JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS
II. CLASSES AT THE UNIVERSITY OF WISCONSIN--MADISON
E. Business 550/705: The Real Estate Process
2. Exams: Undated

UNIVERSITY OF WISCONSIN
AT MADISON
SCHOOL OF BUSINESS

Business 550-705

GENERAL GUIDELINES: Be brief, clear and concise. Write legibly. Effective use of the English language is part of your grade. Errors in arithmetic will result in a loss of points. You may 'round' from the third to the second decimal for hand calculation.
Be careful to show your calculations in a well organized, adequately-labeled format.

Be careful to allocate your time in accordance with the weight assigned to the question. There are 100 points on this examination.

PART I
'True' or 'False' Indicate your answer by circling the "T" or "F". If the question is false correct it by changing the appropriate word(s) or phrase(s). Reductio ad absurdums are unacceptable. Each question is worth 2 (two) points. This section is worth 20 points.

T F 1. The FHA (Federal Housing Administration) is best known for its programs for the financing of owner-occupied sales housing and multifamily rental housing programs.

T F 2. The efficient output of public services might be maximized under a system in which there is: (1) a high degree of local responsibility for allocation of branch services of labor intensive public functions; (2) a significant equalizing state aid formula to enable the poorer political communities to provide such services; (3) an acceptance by the state of (and/or federal) responsibility for redistributive services (e.g., welfare assistance); (4) an assignment of capital intensive municipal functions to wide-area (metropolitan) service districts to obtain economics of scale in physical plant facilities (e.g., sanitary sewage districts) and fairer apportionment of costs and benefits.

T F 3. The President's Committee on Urban Housing indicated that in 1968 about one of eight (7.5 million) American families could not afford to pay market price for standard housing if it were to cost no more than 20% of their total income. Assuming no marked changes in economics or policies the same committee concluded that by 1978 about 15 million families would be unable to afford standard housing, a significant increase (ignore possible effects of national housing goals.)

T F 4. Urban blight designates a critical stage in the functional or social depreciation of real property beyond which its existing condition or use is unacceptable to the community.

T F 5. Functional depreciation of real property (loss of productivity) may result from a diminishing capacity to render a service or a decline in demand for the service rendered.

T F 6. The Sec. 236 and Sec. 235 interest subsidy programs were designed and implemented to provide new housing for poor families in areas where the combined supply of public housing and standard housing from the existing stock at rents the poor could afford was inadequate.

T F 7. Generally, when we say there is a low-income housing problem, we do not mean the market is malfunctioning <u>per se</u>, we mean the housing market provides for the low-income sector housing which is unacceptable for social, political, and other ideological reasons.

T F 8. If all energy involved in manufacturing, cleaning, transporting, remelting, and remanufacturing of various beverage containers is considered, it would cut the energy use of the beer and soft drink industry one-half (50%) if they would go back to using returnable bottles.

T F 9. Industrial solid wastes generated by manufacturing facilities far exceed (more than double!) the solid wastes generated by other urban uses (i.e., residential, commercial, institutional, and municipal uses).

T F 10. According to Michael Robbins, Leonard Wolffe and others interested in "impact zoning computer models," we should strive to obtain an optimum land use based upon as many relevant factors as possible. For example, we should consider erosion, permeability, water tables, soil types, slopes, climatic conditions, vegetation, and other natural and physical determinants. Further, we should consider schools, police, power, sewage, transportation, and the use and capacity of these and other man-made systems. By assigning numerical values to all of these factors, one could measure the impact of any development. Thus, we could ascertain in advance the probable impact of a development on the public and private sector.

PART II
Multiple Choice Questions and Fill-ins.

Read each question carefully and completely before attempting to answer. Several alternative answers may be partially correct or correct only in unique situations. SELECT THE ONE ANSWER WHICH IS MOST RESPONSIVE TO THE QUESTION OR STATEMENT MADE (i.e., the best available answer). Indicate your choice by making an "X" in the space ( ) indicated. This section is worth thirty points. Each question is worth 3 (three) points.

1. The proposed Better Communities Act, a revenue-sharing concept for community development put forward by the current administration, would:

( ) a. provide funds for the development of Skinnerian enclosures in which behaviorists would be the elite who would govern the citizens trained by modern techniques to be happy. The first built will be Walden II

( ) b. provide funds to test on humans the Cunningham hypothesis that rats required to live in high densities suffer undue emotional stress. It is believed humans may react in a similar fashion

( ) c. replace existing HUD categorical programs with a special revenue sharing system which enables local leaders to use the Federal funds for community development in accordance with local objectives

( ) d. provide long-term financing and grants to establish new satellite communities on the fringes of our SMSA under needs formulae which would allocate the funds to those SMSA's which by level of population, extent of overcrowding, and number of persons below the poverty threshold; have the greater need for better communities.

2. Unlearned lessons of the history of federal housing aid are:

( ) a. The provision of decent, safe, and sanitary housing can not solve the problems of poverty and ease the conditions which cause slums

( ) b. excessive emphasis on volume production of housing under the FHA programs will lead to either lax review of applicants and poor quality projects, or, on the other hand, a too strict bureaucratic application of the rules to avoid controversy

( ) c. the belief that homeownership builds character, responsibility, thrift, and stability among poor families is an inadequate basis for federally subsidized ownership for poor families without providing counseling on household budgeting, employment, and family organization

( ) d. administrative reorganization of HUD-FHA has been too frequent and too pervasive given the overriding objectives of the national housing policies

( ) e. all of the above

3. The causes of urban blight are:

( ) a. reduction in the productive capacity of the housing unit by: aging, technological obsolescence and sheer capital consumption (i.e., deferred maintenance)

( ) b. landlord motivation for excessive profits which drives out tenants and causes abandonment of structurally sound housing units

( ) c. the negative effects of changing land use, spillover effects of deteriorating nearby and adjacent uses, changes in the quality of municipal services (social overhead), changes in accessibility to necessary inputs and markets, and rising social standards affecting demand for realty fixed as to location

( ) d. lack of pride, and a sense of responsibility for property on the part of certain ethnic and racial types of overcrowd and abuse urban housing units.

