

FEDERAL RESERVE BANK OF SAN FRANCISCO

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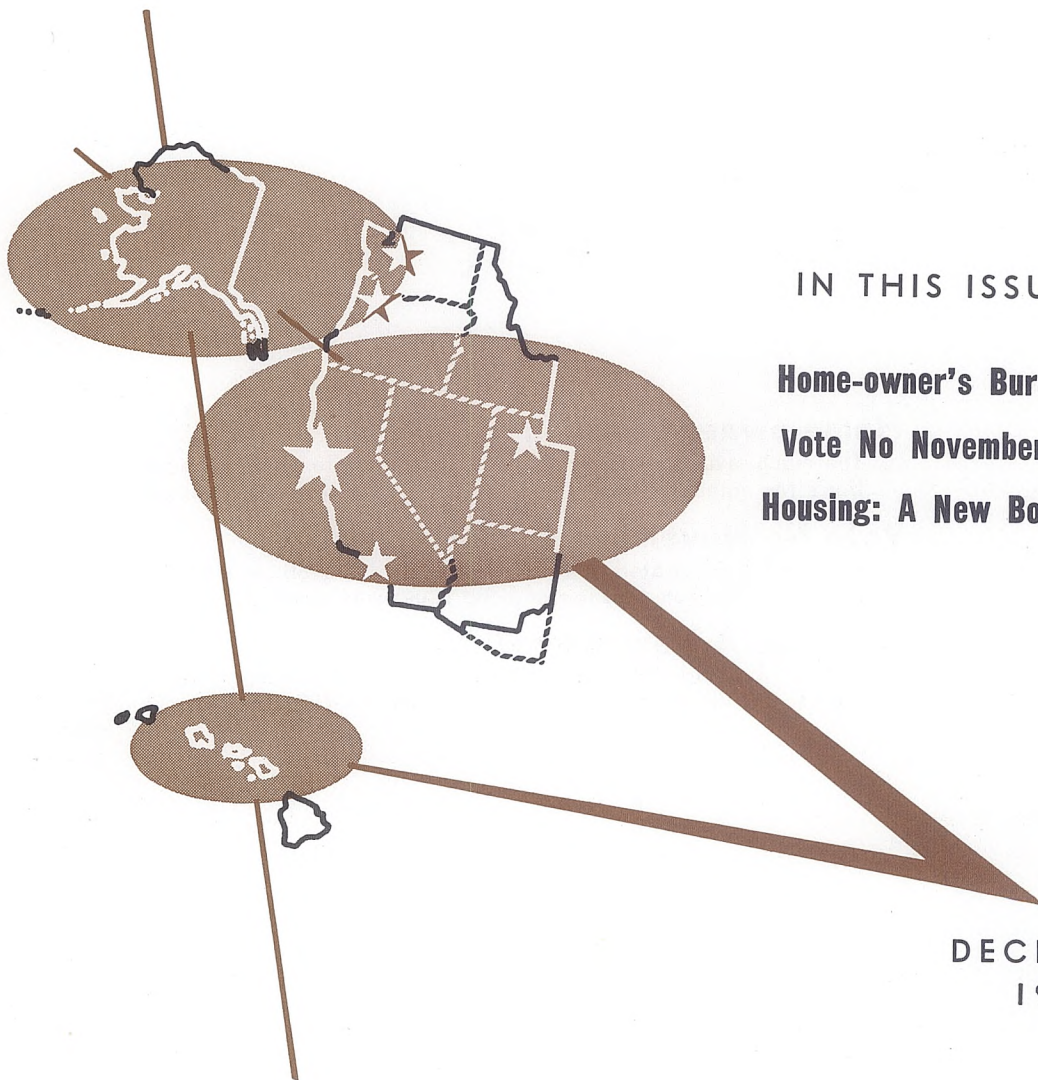
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... Western housing starts are running one-third above the 1967 level so far this year, and should go higher in 1969.

