

27. Real estate

Henry: And the last time, which was three weeks ago, I guess I was winding up my tenure at the State Health Department and the time period being roughly 1975. I had finally come to the end of the line with the Health Department and indeed with the whole world of bureaucracies of any type. Since I had struck out in the labor movement, and the University, and the State Department. So, I wasn't going to try to continue on that path, but on the other hand I had to do something, because among other things I was having to pay child support to five children at the time not to mention my own expenses.

Well, maybe I mentioned this before but I'll say it again: I was inspired by the example of my mother, who had figured out a way for herself to keep body and soul together with a certain niche in the world of real estate. She had found that there were lots of modest houses becoming available as a result of the tremendous building of tracts around the main cities, which were filled up with returning GIs who were able to buy these houses with nothing down. So, she would buy these houses with practically nothing down; she would assume the loans and they were at 2% interest or something like that. She was able to rent them out at a very modest rent, and that would be enough not only to cover the expenses, but to give her a little something extra. Well, I never did follow that pattern exactly, but in one way or another I tried to see what I could do in that new world in which I would be essentially self-employed and wouldn't have to answer to a bureaucracy of any kind.

In the first instance, I needed to get a real estate license, so I studied for that and found it was very easy to pass. And then I looked for a place to hang my license; that is to say I had to find a broker who would take me on as a salesperson. And I found a fellow whose office was on University Avenue, a little bit South of Shattuck, it was called the University Realty and the broker's name was Victor Goff. He was a good liberal, and I don't remember exactly how I teamed up with him. The only requirement was that I would have to stay on the floor as they call it one day a week, meaning that I would take care of everybody who walked in no matter what their needs were. If it were just a matter of information I was supposed to be able to answer their questions. And if they wanted to look at real estate to buy, then they would become my clients and I would be entitled to a commission if in fact it ever came to the point of their buying something.

Well, there was another guy who was there also and he and I became quite good friends; he was more experienced than I in the field but he was having a rather difficult time making a go of it. Because he was an African American and labored under a sort of fear of being rejected; I kept arguing with him that he was in the world center of liberal guilt and that if he went door to door soliciting he would probably find a better reception in Berkeley than any place else in the world. He still was rather afraid of being rejected. So he and I talked, we spent a lot of time talking. And, later on he had a suggestion for me that helped me make a sale.

Well, I'll never forget my first sale in the world of real estate: It was a duplex in West Berkeley which was selling for \$15,000. And there was an offer, and that meant that I, representing the buyer, would enter into negotiations with an agent who was representing the seller. And he

was also rather new in the field, so we didn't take the whole thing really seriously, because under the rules of the game – we were talking about a commission of 6% of \$15,000 which was going to be split four ways: the listing office got 50% of the 6%, the office of buyer got the other 50%, the broker of each of those two offices got 50% of 50%, and what was left would be for us salespeople, and I think we ended up with \$150 bucks a piece or something like that. It became very clear to me that I was not ever going to be making a killing at selling real estate to people who came off the street.

I began looking for ways in which it was possible to buy real estate on my own account. I somehow stumbled into one such type of purchase, which was brand new in my experience but I thought it sounded as though it had possibilities. And that is what they called estate sales, in which a person who has deceased has an executor who has to dispose of the property left by the deceased. And if it's real estate there were certain rules of the game; they had to enter into an auction in which the property was advertised and anyone who was interested would have to congregate on the steps of the county courthouse and be prepared to pay all cash to back up their offer.

Well, there was a friend of the woman that I was associated with at that time – her name was Lois, I'm sure you both remember her – she had a good friend who had heard about an estate sale that sounded very intriguing, and I looked at it and I agreed that it was. It was a 5 bedroom, 3 bath brown shingle house on the corner of Prospect and Dwight Way; very close to the campus and it looked to me as though it was in pretty good condition. So I tried to scrape up enough money to enter a credible bid in this auction process. Meaning I had to borrow from relatives and friends, but I did win the bid. And that opened up a whole new world for me. It did require some work, and I tried to do as much of the work as I could given my lack of skills, but I learned by doing a number of things. I would buy books about plumbing, and wiring, and shingling, and glazing, and painting, and whatever. I remember Eugene helping put that place into shape by helping lay some carpet.

