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Building permits hit record low

Residential building permits for southeast Michigan hit a record low in 1981 for the second consecutive year.

Principal reason was the continued slump in new single-family home construction, according to a report from the Southeast Michigan Council of Governments.

SEMCOG reported that permits for 5,646 housing units were issued in the seven-county region during 1981. In 1980, the record low for the last two decades was 10,562. In 1977, when mortgage interest rates were low, building permits for 27,252 units were issued.

Six Oakland County communities ranked in the region's top 10.

In fifth place was Southfield with 193 compared to 437 in 1980, when it ranked fourth.

West Bloomfield Township ranked sixth in the region with 159 new units compared to 431 in 1980. Bloomfield Township, seventh with 126; Farmington Hills, eighth with 109 in 1980; and Troy, 10th with 89.

Detroit was the leader, issuing permits for 1,372 residential units. But the central city also issued 6,002 demolition permits for a net decrease in its housing stock of 4,630 units.

No other city or township issued more

than a few dozen demolition permits. In Oakland County, Farmington Hills was the leader in demolition permits with a total of 21, leaving it with a net gain of 88 units.

SOUTHFIELD attributed much of its growth to multi-family units — with 163 of its total 198 building permits for apartments and condominiums.

Four communities — Detroit, Sterling Heights, Clinton Township and Southfield — accounted for 72 percent of the total multiple family permits issued in the region.

Among other Oakland communities, Birmingham issued permits for a net of 10 new units; Bloomfield Hills, 15; Beverly Hills, Farmington, zero; Lathrup Village, three; Orchard Lake, eight; and Rochester, five.

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We look forward to seeing you at the seminar.

This announcement is neither an offer to sell nor a solicitation of an offer to buy limited partnership interests in connection with such real estate investment opportunity. This offer is made by Prospectus only which will be distributed at the seminar.

PLACE: BIRMINGHAM COMMUNITY HOUSE 380 SOUTH BATES BIRMINGHAM, MI 48209 DATE: TUESDAY APRIL 27, 1982 TIME: 7:00 P.M.

Mail to: Merrill Lynch Pierce Fenner & Smith Inc. 2300 WOODSIDE SUITE 900 BLOOMFIELD HILLS MI 48301

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Realtors oppose moves to enforce 'due-on-sale'

Enforcement of the controversial due-on-sale clause in mortgage contracts could eliminate more than 500,000 families from the home-buying market nationwide.

That's one reason why members of the Birmingham-Bloomfield Board of Realtors oppose a federal override of state laws which prohibit enforcement of the clause.

The proposed federal override could reduce the number of loan assumptions nationwide, which currently are involved in about 42 percent of all existing home sales, said board president Robert Frick.

The "due-on-sale" clause commonly is found in non-government-insured deeds of trust or mortgages written since the early 1970s. It allows a bank or savings and loan association to demand full payment of a mortgage if a borrower sells his or her interest in the property to anyone else.

IN OTHER WORDS, a home seller with a mortgage of 8 percent would be required to pay the lending institution in full at the time of sale. The home purchaser would have to pay current market rates, which have been as high as 18 percent in recent months.

Sen. Jake Garn, R-Utah, chairman of

the Senate Banking, Housing and Urban Affairs Committee, has sponsored a comprehensive bill aimed primarily at restructuring the financial services industry.

One feature of its bill includes a federal preemption of state laws that prohibit enforcement of due-on-sale clauses, Frick said.

An interim report by the President's Commission on Housing also calls for the federal government to be permitted to override any state law which prohibits enforcement of due-on-sale clauses.

"The real estate industry is strongly opposed to the federal preemption because they feel it is an unwarranted invasion of states' rights by the federal government," Frick said.

"They also predict that the net effect of the proposed legislation would be to eliminate the only practical way many homes are being financed today."

An October survey of real estate agents across the country showed that up to 60 percent of existing home sales nationwide involved people-to-people financing techniques and that 42 percent of those made use of mortgage assumptions at an average interest rate of 13.5 percent.

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Sid Mittra

Take advantage of tax shelters

Second of a series.

One way to offset the burden of state and federal income taxes is to participate in a tax shelter.

Since tax shelters (which reduce tax burdens) generally are risky, the government subsidizes such investments to encourage people to allocate their dollars toward needed projects.

A few of the most popular tax shelters available today include the exploration and development of oil and gas reserves, housing for low- or middle-class families, and feeding and breeding certain livestock.

The following example underscores the use of tax cash for developing the tax-shelter strategy.

Let's say the taxable income is \$55,300 with taxes of \$20,982. That leaves us with a net income of \$34,318. If living expenses are \$20,000, then discretionary income would be \$14,318.

In this instance, a large portion of the tax cash (\$20,982) can be diverted to the tax-shelter investment.

HERE ARE three attributes of tax shelters often worthy of investing your tax cash.

- It should be possible to recover all or part of the investment through deductions available against ordinary income.
 - There should be a deferral of income taxes on the income, gain, or appreciation of the particular investment. This deferral should shift taxable income into time periods where it is anticipated that ordinary income would be reduced, thus increasing the dollars available for interim investment.
 - When the asset is eventually sold, any income, gain, or appreciation should be subject to the favorable tax treatment of long-term capital gains.
- But be prepared to exercise caution.
- Tax shelters are intrinsically risky. Instead of oil, the driller may find dry holes. The IRS may disallow some of the write-offs in the case of "abusive" shelters.

MOST INCOME generated by shelters is taxed as ordinary income. This may be an undesirable feature for investors in the higher tax brackets.

Always investigate before investing because there are many shady tax shelters around.

If you are expecting to be in a higher tax bracket in 1982, it might be attractive to find a safe shelter for some of your taxable income.

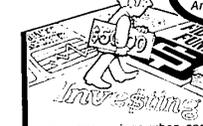
An expert financial analyst, tax attorney, stockbroker or accountant might help identify the right shelter for you.

Sid Mittra of Rochester is president of Coordinated Financial Planning and a professor of economics and management at Oakland University.

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