( ) e. both (a) and (b)

( ) f. both (b) and (d)

( ) g. none of the above

4. Americans allocate about: (a generality applied to SMSA)

( ) a. 51% of their urban land to public rights of way including parking areas; 10% to commercial uses; 2 to 4% to industrial and transportation facilities use; 30% to residential uses; and the balance to open space, recreational and institutional uses

( ) b. 51% of their urban land to residential uses; 10% to industrial and transportation facilities; 2 to 4% to commercial uses; about 30% to public rights of way and parking; and the balance to open space and recreational and institutional uses

( ) c. 51% of their urban land open space, recreational, institutional and other such public and semi-public uses; 10% to public rights of way including parking areas; 2 to 4% to industrial transportation facilities; 30% to residential uses; and the balance to commercial uses

5. If we were to internalize all currently external costs in such a way as to personally burden the driver (and/or his family) with all externalities produced by the operation of the automobile (measured by dollar costs) it would probably result in:

( ) a. a trade-off by the motorist to public transit

( ) b. continued use by the motorist in spite of higher personal costs

(c) c. a mass migration to the smaller SMSA's to shorten journeys to work thereby enabling the motorist to continue to use the car by reducing miles traveled

( ) d. reactivation of the commuter railroad lines

6. Housing Allowances are a way of providing a subsidy to poor families to enable them to purchase the shelter they need on the open market. Some of the problems foreseen with this program are:

( ) a. it will probably cause an "unwelcome" fine grain in dispersion of the urban poor, spreading them to the suburbs

( ) b. there is no assurance that the tenant will obtain standard housing unless there is inspection by public officials

( ) c. it will increase the number of bidders in the market place for standard housing without necessarily increasing the supply of such housing which may simply result in an increase in rents

( ) d. it may result in stepping up housing code compliance activity everywhere causing a political backlash which would lobby to end the program

( ) e. all of the above

7. A study by the San Francisco firm - Livingston & Blaney, made in Palo Alto, California and supported by another study in Charlottesville, Va., and another in Moon Bay, California indicate that county-local governments will:

( ) a. realize greater revenue from new taxes on the levied development than costs imposed by the necessary expenditures to supply additional county, municipal and school services to the development and its occupants

( ) b. realize greater costs from necessary expenditures to supply additional county, council, municipal, and school services than the revenues received from the increased taxes levied on the said developments

( ) c. be required by state and federal law (including the constitution) to provide school and municipal services for new developers regardless of the effect on the local cost versus tax revenue relationships.

8. In Where do we Grow from Here, the author details the elements of the Ramapo plan, generally established by ordinance in early 1972. These elements of the growth limiting and controls plan are:

( ) a. it prohibits new construction unless the builder provides adequate sewage, parks, roads and other services

( ) b. the creation of a public housing authority calling for 300 public housing units

( ) c. adoption of "stop-gap" zoning to freeze developments of uses inconsistent with the new plan to prevent continuance of a history of spot zoning

( ) d. the zoning "out" of all pre-existing nonconforming uses by requiring that the use be terminated after 10 years

( ) e. the development of a 18-20 year capital improvement program with development easement acquisitions by purchase coupled with a reduction in assessment to the landowner-seller after recording of the easement

(f) f. the adoption of a Development Timing Point System designed to evolve a private system of development coupled with a public commitment to provide public facilities

( ) g. all of the above

( ) h. all of the above except (d)

9. According to Apgar the New Towns concept embodies four principles which differentiate it from other forms of urban development: They are:

1. _____

2. _____

3. _____

4. _____

10. In a discussion on the current climate and strategies in Real Estate, Downs and Lachman attempt to dispel certain myths which have been the basis of erroneous claims and beliefs about real estate investment trends. One myth concerns the expansion of our physical plant which will result from population growth by the year 2000. A second concerns the costs benefits to be realized from industrialization of housing production. The third

myth concerns the alleged very high rate of return in real estate investment. Set forth below your understanding of why Downs and Lachman say these beliefs are myths:

1 & 2 & 3

PART III - 25 points

Do one of the essay questions set forth below. They are alternatives. DO NOT SPEND TOO MUCH TIME ON THESE QUESTIONS. THE ESSAY YOU WRITE IS ONLY WORTH 1/4 OF THE GRADE.

Essay Question One:

Given your understanding of class discussions, readings, and your own ideas: How would you design and develop a housing project in which families and individuals of low-income (poverty) class would be occupants? You are expected to discuss both on-site and off-site problems as well as other problems necessary to consider and resolve in the development of such a feasible time-space product. It would be useful to compare the advantages or your projected development scheme over the disadvantages of previously constructed inadequate or inappropriate projects such as Pruitt-Igoe, etc. Keep in mind the range of problems you should solve. Draw upon such readings as Alternatives to Fear and The Tenant's Points of View, among others.

Essay Question Two:

Discuss private costs, and social costs resulting from our use of present large metropolitan areas. What are the externalities (positive and negative) resulting from the way transportation and public services are organized. Consider the relationship of poverty to: fiscal zoning, industrial dispersal, and the present form and structure of our metropolis. Your discussion should show an awareness of scale efficiencies and diseconomics which apparently exist.

Write your answer (after organizing it) on this page, back of the page and the next blank page attached.

