmen doing interior and exterior work. He could talk to a confident builder who was negotiating with three Negro landowners to buy and build on contiguous vacant property.

But at the other site, one block away, the scene was comparatively quiet. The builder at this slow-moving development was ordering his two workmen to discontinue pouring foundations. As he cut back on originally planned construction, this builder complained that perhaps he would soon "get out of the building game and go into real estate or something where your own money is not involved."

He attributed his slow-down in house sales to the recent "hullabaloo about integration." Since the colored started getting pushy at Birmingham, he claimed, "I've had four cancellations by whites. They say something like 'My uncle died, and we need the downpayment money to bury him,' but really they're afraid more colored will move in, values will be shot to hell, and they'll lose their investment." ■

SUCCESS AS SEEN BY THE UNSUCCESSFUL BUILDER

■ Asked why the presence of Negroes in the next-door subdivision did not deter white buyers, the about-to-quit builder explained that, "as a

whole, it's higher-priced." The adjacent subdivision did have some more expensive homes in its \$13,900 to \$17,900 price range. The less successful project had only one price—\$14,300.

According to a sample of the mortgage applications, buyers in the successful, fully sold subdivision typically were "second time" home buyers, trading in the equity on one dwelling for another. In the less successful subdivision, most buyers had previously been renters. Now they were buying their first home. Among other things, this meant they had to raise a cash downpayment.

One of the partners in the slow-moving subdivision said he had believed that this market of first-time buyers would flock to his subdivision. He weighed the fact that Negroes were spotted around nearby, and concluded that they would be overlooked by white buyers anxious to own their first home. Other people with higher incomes, he thought had a wider choice and would choose to live in all-white areas. But the experience in the two subdivisions did not bear out this theory; whites who could afford to be selective moved in near Negroes in the slightly higher cost development.

The other partner in the less successful enterprise had another explanation. In recalling interviews with prospective buyers, he said "People who make \$6,000 or \$7,000 may be willing to move into an integrated community, but they get talked out of it by their grandmother who read once in the paper about some Negro crime. Many of our buyers need the money of their relatives for first costs. Takes about \$1,500 to move in, and our customers haven't had that kind of cash. If they didn't have to make the downpayment and closing costs, I'm sure that I could sell them houses here." ■

SUCCESS AS SEEN BY FOUR BUILDING SPECIALISTS

■ When asked to explain the different rates of sales in these two subdivisions, experts in planning, architecture, appraising, and contracting found faults with the less successful development.

A land planner pointed to the different lot sizes (minimums of 6,500 square feet in the popular development as compared to 5,500 square feet in the other). "People move out here to get the feel of the country. They don't go for houses where neighbors breathe down on them," he said.

In the opinion of an architect, the flourishing builder offered much more value for little more money (more living space, a half room more of bath facilities, a two-car garage rather than a carport, a design that was distinctive). In houses of the floundering project, not all the living room space was usable, and the entrance foyer created problems of furniture placement. The windows were ungainly. The overall design was run-of-the-mill. To the architect, the higher-priced structures seemed well-worth the \$15 monthly difference in costs. He suspected that the slow-moving development was not

competitive because its builder had overpaid for his land, and had tried to make up for it by holding down construction costs.

After driving through both subdivisions, an appraiser noted that the successful builder had interspersed some lower-priced houses among his higher-priced ones. The low-priced buildings gained extra value from the varied setting. The appraiser characterized the other subdivision, where all the \$14,300 models were grouped together, as "drab."

A contractor noticed that the successful builder had put up a cleaner house. "The other guy's house won't fall down, but it's sloppier. There are 'snots' in his concrete, and his roof lines and shingle lines aren't straight . . . Most people, sure, won't notice all of these things, but they can sense sloppiness, and react against it."

Any one of these deficiencies in lot size, space provisions, setting, and workmanship might have slowed down sales. Taken together, they knocked a development out of fast competition ■

SUCCESS AS SEEN BY THE SUCCESSFUL BUILDER

■ The thriving builder explained he is no social crusader. He said, "Frankly, we're business people. We want to sell houses. We have built in all-white areas, and we know some folks come to look and some come to buy. It's been the same here, both before and after selling to Negroes. We haven't found anything tangible to make us fear we're losing sales because we sold to some Negroes.

"Even if we would lose a sale to an occasional white—and I'm not sure that we have—a sale to a Negro is still a sale. Their dollars are as good as anybody else's. Why, we've even advertised in Negro newspapers.

"Whites want to know if the area is going to stay integrated. We figure we can't tell them what the community is going to be like after we're gone, but our buyers can. So we give them addresses of some white folks living beside Negroes and tell them to go see them, to ask them what the community's going to be like. The white folks tell them that their Negro neighbors are fine, nice people. The whites indicate they're going to stay . . . We find these white residents are our best salesmen. . . .

"I don't have to be defensive about this integration business. If a white family is worried about integration and doesn't want to buy now, they'll buy 6 months from now, or a year from now. You don't see 'For Sale' signs around, do you? You see things getting planted, and additions. Nobody's leaving."

Asked why he thought the neighboring builder was in trouble, the successful builder spoke of salesmanship: "He didn't always tell folks there were Negroes living nearby. It came as a shock to some. I was talking to one of his buyers who canceled; it turned out he didn't even know there were Negroes there till he made his downpayment. If he'd known beforehand, he might have gotten used to the idea. For sure, he wouldn't have felt something was sprung on him" ■

ADJUSTMENT TO NEGROES

■ The less successful builders denied that they withheld information about Negro residents from families signing a contract. They claimed that they had driven around the community with prospective white buyers, introducing them to the Negroes.

Possibly such introductions of Negro residents to white skeptics created tense, awkward situations which could frighten off potential buyers. Perhaps the successful builder's tactic of referring whites to whites was more reassuring, informative and easygoing. Skeptics could ask searching questions, have them directly answered, and possibly have their fears allayed.

Did the builder of the slow-moving development advertise in Negro papers? "Didn't even advertise in white papers," he admitted. The subdivisions are in an area not widely known for new developments. One reason people may have come to the advertised subdivision and not the other was, quite simply, because they knew about it.

Gradually, however, the floundering subdivision was able to attract buyers, some of whom were friends or relatives of people already living in the area. By December 1963, all but two of the 40 houses in that subdivision were sold; the partners were no longer complaining and were, in fact, quite satisfied with their rate of sales. They reported that their last dozen buyers were white.

The two developments were 10 and 20 percent Negro in early 1964, with the faster-selling development having the higher percentage of Negroes. This more successful subdivision's rapid sales resulted from a better product (its units were more attractive, varied, carefully built, and on larger lots than those in the other development), a more accurate estimate of the nature of the market, and sales techniques marked by candor about racial integration in the development.

The Influence of Equal Employment Opportunity

POUGHKEEPSIE, N.Y.

(A study of the way in which private developers met the housing needs of Negro professional workers employed by a large industry in a small city in the Hudson River Valley of New York)

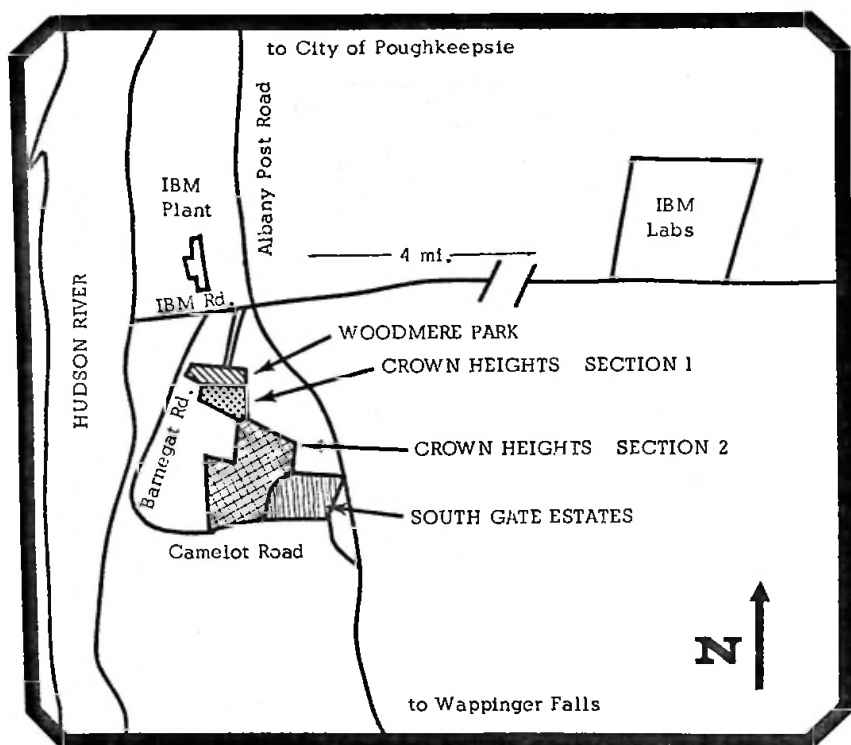
■ Eight Negro families live in a 500-house tract in Poughkeepsie, N.Y. As a result of developers' sales and homeowners' resales, these families live in each part of the tract. The present active developer, Sam Hankin, is confident that this tract will eventually include another 300 homes. Precipitating the open occupancy here was the decision of International Business Machines to employ Negro scientists at all its plants.

In analyzing this tract, developer Hankin emphasizes two special attributes of the owners. First, they are almost all (99 percent) IBM employees; they have, therefore, the advantage of IBM's assistance when they transfer and must sell. They also have the knowledge that it is IBM's policy to hire Negroes, making it inevitable that some Negroes will live near other IBM workers. The second factor is the relatively high level of education of the IBM workers involved; in Hankin's view, this makes them more able to think calmly about open occupancy.

Hankin has faced some objections from other owners about his sales to Negroes. He has two stock answers. First, "It is the law, and I am not going to go to jail for breaking it." Second, "I have a lot more money tied up in this project than you have, and if I am not worried about selling to Negroes, why should you be?" Hankin notes that the Negro owners are as anxious to keep out undesirable people as anyone is, and that they have some of the best-maintained homes in the subdivisions. He believes that the presence of Negroes who are accepted in the neighborhood can be a form of guarantee against panic selling; this might occur in an all-white development after a few Negroes moved in if the development had been sold on an "exclusive" basis.

One question continues to bother Hankin, i.e., whether he can be sure of selling the lot or house next door as easily after a Negro family has moved in. There have been resales of houses next door to Negroes in the three developments, but he has not had experience of selling a new house in this situation.

In none of the subdivisions was there any indication that financing was difficult for the developer after the Negro families move in. Hankin's continued successful development of Crown Heights would seem to make this apparent. Furthermore, none of the Negro pur-



Area in study has IBM plant at intersection of Albany Post Road and IBM Road. Four miles from that intersection is IBM campus with laboratories. Developments and price ranges in study area were:

	No. of units	Period of development	Price range
Woodmere Park	200	1955-1958	\$12,000-\$16,000
South Gate Total	99		
Schwartz	40	1957-1959	14,400- 15,950
Raker	59	1960-1961	13,790- 14,290
Crown Heights 1+2	200	1961-	13,000- 14,700
			16,490- 17,500

chasers reported any difficulty in securing financing—their applications have been handled by the builder directly as he would have handled any other application ■

THE EXPERIENCE OF OTHER BUILDERS

■ Hankin is the third developer in the tract to sell to Negroes (The first original developer sold none of his 200 homes to Negroes.) What makes Hankin's operation interesting is that he is the first to be optimistic about the chances of successful open occupancy here. Acting under a State law prohibiting discrimination in the sale or rental of publicly assisted housing, the first and second developers to sell on an open-occupancy basis sold 3 out of 90 homes to Negroes. But they appear to have made those sales under pressure. Not until Hankin entered the picture was there a developer who thought he would not be seriously affected by Negro occupancy.

The first developer to sell to Negroes was not doing speculative building. He built replicas of model homes at \$15,950 and \$14,400 on lots chosen by purchasers. His subdivision plan for South Gate Estates envisioned 99 homes. In May and June of 1957, he entered into contracts with two Negro IBM employees for the purchase of homes within a few lots of each other. He inserted in the contracts a clause giving him 1 year for delivery, although the purchasers were under the impression that they would close title in August. By July when it became apparent that no construction and considerable dawdling was taking place on the lots chosen, Calvin C. Waite, the first Negro purchaser, filed a complaint with the State Commission against Discrimination (SCAD).¹

In August 1957, when Waite and Harry Cochrane, the other Negro buyer, had hoped to move in, this first open-occupancy developer had sold only about 30 homes. He had hoped to sell 75 by that time, but the market had "softened" considerably.

Despite continued prodding by SCAD, this developer took no action to complete the homes of Waite and Cochrane. There was some grading and drainage difficulty affecting Cochrane's lot, which took up some of the time, but there appeared to be no legitimate reason for continued delay. Accordingly, in July 1958, SCAD noticed the case for public hearing.

Shortly thereafter, work began on the two lots involved. By January 1959, 18 months or more after the signing of the contracts, Waite and Cochrane were able to move into their homes. Then in the spring of 1959, a white family living between Waite and Cochrane sold its home to another white family. There had also been a few other resales in South Gate. Sales were slow in 1959 and in the summer of 1960, this developer with four unsold homes on the land, sold out to another builder (not Hankin).

In December 1960, the new builder had sold the four homes built by his predecessor and seven or eight new homes. His homes were on

¹ Subsequently renamed State Commission for Human Rights.

much smaller lots and were less expensive, ranging from \$13,790 to \$14,290. By September 1961, he had built and sold about 40 homes, completing the 99 units projected by the initial subdivision plan. In the intervening period, he had purchased additional acreage north of South Gate and adjoining Crown Heights; this he sold at a profit in September 1961 to Sam Hankin, the developer of Crown Heights. At the time Hankin purchased the property adjoining South Gate, three Negro families lived among the 99 units there.

