



Three-part Examination for Broker License

A number of persons who pass the basic portion of the examination for real estate broker license, but fail one or the other or both of the special tests on legal aspects of real estate and real estate practice, do not apply for the one reexamination allowed under the law, but instead choose to take a three-unit college-level course in either or both of the subjects. Upon successful completion of the needed course or courses the formal reexamination covering the subject or subjects can be waived.

It should be remembered that a passing grade must be achieved in the basic portion of the examination—the all-day test. The candidate for broker license has two opportunities to achieve a passing grade on the basic portion of the examination—either in the first examination or the reexamination. This requirement cannot be satisfied by any amount of educational accomplishment.

Now, why do some persons choose to take college-level courses rather than risk failure in a reexamination on legal aspects or real estate practice or both? Listed below are several specific examination situations and the rules which apply to each case. Number three gives the answer to the question posed above:

1. *Question*—Suppose an applicant for real estate broker license fails to pass one, two or three parts of the examination on his first try?

1. *Answer*—If he fails the basic portion he has no choice but to take the reexamination. In any event, the reexamination consists only of those portions of the examination he failed to pass on the first try. If, for example, he fails the special portion devoted to real estate practice he must take and pass only that special test to pass the entire examination.

2. *Question*—Suppose the candidate has failed the special test on legal aspects of real estate; what are his alternatives?

2. *Answer*—He may choose to take the reexamination administered by the Division of Real Estate or he may decide to take a three-unit course in legal aspects offered by a qualified institution of higher learning. If he elects the latter alternative and satis-

factorily completes his course he may offer evidence of completion and this evidence satisfies the reexamination requirement.

3. *Question*—What if the candidate elects to take the reexamination on legal aspects and fails to pass?

3. *Answer*—If he fails the reexamination administered by the Division of Real Estate he may not apply for examination for real estate broker license until one full year has elapsed. The fact that he may have satisfactorily completed a course in legal aspects before the year's end does not alter the situation.

Include Identification Number in Correspondence

Licensees are requested to include mention of their license identification numbers when corresponding with the Division of Real Estate. This makes for quick, positive identification of the correspondent and assists in expediting answers to inquiries and processing of license transactions.

The fact that a license has two numbers on its face has apparently caused some confusion. The identification number, which is the important one for the licensee, consists of six digits in a box on the face of the license,

False Information to S & L Brings License Suspension

Another fairly typical case of "kiting" the actual sales price of a property and the cash down payment made on its sale has resulted in the suspension of a real estate broker license.

The broker, intent on selling a house in a new subdivision, falsified the selling price and down payment to induce a Bay area savings and loan association to make an otherwise unobtainable loan.

At the hearing the respondent broker stipulated to the facts. However, sufficient mitigation was shown to warrant a suspension of license rather than a revocation.

This type of unlawful activity presents an area of growing concern to the Division of Real Estate because of indications that some licensees are inclined to classify such infractions as "just good business." This broker now knows—and all should know—that dishonesty and misrepresentation, for whatever reason, will never be acceptable as legally or ethically justifiable practice.

captioned "Identification Number." It usually has three numbers preceding it, which are code symbols indicating the type of license and status. An identification number is assigned at the time a person is first licensed and remains with him so long as he continues in a particular license category.

The red number imprinted on the left-hand margin of the license is of no consequence to the licensee. It is for internal use for auditing purposes.

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Disciplinary Action—March 1964

NOTE: A list of actions is not published in this *Bulletin* until the 30-day period allowed for court appeal has expired; or, if an appeal is taken, until a final determination of the court action. Names of persons to whom licenses are denied upon application are not published.

