

The

BASS LAKE BULLETIN

Vol. V No. 7

The Voice of the Bass Lake Community

July 2007



www.basslakeaction.org



NEW HOME SALES FELL IN MAY AS BUILDERS REPORT



According to a recent report in the *Sacramento Bee*, sales of new homes in the United States fell in May for the fourth time in the past five months, providing further evidence of a continued slump in housing.

The U.S. Commerce Department reported that sales of new single-family homes dropped by 1.6 percent in May to a seasonally adjusted annual rate of 915,000 units. That followed a 12.5 percent surge in April sales, which was the biggest one-month jump in more than a decade.

But the April increase, which analysts believe was heavily influenced by special factors such as the weather, marked the only strength this year. In every other month, sales have fallen as builders struggle to deal with the most serious downturn in housing in 16 years.

The median price of a new home sold in the U.S. in April was \$236,100, down 0.9 percent from the price a year ago. (The median is the midpoint where half the homes sold for more and half for less.)

Locally, the *Sacramento Business Journal* reports that the Sacramento area's new-home building permits plummeted 32 percent last month compared to May 2006, as homebuilders scaled back operations during the slow-moving housing market. Homebuilders applied for 643 new-home permits last month in Sacramento and Placer counties, down from 948 in May 2006, according to the California Building Industry Association (CBIA). For the first five months of the year, building permits for single-family homes

dipped 12 percent to 3,556, from 4,050 for the same period last year in the two-county region. Despite the decline, the Sacramento area is faring better than many markets, including California.

California's new-home building permits tumbled 40 percent to 7,164, from 11,969. And building permits dropped to 35,722 for the first five months of the year, 33 percent lower than the 53,263 for the same five-month period last year.

The Riverside/San Bernardino area accounted for about 50 percent of the five-month drop, said CBIA chief economist Alan Nevin. "Overall, we see evidence of returning stability to the new residential sector and anticipate that stability to be maintained throughout the balance of the year," he said.

Home prices are expected to fall further in coming months as builders slash prices more to trim a glut of unsold homes in the face of deepening troubles in housing. The National Association of Home Builders (NAHB) reported last week that builder confidence has fallen to the lowest level in 16 years.

The troubles in housing follow a prolonged boom in which sales of both new and existing homes set records for five consecutive years. That boom ended in 2006 as investors, who had been lured into the market by soaring home prices, began to retreat in the face of rising mortgage rates and slumping prices, especially in the once red-hot markets.

The NAHB reports that builders are still struggling to deal with cancellations that are running around 8 percent of sales contracts, double what they were at the peak of the sales boom.

To cope with the high inventories, builders are cutting prices and offering a variety of incentives from kitchen upgrades and free decks to paying part of the closing costs, to reduce their supply of unsold homes.

While some potential buyers have been waiting, hoping to see prices cut further, analysts said the recent jump in interest rates may persuade the fence-sitters to move now before rates go higher.

How are individual builders faring in this market? Here's a look at some of the companies:



Homebuilder KB Home recently reported a fiscal second-quarter loss, reflecting how builders are attempting to slog through a U.S. housing market stuck with an oversupply of homes for sale and slackening demand.

The Los Angeles company said unit deliveries in the second quarter decreased 36% from the previous year to 4,776 homes. The average selling price dropped 8% to \$271,600. Net orders dropped 3% to 7,265. Against this backdrop, KB Home said it was using more price concessions and sales incentives "to meet competition."



The lower demand and higher inventory plaguing the U.S. housing market continued to drag down Beazer Homes USA Inc. in the second quarter.

During the second quarter, the Atlanta-based homebuilder closed on 2,743 homes, compared with 4,273 in the second quarter

(continued on next page)

ANOTHER ACCIDENT AT THE CURVE



Firemen, Paramedics and a Highway Patrolman tend to the unidentified driver who unfortunately failed to negotiate the sharp curve on Bass Lake Road just after noon on Saturday, June 30. Passers-by initially helped the motorist.