Hankin proceeded to build the second section of Crown Heights at an initial price range of \$14,750 to \$16,490, eventually boosting his price to \$17,300 for a more elaborate home that included a finished recreation room. In September 1962, he closed title with two Negro purchasers, but, like the first builder to sell to Negroes, only after considerable delay in the delivery of the homes had occasioned intervention by SCAD. At the end of 1963 Hankin was continuing to build in Crown Heights and expected to complete his 200 home development soon ■

THE ATTITUDE OF THE BUILDERS

■ There is no accurate way to measure the direct effect of Negro owners upon the sale of homes in this subdivision. Hankin can recall one woman who appeared to be on the verge of signing a contract but who was dissuaded by her family when it learned that Negroes were nearby. Hankin says he doesn't know how to tell whether other white families failed to look in Crown Heights. The second developer of South Gate is believed to have been concerned about what would happen after a third Negro family purchased. He did not stay to see what would happen, instead he sold the land contiguous to South Gate soon after the third Negro family purchased. Hankin bought the land and developed it successfully. He is now engaged in building in Wappinger Falls, to the south, where a new IBM facility will open shortly. He fully expects Negro residents in this development as well ■

SUMMARY

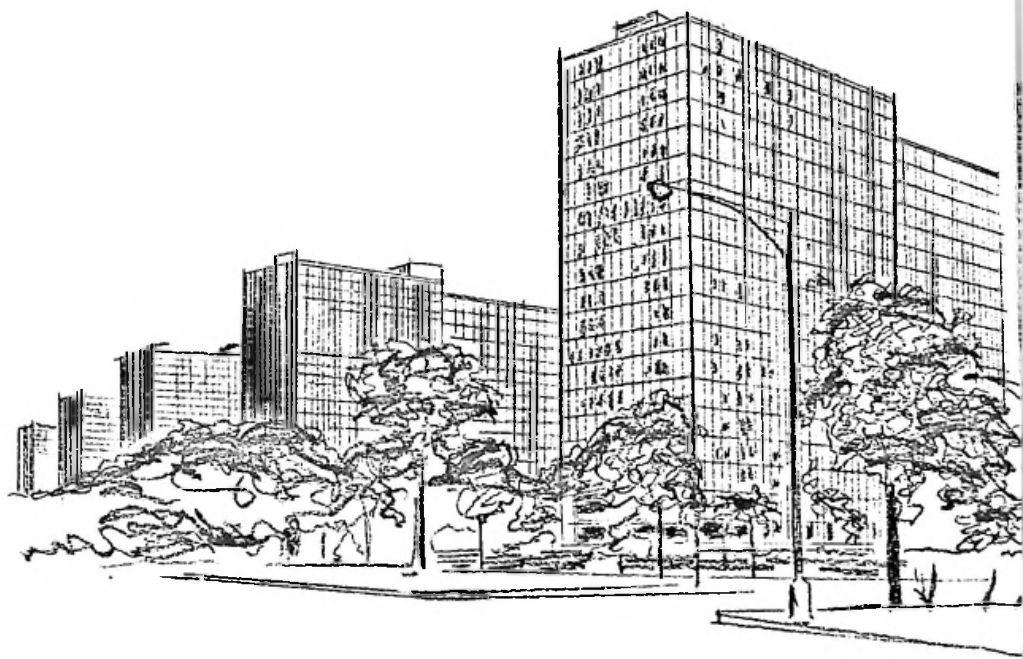
■ The contractor, who made the first sales to Negroes, started building in 1957 when the market was recognized to be "soft." Although he offered a larger lot than his competitors in Woodmere, his price range started \$2,400 higher than Woodmere. When, 2 years later, another builder bought the unfinished half of South Gate, he (1) dropped the lowest price by \$700, (2) cut his top price by \$1,800 and (3) reduced lot size by one-third. On that basis, he was able to sell out the other half of the subdivision in the first 10 months after the Negro families were living there. Hankin, who bought out the unplatted land, started his houses at a price close to the first builder's lower price, though he was building 4 years later when prices generally were highest. In 1963, after other Negro families had purchased in the tract, Hankin started offering a more luxurious house at a higher price. He found that the resulting diversification of dwellings and values aided in his sale of lower-priced homes ■

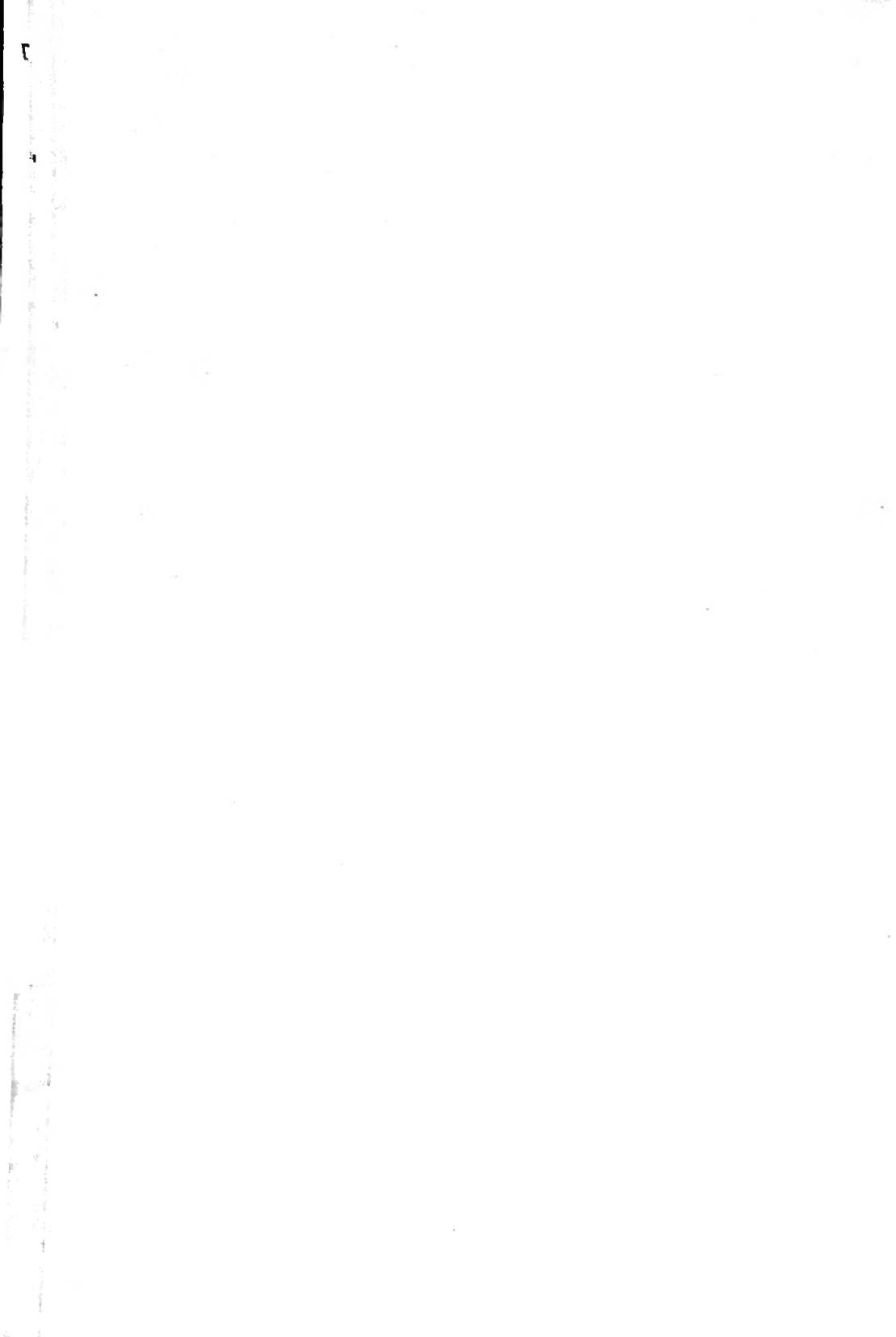
CONCLUSION

■ In the 1963 session of the New York Legislature, the law against discrimination in housing was extended to cover conventionally-financed housing; it provided few exemptions, and covered almost the entire housing market. The experience of the three developers to sell to Negroes as pioneers in complying with a limited fair housing law in the Poughkeepsie area will not again be duplicated in New York State, for no subdivision hereafter will be able to sell itself on the basis of racial exclusion, and all builders will once again be on a competitive footing under the present State law. It would appear that in the situation presented by the present case, one can conclude that there was no measurable reduction in the marketability of this subdivision where (1) a small number of well-qualified Negroes were present as a result of compliance with a nondiscrimination requirement, (2) the subdivision is conveniently located near a large fair-employment center, and (3) the houses are priced competitively ■

DEVELOPMENTS IN CENTRAL CITIES

1. *Changing A Neighborhood Pattern, Chicago, Ill.*
2. *Integration in Urban Redevelopment, Richmond, Calif.*
3. *Fair Housing in Town-Houses, San Francisco, Calif.*





Changing a Neighborhood Pattern

CHICAGO, ILL.

■ **Prairie Shores** is a new apartment development of 1678 units located a few blocks from the lakefront in Chicago's central south area and 3 miles south of the loop. Its five gleaming glass-and-steel structures, each 19 stories in height, are surrounded by landscaped terraces and recreation areas ■

THE NEIGHBORHOOD

■ **Prairie Shores** is a major element in the overall renewal of Chicago's once-prosperous central south area, which had been on the decline since before World War I. Social and health problems were rampant. The population, 97 percent Negro, worked predominantly at the lowest-skilled and worst-paying jobs. Residents occupied for the most part severely inadequate, overcrowded and deteriorated dwellings.

Planning for redevelopment of the area began in the 1940's when the adjacent Michael Reese Hospital and the nearby Illinois Institute of Technology, both facing the need to enlarge and modernize their plants, decided to remain where they were instead of moving to new locations. The first private residential renewal, undertaken in the early 1950's, was Lake Meadows, a 2,000-unit middle-income apartment development built by the New York Life Insurance Co.

Open from the outset for Negro occupancy, the first 5 of Lake Meadows' 10 buildings were rented almost entirely to Negroes. From this point on, in a reversal of the customary trend of racial progression, each succeeding building had a higher proportion of whites. The 10th, a luxury building, was about 75 percent white. Observers ascribe this phenomenon largely to the increasing desirability of the area as renewal progressed. It is also significant that this shift coincided with the development of **Prairie Shores** ■

FINANCING THE DEVELOPMENT

■ The second residential redevelopment project in the central south area, **Prairie Shores**, was undertaken in 1957 by Draper and Kramer, Inc. The corporation is headed by Ferd Kramer, a leading figure in Chicago real estate and a native of the area itself. Keynotes of the development policy were moderate rentals and availability without discrimination; the two were closely coupled in management's belief that attractive rents were essential to obtain an adequate white market under conditions of interracial occupancy.

Favorable land costs as a result of redevelopment write down, plus efficient use of space, enabled rentals of \$32 per room, \$20 to \$35 less than charges for space generally deemed comparable in quality and

convenience of location in Chicago. Per-acre household density was several times higher than previously—despite the elimination of overcrowding and great improvement in facilities.

Rental period initial occupancy	Lake Meadows		Prairie Shores	
	Number of units	Estimated percent nonwhite	Number of units	Estimated percent nonwhite
Oct. 1952 to Aug. 1954	(1) 119	98	-----	-----
Oct. 1952 to Nov. 1954	(2) 119	98	-----	-----
Sept. 1954 to Dec. 1955	(3) 119	98	-----	-----
Oct. 1953 to June 1955	(4) 119	98	-----	-----
Nov. 1953 to June 1955	(5) 119	98	-----	-----
May 1956 to June 1958	(6) 320	75	-----	-----
May 1956 to June 1958	(7) 320	75	-----	-----
July 1958 to July 1959	-----	-----	(1) 342	25
July 1958 to Aug. 1959	(8) 320	50	-----	-----
Aug. 1957 to Aug. 1959	(9) 320	50	-----	-----
Aug. 1959 to Feb. 1960	-----	-----	(2) 334	20
Apr. 1960 to Oct. 1960	-----	-----	(3) 334	20
Feb. 1960 to Apr. 1962	(10) 140	25	-----	-----
Mar. 1961 to Jan. 1962	-----	-----	(4) 334	20
Mar. 1961 to Mar. 1962	-----	-----	(5) 334	20

Financing for the project was hard to acquire at first. In the early stages, equity capital was accumulated painfully in dribs and drabs—much of it probably invested for reasons of civic responsibility rather than speculative gain.

Equity capital came far more readily as the building program progressed. On the second and third buildings, investments ran from \$50,000 to \$100,000 each; in the last two buildings each investor put up \$100,000, making only five or six partners per building. Whereas it had been necessary to persuade and cajole each prospective investor in the first building, Kramer found it necessary to turn away capital on later buildings. "My problem with the last few buildings," he recalled, "was the fact that many of those who invested in the first building wanted to invest money in the last ones, and they were disappointed that I felt I should offer these investments to some of our other clients. Projects of this type, because of the high proportion of value of building to total value of land and buildings, make possible tax advantages to the owner."

Mortgage money has been provided by a combination of government and private sources. Mortgages of all five buildings have been insured by the Federal Housing Administration under section 220 of the Na-

tional Housing Act which provides 40-year mortgages for middle income housing. Mortgages on three of the five buildings were sold to private financing institutions, a rarity for section 220 developments; the other two were supplied by the FNMA ■

RENTAL PATTERNS

■ Draper and Kramer anticipated two major problems in the early stages of its rental program in mid-1958: the fear of whites that they would be isolated in a largely Negro project, and the difficulty in demonstrating to prospective tenants the desirable middle-class residential neighborhood the central south area was destined to become. In the latter case, promotional material and rental agents could point to the presence of several new middle-income buildings in Lake Meadows, the evidence of renewal activity on the part of Michael Reese and I.I.T., as well as to the plans which the Chicago Planning Commission was making for the entire area.

The problem of overcoming whites' fears of Negro co-occupancy was perhaps the more difficult. In the first place, there was very little experience with stable interracial occupancy in Chicago to which the developing firm could point. As a matter of fact, all the evidence pointed to neighborhood after neighborhood in which entrance of one Negro family was inevitably followed by many more until the area became wholly or almost entirely Negro-occupied. One informant for this study put it this way: "Before Prairie Shores, there had never been a Chicago neighborhood entered by Negroes in which inundation did not occur as well as a temporary loss in property values."

In order to convince prospective whites that such would not be the case with Prairie Shores, its developers concluded that they must establish a clear pattern of white predominance at the outset. Before the first building was under roof and before advertising to the general public, three ground-floor apartments were completed and furnished as model apartments. A private preview was then held for personnel of Michael Reese Hospital, a majority of whom were white. As a result of this open house, 50 applications for apartments were taken, about 45 from whites and 5 from Negroes. By the time Prairie Shores was publicly announced in the Chicago dailies, salesmen could inform prospective white customers that applications so far were running about 80 percent white. The president of Draper and Kramer, Ferd Kramer, firmly believes that this initial effort was critical to insuring the future of Prairie Shores as an integrated development.

Nevertheless, Kramer states, applications came in slowly at first. Although many prospects visited the model apartments in response to newspaper advertising, some indicated a reluctance to move in. Kramer assigned his top sales personnel to Prairie Shores and worked at the site himself. He describes that experience:

Due to the rentals which we were charging and the type and location of the accommodations, we had a flood of lookers. I spent almost every weekend on the job myself throughout the renting

of this first building. It was a most interesting assignment. A man and wife would look through the apartments, they would go talk quietly together and I could hear them saying, "What will our Mother and Mother-in-law say if we move into this area?"—and "Will our friends visit us?" They would then come back and ask if we were going to put all colored tenants in one building and the whites in another, or would we put Negroes on certain floors and whites on other floors. We, of course, told them that all tenants would be treated exactly alike—that they could choose any apartment or building they desired regardless of color.

Some of these early prospects rented, but others did not.

In addition to continuous newspaper advertising and a site rental office staffed daily from early in the morning until dark, Kramer undertook other efforts to promote Prairie Shores. One member of his firm was assigned to visit personnel managers of firms located in the loop area as well as on the south side to tell them about Prairie Shores and to provide them with brochures for employees. Advertising through a local FM radio station with a reputation for reaching people "of culture and education" was also used.

As a result of these intensive efforts, the 342 apartments in Prairie Shores' first building were rented with a racial composition of 75 percent white and 25 percent Negro. Renting in this building took 6½ months.

Rentals were easier in succeeding buildings, and the developer was able to exercise his option for the last parcel of the site more than 2 years before it expired. In the last several buildings it was necessary for the management to exercise controls to keep the white market demand from overwhelming Negro applicants. About one-fifth of the tenants in the buildings are Negro.

Median incomes of primary earners in Prairie Shores are in the \$6,000—\$7,000 class. Households are generally small; about 90 percent contain one or two persons. Several factors appear to operate to keep many families with children out of the market, and to cause others to move when the children reach school age. The size of the apartments (less than one-fourth have more than one bedroom) is probably the main factor. The high-rise character of the buildings; the location; and the predominance of children from low-income families in the school which serves the area also contribute.

In spite of these facts, and even though many of the tenants are interns and residents on temporary assignment at the adjoining hospital, turnover is only about 12 percent a year—a rate which Kramer says is low compared to most other rental properties in Chicago. There is no vacancy problem, and the development has been more profitable than its sponsors anticipated.

Both its location and its occupancy policy have created some unusual problems for Prairie Shores. Compensating for these have been more-than-usual support on the part of many civic-minded citizens, agencies of the city government, and the Trustees of Michael Reese Hospital ■

IMPACT OF INTERRACIAL OCCUPANCY

■ It is, of course, impossible to measure precisely the impact which interracial occupancy has had on Prairie Shores' rental program or to determine the relative importance of interracial occupancy vis-a-vis other factors.