Licenses Revoked During March 1964

Name	Address	Effective date	Violation
Morrow, Elmer Edmond dba El Sobrante Realty Real Estate Broker (Granted right to restricted real estate salesman license on conditions)	655 Appian Way, El Sobrante 567 San Pablo Ave., Albany	3/4/64	Secs. 10176 (e), (f); 10177 (d), (f) and Sec. 2830 of R.E. Comm. Reg.
Wilkie, Homer Al. Real Estate Salesman	1245 S. Beacon, San Pedro	3/10/64	Sec. 10177 (b) and (f)
Reilly, Henry Anthony, Jr. Restricted Real Estate Salesman	1805 Broadway St., San Francisco	3/16/64	Sec. 10177 (k)
Sanders, Robert Lee Real Estate Broker	844 Portola Rd., Portola Valley	3/16/64	Sec. 10177 (b) and (f)
Williams, Jimmie Seymour dba J. S. Williams Co. Real Estate Broker (Granted right to restricted license on conditions)	1291 Burnham Dr., San Jose	3/16/64	Secs. 10176 (e); 10177 (d), (f), (j); 11012; 11013.2 (a) and Sec. 2811 of R.E. Comm. Reg.
Rasmussen, Raymond Henry Real Estate Broker	Sta. 6, 14341 Beach Blvd., West- minster	3/17/64	Secs. 10139; 10176 (i); 10177 (d), (f) and Sec. 2731 of R.E. Comm. Reg.
Bauer, Rita Canavan Real Estate Broker	2095 Bayshore Blvd., Palo Alto	3/18/64	Secs. 10177 (f), (g) and 10177.5
French, Don E. Real Estate Salesman (Granted right to restricted license on terms and conditions)	1885 Mt. Diablo St., Concord	3/18/64	Sec. 10177 (b) and (f)
Ragle, Gwynne Ezzell Real Estate Salesman	13427 Olive Tree Lane, Poway	3/18/64	Sec. 10177 (b) and (f)
Caughlan, Eugene Creighton Real Estate Broker	Rm. 207, 2811 Castro Valley Blvd., Castro Valley	3/24/64	Secs. 10160; 10162; 10164; 10177 (f) and Sec. 2771 of R.E. Comm. Reg.
Crothers, Beatrice L. dba Independent Mortgage and Investment Company Real Estate Broker	3030 Bridgeway, Sausalito	3/24/64	Secs. 10160; 10162; 10164; 10177 (d), (i); Secs. 2771 and 2772 of R.E. Comm. Reg.
Hendren, Pauline Real Estate Salesman	227 LaMesa Way, Salinas	3/24/64	Secs. 10177 (d), (f), (j) and Sec. 2754 of R.E. Comm. Reg.
Hicks, Jimmie, Jr. Real Estate Salesman	974 W. 151st St., Compton	3/24/64	Sec. 10177 (b) and (f)
Miller, Robert Nelson Real Estate Broker	913A S. Hill St., Oceanside	3/24/64	Secs. 10145; 10175; 10176 (e), (i); 10177 (d), (f), (g), (j); 10300; 10302 (d), (e), (g), (i); Secs. 2830 and 2832 of R.E. Comm. Reg.
Corley, Lee dba Sun & Sand Realty Real Estate Broker (Granted right to restricted license on terms and conditions)	815 S. Pacific St., Oceanside 43652 N. Sierra Hwy., Lancaster	3/31/64	Sec. 10177 (b) and (f)

Licenses Suspended During March 1964

Name	Address	Effective date and term	Violation
Stephens, Boyd Thompson President, Boyd Stephens and Associates, Inc. Real Estate Broker (Permanently stayed)	4002 McDonald Ave., Richmond 3122 Lunada Lane, Alamo	3/9/64 60 days	Sec. 10177 (h)
Levine, Meyer Real Estate Salesman	7322 Avalon Blvd., Los Angeles	3/18/64 30 days	Sec. 10177 (b) and (f)
Castillo, Elmer Robles Real Estate Broker Business Opportunity Broker (Indefinitely)	130 E. Main, Stockton	3/23/64	Secs. 10156.7 and 10279.7
Chisum, Otis Doyle Real Estate Salesman	6464 Miles Lane, Carmichael	3/30/64 45 days	Secs. 10177 (d); 11012 and 11013.2 (a)
Fixmer, Ernest John Real Estate Broker (Execution of last 75 days of suspension stayed permanently)	Box 1, Bijou	3/30/64 90 days	Sec. 10164
Westby, Lawrence A. Real Estate Broker	Hwy. 24 at Orchard Lane, Rt. 3, Box 435, Sacramento	3/30/64 90 days	Secs. 10177 (d), (f), (j); 11012 and 11013.2 (a)

Examination Cheating Results in Denial of License Application

The Real Estate Law and the Commissioner's Regulations provide penalties for cheating in license examinations and a recent case illustrates their application.

