The Historian

Preserving Today for Tomorrow

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The History of Leisure World 1963 - 1975

Chapter 3 - The First Move-ins

By Terry Baker

This article is the third in a multi-part series adapted from the transcripts of the Historical Society's first archivist, Marjorie F. Jones. Additional information was taken from Marjorie's article, "I Remember the Old Days," in the *Historical Society Journal*, *Spring 1980* and *Chapter 1 of Fulfilling Retirement Dreams,* published by the Historical Society in 1989 .

In 1963, the Golden Rain Foundation of Laguna Hills (GRF) acquired from Rossmoor Corporation the land designated for the first mutual and formed Laguna Hills Mutual No. 1, a California Mutual Benefit Corporation. Since there were no owners in Mutual 1, three members of the National Golden Rain Foundation, the management agent selected by Rossmoor, served as directors of the mutual prior to its formal organization. For the first eight months the National Golden Rain Foundation provided management services. After that the National Golden Rain Foundation's name was changed to the Leisure World Foundation.

The first task of Mutual 1's Directors was to file a request with the State of California's Department of Corporations for permission to sell and issue memberships. The request stated that it intended to buy the land from GRF, to contract with Rossmoor to build the housing, and that it had selected a depository for the funds received from the subscription sales, which would be impounded until 90% of the units had been sold.

After the permit had been granted, GRF asked the Department of Corporation's permission to sell GRF memberships. This charge included: a $400.00 initiation charge, $225.00 as a GRF membership, $50.00 to start a Medical Lease Fund and $125.00 for a service contract. This amount was quickly amended to include a $50.00 charge as an affiliation fee for the National Golden Rain Foundation which served as the managing agent.

While GRF waited for the necessary approvals, GRF agreed to sell the land to Mutual 1 at a price which would equal the cost to develop Mutual 1's common area. (*Please see Trust Agreement on Page 5*)

Staff of Leisure World Foundation early in 1965. Standing is Bob Brewer, Director Community Relations. Seated (l - r) Paul Shepard, Director Physical Properties; Don Pelton, Business Manager; Robert Price, Administrator; Stanley Berman, Asst. Director Education & Recreation; Dr. David Zaugg, Director of Medical Services. Missing is Major Anderson, Director of Education & Recreation.

First, the mutual signed a housing construction contract with Rossmoor. Second, the mutual signed a Regulatory Agreement with the Federal Housing Authority (FHA), the requirement to obtain insured loans. Third, the mutual signed a mortgage agreement with United California Bank. Fourth, the mutual signed a Trust Agreement with GRF. An occupancy agreement was signed by each subscriber with the mutual, and a service agreement was signed with GRF and the National Golden Rain Foundation. The last step was a pre-amortization agreement that had to be signed by the Mutual, GRF, and the National Golden Rain.

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MUSINGS

Your 2010 Society Membership

Bob Ring

Enclosed with this newsletter is the form to ***renew your tax-deductible membership*** for the 2010 calendar year. We need your support so that we can: continue to modernize the Society's archives, including increasing accessibility; continue to participate in the Library of Congress' Veterans History Project; continue to partner with the County's Public Library and other organizations; continue to recognize outstanding residents through the Honoree of the Month Program; publish bi-monthly issues of the Historical Society's newsletter, *The Historian*; and use oral history projects to capture firsthand accounts of historical events.

Veterans History Project

Please welcome Mike Gennero who has volunteered to assist the Society in collecting the information required to enter your name and experiences in the Library of Congress' Veterans History Project. Mike will help you fill out the required form and then, if you wish, schedule you for a video interview that will help preserve your experiences for your children and grandchildren. For more information, please telephone the Society at 206-0150.

Honoree of Month

Our congratulations to **Pat Wilkinson** and **Ray Gros**, our Laguna Woods Honorees for October and November, respectively. We are grateful to the Video Club, whose members videotape the ceremony. Inga Futtrup is the photographer at **Images by Dwayne** who so expertly captures the images of our honorees.

This Month's Stories

Terry Baker and I collaborated on writing Chapter 3 of the History of Leisure World. Our January edition will focus on the events which occurred during 1964.

George McInnis and I became friends shortly after his arrival in Leisure World in 1993. George was interested in the history of Leisure World as a result of watching Ross Cortese build the community. George spent months in the vault of the old Administration Building researching the Trust Agreement and other documents related to the creation of Leisure World Laguna Hills. George asked me to preserve the results of his research. His analysis of the Trust Agreement is summarized in this issue.