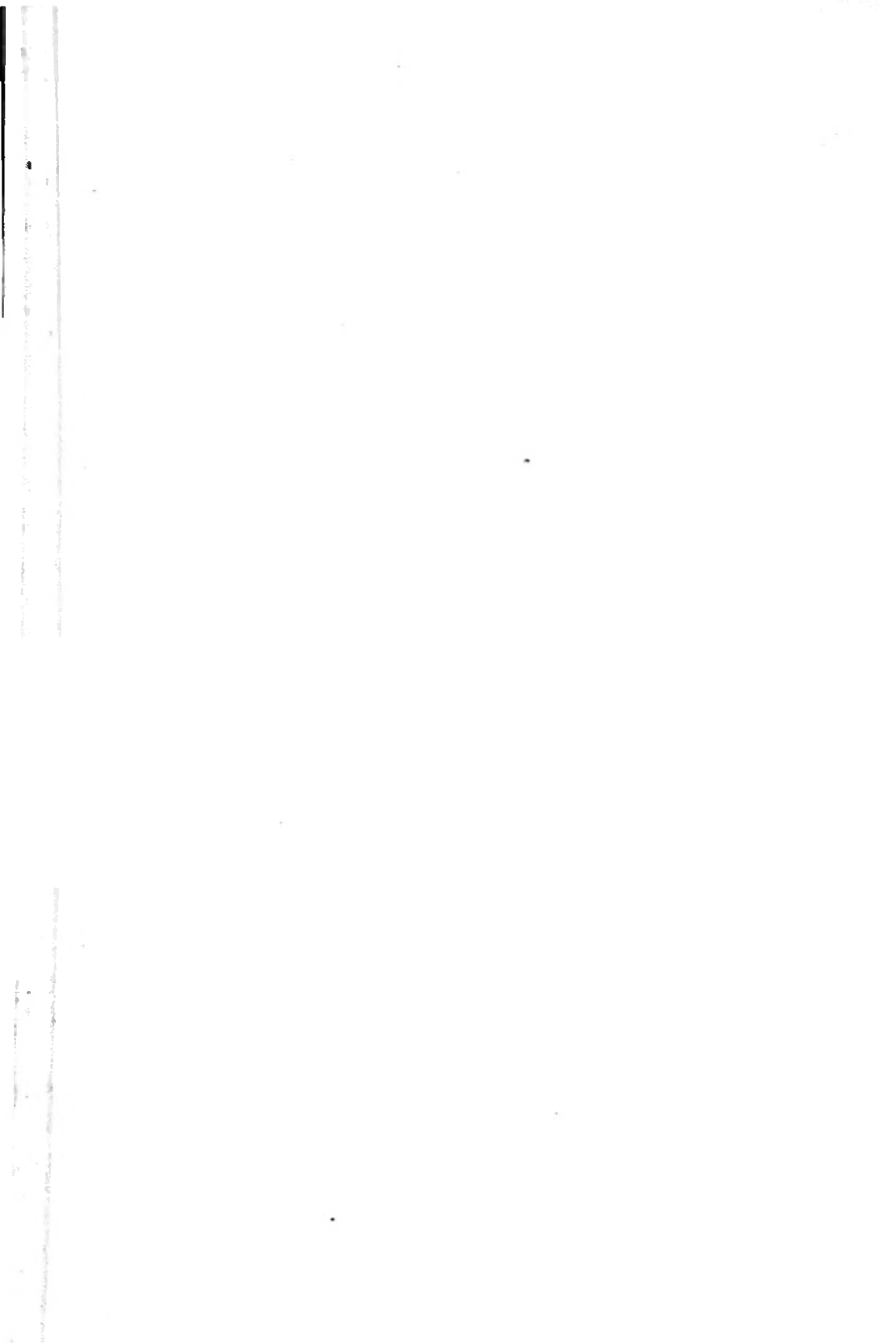
Most respondents feel, nonetheless, that mixed occupancy did operate as a negative factor. But how negative is a matter of opinion, as is the question of the compensating value of attractive rents. Ferd Kramer believes, for example, that "rents have to be terribly attractive to market a development on an interracial basis." In support of this thesis, he points to another Chicago rental development which has "only a handful of Negro tenants," yet has encountered serious problems in finding applicants. The principal difficulty, he believes, lies in the high rents being asked; they average about \$10 more per room monthly than similar apartments in Prairie Shores.

Another respondent takes exception to this view, however. He described the troubled development as "buildings which cost too much for the way they look," pointing out that a group of nearby town houses well appointed within and priced from \$25,000 to \$40,000 sold quickly with about 20 percent Negro occupancy. Despite the high cost of the town houses, according to this informant and others, there was a sizeable unmet demand for this kind of new housing close to the center of the city; for the value offered, the prices were not out of line.

Still another respondent described Prairie Shores as "quality housing at a good price near the center of town and near the lake." It was these characteristics, he said, which resulted in the pattern of mixed occupancy in Prairie Shores.

A public official in Chicago said that he also believed that the lower rents in Prairie Shores had made the difference in the management's ability to market an integrated development. Then he explained that he was thinking not so much of the role of attractive rents in overcoming whites' fears of Negroes, but rather of the capacity of lower rents to reach farther into the Negro market. "It would be possible to integrate apartments on the north side of Chicago too," he said, "but there is an economic problem here because there aren't enough Negroes who can afford to pay north side rents."

Of the impact of interracial occupancy, it may be said that Prairie Shores did obtain Negro and white tenants and that the buildings have been constructed and rented somewhat more rapidly than the developing firm anticipated. Furthermore, the fact of interracial occupancy has not prevented the private interests involved from making a profit on their investment—quite the contrary, profits have been good ■



Integration in Urban Redevelopment

RICHMOND, CALIF.

■ The present Plaza project represents one of the city's first renewal projects in Richmond, Calif. The history and ultimate success of the project as an integrated residential development is a tribute to the developer and the cooperation among governmental agencies ■

HISTORY

■ In December 1954, after the City Planning Commission had presented a report on the standards for resubdividing the pilot project area, the Richmond Redevelopment Agency invited some 40 interested developers and financing groups to submit proposals for construction. Following consideration of each submission, the redevelopment agency opened negotiations with Barrett Homes, Inc., in February 1955. After details of the proposed contract and sale of building sites to Barrett were cleared with various Government agencies in Washington in March 1955, an official Redevelopment Plan for the area was approved by the Agency, the Planning Commission and the city council. Title to the Plaza was transferred to Barrett Homes, Inc., in August 1955.

During the spring months of 1955 Barrett Homes was anxious to assemble a sufficiently large parcel of land on which to build prototypes of house designs suggested to the redevelopment agency. This effort was made on a private basis, without assistance of the Redevelopment Act of the State of California, or use of the Federal urban renewal powers. It took 8 months to assemble eight 25' x 100' parcels.

On the site thus assembled Barrett Homes proceeded to build the "Exhibit Area." This exhibit area was planned to test the marketability of homes in this area. Nearly \$100,000 was invested in the construction of five prototype homes. Applications to the Federal Housing Administration were made for commitments to insure loans under section 203 of the Housing Act. FHA appraisals under section 203 reflected the area blight. Therefore, hope of proceeding under it was abandoned. On June 15, 1956 the Barrett Homes "Exhibit Area" was opened for public inspection. During the next several months a careful market analysis was made by sales staff interviews of some 7,500 visitors.

In August 1955, Congress amended the emergency War Housing Act (Lanham Act) which assured eventual acquisition of 100 acres of land adjacent to the pilot project area of 10 acres. With this new assurance of volume construction, architects Hardison and De Mars, A.I.A., were assigned final design work.

On November 27, 1956, FHA issued the first section 220 commitments on homes in The Plaza. Barrett Homes, Inc., proceeded to build The Plaza, using the FHA commitments and VA guarantees.

The first building permit was issued March 6, 1957. The first building was completed October 23, 1957; the last building was completed January 14, 1958.

The VA loan guaranty program had one advantage over the FHA. Down payments to eligible veterans were as low as 2 percent or nothing down during the Plaza's marketing period. Early in the building program serious doubts arose as to whether a GI sales program was feasible. Urban renewal financing under section 220 was regarded by the VA as a strictly FHA program. A most fortunate administrative ruling in 1957 by the Federal National Mortgage Association, permitted the substitution of VA section 501 loans for FHA section 220 loans. The fine sales record of The Plaza resulted, in great part, from this decision ■

SALES IN THE PLAZA

■ The interracial sales policy was established by Barrett Homes after months of testing the local market in the exhibit area. Of the first 84 sales, 11 were made to nonwhite families.

The Plaza differs from most section 220 urban renewal construction programs in several ways:

1. It was designed for individual sales rather than rental; utilized the row house to increase urban density; included detached homes and duplexes for variety;
2. The pilot unit was built as an "unassisted" redevelopment project without a Federal loan and grant for rehabilitation or write down and land value;
3. It offers construction quality, design features and amenities well above the so-called "low-cost" tract developments of competitors; and
4. It has been sold on an open-occupancy basis

ETHNIC ORIGIN OF HOMEOWNERS IN 1958

	Husband	Wife
Caucasian.....	60	51
Negro.....	11	11
Filipino.....	6	5
Indian.....	0	1
Japanese.....	4	5
Chinese.....	3	3
Total.....	84	¹ 76

¹ Eight owners are single persons.

FIVE YEARS LATER

■ Since 1958, there has been a 100 percent turnover in the development's occupancy. Still, however, the development is racially mixed. Negroes represent less than one-fourth of the occupants. In the 5 years since the homes were sold, the number of Negroes has increased from about 15 percent to 20 percent. In the 2 years from 1959 to 1961 average resales have been some \$2,000 higher.

COMPARATIVE RESALE PRICES—CAUCASIAN AND NEGRO

	Caucasian	Negro
Average original sale.....	\$15, 212	\$15, 191
Average resale.....	17, 024	17, 229
Percentage increase on resales.....	11%	12%

Success here has led the developers to follow a policy of open occupancy in other projects in the area.

The original Plaza development has now been expanded into adjacent urban renewal areas. A total of 364 dwelling units have been built and occupied with 144 more units programed by the developer. FHA has significantly increased its participation in these newer developments. For example, in the nearby Eastshore Park section, out of a total of 206 living units, 121 are FHA, 61 VA, 5 Cal-Vet Program and 7 on cash sales.

Several circumstances appear to have contributed to the success of the Plaza development. They are:

1. The strong commitment of Barrett Homes to a policy of open-occupancy in this area. Sales personnel were carefully selected and trained to implement this policy.
2. The City of Richmond actively backed the project. City agencies for example, took an active part in helping form the Plaza Improvement Association. This association encourages neighborhood "cleanup" campaigns, organizes cooperative baby sitting groups, and works to allay fears about mixed occupancy. It also serves as a vehicle for increasing communication in the community.
3. The Federal Housing Administration and the Urban Renewal Administration coordinated efforts to insure successful completion of the project ■

STATISTICS ON ORIGINAL HOMEBUYERS—1958

■ With facts that they had on the 84 families who moved into the Plaza, Barrett Co. officials were able to make a statistical analysis. The fol-

lowing facts which will be of interest to developers emerged from the analysis:

Place of Employment. Only 14 percent of the original homebuyers worked in the city where the development was located. This suggests that the rest found the development sufficiently attractive to tolerate long journeys to work—32 percent of them spending considerable time in crossing the Bay Bridge to and from jobs in San Francisco.

Incomes. The average annual income was \$6,792 for men, \$7,805 for families. The median annual income in 1958 was not much different: \$6,294 for men, \$7,200 for families.

Working Wives. About 32 percent of the wives worked. Their annual average income was \$3,322, their median annual income \$3,540. Work was done by about 70 percent of the wives in Negro families, 33 percent of the wives in Filipino and Chinese families, and 25 percent of the wives in white families. None of the Japanese wives worked.

As a result of wives' earnings, the median income for the Negro families was \$8,292—some \$1,100 higher than the median income of white families. The median income of the Negroes was from \$1,500 to \$2,400 higher than that of other nonwhite families.

Net Worth. With savings, furniture, and property included, residents in the Plaza had a median net worth of \$8,776. Their average net worth, however, was \$12,667—almost \$4,000 higher.

Financing. The largest number of sales—about four out of five—were financed through the Veterans Administration. The Federal Housing Administration financed the rest. For 78 percent of the families, their Plaza house was the first home they had purchased—they had been renters before.

Downpayments. Almost 11 percent made no downpayments on their homes. Nearly 67 percent made downpayments below \$700. About 13 percent made downpayments that ranged from \$700 to \$2,000. The rest, approximately 9 percent, were able to make downpayments of \$2,000 or more.

Family Composition. The average number of children was two per family. About one-third of the families had no children at all when they moved in, but nearly 15 percent had more than 2 children.

Age of Major Wage-Earner. Almost 60 percent of the men in the development were between 25 and 30 years old. Over 10 percent were about 35 years old and another 10 percent were in their mid 40's. Most of the other men were older than 45 ■

Fair Housing In Town-Houses

SAN FRANCISCO, CALIFORNIA

BACKGROUND

■ Eichler Homes, Inc. is one of the few major builders in the State of California operating on an open occupancy basis. Eichler develops tracts throughout the bay area with units from single family detached to multifamily cooperatives and condominiums. Prices range from \$22,000 to \$40,000. His volume is over 700 units a year ■

GENEVA TERRACE

■ Although near downtown San Francisco, Geneva Terrace is not considered one of the city's prime market areas for new residential housing. Light industry and commercial land uses are scattered throughout the general area. Both the median income and median house value are lower than comparable figures in the San Francisco metropolitan area. The site is near a large and old public housing project, where 40 percent of the families are Negroes. All schools in the area contain a sizeable proportion of Negro pupils.

Countering the trend toward multifamily units (only 132 FHA insured single-family units were processed in San Francisco County in 1961) Eichler proposed to build, in early 1962, moderately expensive single-family attached housing units here. As planned, the typical property would sell for \$24,000, with prices ranging from \$21,000 to \$26,000. The units would be similar to row houses in outward design. They were two story, consisting of 7 rooms, 2½ baths, and a one-car detached carport. Two hundred and twenty-one single-family dwellings and 576 apartments were programed on a 21.5 acre site.

One of the positive factors encouraging development, however, was the fact that in 1960 there was only a 1.3 percent homeowner vacancy rate in the San Francisco-Oakland Standard Metropolitan area. This represented the lowest vacancy rate in the 10 SMSA's in California. With the emphasis in San Francisco on the development of multifamily high rise units, a latent demand existed for single-family in-town units. Another favorable fact was size; the proposed development was large enough in scope and contained enough unique features such as swimming pools, a community center, and underground utilities to create a new environment ■

HISTORY

■ Commitments from FHA under section 203 for the proposed construction of row houses were easily procured. Both construction and long-term takeout financing were arranged without difficulty, utilizing

local financial institutions. The model home was opened in September 1962.

Average sales prices on existing units exceed the original estimate of \$24,000. Cost of units vary from \$28,500 to \$30,800. Although the customary downpayment depends generally on income, the minimum downpayment on a \$28,500 FHA section 203 mortgage is \$3,500 with additional \$700 for closing costs. On a VA guarantee, this minimum is \$950 down, plus \$700 in closing, while on a conventional loan the mortgage terms are \$6,000 down and \$550 in closing. Ninety units had been sold, when only 75 had been completed. Building is going ahead as scheduled. Of the first 70 occupancies, 36 were on FHA insured mortgages, 27 VA and 5 conventional ■

OPEN OCCUPANCY AT GENEVA TERRACE

■ Eichler Homes Inc. has been building units in the bay area since 1958. Although homes were sold to nonwhites prior to 1955, the company's open occupancy policy was clearly enunciated in late 1955.

For this particular development, Eichler carefully selected one of his best salesmen,¹ who is committed to open occupancy as a policy. His tenure at Geneva Terrace played a significant factor in the project's early success.

One of the first potential buyers to appear to Eichler Homes was a Negro family. Frustrated by many earlier attempts to purchase a home, this family quickly decided to buy at Geneva Terrace. They asked for the home directly across and easily visible from the single model. Fearing the possible sales resistance that their appearance might produce, the salesman at first tried to dissuade the family from its choice. The couple insisted on the original choice. Consistent with the firm's policy, the selected unit was sold to the Negro family.

By the fall of 1963, three more Negro families had bought homes at Geneva Terrace. When it appeared that these 3 families would be located close to one another, the salesman brought the fact to their attention and they chose units scattered throughout the project; they themselves wanted to avoid creating the ghetto effect even in microcosm.