Section 2763 of the Commissioner's Regulations spells out four specific rules applying to examination sessions. The examination proctor calls these rules to the attention of those sitting for a test and violation of any one of

them is considered sufficient cause for disqualification.

The facts of the case are clear. The examinee took notes into the examination room. In direct violation of the rule that "Examinees will not be permitted to refer to any notes, books or memoranda," he did in fact refer to these notes. The hearing officer stated it is his finding in simple terms: "Respondent cheated in taking said examination!"

Not only was the examinee found in violation of the regulation concerning examinations but he was held in violation of Sections 10177 (a), (d) and (f) of the Real Estate Law, which are, respectively, attempting to obtain a license by fraud or deceit, willful disregard of law and regulations and conduct which would have warranted denial of the application.

(Continued on next page)

NEW PROCEDURE SHOULD CUT EXAMINATION POSTPONEMENTS

It is difficult to believe that a person who is at all sincere about obtaining a real estate license would postpone his license examination 13 or 14 times. Yet this has happened, and there are innumerable instances of 3 to 10 postponements.

Because of the volume of license applications and postponements the full limit of accommodations in examination rooms has been booked for many weeks in advance, particularly in Los Angeles.

In the past it has been relatively easy to arrange an examination postponement—a note or a telephone call would suffice. In an effort to reverse the growing tendency for license applicants to seek new examination dates lightly, a new procedure has been devised. Its principal features are that it requires the applicant to take affirmative action, explain why the postponement is requested, and set a date-range for rescheduling.

Under the new procedure the applicant first informs Sacramento, requesting a delay. Thereupon a green three-part card (first part reproduced below) is sent to him. This he fills out in some detail, returning it to Sacramento. A portion of the card, setting the new date, is then sent to the applicant.

DIVISION OF REAL ESTATE

REQUEST FOR EXAMINATION RESCHEDULING

1. Date examination previously scheduled
(Please return prior admittance card)
2. Examination for which you are applying
(Give complete title)
3. Is this a reexamination? Yes No
4. Reason you did not appear on date previously scheduled:
5. Place of examination preferred
6. I request a new date for this examination. I understand that such date will be set at the convenience of other applicants not yet scheduled. However, I will definitely take my examination if scheduled during the period:

..... Week Month
..... Signature of Applicant Date

Whenever possible the examination will be scheduled at the time requested, but there is no guarantee to this effect.

When an examination is postponed and a new date set a number of checks and operations must ensue in the principal office of the Division of Real Estate at Sacramento and in the district office where the examination is to be taken. The time necessary for each of these procedures is inconsequential in itself, but when this time is multiplied by the volume of postponements, which has averaged from 500 to 700 per month, the man-hours devoted to this work comes to a very sizeable total.

Furthermore, postponements often result in empty places in the examination room—places which could be filled with persons desirous of getting their license examinations behind them and genuinely eager for active participation in real estate work.

Examination Cheating

(Continued from page 662)

Because of the applicant's cheating, his application, which was for an original license, was denied. Had he

held another license of any kind, an accusation would have been filed starting the proceedings toward a revocation of that license.

A Lesson in Accuracy

In a recent newsletter issued by the Oroville Title Company, attention was called to the progress which has been made in the field of precise land description and the searching and insuring of titles.

"There was a time," the article said, "when lands were of but little value, surveys were carelessly made, distances were stated as more or less, and they usually were just such—and not 'a little more' or 'a little less' either. Descriptions in early times were very indefinite as compared to the minute exactness of today. Many descriptions of the olden days in California, which may have been more or less, tied to then known monuments, became hard to locate in later years after the monuments had disappeared not only from the ground but from the memory of men.

