

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

XI. PERSONAL LIFE

H. Articles about Graaskamp

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Housing Planners Get Profit Lesson

By MAUREEN SANTINI
Of The State Journal Staff

Real estate is no business for principled idealists, a group of central city residents trying to begin a housing corporation was told Monday night.

University of Wisconsin-Madison Business Prof. James Graaskamp had those and more discouraging words for about 40 people who are trying to do something about what they see as inadequate housing in downtown Madison.

GRAASKAMP, who authored a joint city-UW report on housing and has experience in the real estate field, told the group to find itself someone "who will have it in their vested interest to make money."

"You all mean well, but I gather you all have some pretty solid principles and are thinking no one will make a profit on your buildings, but if no one makes a profit, it won't get done," he said.

The informal session at Lowell Hall was called mainly to hear from those who have had experience in the non-profit housing field. It was anything but encouraging.

A REPRESENTATIVE of the State Dept. of Local Affairs and Development advised the group to stay away from projects which deal with federal funds, and the secretary of one non-profit group now building elderly housing here said it ends up costing a lot more than is first apparent.

While the group adjourned without deciding on what specific part of the real estate market it will attempt to enter, there was no indication that it was thinking of pulling out.

Another meeting was set for 6:30 p.m. on Jan. 11 at Lowell Hall to map out future plans.

MARGARET THORPE, from the Dept. of Local Affairs, said



PROF. GRAASKAMP

that while there are federal funds available for housing construction, the attitude in Washington seems to be akin to a challenge to those who want the money to try to get through the elaborate red tape.

Mrs. Laura Schlaefer, secretary of a Quaker Housing group that is in the midst of constructing 72 elderly units on Madison's South Side, agreed.

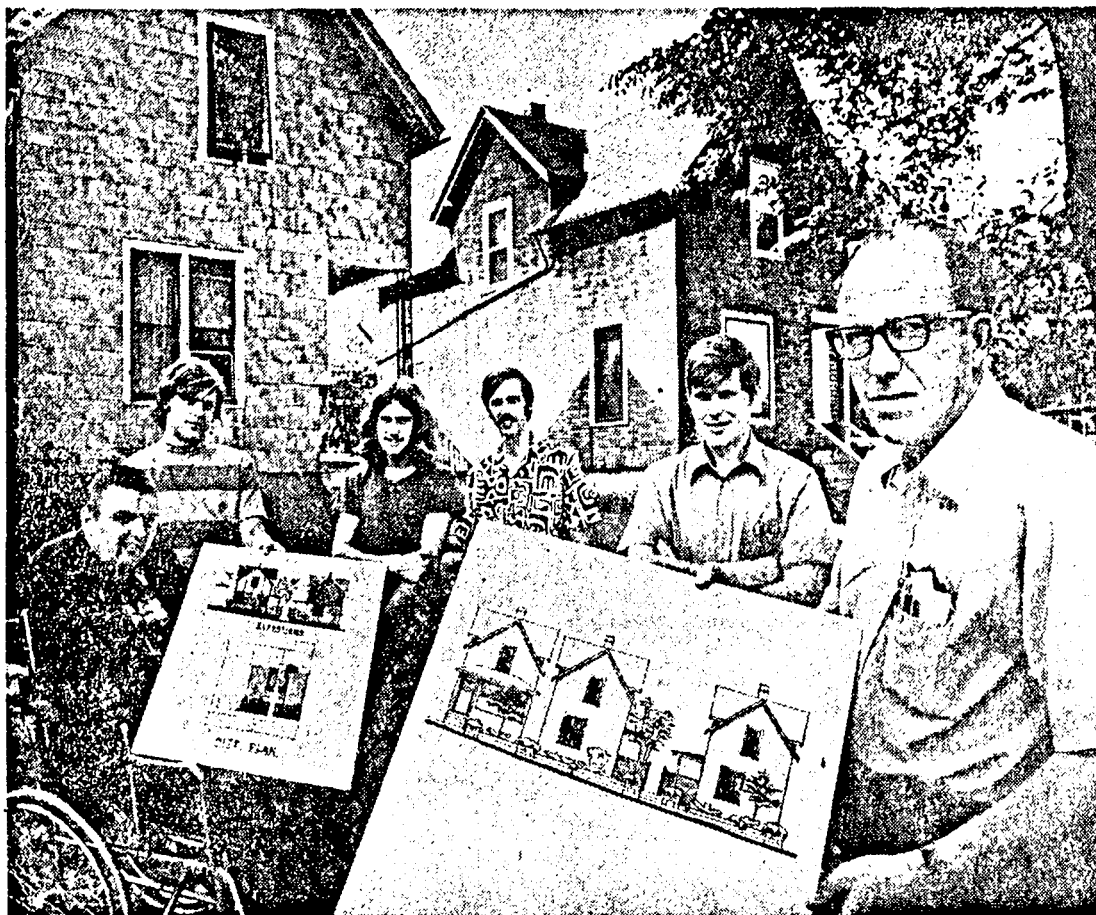
She said although the project is under construction, the group has yet to get initial endorsement from the Federal Dept. of Housing and Urban Development.

ALL THREE persons warned the group to get "locked in" to a project or it won't see completion.

"If a non-profit corporation is going to succeed, it's got to have the kind of expertise that would make money in the private market," Ms. Thorpe said, adding that meant a paid staff for one thing, and capital-backing for another.

Graaskamp added, "If you don't have a bank and a savings and loan in your back pocket, forget it."

Wisconsin
State
Journal
circa late 1960s → early 1970s



SKETCHES OF PLANS — Teachers and students in a unique University of Wisconsin learn-by-doing class demonstrate what it's all about. Showing sketches of what they propose to do with the two houses they are buying are, in the background, from left, Prof. James Graaskamp, Jan Klund, Tom Hoskens, Jerry Draeger, Instructor Ron Meyer, and Prof. Dick Stith.

—State Journal Photo

UW Students Learn and Earn

They'll Remodel and Sell Two Houses as Classwork

By ROGER A. GRIBBLE
Of The State Journal Staff

Who said a college education is all theory and no practical experience?

Someone who hasn't heard of a new interdisciplinary course being taught by two University of Wisconsin-Madison professors, no doubt.

THE TWO, Business Prof. James Graaskamp and Agricultural Engineering Prof. Dick Stith, are seeing to it that their students apply what they learn in the classroom.

Their class assignment? Purchase two Marquette neighborhood homes (at 1406 and 1408 Jenifer St.), redesign them using a townhouse concept, obtain the materials for the project, do the remodeling, and, finally, sell the two homes.

"This is a two-semester program," explained Graaskamp. "During the first semester, the students had to search the market and find themselves houses and make proposals for renovating them.

"It had to be in a core area and be intended for long-term

residential use," he added. "We will close title on the two houses within a week.

"STUDENTS HOPE to do the construction this summer and pay themselves \$2 an hour," Graaskamp noted. "The money they'll have to operate on is the worth of the buildings now and their potential worth. The anticipated amount is about \$4,500."

The project is one of five designed to improve undergraduate teaching on the Madison campus and supported by savings claimed by UW President John Weaver in cutting the pre-merger central administration staff.

"The idea of this started in my office, and I called Dick and it grew like Topsy," Graaskamp recalled.

"We began with about six students and wound up with 14," Stith explained. "Only five days warning was given to the students that there'd be such a course."

THE HOUSES involved are three-bedroom, one-bathroom buildings which are structurally sound and consistent with Mar-

quette Neighborhood Assn. aims, Graaskamp said.

"They hope to begin construction the first week in June," he said. "They will work short shifts while they take other summer school courses. They will get five credits altogether for this."

First Wisconsin National Bank helped out with the financing, and the Lucey Realty Co. gave up its commission on one of the buildings, Graaskamp noted.

David B. Johnson, an assistant to the chancellor, contributed \$139 from his own pocket to move the project along, and Associate Business Dean Edward Blakely added another \$200.

"AS SOON AS the houses are remodeled, they will be sold, and people will be given assistance in getting financing," Graaskamp said.

The class has been organized into a non-profit corporation to tackle the project, and its members are on the board of directors.

At a meeting of the class last week, students reviewed costs

and materials for the project and established a schedule outlining the number of hours each job is expected to take. Design details also were reviewed.

Stith pointed out that all class members have had some construction experience and two project assistants also involved are experienced craftsmen.

GRAASKAMP SAID the class would like to borrow ladders, tool kits, hand tools, power saws, and painting equipment and asked that anyone who could loan such items call him at 238-8452.