HOMEBUILDERS *(continued)*

of 2006. New orders totaled 4,085 homes, compared with 4,224 in the second quarter of 2006. And its backlog at the end of the second quarter was 5,563 homes with a sales value of \$1.67 billion, compared with 9,227 homes with a sales value of \$2.79 billion at the end of the second quarter of 2006.



Builder Lennar Corp. posted a second-quarter loss and warned that conditions in the housing market could worsen through the year. The company said its troubles will likely continue through the third quarter. Wall Street had expected the Miami company to generate a profit in both periods.

The Miami-based homebuilder has battled a hard-hit housing market, and a quick turnaround is unlikely, according to a company spokesman, who said that Lennar expects to lose money in the third quarter.

The company's delivery of new homes declined 28 percent to 9,568 homes, and new orders dropped 31 percent to 8,056 homes. In addition, the cancellation rate

— basically would-be homebuyers who back out of deals — increased to 29 percent, or more than one of every four homes that entered the sales process.

The company has sold 207 homes for the first four months of the year in the six-county Sacramento region, compared to 213 homes for January-April 2006, according to Hanley Wood Market Intelligence. Lennar is the second-leading builder in the Sacramento region with 6.9 percent market share.



Pulte Homes Inc. plans to cut 16% of its workforce in a restructuring to respond to what it calls "the challenging operating environment that exists in the U.S. home-building industry." The Bloomfield Hills, Michigan, builder said that most of the job cuts will occur this quarter. Pulte had 12,400 employees in 2006, down from 13,400 in 2005, according to its 2006 annual report.

Sales rates this year have been above average for homes in Pulte's "active-adult" communities built under the Del Webb brand, such as Sun City in Lincoln, which are destinations for homebuyers 55 and older.

Excluding Del Webb, however, Pulte ranks as the No. 15 builder in the Sacramento area, with 66 sales between January and April, according to Hanley Wood Market Intelligence. One industry insider said homebuilding companies are trying to maintain a work force of about eight home sales per worker, and said Pulte still had room to trim staff to get to that level.



D.R. Horton Inc., the largest U.S. home builder by number of units, reported an 85% drop in profit for its fiscal second quarter, as company executives warned that housing conditions appear likely to deteriorate further.

Company representatives cited high inventories of homes for sale, as well as continuing troubles in the mortgage industry that have crimped the number of eligible buyers. The Fort Worth, Texas, builder said results for the quarter ended March 31 included pretax charges of \$67.3 million for inventory impairments and \$13.9 million for write-offs and costs related to land-option contracts that the company is walking away from.

Analysts estimated that tightening of credit standards amid rising foreclosures have reduced new-home sales by as much as 20%.

Horton said one of its most challenging markets was California, where the company cut prices to "rock-bottom" levels after attempting to hold them steady for several months. The company said that in markets such as Sacramento and San Diego they are struggling to find qualified buyers, given the mortgage instruments that are available in the marketplace, and that the company has had to slash prices in Florida.

Last week, Horton reported a 37% drop in second-quarter orders, to 9,983 homes, from a year ago. Orders fell in all geographic regions, led by a 59% decline in California, which has a relatively high concentration of borrowers using subprime and low-documentation, or "Alternative-A," mortgages. ~



THE PRESIDENT'S LETTER



Hello Everyone,

As you can see, this issue of the *Bulletin* is dedicated to the plight of the housing industry. As a student of history, I can say that history is littered with booms and busts. First it was the dot-com crash, now housing looks like it's in for a correction. Hard times? Hardly.

Let's look at the material standard of living in the United States from 1820 to 1998 using our gross national product (GNP) per capita. Over this period of 178 years, real GDP per capita in the United States increased twenty-two fold, or an average of 1.73 percent per year. Although the evidence available to estimate GDP directly is meager, this rate of increase was probably many times higher than experienced during our country's earlier colonial period.

Let's look at life expectancy. In 1850, the average life expectancy in the United States was 38.3 years. In 1900, it was 47.8 years. Today the average life expectancy of a person living in California is 78.2 years.