Editor: William Burke

Home-owner's Burden

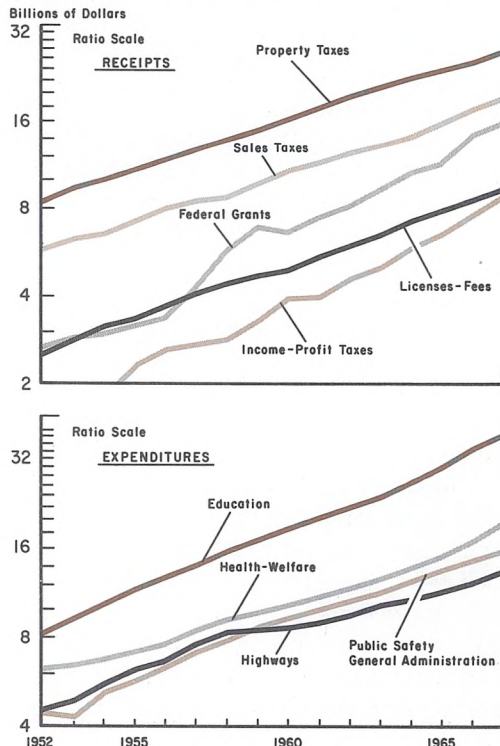
The much-debated, much-reviled (and much-utilized) property tax remains a favorite among the tax administrators of some 70,000 governments throughout the land. The needs of these "municipal" jurisdictions are immense: state and local government spending for education, highways, health, welfare, and public safety reached \$93.3 billion in 1967, or roughly four times the level of just a decade-and-a-half ago. The property tax, yielding \$27.6 billion last year, provided 30 percent of total state-local receipts and over 40 percent of their tax revenues, according to Commerce Department compilations.

In relative terms, the property tax is less important today than it was in earlier generations — witness the 69-percent share of state-local tax revenues of 1913 and the 62-percent share of 1929 — because state and local governments now rely much more heavily than before on their own sales and income taxes and on Federal Government grants-in-aid. But in absolute terms, the dollar intake from this source has soared, from 1929's \$4.7 billion to 1967's \$27.6 billion, and undoubtedly the property tax will be imbedded in the tax structure for generations to come.

The need for revenue from every possible source is of course immense. State and local treasurers in 1967 had to support expenditures of \$38.6 billion for education, \$19.1 billion for health and welfare, \$15.7 billion

for police and fire protection and general administration, and \$13.2 billion for highways. In each of these major categories, spending has at least tripled — and in the case of education, almost quintupled — in just the past 15 years.

Rising revenues from various sources help plug state-local spending gap



Each of the major revenue sources has helped to cover the spending gap. In 1967, sales taxes yielded \$19.3 billion, income and profit taxes \$8.9 billion, and licenses and fees \$9.2 billion — and the formerly insignificant but now sizable Federal grants supplied \$15.7 billion. But the property tax, with its \$27.6 billion yield, remained the most important single source of support for state-local government functions.

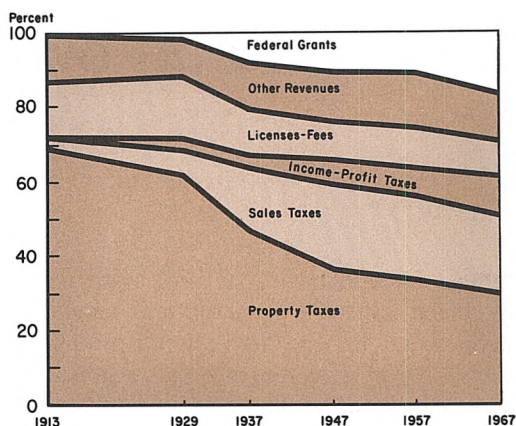
Henry George and the West

From ancient times to modern times, tax authorities have relied heavily on property taxation for financing government. Indeed, theoreticians sometimes defended the taxation of land as a feasible way for citizens to pay for the benefits they receive from society. A century ago, for example, Henry George took his stand in San Francisco in favor of a single (land) tax; in brief, he argued that the increased value of land should be returned to society in the form of taxes, since that value results from the increased activity of the economy as a whole. But the concept of property has expanded over time to include other assets besides land; another 19th-century economist, Richard T. Ely, set forth the ideal state-local tax structure as including the “taxation of all property, movable and immovable, visible and invisible, or real and personal, at one uniform rate.”

Perhaps fittingly, in view of the Henry George influence, Westerners today pay relatively more in property taxes than their counterparts elsewhere. (They also pay more in other types of taxes.) In 1966, per capita property-tax payments averaged \$172 in Twelfth-District states and \$118 elsewhere, while per capita revenues from all other sources amounted to \$382 in District states and \$283 in the rest of the nation. In both cases, Westerners paid twice as much per capita as they did a decade earlier.

