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William Fulton, Editor & Publisher

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L.A. City May Create Local Planning Boards

As if Proposition U weren't enough, another idea is in the works at Los Angeles City Hall that could dramatically alter the power of neighborhood residents in the city planning process. That's a proposal to establish 35 community planning boards throughout the city, charging them with revising L.A.'s community plans and ultimately granting them review power over development projects in the city.

The proposal, which the L.A. Planning Commission is expected to take up late this month, came from a citizens advisory committee established last year to reassess the

"centers concept."

It's unclear whether the Planning Commission or the City Council, which has ultimate authority over development decisions in the city, can muster the political will to delegate some of their authority to neighborhood-based boards. Pointing to the great success of Proposition U, however, homeowner activists say they might seek to create the boards at the ballot box if city officials won't do it themselves. Proposition U, an initiative which dramatically downzoned commercial areas in the city, passed with 69% of the vote in the November election.

The community boards proposal comes at the same time that Councilmembers Zev Yaroslavsky and Marvin Braude, the principal backers of Proposition U, have emerged with their follow-up to the initiative, a 10-point land-use reform proposal. Among the proposals are:

Continued on page 6

Schools, Localities Confused on New Fee

School districts, local government officials, and developers around the state are scrambling to make sense out of the somewhat confusing new law authorizing school districts to collect development fees independently, which went into effect Jan. 1.

The new school levy is part of a package of bills passed in the last legislature to overhaul the state's school finance system and, more important, establish what many have called a state/local partnership in raising funds for school construction.

Of course, Mello-Roos and assessment districts have frequently been used to levy fees on new residential development in order to raise bond money for school construction. But setting up these districts requires the cooperation of local government. AB 2926 gives school districts, for the first time, the right to levy development fees independent of local government.

Specifically, the bill authorized school districts to impose a fee of \$1.50 per square foot on new residential construction and 25 cents per square foot on new industrial and commercial development.

However, the specifics of AB 2926 are so confusing that school districts and local governments are struggling to implement it. Already, many "clean-up" bills are in the works in Sacramento. One bill already introduced is SB 97, by State Sen. Marian Bergeson, who chairs the Senate Local Government Committee. The Senate committee and its Assembly counterpart conducted a hearing on AB 2926 clean-up issues on Dec. 3.

In part, the confusion arises from the fact that school districts have Continued on page 4

Taxable Bonds Raise Questions From SEC

Cities and counties around the country, including some in California, are rushing to issue taxable bonds to finance all kinds of quasi-private projects. But in doing so, they're beginning to run into legal and policy questions they never had to think about before—most particularly, securities law and the Securities & Exchange Commission.

The rush to taxables has come about largely because of the federal tax reform law, which dramatically limited local government's ability to issue tax-exempt bonds to finance redevelopment, economic development, and other quasi-private projects. (CP&DR, November 1986) From zero two years ago, the taxable market has grown to more than \$2 billion in 1986, and is expected to grow to \$10-15 billion in 1987—perhaps 10% of all municipal bonds.

But, as some of the public agencies are learning, the world of taxable, corporate-type bonds is filled with danger and uncertainty.

Already, one congressional leader has asked the SEC to investigate some taxable deals put together by Drexel Burnham Lambert. The question being investigated is whether Drexel—outside the bounds of securities law—used public bond issues to funnel funds to a life insurance company that buys its well-known "junk bonds" used by corporate raiders in takeover attempts. (These deals did not include any agencies in California.) Continued on page 5

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The new plan will allow construction of about 6,500 additional residences—down from 12,000 sought by the county in a previous version of the plan. But to the dismay of residents and Coastal Commission staff, it does not address the question of old subdivided lots, among other issues.

'Approval came after county officials warned that they might take the Coastal Commission to court if the plan was not approved this time around.

County Planning Director Norman Murdoch said the plan "attains a reasonable balance among the obviously conflicting goals of present residents, future residents, and the broader regional community." But Leon Cooper, president of the Malibu Township Council, said the area's residents will pursue a number of avenues, including a renewed incorporation effort and the possibility of leaving L.A. County for Ventura County.

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Hollywood Homeowners Win Veto Power Over Retail Tenants

Three homeowner groups in the Hollywood area of Los Angeles have negotiated a deal that will give them veto power over the management of a supermarket and other stores in a new shopping center planned near their homes.