Eugene: I remember that.

Henry: Good for you. [Henry laughs]. I think we did a pretty good job.

So, this was a variation of my mother's strategy. I wasn't buying it to sell it right away. I planned to rent it for a while, not that I had the idea that the real estate market was going to go up particularly fast, because at that time it wasn't. This was a time in which the Berkeley real estate market was really quite reasonable. I remember my broker, Victor Goff, announced to us sales people that Berkeley was about to witness the first hundred thousand dollar sale of a single family house. We all drove by to look at it; it was kind of a castle up in the Berkeley Hills. For \$100,000. So I got this 5 bedroom 3 bath brown shingle in a good location for \$40,000, and didn't have any trouble renting it, and held onto it for several years.

That was just one example; I went into different aspects of real estate and learned some of the nuances and tricks of the trade, and things to do and not to do. And I entered into some cases of rental properties with more than one unit. There was one on California Street I remember that had 4 units, and it was in pretty good condition. Once again, there were always things to

do to make it better, and I gradually became a little more proficient at some handyman stuff. I had help from a friend of mine from the Health Department who had been in the maintenance department of that institution, and he knew how to do almost everything that had to be done, and he would help me from time to time.

I'm trying to think of some other different types of real estate that I became involved in. Well, I had one 5 unit place on Alcatraz; on the corner of Shattuck. It was different from the others in that it was located in Oakland rather than Berkeley. So it was really a bargain. But, it wasn't all a bed of roses. I would be called at all hours with complaints: a woman who complained that her kitchen sink didn't work, so I went there after dark, took off the pea trap, and found that her children had stuffed knives and forks and spoons down into the drain. So, I fixed that. And I was called at night with a problem at the beautiful brown shingle at the corner of Prospect and Dwight because one of the children had put a toothbrush down the toilet and that stopped it up pretty well. I did not ever seriously consider having a company provide management of these places. I didn't think that I was a big enough operation to do that. And besides, I was too cheap to pay their commission, so I kept trying to keep track of everything. At one time I had 15 units of one type or another scattered around the town. But I just hated living in fear of every time the phone rang – what I might be called upon to do.

David: Where were you living during this period?

Henry: Let me think...

David: Was this after Virginia Street?

Henry: I was still living in Virginia Street. Okay, now it's all starting to come back to me. Lois and I were living in Virginia Street, but it wasn't big enough because there were times when the children visited and there just wasn't enough room, it had only 2 bedrooms, for Heaven's sake. So the kids usually slept on the floor in sleeping bags. So, we started house hunting, and this time not looking for something to develop and rent but to live in ourselves.

And late one afternoon when all the other open houses had closed we drove by one on Scenic Avenue where the salesperson was just taking down his sign, and he wasn't any too happy about our asking to see the place but he finally agreed. It seems he was under considerable pressure from the owner to get some action, because she, a widow of a professor at the University, who incidentally was the founder of what became known as hydroponics, he had developed a whole property to grow things in that manner. This was almost a half acre of land in the middle of that very desirable area, and a nice big stucco house, which you probably remember. 1555 Scenic Avenue. \$42,000 and that one I didn't have to pay all cash; I got a conventional loan.

But one of the lessons that I learned on that occasion and it came in handy on a number of other occasions, including buying this house, that there were times that a seller needed badly to sell. And it's not as if you were taking advantage of them if you got a good deal; you were actually doing them a favor because – well, in the case of the widow who owned the place on Scenic – she had been sure that the place would sell quickly and that she could afford to find

something else and to move out, and so she had. And it seems she had had a couple of offers that had fallen through because they couldn't qualify for a loan, or whatever the reason was, and so she was really anxious to sell for almost any reasonable offer. So, it needed some work but nothing really – well, the kitchen needed to be updated, but it was a heck of a deal.