Taxing authorities in most Western states tend to put more reliance on property taxes than their national counterparts — this tax

Property taxes still provide one-third of state-local receipts



accounts for 47 percent of tax revenues in District states and 43 percent in all other states. California units collect 50 percent of their tax dollars from this source, and the relative dependence then ranges down from Oregon and Arizona (47 percent) to Alaska and Hawaii (24 and 22 percent, respectively).

The Federal Government no longer utilizes the property tax, although it did so in the war periods of 1798, 1812, and the 1860's. The Federal courts interpret the Constitutional requirement that all direct taxes be apportioned on the basis of population in such a way as to prohibit the imposition of such taxes. Yet, as the statistics so amply testify, the Federal exclusion permits the fifty states, and especially the multitudinous local units, to rely heavily on this revenue source.

Although local governments now receive substantial help from other revenue sources — including state and (recently) Federal grants — the property tax still remains the backbone of local tax systems. Teachers, clerks, firemen and policemen still depend mostly on property-tax revenues for their paychecks.

Assessments and exemptions

Nationwide, assessed value of property subject to tax totaled \$507 billion in 1966, or \$492 billion net of exemptions. Residential property (mostly single-family residences) accounted for 46 percent of the total, and the remainder was split among commercial-industrial property (19 percent), acreage and farms (8 percent), locally assessed personal property (12 percent) and state-assessed real or personal property (11 percent). In the West, the pattern of assessments was roughly the same as in the rest of the nation.

Partial tax exemptions are common for home-owners and veterans; in the West, all states except Utah and Alaska report exemptions of this type, and several also report exemptions for property owned and occupied by elderly persons. Tangible personal property, although subject to tax in most states, is also subject to various exemptions for administrative or political reasons. For example, motor vehicles — usually taxed in other ways — are excluded from the property tax in Arizona, California, and Nevada, and both cars and household goods are excluded in Idaho, Oregon, Utah, and Washington, while in Hawaii the same is true of commercial-industrial and tangible agricultural property. Intangible property is exempt from taxation even more frequently, at least partly

because of the ease of evading payment. Local units tax such property in only about half of the fifty states, including Idaho and Nevada, and (to a lesser extent) California and Alaska.

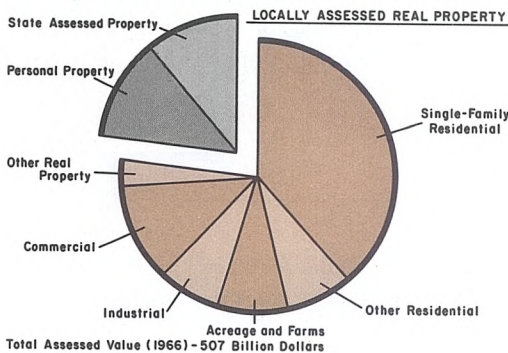
This listing indicates how far the property-tax system in practice has deviated from the theoretical concept of “taxation of all property at one uniform rate.” Exemptions narrow the tax base and throw the burden on those who are still covered. Then, if offsets are not available in the form of a growing tax base or a higher tax rate, local units must obtain more of their funds from other sources.

Assessments and rates

Property-tax administration, especially in regard to assessment practices, is subject to many difficulties. Perhaps the most crucial problem is to assign proper market values to property. Assessments are based on such indicators as the recent sale prices of typical pieces of property, current construction costs, or discounted future earnings—and none of these guideposts is completely reliable. The over-worked tax assessor frequently has difficulty in making a proper valuation, limited as he is in terms of funds, time, and training, and subject as he frequently is to political pressures. (Professor Dick Netzer, author of *Economics of the Property Tax*, argues that “Gross inequalities in assessments relative to property values are the rule rather than the exception.”)

Significant discrepancies in assessment ratios are evident at both the regional and national level. The average assessment nationally in 1966 amounted to 29 percent of current market value, but all District states except Hawaii (48 percent) fell below that figure. The average was 17½ percent in California, 14 percent in Washington, 12 percent in Arizona, and so on. (Recent California legislation will tend to push up the average over time, however.) Moreover,

Residences account for almost half of nation's assessed property value



these averages disguise the great range of assessment ratios within each tax jurisdiction.

The effective tax rate — total tax divided by total market value—has shifted somewhat over time. Nationally, the effective rate dropped from 1.7 percent during the depression of the 1930's to 1.0 percent during the early postwar period, mainly because of the recovery of property values from their depression low, but it has risen to 1.3 percent during the present decade as a reflection of sharply rising tax revenues. Latest estimates show California and Oregon holding in line with the national figure of 1.3 percent, but other Western states boasting rates of 1.0 percent or even less. This variation in tax rates largely reflects urbanization — specifically, the substantial spending needs of the cities and the substantial burdens on urban tax jurisdictions.