PART IV - 25 points

Demonstrate your understanding of cash flow analysis and the methodology for discounting cash flows back to present value in order to provide information to facilitate a real estate investment decision.

Assume you are a real estate counselor and Mr. Wouldbuy, a real estate investor is seeking financial advice. It is understood you are not expected to analyze the reasonableness of his market analysis and/or his assumptions.

A builder-developer is offering a 36-unit apartment project for sale during the early phase of construction. Therefore, Mr. Wouldbuy would be eligible for the accelerated forms of depreciation according to IRS regulations. The builder-developer has an excellent reputation as a contractor, therefore, it is reasonable to expect the project's physical characteristics will be all they are purported to be.

The builder-developer has provided Mr. Wouldbuy with a copy of a computer simulation of a three-year investment in the 36-unit project. You have been provided with a copy.

As can be seen the total investment required is $831,600. Mr. Wouldbuy would borrow $696,600. and make an equity contribution of $207,900.

The builder-developer represents this computer simulation analysis as true and correct. He further states that IGNORING TAX SAVINGS RESULTING FROM THE SHELTERING OF OTHER INCOME, this project will generate cash flows in the first three years, through operations of between $15,000 - $18,000. (See Column G of output page 7. This excludes cash benefits resulting from a sale at the anticipated selling price at the end of three years).

In addition, the builder has stated that Mr. Wouldbuy may, under these assumptions, expect a true yield on equity of at least 11.0% for the three-year holding period with a sale at the end of the period. The true yield is a discounted cash flow rate of return (IRR-PV) allowing for the time value of money.

Mr. Wouldbuy states he will buy, under these assumptions, if your financial analysis demonstrates:

(1) the accuracy of the annual operational cash flow generated by the model for each of the three years

(2) the accuracy of the after-tax equity reversion assuming a sale at the price indicated for year three

(3) a proof that the true yield on equity by internal rate of return methods is at least 11.0%

(4) He would also like to do a quick study 'check' on the internal rate of return he should expect assuming that maximum tax benefits are realized by sheltering his other income

DO NOT START TO WORK READ ON - IT WILL MAKE YOUR TASK EASIER!

PART IV (cont.)

First Question:

Set forth a hand calculation which demonstrates the accuracy (or inaccuracy?) of the "after-tax Cash Flow" set forth in column G of page 7 of the output.

YOU MAY ASSUME THAT ALL NUMBERS ON PREVIOUS PAGES ARE TRUE AND CORRECT

IMPORTANT NOTE: This model (and Mr. Wouldbuy at this point in your analysis) does ignore any external tax benefits (savings) resulting from sheltering other income on the IRS 1040. You are to do the same in your proof.

Second Question:

Assume a sale in year three at the selling price indicated and set forth a hand calculation of the "after-tax equity reversion". Does the model accurately approximate the after-tax equity reversion?

Helpful Hint: You should use the "capital gain tax rate" of 63% throughout this calculation.

ANSWER NO. 1

Set forth here your hand calculation of the three annual after tax cash flows: (To facilitate grading)

$ _____

$ _____

$ _____

ANSWER NO.2

Set forth here your hand calculation of the third year tax equity reversion

$ _____

Set forth work to prove answers here and on the back of the page:

PART IV (cont.)
FOR THIS PART OF THE QUESTION, to facilitate grading, ASSUME THE CASH FLOWS GENERATED ON THE COMPUTER PRINTOUT ARE ACCURATE.

As stated, Mr. Wouldbuy, will buy if it appears that the cash flows are received and when received do, under these assumptions, generate a yield of 11.0% internal rate of return on his stated equity contribution.

This is a test of the basic underlying productivity of the project. It disregards alleged cash flows which could be generated from the tax shelter of other income. Tax policies do change, as you know.

Third Question:

Set forth below a hand calculated proof which demonstrates whether or not the cash flows indicated on the computer printouts would yield an internal rate of return of 11.0% for the three year hold period. You have provided a compound interest table (annual) to enable you to make this determination. You may wish to round from the third place to the second, if so, round-up please.

IMPORTANT NOTE: Be sure to set forth your work in an orderly manner and carefully lable it.

ANSWER TO QUESTION 3 - The Present value of the equity cash flows at an 11.0% rate of return for the period indicated is $ _____

Mr. Wouldbuy should go ahead with his purchase Yes No

Mr. Wouldbuy should expect to pay no more than $ _____ to obtain the 11.0% minimum acceptable rate of return.

PART IV (cont.)

Question 4.

Mr. Wouldbuy as a prudent investor does not consider the benefits of tax shelter as a part of his primary real estate investment selection criteria. However, he does want to know the magnitude of the possible cash flows he might expect from such tax savings.

(a) Mr. Wouldbuy wants you to do a calculation which adjusts the previously calculated cash flows for the tax benefits or disbenefits resulting from current tax rates as set forth in the computer simulation printout.

(b) Mr. Wouldbuy wants you to make a 'quick check' test of whether or not his internal rate of return after taking such tax benefits into consideration will exceed at least 15.0%. Make such a determination and set forth your proof. You have been provided with a 15% Annual Compound interest rate for your convenience.