Stith also noted that building supplies and fixtures, which hopefully can be acquired at low cost, also are needed.

Persons with such equipment and supplies may call Stith at 262-3310.

"Students don't get paid unless we can hold material costs down," he declared. "Almost without exception, these students are in trouble for the fall semester if they don't get paid.

"If we carry this off, it suggests an awful lot of bang for the buck," Graaskamp added.



Prof. Dick Smith, left of sign, greets visitors to UW student project in Marquette area.

—State Journal Photo by L. Roger Turner

UW Students Open Doors at House Remodeling Project

By ROGER A. GRIBBLE
Of The State Journal Staff

A University of Wisconsin-Madison student project involving the remodeling and sale of two houses reached another milestone on Friday.

Students and faculty members involved in the interdisciplinary course proudly put the project on display at an open house.

ONE OF THE TWO houses at 1406 Jenifer St. is virtually ready for sale. The other house next door should be ready next month.

"We hope to come out in the black, and I think we should," said Prof. Dick Stith, who with Prof. James Graaskamp

has taught the innovative interdisciplinary course.

The project was one of five funded for the Madison campus to improve undergraduate education from savings claimed by UW Pres. John Weaver in cutting the pre-merger UW staff.

During the first semester of the project, the 14 students involved formed a non-profit corporation to handle the purchase, remodeling, and sale of the homes.

AFTER FINDING and purchasing the two homes, they redesigned them, using a townhouse concept in keeping with Marquette Neighborhood Assn. aims.

Truly Building an Education

Students, the community, and the University of Wisconsin-Madison itself are the beneficiaries of such innovative courses as the one involving remodeling of two Marquette neighborhood homes.

It is a chance for students to apply what they learn in the class taught jointly by Agricultural Engineering Prof. Dick Stith and Business Prof. James Graaskamp.

Students were required to find two homes, complete the real estate transaction involved in acquiring them, redesign the structures, remodel them, and ultimately resell them.

Since a story appeared in Sun-

day's Wisconsin State Journal, individuals have offered tools and supplies to encourage the unique program.

The neighborhood profits because it will acquire two attractive additions to preserve its residential character.

The students benefit because they get a chance to see how well their planning and applied talents achieve their goal. Moreover, they have a chance to employ themselves this summer at \$2 an hour to help pay for their education.

And the university itself profits from expanding its undergraduate teaching excellence and adding to its goodwill in the community.

SUMMER '72

Stith said the corporation hopes to sell the three bedroom houses for \$18,000 each. One was purchased for \$9,500, he said, and the other for \$8,700.

Both have all new plumbing, wiring, and air ducts to second floor bedrooms and have been redecorated inside and out.

Stith said offers already have been made on the nearly-completed house and it may be "practically sold." The houses will be owner-occupied, he said.

OTHER WORK has included landscaping which will involve the erection of a screen to provide back yard privacy.

Stith said many students have expressed interest in working on another similar project. A representative of Weaver's office inspected the project Friday during the open house.

Students did the remodeling work during the summer (except for plumbing, which required a master plumber) and paid themselves \$2 an hour for their labor.

"It's a wonderful experience — probably the best kind of senior experience you can get," said Jerry Draeger, a senior and president of the student corporation.

"You could put a lot of ideas to work," he added. "It probably will be excellent credentials for the future."

GRAASKAMP said the students involved "have managed to improvise and have been very resourceful."

Planning gadfly gets in some jabs

**By Joe Beck
Of The State Journal**

University of Wisconsin-Madison Professor James W. Graaskamp lived up to his reputation as a city planning gadfly Wednesday night with a speech that:

- ✓ Explained why he is sure the small retail shops planned for the

Capitol Center will fail;

- ✓ Revealed why the University Square shopping center has that hole in the roof over the sidewalk near the theaters;

- ✓ Told how UW's Van Hise Hall got only 1½ floors of additional space out of three floors of construction.

- ✓ Called for the grounding of a proposal to build a skyscraper 1½ miles high in the Chicago Loop.

In a speech to the Dane County Regional Planning Commission's Annual Conference that could have been titled "Planning Follies," Graaskamp regaled his audience of about 75 planners with illustrations of why he thinks the time is ripe for the RPC to assume more responsibility for land use.

"With the demise of credibility in the city planning area, the opportunity for the regional planning commission is just beginning," said Graaskamp, who is with the UW Environmental Awareness Center.

Graaskamp believes efforts to establish stores in the Capitol Center are doomed because "all the statistics show that there's no market for it."

He cited the hole in the roof of the University Square shopping center as an example of inflexibility in city codes. The hole was put there because city codes required the installation of sprinklers in the center if it had any more roof space, he said. If the hole was filled, sprinklers would have to be installed at \$2 a square foot, he said.

Van Hise Hall received its top three floors because a state senator wanted them built, although they were not in the original plans, Graaskamp said. The result required the thickening of pillars, construction of additional elevator shafts and several other structural

changes that reduced the net space gain to 1½ floors, he said.

Graaskamp also scoffed at the edifice complex of Skidmore, Owings and Merrill, the architectural firm that designed the Sears Tower and recently proposed building a skyscraper a mile and a half high.

"The Sears Tower with its 1,500 employees uses more electricity in 24 hours than the entire city of Rockford," he said.

Graaskamp called the Sears Tower an example of the kind of building that is being rendered obsolete by high energy and construction costs, and changing esthetic values.

He called upon Madison to erect buildings no more than three stories high because land costs here do not require the kind of space conservation that is used to justify high-rise construction in other cities.

Changing tastes and economics are also changing the shape of the American home, he said. Higher land, building and energy costs are leading to the construction of smaller homes — from the current average of 1,500 square feet down to 1,200 square feet — and higher density housing, he said.

He is much encouraged by the trend, although he also fears it will be slow to take hold in Madison.

"The idea that density per se is bad has got to be the dumbest idea held in common by Madison people," he said.

The kind of failed planning he sees around him might be avoided if the RPC begins to assert itself, Graaskamp said. He urged the planners to develop a master plan for the county that would produce consistent land use policies from Marshall to Mount Horeb.

"That could be done if we start to

view ourselves as a county instead of as a series of small towns," he said.

He said a master plan should provide for a countywide development corporation that would provide capital seed money for projects that politicians feel they couldn't otherwise afford.

There will be no great capital budgets available for large projects like the State Street Mall or the Capitol Course, he said.

Instead, he suggested, the success of planning in the next few decades will be measured by how well small, separate projects can be brought together to achieve a unified effect.

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Wisconsin State Journal, Apartment/Condominium Living, Sunday, May 23, 1982

Small is now big in apartments

By Chuck Martin
Of The State Journal

High prices, rising costs and low demand are making apartment buildings a sour investment in 1982, according to a University of Wisconsin-Madison real estate expert.

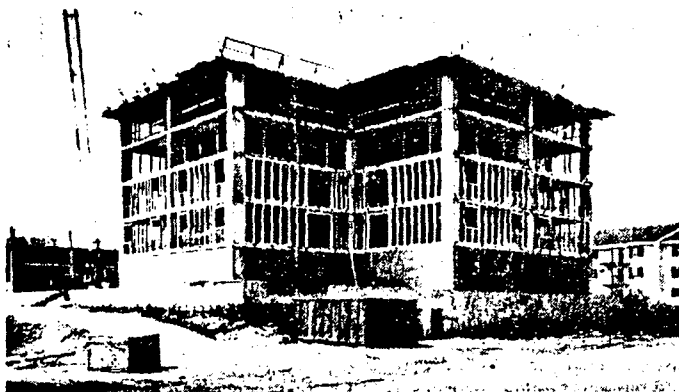
As a result, said James Graaskamp, apartment buildings are not being built, and future apartment seekers are likely to find their choices limited.

"Yeah, (we've) got a problem," said Graaskamp, a UW business professor.

The problem, he said, is that investors today can find better places to put their money than apartment buildings. Consequently, they aren't investing in new buildings. The lack of construction, he said, means that future apartment-seekers must be satisfied with living in old buildings.

This is important, Graaskamp said, because many older apartment buildings are large, wasteful of energy and suburban. Tastes have changed, to make small, efficient central-city apartments preferred. Families that seek the new preferred apartments are likely to be out of luck in the next few years, he said.

Eventually the problem will solve itself. Apartment dwellers will become willing to pay rents high enough



Economy has put a crimp on apartment construction.

—State Journal photo by A. Craig Benson

so that apartments will again become good investments, he said, but in the meantime there will be a shortage of the kind of apartments modern Americans want.