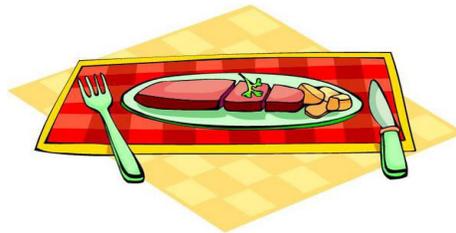
My dear late Uncle Clifford, who barely eked out a living during the Great Depression and who eventually died a wealthy man, later in his life used to pat his generous belly and say, "Do you know what this is? Prosperity!"

Depressions, crashes, recessions, and busts, they all seem to be terrible when we are in them, then they pass and the economy resumes its expansion. Well, this housing "crash" will pass, too. The dark clouds will roll away, and it will be bright and sunny again. Meanwhile people will grumble, and wonder aloud, "Why doesn't somebody do something about it?"

Well, I know what I'm going to do about it. I'm going to have a glass of wine on my patio and watch the beautiful sunset!

John E. Thomson

President



DINING OUT WITH BLAC

By the Baron von Mittag-Essen

Not too long ago the lovely Baroness von Mittag-Essen and I sallied forth to visit the wineries of Fair Play and Shenandoah Valley, and to go to Plymouth for lunch.

I had been told about a great barbeque restaurant in Plymouth that featured Santa Maria Style Barbeque, and that sounded great to the Baroness. For the uninitiated, Santa Maria Barbeque is a sumptuous feast of barbecued sirloin, salsa, pinquito beans, toasted French bread, and macaroni and cheese with green salad.

Our directions were that the restaurant was in Plymouth, was called "Incahoots," and were advised, "You can't miss it."

Indeed, we easily found a bright yellow building with the name Incahoots on it that one really can't miss. Inside, the decor is very rustic with an eclectic array of ranch and farm antiques hanging on the wall.

The menu is quite extensive, and includes appetizers, salads, Mexican food, pizza, and of course, barbecue dishes. The barbeque selections range from sandwiches to full dinners. The sandwiches start at \$4.95 for the "Bull Dogger," a large all-beef hot dog, and extend to the "Rustler," a seven-ounce rib-eye steak sandwich at \$10.95. My favorite is the Feed Lot, a delicious tri-tip sandwich for \$8.95. A generous portion of fries are included with each sandwich. I found the fries lightly seasoned, crispy and delicious.

Their Ranch Style dinners include a choice of side dishes and Incahoots fries. A good choice for a first-time dinner would be the Corral Dinner, a sampler of half a chicken, two sausages, sliced tri-tip, and two beef ribs and baby back ribs, served as a dinner for two at \$28.95. Other dinners range from \$11.95 for Louisiana links to a full rack of baby back ribs for \$24.95.

Except for Santa Maria on California's Central Coast, Incahoots is the best Santa Maria Style Barbeque I have ever enjoyed. I give it the highest rating for taste and price.~



JOHN ADAMS AND INDEPENDENCE DAY

No other family has had a longer legacy of celebrating the Fourth of July than the Adams family. From 1776 to 1892, the Adams family were involved in a myriad of Independence Day activities. John Adams (1735-1826), who would go on to become the second president of the United States, was instrumental in negotiating in favor of independence at the Continental Congresses (1774-78) and was one of those men who signed the Declaration of Independence.

John Adams' famous letter of July 3, 1776, in which he wrote to his wife Abigail what his thoughts were about celebrating the Fourth of July is usually incorrectly quoted. Following is the *exact* text from his letter with his original spellings:

"The Second Day of July 1776, will be the most memorable Epocha, in the History of America. I am apt to believe that it will be celebrated, by succeeding Generations, as the great anniversary Festival. It ought to be commemorated, as the Day of Deliverance by solemn Acts of Devotion to God Almighty. It ought to be solemnized with Pomp and Parade, with Shews, Games, Sports, Guns, Bells, Bonfires and Illuminations from one End of this Continent to the other from this Time forward forever more. You will think me transported with Enthusiasm but I am not. I am well aware of the Toil and Blood and Treasure, that it will cost Us to maintain this Declaration, and support and defend these States. Yet through all the Gloom I can see the Rays of ravishing Light and Glory. I can see that the End is more than worth all the Means. And that Posterity will triumph in that Days Transaction, even altho We should rue it, which I trust in God We shall not."