SET FORTH YOUR ANSWERS TO QUESTION 4 BELOW:

THE REAL ESTATE PROCESS
Business 550/705

TAKE-HOME QUIZ #1

Due at the beginning of lecture on February 15, 1988

Name_____

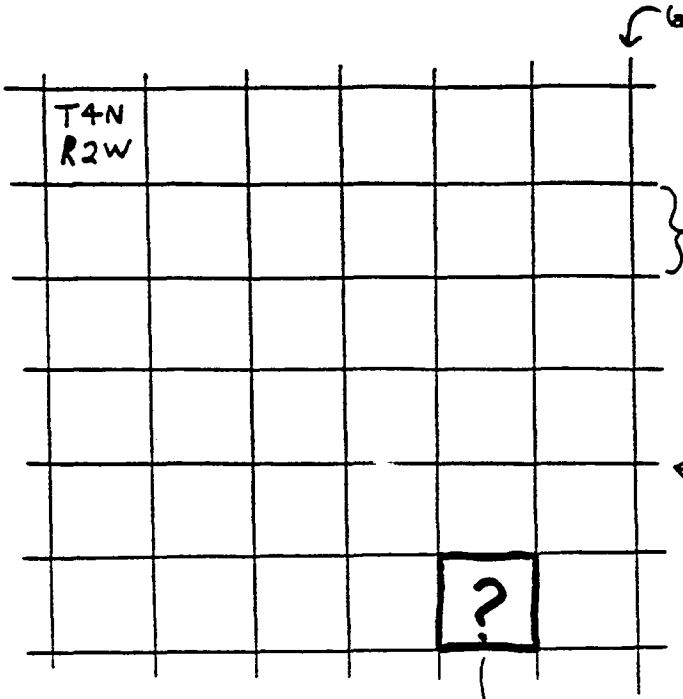
Part I Answer the following questions using the tract index for Block 4 of the Central Home Addition to the City of Madison that is attached.

1. Who was the owner(s) of each lot on 1-1-49. Be complete.

Lot 1	_____	Lot 10	_____
Lot 2	_____	Lot 11	_____
Lot 3	_____	Lot 12	_____
Lot 4	_____	Lot 13	_____
Lot 5	_____	Lot 14	_____
Lot 6	_____	Lot 15	_____
Lot 7	_____	Lot 16	_____
Lot 8	_____	Lot 17	_____
Lot 9	_____	Lot 18	_____

2. Trace and explain all recorded entries concerning Lot 12 by filling in the following chart. Do not use any abbreviations.

PART II Fill in all of the following blanks regarding the rectangular (government) survey system.

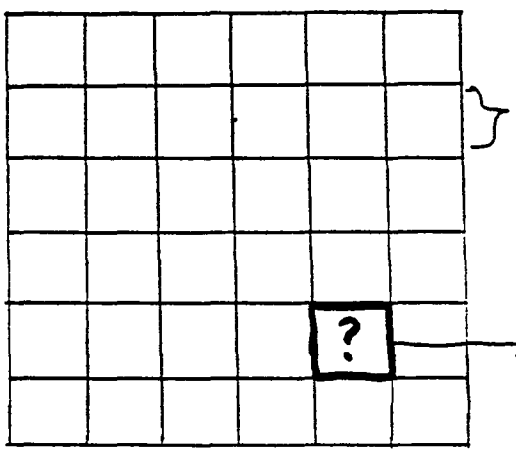


(a) _____

_____ tier and it's (b) ___ miles wide

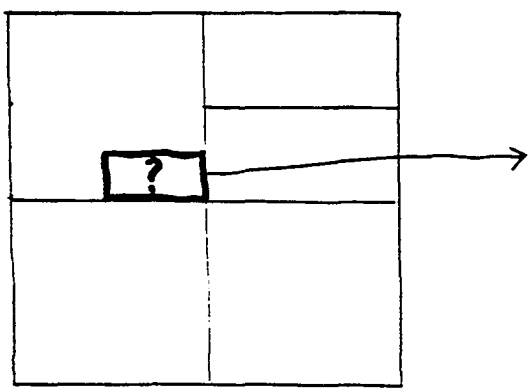
(c) _____

Township (d)_____, Range (e)_____



(f) ____ mile(s) wide

Section (g)_____



This is the
(h)_____
of the above section and
it contains _____ acres.