"For instance, in the early records we find a description beginning at a nail in the corner of an adobe building owned by Juan Sanches, thence South a distance stated, more or less, to a sycamore tree; thence East to the West bank of a zanja; thence North to a fence which is the South fence of a corral owned by Jose Alvarez; and thence West to the point of beginning. The adobe house, the sycamore tree, the zanja and the corral have long since disappeared, leaving no trace of their former positions, yet a title company must locate the property. To do so it may be necessary to run out all surrounding titles, and all holdings must be reconciled, the one with all others. Disputes have been frequent, and quiet title suits sometimes resorted to; but most generally all parties have been brought to a common agreement through the impartial and highly skilled services of a title company."

The article quoted above illustrates the tremendous progress made in elimination of guesswork, luck and the operation of the laws of chance from the title searching and insuring processes. But the real point in quoting it here is to offer a parallel challenge to persons in all areas of real estate practice to make accuracy a professional habit.

SUBDIVISION

DEVELOPMENTS AND ITEMS OF SIGNIFICANCE

Subdivision Sales Permit Denied

An application for a permit to sell to the California public parcels in a subdivision located in Iron County, Utah, was denied by the Real Estate Commissioner.

The order of denial was based upon conditions which made the proposed offering one which would not meet the "fair, just and equitable" test now applied to out-of-state subdivisions proposed for sale to California residents.

After the order of denial was issued, the subdivider requested a hearing, which is his privilege under the law. The subdivider was represented by counsel, and the hearing proceeded before a hearing officer who upheld the order. In so ruling, he made these determinations:

It was not established that there is a reasonable anticipation that a sufficient supply of potable water will be available for use upon the land for either domestic or agricultural purposes.

The roadways in the subdivision are of an impermanent nature. There is no present provision made for their maintenance or continuance. The existence of such roads (as contrasted to their value as easements) imparts no permanent economic value to the parcels in the subdivision.

The proposed sales prices do not bear a reasonable relationship to the value of the land being offered. The impermanent improvements consisting of the street signs and roads installed by the subdivider and the engineering services do not impart to the land a greatly enhanced economic value.

The parcels offered have no inherent practical recreational use. The parcels offered are of insufficient size to serve as hunting preserves. Fishing and recreational facilities are at considerable distances from the subdivision.

This is one of the first permits denied since the enactment of legislation on out-of-state subdivisions.

Out-of-State Subdivision Applications Plentiful

Requests for Subdivision Permits and Public Reports for "out-of-State" land developments come to the Division's Sacramento headquarters from the four points of the compass in a steady stream. During recent months applications have been received for properties located in Washington, Oregon, Nevada, Arizona, Utah, New Mexico, Florida and Hawaii.

As this Bulletin goes to press, three applications from the Puna district of Hawaii have been inspected by Division personnel and are now nearing completion and determination of findings affecting the issuance of permits. These three projects alone involve 1028 acres of land divided for potential sale to investors into 3216 parcels.

Other applications have been received from the Island State and still await investigation. One of these, also from the Puna District on the Island of Hawaii, consists of 540 acres divided into 529 lots. Another development, of even larger proportions, from the Kona District of the same island, proposes to subdivide and offer for sale 11,801 acres in 10,881 individual lots.

MATERIAL CHANGE IN SUBDIVISION

When a person purchases or takes options on five or more lots in a subdivision, this constitutes a material change in the original tract offering in most circumstances, and the new owner or optionee is required to secure an amended subdivision public report before offering to sell or lease the parcels, whether they are improved or unimproved. The original subdivider is also required to notify the Real Estate Commissioner when he sells or options five or more parcels to any one person or entity.

Pest Control Reports

A licensee's responsibility in handling pest control reports is illustrated by this case involving both a listing and a selling broker. This clause appeared in the deposit receipt: *"Substructure of the main building (unless otherwise indicated herein) shall be examined by a state-licensed pest control inspector at the expense of BUYER. All work to repair damage from infestation or infection by wood-destroying organisms and all work to correct conditions that caused infestation or infection shall be done at the expense of the SELLER. Any work to correct conditions usually deemed likely to lead to infestation or infection (where no infestation or infection is found) shall NOT be the responsibility of the SELLER and shall be segregated in the report. Funds for work shall be held in escrow and disbursed upon issuance of a certificate of completion by the state licensed pest control operator."*

Testimony at the hearing revealed the brokers had received from a licensed pest control operator a report that the dwelling was damaged from infestation or infection by termites, or other wood-destroying organisms, fungus or dry rot and the estimated cost of repair would be something over \$1,000. The respondents testified they did not trust this report and, with the approval of the sellers, called for another report from another operator. The second report said that inspection revealed no outward evidence of damage caused by termite activity and that some corrective work had been performed recently by the owner and appeared satisfactory.