Despite problems of administration, rising assessments and rising tax rates have contributed to a sharp increase nationwide in the property-tax intake. Revenues have doubled within the last decade alone, with roughly two-thirds of the increase traceable to the expansion of assessed values, and the remaining one-third to the increase in tax rates.

Can it be defended?

Some of the shortcomings of the property tax probably could be eliminated through self-imposed or state-directed improvement in performance at the local-assessor level. No one questions the fact that major administrative problems still persist. Some assessors in different jurisdictions will impose widely varying ratios on the market value of standard items such as housing; some assessors

within a single jurisdiction will handle different types of property in widely different fashions; and some assessors in closely related jurisdictions will follow completely different procedures. In view of such longstanding inequities, some critics question whether the system is amenable to efficient administrative practices, and by extension, whether state and local authorities should continue to place their reliance on such an unwieldy source of revenue.

Defenders of the property tax sometimes argue that this type of taxation is more “visible” than other sources of local revenue, that increased state-local government expenditures quickly show up in higher property-tax bills, and that this produces pressure by the taxpayers to restrain the growth of their governments. There is little evidence, however, that relatively heavy reliance on property taxation has brought about a wise discrimination in the direction and degree of government services.

Justification of the property-tax system depends on the assumptions that the ownership of property is a satisfactory measure of ability to pay, that all types of property will be listed and assessed uniformly for tax purposes, and that the tax will in fact be collected. Of course, the more that actual practice diverges from this ideal, the more inequitable becomes the resultant tax burden. Still, the property tax has had a long and successful career as a revenue generator, so it seems likely that this tax will continue to play a major role in providing the funds to meet a growing population's increasing demands.

William Ziefle

Publication Staff: R. Mansfield, Artist; Karen Rusk, Editorial Assistant.

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Home-owner's Votes

Faced with a choice between a ballot proposal that would effectively halve California's property-tax revenues and a \$300-million property-tax revision program, California voters chose the latter alternative on November 5.

This measure—Proposition 1-A on the ballot—reduces local property-tax assessments on individually-owned homes by about \$750, for a \$70 tax saving this year for each of California's 2.6 million homeowners. This proposal will account for two-thirds of the \$300-million package. The remaining one-third will accomplish the following:

- Double the standard deduction used by renters in computing their personal-income tax—to \$2,000 for married couples and to \$1,000 for single persons—for a total tax break of about \$40 million;

- Reduce the business-inventory tax by a total of \$43 million;

- Eliminate the personal-property tax on home furnishings.

California will finance this package by holding at 5 percent the state's sales-tax rate, which had been scheduled to drop to 4½ percent on October 1. Over time, of course, the net impact on individual taxpayers will depend on what happens to tax rates in various jurisdictions throughout the state.

Proposition 1-A was placed on the ballot by state legislators who were prompted to compose their long-standing differences over tax reform when faced by Proposition 9—a measure designed to eliminate property taxes for “people-related” purposes to one percent of the market value of the property taxed. State authorities had claimed that voter approval of this measure would require a state tax boost of more than \$1 billion in 1969 to offset local reductions, and that state and local bond-financing plans would be stymied by a provision limiting total bonding of all districts to 20 percent of assessed property value.

Oregon voters meanwhile rejected by a 2-to-1 margin a proposal which would set the property tax rate in that state at 1.5 percent. Backers of the measure had claimed that property in Oregon is sharply undervalued, so that if the 1.5-percent rate were based on fully-valued property, it would more than offset the loss from the lower tax rate.

Washington voters, concerned also with property taxation, approved a constitutional amendment permitting property to be assessed at its current use value, rather than its potential use. And in Arizona, voters agreed to end, over a four-year period, property-tax exemptions for all veterans except disabled or World War I veterans.

Vote No November 5

Voters throughout the nation were confronted November 5 with choices on bond issues totaling \$9 billion. Of this total, voters chose to reject nearly \$4 billion in spending—the largest dollar amount ever defeated on an election day. Twelfth District states contributed in no small measure to this record.

California voters, reading headlines of student uprisings, rejected a \$250-million bond issue which would have provided \$200 million for construction at the state university and state colleges, plus another \$50 million for renovating or repairing schools built before 1943, largely in ghetto areas.

