

- JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS
- X. COMMUNITY INVOLVEMENT - CITY, STATE, AND NATION
 - B. Graaskamp's Participation in the Convocation Center Debate
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July 22, 1986

MEMORANDUM

TO: President Kenneth Shaw, University of Wisconsin System
Chancellor Irving Shain, Madison Campus
Dean James Hickman, School of Business
Robert Rennebohm, UW Foundation President

FROM: Prof. James A. Graaskamp
Chairman, Real Estate & Urban Land Economics

RE: Proposed Convocation Center

A number of responsible people within the University administration as well as citizens in the Madison community have asked me to express my reasons for concern about the proposal for a Convocation Center. I deeply believe that it is a misallocation of capital at a time when University capital must be used to address our highest priorities. More recently, I have also been concerned as to the less than forthright manner in which this project has been presented to the City and University decision making bodies. The attached memorandum is a hurried statement and partial rationale for these concerns forwarded to you by the loyal opposition.

July 5, 1986

PRELIMINARY DRAFT

MEMORANDUM

TO: Whom It May Concern

FROM: Professor James A. Graaskamp
Chairman, Real Estate & Urban Land Economics

RE: A Rationale For Opposing Development
of a University Convocation Center

It has been correctly reported that I am vigorously opposed to a proposal by the Chancellor's office to build a 15,000 seat Convocation Center, financed by the University of Wisconsin Foundation, because it represents:

- A. A waste of precious endowment capital
- B. A drain on future operating revenues of the Athletic Department and the University
- C. An affront to faculty governance and student priorities
- D. A disregard for city and county land use and facility planning and review procedures

First, let me say that I am a fierce supporter of the University of Wisconsin and its School of Business. I also subscribe to the premise that a state supported school must first respond to the needs of the students, the parents, the taxpayers, and the state. The State of Wisconsin desperately needs economic development if it is to continue to support the University of Wisconsin as it has in the past. State resources will be further strained by recent federal fiscal policies, with or without the Gramm-Rudman Act. Applied sciences like business, engineering, biochemistry, agricultural science, and other schools that lead to jobs should receive greater emphasis to enhance labor pool skills in the state. When 20 percent of the freshman want to be pre-business, then there is an obligation to gradually shift resources, as attrition permits, toward the Business School. I have always believed that the people generally have more common sense and are more in tune with the times than those who purport to lead them.

Without further philosophy, it follows that one thing we need to do is to expand the capacity of the Business School. It also follows that most of that additional capacity will have to come from private endowment because there are too many demands on state revenue. This reality comes as a shock to professors who find that endowment support follows long term, dedicated considerate treatment of students while they are on campus if they are to remain loyal after they return to the work force. Consideration does not imply a lack of rigor, hard work, or discipline as the Real Estate program has clearly shown. But neither can we dismiss student preferences, contrary to liberal arts spokesmen who say that students' desire for job related education is just a passing fancy like the hula hoop. Nor can we dismiss teaching skills in the classroom when teaching rather than publication wins future Alumni support from positive memories of their campus experience.

It is revealing to note the number of dollars spent per year on Business School students at each of the following universities:

Stanford	\$23,047
UCLA	8,229
Wharton	8,041
North Carolina	6,033
Michigan	5,127
Minnesota	4,830
Columbia	3,359
Washington-(St. Louis)	3,278
Indiana	2,715
Purdue	2,486
Illinois	2,403
Ohio State	2,316
Wisconsin	2,231
CCNY	2,042

Wisconsin is at the bottom because it lacks endowment. Primary sources for endowment of the Madison School of Business must be Wisconsin industry and Wisconsin Alumni. When the University of Wisconsin Foundation expects to raise \$100 million from Wisconsin industry and then squander the first \$30 million on a Convocation Center, I object to the misapplication of endowment. A 9 percent annual return on an investment of \$30 million is the \$2.7 million of lost investment income that could have increased the capacity of the School of Business by 60 percent, allowing us to take half of the freshman who applied to the School of Business, rather than 30 percent.

The lost investment income does not include the additional drain of negative operating revenues on existing resources of the Athletic Department and the University. Chancellor Shain vigorously opposed construction of a golf course unless operating losses were endowed. Today, he is maneuvering to

force construction of the Convocation Center without any forecast of the potential operating losses! The County Coliseum with 8,500 seats and reasonably aggressive merchandising continues to lose money for the County. Why will the University make money when it gives the impression that it will not compete in the private market for revenue events which could be handled by the County Coliseum or the proposed City Exhibition Center? Could it be that no one has made an estimate of loss for fear it would cause rational people to withdraw support for the Convocation Center? Currently, the hockey team is well housed at the Coliseum event though tickets are in a short supply. One hypothesis of the Convocation Center is that increased hockey ticket sales would produce a net profit for the Athletic program but no mention is made of the relationship of that increased profit to the operating losses of the Center. University officials argue that significant underutilization also suggests drastic operating losses or a utilization factor which is not cost effective for the few events that need the 15,000 seat capacity. Can prudent trustees of the public funds argue the project is feasible if there is no objective estimate of revenues and expenses or if there is such an estimate, that it is a closely held secret of the promoter. In contrast, the democratic process in the City of Madison required the mayor early in the discussions of a proposed Exhibition Center to appoint an independent committee of experts to analyze the operating expense risks that would be incurred by the City.