Brokers Assume Costs

The hearing officer in his findings said emphatically that the respondents should have fully disclosed to buyers the first report along with the later report. During the hearing it was disclosed that the first operator had been called in to do corrective work which cost \$344 rather than the previously estimated \$1,000. The respondents indicated their willingness to bear this charge between them.

(Continued on next page)

REVOCATION FOLLOWS SECRET PROFIT ATTEMPT

Another broker is out of the industry because of a violation of law which involved the use of concurrent escrows and a dummy buyer in seeking a secret profit.

In this case, Broker B submitted to Broker A a signed offer from Buyer X to purchase for \$10,000 a property listed by the latter broker. This offer was accepted by Broker A's sellers and an escrow opened accordingly.

But prior to the presentation of Buyer X's offer to purchase the property for \$10,000, Broker B, without informing either the listing broker or the sellers, had obtained a signed offer of \$12,900 for the property from

Buyer Y and had accepted an earnest money down payment of \$1,400. This in hand, he proceeded to open a second, concurrent escrow with the same escrow firm to carry out the sale of the same property by Buyer X to Buyer Y.

Investigation revealed the rather obvious fact that Buyer X was not a bona fide purchaser at all but rather a "dummy" used by Broker B for the specific purpose of deriving a secret profit. The license was revoked.

Board President Praises Continuing Education

Percy Wagner, President of the Chicago Real Estate Board extolled the value of continuing real estate education in an address delivered to a recent National Association of Real Estate Boards Education Conference. He said in part:

"Those entering real estate without a proper educational background are finding that there is competition in the business, that it is fraught with challenges and that it is a business for knowledgeable people. As the State raises its requirements for a licensee to do business, the standards for admittance of members to real estate boards must be upgraded.

". . . Not only are requirements of honesty, integrity and good standing in the community necessary, but educational and experience requirements must be superior. . . . Going into the business is not enough," he continued, "even experience is not enough. Basic knowledge and continuing education are of the utmost importance. . . . The man well equipped with the fundamentals of his business has the confidence that impresses a client. Basic education breeds this confidence."

REREAD YOUR COPY

Mr. Advertiser, classified or otherwise, the U.S. Supreme Court has issued a dictum which is useful as a measure of legality: "Advertising must not obscure or conceal material facts."

Deputy Does Not Take Sides

A disgruntled licensee writes, "The deputies should be more anxious to prove that the licensee is not guilty than to prove that he is."

He is doubly wrong. A deputy's primary responsibility is to serve and protect the public. His first purpose is not to prove anyone either innocent or guilty. He is only interested in obtaining the true facts to determine if there is any basis for disciplinary action. The investigation often results in elimination of misunderstandings which may have caused the original allegation.

The deputy is obligated to enforce provisions of the Real Estate Law to the fullest, and cannot and must not take sides.

Termite Certification Is A VA Loan Requirement

In those areas *where termites are prevalent*, the Veterans Administration now requires certificates of reasonable value on existing houses to carry the following clause:

"The seller shall furnish the veteran purchaser at no cost to the veteran prior to settlement a written statement (or certification) from a recognized exterminator that there is no evidence of termite or other wood-destroying infestation in the existing construction, and, if infestation had existed, it has been corrected and any damage due to infestation has also been corrected."

The lender files this certificate with other closing papers submitted to the Veterans Administration. Prior to closing, it is necessary for the veteran purchaser to submit a signed acknowledgment of receipt of the termite statement or certification.

OUR OFFICE SCRIBE SAYS:

"If those distinguished lecturers who perorate about the image of real estate, would give more attention to the facts of real estate—the image would take care of itself!"

Full Disclosure Again!