The cause of the problem, Graaskamp said, is three-fold.

First, the costs of building and maintaining apartments are rising faster than landlords can increase rents. A rule-of-thumb, he said, is that a landlord should charge a monthly rent of 2 percent of the investment in

the apartment. If an apartment cost \$30,000 — not an unusual figure — the rent should be \$600, he said.

"But who can afford to pay \$600 rent?" he asked.

Even at lower rents, cash-strapped renters are sharing apartments or living with their parents longer, he said. Consequently, he said, landlords cannot charge high enough rents to make their investments as profitable as other investments are.

Second, real estate brokers have

overpriced existing apartment buildings.

"They've inflated the existing stock beyond what is justified by the investment value," he said. "That takes all the income out of it, and investors don't want it."

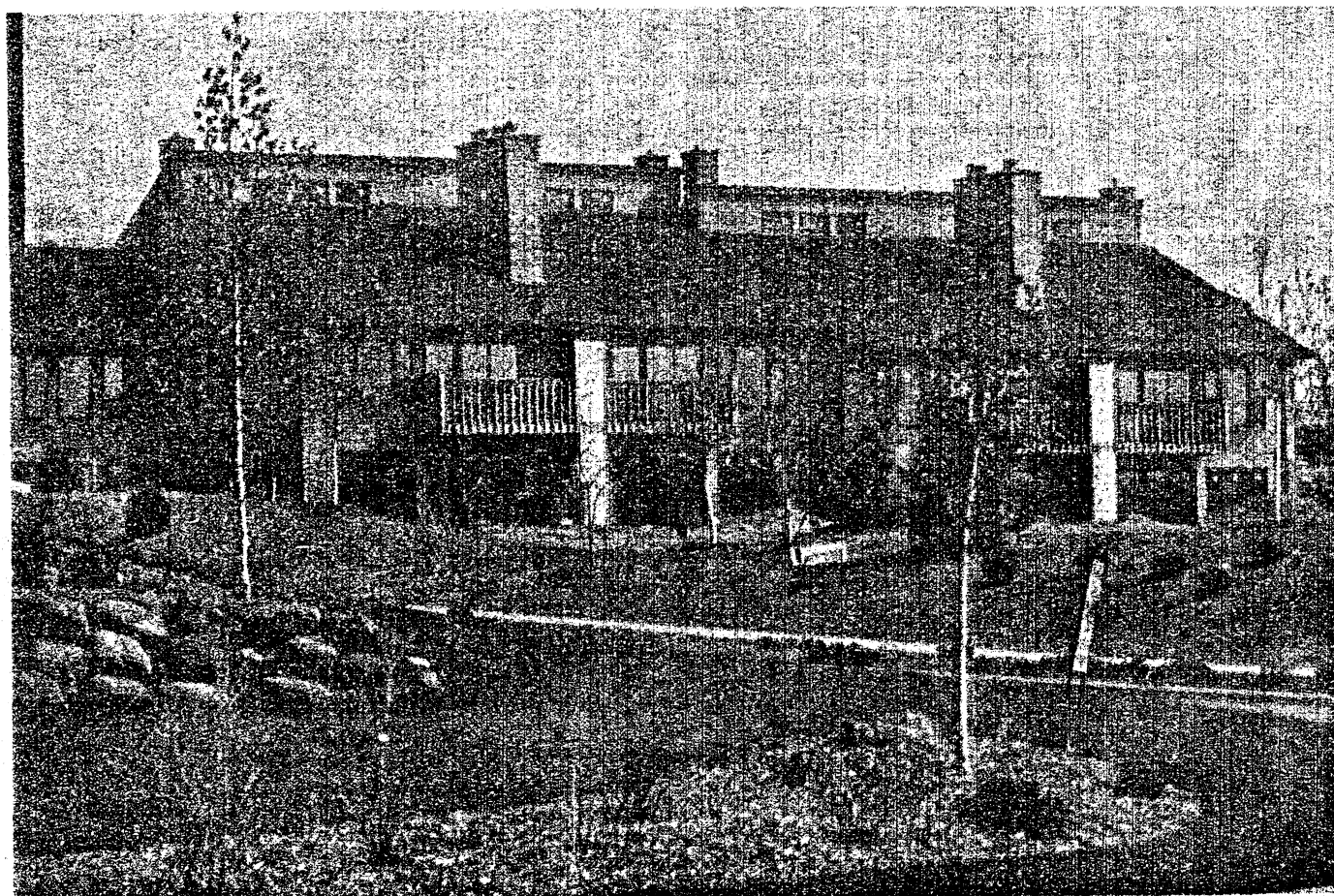
Third, investors are being frightened away from apartment buildings by rumblings of rent control in many cities. Rent-control laws, which restrict when and how a landlord can raise rents, scare investors who want to ensure a return on their money, he said. "Sophisticated money," he said, will be placed in investments that don't have such restrictions, he said.

Pool and other recreational facilities are big attractions at many apartment complexes like Camelot on Fordem Avenue.

Wisconsin State Journal Sunday, May 23, 1982

— State Journal color photo by A. Craig Benson

Living a slice of the good life



Woodlands Condominiums, located on Madison's West Side, are luring buyers with special financing.

— State Journal color photos by L. Roger Turner

**By William R. Wineke
Of The State Journal**

Apartment and condominium living can be a life of relative luxury to people who like to travel and don't like lawn work.

In a rental unit or condominium, someone else cuts the grass, shovels the snow, and fixes the leaky faucets.

People who want to travel need only lock their doors and send their monthly rent or maintenance checks. All in all, it's a pretty good way to live.

And, in a day when high interest rates and high home costs can make the price of a mortgage on even a modest home rise to \$700 or \$800 a month or more, apartments or lower-priced condominiums may be the only affordable kind of housing for many people.

However, the days of inexpensive rentals have gone the way of the 7 percent fixed-rate mortgage.

You can expect to pay as much as \$300 a month — or more — for a one-bedroom apartment in Madison this spring and even a one-room "efficiency" apartment can cost more than \$250 a month in some city apartment buildings.

Two-bedroom apartments often rent for \$400 or more.

According to the Dane County Housing Authority, the median monthly rent in Madison for a one-bedroom apartment this month is

\$295. Median rent for a two-bedroom is \$333 and median rent for a three-bedroom is \$403.

Ironically, apartment owners insist that these rents, rather than being too high, are too low to make apartments a good investment.

According to Professor James Graskaamp, a University of Wisconsin Business School instructor, rents should equal two percent of the money invested in an apartment.

If it costs an average of \$30,000 a unit to purchase an apartment building, then the rent on those apartments should be \$600 a month, Graskaamp said.

"But who can afford to pay \$600?" he asked. The disparity between what people can afford to pay and what the market suggests they should pay is making apartment ownership a bad investment right now, Graskaamp said.

Is \$30,000 too high? Not if one compares the cost of purchasing an apartment building with purchasing individual condominiums.

Condominiums sell from between \$30,000 to more than \$100,000 in Madison with the majority priced between \$35,000 and \$60,000.

"Rents increase as a function of landlord costs," explained George Dahir, who rents rooms in a house at 1317 Milton St. "Costs include the interest rates on mort-

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Living a slice of the good life

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gages, utilities and the cost of materials for improvements."

According to Richard Munz, president of Munz Corp., the current high interest rates have brought apartment construction in the Madison area to "a virtual standstill."

He said current fixed-term mortgage rates are between 16 and 17 percent and predicted that apartment construction won't increase until the rate drops to about 12 percent.

Because new apartments aren't being built, the vacancy rate for desirable buildings is dropping, Munz said.

He said the vacancy rate for desirable buildings on the West Side and near East Side is "near zero," though downtown apartments have vacancies, especially during the summer months when students go home.

The news, at least concerning the cost of housing, isn't very good this spring for anyone looking to rent an apartment or invest in real estate. However, there are new creative means of financing that keep the picture from looking totally dismal. Do read this special Apartment-Condominium section because it will give you valuable information as you look at the market.

1stHmns 3/4/83

Trouble Downtown

Revitalizing the Capitol Square requires more than bricks and mortar.

by Ann Lamboley



The Square's future as a retail center is in doubt. Photo by Brent Nicastro

How is redevelopment of downtown Madison faring?

"Right now," says Keith Yelinek of the Verex Corp., "I don't think the investment that's been made in bricks and mortar during the last five or 10 years has paid the dividends to date that everybody anticipated it would."