Oregonians defeated a proposal to purchase beach property along the state's coast. The necessary \$30 million would have been raised by a temporary one-cent increase in the state gasoline tax.

Washington bonds — and interest rates

The Washington electorate, feeling more generous, approved three referenda authorizing more than \$128 million in general-obligation bonds — \$25 million for water-pollution control, \$40 million for outdoor-recreation development, and \$63 million for various state building projects, including new facilities at the University of Washington.

Another important state-wide vote in Washington reduced the ceiling on annual interest for most forms of consumer credit from 18 percent to 12 percent. Affected by the vote is an estimated \$1.7 billion in credit outstanding on department-store charge accounts, bank credit cards, and auto and appliance loans. Small-loan rates and direct lending by banks and other financial institutions are not affected by the bill. Retailers and bankers opposed passage of the bill, contending that it would drive up prices and curtail credit.

Local units turn thumbs down

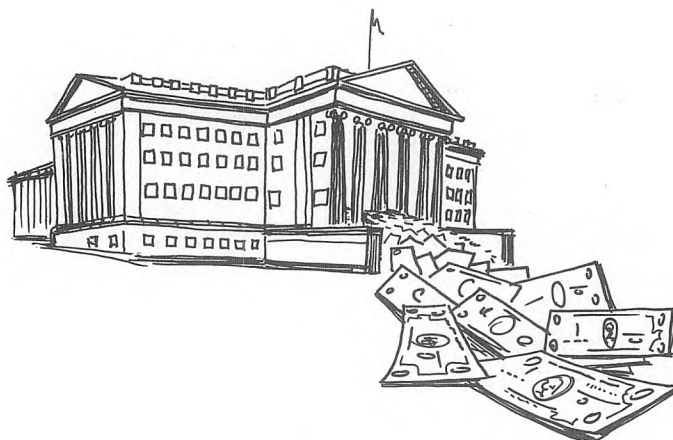
The trend toward thrift was also evident in local issues. In the largest dollar defeat of the day, Los Angeles voters said no to a proposed \$2.5-billion rapid-transit program, perhaps because the plan would have increased the sales-tax rate by one-half cent to 6½ cents. (Los Angeles residents already pay an additional one cent above the state rate.) If passed, the plan would have built an 89-mile system of five rail lines and added 700 miles of feeder bus service.

Las Vegas, Nevada, voters turned down a \$22-million convention-center bond issue. San Francisco voters vetoed a \$6.4-million recreation-bond issue for the city's ghetto areas.

On the other side, approvals were posted for two \$25-million issues — a San Jose sewer-bond issue and a San Diego Unified Port District plan. Eugene, Oregon, voters endorsed a city charter amendment which allows the city-owned Water and Electric Board to issue up to \$225 million in revenue bonds for nuclear power-plant projects.

In line with the rather predominant "vote no" theme, Nevada vetoed a state lottery, and Utah downed a liquor-by-the-drink proposal.

Karen Rusk



Housing: A New Boom?

The Western housing industry has almost fully recovered from its massive slump of the mid-decade, which in many ways grew out of the massive boom of the early 1960s. But the question now is whether a new boom will develop as the region moves into the decade of the (soaring?) '70s.

It is still too early to tell, of course, but a general air of optimism pervades the housing industry at this stage. Late in the third quarter, housing starts in Twelfth District states reached an estimated 304,000-unit annual rate, as housing activity rose twice as fast in the West as in the rest of the nation. For the year as a whole, moreover, starts may reach 267,000 — up one-third over a year ago.

The strong recovery of the past two years essentially reflects a growing population's clamorous demand for a roof over its collective head. Increases in population and employment, modest as they have been in some areas, have outpaced the low rate of homebuilding and have contributed significantly to the reduction of the housing surplus created by the unsustainable boom of 1961-63.

The recovery secondarily reflects an improvement in the flow of savers' funds into mortgage institutions, and thence into bricks and mortar and plywood sheathing. (Still, this inflow has lagged behind the very high '67 inflow of savings and the '68 demand for mortgage funds by builders and buyers, and thus it has been unable to stem a rise in mortgage rates to record levels.) And the recovery to some extent may reflect consumers' reactions to rising costs of land, labor, money, and material. They may be reacting to rising costs by buying or leasing now instead of holding off until later, and they cer-

tainly seem to be turning to the rental market as a consequence of the obvious rise in the cost of homeownership.