Lot	Doc. Number	Ins't	Vol.	Page	Date Mo.	Date Day	Date Yr.	Recorded Mo.	Recorded Day	Recorded Yr.	GRANTOR	GRANTEE	Description and Remarks
15	679672	Satis	546	173	1	15	35	11	24	43	Anchor Sav & Loan Assn	Leonard Kalstad & wf	Lot 15 of mtg Vol 364 P 524
15	679673	Satis	546	74	11	24	43	"	"	"	Do	John Raimond & wf Carchesa jtly	Lot 15 of mtg Vol 521 P 554
7	681165	Satis	546	563	12	30	43	1	4	44	Anchor Sav & Loan Assn	Archie Collins & wf Della jtly	Lot 7 of mtg Vol 463 P 468
3-4	695095	Release	m 180	213	10	20	44	11	2	44	Peoples Investment Co.	Release of Claim	Lots 3 & 4
5	695594	WD	454	410	10	26	44	11	16	44	Burrington H. N.	Rosaria Varesi	Lot 5 (L.C. #604637)
5	695590	mtg	562	356	11	1	44	"	"	"	Varesi Rosaria	Lucretia B. Lawson	Do
8-9 11	703757	QCD	461	435	5	24	45	5	28	45	Hoyt Frank W.	Fred E. Gratz	Lots 8-9-11
12-13 14-16	704214	Order	m 184	434	6	4	45	6	6	45	Superior Court, Dane Co	Cottage Grove State Bank Ptf John C. McKenna Deft	Confirming Sheriff Sale
Do	704215	Shrf Deed	462	62	6	29	36	"	"	"	Sheriff Dane County	Cottage Grove State Bank	Lots 12-13-14-16
Do	704216	QCD	462	65	6	1	45	"	"	"	Cottage Grove State Bank	Fred E. Gratz	Do
9 11 13 16	709355	affid	m 186	526	9	13	45	9	13	45	Madison, City acting (John Stein) Auditor & Comptroller In Re		Tax Certificates
8	711734	Tax Deed	77	505	8	27	45	10	17	45	Dane County by Clerk	City of Madison	Lot 8
6	714553	mtg	578	201	10	19	45	11	20	45	Zaccone, Salvatore & Maria A.	Provident Loan & Bldg Assn	Lot 6
6	716388	Satis	579	421	1	2	46	1	2	46	Provident Loan & Bldg Assn	Salvatore Zaccone & Maria A.	of Mtg Vol 474 P. 370
8 14	717958	QCD	472	74	1	9	46	1	31	46	Gratz, Fred E & wf	City of Madison	Lots 8 & 14
12	720654	WD	474	276	3	13	46	3	15	46	City of Madison	Joseph D. Puccio	Lot 12
14	722577	WD	476	128	2	19	46	4	15	46	Do	John Raimond	Lot 14
11	723084	QCD	476	501	9	5	45	4	23	46	Gratz, Fred E. & wf	Royal Body Co. et al	Lot 11
3 4	740404	WD	492	592	2	6	47	2	17	47	Schoelkopf, Louis F. & wf	Wisconsin Univ. Bldg Corp	Lots 3 & 4
3 4	740405	mtg	606	343	2	17	47	"	"	"	Wisconsin Univ. Bldg Corp	Wisconsin State Retirement Fund	Lots 3 & 4
10	740577	WD	493	84	2	20	47	2	20	47	Olson, Oscar C & Anna M.	Wisconsin Univ. Bldg Corp.	Lot 10 Subj to Easements
10	740578	mtg	606	435	"	"	"	"	"	"	Wisconsin Univ. Bldg Corp.	Wisconsin State Retirement Fund.	Lot 10
16	741549	WD	493	560	10	11	45	3	10	47	Gratz, Fred E. & wf.	Tony Castagna	Lot 16
9	743696	WD	495	521	4	18	47	4	18	47	Do	Wisconsin Univ. Bldg Corp	Lot 9
9	743697	mtg	611	53	4	18	47	"	"	"	Wisconsin Univ. Bldg Corp	Wis State Retirement Fund	Lot 9
8	745907	QCD	497	554	5	28	47	5	29	47	Gratz, Fred E. & wf	City of Madison	Lot 8
8	745906	QCD	497	553	5	29	47	"	"	"	Hoyt, Frank W.	Do	Lot 8
8	746609	mtg	614	130	6	4	47	6	4	47	Wisconsin Univ Bldg Corp	Wis State Retirement Fund	Lot 8
5	749889	mtg	618	317	7	21	47	8	12	47	Varesi, Rosaria	Bank of Madison	Lot 5
5	749890	Satis	615	591	4	8	46	"	"	"	Lawson, Lucretia B. Decd by Extr	Varesi, Rosaria	of mtg Vol 562 P. 356
17	753097	Satis	623	32	10	3	47	10	3	47	Anchor Sav & Loan Assn	Anton Castagna & wf	Mtg vol 436-P 24
17	753098	mtg	622	130	"	"	"	"	"	"	Castagna, Anton & wf	Anchor Sav & Loan Assn	Lot 17

Lot	Doc. Number	Ins't	Vol.	Page	Date Mo.	Day	Yr.	Recorded Mo.	Day	Yr.	GRANTOR	GRANTEE	Description and Remarks
15	763236	Mtg	635	270	4	20	48	4	27	48	Raimond, John wf	Commercial State Bank	Lot 15
6	767850	Mtg	640	235	7	19	48	7	23	48	Jaccone, Salvatore wf	Provident Loan & Bldg Assn	Lot 6
6	768459	Satis	641	68	8	2	48	8	5	48	Provident Loan & Bldg Assn	Jaccone, Salvatore wf	Mtg Vol 578-P 201
14	772781	W.D	522	41	6	12	48	11	5	48	Raimond, John & wf	John Raimond wf	Lot 14
17	780355	Mtg	655	574	5	11	49	5	13	49	Castagna, Anton wf	Anchor Sav & Loan Assn	Lot 17
17	780791	Satis	656	200	"	"	"	5	24	49	Anchor Sav & Loan Assn	Anton Castagna wf	Mtg Vol 622-P. 130
5	784722	Mtg	662	7	8	15	49	8	17	49	Varesi, Joseph wf	Bank of Madison	Lot 5
17	788600	Satis	664	538	11	2	49	11	3	49	Anchor Sav & Loan Assn	Anton Castagna wf	Mtg Vol 655-P 574
17	788601	Mtg	667	40	"	"	"	"	"	"	Castagna, Anton wf	Anchor Sav & Loan Assn	Lot 17
15	814846	Satis	704	191	4	6	51	4	6	51	Commercial State Bank	John Raimond wf	Mtg Vol 635 P. 270
18	817194	Mtg	707	342	5	22	51	5	23	51	Parisi, Endemira	First Nat'l Bank, Mad	Lot 18
7	826696	L.C	744 m	568	1	16	52	1	18	52	Calbins, Archie wf	Leonard J. Schuett wf	Lot 7
5	829179	Satis	722	368	1	31	52	1	31	52	Bank of Madison	Joseph Varesi wf	Mtg Vol 662 P. 7
5	do										do	do	Mtg Vol 618 P 317
16	833600	W.D	577	409	5	1	52	5	2	52	Castagna, Tony wf	Joseph T. Castagna	Lot 16
1	835334	Mtg	732	231	5	20	52	6	4	52	Carusa, John wf	Louis T. Schoelkopf	Lot 1
12	835571	W.D	579	281	6	5	52	6	10	52	Puccio, Joseph D.	Edna A. Puccio	Lot 12
12	835572	Mtg	732	358	6	5	52	"	"	"	Puccio, Joseph D. wf	Anchor Sav & Loan	Lot 12
12	835573	Mtg	732	359	"	"	"	"	"	"	do	Unit. Dept Veterans Affairs	Lot 12
16	837028	Mtg	733	507	6	27	52	7	2	52	Castagna, Joseph T wf	Anchor Sav & Loan	Lot 16
16	837029	Mtg	733	508	"	"	"	"	"	"	do	Unit. Dept Veterans Affairs	Lot 16
7	840311	W.D	583	340	8	26	52	8	28	52	Calbins, Archie wf	Leonard J. Schuett wf	Lot 7
7	840312	W.D	583	342	"	"	"	"	"	"	Schuett, Leonard J. wf	Steve Jerrick	Lot 7
6	842889	Mtg	742	577	9	8	52	10	14	52	Bergeron, Bernard C wf	Provident Loan & Bldg Assn	Lot 6
13	843389	W.D	586	209	10	22	52	10	21	52	Gratz, Fred E wf	Salvatore Jaccone wf	Lot 13
6	844269	Satis	745	17	9	8	52	11	5	52	Provident Loan & Bldg Assn	Salvatore Jaccone wf	Mtg Vol 640 P. 235
13	844270	Mtg	744	76	9	8	52	"	"	"	Bergeron, Bernard C wf	Provident Loan & Bldg Assn	Lot 13
6 13	844271	W.D	587	57	10	31	52	"	"	"	Jaccone, Salvatore wf	Bernard C. Bergeron	Lots 6 & 13
6 13	844272	Mtg	744	77	11	3	52	"	"	"	Bergeron, Bernard C wf	Salvatore Jaccone wf	Lots 6 & 13
5	858802	Mtg	762	17	8	11	53	8	11	53	Varesi, Rosaria + husb	Bank of Madison	Lot 5
1	866575	Satis	770	268	12	30	53	1	8	54	Schoelkopf, Louis T	John Carusa wf et al	Mtg Vol 732 P. 231
1	866576	W.D	605	284	12	30	53	"	"	"	Carusa, Rosa	George Parrino wf	Lot 1