The agreement between the homeowner groups and first-time developer Maurice Refoua came at the urging of City Councilman Mike Woo, a trained urban planner who represents the Hollywood area

Under the agreement, the homeowner groups will have veto power over the management of a supermarket for 10 years and the management of other stores in the shopping center for five years. In addition, they will review the design of the center, which will be located on the highly visible corner of Frankin and Highland Avenues.

Homeowner leaders said they were concerned that the new center would be a "mini-mall" with business that would not serve the neighborhood.

Refoua negotiated with the homeowner groups for more than a

year with the assistance of Mark Brown, a planner with Engineering Technology Inc. and a former aide to Woo's predecessor, Peggy Stevenson.

Brown said the property, which was the longtime site of a Hughes Market, was affected by a moratorium imposed along Franklin Avenue in 1984. He said Refoua agreed to negotiate because "he felt strongly about this site as a gateway to Hollywood" and because otherwise "my client could have wound up with an undevelopable site."

During the negotiations, Brown said, the center was somewhat reduced in size, and Refoua also agreed to make sure that the supermarket or another tenant in the center included a butcher. In fact, he said, Refoua plans to use the neighborhood agreement to persuade prospective tenants that their businesses will be heavily patronized by nearby homeowners.

Contact: Mark Brown, ETI, (818) 905-2800.



The mayor of Carmel has found a new way to resolve a local development dispute: Buy the property in question.

Of course, not all mayors have Clint Eastwood's money. The movie star-turned-politico apparently paid several million dollars for the eight-acre Mission Ranch, an old dairy farm converted to a bed-and-breakfast resort.

The ranch's owners had wanted to build 61 townhouses on the site, but many local residents were opposed to the idea.

Eastwood, who bought the property through his movie-making company, Tehama Productions, didn't disclose what he paid for the property. But the owners had been asking \$5.5 million and earlier had rejected a \$3.75 million offer from the city.

Planners at the Los Angeles Community Redevelopment Agency are waiting to see if administrator John Tuite will cut deeper into his predecessor's bureaucracy. In late November, four top deputies to former administrator Ed Helfeld were cleared out of the agency, and Tuite said he was taking a close look at what to do with the Planning and Urban Design Department.

Meanwhile, observers of the Los Angeles County bureaucracy are eager to see what will happen when chief administrative officer James Hankla gives way to Richard Dixon on March 1. Hankla will become city manager of Long Beach, where he worked for 20 years

and first gained prominence as architect of the city's redevelopment plan.

Hankla tried to institute his style of aggressive, entrepreneurial management in the highly bureaucractic county organization. Despite taking such steps as moving the "asset management" (i.e., real estate development) section into the CAO's office, it has been widely reported that he was generally frustrated in his attempts. His successor, Dixon, is nationally regarded for his financial prowess in his current job as the county's treasurer-tax collector.

Now that it has a sports complex under construction, Sacramento is going to try to become a big-time convention city. The city council voted Dec. 16 to tentatively approve a \$40 million expansion of the Community Convention Center Exhibit Hall.

The expansion proposal calls for construction of a 100,000-square-foot exhibit hall that could seat up to 8,000 people for conventions. That would double current exhibit space.

Meanwhile, a team of Sacramento developers, Library Plaza Group, was selected to build a new library complex after an out-oftown team, Markborough-California Properties, dropped out shortly after receiving tentative approval to proceed.

The library is planned as part of a one-square-block project that could include high-rise offices, shops, and a parking garage.

Correction: Newport Beach Voters Reject Expansion Plans

In a special election Nov. 25, voters in Newport Beach overturned the city council's decision to approve the Irvine Co.'s plans for expansion of the Newport Center project.

The December issue of California Planning & Development Report erroneously reported that the voters had affirmed the council's approval of the project.

Voters decided to overturn a general plan amendment permitting more intense development by 58%-42%. Despite the unusual timing of the election, voter turnout was about 40% — a high figure that citizen leader Alan Beek credited partly to the aggressive campaigning of the Irvine Co., which spent \$640,000 on the election.

