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## A STUDY OF THE PLANNED SUBDIVISION AT NEWHALL LAND AND FARMING COMPANY

by

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SRI Project 948

Prepared for

THE NEWHALL LAND AND FARMING COMPANY
SAUGUS, LOS ANGELES COUNTY, CALIFORNIA

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## Section I

# INTRODUCTION

Newhall Land and Farming Company has been considering the subdivision of about 9,500 acres of the Newhall Ranch in the Newhall, Saugus, Castaic Junction are (see inside back cover). A preliminary master plan of land use has been developed under which specific areas are to be zoned for residential, commercial, and industrial use. The entire acreage included in the master plan is in the unincorporated portion of Los Angeles County north of San Fernando Valley (see Figure 1).

Currently, income from the acreage is derived from agricultural and commercial leases, and from bonuses and rents paid for oil exploration rights. Income from the agricultural leases has been relatively stable during the postwar years, whereas income from commercial leases and oil exploration rentals has increased markedly. Oil drilling activity in the surrounding countryside has been high in recent years, and several good oil fields have been discovered. Continued interest in exploration on land proposed for subdivision has been exhibited by the oil companies. Approximately one-half of the 9,500 acres is now under lease to three oil companies for exploration.

The Newhall Company is fully aware that, in the past, oil exploration and surface subdivision have not been compatible. However, watching the growth of the Los Angeles basin, the Company is faced with the problem of how long it should wait, while oil exploration either proves or disproves the presence of oil fields, before going ahead with a subdivision plan.

As indicated in the Stanford Research Institute proposal for research, the key question is whether the best time to initiate the subdivision is now or later. The prime objective of this study, therefore, has been to develop data that would point out which segments of the planned community the Company could develop without inhibiting oil exploration. This study has not examined any alternative uses of the land other than its current use or its projected development as a planned community.

The initial phase of the project included a first hand examination of the Newhall property and surrounding area. Several visits to the area were most ably guided by Mr. George Bushell, President of Newhall Land and Farming Company, and other members of his staff.

These several visits to the Newhall property made clear the following facts:

1. The land is admirably suited to a planned community development. Drainage is good and the terrain is level or gently rolling.

2. Adequate utilities and water are available to serve the potential development. Water is not in abundant supply, but it appears that the Company has developed enough water resources to support an integrated community of about 50,000 people.

3. Good highway and rail facilities connect the Newhall properties with Los Angeles and the other major metropolitan centers of the West.

4. The unincorporated towns of Newhall and Saugus, adjacent to the Newhall Land and Farming Company property, can be considered in the main as areas of residential blight. Inadequate zoning restrictions, water supply, and sewage disposal facilities, supply of undeveloped land, and industrial base have retarded the orderly growth of the towns and, to an extent, have caused the poor housing conditions that exist there today.

5. The present labor market in the Newhall, Saugus, Castaic Junction area is limited.

6. About 200 additional jobs will become available in the area with the completion of three facilities now under construction: the Los Angeles Police Department Farm for alcoholics, the Texas Company's gasoline plant, and the Thatcher Glass Plant.

7. There is only one new residential housing development in the area, the Bonelli Tract. It has been successful. The 55 homes in this subdivision are of good quality and well maintained.

As a part of its field work, Stanford Research Institute personnel contacted several local businessmen to get pertinent data on the current economic status of the area. These data and the above listed facts form the basic framework within which the study was carried out.

In later stages of the project, area development in Los Angeles and Orange Counties, particularly in the San Fernando Valley, was studied in subsequent field work.

The experiences of oil companies drilling wells in residential or industrial areas were appraised in detail. Subdividers who were faced with the problem of eventual oil development in residential subdivisions were contacted. Special emphasis was given to the oil developments carried on in La Habra Heights and the new La Mirada tract where oil drilling islands have been retained throughout the residential area. The railroad companies, large owners of land, were also contacted to obtain their knowledge on the matter of concurrent surface and oil development in a given area.