Lot	Doc. Number	Ins't	Vol.	Page	Date Mo.	Date Day	Date Yr.	Recorded Mo.	Recorded Day	Recorded Yr.	GRANTOR	GRANTEE	Description and Remarks (3)
6 13	881021	Mtg	790	140	9	20	54	9	21	54	Novara, Jasper wf	Anchor Sav + Loan	Lots 6 + 13
16	881441	Satis	789	171	9	28	54	9	28	54	Provident S + Loan	Bernard E. Bergeron mwf	Mtg Vol 742 P. 577
13	do										do	do	Mtg Vol 744 P. 76
6 13	881442	Satis	789	172	9	23	54	"	"	"	Saccone, Salvatore mwf	do	Mtg Vol 744 P 77
6 13	881443	WD	618	201	9	28	54	"	"	"	Bergeron, Bernard C mwf	Jasper J. Novara mwf	Lots 6 + 13
5	897796	Satis	810	342	6	16	55	6	16	55	Bank of Madison	Rosaria Varesi wf	Mtg Vol 762 P 17
1	922985	WD	652	262	7	17	56	7	30	56	Caruso, Rosie	George Parrino mwf	Lot 1
18	956787	Mtg	888	381	4	28	58	4	29	58	Parisi, Endemira	First Nat'l Bank	Lot 18
18	957889	Satis	887	585	5	14	58	5	16	58	First Nat'l Bank	Endemira Parisi	Mtg Vol 707 P. 342
18	960603	W.D.	680	342	7	1	58	7	1	58	Parisi, Endemira	Erna K. Gaertke	Lot 18
18	960953	Satis	841	577	7	3	58	7	8	58	First Nat'l Bank of Mad.	Endemira Parisi	Mtg Vol 888 p. 381
11	970695	Q.C.D.	687	358	12	3	58	12	4	58	Royal Body Co. Co partner	Harry M. Spray Etal	Lot 11
11	970889	W.D.	687	439	"	"	"	12	8	58	Spray, Harry M mwf	Henry Eberhardt	Lot 11
16	972469	Mtg	909	286	1	6	59	1	6	59	Castagna, Joe mwf	Tony Castagna mwf	Lot 16
16	987484	Satis	928	478	8	31	59	9	2	59	Castagna, Tony mwf	Joe Castagna mwf	Mtg Vol 909 P 286
16	992024	W.D.	701	376	11	10	59	11	16	59	Castanga, Joseph J. mwf	Clyde A. Kiefer mwf	Lot 16
16	992122	Mtg	934	599	11	9	59	11	17	59	Kiefer, Clyde A. mwf	Anchor Sav + Loan Assn	Lot 16.
16	992335	Affd	343	370	11	19	59	11	20	59	Castagna, Tony	Int: Possession	Lot 16
16	993322	Satis	936	355	12	8	59	12	8	59	Wis Dept of Vet Affairs	Joseph J. Castagna mwf	Mtg Vol 733 P 508
16	993323	Satis	936	353	11	9	59	12	8	59	Luncheon Sav + Loan Assn	do	Mtg Vol 733 P 507
1	1000196	Mtg	945	201	1	12	60	1	14	60	Parrino, George mwf	Randall State Bank	Lot 1
1	1001329	Cert	347	388	12	1	53	5	2	60	Caruso, John, dec'd	Term. Jt. Tenancy	Lot 1
1	1001541	Cert.	348	521	5	16	57	5	4	60	Caruso, Rosie dec'd	In re: Term. Life Est.	Lot 1
17	1009009	Satis	953	516	8	29	60	8	30	60	Anchor Sav + Loan	Anton Castagna wf	Mtg Vol 667 P 40
16	1016968	Satis	965	361	12	23	60	1	10	61	Anchor Sav + Loan	Clyde A. Kiefer mwf	Mtg Vol 934 P 599
16	1016969	Mtg	966	211	12	23	60	1	10	61	Kiefer, Clyde A. mwf	Anchor Sav + Loan	Lot 16
12	1017704	Satis	965	521	1	23	61	1	24	61	Wis. Dept Veterans Affairs	Joseph D. Puccio mwf	Mtg Vol 732 P 359
12	1018744	Mtg	967	516	2	7	61	2	10	61	Smithback, James E.	Anchor Sav + Loan Assn	Lot 12.
12	1019112	Satis	968	200	2	7	61	2	17	61	Anchor Sav + Loan	Joseph D. Puccio mwf	Mtg Vol 732 P 358
12	1019113	WD	720	503	2	17	61	2	17	61	Puccio, Joseph D. mwf	James E. Smithback	Lot 12
12	1020930	L.C.	359	224	3	13	61	3	20	61	Smithback, James E. mwf	James F. Dagna	Lot 12
9	1029436	Affd	980	427	7	27	61	7	28	61	State of Wis Invt Board	Wis Elmir Bldg Corp	Mtg Vol 611 P 53