Boom and bust

To gain some perspective into the nature of the present recovery, it is worthwhile to examine first the construction boom of 1961-63 and the subsequent sharp decline. The boom saw a 40-percent increase in housing starts in the West, to a peak of 431,000 in 1963, with practically all of the increase occurring in multiple-unit construction. (The West in 1963 accounted for one-third of all the multiple starts in the nation, and for one-fourth of total starts.) The boom was widespread but was centered in Southern California, which at the peak accounted for one-half of all the construction activity in the District. Over the course of the boom, that six-county area posted a 60-percent increase in total starts and a 150-percent rise in multiples.

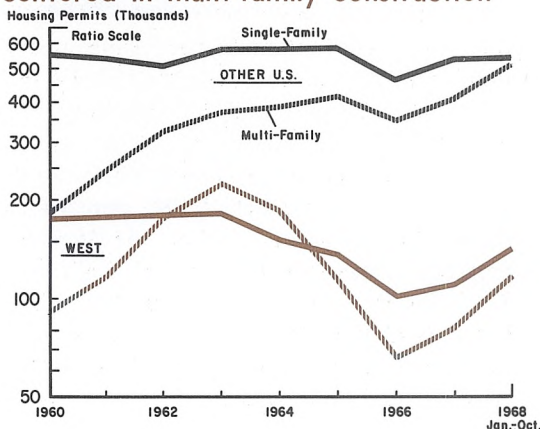
The subsequent slump in the Western housing industry, which began in late 1963 and extended through 1966, was significant on several counts. For one thing, it was the sharpest decline on record — almost 60 percent, with multiples accounting for most of the decrease. And not surprisingly, Southern California accounted for three-fifths of the total decline. In that area, total starts dropped by 75 percent and multiples declined 84 percent over the three-year period.

Secondly, the decline occurred in response to the previous overexuberance of Western business expectations, especially in the housing industry, and it developed even while financial conditions remained relatively easy. (The decline started in the District two-and-a-half years before the famous credit "crunch" of 1966 got under way.) Until

1966, in fact, mortgage lending remained high at District banks and savings-and-loan associations, and thereby contributed to stability in both mortgage rates and other terms of lending—and probably contributed as well to an oversupply of housing and to soaring foreclosure and vacancy rates. (Vacancy rates in some areas rose to two or three times the national average.)

Then again, homebuilding in two states—Washington and Hawaii—bucked the downward District-wide trend. In Washington, in particular, housing activity picked up in 1964 and expanded vigorously over the next three years. Rising job opportunities and heavy in-migration, both stemming from Washington's boom in aerospace manufacturing, and the absence of speculative overbuilding in the preceding period, provided a solid foundation for this upsurge in home construction. Even in the face of some of the highest mortgage-interest rates in the nation, housing starts jumped by 25 percent in 1966 and 60 percent in 1967, at which point Washington accounted for one-half of the gain in the District's total housing activity. Homebuilding in Washington thus helped lead the recovery which got under way throughout most of the District in early 1967, and has since persisted at a quite respectable pace.

Western upsurge, like Western slump, centered in multi-family construction



Up and away

With only a few interruptions, the West's housing recovery has continued throughout 1968, so that the level of starts by September reached its highest level of the past four years. To date this year, starts have exceeded their year-ago level by 35 percent—over double the rate of gain elsewhere—and increases in some states have been much sharper even than that. For example, housing activity in Nevada has doubled over the past year.

Construction of multiple units has dominated the incipient boom. In the West, multiples have increased by over 50 percent during the past year as against a 25-percent gain in single-family starts, while the comparable increases elsewhere have been 35 and 5 percent, respectively. Multiples have accounted for 44 percent of all new homes built in the District so far this year, and for close to 50 percent of all new units built elsewhere. Apartments and flats have dominated the homebuilding scene in San Diego, Honolulu, Portland, Los Angeles, and Seattle, but have accounted for less than half of total starts in the San Francisco Bay Area, Phoenix, Salt Lake City, and Orange County.

Basic demand strong . . .

Basic demand factors have provided the solid underpinnings of this upsurge in construction. Substantial recent gains in population, employment, and income—added to the equally solid gains which took place during the prolonged housing downturn—have led to a rise in home sales and rentals, a reduction in the excess supply created during the earlier boom, and to a sharp decline in vacancy rates and foreclosures.