As the representative for Verex on the Central Madison Council, the downtown arm of the Greater Madison Chamber of Commerce, Yelinek takes special interest in what is or isn't happening downtown. "There are probably a lot of people," he continues, "who feel we've passed the point of return, who feel we might as well write off the downtown for retail and that there is no way to turn the housing situation around." However, Yelinek says, he isn't among them.

Distinguished in appearance, impeccably dressed and groomed, Yelinek looks as though he might have stepped out of an E.F. Hutton commercial. He occupies a tastefully decorated office at the Verex insurance complex with an enviable view of Lake Mendota. But unlike the stereotypical corporate executive, Yelinek is unreserved. Instead of answering questions from behind his desk, he relaxes his long, slender frame in a nearby chair and chats.

"I think substantial contributions were made as a result of the Capitol Concourse, the Civic Center and all the other building projects that took place over the past 10 years," he says. "But that in itself—just bricks and mortar— isn't enough."

"A lot could be done with the proper organization and leadership," he adds. But first, he says, Madisonians have to come to grips with the downtown's problems.

Downtown retail is in big trouble, he asserts. "We've got more vacant space down here," he says, "than I can recall in the last five years"—and at a time, he notes, when West Towne is planning to expand and South Towne will soon open. Yelinek says

points out, "have other outlets in the city. It's not a question of making a decision to stop doing business. Retailers could just close down their downtown outlet and put all their resources into the west side or the east side or the south side."

To help retail, Yelinek stresses the need for a major "magnet" department store and specialty shops to draw mall shoppers downtown. But he says recovery depends largely on creating a stronger association among downtown merchants. "Until the downtown retail sector joins together and views itself as having to compete as a group with merchant associations on the west side and the east side," he says, "it's going to be difficult to establish the programs necessary for them to effectively compete with the malls."

Compounding retailers' problems, says Yelinek, is a "real or perceived" concern about safety, which he feels has become a serious issue. Changing the central city's image, in Yelinek's opinion, will depend on

Too Much Government

"I feel very strongly that whatever needs to be done," he says, "only can be done by the private sector. We've relied too much on government to solve our problems. There has to be a partnership, but it has to be weighed more heavily on the private sector now because there are too many other demands for public money."

Taking a close look at how other cities succeeded with downtown redevelopment projects largely through private investment, he says, might help Madison design its own approach. He points specifically to Milwaukee and its six-month-old Grand Avenue Mall as an example.

Grand Avenue, a three-level shopping mall covering three downtown blocks and costing over \$60 million, was developed by a group of private investors, but with strong support and some financial assistance from city government. Approximately 50 local businesses joined together, forming a corporation to undertake large redevelopment projects. The corporation brought in the famed Rouse developers to work out the project, and the city picked up the tab for public improvements. The mall has proved a success—about 20,000 people visit Grand Avenue every day.

In Yelinek's view, creating a Madison redevelopment corporation along the lines of Milwaukee's is probably the best and perhaps the only way to raise enough money to make revitalization efforts succeed.

"In the past," he says, "we've operated on pretty much an association basis and with contributions." But with these methods, Yelinek says, "it's very difficult to raise enough money even to do studies and preliminary planning."

However, raising money is only part of the solution, Yelinek says. He points to a hesitancy among private investors to get involved in redevelopment because of friction with city government. "Quite frankly," Yelinek says, "developing anything in Madison is a hassle. The bureaucracy and competing interests in this city are such that it takes such a long time to get through the

State Street merchants do a better job gearing their wares to the downtown population than do those on the Concourse.

he isn't worried about the future of State Street, which "does a much better job of relating its merchandise to the population downtown" than the Square. (Indeed, a survey conducted by Madison Newspapers Inc. in 1981 reveals that only 31% of those shopping on the Square are between the ages of 18 and 24, the dominant downtown age group, while 43% of those shopping on State Street fall into that category.)

Yelinek predicts that the next three years will be crucial in determining whether the Concourse remains a retail center. "I'm not saying businesses will go under," he adds quickly, but without some positive signs, he feels, retailers may decide not to maintain their downtown investments.

"A lot of businesses on the Square, like Carmen's, the Emporium and Penney's," he

creating a more heterogeneous population. (Census tract figures for 1980 reveal that 72% of the downtown's 18,000 residents are between the ages of 18 and 24, while 18 1/2% are between the ages of 25 and 44.) "There has to be an older population and families," he says. However, "there isn't much to attract families downtown now that the schools are closed," Yelinek notes. "The housing that has been developed and is being developed is almost exclusively condominiums. Very little is rental and very little is being rented by families."

"Would you say I sound less than cautiously optimistic?" he jokes, after a moment of silence. Then, weighing his words, Yelinek proposes what he thinks ought to be done to make redevelopment work.

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Trouble Downtown

Continued from Front Cover

approval process that you...question whether it's worth it."

Part of the problem, he says, is that developers tend to view the city as "an adversary putting up barriers." But more important, he claims, is that "there is no consensus as to what needs to be done for the total benefit of the downtown so that the private sector, government and the people who live downtown can work towards those objectives. Somebody has to be willing to make the effort," he adds, "to get these three groups together."

How close Yelinek is to the truth may be judged by the fact that different people confirm different aspects of his story. While there appears to be no general agreement on what the downtown's problems are or how they ought to be solved, those questioned seem to concur with Yelinek that turning the downtown around will require a lot more effort.

Broken Link

Mayoral assistant Susan Springman also voices concern about the future of retail on the Square. She points to the loss of Manchester's and the subsequent drop in sales many nearby stores have suffered since as indicators that Concourse merchants are struggling.

But reviving retail on the Square, she notes, has its own special difficulties. Back when the downtown had a near monopoly on retail, she explains, the ground floor of most buildings was occupied by merchants. However, stores are scattered now, she says, and "when the link between retailers is broken," she notes, "it tends to weaken traffic."

And "unlike State Street," Springman continues, "you have some very large

'We've relied too much on government...There has to be a partnership, but it has to be weighed more heavily on the private sector....'

buildings on the Square with multiple levels that aren't conducive to what the retail market is today." Building space needs to be broken up, she says, and put to a number of uses. "The Manchester's building," she notes, "will probably never be used as all one building again."

With the benefit of hindsight, Springman says two mistakes were made in the construction of the State Street Mall and Capitol Concourse, both with far-reaching effects. Drawing out construction over five years put "an extra burden" on local businesses, she contends: "It created the general impression that the downtown had been torn up forever, and it also created a tendency for less people to come downtown to shop." Traffic routes were changed periodically, she points out, and "people don't like to put up with detours."

Many people, she feels, came to view the downtown as inaccessible.

Failure to provide alternative parking before construction began, Springman continues, only made matters worse. She adds that "given the political climate," the downtown was "lucky" to get the nearly 1,000 replacement parking spaces at all.

"It's been a constant battle and will continue to be," she says, "to get people to understand that parking is a necessary component to redevelopment. The downtown is in a position to be competitive with other business districts in the city," she maintains, "but you've got to provide the same conveniences, or conveniences that make up for what you're lacking in another area. That is *the* game, and if policy-makers don't accept that they're wasting their time."

Harping On Parking

The issue of parking, which seemed to have been laid to rest with the construction of the Frances Street and Capitol Centre ramps, still rouses debate. "The constant harping over the years about not enough parking has probably done more to keep people from downtown than anything else," observes former Mayor Paul Soglin. There is plenty of parking, Soglin says, citing city counts of up to 300 empty parking spaces every day at both the McCormick and Capitol Centre ramps.

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Trouble

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the risks associated with a partnership with the private sector."

One downtown council member who sees a definite advantage in working with business is Anne Monks (Dist. 8). Monks hopes Milwaukee's success with Grand Avenue will serve as "an inspiration" for Madison. "The city needs to be smart," she says, and get business involved in redevelopment without spending a lot of its own money.

The city, she continues, should provide leadership, which she feels has been lacking under Mayor Joel Skornicka. "Whoever the next mayor is," Monks says, "will be in a highly influential position to mobilize the [Central Madison] Council, business people and the downtown community."

However, Soglin observes, gaining widespread support means acknowledging "contradictions in outlook" among Madisonians. "We can't continue to have two- and three-flat housing," he says, noting that redevelopment means greater density. "It's a traffic-generator of cars and people—and people are going to have to face up to that." They must also recognize, he says, that "every building in the downtown is not an historical landmark," and that old buildings will have to be demolished to make way for the new.