The practice of some lending agencies of granting rebates or referral fees to real estate brokers for recommending their firm to clients during the process of consummating a property transfer is frequently brought to the attention of the Division of Real Estate. Under the Real Estate Law the agent is responsible for a full disclosure to both buyer and seller involved in such transaction that he is getting remunerated by the lender placing the loan. Not to do so would be to risk disciplinary action.

Pest Control Reports

(Continued from page 664)

The hearing officer prepared a proposed decision which would call for suspension of the licenses of the two real estate brokers but suspensions would be stayed provided the brokers carried out their promise to pay the operator for the work performed, without cost to either buyer or seller.

HISTORY OF A TRANSACTION

Agent sells himself on himself as agent.
Agent sells seller on agent as lister.
Agent sells buyer on listing.
Agent sells seller on buyer's proposition.
Agent sells buyer on seller concession.
Agent sells buyer and seller on the continued values in their meeting of the minds.
Agent drags his commission to the bank and books himself for a long weekend at a rest home.

EDUCATION - RESEARCH PROGRAM

University of California — State Colleges — Junior Colleges

Progress Report and Findings of UCLA Real Estate Research Projects

A group of UCLA researchers under the direction of Professor Leo Grebler of the Real Estate Research Program is embarking on a study of the economic and social position of Mexican-Americans in the Southwest. The three-year project is financed with a \$450,000 grant by the Ford Foundation. To conduct the study, a new unit "Mexican-American Study Project" has been established in the Division of Research of UCLA's Graduate School of Business Administration. This unit is operating separately from the Real Estate Research Program.

Various aspects of planning in Holland are the subjects for two articles published recently and authored by Leland S. Burns, assistant professor of urban land economics, Real Estate Research Program, UCLA.

In "The Relationship Between Physical and Economic Planning," published in the January 1964 issue of *The Town Planning Review*, Burns points out the distinguishing characteristics of each type of planning, as well as their similarities. The economic planner is concerned with guiding the direction of the national, regional, or local economy toward economic targets such as full employment, maximum real economic growth, or a fair distribution of wealth. The physical planner is concerned primarily with a rational allocation of land uses—particularly within urban areas. The links are more subtle than these differences. However, Burns points out that both economic and physical planning involve restrictions on the economic freedom of business firms and households which must be justified in terms of promoting certain socially and economically desirable ends. Drawing illustrative information from the Dutch experience, the most pronounced link between the two planning types is in the regulation of new construction, an instrument manipulated by Dutch eco-

nomics planners to encourage growth or a favorable balance of payments, or to retard inflation. By using investment in construction as a means rather than an end, the economic planner influences the pace of physical development. By accelerating or restricting new investment, he governs the pace at which the development targets of the physical planner are achieved.

Burns' article demonstrates how new construction, particularly of housing, since the war has influenced the achievement of economic targets and either aided or frustrated the efforts of the physical planner to replace war-destroyed real estate. He concludes, "While the realization of plans . . . may represent pressing needs in themselves, righting a faulty balance of payments, suppressing inflation, boosting a nation's output, or regulating the level of employment, may take precedence. In this fashion, the target of the physical planner becomes the instrument of the economic planner."

Investment Planning

Investment planning over time is the subject to which Professor Burns addresses himself in "The Econometrics of Building a New Town," *The Review of Economics and Statistics*, November 1963. In the article, coauthored with Dr. Leo H. Klaassen of the Netherlands School of Economics and visiting professor with the Real Estate Research Program during 1962, Burns develops and tests a mathematical model for the optimal scheduling of new investment in real estate. The model has equal applicability to problems of building new towns or the rebuilding of old ones. Using data for the Netherlands again (this time for the war-devastated city of Rotterdam), the author attempts to determine whether investment was allocated optimally between housing and nonhousing alternatives in order to secure the targets of reconstruction, namely

a number of housing and nonhousing units equal to the number destroyed in the bombings of the early days of World War II. Burns finds that had his norms been followed during reconstruction, approximately \$10 million and 3½ months construction time would have been saved. Yet, he concludes that the savings are negligible compared to the total costs of reconstruction and the time period involved, and consequently, the scheduling scheme employed by the Dutch planners was near optimal.