Vacancy rates on home-owner units dropped from 2.3 to 1.3 percent in the West between the mid-'66 peak and early 1968, while rental vacancies dropped from 12.0 to 7.3 percent between their mid-'65 peak and early 1968. (National vacancy rates declined at a much slower pace, although they

remained below the Western rates, as they traditionally do.) In more recent months, vacancy rates have shown a mixed trend, rising in areas such as Phoenix, Portland, and Seattle, but declining in the San Francisco Bay Area and some Southern California counties. At the same time, rising sales of tract houses have helped reduce the inventory of unsold housing; according to one Southern California survey, this inventory at mid-year was less than half the year-ago level and only one-fourth the level reached during the worst of the slump.

... and financing available

Credit availability has provided further underpinning for the incipient boom. The flow of funds into District banks and S&L's expanded sharply during 1967 in response to a policy of overall credit ease, high personal savings, and declining market interest rates. The inflow subsided somewhat during 1968 as credit markets tightened and as interest rates soared to record highs, but mortgage lending activity remained relatively high during both of these years. District banks during January-September 1968 posted a 25-percent decline in their time-and-savings deposit inflow from the comparable '67 period, while District S&L's recorded a 65-percent smaller savings inflow over the same time-span. But again, it must be remembered that 1967 was a very big year for savers.

This year's reduced savings inflow reflects the consumer's reduced propensity to save in the face of higher taxes and expanded spending plans; nationwide, the personal savings rate dropped from 7.4 percent in 1967 to 6.9 percent in January-September 1968. The reduced savings inflow also reflects the widened spread between the rising yields on a broad range of market instruments and the fixed return available on savings accounts at both banks and S&L's. To cite only one example, the yield on 90-day Treasury bills jumped from 3.48 to 5.54 percent be-

tween mid-'67 and mid-'68, while commercial-bank passbook accounts paid 4.0 percent and S&L "bonus" accounts paid 5.25 percent on both dates.

Still, the volume of mortgage lending has continued to expand this year even in the face of the slowdown in savings inflows. The January-September increases in real-estate loan portfolios — \$770 million at District banks and \$1,400 million at District S&L's — substantially exceeded the gains recorded a year ago. In addition, the S&L's increased their commitments to make future loans to \$586 million at the end of September—the highest figure of the past three years.

Even these figures tend to understate the actual magnitude of mortgage-financing activity. For one thing, S&L's have been able to supplement their savings inflows with over \$2.3 billion in loan repayments — roughly the same as in 1967 — so that the dollar volume of new loans made by Western S&L's so far this year has been more than double the net change in their outstanding loans. Moreover, Western banks and Western S&L's alike have continued to maintain their prominent role in servicing mortgage loans for other (and ultimate) investors to whom many of their loans are sold.

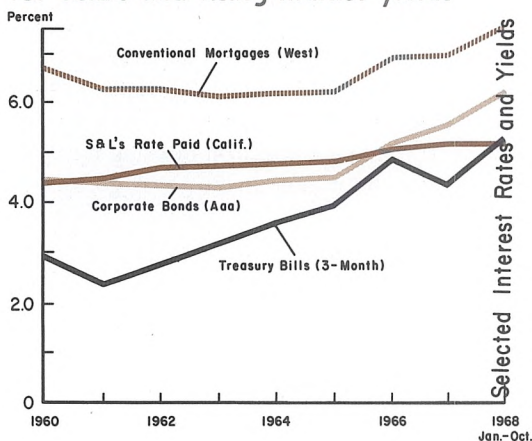
... in the face of rising costs

The housing upsurge surprisingly has taken place in the face of high and rising costs of money and materials. For example, mortgage rates on conventional new-home loans jumped about one full percentage point between mid-'67 and mid-'68, reaching $7\frac{3}{4}$ percent in Seattle and about $7\frac{1}{2}$ percent in Los Angeles and San Francisco. The national figure at midyear reached $7\frac{1}{4}$ percent—a record high, but still below the Western mortgage rates. (Several major California S&L's lowered mortgage rates in September, but pushed them up again in December as savings inflows slowed and as capital-market rates rose across the board.)

The relative insensitivity of mortgage demand to the high level of borrowing costs acutally may not be too difficult to explain. The underlying strength of real demand has been a factor, as it has whittled away at the previous large inventory of unsold or unrented housing. The continued ease, at least until mid-year, in non-price terms of lending has also tended to moderate the impact of higher interest rates. Loan maturities and loan-to-price ratios have both tended to increase over this period—and more so in the West than in the rest of the nation.