So, another lesson I learned from that occasion was that one shouldn't be stampeded by emotions. And I was stampeded into selling that place when I didn't really have to, because of the political situation in Berkeley. This was in the middle of the Vietnam War and a war of sorts that went on in the City of Berkeley itself, in which there was a kind of test of approaches. There were basically two approaches to protesting the war in Vietnam. One was by reason, and the other was by mindless violence. So there were episodes of mobs cruising down the main street, smashing windows right and left without any reason, and in fact this school of thought was able to elect three members of the city council; I couldn't see where it all might end. It could result in the place on Scenic being trashed.

And so I myself acted out of sheer emotion and fear – and in order to get a quick sale I decided I would sell it myself, and that way I could save the commission. So I practically gave it away. So that was another lesson learned the hard way, because as time went by, Berkeley citizens kicked out these three loonies in a recall election, and things settled down to more appropriate forms of protest. I got another very nice house on Colton Boulevard in Montclair, which you might also possibly recall, but if I had held onto the one on Scenic it would have been very wise.

However, values did go up. And I developed an approach to selling places to the tenants who were renting there if they really loved the place, because I – once again, acting somewhat emotionally – felt that they would take good care of it, and that I would be appreciated. And at the same time I could make it easy for them to afford it, because I was willing to hold back a second mortgage. So that if they were in a graduate program at the University or something like that, they wouldn't have to qualify for a commercial loan where they might have difficulty.

So, in a number of cases including the one on Prospect; I remember letting a tenant named Bob McAllister who was a machinist by trade, a very nice guy, and he really loved that house. He was sufficiently skilled at a number of trades that he could make it even better than I had, so I let him have it at a very good price; although at this time and this was about three years later, it had already gone up from \$42,000 to over \$100,000. I did the same thing with the 4-plex on California Street; let one of the tenants there buy it. And I did the same thing with a single family home on Allston Way. I preferred to deal with people that I knew, rather than putting these places on the open market and having to entertain negotiations with a number of perfect strangers. And sometimes it didn't work out as I hoped, but it usually did, and it put a certain human quality into the whole practice which I felt was usually lacking.

I began getting some radical ideas about the whole real estate industry. In which I thought that these escalating prices were very unhealthy because they were far outstripping anything that was going on in the larger economy. I began thinking it would be a balloon that would be inflated to the point where it was about to burst. And I began thinking that it was the profession, if you want to call it a profession – the industry of real estate sales, that was

responsible to a considerable extent for these rapid increases. Because sellers usually didn't have any idea what to list their places for, so they would take the advice of the broker, and the broker had a vested interest in pegging the listing at the highest possible level, even though it might seem beyond the norm. And the brokers would always argue that they were just letting the market set its own level, and in fact that they had an ethical obligation to get the highest possible price that they could on behalf of their client, etc. etc.

Well, I didn't like the idea, so I started getting out and I thought that the market had certainly reached its high point in the late 70's or early 80's, something like that, so I started divesting myself. Meaning I needed to find something else to put the money into, but I did keep a few places. And I would put the money into something for enough to not only meet my living expenses, but also to put away something for the future. Because I was still too young to qualify for a pension from the State, much less to qualify for Social Security. So, I looked into the whole field of secondary financing as they call it. When a person buys a house with a conventional loan of 80% or whatever and they don't have the remaining 20% down payment they frequently take out a second deed of trust for a shorter term than the 30 year first mortgage. And the terms of the second trust deed would call for a substantially higher rate of interest. So, when I would sell a house on terms that did provide me with some money to invest, I would look into second deeds.

And for a while I guess I had good luck. But then I don't know what got into me – well, I do know what got into me – there was a period in the late 1970's in which the whole world economy was shaken up by events in the Middle East in which the producers of oil began to take advantage of a near-monopoly position and started jacking up the price of oil. And then there was something, I can't recall exactly why, but they cut off the spigot entirely for a period. And there was a gasoline shortage in this country, with people lined up for blocks to buy gasoline at their favorite corner station. And that resulted in severe inflation. It resulted in very high rates of interest. It was the period in which the Shah of Iran was overthrown, and the mullahs took over running the country, which in turn resulted in the election of Ronald Reagan over Jimmy Carter.