Lot	Doc. Number	Ins't	Vol.	Page	Date Mo.	Date Day	Date Yr.	Recorded Mo.	Recorded Day	Recorded Yr.	GRANTOR	GRANTEE	Description and Remarks (4)
12	1035072	WD	731	314	9	19	61	10	16	61	Daane, Jerry F.	Jerry F. Daane & wf	Lot 12
2	1038334	QCD	733	413	11	28	61	12	5	61	Fabian, Tony	Mary Fabian	Lot 2
2	1038336	Rel	T 369	438	12	1	61	12	5	61	Wis Dept of Taxation	Tony Fabian to Mary Fabian	gift tax lien Lot 2
13	1038466	Satis	989	502	12	5	61	12	6	61	Anchor Sav & Loan Assn	Gaspar Novara & wf	mtg vol 790 P 140
1	1044298	Satis	998	149	3	12	62	3	16	62	Randall State Bank	George Perrino & wf	Mtg Vol 945 P 201
16	1048663	Satis	1001	485	5	21	62	5	23	62	Anchor Sav & Loan Assn	Clyde A. Kiefer & wf	Mtg Vol 966 P 211
16	1048664	WD	741	271	5	23	62	5	23	62	Kiefer, Clyde A. & wf	City of Madison	Lot 16
3 4	1050555	Satis	1005	289	5	21	62	6	18	62	Wis State Invest Board	Wis Univ Bldg Corp.	mtg vol 606 P 343
10	1050555	Satis	1005	289	5	21	62	6	18	62	Wis State Invest Board	Wis Univ Bldg Corp	mtg vol 606 P 433
9	1050555	Satis	1005	289	5	21	62	6	18	62	Wis State Invest. Board	Wis Univ Bldg Corp.	mtg vol 611 P 53
8	1050555	Satis	1005	289	5	21	62	6	18	62	Wis State Invest. Board	Wis Univ Bldg Corp.	mtg vol. 614 P 130
3-4 10 9 8	1050556 (corrected 9/2/15)	QCD	741	508	6	18	62	6	18	62	Wis Univ Bldg Corp.	Regents of Univ of Wis	Lots 3-4-10-9-8
18	1056167	L.C.	M 380	617	8	31	62	8	31	62	Zautke, Erna K.	Ann S. Slavney	Lot 18
5	1068184	WD	754	260	3	11	63	3	11	63	Varasi, Rosaria M.	Regents of Univ of Wis.	Lot 5
14 15	1077206	WD	760	536	7	10	63	7	10	63	Raimond, John & wf.	City of Madison	Lots 14 & 15
12	1158764	Mtg	1144	52	3	21	66	3	24	66	Daane, Jerry F. & wf	Anchor Sav & Loan Assn	Lot 12
12	1157599	Satis	1143	203	3	21	66	4	4	66	Anchor Sav & Loan Assn	James E. Smithback & wf	Mtg Vol 967 P 516
12	1157600	WD	816	116	3	31	66	4	4	66	Smithback, James E. & wf	Jerry F. Daane & wf	Lot 12
18	1158609	Order to sell	M 443	230	4	12	66	4	19	66	Zautke, Erna K. Dec.	or Encumber Real Estate	Lot 18
18	1158610	Exec Deed	816	515	4	15	66	4	19	66	Zautke, Erna K. Dec by Exec	Ann S. Slavney	Lot 18
18	1158611	Letters	M 443	230	11	21	65	4	19	66	Zautke, Erna K. Dec	Testamentary	Lot 18
18	1158612	WD	816	517	4	19	66	4	19	66	Slavney, Ann S.	City of Madison	Lot 18
2	1159866	WD	817	414	5	3	66	5	4	66	Fabian, Tony & wf	City of Madison	Lot 2
1	1159823	award of Damages	M 444	100	5	4	66	5	4	66	Madison, City of	George Perrino et al	Lot 1
17	1163864	WD	820	212	6	22	66	6	23	66	Castagna, Anton & wf	City of Madison	Lot 17
1	1176681	WD	828	508	1	10	67	1	11	67	Perrino, George & wf	City of Madison	Lot 1
11	1250309	Rel	133	193	9	9	69	9	16	69	Wis Dept Revenue	Henry Eberhardt Dec	Inher Tax Lien Lot 11
11	1250310	Exec Deed	133	194	9	10	69	9	16	69	Eberhardt Henry Dec by Exec	Alfred G. Jacobs	Lot 11
11	1250311	Mtg	133	196	9	15	69	9	16	69	Jacobs, Alfred G.	Madison Bk & T Co	Lot 11
11	1284161	TJ	231	574	6	29	70	3	2	71	Eberhardt, Henry-Dec	Dorothy Eberhardt	Lot 11
13	1340128	WD	377	285	9	1	72	9	8	72	Novara, Gaspar & wf	City of Madison	Pt Lot 13