In assessing downtown redevelopment, Susan Springman points out that a vital factor is psychological. "You've got to keep generating excitement," she says, "to get investors and the general public interested." Suggestions of ways to help the downtown are plentiful, but, it remains to be seen how and when enough interest can be sparked to make revitalization succeed. •

However, James Graaskamp, of the UW School of Business claims parking convenience, rather than the amount of parking available downtown, is the real issue. "Who in their right mind would build an eight-story parking ramp, without an elevator, in an area two blocks off the pace from any significant retail establishment?" he asks, referring to the Capitol Centre ramp.

The city, Graaskamp says, "isn't listening to the market." Pointing to office buildings around the Concourse as an example, he says, "There are shortages in those buildings which have parking in the basements, and areas which don't have parking are hurting."

Shoppers and office workers don't find ramps as convenient as surface parking, he says. To compete with the suburbs, Graaskamp continues, the downtown has to provide parking at comparable convenience, such as underground stalls or one-level surface parking without meters. He suggests the area behind the old Manchester's building as one possible site. Merchants, not shoppers, he adds, should pay parking costs.

"Not only do you not have the convenience of being able to park close to stores," Graaskamp says of the central city, "but now you have the question of public order."

Retail's second biggest problem after parking, he says, is the downtown's reputation, which "isn't a matter of crime, per se," but of the perceived threat of "uncustomary behavior. People are put off by the CMI's [the chronically mentally ill] and by the disenfranchised lounging on benches," he explains. People feel ill at ease, rather than endangered, Graaskamp points out, but "their sense of anxiety," he notes, "doesn't necessarily make that distinction."

Like Yelinek, Graaskamp foresees the possibility of losing the Concourse as a retail center. "The Square is in real danger of becoming an office ghetto," he says. But he does see ways the city might help merchants, providing it has the resources, he says, and enough political strength.

"For example," Graaskamp says, "Kohl's has announced that they would like to have four department stores in Madison. One can make a fairly good argument that we are well supplied with discount department stores now. Might we not make it a condition of their coming into the city that they put one of those department stores downtown?"

Graaskamp continues, "We're concerned



Yelinek of Verex: He feels Madison needs a redevelopment corporation similar to Milwaukee's. Photo by Brent Nicastro

about Penney's leaving the Square. [J.C. Penney has yet to announce whether it intends to renew its lease.] Perhaps we ought to make it possible for Penney's to move to the other side of the Square and begin concentrating our retail along a two-block strip on Mifflin."

A Difficult Two Years

Considering these gloomy assessments, how do merchants view their situation? "It's been a difficult two years for everyone downtown," says Jesse Hyman, manager of the Emporium, 50 E. Mifflin. The loss of Manchester's "had its effect," Hyman says, though he is reluctant to say how much. But despite current hard times, Hyman says, the Emporium has "no reason or anticipation" of leaving its location.

"The Square isn't going to be the vital place it once was," he says, "but I'm very

optimistic that with more recentralized housing, the downtown can still be a viable retail center."

Al Goldstein, owner of Carmen's, 15 N. Pinckney, also sees the need for more downtown housing as a means of increasing downtown shoppers. But a higher priority, he feels, ought to be getting more merchants on the Square. "You can look around and count the number of stores on the Square today," he says. "You've got good stores, good merchants, but we need more to develop more traffic. There's no question," he notes, "that traffic has decreased since Manchester's left the area."

Goldstein doubts that another major department store could be attracted downtown without more shoppers. Bringing in more small retailers is the most realistic approach, he feels. But to attract merchants,

'The Square is in real danger of becoming an office ghetto,' says Graaskamp.

Goldstein says, the city needs to offer tax breaks and ease up on its many building restrictions.

Goldstein thinks Yelinek's suggestion that Concourse merchants who have other outlets might leave the Square is "a very, very likely possibility." But he adds that those who have survived this long could probably continue to do so, and those owning their own buildings, like himself, would be most inclined to stay. For now, he says, the most important thing is getting the present Concourse merchants to stay put. "We're fighting," Goldstein says. "We want to stay."

Some have proposed that downtown retailers advertise together and hold more joint sales to attract customers. But Soglin points out, "It's always been a problem to get downtown merchants to act together. You will never get them to go on television the way East Towne and West Towne do," he claims. Mall merchants, he explains, are required to buy into joint advertising as part of their rent. But downtown merchants have independent leases, and they argue, he says, that without 100% cooperation, some merchants will be paying for the benefit of all.

Christine Bylsma, executive director of the Central Madison Council, sees opportunities for luring shoppers to the Concourse by developing assets that the shopping malls can't match. "When we do a traditional Christmas with fresh evergreen wreaths and horse-drawn carriage rides and promotions by the Civic Center," she says, "that's not the same as plastic elves and Santas." But while holiday promotional events draw crowds, Goldstein notes that Carmen's doesn't find more people stopping in to shop.

Clustering retail has also been suggested to create more shopping traffic. But while Graaskamp envisions a shopping district along Mifflin, Soglin sees retail shifting to the opposite side of the Square. Most office

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Prof. James Graaskamp

Continued from Page 9

employees, he points out, are located closer to Main Street, and office workers are a mainstay of Concourse retail. While some may argue that a Main Street retail location would tend to reduce shopping traffic on State Street, Soglin maintains that such a shift is "dealing with the hard reality of where the people are."

Olin Place

Plans for clustering retail on Main Street are included in the city's proposal for the long-range development of Olin Place, an area bounded by the Capitol Square, Carroll and King streets and Lake Monona. The proposed \$90 million project, to be developed largely by private investors, would also involve expansion of office space and construction of a hotel, a department store and underground parking. Both blocks of Main Street would be enclosed, with space allotted to shopping arcades.

One of the most interesting features of the Olin Place Plan is a proposed network of skywalks, coupled with an enclosed corridor between the City-County Building and the Municipal Building, which would link seven blocks. Several years ago the city investigated connecting the whole area around the Square as far out as Broom Street with pedestrian walkways. But city planner John Ulrich says there's been "an unwillingness to approve any structure across any street" that obstructs a view of the Capitol.

'Who in their right mind would build an eight-story parking ramp, without an elevator, in an area two blocks... from any significant retail establishment?'

"I'm disappointed that we haven't been able to accomplish more in this area," Ulrich says. Pointing to the success of a similar system in the Twin Cities, he notes, "Skywalks in this type of climate have proven a very important amenity."

Ulrich calls the city's proposals "sort of a challenge" to the private sector "to take a serious look at this side of the Square and to make some significant capital investments."

The focus of the city's attention has been Block 89, on which Penney's is located—but Ulrich says that development initiated by the private sector might take place first elsewhere within Olin Place. Realistically, he says, "My target is to get a major development under way within the next five years."

But Ulrich says his principal concern regarding downtown redevelopment is that most city proposals, with the exception of the Capitol Centre, have not addressed the creation of more housing. "We've got to make housing a higher priority if we're serious in attempting to stabilize the downtown and provide a population to support a retail component," he contends. Ulrich thinks three or four more housing complexes equivalent in size to the Capitol Centre are needed in the downtown area.

More Jobs

Graaskamp points out that the downtown needs more jobs to support residential growth. But the high cost of locating downtown, he adds, discourages the bigger firms that would employ a significant number of people, like an insurance company or high-tech industries. Graaskamp suggests that the city offer them financial assistance. The rail corridor, he adds, could be an excellent building site.

Like Yelnek, Graaskamp feels the city needs more help from private business. He supports creating a redevelopment corporation, but such an organization, he argues, should be linked to city government. "The single-mindedness and entrepreneurship that have sustained private developers," he points out, "are not the kind of attributes that typically wear well with the Madison city council and city government."

A quasi-private corporation, he feels, would act as a buffer between government and private developers, making it easier for them to work together. And if the city has a stake in redevelopment projects, Graaskamp argues, it will be more inclined to lend its support to avoid extensive delays.

"Ten years ago," says Paul Soglin, "that kind of concept wouldn't have been workable. People were too suspicious." Madison has a long history of mistrust of public-private partnerships where city development is concerned, he says. "We've never had the incentive," he adds, "to create that kind of meld."

But now, Soglin says, attitudes appear to be changing. In talking to downtown city council members, "I've been hearing positive things about entrepreneurship, the need to develop and the need to work with the private sector," he notes. "There are people on the council now who are willing to take

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'The single-mindedness and entrepreneurship that have sustained private developers are not the kind of attributes that typically wear well with...city government.'