And so – inflation was about 15% as I recall – and in order to keep up with the cost of living, I began taking chances in the second deed of trust market, and investing in places that I would not have under normal circumstances. Such as with a guy in Las Vegas, Nevada, who I thought would be on the up and up, because he was on the faculty of the University at Nevada, Las Vegas, UNLV. Well, it turned out that he was a professor, if that's the word, in the physical education department. And the physical education department was best known for their basketball program; there was a guy named Jerry Tarkanian who was in constant hot water with the authorities who were trying to maintain the amateur status of college athletics, and Jerry Tarkanian was waging a war against them. And they against him. And he usually won.

Well, to make a long story short, the guy who was selling these deeds of trust was a teacher - if that's the word - who was running courses set up exclusively for athletes, including things like playing billiards, that was one of their courses, learning how to pack a backpack for an overnight hike, that was another one of their courses. And he was actually spending his time

peddling these deeds of trust, all of which went bad and he was crook, and he was running a Ponzi scheme. And nothing was ever done about him, because as far as I could tell the entire city of Las Vegas was occupied by crooks. So, I made a lot of mistakes in my efforts to build a nest egg.

I didn't have any protection against the possibilities of some kind of health problem in my older years, which would not be covered by Medicare. I had never forgotten the stories that my mother had told me about her sister, my Aunt Zella, who had been married to a rancher in Texas who was quite successful and had left my Aunt with a quite large inheritance, so she was able to have a very nice brick house built for herself in Sweetwater, Texas. And then began developing abdominal cancer, and it ate up her insides and it ate up her inheritance, and at the end she was dependent upon help from her children, and it was really a sad, sad story. I guess I wanted to protect myself against that by building up enough to cover medical problems and nursing home care, or whatever might be required.

I never did go into the stock market. I never understood it; the few times that I tried following somebody's hot tip it always went bad. And even if one bought things that were supposedly as solid as the rock of Gibraltar – IBM for example, or Standard Oil, or whatever you might wish – nothing was immune apparently from up and down cycles. And I was not willing to become one of the people that I saw tied after a manner of speaking to the ticker tapes from Wall Street just to see what happened to their stocks on a day to day basis, there were more things that I wanted to do with my life than that.

My biggest regret, I guess, is that none of this business of working on old houses and whatever I was doing in real estate – none of it had anything whatever to do by way of follow up – to what I had been doing in the Farm Labor movement, in the environmental movement, in the field of pesticide regulation. I frequently thought of doing a monograph on the history of AWOC, because everybody knew about the story of Cesar Chavez, but almost nobody knew about AWOC which had come before him and which in some ways made it possible for him. Also, it bothered me a lot that during this intellectual dark age in my own life nobody had any recollection about the Bracero program which I still felt was of extraordinary importance and interest, and yet I never worked it into this period of making a living by real estate.

If I had been of a different nature, I would have done what some of my more knowledgeable and experienced friends were doing, and that was writing applications for financial assistance from foundations – from the National Endowment for the Humanities, from comparable organizations such as that at the State level. A very good friend of mine from the farm labor days did that throughout all of these years, and she was able to get grants not only for herself. People would come to her and she would help them write up their own applications; she was very successful at it. So, I might have done that, and I might have gone on to write the true story of AWOC; and I might have done something with the magnum opus that I wrote about the Bracero program, which never saw the light of day.

But one thing did result from the real estate period, and that is that even though Virginia and I were never able to buy long term care insurance, we had trusts. That by the luck of the draw

we wouldn't have to spend too much time in nursing homes or whatever, and when the time comes that we do, we will have enough in the piggy bank to take care of it. But every once in a while I think about returning to the good old days and wish I was making myself useful in the way of helping with social problems. And in fact there were times when I was able to be of some help even during my declining years, and perhaps we can talk about that next time.