Both articles were prepared while the author was resident in the Netherlands on Fulbright and university grants. Reprints of both may be obtained at no charge from the author at the Real Estate Research Program, Graduate School of Business Administration, University of California, Los Angeles 90024.

Property Tax and Land Use Analyzed

Professor Fred E. Case has recently finished an analysis of property tax and land use. He finds that rising land values, increased home ownership and sustained levels of construction have been accepted in recent years as evidences of national economic well-being, but behind this facade of prosperity lies a potential for widespread financial disaster in cities. For example, since World War II local government expenditures have increased at an annual rate of 8.7 percent while gross national product has increased at an annual rate 5.9 percent. This potential for financial disaster has arisen in some degree because the rate of urbanization accompanying this economic growth has increased municipal costs faster than municipal revenues. Cities are finding that their traditional source of revenue, the property tax, is no longer adequate for meeting their expenditures. Furthermore, as cities have increased property taxes, they have found these higher taxes producing

UCLA Real Estate Research Report—Continued

uneconomic land uses and unbearable financial burdens on local property owners.

Purposes of Study Defined

The primary purpose of his study is to identify those items that appear to influence a city's tax position. Secondly the study includes a minimal start in the use of linear correlation in identifying these items. In the process of developing those items that should be included as variables in the correlation analysis summaries are made of findings of other studies relating to this topic. Although considerable emphasis is given to the use of correlation, the end results should be accepted only as one means of accomplishing the purposes of the study.

The factors that appear to relate most logically to the tax rates, assessed values and tax levies of municipalities are related to selected cities in Los Angeles County as a means of providing approximate answers to these questions:

1. What factors influenced the property tax position of one community in Los Angeles County as compared to the other communities in the county?
2. What factors influenced the level of property taxes in individual cities in Los Angeles County?
3. What relationships exist between property taxes and land uses, particularly commercial and industrial land uses, in Los Angeles County?
4. To what extent do "tax-sheltered" cities exist in Los Angeles County?

Los Angeles County Provides Study Laboratory

Los Angeles County provides an unusually rich testing ground for analyzing the factors that influence real property taxes. Within the county are cities with highly specialized or limited types of land uses and others with mixed land uses. Some of the cities are many years old and others are recent in origin. All of the properties in the county, except for those in two cities, are assessed by the county assessor and all assessments in the county are

checked for equality by the State Board of Equalization. Numerous data are available for Los Angeles County on land uses, business and real estate market trends, population growth and characteristics, and other items that might have to be studied in an analysis of the property tax problem.

Newer Cities With Young Population Have Higher Tax Rates

Cities with the highest tax rates in 1959-1960 were usually those with the highest percentages of their total areas developed with houses built between 1950 and 1960, and with the highest percentage of their population 18 years and under. Since these same conditions were also present in some cities with low tax rates, these relationships should be examined in depth. The relationships do seem reasonable since the high rates of home building in the last decade undoubtedly led to heavy public investments in capital improvements and a consequent need for more taxes. Perhaps tax rates went up most heavily in those cities which, anticipating continued growth, developed capital improvements well beyond their current needs, and of sufficient cost to require increases in tax rates.

One of the more obvious conclusions to be reached from an analysis of the ranking of cities according to the total value of their assessed properties was that those cities with the largest dollar amounts of valuations usually had the lowest tax rates. The reasons for the correlations of assessed valuations with other items are less obvious.

The reasonably high relationship between a city's rank in assessed valuations and total city expenditures per person may be explained by the fact that more, perhaps more costly, public services and improvements were needed or demanded in cities with higher valued properties. Cities with the higher assessed valuations also tended to rank high in median values of homes, median family incomes, and percentage of land used for residential purposes. These relationships undoubtedly arise because of the ability of families with higher incomes to build larger, more expensive homes. Two such communities in 1960 were Bev-

erly Hills and San Marino, which ranked high in total assessed valuations, city expenditures, home values and family income.