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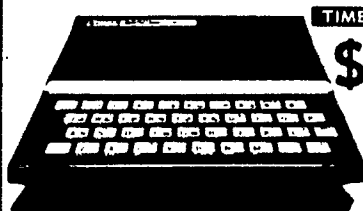
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Includes comments by Graaskamp

The Pied Piper of the Far West Side

*Developer
George
Gialamas
is changing
the face
of Madison.*



BRENT NICASTRO

'I envisioned what was happening in this city, and I guess you might say I thought I'd help it along.'

BY DOUG MOE

During a youth soccer game in Madison last summer, one spectator, reading the team name on the back of her son's jersey, turned to the man next to her and said:

"What's a Gialamas?"

The man happened to be the team sponsor, and he laughed. He could afford to. More and more people are seeing the Gialamas Company name, and not just on soccer uniforms.

George Gialamas, 46, is the Madison developer and real estate broker who has come from nowhere in the past few years to become the pied piper of the far west side. He has a lot of for-sale signs in the ground and a lot of irons in the fire. Soccer fans aside, he concedes, "In the past couple of years, I've noticed people know the name Gialamas."

They know him as the prime mover behind the High Point area development—the land roughly bordered by

Mineral Point Road, the West Towne shopping mall, High Point Road and the Beltline. Although Gialamas is active in other places around the city, High Point is his baby, and he talks about it like a proud papa.

On it, he has reared a large condominium project (High Point Meadows), a 15-store retail strip mall (High Point Centre) and a soon-to-be-opened—and fully rented—40,000-square-foot office building (High Point Plaza). He has as-

sisted other developers and businesses in the area ("We were instrumental in bringing Chez Michel out here"), and he has more plans in the works, including a five- or six-story office building right next to his current High Point offices on Ganser Way. (He allows that he hasn't run that one through city hall yet.)

Gialamas says that he's proud of his work in the High Point area, and that his pride comes from having seen the area's potential when others were leery of building beyond West Towne.

"I envisioned what was happening to this city, and I guess you might say I thought I'd help it along," he says. "I saw the west side as definitely the burgeoning side of town....To go into a new area and develop it is damn risky. It really is. But I think Mineral Point is the key road. I did my homework. The city and the state make plans years in advance on what's going to happen with the road system. The decision to make Mineral Point a six-lane road was made six years ago."

IBM 'Legend'

George Gialamas took a gamble getting into the development game. He was making a "super living" working for IBM in Madison when, in 1976, he walked away from it to start his own real estate company. It was, he says, "a very difficult move."

Gialamas was successful enough at IBM to have been "something of a legend" with that company, in the words of one Madison realtor. Certainly his hiring was the stuff of legend. Gialamas, a Chicago native who has a degree in philosophy from Marquette, was tending bar in a Chicago pub near the IBM building when a few company executives—regulars—told him he was wasting his potential mixing drinks.

The next thing he knew, he was headed to New York for IBM's extensive schooling. Gialamas felt a bit out of place among all the engineers: "I didn't know what a punch card was," he says.

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BRENT NICASTRO

Rural land: Gialamas' role in a controversial city annexation of 406 acres from the town of Middleton has the town chair fuming about 'a land-grab and a bailout for Rural Insurance.'

GIALAMAS

Continued from Page 1

What he knew was marketing. (At least he could sell himself, which is what sales is all about anyway.) Gialamas finished dead last in his IBM class in New York, but his first year on the street he won the company's "rookie of the year" award. You learn to hustle growing up in Chicago.

He was selling for IBM in Chicago when, in 1964, the company transferred him to Madison. After 12 successful years, he swallowed hard and left to strike out on his own. It wasn't easy. He had two kids (he and his wife, Candy, now have four), and the "security of a major corporation was quite nice."

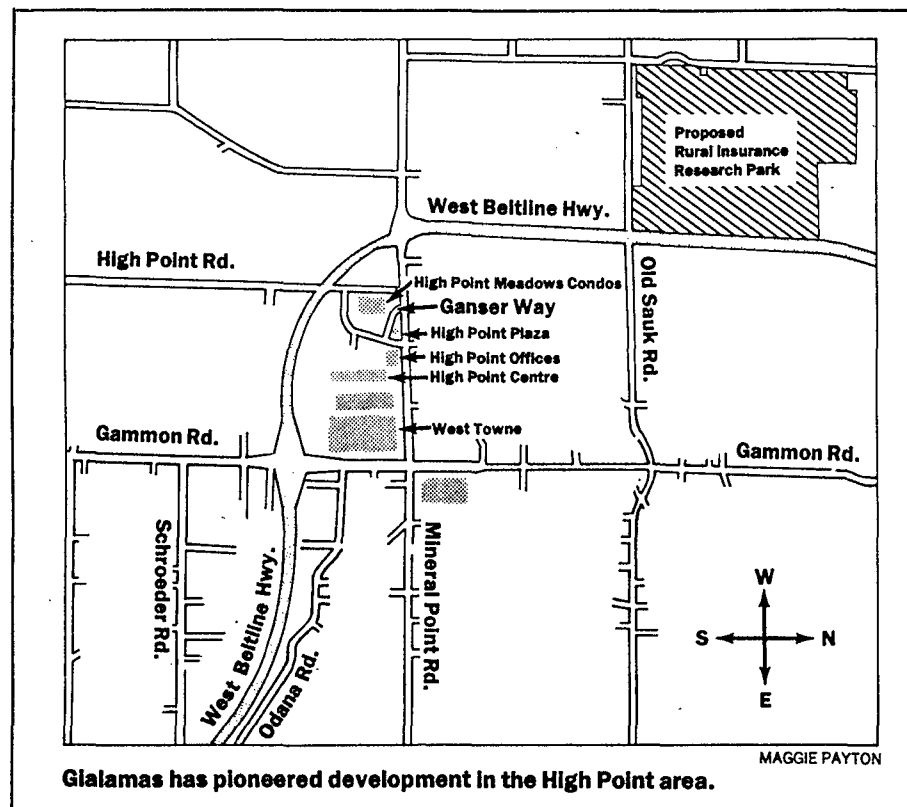
But he was in his mid 30s and liked Madison, and staying with IBM would likely mean promotions and relocations. It was time to make a move.

"If I had said I had a game plan [in '76] of what I wanted to do in the next 10 years, I'd be a liar," Gialamas says. "I knew the direction I wanted to go. I wanted to get into the development game, do the commercial work and make a niche in the city of Madison. I wanted to say, 'Hey, I helped do this here. I helped the city.' I really wanted to help, and that's not bullshit."

Help how?

"By bringing business and industry and a helluva lot of employment to this city."

Gialamas has been in development now for close to a decade, but it's only in the past few years that his name has been mentioned in the same breath with the heavy hitters among Madison devel-



Gialamas has pioneered development in the High Point area.

opers. Even 10 years in the business makes him a relative newcomer, and, as another developer observes, Gialamas' holdings and net worth probably don't put him in the same league as Jerry Dohm or Jerry Ring, who were leaders in developing the area between Whitney Way and Gammon Road. Some serious fortunes were made by the west-side pioneers.

While it's clear that Gialamas has been

a catalyst for far-west-side development, it's difficult to determine the extent of his actual financial involvement. As both a developer and a commercial realtor, he can have dramatically different roles in various projects.

For example, some of those ubiquitous "for sale" signs that carry the Gialamas Company logo may simply be on property owned by someone else that his company is selling for a commission.

One thing is certain: Gialamas is the person who expanded the boundaries of growth on the far west side—the first developer to make a major move beyond West Towne.

In terms of building, he may simply be hired for a fee to develop a particular project, like an apartment building, an office building or a small retail center. He may be one of the general partners who have invested in a project for which he also serves as the developer, or the managing partner for a project that he also operates once it's built and open for business, like High Point Centre.

One thing is certain: Gialamas is the person who expanded the boundaries of growth on the far west side—the first developer to make a major move west of West Towne (excepting the Shopko and Cub Food developments).

At some point, Gialamas saw the plans for Mineral Point's expansion. He saw expensive condominium projects like Tamarack Trails filling up, and he acted. "I looked at the area," he says. "I

looked west of West Towne, and I thought there was a helluva lot of potential out there. I've got plans for this whole [High Point] area, in my head and on paper. I could show them to you but I won't, because then everybody will know. My competition will know."

Urban Sprawl?

Gialamas' enthusiasm for far-west-side development is not shared by everyone. Some feel that portions of the area west of Whitney Way represent the worst of urban sprawl. Odana Road, jammed with restaurants and retail establishments, appears to have been planned by a 4-year-old playing with Tinker Toys. Not all the businesses will survive, although Gialamas can't be blamed for that.