In order to determine the growth characteristics of the Los Angeles basin, representatives of city, county, state, and federal agencies were interviewed. The necessary statistics were developed from information received from these sources. Because of the proximity of the San Fernando Valley to the Newhall property, special emphasis was placed on developing data on the over-all growth and economic characteristics of the Valley. To round out the study, availability and comparative prices of industrial land in the Los Angeles basin were developed. These data are particularly pertinent to the initial pricing policy the Newhall Company will follow in developing proposed industrial areas of the planned community.

This study has been carried out by a research team from the Economics Research Division. Harrison A. Price was the project manager and Fredrick H. Good, the project leader. Redford C. Rollins, William E. Spaulding, and Charles T. Thompson assisted in gathering the data and in preparing certain phases of the report. Dr. James Gillies of the University of California at Los Angeles prepared valuable data on the economic characteristics of the San Fernando Valley.

Assistance furnished throughout the study by Mr. George Bushell and the staff of the Newhall Land and Farming Company is acknowledged with appreciation. Particular thanks are due to Mr. Richard Cree and Mr. Gifford Newlon for their cooperation with the Institute's team.

Section II

## SUMMARY AND CONCLUSIONS

1. Maintaining income from oil exploration and development is a paramount consideration. Good oil fields surround the Newhall Land and Farming Company property proposed for use as a planned community. Oil exploration rents on those segments of the property under lease to oil companies are currently yielding about $60 per acre annually. Potential oil royalties could, of course, far exceed this income. Therefore, the Company must be sure that oil exploration will not be inhibited. In the proposed industrial areas, no particular difficulties should be encountered by the Company in maintaining 100 percent of the mineral rights and drilling islands from which to drill both exploratory and possibly development wells. In the proposed residential areas, skillful planning and adequate zoning should protect both the Company's interest in oil exploration and future landowners' property values. In order to gain the cooperation of future landowners, it may be necessary for the Company to allow the landowners to participate, even though on a small scale, in possible future income from oil production.

2. Oil companies would, of course, prefer to explore for oil in open country. However, oil exploration and development using modern drilling techniques is currently being carried on in both residential and industrial areas. There seems to be a feeling among oil company people and realtors that more of these oil operations in built-up areas can be expected. The possibility of oil exploration and development does not seem to pose a problem to the subdivision that cannot be solved by foresighted planning, adequate zoning, and careful management of the over-all subdivision.

3. Current earnings from the property under consideration for subdivision are derived from agricultural leases, oil exploration rents and bonuses, and commercial leases. The gross income from the property has increased regularly over the past six years. Oil exploration rents on the property are currently yielding a gross income of $60 per acre annually. Gross income from irrigated agricultural land including the acreage along the Saugus-U. S. Highway 99 road, averaged $53 per acre in 1952.

4. The agricultural land along the Saugus-U. S. Highway 99 road seems well suited for development as a light industrial area at the present time.

Current pricing of industrial land in Southern California indicates that the Newhall property could be competitively priced at $3000 to $3500 per acre. (See Section V for discussion of pricing). Assuming this price to be the current value of the land, the 1952 per acre income ($53) represents a 1.77 to 1.51 percent gross rate of return. Using 6 percent as a reasonable rate of return, the cost of using the land for farming as opposed to its use for industrial sites is $127 to $157 per acre per year.1/

5. The attractiveness of the Newhall property to industry is enhanced by the availability of large sites on the railroad and close to major highways. Adequate utilities and good weather conditions are also favorable factors. Approximately 190,000 people live in the San Fernando Valley, within 20 driving miles of the center of the Newhall property; therefore, a good potential labor supply is located within a tolerable commuting distance. In addition, the good industrial sites in the San Fernando Valley are expensive and limited in number.

6. Residential development on the property at the present time does not seem to hold good possibilities for success. Large vacant plots of ground in the San Fernando Valley are still available for use as residential areas. It is reported that as much as 35 percent of the working population of the Valley moves out of the Valley during working hours. While the exact number of people living outside the Valley who now work in the Valley is not known, it is believed that the industry located within the Valley is not sufficient to support the local population. Therefore, it is doubtful that an extensive residential development in the Newhall area, on the periphery of a valley that probably cannot support its own population, could be profitably undertaken. Only after a firm industrial base is established in Newhall can residential and commercial development take place on a sound basis.