In describing the rate of overall sales in this particular development, Eichler reported that sales had been slower than he had projected. In the first few weeks sales were very fast, but they slowed down soon after. In late fall 1963, when this report was written, sales had picked up and were running ahead of the construction schedule. The spurt at the beginning was probably due to the untapped reservoir of people above the median income wishing to own in San Francisco, and attracted by Eichler's reputation and design standards. Thereafter, however, this market may have spent itself and sales slowed down.

¹ Eichler's policy relative to his sales staff is interesting to note. All salesmen go through an intensive training period. During these sessions, the firm's policy on open occupancy is made clear. Salesmen who do not implement this policy are reprimanded. Two salesmen have been weeded out of the organization for failing to carry out the nondiscrimination policy.

According to the builder² the general environmental conditions enumerated earlier, and the untapped market factor—not the presence of four Negro families—account for the sales rate fluctuations. This seems to be confirmed by the fact that other builders in the area who sell only to whites are experiencing even a slower rate of sales than Geneva Terrace ■

HANDLING THE RACIAL FACTOR IN SALES

■ Sales resistance on the part of potential buyers, often stated in question form, seem to be based on these three factors:

1. What effect will integration have on the quality of schools?
2. Will property values be maintained?
3. What effect will the nearby public housing project have on the development?

Once these "fears" become overt, the salesmen could attempt reasonable answers. Salesmen report that the question on schools is the easiest one to handle because of a publicly announced State policy to eliminate de facto segregation in the schools; and the general expectation of buyers that all city schools will be integrated.

Particularly noteworthy are the answers to the other questions. When a customer raised the question of property values after having been warned by a competitive builder, the salesman responded:

"Look, as Negro income rises, more and more families will be able to purchase in white neighborhoods. Whether you like it or not, integration is coming. Our policy is open—we will sell to anyone. People who buy our homes are therefore well prepared to accept Negro families. Panic will not result when a Negro purchases. Your property values will be maintained."

In replying to the "fears" expressed by white and Negro potential customers, relative to the nearby public housing project, the salesman would say:

"Look, our project is big—22 acres. We are building some 700 units, at varying income ranges. In effect, we will create an entirely new environment in this area. We have made a great investment here—more, of course than you are making—and are not worried about the stability of this neighborhood" ■

CHARACTERISTICS OF OCCUPANTS

■ Of the first 71 buyers, 8 were Chinese, 1 Japanese, 1 Filipino, and 4 Negroes. As table 1 shows, professional employment is most common. In almost one-third of the recorded cases, the woman of the house is employed. The income of the principal wage earner ranges from \$7,000–\$20,000, with the median being \$11,000 ■

² The local FHA-Insuring Office attributes the early lag in sales in this area to the "relatively high sales prices of the units." FHA originally recommended that prices range from \$21,000 to \$26,000.

INTERVIEW WITH OCCUPANTS

■ The attitudes, opinions, views expressed by several score occupants of Geneva Terrace are significant.

Most of the white families interviewed related similar prime reasons for buying a home in the Eichler development: "The unit was a good buy for the money"; "Resales will be good"; "The design was real great." One white occupant said he bought solely because of the availability of GI financing. Several added that the Eichler units were the first "new single family houses to be built in years." When race was mentioned, it was in a positive light: "I want my kids to be raised in an integrated area."

The Negro responses were quite different. Two of the four Negro families were interviewed. Although the two families interviewed responded favorably to the design, each listed the fact that other builders discriminated against them. These families also mentioned their belief that since FHA-insured these units, they were "protected against an inferior product."

The fears expressed about public housing were based primarily on the differences in socioeconomic class. Some families, both Negro and white, expressed a fear that the heavy majority of low income Negro children in school would cause a deterioration in the quality of education.

Several of those interviewed suggested that the homeowner's corporation, organized to maintain the common area, provides a mechanism for closer interaction and contact among residents. The project is still young and therefore there is little social interaction among occupants, regardless of color. Baby sitting groups including Negroes, have recently been started to watch children playing in the common area. Both nonwhite and white residents attend frequent meetings organized to provide liaison with the developer on problems which result during development.

A few residents commented on the snob appeal of Eichler Homes. There is a felt pride, a "coming of age" feeling on the part of many new occupants, white and Negro ■

GENERAL CONCLUSIONS

■ Eichler's reputation as a homebuilder, the type and quality of his product, the definite value received, and the proximity to downtown San Francisco are more important to the present occupants of Geneva Terrace than Eichler's policy of open occupancy. For those people to whom the open occupancy factor is important, it is a positive factor, an added inducement to buy there.

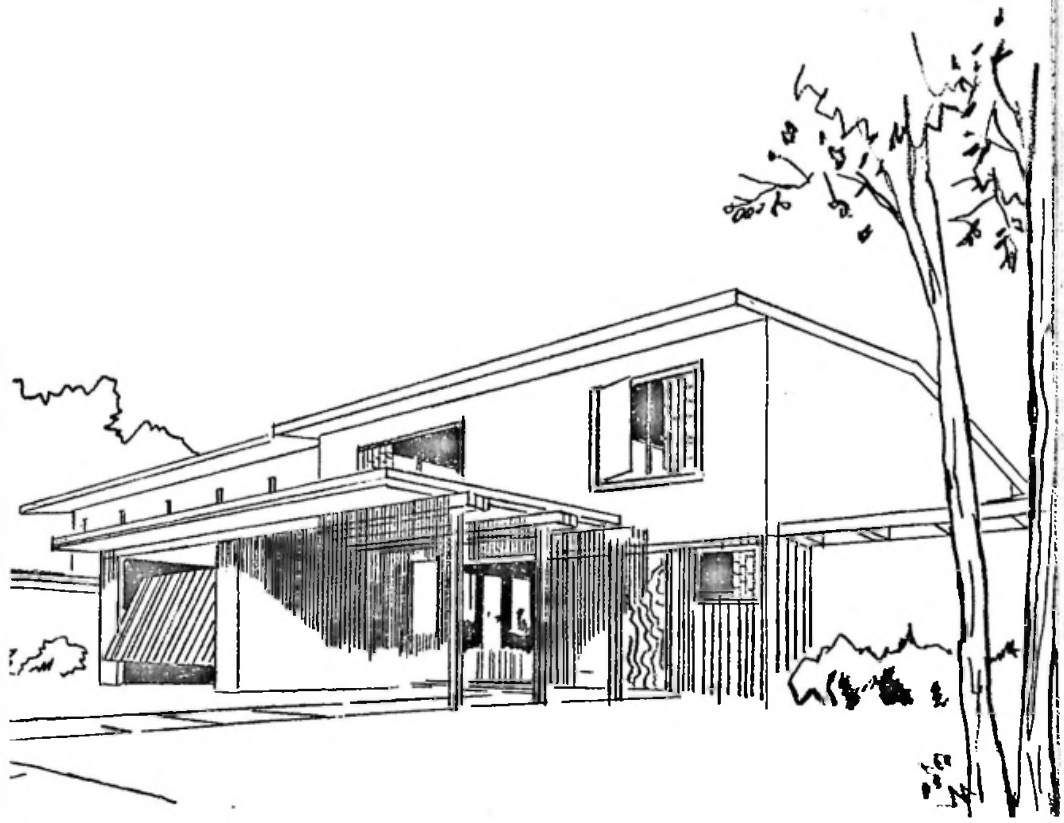
Geneva Terrace is within the income range of many Negro families in the San Francisco Bay area, but there has been neither inundation by Negroes nor shortage of white buyers for this development. Indications are that Geneva Terrace will be a successful integrated development—one that is profitable to both developer and occupants ■

RACE	OCCUPATION OF HUSBAND	OCCUPATION OF WIFE	IN- COME OF HUS. BAND	INCOME OF WIFE	NUM- BER OF CHIL- DREN	AGE	DOWNPAYMENT
White	Systems analyst	Artist	\$11,500	Unemployed.	2	2, 1	\$950—GI.
Chinese	Engineer	Teacher	7,000	\$5,000	0		\$3,950—FHA.
White	Merchant		15,000		3	10, 6, 4	\$3,950—FHA.
Do	Engineer		9,500		2	6, 3	\$950—FHA.
Do	Manufacturer's representative	Secretary	11,000	\$7,960	0		\$950—GI.
Do	Business manager		17,000		0		\$1,950—GI.
Negro	Druggist	Medical student	15,000		2	4, 2 months	\$1,250—GI.
White	Retired Brigadier General		18,000				\$1,250—GI.
Do	Real estate broker	Single	10,000	\$5,000	0		\$3,950—FHA.
Do	Teacher	Teacher	10,000		0		\$950—GI.
Do	Manufacturer		20,000	(Rental property purchasing)			\$6,000—Conventional.
Do	Engineer	Technical writer	9,000	\$6,500	0		\$1,950—GI.
Do	Warehouse supervisor	Typist	8,000	\$2,500	1	12	\$3,950—FHA.
Chinese	Accountant	Dietitian	9,000	\$4,800	0		\$6,950—GI.
White	Engineer	Housewife	9,800		2	7, 8	\$6,000—FHA.
Do	Sales manager	do	17,500		3	14, 14, 21	\$4,950—FHA.
Do	Doctor	do	20,000		2	5, 2½	\$2,250—GI.
Do	Food distributor	do	20,000		2	3, 4	\$3,950—FHA.
Do	Architect	do	9,000		2	4, 6	\$6,000—FHA.
Do	Teacher	do	12,000				\$3,950—FHA.
Do	Claims examiner	do	8,300		1	19	\$16,950—FHA.
Do	Engineer	Single	20,000		2	18, 21	\$3,950—FHA.
Do	Office manager	Clerk	12,000	\$5,000	2		\$3,950—FHA.
Do	Engineer	Housewife	11,000				\$13,950—FHA.
Chinese	College professor		14,200				\$7,950—FHA.
White	Assistant manager	Model	16,500	\$2,000	3	6½, 3½, 17 months	\$5,500—FHA.
Do	C.P.A.	File supervisor	10,950	\$4,900	1	6	\$3,950—FHA.
Do	Manufacturer	Housewife	20,000		3		\$3,950—FHA.
Do	do	do	18,000		2	3, 6	\$2,950—FHA.
Do	Salesman	Substitute teacher	8,000	\$1,500	2		\$950—GI.
Do	Commercial artist		8,000	\$500	1	3	\$2,950—FHA.
Do	Advertising	Housewife	20,000		1	¾, 3, 4	\$2,950—FHA.
Do	Accountant	do	7,850		2	2	\$950—GI.
Filipino—wife					0		\$9,950—FHA.
White	Attorney	Social worker	12,000	\$5,000	0		\$2,950—FHA.
Do	Editor	Teacher	10,800	\$4,800	2	8, 11	\$950—GI.
Do	Real estate broker		20,000	(Is renting out)	2	4, 2, 1	\$3,950—FHA.
Do	Salesman	Housewife	15,000		2	3, 6	\$2,950—FHA.
Chinese	Teacher	do	9,500				

RACE	OCCUPATION OF HUSBAND	OCCUPATION OF WIFE	IN- COME OF HUS- BAND	INCOME OF WIFE	NUM- BER OF CHILD- REN	AGE	DOWNPAYMENT
White	Manager of credit union		\$9,600	Bachelors in one	2	18 (twins)	\$950—GI.
Do	Display		8,000	house-			
Do	Real estate broker		15,800	Unmarried (com- bined).			\$950—GI.
Do	Walter	Housekeeper in hotel	8,000		1½	2½, pregnant	\$10,050—Conventional.
Do	Attorney	Housewife	15,000				\$950—GI.
Do	Manufacturer's representative	Single	20,000				\$1,950—GI.
Chinese	Engineer	Head price (sister)	10,000	\$4,000	1	3	\$2,950—FHA.
White	Court reporter	Housewife	12,000		2	1, 3	\$3,950—FHA.
Chinese	Stockbroker	do	20,000		0		\$3,950—FHA.
Negro	Teacher (musician)	Teacher (mathematics)	9,000	\$7,000			\$2,950—GI.
White	Marine clerk	Single	8,500				\$6,000—Conventional.
Do		Employment interviewer	8,000	Single women	2	13, 15	\$3,950—FHA.
Do	Architectural specifications man.	Personnel director	8,000				\$9,950—GI.
Do	Real estate appraiser		11,000		0		\$950—GI.
Do	Commercial artist	Carhop	7,000			16, 17, 14, 8	\$1,950—FHA.
Do	Insurance		12,000	\$4,000	2	1½	\$950—GI.
Chinese	Teacher	Housewife	10,120		2	13, 1	\$950—GI.
White	Doctor	do	11,000		3	5, 4, ½	\$7,550—Conventional.
Do	Specialist	do	13,200		3	5, 4, ½	\$7,550—FHA.
Do	Merchant	do	7,200		3	10, 8, 6	\$5,800—Conventional.
Do	Insurance agent	do	13,500		6	1, 2, 3, 4, 5, 7	\$3,950—FHA.
Do	Electrical contractor	Musicologist	13,000	\$3,000		½	\$9,950—FHA.
Do	Assistant manager	Doctor	13,500		4	5, 4, 2, ½	\$1,250—GI.
Do	Businessman	Housewife	12,000		1	3	\$950—GI.
Japanese	Statistician	do	10,500				\$950—GI.
White	Teacher	Unmarried	9,430				\$950—GI.
Do	do		9,075				\$950—GI.
Do	Sales manager	Secretary	12,000			19, 11	\$3,950—FHA.
Negro	Auditor	Clerk	8,735	\$7,200	2	14, 9, 5	\$3,950—FHA.
White	Sales	Teacher	10,000	\$4,253	3	10, 8, 2	\$450—GI.
Do	Insurance broker	Housewife	9,600	\$7,800	3	12, 10, 7	\$1,250—GI.

DEVELOPMENTS ON CITY FRINGES

1. *Strictly A Business Venture, Columbus, Ohio*
2. *221(d)(3) Rental Units and Community Attitudes, Madison, Wis.*



■ Bill and John Kerr and their father, Wilburn K. Kerr, Sr., operate the Southfield Development Co. in Columbus, Ohio. Bill handles sales, promotion and advertising. John has charge of financing and construction. In the following interview they discuss their most recent development, Southfield.

Q. What is the makeup of residents living in Southfield? How many Negro families are there here?

Bill: First, when we accept an application, we are interested in information which will help us qualify the applicant for a loan. We make no notation on the race or color of the applicant. So we just don't know for sure, but I would estimate the ratio of Negro to white is about 50-50.

John: That's based on the 700 homes completed. Four or five years ago when we were just under way with 150 to 200 homes occupied, the ratio may have been closer to 60-40 Negro to white. We knew from the start our buyers would be Negro and white because of our market and, of course, section 221 FHA financing requires open selling. We sold to anyone who qualified. Our Southfield community was strictly a business venture directed to a particular segment of the overall building market. We never sold integration, we just sold houses.

Q. How did applicants qualify?

Bill: Under section 221 financing, first call on our houses had to go to persons displaced by new highways or slum clearance . . . of course this included Negroes. After the displaced were taken care of, we could offer homes to others under the same financing as section 221.

John: I think we should point out that if we would have depended on Negro buyers entirely, we would have been in trouble. Negroes comprise over 15 percent of the population¹ in Columbus but, financially, there were not too many able to buy our houses.

Bill: Actually, we didn't attract very many displaced persons at first. We were getting people who moved from housing which in turn was occupied by displaced persons. But we also got a lot of people who weren't affected by redevelopment at all . . . teachers, laborers, mail carriers, some professionals. At one time we estimated that approximately 35 percent of our buyers worked for local, State or Federal Government installations in this area.

Q. How do you explain such a high percentage of government employees?

John: Well, the reason is location. Southfield is close to Lockbourne Air Force Base, the Army Supply Depot and several schools. Frankly,

¹ In the 1960 Census, Negroes in Columbus numbered 79,321 persons, or 16.6 percent of the city's population of 616,743.

we bought the area because it was so conveniently located—only 5 miles from downtown Columbus and easily accessible from most major industries in the area.