The measure was placed on the ballot by SPON (Stop Polluting Our Newport), a citizen group that has been in existence for about 10

yea

Though the expansion plans included retail and housing components, Beek said that citizen opposition centered around the proposal of close to 1 million square feet of office space. In late December, Irvine Co. spokeswoman Judy Frutig said the company was considering seeking approval of specific portions of the plan individually — perhaps beginning with the expansion of Fashion Island shopping center, which the citizens did not find as objectional as the office buildings.

CP&DR also erred in reporting that Solano was among the counties approving restrictions on on-shore oil support facilities. In fact, Sonoma County voters approved such restrictions, but the issue was not on the ballot in Solano County.

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Berkeley Hopes to Keep UC Offices

The City of Berkeley, not known for its pro-business reputation, is trying to keep the University of California's administrative offices from moving to Oakland from their longtime headquarters in Berkeley.

UC officials are said to prefer a move to Oakland, where four developers are bidding on a new university headquarters project. But the Berkeley City Council approved a plan Dec. 17 that would permit UC to expand its University Hall headquarters by 90,000 to 120,000 beyond its current 154,000 square feet.

UC officials said they will not even consider Berkeley unless all four Oakland proposals are too expensive. However, Neal Mayer, Berkeley's economic development director, said the city believes its chances are good because a move to Oakland may be prohibitively expensive in any case.

Mayer said the proposal is part of the city's effort to shed its antibusiness reputation. "The city is trying to do a number of things to develop a reputation as a good place to do business and still look out for the interests of its residents," he said.

However, the city council's approval included a number of conditions on the UC project, including a promise to increase employee parking, construction of a public plaza outside University Hall, and the set-aside of some UC jobs for Berkeley residents.

At present, UC's 1,000 employees are housed not only in University Hall but in leased space in six office buildings scattered throughout downtown Berkeley.

Contacts: Neal Mayer, City of Berkeley, (415) 644-6580. Chris Adams, UC, (415) 643-6338.



The City of Davis and Yolo County are seeking to reach a novel compromise in their dispute over a 440-acre development proposal in unincorporated territory: They will consider the proposed project together.

County supervisors proposed that the two jurisdictions consider the proposal together, but in early December the Davis City Council rejected some portions of that idea. They countered with a plan that would allow developer Frank Ramos to offer two different proposals — one to the county, and a second proposal (including a less intensive commercial component) to the city, which is seeking to protect its downtown retail base.

The Port of Oakland and environmental groups are still locked in litigation over construction of additional airport facilities (*CP&DR*, December 1986), but at least the port finally led the Audubon Society conduct its annual bird count on the property.

At first, Port officials denied the Golden Gate Audubon Society permission to conduct the bird count because of the lawsuit between the two parties. Later, they relented, with some conditions. "They can count birds like crazy, as long as they don't use any of the information in the suite against the Port," a Port spokesman told the San Francisco Chronicle.

School Fee

Continued from page 1

never levied a development-oriented fee themselves before. Apparently, school districts and local governments around the state are even having difficulty figuring out just exactly which party is going to collect the fee.

Furthermore, some school districts are so strapped for cash that they appear to be applying broad interpretations to the bill's provisions. The clean-up legislation appears likely to rein them in.

In part, however, the confusion arises from a variety of ambiguities in the bill itself. Here are several points of confusion and dispute and how they stand:

1. When should the fee be collected?

This has been a point of confusion because it seems to conflict with AB 3314, another bill that took effect Jan. 1. According to AB 2926, cities and counties may not issue a building permit until the local school district has certified that the developer has complied with district regulations (i.e., paid the fee).

Yet AB 3314 prohibits local agencies from collecting development fees on residential projects until the final building inspection is made or the certificate of occupancy is issued, whichever is later. (It does allow earlier collection if the fees are scheduled to go to a specific capital project which has an estimated cost and construction schedule.)

SB 97, the Bergeson clean-up bill, includes a provision that would allow local governments to issue building permits—but not certificates of compliance—before the fee is paid. However, testimony at the committee hearing indicated that there is still disagreement between developers and the public agencies over who should prevail.

2. What square footage is covered by the \$1.50 residential fee?

The bill uses the term "habitable" space to describe the area that's included, but this has become a matter of major discussion. The problem can be summarized, in shorthand, with the question: "Do garages count?" The answer probably will be no. Some school districts apparently have considered applying the fee to all constructed space. A more likely solution at this point appears to be space that is defined as "usable," perhaps the area which is heated or cooled.