Move-In from Page 1

Orange County's approval of the zoning on February 14, 1963, made it possible for the construction of Leisure World to begin. Marketing plans were then developed and activated. Buyers quickly purchased the 530 units in Mutual 1. Sales far exceeded the expectations of both Rossmoor and the financial institutions that had supported Cortese.

Gate 1 was opened in September 1963. It provided evidence that Leisure World was ready for prospective buyers. The wall which would enclose the community reached along El Toro Road, and from the gate passed the model homes area and clubhouse where housing construction was in progress. It then continued around the corner with a pedestrian gate and on to the sales building. Rossmoor's policy was to build the exterior wall, as each mutual area was completed.

Model buildings were located next to the west side of Clubhouse I. They had been rushed to completion, decorated and furnished and provided an example of instant landscape with sod and shrubbery of substantial size installed overnight.

Inside the sales building, Leisure Wor1d Foundation and Rossmoor were actively selling manors. Cressmark Corporation, a Rossmoor subsidiary, provided drapery, carpet, and other extras which buyers might choose. Furniture was displayed in the building, and United California Bank established a one-window minibank to handle escrows.

Across from the busy scene at the sales level and one elevation higher, workers scurried like ants swarming from their nests to complete the first three residential buildings. Three blocks of paved streets were ready, Avenida Sevilla to Avenida Castilla and Calle Aragon

Early housing construction adjacent to Gate 1.

Opening Day, September 10, 1964. The ribbon about to be cut and the one and only bus ready to take the first residents through the gate. Pictured: Mac Barber - Chief Security Officer, Col. & Mrs. Zimmerman - the first residents, Don Gardner - Administrator, Ivy Barber - Hostess, and Mr. & Mrs. Kloit - visitors from Laguna Hills.

from Avenida Sevilla to the sales building, the area currently occupied by San Sebastian.

The administrative offices in Clubhouse I included the Business office, Education and Recreation, Medical and Pharmacy and Physical Properties which included Security. It was somewhat crowded but temporary. There was also a one-room Post Office.

Of particular interest, and one which would be common to future Leisure Worlds, was the 24-bell carillon installed in the small tower on the roof of Clubhouse I. It had been put in place in October 1963 when the clubhouse was nearing completion. It could be manually operated or could be set to chime on the hour and half hour. Below the bells was a plaque bearing the crest of the Cortese family. This was Ross Cortese's gift to a new Leisure Wor1d.

A Leisure World Maintenance Building had been built above Moulton Parkway and south of El Toro Road. El Rancho de Cortese stables, completed in June 1964, was nearby facing El Toro Road. Riding horses were not purchased until early 1965, but would be ready when the stables opened June 10, 1965. Plans were to allow only Leisure World horses but at a later time residents were allowed to bring in and board their own horses at the Stables.

Construction yards were located in the eastern corner of the Rossmoor property near the San Diego Freeway and Avenida de La Carlota to provide easy access. There was a small construction office complete with a helicopter pad with a windsock.

Meanwhile plans were put in place for receiving new owners. On September 10, 1964, Leisure World received its first 10 residents. The moving vans were parked on the shoulder of the then two-lane El Toro Road as these new residents impatiently waited for the end of the ribbon cutting ceremony so they could start moving in to their new homes.

Nate Willner, one of the original nine men on the security force, was the officer who opened the gates on that memorable day. He allowed the first moving vans to enter the gates. He recalled the vans lined up on El Toro Road, the confusion and excitement as gates opened, and the joy of the people who became the first residents.

Residents who moved in on the first day found full grown olive trees growing in their courtyards together with green grass and flowered shrubs.

There were no phones. Eventually 40 miles of telephone cable were installed. With 95% of the manors wanting phones, installation was not an overnight accomplishment.

As a courtesy to newcomers hot coffee and doughnuts were served in the laundry rooms. Most of the new residents remembered to bring food with them, but not all, nor did they remember that Manning's Snack Shop and the little "country store" on El Toro Road closed at 5 p.m. The choice was to go hungry or rush down to Laguna Beach

No doubt some slept uneasily the first night. The large 16-manor buildings, only half full, with open

Clubhouse I tower and carillon on December 2, 1963. A clock was added sometime before September 1980.

halls and stairways seemed vulnerable. Planes flying over the green belt were a new sound for some. The eerie howl of a coyote or the bark of a fox during the night might have reminded folks that there was still undeveloped wildlife habitat across the street.

On Friday, all having survived their first night, they became friends as result of greeting each other on the sidewalks and sharing coffee and donuts in the laundry rooms.