Q. How did you get into building Southfield?

Bill: Our decision was based on a lot of background information including assurances of credit availability.

John: That's absolutely right. However, after we did commit ourselves and had the development under way, there were some damaging changes in the credit requirements which drastically affected sales. Section 221 financing was withdrawn except for those persons actually displaced by highways or slum clearance.

Bill: And as we said earlier, most of the sales were coming from persons not displaced. But, by buying homes, they were opening housing to displaced persons who could not afford to buy new homes.

John: To answer your question, however, we must go back to 1957. At that time, the city planned a new freeway system around Columbus which, combined with some slum clearance projects, was bound to eliminate a great segment of housing. Civic leaders became concerned that if something was not done, Columbus would wake up in 3 or 4 years and have a severe housing shortage in the low income area. In addition, new factories coming into town brought more workers in from the outside, further complicating the housing situation.

Bill: Dad had been active in community affairs for years and people knew his reputation as a builder and developer. Several groups approached him, encouraging him to undertake the project of supplying housing for low income families. After studying the situation closely, we made the decision to go ahead, providing section 221 financing was available.

John: We got the financing and we bought the 300 acres we thought to be ideal for the development. We planned it as a total community with various lot shapes and sizes—from 6,000 to 10,000 square feet—plenty of variety in street patterns with winding streets, courts, cul de sacs. We also installed gutters, sewers and utilities.

Bill: We planned for about 1,000 homes, 600 of which are up now and 400 more to go. We are now constructing a shopping center with additional space set aside for light manufacturing, schools and churches. We have separated the various types of areas by planned buffer strips.

Q. Have you made any changes since ground breaking?

Bill: Originally, all our houses were built on slabs, had three bedrooms and about 900 square feet of floor space. Then after a couple of years we were getting higher income applicants which required a change in the size and style we offered.

John: We found then we had to provide the increasingly popular split levels, two-story colonials and ranches. Basements became very important as did foyers and carports. Just recently we have added four-bedroom models.

Q. After 5 years experience, would you undertake a similar development?

John: No, not under the present circumstances in Columbus. That's because there is a terrific buyers' market in Columbus now. Also, 3 years after we started Southfield, section 221 financing was withdrawn from all except those actually displaced by the freeways or renewal. After that, we had to start FHA section 203 which required 3 percent down payment and larger monthly payments. It is easy to see this cuts down the number of prospective buyers.

Under 221, we sold for \$11,800—closing costs were \$200 and the monthly payments came to \$64.25. This price was hard to beat. Now we are up to \$15,800. A few of our buyers are going conventional. We're convinced that housing in this price range would move faster with liberal financing . . . financing like the original section 221.

Bill: We set up a work equity program to speed sales and about two-thirds of our buyers used it. People like the houses but can't swing the down payment. So we let them do the finish work to replace all or part of the down payment. Without letting them do this, we'd be in trouble on sales.

John: We let them do the planting, cleanup, seeding and painting. No structural work . . . we don't let them do any of that. Actually, we find that this program penalizes us on our FHA ratings when the inspectors come around. The trouble is that the buyers don't do as good a job on these things as we do. But the attraction of the work equity program offsets losing some points with FHA.

Bill: Incidentally, a real gripe we have is that we have not been able to get FHA for some apartments in the area. We know there is a real market in apartments for older people who want to live near their children and friends in Southfield but who can't afford to buy a home. FHA has turned us down twice but another developer has got some 221 (d) (3) going up and will take care of part of that market.

Q. How do Negroes and whites get along in Southfield?

John: That's one problem we haven't had. We have never had one incident in the area that could be traced to a race problem. I know of a case where a Negro family has three white neighbors. The four families have cookouts together, they take care of each others' lawns during summer vacations and there is a good friendly spirit. The interesting part is that the three white families moved to Columbus from southern States.

Bill: Along that line, we have been asked if there is any difference in the upkeep of the homes. There isn't. Drive down a street in Southfield and you can't tell from the condition of the home who lives there. When you find one in less than its best condition . . . you have a 50-50 chance of it being a white family.

John: We've surely been pleased, however, that nobody is really letting their house go to pieces. There seems to be a real esprit de corps. As I said, if the race relations were our biggest problem, we'd have nothing to worry about.

Q. Now what are your selling techniques?

Bill: The same as we would use any place. We get salesmen we think can sell the houses. Some are white, some are colored. But we don't assign a Negro to sell Negroes only and vice versa. Our sales-

men sell any prospect they can get. In our advertising, we have naturally used many media. Since Negroes were welcome in Southfield, we advertised in the Negro paper . . . we also used a radio station that programs for Negroes. But, we have used the general media, too . . . the daily papers, and other radio stations.

Incidentally, the Negro paper has been very cooperative. Several times when confusion has arisen, they have told the correct story, performing an educational function and helping us out.

John: We might say also that we have never written our ads or used illustrations that appealed to a particular segment of people. Not in the Negro media or others. The segment of the people we wanted were those who could qualify for a loan.

Bill: In addition to our promotion, we have always used a few extra sales motivators. From the beginning, we provided more than section 221 required . . . painted interiors, tiled floors, down spouts, shrubs and flower bushes.

John: And sod, too . . . in the front yard and 5 feet from the house in the back. And, we put in optionals that people like . . . brick facing and aluminum siding, for instance.

Q. Have competitors been unfair, urging people to stay away from your development because it was interracial?

Bill: Not that I know of. One builder bought property near us and has built about 80 houses . . .

John: But that's not unfair . . . it was just smart business on his part. He realized we had a good location and that we were drawing good traffic. As any developer can tell you, in this business its location, location and location. As far as I know, he sold his houses on open occupancy, too.

221(d)(3) Rental Units and Community Attitudes

MADISON, WIS.

■ In Madison, Wis., Negroes occupy 20 out of the 140 units in Northport, a new, moderate-income apartment project financed through a below-market interest rate FHA-insured loan under section 221(d)(3).¹ Finished in fall of 1963, the project was 100 percent occupied as fast as the units were completed. Some interesting facts about Northport and open occupancy in Madison are described below.

Local architects regard the two-story buildings as well designed. They also comment favorably on the project's considerable open space. The one- and two-bedroom units seem roomy. Parking space is ample.

The development has a good location—it is close to a shopping center, several work centers, and a major highway.

Rents at Northport are something of a bargain—between \$75 and \$100 a month.

"Most of the prospective tenants asked if Negroes are permitted," says the builder, Harvey Malofsky. "I look them in the eye and say 'Yes, they are.' Believe me, it's a pleasure not to have to make excuses that nobody believes to keep Negroes out."

Malofsky continues, "I told people who came to look at our units that a Negro might end up living next door to them, or maybe five buildings away. As long as a person passed a credit and police check—and we've turned down both whites and Negroes after these checks—he could have any apartment that was vacant. Only one man kicked, but he rented anyway. Other white tenants have volunteered their opinion that integration is working well here. They go further than that: they say the Negroes are desirable tenants."

Negroes represent less than 3 percent of Madison's population of 150,000—admittedly a small percentage, and not typical of many large cities. But the Northport experience challenges the myth that whites won't rent where there are Negroes. Northport demonstrates that whites *will* rent in moderate-income apartment buildings where Negroes are expected from the start.

Northport was built with Federal financing after the issuance of the Executive Order for Equal Opportunity in Housing, and is therefore required to be open to all races. It was the first project in Madison sponsored by the American Federation of State, County, and Municipal Employees. But before this sponsorship and before the Executive order went into effect, at least two other builders in Madison helped meet the pent-up Negro demand for decent housing. This happened

¹ Sec. 221(d)(3) provides insurance for below-market rate loans for housing developed in areas with a workable program by public agencies, cooperatives, non-profit or limited dividend corporations. On mortgages insured under this program, FHA waives the mortgage insurance premium and the mortgages are purchased by FNMA.

while various private and public acts were encouraging the concentration of local Negroes in one area at the opposite side of town from Northport.

There may be a connection between Malofsky and the people and actions to be introduced below: in the process of relieving the housing shortage for Negroes, the two other builders demonstrated that racial friction would not result from open occupancy; furthermore, the community actions provided the setting within which Malofsky worked. These matters seem interesting and suggestive in their own right, and perhaps indicative of what can happen elsewhere in the country ■

A CHALLENGE TO DO SOMETHING

■ Joseph Sinaiko, the first builder to help meet the Negro demand for decent housing in Madison, began in 1953 to sell homes to anyone financially qualified. "I guess I considered it a challenge to do something where others predicted I'd be doomed to failure," Sinaiko recalls. With financing from the Voluntary Home Mortgage Credit Program, he built in South Madison, an edge-of-town area whose population then was about 10 percent nonwhite. The 40 houses he put up there were inexpensive prefabs that sold between \$5,700 and \$12,500. Sinaiko used lots that had been tax delinquent and which he could acquire at low cost.

South Madison had a city park only a 5-minute ride from downtown. Yet the area was substandard; its streets were unimproved and lined with outhouses and one-room shacks. This part of town was so low in prestige, in fact, that Sinaiko thought his only buyers would be Negroes who were desperate to buy their own homes. To his surprise, however, as many whites as nonwhites bought. Whites bought first, snapping up Sinaiko's first eight houses. Because he wanted to sell to minorities as well, Sinaiko then had to go out and find a Negro buyer for his ninth house. Negroes in Madison had just assumed that no white man would build them new housing. Once it became known, however, that his development was an open one, 20 nonwhite families bought. Concurrently, 12 more white families also bought. Sinaiko experienced no difficulty in selling to white families the houses next door to Negro families.

Sinaiko's sales doubled the percent of Negroes in South Madison. But no panic-selling by whites occurred and no racial unrest emerged. Coming together occasionally under the active auspices of a neighborhood settlement house, representatives of both races joined together to successfully fight for community improvements and against industrial rezoning.

Today—11 years later—the outhouses are gone, and only two one-room shacks remain. The Sinaiko houses appear generally to be well kept, those owned by the Negroes as well as by most of the whites.

Over the years, Sinaiko's sales manager, Charles Smith, has talked to friends who owned duplexes and small apartment houses in all-white areas in other sections of Madison. Out of a concern for de-

prived groups he persuaded these landlords to rent to Negroes with the argument that the turnover of qualified Negroes would be low. Smith's argument proved sound. The attitude of the white residents living in the next-door duplexes and apartments was one of initial astonishment. According to Smith, the residents rather quickly came to accept their Negro neighbors, though.

Sinaiko meanwhile opened up other single-family tracts of his to Negroes. Whites living in those tracts say that their Negro neighbors became integrated into community life, including neighborhood lawn parties, the block's "pool" of babysitters, and so on.

For the past few years, Sinaiko has told Negroes who are looking for new homes, "If you come to me with the address of a vacant lot where you want to build, I'll arrange to buy you that lot and build you a good house there." As yet no Negroes have taken Sinaiko up on that offer. "They will, once their financial situation improves," he believes ■

OPEN SALES GOOD BUSINESS?

■ "My profit on a deal won't be much—building on an isolated lot and everything—but then I'm not out to make a million dollars anymore. Like anybody else, I need to make a living," Sinaiko says. "But I can do this by building housing for people regardless of their race."

The second builder to help meet that pent-up Negro demand for housing was himself a Negro. Calvin Harris had grown up in Madison, making friends with numerous white classmates at Central High. "They'd invite me to their houses on Gorham Street, and those houses were very nice, the nicest in town," Harris says. "Then they'd ask me, 'Why don't we go to your house?' Well, kids who are poor can be pretty sensitive. I had a clean house and a wonderful family, but I was ashamed of our house. So I never invited them. But the older I got, the more I became obsessed with the idea of someday having a home where I wouldn't feel ashamed to invite my friends."

Harris ultimately was able to acquire such a home by going into the building business, originally constructing garages and making additions to houses. Finally he obtained local financing to enter the construction business as a homebuilder. Harris built in the area where he had grown up, South Madison. His houses were well built and with a lot, they sold for \$13,200 to \$21,600. Although willing to rent and sell to all races, Harris found only Negroes did business with him. He expects some white buyers in the future, however ■

PRIVATE AND PUBLIC ACTS

■ Eventually some of the whites who bought from Sinaiko moved out of South Madison. Several heads of households got raises, consequently leaving for the larger houses they could now afford. Some married students who were living there graduated from the University of Wisconsin and then left town. Three families encountered financial difficulties. Another white household was broken up by divorce. Some-

times in these private transactions, departing whites were replaced by other whites, sometimes by Negroes.

In 1961, the Madison Redevelopment Authority began relocating people from two downtown areas that were to be razed and rebuilt. The authority asked 1,100 Madison families whether or not they would show their rental or sales units to nonwhites. This question, asked by telephone, provided only 151 listings.

South Madison then accommodated almost 25 percent of the Negroes from one of the redevelopment areas, but only about 2 percent of the whites. Additional Negroes came to South Madison from the other redevelopment site.

At the end of this publicly assisted relocation and the privately arranged sales and resales of Sinaiko's and Harris' houses, South Madison was 70 percent Negro.²

In spite of this concentration, there are indications that Negroes may not be limited just to South Madison but may be gradually welcomed throughout Madison. A handful of realtors now show and sell houses to Negroes in all-white areas. Another sign—in October 1963, a small local committee was able to obtain, in less than three weeks, 2,000 signatures on a petition favoring equal opportunity in local housing. White signatories—the bulk of the 2,000—represented all residential sections of Madison. Finally, in December 1963, the city council approved an ordinance prohibiting racial discrimination in housing. This approval followed realtors' attacks on the ordinance in newspaper advertisements, support for the bill in newspaper editorials, two full sessions of Council debate, and a 11-11 tie vote on the matter in Council. Then the mayor broke the tie and 18 months after it was first drafted, Madison had a fair housing law ■

THE PROOF OF THE PUDDING

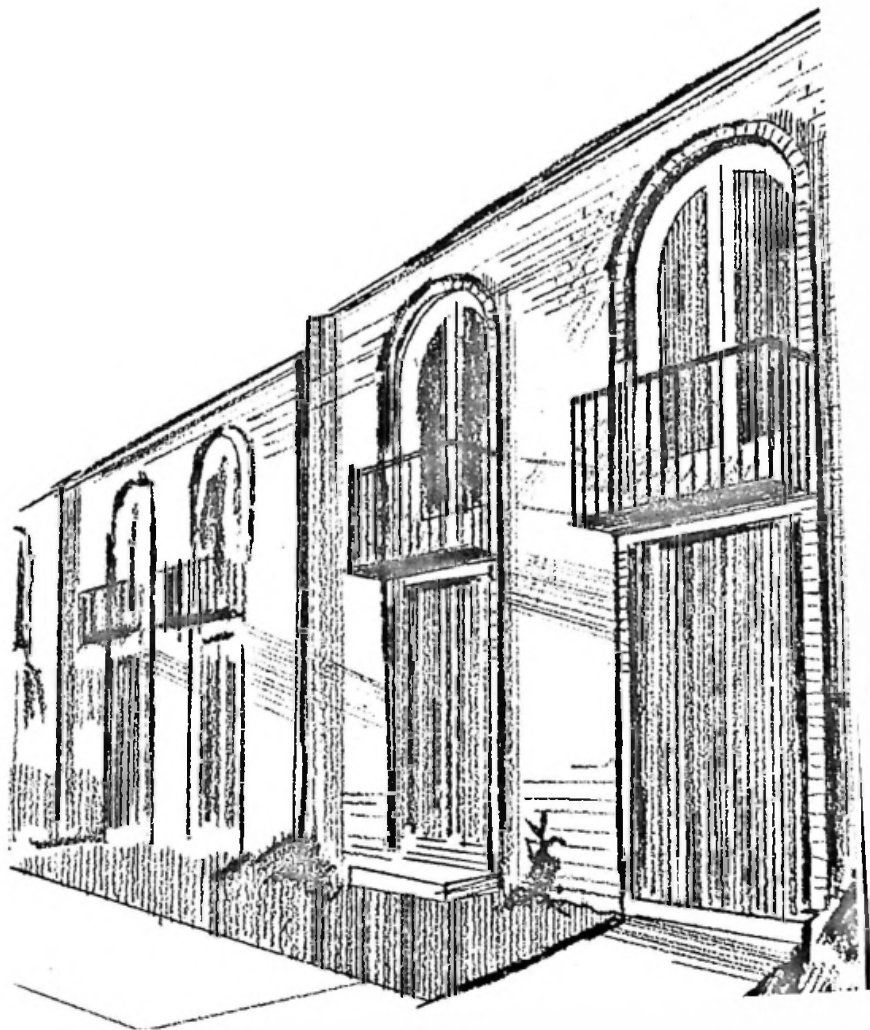
■ The same sponsor started construction in May 1964 of an additional 140 unit 221(d)(3) project across the road from the original development. Controversy over zoning of this site resulted in a hearing before the city council. At the council hearing 30 white residents of the first development appeared to argue the case for the open occupancy developer, testifying to their own welcome and acceptance of their Negro neighbors. Malofsky says he will again tell prospective white tenants, "Yes, Negroes are welcomed here." And, like his present open-occupancy project, he expects moderate-income whites and nonwhites will quickly occupy the units.³

² Other displaced Negroes were scattered throughout 18 of 32 different districts, a few of which had been all-white. (Most of these districts were census tracts in Madison, but a few were City Plan Districts and county districts.) Displaced whites, on the other hand, were relocated in 28 districts, having had a choice of 10 more districts than the Negroes had.

