

president of Oceanic Properties, and Mr. Harlan S. Geldermann, of Danville, Calif., president of Gelco Developments.

These two gentlemen have long been involved in homebuilding and land development. They are noted throughout the West for their creative work in the planning of new communities. They have important and thoughtful testimony in connection with provisions of the housing bill which have to do with the provisions for new towns and I am sure that you will find your discussions with them most helpful in your present considerations. Thank you.

Mr. BARRETT. Thank you, Mr. Edwards.

Mr. SIMPICH. Thank you, Don.

Mr. GELDERMANN. Thank you, Don.

Mr. BARRETT. You may proceed with your testimony, Mr. Simpich.

Mr. SIMPICH. Thank you, sir.

We are here representing a joint venture in the development of a new community on 12,000 acres of land in San Jose, Calif. A subsidiary of Castle & Cook of Honolulu, Hawaii, of which Mr. Simpich is president, is also developing a 2,000-acre new community on the outskirts of that city. The following comments in support of certain features of the housing legislation under consideration are pertinent to both of these substantial new community developments.

Our remarks will be in support of H.R. 12939 introduced by Congressman Barrett, chairman of the Subcommittee on Housing, and H.R. 12946 introduced by Congressman Patman, chairman of the full Committee on Banking and Currency.

Last year the Congress enacted a significant new program of mortgage insurance for privately financed land development, which encouraged the formation of new communities. There was thus established as national policy the principle that the creation of such communities is one valid ingredient of urban expansion. And urban expansion there will be, sooner than most realize. The Nation's cities must expand to accommodate 200 million people in the next 20 years. For example, Honolulu, small among American cities, with its half a million population, will nearly double in size in this period and require urbanization of 25,000 acres of the scarce land on the island of Oahu.

If this urban expansion is to occur in an orderly and planned fashion, it must take place in the form of new communities and, unfortunately, the \$10 million limitation imposed on the FHA mortgage insurance program for land development in last year's legislation is inadequate. We have before us the cash flow requirements for a new community within the city limits of San Jose. This statement, based on over a million dollars of planning, research, and engineering work and generated by computer, shows that a cash amount in excess of \$20 million is required for this development. Clearly, only organizations with vast resources can undertake such a development. Passage of Congressman Barrett's and Patman's measures will make it possible for smaller developers and builders to participate in the way urban America should and must grow.

Further, the latitude given the Secretary of Housing and Urban Development, in extending the term of such mortgages beyond 7 years is important. Again referring to the cash flow for the new community in San Jose, we find that 11 years are required for the developer to recover his investment of cash.