7. The towns of Newhall and Saugus are for the most part blighted areas. Employment opportunities in the immediate area do not seem adequate to support the local population. Even so, a number of the employees of the Bermite Powder Company live in San Fernando Valley. No definite pattern of employment or commuting habits with respect to the local population was developed, since in the short run the local population will not have any great impact on the Newhall subdivision. Because of the substandard character of Newhall and Saugus, the Company in its master planning may want to buffer its own development from these towns.

1/ (0.6 X $3,000) - $53 = $180-$53 = $127
(0.6 X $3,500) - $53 = $210-$53 = $157

8. The success of the entire Newhall development of a planned community may well hinge upon the master plan that the Company adopts. The ultimate plan should be imaginative and well calculated to make the most of the raw land that now exists. The character of the master plan seems to be the single most important factor bearing on the Newhall development. With an expert plan that will be carefully implemented, the Newhall properties can be developed with excellent possibilities for maximizing profits for the Company.

9. Concurrently with land use planning, the Company may want to examine further the following problems:

   a. Leasing versus selling industrial and residential land.
   b. Determining the most suitable industries for the Newhall property.
   c. Defining that stage of industrial development at which residential development could begin with a reasonable chance of success.
   d. Determining how residential subdivision should be handled: by the Company, a subsidiary, or an outside subdivider.

10. If Newhall property is developed around an industrial nucleus, following an expert master plan in which modest areas are opened for use over perhaps several decades, it can become an ideal community.

B

TABLE I

INCOME FROM THE NEWHALL PROPERTY
(1947-1952)

| | Agricultural Leases | Real Estate & Commercial Leases | Oil Exploration Rents & Bonuses[1/] | Oil Royalties | Annual Totals |
|---|---|---|---|---|---|
| 1952 | $ 191,182 | $110,544 | $ 681,476 | $176,303 | $1,159,505 |
| 1951 | 164,598 | 85,410 | 674,984 | 91,837 | 1,016,829 |
| 1950 | 174,970 | 62,303 | 511,471 | 19,775 | 768,519 |
| 1949 | 191,319 | 53,164 | 244,030 | | 488,513 |
| 1948 | 181,958 | 47,735 | 106,165 | | 335,858 |
| 1947 | 176,455 | 37,955 | 90,857 | | 305,267 |
| Total | $1,080,482 | $397,111 | $2,308,983 | $287,915 | |
| | | | | Six year total | $4,074,491 |

1/ Includes income from land not under consideration in this study.

Source: Newhall Land and Farming Company.

of income. Consequently, the effect of subdivision on oil exploration is a problem of paramount importance to the Company. Careful study of this problem indicates that it is unlikely that oil exploration will be very greatly affected by a carefully planned community development, skillfully zoned and executed. As mentioned in the Introduction, real estate subdivision and oil exploration and development in the past have not been compatible. At the present time, however, there is sufficient drilling activity in or near both industrial and residential tracts to indicate that real estate and oil developments can exist together.

Industrial realtors and railroad companies controlling large acreages earmarked for industry report that oil exploration does not inhibit sales of land to industrial clients. The railroads with very few exceptions retain 100 percent of the mineral rights belonging to property sold to industries. Both Union Pacific and Southern Pacific Railroads were quite positive on this point; however, it should be pointed out that certain exceptions do exist. Some major companies, like General Motors, Ford, and Chrysler, have demanded and received the mineral rights to properties purchased from the railroads. Apparently, where large companies use bond issues for financing, the bond holders want all prior rights to the property cleared and in the hands of the bond issuer. Such granting of mineral rights has been the exception rather than the rule.

The railroads retain enough property on their right-of-ways so that drilling can take place. City and country zoning ordinances control drill site locations and drilling activities. Limits are set on how close to existing structures a drilling rig can be placed, and drilling islands must be strategically placed to avoid conflict with the law. In view of these facts, it can be said that drilling, including exploratory drilling, can and will be done in industrial areas on land where the mineral rights may not be owned by the surface rights owners. Oil exploration has been carried out successfully in the central manufacturing district of Los Angeles, and a drilling rig in now operating on the 20th Century-Fox lot in Beverly Hills.