3. What happens when elementary and high school district boundaries overlap?

There appears to be an emerging local consensus that the fee cannot be imposed more than once, even if a development project is located within the boundaries of separate elementary and high school districts. Local school officials in many parts of the state have taken it upon themselves to negotiate a solution.

For example, officials in the Fullerton high school district, which includes five elementary school districts, agreed that the elementary schools, which cover eight grades, would receive two-thirds of the funds, while the high school district, which covers four grades, will receive one-third of the funds. Bill Moore, director of business services for the Fullerton elementary school district, said the fee is expected to generate about \$1.5 million this year in the high school district.

These few examples are not the end of the school finance questions being raised this year around the state. Many other issues are involved, including questions about Mello-Roos districts and even sale of surplus land. *CP&DR* is in the process of preparing a special report on the subject in the near future.

State Allocates \$800 Million in Tax-Exempt Bonding Authority

The new federal tax reform law dramatically limited the ability of state and local governments to issue tax-exempt bonds for quasi-private purposes, such as housing, economic development, and industrial development.

All tax-exempt bonds for quasi-private purposes must be approved by the California Debt Limit Allocation Committee (CDLAC), chaired by State Treasurer Jesse Unruh, subject to a "unified volume cap" established by the tax bill. For the period of Aug. 15, 1986, to Dec. 31, 1987, that volume cap is \$1.9 billion for California.

At meetings in October and November, CDLAC allocated almost \$800 million, and transferred about \$700 million more to the Mortgage Bond Allocation Committee, which handles housing bonds. The mortgage bonds will be divided between state agencies (\$400 million) and local agencies (\$300 million.)

The largest winner in the CDLAC allocations was the California Pollution Control Financing Authority, which received \$177.5 million for various projects. The California Alternative Energy Source Financing Authority also received \$13 million for waste-to-energy projects. Other local agencies receiving allocations, and the type of business the money will assist, include:

Alameda City: \$2.25 million (commercial)

Alameda County/Union City: \$20 million (warehouse/industrial)

Banning: \$3.750 (skilled nursing facility)

Chino: \$1.5 million (health facility)

Daly City: \$10 million (office)

El Cajon: \$8.1 million (skilled nursing facility)

Escondido: \$9.5 million (retail)
Fresno County: \$8.1 (manufacturing)

Glendora: \$4.4 million (skilled nursing)

Hemet: \$2.33 million (skilled nursing)

Kings County: \$4 million (manufacturing)

Lancaster: \$1.9 million (office project)

Lodi: \$5 million (manufacturing)

Long Beach: \$10 million (office)

L.A. City: \$3 million (industrial)

L.A. County: \$3.6 million (warehouse)

L.A. County: \$7 million (medical center)

L.A. County: \$4.875 million (manufacturing)

L.A. County: \$14.15 million (manufacturing)

Oakland: \$3.6 million (commercial)

Olcese Water District: \$20 million (water project)

Oxnard: \$3 million (manufacturing)

Palmdale: \$4.6 million (office)

Palm Springs: \$4.8 million (commercial)

Pomona: \$6 million (warehouse)

Rancho Mirage: \$9.85 million (commercial)

Riverside City: \$7.8 million (retail/commercial)

Salinas: \$2.15 million (warehouse)

San Bernardino County: \$3.4 million (terminal)

San Bernardino County: \$23.1 million (manufacturing)

San Diego City: \$75 million (utilities)

San Diego City: \$5.8 million (skilled nursing)

San Francisco: \$10 million (retail)

San Marcos: \$3.5 million (manufacturing)

Stockton: \$3.7 million (skilled nursing)

Simi Valley: \$5.2 million (commercial)

Visalia: \$2.5 million (medical clinic)

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Taxable Bonds

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Historically, the SEC is something that municipal issuers haven't had to worry too much about. Municipal bonds are categorically exempt from registration with the SEC under the 1933 act which first established the agency. But the question of whether publicly issued industrial development bonds are also exempt from SEC registration is one that has popped up in the past, and is now being raised again with regard to taxable bonds. According to experts at the SEC, industrial development bond issues themselves are exempt from securities laws. But the transfer of the resulting funds from the public agency to a private business can sometimes amount to a separate, underlying securities issue that must be registered with the SEC. In effect, the law states that private businesses cannot use municipal bonds as a "cover" for a private bond issue that would otherwise be subject to securities laws.