³ The new structures for which basements were dug in June 1964 represent exciting innovation in low cost rental units. One hundred and twelve of the units will be two and three bedroom townhouses of attractive design; 28 units will be one bedroom garden apartments. The whole 140 units will be centrally air conditioned to accommodate the upstairs bedrooms and flat roof design. It is felt that this feature will help keep the units competitively attractive over the 40-year financing period. Rentals will be \$79.00 for one bedroom apartments, \$84.00-\$96 for two bedroom apartments, and \$108 for the three bedroom units with 1½ baths.

OPEN OCCUPANCY —A PRACTICAL APPROACH

*An interview with Edward Eichler, President, Eichler Homes, Inc., Palo Alto, Calif.,
one of the Nation's largest homebuilding firms.*





OPEN OCCUPANCY A PRACTICAL APPROACH

INTERVIEW WITH EDWARD EICHLER

■ Eichler Homes, one of the largest developers in the State of California, has had an announced open occupancy policy since 1955. In this interview with Edward Eichler, president of the firm, the reasoning behind implementing this policy is discussed as well as its effect on sales and profits. Community and neighborhood reaction is described within the context of several specific developments where Negroes and other nonwhites have purchased. Sales techniques developed to overcome possible market resistance are also explained in detail. Mr. Eichler concludes with the statement that sales to Negroes have not hurt his business. He also makes some general comments as to what he thinks is the responsibility of the building industry. The interviewer is Marshall Kaplan, Division of Urban Studies, Office of Program Policy, Housing and Home Finance Agency ■

HISTORY OF EICHLER HOMES

Eichler: The company started in 1948 with a tract in Sunnydale, Calif. At that time our homes were priced at \$10,000 to \$11,000. We used VA insurance primarily.

For the first year or two we built 100 homes a year. Our first contemporary homes were built in 1949. By late 1949, we were building some higher priced homes in the \$20,000 to \$25,000 bracket.

We started developing more than one subdivision at a time in 1950. By then we were building 250 units a year—a pattern that continued through 1955.

Kaplan: Are you the largest home builder in California in the price range in which you operate?

Eichler: Possibly the largest in the United States in the price range. For the past 2 years we've been doing about \$19 million worth of business a year. Of that amount, about \$1,400,000 represents sales and administrative costs.

Kaplan: And what does the outlay of \$19 million mean in terms of units?

Eichler: That's a little over 700 units a year, in various locations, mostly single family houses, you know. We are now involved in some redevelopment, high rise and garden park developments.

In 1955, we branched into what is called a mobile operation, with subdivisions going in several different places at one time, now we have about 12.

Question: What is the total number of units you have built to date?

Answer: About 2,000. I would say out of about 700 houses a year, about 30 to 40 houses are sold to Negroes. Maybe its going up gradually a little bit as Negroes go up in the economic scale.

SECTION ON A POLICY

Question: Did you always sell units on an open-occupancy basis?

Answer: From the earliest date, we always sold to orientals. I think the first time we sold to an oriental was in late 1950 or 1951 in the area. This was the first time this issue ever came up. Some people in the neighborhood were a little upset when he made the move and during the period before he moved in. It was nothing of any great proportion.

Question: Did you lose any sales?

Answer: Not that I know of. We may have lost a few, but it was not a big loss. From that time, say early in 1951 to 1953, we sold a considerable number of orientals here and there. We were building mostly relatively small subdivisions around Palo Alto.

We were selling the bulk of our houses at about \$13,000 to \$15,000. However, several houses were in the \$19,000 to \$25,000 range. I don't recall whether we sold any homes to orientals in the higher priced subdivisions. In any case, there were very few problems. It was such a minor issue that we didn't pay any attention to it.

Question: What was the community's reaction to your selling to orientals? Was there any overt pressure? For example, changes in zoning, subdivision regulations, etc.

Answer: No community reaction at all.

Question: When did you begin to sell to Negroes?

Answer: Now, I was in the Army from 1952 to 1954 so it is not clear to me what happened during that period. I think it is possible that a few Negroes came around. Without any conscious maneuvering on this, however, they may not have been motivated by the salesman to the same degree that he would motivate a white-Negro buyer. This kind of thing is hard to

detect, because if we asked a salesman about this years later, we might not get a straight story. We were not faced with any management decision. Nobody came and said, "Hey, there is a Negro who wants to buy a house, he's bothering me; or, should I sell him one?" or anything like that. The first instance when it came in view of the Eichlers was in the fall of 1954. Before 1954 my father and I never discussed the subject.

Kaplan: What happened in 1954?

A PALO ALTO SUBDIVISION

Eichler: In the late fall of 1954, we had started a subdivision in Palo Alto. There were 243 houses, and it was called Greenmeadow. We had made a number of commitments in that subdivision different from any we had previously made. It was the first subdivision we had done (and probably the first one in the country) in which there were to be planned community facilities—a nursery school, a swimming pool, and a park—as an integral part of the subdivision. Naturally, we had quite a few problems with the city trying to get it worked out. The second thing about this subdivision was that we had committed ourselves to a higher price range, in greater volume than we had tried before—\$16,950 to \$19,500. Before this development we had never committed our major operations to anything above \$16,000 per unit, although we had had some houses over that.

Kaplan: Was this all FHA or VA?

Eichler: They were all FHA and VA. The subdivision was an enormous success. We had sold, I would guess, about two-thirds of and had built almost a third when this particular event I am about to describe occurred.

I was working in the office one night when a lady called me up. She said, "Do you discriminate in the sale of your houses?" She also said, "Do you sell houses to minorities?" I never heard this question before. I had done some personal selling, but for the most part I directed sales operations, so I said to her, "Well, I don't understand what you mean." "Are you a member of a minority asking if you can buy a house, or are you asking this for academic reasons?" She replied that she was a member of a minority; that she was a Negro and so was her husband. She said that she was renting a house in Palo Alto, right across the street from our subdivision in a lower price unit.

Kaplan: Do you know what the reaction had been to this family in the subdivision in which she was renting?

Eichler: No, but apparently it must not have been any great problem. I would assume if there had been any major reaction we would have heard about it.

The owner's desire to move apparently had nothing to do with any problem in the neighborhood. They wanted to buy a better house. It was a small two-bedroom house and they had two kids, I think. The lady on the phone told me she was working, I think she was a nurse in a hospital, and she asked me if I would pick her up and take her to her house to talk with her husband. I did this. In the conversation, I found out that she was a West Indian, and not an American Negro, but that her husband was an American Negro. Her husband was a scientist who taught at Stanford and also worked in a laboratory.

Kaplan: Had they actually been to your subdivision?

Eichler: They had been to the subdivision and they said they liked our houses. She asked, "Will you sell us the house?" Well frankly, I told her the issue had never come up and that I would like to talk to Mr. Eichler (my father) about it. His reaction was somewhat "why are you bothering me about this," "I've got a lot of problems and I haven't got time for these little problems." I went back to these people and said, "O.K., go pick a house and make a deposit and we will put it through the regular procedures."

Kaplan: Did you call your salesman in on this?

Eichler: They picked out a house and I think I took the deposit myself, although I don't recall. Let me say that the salesman was aware of it. I think he had no attitude toward the matter in one way or another. He probably had some of the usual prejudices, he was probably worried about how it would affect his income. Although he lived in the subdivision, I don't think he was personally concerned about Negroes. Like the average man in that situation he was immediately concerned with its affect on sales.

Kaplan: Did you say that there were 80 houses left?

Eichler: Yes, out of about 204. The house they selected was one not yet built. It was just started. It was on a cul-de-sac, and I think all the rest of the houses on that cul-de-sac were sold. I know that the houses on either side were already sold. They went through all the usual procedures, processing the loan, picking colors, asking for changes; the usual things buyers do. In the process of this they went out to the house while it was being built. They were noticed by some of the people who also were doing this, and by other people who had already moved in.

There was very, very little feedback to us from this. Oh, a few people called. Some of them came to me and talked with

some hostility. They were disturbed about property values. They were, however, somewhat defensive in that they disclaimed any prejudice from the start. I think in some cases these disclaimers were accurate. In only one instance was there any overt action of any kind. I told most of these people that as we construed the law I felt that when we sold a Federally-insured and financed unit, even though the law was not being enforced, we were required to sell to any qualified buyer. I also added that we recognized most builders were not doing this.

Kaplan: What law did you use? This was still 1954.

Eichler: We just took the basic position that the Supreme Court of California finally took.

Kaplan: Even before they took it?

Eichler: Yes. I never hid behind the law though. I admitted that it was questionable whether it was or wasn't the law, and besides many builders were violating it in any event. But I told these people that I didn't think there would be any problems. This was what we were going to do. I thought that if everybody calmed down, there would be no problem. There was one interesting little incident with the people who bought the house next door.

Kaplan: What was the one incident which happened when the Negro family purchase became imminent?

Eichler: These people next door were kind of bothered. The husband came to see me without his wife, and during a very interesting conversation told me he didn't think he could move into the house. By this time the house had already been finished and he had closed on it. He said his wife was very disturbed about the Negro moving in and that these were not economic concerns, but concerns relative to the actual social relationships which might ensue. He wasn't trying to talk me or Eichler Homes out of what we were doing since he thought it was the right thing to do. But he was in this personal situation. He didn't think he could live there. His wife would be very unhappy and he asked me what could we do about this. Would we buy the house back from him, or do something to help him? We bought the house back from him. We resold it, shortly thereafter, to someone who knew there was a Negro living next door, and happened to know him. But this was pure accident. He came to the model home in a routine fashion. It just happened that he knew the Negro family. This Negro family lived in the subdivision in which I also lived for a couple of years, for about 5 or 6 years, or maybe

more. They moved when the husband was transferred to Chicago.

Kaplan: There were no other overt community reactions?

Eichler: The most interesting thing about it was that there was flat out nothing. Everything went smoothly.

Kaplan: What about the kids?

Eichler: The kids? Their kids swam in the swimming pools, etc.

Kaplan: No community reaction? No ostracism?

Eichler: No. I must admit that our houses, particularly in those days in Palo Alto, were attracting a somewhat special kind of person. There were a number of college professors, and other intellectual types. Yet, it seemed that even in our other subdivisions we had people who would likely be more tolerant about this just because their educational level was higher. I surely don't want to put this on the grounds of political liberalism, because I would guess that there were about as many conservatives in our subdivision as in any other. I'm sure that the Negro was accepted more on the basis of just a general tolerance. Also occupancy by the Negro family was made easier because the subdivision was so successful in terms of design and reputation. I know Negro occupancy proved no barrier to future sales or resales.

Kaplan: One general conclusion that you are apparently making is that the people were concerned more with the quality of housing than with the Negro occupants.

Eichler: Right. I think that there was some luck in this because the market was strong. Our market was especially strong. We were a very dominant force in Palo Alto, very.

Kaplan: Was there any loss in sales time because potential customers were scared off when they heard or saw that you sold to Negroes?

Eichler: No, I don't think so. I don't think it happened here. On the other hand that might not be true in other cases. This subdivision was nearly all sold out by the time they moved in. I can tell you that it turned out to be one of the most fantastic subdivisions we ever built. Many people don't even sell their houses through real estate brokers. It has become a very snobbish place.

Kaplan: Did other Negro families move in?

Eichler: I don't know whether any other Negroes moved in by resale since then.

Kaplan: Did the Negro that moved out after 5 years sell it to another Negro or white?

Eichler: I presume they did not sell it to another Negro. I am not sure they didn't.

Kaplan: Did he sell it himself or through a real estate broker?

Eichler: I don't know. I would say occupants rarely used a broker. The prices went up over \$10,000 in a 7 or 8 year period. Now in all houses the prices went up, but these in this subdivision they went up much more.

Kaplan: In other subdivisions that you built at this same time did you witness the same appreciation in your prices?

Eichler: No. We have had good appreciation in all our units, but that is the greatest it has ever been.

Kaplan: When the Negro family sold their specific house, did they receive the same rate of appreciation?

Eichler: I don't know the final sales price for this particular house, but there's no reason to assume it would be any different.

Kaplan: During the time that the Negro family was there were there resales in that cul-de-sac by other occupants?

Eichler: I don't know. We never followed it after that. I know people who lived in the cul-de-sac. I never heard of any trouble. I know some houses were sold. There was rather a high order of resales as there is generally in the area. I guess the nature of the employment base (research and development) is such that people are mobile.

Kaplan: Do you know the general percent made on resale?

Eichler: Oh, maybe as high as 50 percent.

Kaplan: What is it per year? What is the appreciation per year?

Eichler: I don't know. I suppose it's between 5 and 10 percent.

Kaplan: When did the next Negro buyer come to you?

Eichler: The next time it came up, it came up in a different way. Again, we had neither developed the techniques nor a philosophy. We did it once and it turned out all right; and everybody forgot it. In 1955, a year after the first sale I described in Palo Alto, a

couple of doctors (who had bought houses in our subdivision in San Rafael) came to see me. I was not selling houses personally in the subdivision.

We had then sold in this subdivision 50 or 60 houses. It was very early in the staging. We had built and sold most of the first group, and had a few finished, unsold houses. Houses sold from \$16,950-\$19,000. We were just starting some more. We owned a terrific amount of land, the equivalent of maybe 600 or 700 lots, which for us was a great deal of land. We never owned that much land before.

Kaplan: This was in San Rafael, Marin County, only?

ANOTHER SUBDIVISION—SAN RAFAEL, MARIN COUNTY

Eichler: Right, and that one subdivision had been built and planned by another builder. He built about 300 houses. He was unsuccessful for a variety of reasons and sold out his interest to us in 1955.

Kaplan: Had you announced, when these doctors approached you, a general policy of open occupancy?

Eichler: No. We just sold to that one Negro. These doctors came to see me and asked me if we would sell a house to a Negro. I asked them to please explain why they had come 50 miles just to ask me this question. They said it was because they had a Negro friend with whom they both had gone to Harvard Medical School, and who was now in the Air Force at Hamilton Field. He was going to get out of the service in a few months, wanted to use his GI eligibility and was going to be a radiologist in some local hospital. They thought he was a great guy. They knew generally what the real estate situation was. They thought it would be great to get him a house. I told them I would certainly sell him a house. Tell him to go out and pick out a house and he did. He selected a finished house but, he would not be eligible for a GI loan until he got out of the service in 3 or 4 months. We didn't like holding the house that long but we did do it for other customers. He had a valid reason, and so we made a contract for him to close the deal, after he was discharged.

Kaplan: Was this pending sale known in the general area?

Eichler: Yes. After I took the deposit the buyer went out one Sunday with his wife and child to look at the house and the landscaping. A month or a month and a half went by and I forgot about the whole thing. Then I got a phone call from a fellow who lived in one of our houses. He was very disturbed. He asked questions like, "what are you doing to me?" "I have all my life's savings in the house." Then he said he understood that a Negro was buying

a house in our development. Incidentally the house the Negro was buying was as far away from his house as it could be. Granted there were only 50 or 60 houses, but it was way on the other side.