Civilian Employment Related to City Tax Bill

Two statistically inverse correlations did appear. Cities with low tax levies per person per square mile were usually also those with high total civilian labor forces and high total values in building permits recorded. These relationships suggest that cities may be able to keep their tax bill low when they have a high degree of local civilian employment and active construction markets. Cities with poor employment bases and no growth might have high levies if their population was increasing without a commensurate increase in property with high assessed values. The possibility that a substantial percentage of the building permits were for industrial or commercial construction might be inferred from the low correlation between tax levies and the percentage of homes built in these cities between 1950 and 1960.

Both Quality and Types of Land Use Affect Tax Rates

There is a relationship between property taxes and land uses but the precise nature of this relationship, its universality and the impact of taxes on uses or uses on taxes cannot be established in this study. Perhaps the most evident conclusion that can be reached is that the quality as well as the types of land uses are important. Two communities of the same geographical size may have the same amount of land used for residential purposes but the community with the higher home values and lower intensity of residential land uses is most likely to have the lower tax rates and levies, if the communities have similar types of land uses in all other land. Commercial and industrial land uses may provide a strong tax base, but their impact may be lessened if a large proportion of that same city is also devoted to high-density development of its residential land with low-cost homes for use by the employees of the business and industrial concerns.

(Continued next page, Col. 1)

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UCLA Research Report

(Continued from p. 667, col. 3)

Communities with a large proportion of their total area devoted to public uses such as streets, highways, public buildings, parks, and similar uses, other things being equal, will be in a relatively weak tax position as compared to communities with smaller proportions of land devoted to public uses.

Tax Shelter Measures May Create Problems

In a metropolitan area such as Los Angeles where growth is consistent, some communities have an opportunity to improve their tax positions by changing their existing land uses. However, the diverse land patterns that are characteristic of the cities in Los Angeles County raise the question of whether a particular community, or groups of communities, should be permitted to select for inclusion within their boundaries only those uses that will produce high assessed values, low tax rates and low city expenditures. The creation of this type of "sheltered" community often forces other communities to adopt higher rates and invites them to introduce retaliatory tax measures.

A community's tax rate is strongly influenced by the percentage of its land that is used for commercial and industrial purposes. Such uses, in comparison to residential uses, can produce high assessed values per square mile. A community such as Vernon that develops almost all of its land for commercial and industrial purposes does avoid the high population den-

U.C. Issues R.E. Research Report

For the first time, a printed report on the far-flung activities of the University of California in real estate research and education is available for general distribution. This report was prepared in an effort to improve the communication between the industry and the various University units engaged in real estate education and research. **Copies can be obtained without charge by writing the Real Estate Research Program, Graduate School of Business Administration, University of California, Los Angeles, California 90024.**

The report tells the story of how the University programs came into being and, as its main theme, deals with "The Scope of Real Estate Research." A review of the studies completed since the program came into existence serves to illustrate the broad scope of research in this field. Likewise, the educational programs of the University are described in historical perspective. In addition, the report discusses in detail the educational and research activities in 1963.

The report includes a complete list of research publications.

sities that accommodate a large school-age population, low-cost housing, low-income families and other uses that are associated with high tax rates. Perhaps the limitations of a city's land to particular types of uses is a form of "tax shelter" that should be discouraged.

NALLO Western District Conference

The western district members of the National Association of License Law Officials recently concluded a conference in Portland, Oregon. The presiding officer, Robert J. Jensen, Oregon Real Estate Commissioner, led a discussion on the progress of subdivision regulation in the west with particular reference to interstate marketing of lands.

Commissioner Milton G. Gordon, California, spoke on new ideas in the licensing process; A. R. Albo, Washington, on interstate cooperation; J. Fred Talley, Arizona, on enforcement of real estate law; Irvin Davis, British Columbia, on standards of competency for real estate licensees; William G. Hardy, Utah, on conduct and format of license examinations; Marion J. Vorhees, Idaho, on education; and C. Lowell Purdy, Montana, on desirable legislation.

Publications Feed Inquiring Minds

A typical month's total of publications distributed by the Division of Real Estate added up to 2,692—excluding subdivision brochures and the *Real Estate Bulletin*, which went out to 145,000 readers. Real estate education is a continuous and cumulative process.

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