Residential developments, either planned or in place, present a somewhat different problem with regard to mineral rights. People do not like to have a drilling rig or a pumping unit on land adjacent to their property, particularly if they have no mineral rights. The Federal Housing Administration (FHA) will not approve loans for residential construction in an area where unsightly oil wells may be erected. 1/

1/ The FHA will approve loans on properties where drilling will not take place within 300 feet of residences. Certain rules regarding drilling islands in residential areas and the right to surface entry to such islands are observed by the FHA. It is doubtful if the FHA would guarantee loans up to the allowable limit on properties where drilling islands are retained. The FHA does not rule out loans on properties where the seller retains 100 percent of the mineral rights below 500 feet, quit claiming his mineral rights above that depth.

However, it must be pointed out that drilling in residential areas can and does take place. Zoning variances are required and the oil company must abide by a number of regulations that provide maximum protection for the home-owner and his investment. A good example of these regulations is to be found in Appendix A on zoning.

Even with zoning variances in effect, the oil companies have found strong opposition to drilling from the home owners. One solution to the problem of homeowner opposition is to sell a part of the mineral rights with the surface rights. Another is to assure the surface rights owners by contract that should oil be discovered under their property they will share in the royalties. The latter method has proved quite successful in the La Habra Heights Tract between Whittier and Fullerton, where the Union Oil Company owns 100 percent of the mineral rights but pays local property owners a percentage of the net operating revenues prorated according to the assessed valuation of each property owner's land. This would appear to be a workable arrangement satisfactory to both Union Oil Company and the La Habra Heights residents. Union Oil Company believes that proration based upon the actual amount of land owned would be preferable to proration based upon assessed valuation; however, in La Habra Heights the latter method had to be used because no satisfactory map is available that delineates all the properties precisely.

It is reported that the former method of out-right sale of a portion of the mineral rights has been used by some subdividers. The Stanford Research Institute team has been unable to verify this report. At any rate, this method would probably be used only in areas where scant possibility of oil production exists.

Probably the most attractive method of participation from the viewpoint of the Newhall Land and Farming Company would be for the Company to offer potential subdividers and the eventual landowners a share of the royalties rather than a percentage of the mineral rights. This method allows the Company to retain 100 percent of the mineral rights and all income from exploration but assures the landowner some income should oil be discovered. From the ultimate landowners viewpoint, the actual transfer of the mineral rights would seem to be more desirable. Further study of the method of participation to be offered appears necessary, since a conflict of interests could develop if the participation is not handled in the most equitable manner.

Furthermore, the Company should retain carefully selected drilling islands throughout the entire community. Plans for the ultimate beautification of these islands would undoubtedly be developed. A land use map should show clearly where these islands are to be spotted. Each island would have to be expertly located by geologists and petroleum engineers so that all the land could be explored with a minimum of slant hole drillings.

Because the Newhall property is essentially raw land, the location of drilling islands can be planned more easily than would be possible in built-up areas.

Oil companies prefer to drill in open countryside where a minimum of restrictions are placed on drilling operations. However, more and more drilling is taking place in city and country areas where residential or industrial development exists. The oil fields that were relatively easy to discover have been discovered; and the oil companies must now search for oil under increasingly difficult situations. If the oil companies are to efficiently exploit oil and gas natural resources, drilling in residential areas must take place.

Another problem that the Company should recognize is that of slant drilling (whipstocking) exploratory wells. Generally, oil companies would prefer to drill straight holes in wildcat areas; however, Union drilled several exploratory slant holes in La Habra Heights, and the Texas Company is currently exploring under the Long Beach Municipal Airport from a drilling island situated at the west end of the field. The technique of slant hole drilling has progressed remarkably, to the point where most major oil companies are not at all adverse to using this type of drilling in almost any situation. Slant holes are somewhat more expensive than straight holes, but it is reported that holes deviated no more than about 20 degrees are almost equal in cost to straight holes.