Kaplan: How did you answer this individual's questions?

Eichler: I explained to him that I didn't think this was a problem. Besides, I told him I just didn't think it was any of his business, and that I thought he was getting upset for nothing. I assumed that someone else must have frightened him. That he didn't merely observe a Negro looking at the house.

Kaplan: What type of person was this gentleman?

Eichler: He was an artist. My "prejudices" were that it was unlikely for an artist to have this kind of reaction. Also, frankly, he had a very small investment in the house, which I thought would limit concern. I learned from this experience and a lot of others that the size of the downpayment people make had nothing to do with reactions to this issue or any other issue. People with a no-downpayment GI deal will feel they have just as big a stake as somebody who pays cash for the house. Frequently, bigger. In fact, I would say that the people on all kinds of issues I've had the least trouble with have been the people who make a very large downpayment or who have paid cash.

Kaplan: Any other community reaction?

Eichler: Well, from then on, I began to get rumblings from the salesman. It seems there were little groups forming. There were some ringleaders who were trying to foment feeling in the community. I said to the salesman, "okay, keep me informed," but I didn't want to make a mountain out of a mole hill by investigating what might just be minor conversation. Finally, the salesman (who was personally committed to open occupancy and a man whose judgment I relied on, who lived in the community), said to me, "This is getting serious. There are about 20 people up here who are very upset. There are meetings. There are about two or three major ringleaders and there's going to be some sort of trouble." He thought I should get involved.

Kaplan: What did you do?

Eichler: I told the salesman to get this group of people together so I could talk to them. Before I talked to the whole group, I spoke to four or five of the people immediately around the house the Negro family had selected. Almost everybody had moved in by then except the Negro. I asked them if they knew of the pur-

chase by the Negro and they said they did. They told me there were some people in the neighborhood bothering them about it and that there was a lot of discussion about it. I asked them how they felt. Now, one of the four was one of the doctors, so obviously his reaction was favorable. The other three replied variously: "I'm too busy," "I'm landscaping my house," "I'm trying to pay for the furniture and the kids are running around," "I haven't got time for this sort of thing." "I don't care." However, none thought it was wonderful. And I think if I'd been able to say to them "here's an absolute choice, you won't be hurt by preventing them from buying a house, we'll have a vote here and if you vote not to have them buy a house, they won't," they would have probably voted against it, on the grounds that it was a foreign thing to them. As it was, most didn't overtly care. They had other problems.

I did then meet with the eight people whose ringleader threatened me physically and with all sorts of actions. One of his threats was that he would put in front of his house, which was located on the way to the model house, a big sign reading, "Eichler Homes sells to Negroes." Again, I tried to explain to them that I thought that our actions conformed to the law, but that this was not the principal reason we were doing it. I told them we were going to do it, and if they felt that it was going to hurt their property values, we would consider buying their houses back from them. Furthermore, we had an enormous investment in this additional land, and if we thought it was going to hurt the property values, we would not do this kind of thing. I said that they had to be the judges of what they would do. We weren't telling them what to do and they were not in a position to tell us what to do. Well, they claimed we had a responsibility to the community not to sell to a Negro. I got nowhere in this conversation. They didn't convince me and I didn't convince them. I suspect that some of the people in the group got out after this conversation. Some of the talk and activity, however, kept up. It was frightening more and more people who otherwise would not have been aroused.

Kaplan: Was there any outside influence behind this?

Eichler: No, except that brokers began to use this against us in a competitive sense. It was easy, since as you know, Marin County had relatively little experience with Negroes. Prospective buyers would talk with us, and then they would talk to a real estate broker. He would say, "Well, you don't want to live there, there are Negroes buying there." Several people who finally bought houses from us informed us of this. Some brokers even called us and said they didn't think we should be selling to Negroes—we were hurting the county.

Kaplan: After your visit, did the adverse reaction subside?

Eichler: Well, the rumblings continued. We got some pro and con letters on this but we were trying to stay out of it as much as possible. We didn't want to give it credence by agreeing to many meetings and polarizing our relationships with people on this issue. We did have another meeting with this group. My father attended. He invited everybody interested in the matter; it was a broader group of perhaps 20 or 25 people. In a rather severe tone, my father told these people substantially that he was damned if they were going to tell him what to do. He put it on a very personal basis; that he had a bigger investment than they did; that after all, it was his property and his decision. They had a right to take whatever legal or other action they wished about moving and selling their houses. He offered to buy their houses back from them. He made this specific offer to the two ringleaders. They immediately refused, saying their houses were worth much more money than when they bought them. Why should they sellout? Why should they give up their houses? Well, apparently my father's strong stand knocked off most of the opposition. Except the fellow I referred to earlier. He did put up a sign on and off for a few weeks but as soon as the Negro moved in everything stopped. We never heard any more about it.

Kaplan: No incidents?

Eichler: Nothing. It proved a point to me that has been with me ever since. The only useful control I see generally and definitely is that if you are going to sell a house to a Negro, once he makes the deposit, once he becomes a buyer, try to get him moved in as quickly as possible. You'll get a large number of people who are apathetic, you'll get a small group strongly in favor and a small body strongly opposed. The opponents will probably be able to add to their ranks by fear or by action. Once the sale is made, however, and the family has moved in, people are faced with a fait accompli. Only the fringe will react. A person won't cut off his nose to spite his face when nothing is to be gained.

Kaplan: What about publicity. Being that you were the first, and still one of the few builders to operate on an open occupancy policy in California, did the radio, TV, or press react?

Eichler: We tried consciously to minimize all publicity and carry on this policy as a normal business procedure.

Kaplan: Was the reaction in your San Rafael development complemented by pressure from any local government agency? Or from local financial institutions?

Eichler: I never observed anything of this nature.

Kaplan: In your whole operation until then, how vulnerable were you to delay because of possible market resistance due to Negro occupancies?

Eichler: We have always been an under capitalized company, as is almost every builder. We had to keep up volume, because we had a big investment in this land and payments to make on it, as well as overhead. It would have been disastrous if it had had a serious effect in slowing down our projected sales. We did not assume, however, that this was going to happen, and I suppose even beyond this, we just thought that was the chance we had to take. From then on, we decided certain things. We knew we would have to face this question again and again.

A DEFINITIVE POLICY EMERGES

Kaplan: This was what year now?

Eichler: This was some time late in 1955. We decided that we would continue to sell on an open occupancy basis. We would try to establish a clear policy understood by everybody in the organization. But we would seek the smallest amount of publicity possible outside the organization. This position wasn't all developed in a day. In fact it developed over at least the next 6 months.

We were going to treat it as a business decision, not as a solution of social problems. Therefore, every aspect of the operation would be one in which we would simply treat Negroes like any other potential buyer.

We even sold some more houses to Negroes, so that while at first it caused us a little more trouble than we would have had otherwise, the net effect of Negro buyers wasn't very harmful.

Kaplan: In that subdivision did you try to delay sales to Negroes, or once you sold units, did you try to avoid grouping?

Eichler: We did very little except to try to prevent, in a couple of instances, a certain amount of bunching.

Kaplan: How did you go about doing this?

Eichler: We just asked people to select house No. 1 instead of house No. 2. We played it straight and told them why.

Kaplan: What reaction did you get generally?

Eichler: One man was slightly upset about this but he did cooperate. The other man saw the problem immediately. We did not in any way demand action by them. My general conclusion was that the rather rapid pickup in sales indicates that the Negro influence was not the major cause of earlier troubles.

Kaplan: How many units are in that particular subdivision?

Eichler: There will be a total of 400 units. There are now (fall of 1963) 150 built. We programed the first 200 units in 100 unit stages.

Kaplan: What is the percent of Negro occupancy now in that particular subdivision?

Eichler: Probably 8 Negroes out of 150, 6 percent.

Kaplan: Is that the highest Negro occupancy in any of your subdivisions?

Eichler: Probably. But you know it's unrealistic to state this in percentages. If you went from 6 percent in one, to 8 percent in another, you could say that there was a one-third rise, but of course in actual fact it may not mean much in actual number.

Kaplan: In your Alameda County project, the first buyers were Negro buyers.

Eichler: I think 6 out of the first 70 were, but it wasn't like selling 6 out of the first 8. They were fairly scattered over the sale of 70 houses.

Kaplan: But even that is a fairly high proportion to have in the first 70 houses.

Eichler: I know.

Kaplan: Did you at any time have your salesman try to delay the sales to Negroes or delay their moving into the projects until you got more of a percent of whites?

Eichler: No. We discussed whether we would or should try to delay sales. We decided not to. In the first place, we decided we were not faced with a really severe situation, and secondly, we didn't even know how to do it. I suppose there might be a stage, in some subdivision under certain conditions when a builder would have to face that.

SAN FRANCISCO—TWO EXAMPLES OF SUCCESSFUL DEVELOPMENTS

Kaplan: You have built in the central city in San Francisco—right next to public housing. Have you felt that this location hurt your sales? Have you sold to Negro occupants in these particular projects? Do you contemplate it? Is your policy the same when a Negro comes into your developments in this kind of area?

Eichler: Well, we have a subdivision in San Francisco consisting of townhouses selling from \$28,000 to \$30,000. It is in a peculiar area. It's an old area near the Cow Palace, characterized by lower middle class units with some scattered higher priced houses. The location in general isn't very attractive and the population is very mixed. Right near my subdivision is a large old public housing project built before World War II. It has about one-third Negro occupancy. The Negro families are, of course, quite visible. How the presence of Negroes in that public housing project is affecting sales, I don't know. But we sold some of the townhouses to Negroes. We have sold about half the project. Upon completion there will be 211 units. To date, we have sold to about the usual percentages of Negro buyers—4 or 5 percent.

Kaplan: This is interesting. Next door to one of the old public housing projects which was built under the toughest cost restrictions and minimum amenities standards of pre-war, you have built a fairly high priced development. You have sold to Negro and white families and sales are continuing at a satisfactory rate.

Eichler: Selling our townhouses to Negroes, I think, has almost no effect on sales at all. No greater effect than it has in any other circumstance. In fact, if the general market were truly open, it's quite possible that the middle class Negro buyer would be as bothered about this location as the middle class white. I think this is a class distinction. It's the middle class family saying, "I don't want to live next to the lower class family." Now, this is a real problem. I don't think anybody should say that it isn't. I think, however, that it has little to do with race, except that most whites associate Negroes with the lower class.

Kaplan: You said sales were slow after the first spurt of buying after you opened up in this project. Might you attribute this to your sales to Negroes?

Eichler: No, I don't think so. Sales have not been as fast as we thought. Let me explain that. They were very fast at the start. I think this is probably due to an untapped reservoir of people wishing to live in San Francisco, who couldn't get houses anywhere near this price, size, and quality. It may well be that we have used up some of that reservoir. This is not an uncommon situation. Now we are faced with the usual tough market and selling situation. I don't think we're selling slower than any other builder. There is another builder selling slightly smaller units for slightly less money in the immediate neighborhood. I think we are selling at a faster rate than he is.

Kaplan: Does he sell on a white only basis?

Eichler: Yes.

Kaplan: Then you don't attribute any negative market factors here to the fact that you have sold to nonwhites?

Eichler: Not here. Though in general, as I outlined before, our general policy probably affects some people in terms of their decision not to come at all or to use this as their reason for not buying. Open occupancy in the townhouses is of no greater impact than elsewhere. In fact, it may be even less because whites are buying in the city, and they probably have a lower expectation of total segregation, in the city. Whether that's an accurate expectation or not, I think is unimportant.

Kaplan: What about your project in downtown San Francisco in the renewal area? Did you run into problems there?

Eichler: All that consists of now is 72 units of garden apartments which are quite expensive, \$35,000 to \$36,000. Twelve of them are for rent for about \$260 or \$275 a month. They are quite large, three bedrooms, even a family room. We sold one that I know of to a Negro and one is rented to a Negro.

Kaplan: To what degree did the school factor in the area affect your sales?

Eichler: The elementary school in the neighborhood contains a large percent of Negroes, and draws from the public housing project. Our housing units are pretty big and are designed for families with children. To that degree, I suspect that the neighborhood has hurt sales. In other words, in a situation similar to the other one in San Francisco, a class distinction is evident. The whole question of the nature of schools reflects the attitude of people concerning the situation faced by their children. This is likely to be an important factor. Again I think the selling or renting of units themselves to Negroes has nothing to do with that. This is an economic and class distinction, equally applicable to whites and Negroes.

Kaplan: Then the Negroes themselves that buy in Eichler Homes would feel the same way objectively as the whites do about the school situation?

Eichler: That's right. The big difference between the Negro and the white is that the white can say well I am sorry, I don't want to live there. I'll go out and live in the Pacific Heights or some place else—in an older house or in an apartment. He will pay more money or make other sacrifices in order to stay out of what he conceives to be a "bad" area. The Negro has no such choice.

NET EFFECT OF POLICY

I guess I pointed out earlier that it's been a known fact for at least 4 years that Eichler Homes sells on an open occupancy basis. This came about largely because of certain public disputes we had with the San Francisco Home Builders Association over their policy on open occupancy housing. As you know, my Dad resigned from the association. Despite the public awareness of our policy, we haven't had the rapid influx of Negroes that many people predicted we would have in this situation.

Kaplan: You have attributed this to the socioeconomic and cultural gap. Isn't it a reflection of the price scale of your homes?

Eichler: Yes, in part, although the average house in California is going at \$18,500 and we have built some subdivisions since 1959 in the low twenties—\$19,500 to \$21,000. These, therefore, are only slightly above State average so that you would expect, if the traditional view were correct, I would think, a more rapid influx than what actually occurred. I didn't expect a massive Negro market. I don't think, even in a lower price range around most metropolitan areas and suburban communities, that if one of the major builders just quietly decided that he would sell to Negroes, there would be any great influx. Certainly if all or most of the major builders did it, even with a great public announcement about it, there wouldn't be any great problem.

Kaplan: What effect has your open occupancy policy had on total sales?

Eichler: It probably varies. There are more Negroes in some subdivisions than others. Our range is from 2 to 8 percent. I would say that our policy kept some people away. Yet, in some areas it has had some good effects. Overall, it has not hurt our business.

Kaplan: Does the effect of Negro occupancy vary by subdivision, by area?

Eichler: It think it has no effect in some instances. I can't think of anywhere that it has increased net sales. We have had some cases where people called me up and said, "I understand you have sold houses on an integrated basis. I want my kids living in that kind of community." I had this happen to me about 2 weeks ago in Los Angeles. A fellow who never had seen an Eichler Home bought one just because of our open occupancy policy.

I think where a buyer or prospective buyer signifies openly to the salesman, either before or after he has made a deposit, his uneasiness about our policy we would probably win over the buyer. If someone is really interested in buying a house and

then he says he is worried about property values, in cases like that we win 9 out of 10 times. The other 1 out of 10 is a lost sale, but we might have lost that 1 anyway. There are people who never even bring it up, but are negatively influenced, or who never come at all because of our open sales policy. You never find out who those people are. Others come, never communicate with the salesman at all about this and so you never know if open occupancy is an issue. Our policy is part of what I think is a special attitude of responsibility to the industry and to the community. This includes producing a good product in a well-designed community. You know there is a right way and a wrong way to do things. I think that it is this total philosophy that is causing our economic success. We have carved out a very important niche in the market.

SALES TECHNIQUES

Kaplan: What special sales techniques have you developed, if any, to meet any market resistance?