Jones reported that Mr. and Mrs. Wellnick drew back in astonishment when they opened their windows that morning. The gardeners were unrolling green turf on their front yard. After the turf was all down and the workers had moved on to another site, Mr. Wellnick, who spent most of his life in the Northeast, commented, “We knew some of the places had lawn but we didn’t know it came like this. Back home I had to plant seed and hope it would grow. However, here the gardeners just stick the plants and shrubs in the ground.”

Jones also noted that Jack Pas, who claimed he only came to Leisure World because it had a free golf course, did not waste any time trying out the new links, but he was not always first on the course. Lloyd Richards finagled a pass from Dick Gee, first Recreation Director, before the opening day of play and was seen there on most days. Almost immediately, Pas and the others talked about forming a men’s golf club. At first, they did not limit the club to residents because they needed outsiders to fill foursomes.

Residents like Roy Kern operated the buses that stopped for you anywhere, collected no fares, and returned every 40 minutes for a new run. In 1979-80 twelve bus routes shuttled out of the junction at CH-1, logging over 43,000 miles a month, and carrying some 90,000 passengers to homes, clubhouses and local shopping centers.

Clubhouse I was the general meeting place, although Clubhouse II was being built and was closely watched by the golfers. Clubhouse I had an almost Olympic sized swimming pool ready for use. Shuffleboard courts had been installed; and one wing of the clubhouse was equipped with hobby shops, ceramics, art and woodworking shops and more. People were signed up in the Education and Recreation Department for hobbies they never had time for before. Classes were even started by volunteer instructors. For many, bicycles became their favorite way to explore the countryside. A cycling club was formed.

Shopping Bus

Twice a week a large bus took shoppers to Larwin Square in Tustin to stock up on staple supplies. Not everyone went for food—there was time enough for the beauty parlor or the barbershop or just to look around before the return trip. A few went along just to ride through the fragrant orange groves that lined the roads. Mrs. Burger was one who voiced praise for the shopping service. “Not only did the bus bring you to your own building but when there was a heavy load the driver carried the packages into your manor.”

The move-in process continued at a regular twice-a-week schedule. By October 1964, 19 buildings were fully occupied. The first buildings were around a circular park and spaced back from the edge of the steep slope down to Calle Aragon. When residents were settled, this path wandering along the line of construction became known as Friendship Walk. In 1966 residents placed a memorial plaque on the walk in remembrance of Rowland Wilson who designed and planted the walk’s shrubbery.

The Trust Agreement – An Analysis by George McInnis

George and Eleanor McInnis made Leisure World their home in 1993. George was one of the drafters of the Davis-Sterling Common Interest Development Act. He served as the First Vice President of GRF in 1999 and was the Society's Honoree for September 2000. George died on December 29, 2001.

Background

For about a decade after World War II, the new housing market was essentially one for "GI housing;" that is, for tract homes financed by loans to veterans and guaranteed by the Veterans Administration. Then Congress became aware that other important segments of the population were not getting equivalent attention and authorized the Federal Housing Administration (FHA), which had been guaranteeing certain home loans since about 1935, to expand their scope. One of the housing types encouraged was multi-unit cooperatives, for which 97% financing would be available.

Ross Cortese saw the possibilities of developing congregate cooperative housing for the segment of the population who were over 52 years of age, using the FHA cooperative loan guarantee program. Cortese was looking for opportunities in South Orange County. Many sites were offered to him, but the Moulton Ranch property seemed to meet his needs. It was still ranch grazing land. His search ended the day he closed a deal with Mrs. Nellie Gail Moulton for about 2,775 acres of the Moulton Ranch for less than $2,200 per acre. Twenty-two hundred acres were used for the Leisure World project.

The land Cortese bought was cheap, because it was considered unsuitable for any purpose other than agriculture. There was almost nothing in the way of facilities—no roads, no water and no sewers. It was many miles from any significant residential development. The Navy was shocked to hear that Cortese planned a large housing development, right under their flight path and tried to block the development. After a couple of years of bickering, the courts told the Navy that they had a choice: buy the land, or let Cortese develop it. The Navy settled with Cortese for approximately $4.2 million, and Cortese agreed to some limitations on his land, including provisions for unpopulated or lightly populated space where troubled aircraft might land. The present golf course was one fortunate result.

Leisure World Laguna Hills

Cortese's concept was to obtain a construction loan to cover the development of the infrastructure (grading, drainage, water distribution, sewers, roads, parks, and fences) of a large parcel. On a portion, such community facilities as a golf course and clubhouses could be built, and on other portions, groups of multi-unit housing. The housing, including the associated land, would be sold to a series of nonprofit corporations (mutuals) for a price which included a proportionate share of the community facilities. The mutual would borrow almost all of the money needed from a private financial institution, originally the United California Bank, with the loan guaranteed by the FHA.