Some issuers of taxable bonds have gone to the SEC directly to obtain what is known as a "no-action letter"—a specific ruling that their bonds are not subject to SEC registration. The Alaska Housing Finance Corp. obtained such a letter when, in 1981, it became one of the first public agencies to issue taxable bonds.

But the question of "underlying" securities in taxable municipal bonds has been getting a lot of attention—mostly because of the Drexel Burnham taxable deals.

At the heart of these deals is a "guaranteed investment contract," or GIC—a kind of annuity offered for sale by Executive Life Insurance Co. of Los Angeles and others. Seeking to make a profit off the proceeds of their bond issues, public financing authorities in Louisiana, Texas, and other Southern and Rocky Mountain states bought some \$2 billion worth of GICs in 1986, with almost all the funds coming from proceeds of taxable bond issues underwritten by Drexel Burnham. The sales provided Executive Life with investment capital, and the company has been a big buyer of junk bonds in Drexelengineered deals.

In a New York Times report which brought this arrangement to wide public attention, several people involved in the public finance

business were quoted as saying the deal was so expensive for the municipality that it virtually eliminated the possibility of providing low-cost loans to businesses and individuals—which is the actual purpose of the bond issue.

Of more interest to the SEC, however, is whether GICs are the kind of underlying securities that, historically, have not been exempt from SEC registration. This is what Rep. John Dingell, D-Mich., has asked the SEC to determine by the end of January Bill Wood, senior associate director of the SEC's corporate finance department, said that while the SEC is trying to answer that question, the ultimate solution may require Congress's intervention in deciding exactly which publicly issued taxable bonds are exempt from securities law and which are not.

In the meantime, the specter of SEC registration has led several early issuers of taxables to scramble for protection under other exemptions. According to bond attorney Eric Wohlforth in Anchorage, recently Alaska has sought to avoid SEC registration on industrial development bonds through "private placement"—that is, the direct sale of the bonds to buyers, without formally going to the market. However, Wohlforth says, finding such a buyer can take several months and jeopardize the bond issue.

Actually, even if everything goes smoothly with taxable bonds, the state and local governments may be no better off. It's possible that taxables will work so well that Congress will decide to do away with few tax-exempts still allowed for quasi-private purposes.

This sort of thing has been known to happen before to local governments, as when Oakland renovated its museum and civic auditorium through a complicated lease arrangement that took advantage of the depreciation laws. The scheme was so clever that Congress outlawed it.

As one investment banker put it recently, the staff of the House Ways & Means Committee, which shaped the tax reform bill, "is looking for an excuse to do away with tax-exempts. They'll say, 'If taxables work, why do you need tax-exempts?'"

Local Planning Boards

Continued from page 1

1. Discretionary review of all projects over 50,000 square feet.

2. Citywide urban design criteria.

3. A 61-foot height limit on apartment buildings constructed within 200 feet of single-family homes.

Yaroslavsky and Braude said that if the council does not adopt their reforms, they will again use the initiative process in hopes of

getting them passed.

The centers concept was the focal point of the last city general plan, drawn up under the guidance of former Planning Director Calvin Hamilton. It proposed that the bulk of L.A.'s new development be channeled into self-sustaining, high-density "centers," and away from low-density areas. Of course, the centers concept was never been reflected in the zoning ordinance, which was not changed to conform to the general plan until recent litigation by homeowners forced the city into a massive rezoning effort.

Remarkably, the 22 members of the committee were unanimous in their support of the Nov. 20 final report to the Planning Commission, even though the group included a wide range of differing views. (The co-chairs were homeowner activist Dan Shapiro and developer Allan Lowy.) The group decided to scrap the term "centers" and instead identified "targeted growth areas" around the city. According to City Planning Associate Dan O'Donnell, who staffed the committee, "TGAs" would be commercially or industrially oriented ("centers" were supposed to include high-density residential buildings) and could be used to describe a linear strip of development as well as a true "center."

"TGAs" could come in three categories: high-density (maximum floor-area ratio of 6), medium-density (2-6 FAR), and low-density (1-3 FAR).

The most controversial aspect of the committee's report, however, is the proposal to establish community planning boards in each of the city's 35 planning areas. At first the boards would be responsible for revising the community plans, which were developed in the 1970s. However, the community boards would also have the power to review any discretionary land-use matter.