The Chancellor and Foundation officials admit that the shopping list of projects to be funded through Wisconsin Foundation efforts appears to be heavily weighted toward brick and mortar projects including expansion of medical research facilities, an indoor football practice field, and the Convocation Center, as well as a new Business School. Still, the Chancellor has created a special faculty committee to advise on spending of capital funds raised by the Foundation. This committee presumably favors improving teaching ratios and the competitive salary base, but has little direct influence as compared to the fund-raisers who argue that it is easier to attract gifts for tangible properties which appeal to multiple interests. Thus, the need for improved basketball facilities which might cost \$15,000,000 was expanded to include the popular hockey constituency and mass entertainment boosters for Madison, as well as an undefined convention market until this multi-purpose facility would cost \$30,000,000. This budget does not include an unreported capital cost to convert the old Fieldhouse to an administrative facility with offices around the perimeter four stories high and two gymnasiums for wrestling, women's sports, volleyball, stacked on top of each other in the core of the building. Presumably the State Building Board is expected to finance this flip side to the Convocation Center coin.

Given the great pride the University has in faculty governance

with student participation, where does this democratic process provide instruction to the Chancellor on the use of a \$100,000,000 or more gift from the Foundation and state resources? Does the Chancellor dare to have unrehearsed discussion in the Faculty Senate when:

1. Endowment funds would reduce the loss of real purchasing power in faculty salaries, the sharp cutbacks on teaching assistants, the number of sections available in basic courses, and the falling morale of faculty in applied sciences.
2. The hockey coach should not favor leaving the Coliseum and playing to 3,000 empty seats, or having implied responsibility to pay the bills of the Convocation Center.
3. If the truth were known and the basketball coach could speak out, he does not want to play basketball on a court laid over ice and adjust his schedule to the economics of a dual purpose Convocation Center; he wants a facility designed for basketball, not fund-raising. Basketball does deserve a modern facility and the UW Athletic Department could rehab the Field House for other needs. Both these project should not exceed \$15-\$20,000,000 of State funds!
4. The students would prefer to have more sections of courses they need for their educational goals and their careers rather than 15,000 seats under roof for a graduation which most of them would not attend.
5. The WSA representative in the city committee review process voted "no", but the silence of the student publications on the issue is amazing. It reflects the fact that the University fails to teach basic economics to the majority of students to whom it grants a degree and the premise of being educated. It may also reflect the choice of the University to push plans forward during the summer, when students and faculty are off-campus or otherwise distracted.

Insensitivity to faculty and student priorities is consistently carried forward by University officials to the politics of city, county, and state. University planners brushed aside a joint land use plan, barely a year old between the University and the City for the blocks impacted by the Convocation Center. The preferred location on Dayton Street lacks traffic capacity for a crowd of 15,000 basketball fans, not to mention the congestion of basketball tournaments with four games a day. The project was represented to contain a 1,000 car parking ramp. In fact, University officials admitted to the Planning Commission that the Convocation Center would have less than 250 parking stalls and that the other 750 would be south to the railway tracks and required for the proposed office park development.

Unfortunately, this was represented as the wish of the Mayor in an amazing accord drafted by the Mayor's office which conceded everything to the University and nothing to the University. It was wisely rejected by the Planning Commission. (See Exhibit 1.) Parking ratios and traffic solutions were justified by a feasibility study that included the use of all existing student parking in the area, the ramp at Madison General Hospital, the private parking lots of nearby commercial buildings, the lot at Block 600 at University Avenue, and the streets in all the adjacent neighborhoods! This objective feasibility study was the joint product of various design firms and engineers, who could have a professional fee interest in the construction of the project totalling almost 10 percent of the cost! As one high ranking University official put it, the parking problem would solve itself as it does for the football games! The University attitude is that what is good for the University is good for Madison, and yet these same intellectuals throw scorn on American industry when industry manifests the old Al Capp axiom, "What's good for General Bull Moose is good for the country." The University is pushing its plans for a Convocation Center and an oversized office park as though they were separate issues on a crash program during the summer while students are gone, citizens are mellow with the summer vacation, and City Hall is positioning the Mayor for the next election with the effort to achieve a consensus for the Exhibition Center.