The mutual would then, in effect, rent the individual units (manors) to shareholders. A share, representing a right to occupy a manor, would be sold with a small initial payment together with an obligation to make monthly payments to the mutual corporation on their master loan, for maintenance, and their share of the costs of the Golden Rain Foundation (GRF) community facilities. Shareholders of the co-op mutuals were required to be non-voting members of GRF. In my opinion it was doubtful there was any thought of utilizing the condominium concept at that time. That would come later, when the FHA was no longer authorized to guarantee loans for cooperative housing, and the funding dried up.

The Plan

As originally conceived, each mutual corporation would own the land on which their cooperative housing was built (the common area), and would arrange independently for landscaping and maintenance. GRF would independently operate and maintain the community facilities—clubhouses, pools, golf course, stables. Of course, at first there was almost no maintenance, no upgrading, and the landscaping was essentially limited to maintaining lawns and a few small shrubs and trees. Rossmoor Corporation was on site, building additional units and was available if any problem occurred.

The original governance plan was that each mutual corporation was responsible for all aspects of their common area and their manors. They each elected a board. Each mutual corporation was a corporate member", and was entitled to vote for the members of GRF Board by casting one vote for each manor in their mutual. It was contemplated there might be as many as 18,000 manors, in 60 to 150 such independent mutual corporations, each operating independently and all sharing the community facilities operated by GRF.

Every shareholder of a co-op, and later every owner of a condo, would be a member of GRF. Voting control of GRF is vested in the mutual corporations, each having voting power equal to the number of manors in the corporation. The method of voting was spelled out in GRF Bylaws.

Cortese's plan was that Rossmoor Corporation would arrange a construction loan, allowing the construction by GRF over a considerable period of time of the infrastructure and community facilities, which would be the property of the Golden Rain Foundation of Laguna Hills Trust (GRF Trust). The trustee of this trust would be Golden Rain Foundation of Laguna Hills (GRF), a nonprofit corporation.

First, realize that this was executed *before* there were any mutuals. It was the result of negotiations between Cortese, the FHA and United California Bank. Mutual 1 was planned but not yet built and had no shareholders. It existed as a corporation, with Cortese people as incorporators and directors. The County of Orange was extremely supportive of Cortese's plan for a real estate development way out in the country that was going to bring the county a lot of revenue in the form of fees and taxes.

The Trust Agreement

The original Trust Agreement document, dated March 2, 1964, set up the GRF Trust, which is administered by GRF. GRF would arrange the construction of all the infrastructure, including that for the future mutuals, and also community facilities. It set up the financial basis for the development of 1,463 acres of Cortese's land, including 511 acres which to be sold off to the proposed mutuals. The mutuals would pay 47.8¢ per square foot ($20,822 per acre) for the land which would become their common area. Mutual 1 would be the first mutual, and others could join later. There is a master plan for the project, but GRF did not have to complete it unless Leisure World developed as planned.

The idea was that each mutual corporation would pay this amount to GRF, in effect "buying" the improvements for their common area, and their proportionate share of GRF's property and community facilities. Apparently, Laguna Hills Mutual 1 was about 29.7 acres, and paid $619,023. The basis for computation of the cost for each new mutual was revised several times since the original Trust Agreement.

The FHA was concerned that Cortese would sell shares in the coops, which were priced to include the right of participation in GRF community facilities, and then he might not build these facilities. The Trust Agreement was a way to assure FHA that community facilities would be build, at least to the extent that cooperatives were built.

According to the Agreement, after March 2, 2003, the Trust would terminate on March 2, 2024. The Trust may be altered or terminated at any time, by the unanimous agreement of all the mutuals contingent upon the agreement of the FHA and any of the master loan lenders. On termination, the Trust assets are distributed to the mutuals, as undivided interests, proportional to what each of them paid. I think that it would have been preferable to have the assets given to GRF, to be administered as it is now being done for Clubhouse VI, the Administration Building, and the Library.

GRF may buy or sell land, improvements and the personal property of the Trust. Sale or transfer to the mutuals is permitted as well as for public or religious use, if it is for the general welfare of the mutuals and members, but adequate compensation is not required. However, if a sale is to GRF itself, adequate compensation is required. GRF is required to provide annual statements audited and certified by a CPA.

Amendments and Observations

The Trust Agreement was amended on March 30, 1964. Essentially, the amendment added three paragraphs that state: GRF receives no profits or compensation for being trustee but shall receive prompt reimbursement for costs incurred; and the services provided in connection with community facilities and the rules and regulations with respect to the use of the common facilities shall be determined solely by GRF. The amendment replaced the word "mutuals" with "cooperatives" in one place. It did not change the financial calculations. I believe that the amendment was the result of some minor changes requested by the bank or FHA.