Although exploration from islands using slant holes is not the preferred method of searching for oil, it is being done. In the future, it can be expected that more of this type of exploration will take place. Newhall Land and Farming Company should follow oil exploration developments in such community tracts as La Mirada, where for the first time a large number of drilling islands have been retained in a residential subdivision.

## The Towns of Newhall and Saugus

Newhall has an estimated population of about 3000. It is characterized by low cost, marginal dwelling units and a business district that has not kept pace with the times. Some of the factors which have led to this situation are:

1. Many of the people in the Newhall area find it convenient to shop in the nearby San Fernando Valley.

2. The towns lack an adequate industrial base.

3. Both towns show the ill effects resulting from an absence of zoning ordinances. House trailers on blocks, small houses next to bigger ones, few sidewalks, and a generally run-down appearance give the unmistakable impression that Newhall and Saugus are substandard communities.

4. The lack of adequate water supply and sewer facilities have stultified the growth of these communities.

5. The city has not been able to expand its boundaries because it is hemmed in by the mountains on one side, and by the Company's properties on the other. Employment in the area is limited. The following table shows an estimate of current and expected 1954 employment in the Newhall area.

TABLE IV

NEWHALL AREA EMPLOYMENT ESTIMATE

1953

| Employer by Company or Type | Approximate Average Number of Employees Throughout Year |
|---|---|
| Bermite Powder Company | 400* |
| L. A. County Honor Farm | 177* |
| Local Merchants (service industries) | 125 |
| Oil and Allied Industries | 100 |
| Agriculture (not including transient) | 100 |
| Government (country, state, federal) | 184* |
| Public Utilities | 50 |
| Miscellaneous (small chemical companies, etc.) | 50 |
| Total - 1953 | 1,186 |
| Thatcher Glass Manufacturing Company | 125 |
| L. A. City Misdemeanor Farm | 60 |
| Expected Total - 1954 | 1,371 |

*Actual Employment.

The average number of persons per family in the Newhall area is about 2.5 persons. 1/ On this basis, 1,200 jobs would be required to support the 3,000 people living in Newhall alone.

However, if the Newhall-Saugus-Castaic area as a whole is considered, the population is expanded to about 7,345 persons. 2/ It is obvious that on this basis the industries of Newhall area cannot support the nearby population.

As is the usual case in Southern California, there is quite a tendency for people to work outside the area in which they live. Consequently, people who work at Bermite Powder Company, for instance, may live in the San Fernando Valley (the manager estimates that 60 percent do). Also, people living in the Newhall area may work in the Valley. It is quite possible that some of the people who are working in the Lancaster-Palmdale area have found it economical to live in Newhall. It should be pointed out that Lancaster-Palmdale has experienced a phenomenal growth in the past year due to the relocation of Lockheed's jet plant there. 3/

A few miles north of Newhall, William G. Bonelli, Jr. has developed a residential tract. This tract of homes valued between $7500 and $12,000 is by far the best residential development in the Newhall area. The tract apparently has been successful, and a current building program is under way that will increase the number of dwelling units by about 30 percent.

The success of the Bonelli tract can most probably be attributed to (1) a lack of good housing in the area, (2) the low equity and monthly payments available under the Servicemen's Readjustment Act of 1944

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1/ Los Angeles Regional Planning Commission estimate.

2/ Does not include 1,185 persons in institutions.

3/ The Lancaster-Palmdale area is an example of a community that has expanded because of industrial development. The population of the area has grown by 50 percent during the period 1950-1953. Actual population increase in the area for the same period was from 11,012 to about 16,700 persons. This increase is almost entirely attributable to the establishment of the Air Force facility for final assembly and flight test of jet aircraft. This facility is currently used by Lockheed and it is reported that three other companies will eventually be located at the facility.

(commonly known as the G. I. Bill of Rights), and (3) the willingness of California employees to commute by automobile to their place of work.

However, this is a modest development (containing about 55 homes) and should not be considered as evidence that residential building on a large scale would be successful in the area. The backlog of housing demand in the immediate vicinity seems to have been nearly met and the possibility of securing new G. I. financing is limited.