The committee report proposed that each board include 15 members, some elected from the community and some appointed by the Planning Commission and City Council. The committee also proposed a pilot program "in three diverse ... areas of the city."

The city planning department is preparing a response to the committee report for the Planning Commission to consider. "We're not in a position to advocate the idea or knock it—we're just trying to assess it," said L.A. City Planning Director Kenneth Topping.

Though many cities around the country have city-recognized and city-funded neighborhood organizations, the only real analogy to the Los Angeles proposal is New York City's system of about 60 community boards in neighborhoods throughout the city, which have review power over land-use matters and also monitor city services. These community boards are widely seen as wielding considerable power over development projects.

The New York boards have 50 members each, some appointed by the borough president and others appointed by the local city council member. The city provides money for staff members, but those familliar with the situation say that on large projects, some community boards obtain additional money (from the developer or from foundations) for research and analysis.

"A lot depends on how much the borough president decides to defer to the community board," said Barbara Fife, a senior special assistant to Manhattan Borough President David Dinkins. Like other borough presidents (and the mayor, the comptroller, and the council president), Dinkins is a member of the Board of Estimate, the ultimate decision-maker on land-use issues in the city.

Fife acknowledges that the community boards slow down the planning process by 6-8 months at least.

Attorney Paul Selver of Brown & Wood, a former community

board member who now represents developers before boards around Manhattan, said that the boards' influence varies depending on the momentum surrounding the project.

"If it is a project the city is neutral about and the board is vehemently opposed to, it won't usually happen," he said.

On projects the city wants, the community board winds up negotiating on behalf of the neighborhood for changes and benefits. "The project gets altered around the edges, and the neighborhood gets anything from tree planting to a new subway stop," Selver said.

Also, sophisticated, affluent neighborhoods such as Upper West Side or Greenwich Village are far more effective than those representing, say, Harlem, where Dinkins is from. According to Selver, most of the 50-member boards work through a strong committee system—except for the board dealing with the hot real estate market in Midtown Manhattan, which is bitterly divided over the amount of development that should be allowed.

In Los Angeles, Topping said his department is trying to identify the consequences of establishing community planning boards. Chief among them, he said, is cost. He said community-based planning is "very staff-consumptive," and added that these boards would probably "raise old issues that haven't been resolved and new issues that haven't been thought of yet."

Other potential problem areas he identified were integration with existing community advisory groups and the possibility that the new community boards would be narrowly focused.

"The major concern I have is whether the tendency of community boards would be to look too narrowly at issues that don't go beyond their boundaries," he said.

Of course, the big political question is whether the City Council and the Planning Commission are likely to surrender some of their authority over land-use matters to community-based groups. Topping said it may depend on how the new community boards are structured. A proposal that the groups hold formal public hearings may be less well received, he suggested, than a proposal that fashions them along the lines of redevelopment Project Area Committees (PACs).

Dan Shapiro, co-chair of the committee, said some city leaders, such as City Council President Pat Russell and Planning Commission Chairman Dan Garcia, support the idea. But he predicted that if the council and the commission don't establish community boards, homeowner groups in the city will launch an initiative drive to do so. Though he declined to say whether he would be involved in such an initiative drive, he said: "I guarantee it will happen."

Award to Honor Urban Excellence

Move over, architectural and planning contests. Here comes a whole new animal: the Rudy Bruner Award "for excellence in the urban environment." Architectural prizes tend to look at specific buildings, and planning contests tend to honor the best process or document. But the Bruner Award, established by the New Yorkbased Bruner Foundation, has a broader goal: to "bring recognition to excellent urban places and encourage learning about their — inevitably — complex creation."

In seeking to honor "socially supportive, physically pleasing, and economically viable urban places," the Bruner Award will look at three attributes: products, processes, and values. The selection committee includes one Californian, UC-Berkeley architecture professor Clare Cooper Marcus, as well as such distinguished urbanists as William H. Whyte (author of The Social Life of Small Urban Spaces) and George Latimer, mayor of St. Paul.

Deadline for submissions is February 1. Applications are available from The Rudy Bruner Award in The Urban Environment, 132 W. 43rd St., New York, N.Y. 10036. Telephone: (212) 575-5115.