Might he be blamed, as some have suggested, for focusing on the far west side's virgin territory rather than helping renovate Madison's ailing downtown? Is every nail in the High Point office space another nail in the downtown's coffin?

Maybe. In January, for the first time ever, a major Madison law firm, Stolper, Koritzinsky, Brewster & Neider, will move its main office out of the downtown into Gialamas' High Point Plaza building.

An attorney with the firm, Charles Neider, says there were a number of reasons for the move, including rental costs, parking and convenience for clients. The firm will keep a small office on the Square in the Tenney Building.

Ald. Anne Monks, whose 8th District includes the State Street area, questions how much the city really benefits from new growth on the periphery. "It creates more expensive services for the city to pay for," she says. "And it does kill the downtown—there's simply no question that a lot of businesses are moving out there from the downtown."

"I'm real skeptical as to whether Gialamas is actually creating many jobs," she adds. "That's something that should be measured by the city planning



BRENT NICASTRO

High Point: 'I thought there was a helluva lot of potential out there,' says Gialamas. 'I've got plans for this whole area, in my head and on paper.'

department. As far as I know, the city's employment rate isn't increasing, so it's hard for me to believe he's generating new things for the city. He's causing more sprawl—a more spread-out city."

*** But UW real estate professor James Graaskamp, an astute observer of local development trends, thinks it's naive to blame a developer for taking the path of least resistance.**

"In evaluating the current expansion along Odana and High Point," Graaskamp says, "there's always the dialectic between city planning hopes as to how a city's going to develop and short-term market forces, which produce the actual development."

"Real estate," Graaskamp continues, "is the art of the doable. They did what was doable. I think it's unfortunate that the politics of Madison—the land planning process of Madison—discouraged them from trying to locate...in the area of the Square."

One pet Gialamas project, far west but not at High Point, has met considerable resistance. It involves a 406-acre tract in the town of Middleton, owned by Rural Insurance and bordered by the Beltline, Old Sauk Road, Pleasant View Road and land owned principally by Madison Gas & Electric south of Highway 14.

Gialamas envisions an industrial park, tentatively called Old Sauk Trails Park, that would be "the biggest industrial site in the Midwest"; as developer, he would market the industrial sites.

Madison, supportive of the plan, is trying to annex the land, but the town of Middleton has filed a lawsuit to stop the annexation.

Town Chairman Ed Tallard says the town opposes the annexation because the proposed industrial park is in a residential area. "I don't care for Gialamas," he says bluntly. "He thinks he's a big shot. George is trying to fool

'Gialamas was an IBM salesman,' says Tallard, 'and then all of a sudden he's an expert on land development....'

everyone by saying this industrial park is going to be high-tech. It isn't going to be high-tech, though it will be non-smokestack. There are people who built homes there on the assumption that this was going to be residential. Part of George's problem is that he's running out of land where he is now. Like any developer, he has to look for a new source."

Tallard says that if the town loses the first court battle, "we'll take it all the way to the Supreme Court if we have to."

The town chairman is more than a little bitter. "Gialamas was an IBM salesman, and then all of a sudden he's an expert on land development with no previous education in the field," he says.

Intuitive Grasp

Gialamas may not be a certified expert on development, but he certainly has an intuitive grasp of the dynamics.

One of the keys to development success, he says, is to look not at individual lots, but at a developable area as a whole.

"Residential by itself won't work," he says. "Commercial by itself won't work. Office by itself doesn't work. You have to have a synergism between these areas. That's why the Hilldale area is so successful. It all melds together very nicely. That's what's happening here. In fact, what you've seen so far is nothing compared to what will be happening in the next couple of years."

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GIALAMAS

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His first High Point development was High Point Centre, the 15-store strip mall. "We had nine acres," he says. "You ask yourself: 'What are we going to do?' We could break it up into small lots. You ask other people what they think we need in the area. I looked at that piece and said, 'We're not taking advantage if we don't put it to retail use.' Why? I had seen strip malls all around the country doing very, very well next to regional malls, for two reasons: Tenant rents are half or less [than in the major mall], while you still have the draw."

High Point Centre is a neighborhood, service-oriented mall; it became a reality in 1984 and is by all indications a success. The process was lengthy and anything but haphazard. With High Point Centre, Gialamas took the nine acres of land and did a feasibility study. He decided on the strip-mall idea, got an architect and engineer to detail costs, developed leasing plans, approached tenants, arranged the financing, cleared the project with the city and bid it out to contractors. Finally, now that it's built, he manages it.

You would think it's a source of great pride to him, but he says he hardly thinks about it. This offers an insight into what makes Gialamas tick. "The greatest excitement is done," he says. "I haven't made a dime on High Point Centre yet, and it isn't even in my thoughts. I'm already looking at my next few projects. That's my turn-on. The next one."

While he refuses to be specific about most of his future plans (the exception being the office building on Ganser Way), Gialamas does say his "dream" is to make High Point "a financial area." "Financial" services—it falls into the theme of the whole area," he says. "It also means a lot of employment."

And beyond High Point? Where does he see the city expanding in the next 10 years?

"I have a problem telling you that," he says. "I have options on some pieces, but by letting you know what they are, I'm going to have other people going after them too. I don't want people to know where I'm going."

When pressed, he says, "I think Madison is going to develop to the Belt-line, and then it's going to go south. It's going to go south of High Point." Graaskamp concurs: "That's a function of where the public infrastructure is, the shared water is more available there than elsewhere."

Annexation Fight

Just how Gialamas spends his time over the next few years will partly depend on the outcome of the Old Sauk Trails Park controversy. If the annexation goes through—and even sources in the Middleton city hall reluctantly say that it probably will—Gialamas will develop the industrial parcels.

"We're very excited about it," Gialamas says. "It's super. It's fantastic for the city of Madison. We're putting everything together—we're acting as developers."

He gives Rural Insurance, the property owner, credit for planning to sell the land at a very reasonable price. "I just think it's important to bring business and industry to this city," he says. "I really do."

Tallard, the Middleton town chairman, couldn't agree less. "The city is bullying us," he says. "It's bad news all around. It's a land-grab and a bailout for Rural Insurance."

"The whole crux of the thing," Tallard continues, "is that the land was supposed to be developed in the town of Middleton. The town board and the planning commission spent an awful lot of time with Rural Insurance. Originally it was set up as condos—residential. The master plan for the town of Middleton calls for that area to be residential. Rural Insurance promised us—back in '76 or '77—they would develop it, residential, in the town of Middleton."

Tallard says the town board would probably even go along with the annexation if the land was developed as a residential area.

It won't be, of course. If the courts give the go-ahead, George Gialamas is

dedicated to turning it into the largest contiguous industrial park in the Midwest. "Basically the same as Charmany," he says, "only it's 400 acres. And you're dealing with the private sector, not the public sector."

Charmany is the site of the much ballyhooed UW research park at Mineral Point and Whitney Way. Since the UW has been dragging its heels (as developer David Carley has complained) and is reportedly being extremely selective about tenants, the Old Sauk park might just become a reality first.

Graaskamp observes, "I think it can be safely said that there are a lot of science- and technology-oriented firms that don't want to do business with the university."

Clearly, Gialamas thinks that he's seen the future of Madison, and that it's on the far west side. He is quick to say he'd love to do something downtown (he's on a volunteer committee for the Festival of the Lakes), but he hasn't done his homework down there yet—and the

land costs make him wince. Besides, he's pretty busy where he is.

The wizard of the west side has heard but doesn't believe the whispers that the Odana Road-High Point area is overbuilt—that it might bust as quickly as it boomed.

"I think they're primarily talking retail," he says, "and it's true some will go. But others will be coming in. It's definitely not a bust. Is it booming? Hell yes. Do you have the figures for the past 10 years for this area, downtown, or anywhere else? Well, I do. I don't want to give them to you because I don't want them announced."

The unspoken assumption is that the figures speak well for points west—High Point and beyond in particular. "I think there will always be good development and bad development," Gialamas says. "I think the good will survive and the bad won't."

Any way you look at it, George Gialamas sees himself as one of the good guys. ■

Realtors Eye Tax Reform

If the tax plan goes through in any of its current forms, the real estate market will suffer.

At first they called it tax simplification. Now they call it tax reform. But whatever its title, President Reagan's proposed tax plan might hurt Madison, and is in fact already affecting the city's real estate market.