The Alderpersons in the areas affected are now beginning to challenge the wisdom of a massive facility 100 feet high and four times the size of the South East Recreational Facility in a low rise residential area of congested streets. Traffic and parking studies were not available to the Planning Commission and there is a suspicion that the City's Site Selection Review Committee was stacked to avoid recommendation of a site near Lot 60 and to justify the hasty purchase of the railyard. A University process should be a model of forthright resources planning rather than aggressive self-agrandizement at the expense of many citizens in Madison. The UW Foundation has imposed a false deadline on the City Planning process in the form of the kickoff date for fund raising. Those who contribute to convocation centers seldom need to know the legal description of the site. Why does the University presume the right to bully the City Planning process in any event?

The County Coliseum and related parking facilities may encounter serious funding deficits if it loses the hockey account, a fact which has precipitated City-County competition for hotel and convention facilities which should best be located downtown. Why not locate a new basketball facility near the existing hockey facility for better traffic, parking, and high school tournament control? Why not locate a basketball facility between Lot 60 and the School for Veterinary Medicine, and eliminate the need for new parking ramps altogether?

At the state level one can only wonder at the public relations impact of 1) asking Wisconsin business to endow convocation centers and parking ramps rather than Business and Engineering Schools, 2) asking Wisconsin legislators to fund more of the Wisconsin intramural athletic program, while the Athletic Department builds a duplicate ice hockey facility, or 3) asking future students to be loyal, contributing alumni when expansion of teaching resources during their stay on campus was thwarted for lack of a primary concern for student program preferences. A golf course, an indoor football practice field, and a \$30,000,000 barn for athletics could easily send the wrong message to the legislature about Madison campus priorities.

Real estate development has been a subject of great derision among the intellectuals of the land who see the developer and his single minded purposefulness as damaging to the quality of life, inflicting hidden costs on the citizens, and practicing anything but forthright political discussion of private projects. To call an athletic barn a Convocation Center is clever indeed; to argue that it won't cost the University a thing because it is built with private capital which carries no debt service constant is brilliant. But the hidden costs to the citizens are real; premature application to city committees wastes city official's energy, and the democratic process is being subverted. For a University in the pursuit of scientific and philosophic truth, the lack of objective dialogue, factual analysis of alternatives in terms of who benefits and who pays, in terms of the will of the majority is an interesting comment on the power of the Chancellor's office in an institution based on faculty government.

While many of us may be disappointed by the willingness of City officials to accede to the University development bulldozer, nevertheless, the real responsibility for the misallocation of capital is on the shoulders of the Regents, the faculty, and the students who are ineffective in their ability to organize and communicate economic reality to Madison campus boosters and administrators. Faculty and students have taken the easy way out, by hoping the City would use its land use control process to prevent this low priority Convocation Center, but the City doesn't care if the University squanders funds to clean up a dilapidated backwater of the former railyards. The Mayor's office and City Council quite properly see that the issue to build a Convocation Center as an internal value statement by the University governance process. Apparently this process doesn't work on matters of significance or has been confused by University administrators who pretend that it is a matter for external relations with the City of Madison or just an issue in site selection.

August 5, 1986

MEMORANDUM

TO: Board of Regents

FROM: Prof. James A. Graaskamp
Chairman, Real Estate & Urban Land Economics

RE: The Opportunity Costs of a Convocation Center:

1. Loss of endowment income and teaching capacity
2. Loss of integrity in the urban planning process
3. Loss of credibility in state fiscal debates

There is a significant number of talents both on and off the UW Madison campus who believe that the proposed Convocation Center is ill-timed, poorly conceived, and unfortunate in terms of public impact on the City of Madison.

The Convocation Center project involves a reported \$30 million of private endowment capital or revenue bonding by the Athletic Department, a \$10 million remodeling of the old field house, more than a million dollars of City of Madison infrastructure for traffic and other environmental impacts and operating losses to the Athletic Department which could approach \$1 million a year. A commitment of that scale cannot be considered a parochial campus matter.

Many of us believe that it is a sensitive policy issue to be reviewed at the earliest possible time by the Regents and the Faculty Senate.

My personal views on the Convocation Center are stated in the attached position paper which has already been directed to key University administrators. Project feasibility, real estate siting, and responsible urban planning and fiscal management are my professional specialties. No economic justification or operating pro forma for alternative sites and structures to improve the Wisconsin basketball program have been presented. The Convocation Center project to date is a travesty of enthusiasm overriding professionalism at a University which prides itself on the wisdom of Richard Ely relative to land and public resources.

We respectfully request Regent review and direction.