Eichler: Well, first of all, I evolved a policy under which no answer would be given to people on this question unless it was asked. For instance, if a buyer did not raise the question, he would never hear anything about it from our salesman or us. If he asked first if we sell houses on an open-occupancy basis, our answer would be: "yes, we sell houses to any qualified buyer." If he asked, "does that mean that you sell houses to Negroes?" the answer would be, "yes." If he asked, "are there any Negroes in this subdivision," the answer would be "yes" or "no." If he asked, "is this Negro on this block," the answer would be yes or no depending on the fact. If he came and said, "are there Negroes living in that particular house," the answer would be "yes" or "no." We would reply only to the question. That he asked if a Negro was in the subdivision, would not be interpreted as asking if a Negro lived next door to the house that he was interested in. If a buyer didn't ask whether there were Catholics, Jews, or other groups in the subdivision, we wouldn't volunteer the information. If we were asked, "are there some of these people around," we probably wouldn't run around with the buyer in a car and point out homes owned by any particular kind of person. We would probably say, "yes, there are some around" or we would say "no, there aren't any around."

Kaplan: What about your answer to the perennial question relative to the Negro and property values?

Eichler: Well, the salesman when confronted with the question of open occupancy or the existence of Negroes, and the whole question about property values, answers the prospective buyer who raises the question in several ways. He has all the usual responses

ranging from "it's the law" to "it's morally right." He can tell of our own experiences in the resale market; all of our houses have gone up in value at least as much as houses of comparable price in the area. He emphasizes that point more than the other two. He might also use this very interesting and forceful argument: the only time that the existence of a minority group, particularly Negroes, leads to devaluation, is when there is panic selling by whites. Therefore, because it is rather well known that Eichler Homes sells on an open occupancy basis, there is not likely to be panic selling if Negroes buy a house in one of our developments. This is true because the whites already know about our policy when buying, and the whole neighborhood also knows this. Therefore, it is no longer something to panic about. It's going on; it has succeeded. Who would get panicky about other Negroes buying in the subdivision?

We found we had a powerful argument. In a sense, what we're saying really is that our policy is almost protection. If you move into a neighborhood where houses are sold on an all white basis, the chances are that this cannot hold up forever. When a Negro does move into that neighborhood, panic selling might follow. The Negro moving in would be an unfamiliar and unexpected event.

Kaplan: Your policy doesn't vary at all in any locations. I mean that you will sell to any qualified buyer who comes to you asking for a house?

Eichler: Yes. Now the only things we do in terms of control is that we do tell the salesman to watch for a chance situation in which several Negroes are bunching. In most cases, the Negroes themselves will prevent it, if they are aware of it. The salesman will, if two or three Negroes are in a cul-de-sac, and a fourth comes along, try to influence the choice of a unit to prevent bunching. Rarely has this happened. Only in three subdivisions has the subject even required consideration. Even in these cases if the Negro said, "I have looked at all your units and I want that house. I don't care if your arguments are valid, that's your problem, buddy." We'll sell him the house.

Kaplan: What is your vacancy or inventory ratio? What effect does your open occupancy policy have on the speed of selling?

Eichler: If you're talking about the houses we are selling which are finished and unsold, this would depend entirely on the comparison you're making. We carry an inventory averaging around 10 percent of annual production. This is more than most northern California builders carry, but much less than southern California builders carry. We arrived at this figure for complicated reasons having to do with the way we set up production and the way

we operate subdivisions. It has little to do with rates of sales, because if sales slow down, we would cut production commensurately.

A NORMAL BUSINESS OPERATION

Kaplan: How do you explain the difference between your cases in which there has been no obstruction by civic leaders or public bodies, and other situations where local groups have thrown obstacles in the way of the organization which was trying to develop a tract on an open occupancy basis.

Eichler: Well, I think this is the basic point: we have been as successful as we have because we impose this process on an otherwise normal and going *business operation*. We are a company operating to make money and trying to deliver the best. Our company was pretty big by the time we sold a house to a Negro. We were big enough to include this policy in a going operation. We were not identified as being builders who were trying to solve the race problem first and build houses second. We always were and even now, are identified as builders who happen also to follow this policy.

The opposite is the case with some groups where the principal orientation is integrated housing. These groups are properly motivated, but when they go into a community where they are not an established builder with connections and relationships, they are bound to raise distrust and resistance.

They usually start by talking to the clergy and to other groups which may be necessary because they are not known. However, I don't think it should be necessary for an operating builder. The question is whether the operating suburban builder, who after all, is doing most of the FHA business and as a matter of fact, most of the home building in the United States, cannot superimpose this condition upon his operations. Make it not a special case but a common one. The going operator can say, "I think this is the right policy, or I am forced to do it by law or whatever, and therefore that's what I'm going to do." It has always been my contention that every effort ought to be made to try to get the bigger suburban builders¹ committed to this first, for they will be the ones who can handle problems easiest. The small builder might be able to withstand the first problems. If he was unlucky enough to hit a situation where there was a serious problem, he would have a harder time absorbing temporary set backs. Secondly, I think the suburban builder is not likely to get any big rush of Negroes because I think the cultural, economic, psychological, and social forces working on Negroes is such that they are not likely to rush out of the central

¹ Within this book, there are examples of small builders who have successfully integrated their projects.

city ghetto into the outer area. Now Eichler Homes has been selling homes to Negroes for 10 years, and our policy has been common knowledge for at least 5 of those 10 years, yet we haven't got any large rush.

Kaplan: You said earlier that the policy first became outspoken—an overt thing in 1955. Do you think if you hadn't had the background, the housing experience, if you hadn't built up the capital to hold you over a period during a possible lag in sales, that you could have initiated the policy?

Eichler: Well, I don't think it's so much a question of having capital to tide you over a 6-month or a year slowdown in sales, because that's not quite the point I made about the fairly large builder. I don't think his sales are going to be materially affected by an open occupancy policy, because he is big enough to absorb it. It isn't just the question of having enough money. If a man builds about 20 houses a year, has enough money to withstand only selling say, 10 houses, he still might not be a pervasive enough force. He might not be strong enough in all of his relationships, with the lender, with the community, etc. The very chances of getting two Negroes out of the first five for instance might hurt his general position.

Now that might really frighten small builders because their entire scope is so small. So I don't think it's so much a question of having capital to withstand slow sales as it is a question of being strong enough so that you are completely identified as a builder. That's your business, you are fairly well known in the community in which you build, the bankers, the city council, the planning commission, the building inspectors, and the market itself, all are reasonably familiar with you. Your switch into this policy will not identify you as being principally a builder of integrated housing, but as a builder who now plans to sell his houses, on an open occupancy basis.

Kaplan: Do you conclude then that the big builder must take the lead here in bringing this along because the small builder would find it more difficult to take this type of risk?

Eichler: Yes. After all, if the small builder is asked to do this initially and the big builder doesn't, a small builder who is probably at a competitive disadvantage already, could well be put at a greater disadvantage. I think that I might illustrate the point made earlier by what happened in Palo Alto. In Palo Alto from 1951 to the present, Eichler Homes has been an enormous factor in the market. By 1956 or so we were probably building over 80 percent of the housing in that city. I grant you that it is a college city, with a pretty high level of education and income. Of course, this has something to do with the total attitude or the attitude of

people toward this question. Still when it became common knowledge that Eichler Homes was selling on an open occupancy basis, some of the real estate brokers were upset, and started saying they thought this would be a bad influence on the city. But this died down quickly and now what has happened here is that now almost the whole market has opened up to wide degrees. Resales in our subdivisions are being occasionally sold to Negroes. Negroes now are able to buy houses in non-Eichler subdivisions. The brokers have seen this work in a great percentage of the market and have become used to it. And so have the citizens of Palo Alto. I think this proves the tremendous educational value of the Negro occupancy. The living fact—demonstration—is the only form of education which I think can be truly useful. In a sense, a large developer is in a position to be able to pass its own local fair housing law because we could effect enough of the market. Resales to Negroes accounted for more transactions than our new houses did, but we set the climate.

NEED FOR COMPREHENSIVE FAIR HOUSING LAWS

The function of a real fair housing law and of the Executive order is to cover the market, so that builders are not put in a competitive situation on this issue. Men being what they are, the temptation is very great for a builder who is not operating on an open-occupancy basis, and where the market is competitive, to use this as a weapon against the open-occupancy builder. Buying a house is a terribly emotional business. People usually put a major part of their financial resources in it, and they also are committing many psychological resources. They are more easily frightened in this than in any other kind of transaction.

Kaplan: Do you believe that at the price level you are building, the characteristics of the neighborhood and the community become more important factors than the factor of white or Negro occupancy?

Eichler: Yes. And I also think you can make some judgments that at a higher price range it is easier to do this because you deal with people who have had more education, more experience. They may not be any more tolerant in the classic sense, but they probably will not react as strongly to their intolerances.

Kaplan: Regarding the Negro buyer in your development. Is their rate of foreclosure or delinquency in making payments the same as whites? What about the income characteristics of the Negro buyers?

Eichler: Well, in the first place, relative to his income, to his job type, his social-economic status, I am not aware that you could find any difference at all. If anything, you might find that in percentage

terms, the Negroes have tended to be slightly higher in income. I've never heard of a foreclosure on a house bought by a Negro. There may have been one, but of course, the whole rate of foreclosures on our houses is so low, that I think you could find no statistical basis for any real comparison.

Kaplan: Now in summary. You've given a general picture of Eichler Homes, your policy, the reaction of the local communities where you operate, the general profitability, of your operations. Could you give me a general summation. Is open occupancy good business?

Eichler: Well, I haven't ever said that it is good business. What I said in speeches is that I don't think it's bad business. Then I give these facts about Eichler Homes: it was the first public company to take up his policy; selling homes to Negroes didn't seem to bother the stock brokers or other buyers who are supposed to be thoroughly conservative. Almost every kind of lending institution in the country is aware of our policy, and we have never had any problem with any institution on this account. We have not had any problems with local officials anywhere. I think that it's not a dangerous practice, particularly for a reasonably competent large builder. Large doesn't mean 700 houses a year, but maybe at least 100 houses a year. Most of the fears that builders have in this regard are greatly exaggerated. The problems they think are likely to come to pass probably will not.

Kaplan: You've had experience with Negro occupancies at least in one of these. This was in the 1957 to 1958 period. Did you notice a change in your competitive status with other builders in the recession period when the market was not so favorable? Did the resale value of Eichler Homes hold up during the recession period?

Eichler: I think in general, our competitive position has been better in a tough market than in a seller's market. This doesn't mean that I like recessions since, of course, our actual position was not better.

For a variety of reasons, and some of which I have cited earlier, such as experience and reputation, we continue to attract people in a soft market. Actually, qualitative factors and differences become important in a tough market because what happens then is that people are harder to sell. Therefore, these qualitative factors become more important in a recession. Our success certainly cannot be ascribed to Negro occupancy or the open-occupancy policy, but it seems to me that by being reasonably good about the other things, we haven't been hurt in a highly competitive situation. Furthermore, resales of our units have always been good.

A PERSONAL PHILOSOPHY

Kaplan: If you had to sum up your personal views relative to open occupancy what would they be?

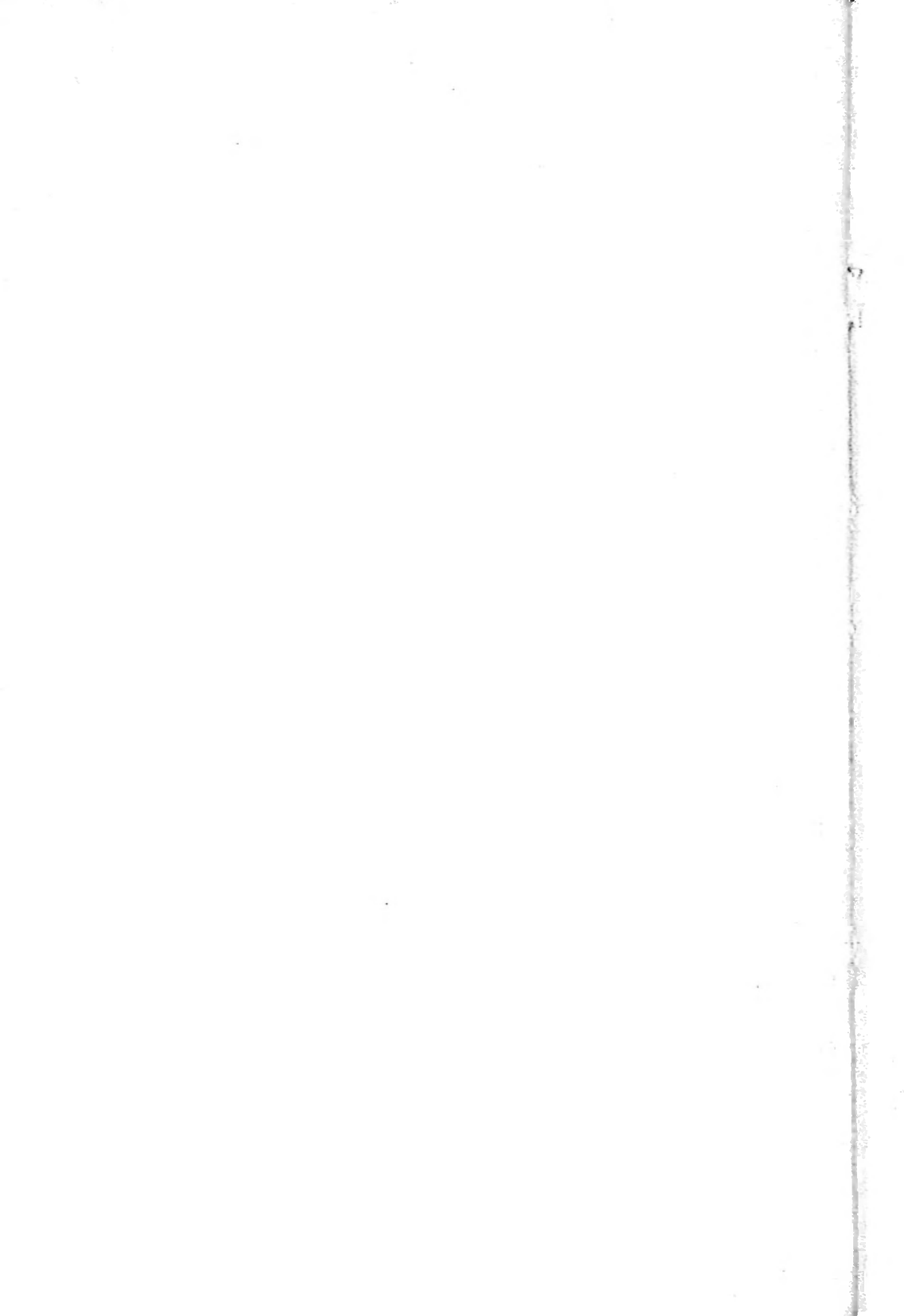
Eichler: I stated that I do think though that the white reluctance to buy or live in a community in which there might be Negroes results from his fear of the unknown, and fear of the relationships which might result with the children. These fears are quickly dissipated as people experience the fact that no great problems develop in such neighborhoods, that the problems are no greater than the ones that arise in any other situation. My own view of this situation in particular is that even though there are some risks in selling on an open-occupancy basis (and there will be arguments about the precise nature of those risks and how much of a risk there will be in one market as opposed to another and one builder as opposed to another) that builders really don't have any other choice.

Builders are in a position which they have denied for too long; when they build a lot of houses or apartments, they create communities. They create many things in that community which are going to be there a long time after they leave them. Houses are designed to last a long time. Communities are created. What is involved is the whole question of how people will live with each other—all kinds of psychological emotional and aesthetic reactions they are going to have to the produce and area.

In this area of race relations the government's role has to be to use every weapon at its command: leadership, law, the carrot and stick with money programs, insurance and subsidy programs. Government must use all its strength to improve the situation. We would all be better off with a comprehensive fair housing law.

I'm convinced that the race question is the single biggest block to advancement in this society. On all kinds of levels, in terms of personal relationships, in terms of education, in terms of expenditures for education, and for other things we need in our society, we have unused resources and capacity. Yet, every time the government or private industry, either one, considers meeting these kinds of needs, they meet headon the emotional question of integration.

So I think that the builders cannot evade the fact that what they do is going to have an impact on the whole community, even on the Nation, for a long time and that they cannot simply say, "well, I'm just a businessman, I'm here to make a buck." They are businessmen in a business to make money, and that is what they have to do, but they are also contributing to the kinds of communities in which people are going to live. Builders would be much better off if they faced that responsibility.



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