If the tax plan goes through in any of its current forms, the local real estate market will suffer. At this stage, no one knows what the plan will look like after Congress passes it, but chances are the changes the president proposed will stay in some way or another. Despite this uncertainty, realtors are planning for the changes tax reform will prompt.

Stated broadly, those changes would affect depreciation schedules (penalizing, for example, those who use accelerated depreciation), eliminate capital gains treatment upon the sale of real estate (capital gains would be treated as income), and extend the "at-risk" rule for investments to real estate.

"This is consistent with the Reagan administration's objective to discourage investment in real estate," says Professor James Graaskamp of the UW-Madison School of Business. He says the administration hopes to divert the money from real estate into heavy industry.

This could mean several things for Madison. "The change in the tax laws will change the game for those who have been doing most of the development in Madison," Grasskamp says. "Syndicators that have done the best by Madison, such as DiVall and Munz, are going to find the economics of their projects significantly changed. They won't be able to sell the same level of tax shelter as before, and that will reduce the equity contributions from limited partners."

In other words, investment dollars will be harder to get, so the money will have to come from somewhere else. "Tax benefits aren't the leading reason investors invest," says Gary DiVall of DiVall Real Estate Group. "They do it for cash flow and a good return on their dollar. But if the benefits disappear, investors will move to other investments. Tax benefits are passed on to the residents, and if you eliminate that annual flow of dollars, rents will increase. They'll increase across the board."

"If the tax plan passes, it's going to be unfortunate for Madison," Graaskamp says, "because we don't have the inherent economic growth to stimulate much new development. Non-economic development is feasible when you have the tax laws providing an indirect subsidy. If the tax laws are neutral, and there's little economic growth, then there will be a reduction in the amount of new building that goes on."

The tax changes probably won't affect construction in the retail areas, but new construction in the residential area will cease. "No one will build," DiVall says, "and that will put people out of work. That's a real tragedy because for once the construction industry is fairly healthy in Madison—and it wasn't for a number of years."

But perhaps the most visible change will occur downtown. The current tax law allows developers who rehabilitate historic buildings to take a 25 percent tax credit. Developers can also take a credit for rehabil-

by Kristine K. Thompson



UW-Madison Professor James Graaskamp says the proposed changes will cost the government money in the long run.

itating non-historic buildings more than 35 years old. The administration's tax plan eliminates those credits. Other versions of the plan reduce the credits.

According to figures from the State Historic Preservation Office, developers have invested nearly \$3 million

in Madison tax-credit projects since 1981. The Lincoln School Apartments, Fire Station No. 4 and Nichols Station all benefitted from the tax credit.

"It's a form of subsidy," says Randall Alexander of the Alexander Company. A branch of his company, Preservation Services, has done more than 12 projects in the Madison area. "It allows us as developers to go in and do a project that otherwise would not be feasible. On our Mansion Hill project alone, the tax credit is approximately \$250,000. Now, that's not a deduction. It's a savings. It's like dollars in your hand."

Madison is behind other cities in using the tax credits, but even so, the difference a handful of projects has made downtown is immense. There's Fire Station No. 4 mentioned earlier, Doty School, and the Hobbs-Van Vleck house.

Alexander says rehabilitation of one building in an area leads to other rehabilitation within the same area. He points to the first house the Alexander Company did in Madison, a house on West Washington Avenue, saying the development of that house

led to rehabilitation of the entire block. But the tax credits made those changes possible.

"It's much easier to go out and develop new construction than it is to rehabilitate older buildings," Alexander says. "You pay more money per square foot for rehabilitation than new construction. Without subsidies, rehabilitation just isn't feasible."

"In all, there have been about 20 to 30 projects done in Madison with the tax credits," says DiVall. "Without the credits, maybe 10 percent of them would have gotten done."

Chances are, some compromise will be reached that simply reduces the credits.

"I think we've gotten over the hurdle of saving the credits," says Susan Buchanan, Madison coordinator for the Wisconsin Coalition of Historic Buildings and Properties, which is a state-wide lobbying group formed to help preserve the tax credits. "But now we're walking a tightrope. We don't want to scream at Congress and say they haven't done enough. We want to thank them for saving the credits, but we want to make those credits a little more palatable. What

Congress has proposed right now is in between not having the credits at all and not having as great an incentive."

Area realtors have concentrated their lobbying efforts on saving the tax credits, but, Buchanan says, "Real estate has a large lobbying group in Washington that's focusing on the other effects of the tax bill." Some observers think letting the real estate lobby battle the at-risk rule and other proposed changes in the law may not be a good idea.

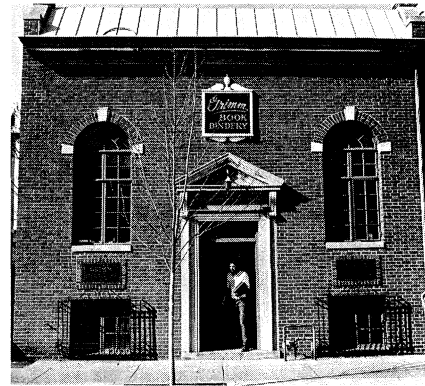
"I gather that Congress has gotten fed up with the constant harassment by home-builders, realtors and the real estate investment fraternity," says Graaskamp, "and is probably now aware that whoever is the noisiest isn't necessarily the largest group of voters that they have to appeal to. So it may be that the real estate people have gone to the well once too often and have harassed their Congressmen to the point where they're becoming somewhat numb to real estate blitzkrieg."

DiVall agrees. "Unfortunately, the real estate lobby doesn't have much influence remaining on Capitol Hill,"

he says. "The lobby took up some issues that weren't too important and cried wolf too many times. And now that something crucial has come across the board, we aren't being listened to."

So DiVall and Alexander are fighting the battle their own way. They've written letters to Congress and have contacted their representatives on this issue. But they say their efforts aren't enough.

"Should I go down to Washington and protest?" Alexander says. "I don't



Tax credits make projects like Nichols Station (lower) feasible for developers and investors. Because proposed changes would eliminate those credits by January, developers plan to "fast-track" the rehabilitation of Grimm's Book Bindery (top) and complete it before yearend.

have time. I've got a business to run."

"What we need is some grassroots support," says DiVall. "But people don't seem too interested in the issue. There are only three people in the country who are enthusiastic about tax reform—President Reagan, Representative Dan Rostenkowski of Ways and Means, and Treasury Secretary James Baker. Unfortunately, they're in positions of power and so something is going to come out of this."

So the realtors are planning for the worst. The original version of the tax

reform plan removed tax credits for any building not completed by Jan. 1, 1986. Although it looks as if there may be some sort of sunset provision, Alexander is trying to finish all of his in-progress tax-credit projects by the end of this year. He also has two or three projects on hold.

"We're doing some studies right now on some new construction," he says. "I can't sit around and wait for them to make their decision."

Alexander will do that new construction downtown. And if the credits disappear, he will still work

on older buildings, *if* he gets some help.

"If they [the government] take away the credits," he threatens, "I'm going to come back to them and say, 'If you want me to do development in older buildings, I want TIF [tax incremental] financing. I want the land for nothing, plus I'll probably want some public improvements put in. I'll want revenue bonds, below-market financing.' And those two items, at a minimum, are going to be needed before it's economically feasible for us to develop the property."

Some help may be farther down the road. Buchanan says when the tax reform fight is over, her group will start lobbying the Wisconsin Legislature for state tax credits. Other states already have such credits. Wisconsin had a grant program for similar projects, but it was repealed in 1981.

"We have ideas on how to approach the state," she says. "We want to help preservation efforts on a statewide basis. People are interested in rehabilitation, and it's had a marvelous effect on downtown Madison. Madison would really be affected if these incentives were taken away."

No one is willing to predict what kind of changes Congress will ultimately make. The tax reform plan has gone through several versions already and may go through several more before it passes.

"Trying to figure out what Congress is going to do next is virtually impossible," Graaskamp says. "I'm sure if one understood all the political forces at work, Congress is a very rational animal, but I don't think all of us know those forces. We just know that Congress will do the wrong thing."

Whatever the outcome, Reagan's tax reform plan will change the real estate picture in Madison. Construction will probably decrease, and rents will probably go up. Fewer old buildings will be rehabilitated.

But according to Graaskamp, the changes won't last longer than a few years. "There will be a great deal of ferment and adverse consequences in the short run in terms of employment, mortgage foreclosures, and restructuring of the industry," he says, "but ultimately, the market will prevail. It'll readjust rents and the product, and it'll survive." ■