The Federal Housing Administration would not approve the Bonelli project for FHA insurance because the FHA examiner felt that it was too isolated from other subdivisions. Tracts developed closer to Newhall may well be eligible for FHA financing, however; the FHA studies each development on its own merits and only makes loans after thorough investigation.

the Southern California area (see Table VI in Section V) and the concomitant demand for residential dwelling units.

The great population growth in the Valley has been independent of industrial growth; in other words, industry was not the dominating force in the growth of the Valley. Under present zoning regulations, there are practically no large industrial sites available in San Fernando Valley. In 1953, only about 2 square miles of land zoned for industry was available for industrial purposes in the Valley.

The working population commutes an average of 20 miles to work, and finds this an inconvenience--particularly on roads congested by heavy traffic. However, the majority of the Valley population prefers living in that area. It is believed that employed persons in the area would be attracted to jobs offering easier commuting conditions.

The pattern of development in San Fernando Valley would seem to indicate that:

(a) Indigenous industry has not accounted for the present urbanization of the Valley. The Valley will not be completely urbanized until about 1975, and only then if the present rates of growth continue.

(b) As there is still residential land available in the Valley, the Newhall area cannot expect to be in demand as a residence area for people commuting into downtown Los Angeles.

(c) The lack of available good industrial sites in the Valley and the present zoning situation indicates that new areas near the Valley may be in demand for industrial sites. Therefore, while Newhall cannot expect substantial residential growth in the immediate future, it should be able to attract industry.

(d) A large segment of the population now living in the San Fernando Valley could serve as a labor pool for industry in the Newhall area, since Valley workers will commute as much as 20 miles to work.

In summary, analysis of the San Fernando Valley shows that there are few remaining industrial sites, there is a major zoning problem, there is a large labor force, and there is land which may be utilized for residential purposes. There is little reason to believe that potential home buyers would pass up available residence sites in the Valley to go into the Newhall area, at an even greater commuting distance from downtown Los Angeles.

The pattern of development in the San Fernando Valley indicates that the best opportunity for the Newhall Company lies in development of its properties zoned for industry. Such industrial development can go hand-in-hand with oil exploration. In addition the property should be attractive to new industry because of (1) a large labor pool available in the nearby San Fernando Valley, (2) easy commuting from the San Fernando Valley, and (3) large vacant plots of excellent land.

Since this zoning law permitted higher used categories, that is, residential, agriculture, and commercial, to go into areas zoned for industry, not all of the 41.4 square miles is now used by or available to industry. Approximately 9 square miles have been rezoned for higher use so that by February 1953, only 32.3 square miles remained zoned for industry. The following table shows the use pattern of this land.

TABLE VIII

USE OF LAND IN AREAS ZONED FOR INDUSTRIAL USE
February 1, 1953

| | Sq. Miles | Percent |
|---|---|---|
| Agriculture | 1.27 | 3.92 |
| Commercial | 1.98 | 6.13 |
| Industrial | 21.38 | 66.18 |
| Parking Lots | .17 | .54 |
| Residential | 2.79 | 8.63 |
| Vacant | 4.73 | 14.60 |
| | 32.30 | 100.00 |

Source: Los Angeles Municipal Department, Water and Power.

With only about 4.7 square miles of land in the city of Los Angeles left for industrial development,1/ the scarcity has forced prices up. Consequently, new industries have commenced to buy industrial sites in the county; not only in Los Angeles County, but in Orange, San Bernardino, and Riverside counties. No good figures are available on the amount of land zoned for industry in the areas surrounding the city of Los Angeles. Even if there were a reliable estimate of industrial property it would not be too meaningful, since the counties are continually rezoning rural properties.

It should be pointed out that the Newhall industrial property seems most suited to light industry requiring only modest amounts of water.

1/ In the San Fernando Valley on February 1, 1953, there were but 1.28 square miles of vacant land zoned for industry. A recent zoning variance has added about 1.23 square miles, but the rezoning was extremely difficult to obtain; public sentiment against industry is high in the Valley. Rezoning of more land for industry will certainly require an uphill fight by the Southern Pacific, industrial realtors, and other interested parties.