But the sensitivity of would-be buyers to high borrowing costs may have been blunted by the sharp rise of home (and land) prices in recent years—and the expectation of more to come. In the West, the increase has amounted to 7 percent over the past year and 37 percent over the past five years, despite the oversupply situation prevailing during some of that period. (Part of the 37-percent increase is offset by a 13-percent average increase in house size, but even after adjusting for that factor, the cost increase is substantial.) And according to estimates of the National Association of Home Builders, housing prices might continue to rise by 6 percent annually for the next several years as well.

Spread widens between fixed rate for S&L's and rising market yields



Faced with the prospect of a continuation of this type of increase — which means the doubling of the price of a home in just twelve years' time — the average homebuyer is less likely to be deterred by, say, a rise in interest rates from 6½ to 7½ percent on a 30-year \$25,000 loan, since the higher rate by itself would entail only a \$17 increase in his monthly payment. Over the entire life of the loan, the higher rate would mean—because of an additional \$6,000 in interest costs — total payments somewhat more than double the original price of the home, but this prospect may seem a bargain in comparison to the prospect of a 6-percent annual increase in home prices. (At least these mental calculations are probably made, even though the average buyer does not keep his home for 30 years.)

Nonetheless, the steady rise in the cost of home ownership has stimulated a substantial increase in the construction of (lower-cost) rental units and mobile homes. Demand factors are of course relevant here—in particular, the growing number of both young marrieds and retired people in the total population—but cost factors also have assumed increasing importance over the past several years.

Further gains?

In 1969, most industry observers expect continued increases in housing starts, to perhaps 320,000 units in District states and to more than 1,650,000 units in the nation as a whole. These figures would represent very substantial gains—about 20 and 10 percent, respectively—over the average figures expected for 1968. In relation to *recent* levels of activity, however, they would represent gains of only about 10 and 5 percent, respectively.

Actually, some moderation in the recent pace of advance may easily develop during 1969. Apart from the impact of high mortgage-interest costs — muted though it has

been to date — the '69 Western economy may see some leveling-off of demand pressures as the recently expanded supply of housing makes itself felt on the market. Seattle and Salt Lake City for instance, are already experiencing an easier tone in their housing markets. The San Francisco Bay Area, in contrast, still remains quite tight, judging from the recent trend of rents and home prices in that area.

Credit-market developments will of course be an essential element in this scene. Many observers had predicted a substantial easing of the mortgage market in the wake of the midyear adoption of the fiscal-restraint package—and subsequent lessening of Treasury demands on financial markets—but the housing industry has since then been forced to compete for funds against extra-heavy borrowing by corporations and state and local governments, and market rates have reflected these continued pressures.

So long as yields on competing market instruments remain at relatively high levels, some investor funds are likely to be diverted into investments other than mortgages — either directly, or indirectly through a diversion of savings flows away from banks and S&L's. Western S&L's, which constitute the largest single supplier of mortgage credit in the area, may be less able at this time to accommodate loan demand than their counterparts elsewhere, partly because of their comparatively lower level of liquidity and higher degree of indebtedness to the Home Loan Bank system, and partly because of the relatively high level of Western demand. The higher level of mortgage yields in the West, however, gives Western institutions some ad-

vantage in the sale of mortgages to obtain new loanable funds.

Over the longer run, most observers anticipate that the West will continue to outpace the rest of the nation in terms of population growth and hence in terms of housing demand. Even assuming a slowdown in the rate of in-migration and a continued decline in the birth rate, the District rate of population growth may be double the national rate in the period to 1975. Because of higher-than-national growth rates in every age bracket, the West may outpace the nation in the construction of rental units for the young marrieds and the newly retired, and in the construction of single-family housing for the age groups in between.

Some long-term stimulus can also be expected from the Housing and Urban Development Act of 1968—an act which aims to construct or rehabilitate as much as 1.75 million housing units over the next three years for low- or middle-income families. To facilitate this objective, the legislation provides for interest-rate subsidies to selected homeowners, rehabilitation loans and grants, supplemental rental payments, and expanded public housing.

To facilitate broader objectives, the legislation envisages support for urban renewal, mass transportation, college and rural housing, and model-cities planning—plus feasibility studies of “floating cities” and “the cemetery’s role in urban planning.” Congressional cutback in appropriations this year will hamper the immediate achievement of all these objectives, but the new law will doubtless exert a major impact on housing markets throughout the nation as the years go by.

Verle Johnston