In 1778, Adams and Benjamin Franklin went to Paris to try to solidify an American alliance with France for the war effort. While there, on July 4, they hosted the first American Independence Day celebration on the European continent with a dinner for "the American Gentlemen and ladies, in and about Paris." (Source: Original research by James R. Heintze) ~



UNDERSTANDING FIRE DANGER

The tragic fire in Lake Tahoe has focused everyone's attention on how a forest fire can devastate one's home. However, several recent house fires in the El Dorado Hills area have illustrated just how close to home fire danger can be.

A couple of weeks ago, a fire that appeared to start in the garage of a house in the Hills of El Dorado promised to burn down the whole house, but was rapidly put out by the quick work of our local fire department. Another home in Serrano was not so lucky, as it became totally engulfed before the fire department could arrive.

Every day Americans experience the horror of fire. But most people don't understand fire. Only when we know the true nature of fire can we prepare ourselves and our families. Each year more than 4,000 Americans die and approximately 20,000 are injured in fires, many of which could be prevented.

The United States Fire Administration (USFA) believes that fire deaths can be reduced by teaching people the basic facts about fire. Here are some simple facts that explain the particular characteristics of fire.

Fire is FAST! There is little time! In less than 30 seconds a small flame can get completely out of control and turn into a major fire. It only takes minutes for thick black smoke to fill a house. In minutes, a house can be engulfed in flames. Most fires occur in the home when people are asleep. If you wake up to a fire, you won't have time to grab valuables because fire spreads too quickly and the smoke is too thick. There is only time to escape.

Fire is HOT! Heat is more threatening than flames. A fire's heat alone can kill. Room temperatures in a fire can be 100 degrees at floor level and rise to 600 degrees at eye level. Inhaling this super hot air will scorch your lungs. This heat can melt clothes to

your skin. In five minutes a room can get so hot that everything in it ignites at once: this is called flashover.

Fire is DARK! Fire isn't bright, it's pitch black. Fire starts bright, but quickly produces black smoke and complete darkness. If you wake up to a fire you may be blinded, disoriented and unable to find your way around the home you've lived in for years.

Fire is DEADLY! Smoke and toxic gases kill more people than flames do. Fire uses up the oxygen you need and produces smoke and poisonous gases that kill. Breathing even small amounts of smoke and toxic gases can make you drowsy, disoriented and short of breath. The odorless, colorless fumes can lull you into a deep sleep before the flames reach your door. You may not wake up in time to escape.

In the event of a fire, remember time is the biggest enemy and every second counts!

Escape first, then call for help. Develop a home fire escape plan and designate a meeting place outside. Make sure everyone in the family knows two ways to escape from every room. Practice feeling your way out with your eyes closed. Never stand up in a fire, always crawl low under the smoke and try to keep your mouth covered. Never return to a burning building for any reason; it may cost you your life.

Finally, having a working smoke alarm dramatically increases your chances of surviving a fire. And remember to practice a home escape plan frequently with your family. ~



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SUPERVISOR RON BRIGGS TO ADDRESS BLAC BOARD OF DIRECTORS IN JULY

County Supervisor Ron Briggs and Park Commissioner Todd White are coming to the July 9 Bass Lake Action Committee board of directors meeting to discuss matters of mutual interest.

Briggs, representing District 4, which includes the Rescue area at the north end of Bass Lake Road, was scheduled to speak to the June BLAC general meeting, but was unable to meet due to the pressing county budget discussions. Todd White was recently appointed to the Park Commission by Supervisor Briggs.

BLAC members are welcome to attend the Board meeting, which will be held on July 9 at 7:00 at the home of Fran and John Thomson. ~

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