Major competition to the Newhall industrial district will certainly come from Orange County, where such companies as Sylvania Electric Products, Beckman Instruments, Robertshaw-Fulton, and Cherry Rivet have recently located new facilities.

Heavy industry, not well suited to the Newhall land, has seen fit to locate in the Pomona-San Bernardino area, along the three major railroads that serve that area. It is not expected that this area will be competing for the same type of industry as the Newhall property.

On the whole, the Newhall property will be competing with land in Orange County and in Los Angeles City itself. As has been pointed out previously, only a few outstanding industrial sites are still available in Los Angeles. In Orange County, where many light industrial plants are currently being located, the total amount of land available for industry is unknown. It should be pointed out that there is strong opposition to rezoning agricultural land for industry even in Orange County. 1/

It would appear that the Newhall property can effectively compete for light industry at the present time since it can be offered at an attractive price that will induce industry to locate in the area.

## Pricing of Land in Southern California

Pricing of land in any area depends on many factors. Land for residential use is generally valued on the basis of its attractiveness to potential homeowners. Important to the pricing of residential land are utilities, improved streets, access to schools, nearby shopping centers, adequate transportation (although public transportation in Southern California cannot be considered important because of the high per capita ownership of automobiles), climate, condition of the surrounding neighborhoods, and the local social and political climate. The value of industrial land depends on other factors--labor supply, raw materials, access to markets, transportation facilities, utilities, attitudes of local labor and government, soil conditions, tax rates, insurance rates, etc.

1/ The Irvine Company is currently trying to get about 100 acres rezoned just south of Santa Ana. Strong opposition to this rezoning has come from local residents, some as far as 2 miles from the 100 acres.

In a center of population such as Los Angeles County, another factor--scarcity--is operating. Good industrial land in the central manufacturing district adjacent to the Santa Ana Freeway has sold for $22,500 to $24,000 per acre. A small industrial site in Vernon has reportedly brought as high as $80,000 per acre. These high land costs most certainly have been a factor in the decentralization of industry.

Good industrial land in Orange County is currently selling for $4,000-$6,000 per acre. Sylvania and National Cash Register have recently purchased sites in Fullerton at $4,000 per acre. And U.S. Rubber is reported to have paid $4,000 per acre for land south of Santa Ana. Property adjacent to the Santa Ana Freeway is currently being offered at $4,000-$8,000 per acre, depending on its location and access to utilities.

In the San Fernando Valley, the few industrial sites available are being held for from $8,500 to $16,000 per acre. R. C. A. is reported to have paid $7,000 per acre for land zoned for residential or agricultural use which was subsequently rezoned for industry. Anheuser-Busch paid $8,500 per acre for 18.1 acres, and $10,000 an acre for an additional 14.0 acres. Vacant property directly across the tracks from Anheuser-Busch is currently being offered at $13,800-$16,000 per acre, although this land could probably be purchased for $12,500 per acre. Industrial property in Sylmar, at the upper end of the Valley, is reportedly being offered at $5,000 per acre.

Thatcher Glass Manufacturing Company has recently announced the construction of a plant at Saugus. About 18 acres were acquired for the site. It is reported from one source that the price paid was $3,000 per acre, and from another that the price was $5,000 per acre. The deed has not yet been recorded, so that no check on the number of tax stamps affixed to the deed could be made at the time this report was in preparation. It would seem that the lower figure is the more realistic in view of the prevailing prices for industrial land in outlying areas.

It would appear that Newhall Land and Farming Company could ask about $4,000 per acre for the land located along the SPRR Ventura cutoff. However, the Company may well find it necessary to sell the first few sites for less than that figure. Approximately $3,300 per acre would seem to be a minimum price on today's market for initial industrial tract development of the Newhall property.

Great care should be exercised in choosing the plants that will locate on the Newhall property. Light, clean industry such as electronics, optics, business machines, plastic fabrication, hydraulics, and instruments, would seem to be best suited for the property.

Low water consumption and pollution will, of course, be a necessity if the development is to progress in an orderly fashion. In order to attract the right kind of industry it may be necessary for the Company to sell its land initially below the estimated fair price in order to attract the industry that will be of utmost value to the planned community.