The Amendment dated October 4, 1968, signed by First Laguna Hills Mutual and the individual Mutuals 9 and 11 thru 21 agreed to allow condominiums into the Trust Agreement, on a basis equivalent to that by which the co-ops entered. It recognized that condos would not have master loans guaranteed by the FHA.

A document dated September 29, 1971, signed by First, Second and Third Laguna Hills Mutual and Mutuals 26, 30, 31, 32, and 33 prohibits the GRF Trust from "exercising any power vested in it for the primary benefit of the Trustee or for the benefit of any persons other than the beneficiaries (the mutuals and their members)…" This may have been related to the formation of Saddleback Hospital. I think the drafters may have been concerned that GRF and GRF Trust were going to go into the public hospital business.

Did It Work?

The individual mutuals never did really branch out and do their own thing. It was much easier to share. Rossmoor was building additional units during the time the early mutual corporations were learning how to manage their own cooperatives. Having a multitude of mutual corporations was an administrative nightmare for any management agent, and inefficient for the mutuals. The management agent and the mutuals soon concluded that it would be much more efficient and practical if the mutuals consolidated.

Sometime around 1967-68, Congress recognized that the FHA Cooperative Housing Program was generally not working well across the United States. Most of the cooperative housing had in fact become low cost housing, and the concept of self management did not work among the low income people. The projects failed. Many of these units were shut down, and quite a few actually razed. Congress discontinued FHA guarantees for new cooperative housing. This meant that Cortese had to find another way to continue to develop and sell his large land holding, and he found that the condominium concept would provide a solution.

As a result, Laguna Hills Mutuals 1-21 are cooperatives and beginning with Mutual 22 the mutuals are condominiums. Mutual 80 is a special case. It was the group of buildings near the library, which were used as models. By the time Cortese was done with them, they had to be sold as condominiums. That is why there is this one group of condos surrounded by co-ops.

During 1967 and 1968, in a succession of moves, Mutual 1 thru 8 and Mutual 10 merged into First Laguna Hills Mutual. This was followed by Mutual 9 and Mutual 11 thru 21 merging into Second Laguna Hills Mutual. In 1975, First and Second merged into United Laguna Hills Mutual—the "cooperative" mutual.

Each mutual that followed Mutual 22 also started out doing their own thing. Third Laguna Hills Mutual, the condominium mutual, was formed in 1970, and gradually between 1970 and 1976 absorbed all the independent condominiums except Mutual 50, the Towers. This was apparently quite a painful process, and on several occasions, one of the independent mutuals voted against merging into Third. Eventually, all condominium mutuals, except the Towers, joined Third Laguna Hills Mutual.

Since each mutual had a vote in GRF equal to the number of manors in the mutual, when First Laguna Hills Mutual was formed, it gave that mutual a huge advantage in the election process. This was a big factor in forcing the organization of Second and Third, and later, United Laguna Hills Mutual.

The Regulatory Agreement

The Regulatory Agreement (Exhibit C of the original Trust Agreement) was amended and then recorded on February 11, 1966. This agreement required written approval from FHA before GRF could: sell, encumber or transfer any of its real or personal property; amend or deviate from the voting plan defined in GRF's Articles of Incorporation; amend its Articles or Bylaws; or expend any funds or incur any debt in excess of GRF's then current budget.

The amendment stated that beginning with Mutual 12, $300 of any transfer fee received by GRF for the sale of its memberships to members of the mutuals was to be set aside in a special reserve fund which could be used as determined by the GRF Board and approved by FHA. This transfer fee, otherwise legal, was prohibited when the California Legislature adopted an amendment to the Davis-Stirling Common Interest Development (CID) Act in 1987 which stated that "an association shall not impose or collect any assessment, penalty, or fee in connection with the transfer of title or any other interest except the association's actual cost to change its records and that authorized by subdivision." GRF promptly questioned whether Davis-Stirling, and this particular section, applied to GRF. Legislative Counsel ruled that GRF was a CID, and Davis-Stirling applied. Collection of the transfer fee was then discontinued. The law was not retroactive, and GRF retained the fees which it collected prior to passage of the law.

As a sidelight, Clubhouse VI, the original Administration Building, and the Library are not owned by the GRFT, but are owned by GRF. GRF bought them from Rossmoor Corporation.

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Return Service Requested

Leisure World – July 15, 1964. Pictured are: (1) Clubhouse I; (2) the first model homes adjacent to the shuffleboard building; and (3) the first buildings to be occupied by new owners.

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Editor — Bob Ring

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