TOWN ____ SEC. ____ T ____ R ____ PLAT CENTRAL HOME ADD, MADISON BLK. 4

Lot	Doc. Number	Ins't	Vol.	Page	Date Mo.	Day	Yr.	Recorded Mo.	Day	Yr.	GRANTOR	GRANTEE	Description and Remarks (5)
11	1346558	S.J.	393	324	6	29	69	11	7	72	Eberhardt, Henry Dec.	Dorothy Eberhardt	Lot 11
12	1358062	Satis	422	433	3	12	73	3	16	73	Anchor Sav + Loan	Jerry J. Daane et ux	Mtg V. 1144 P. 52
12	1358161	Mtg	422	559	3	16	73	3	16	73	Daane, Jerry J. wf	Anchor Sav + Loan	Lot 12
12	1371316	Satis	454	433	7	9	73	7	12	73	Anchor Sav + Loan	Jerry J. Daane wf	V. 422 P. 559
12	1371317	WD	454	434	7	9	73	7	12	73	Daane, Jerry J. wf	City of Madison	Lot 12
11	1384536	Pt Rel	486	263	12	3	73	12	7	73	United Bank + Trust To	Alfred G Jacobs et al	Vol 133 P 196
11	1387965	WD	494	682	1	17	74	1	25	74	Jacobs, Alfred G	City of Madison	Lot 11
13	1584882	Certif	978	362	6	4	78	8	2	78	Novara, Gaspare de	Of Term of Tenancy	Lot 6 & 13

	On this date	This person (s)	Gave this Instrument	To this person (s)	In return for or why recorded	Event recorded on
(1)	6-4-45	Superior Court Dane County	Court Order	Cottage Grove State Bank Plaintiff John C. McKenna Def.	Confirming Sheriff's Sale	6-6-45
(2)						
(3)						
(4)						
(5)						
(6)						
(7)						
(8)						
(9)						
(10)						

	On this Date	This Person (s)	Gave this Instrument	To this person (s)	In return for or why recorded	Event Recorded On
(1)	2-17-61	Puccio, Joseph D. + wife	WD warranty Deed	James E. Smithback	transfer title	2-17-61
(2)						
(3)						
(4)						
(5)						
(6)						
(7)						
(8)						
(9)						
(20)						

18
23

THE REAL ESTATE PROCESS
BUSINESS 550/705
Final Exam -- 200 Points

Professor James A. Graaskamp
Fall Semester 1987

Name Cathy Allor

Section 301

USE THE BLUE BOOK FOR ANSWERS TO QUESTIONS 1 - 6!!

Make sure your name and discussion section is on both this exam and your blue book.

site
bldg env.
market
use
cash flow

1. Describe the five components or steps in the real estate process as presented in Discussion Section. (25 points)

2. Compare and contrast exactions and the taking issue as used in land use policy making. (25 points)

3. Given the following information discuss the implications of the feasibility of the project. (18 points)

Results of Frontdoor analysis:

Construction Cost per SF	$45.29
Commercial Rent per SF	$ 8.98

given c. cost + determine NOI

Results of Backdoor analysis:

Commercial Rent per SF	$ 9.67
Construction Cost per SF	$47.13

given rent = ? just. budget

4. What is meant by the statement, "If you can't buy the assumptions don't buy the real estate." How does this statement fit into real estate decision making? (20 points)

Discuss

5. As a developer you are interested in a project, but financially as a "private" project it is not feasible. Discuss at least four alternatives that might make the project feasible if the project were a joint public/private venture. (30 points)

reasons (article)

3 principle people and urban set
or barriadd

6. Discuss the development of Columbia, Maryland, with specific attention to Rouse's three main principles, the reasons for the location chosen, the synergistic elements in the plan, the "software" services provided, and the success or failure in achieving the three principles. (30 points)

Land - had to be
permanent
lakes

CIGNA

4 pts - 5.5% 18 Cathy Allor 301

7. Given: MC = .11 and DCR = 1.2, EY = .055,
Real Estate Tax = 15% of GPI, Operating Expenses = 20% of GPI,
and Vacancy = 5% of Gross Potential Income, and Gross Effective
Income = $104,500, find the annual: (20 points)

GPI
$109,725
104,500 X1.05 = 109,725 -2

109,725 GPI
5225 Vac
104,500 EGI
- 16,458 Tax
21,945 Op Exp
66,097

10 104500 ÷ .95 = 110,000

NOI
$66,097
or given above

R.E. Tax
$16,458
" " "

Op. Exp.
$21,945
" " "

ML = .11
DCR = 1.2
EY = 5.5

JMA mort. amount
$500,727
66,097 ÷ 1.2 = 55,080 ADS ÷ .11
mort. or given above

JEC equity cont
$200,304
66097 - 55080 = 11,017 ÷ .055

Proj. Bldg.
JPB
$701,036

L/V
71.4%

Def Ratio
DR
85%
Taxes + Op Exp + ADS / GPI
16458 + 21,445 + 55080 / 109,725

CTO
$11,017

23 Cathy Allor 301

8. Indicate how the financial measure in each row changes in response to the following occurrences. Enter a (+) if it goes up, a (-) if it goes down, or (0) if it stays the same.

(+2 points if correct, -1 point if wrong, and 0 points if left blank, total 32 possible points)

	an increase in the vacancy rate	a decrease in the investor's marginal tax rate	a decrease in the term or length of the mtg.	an increase in the mill rate
Net Operating Income	—	0	0	0 -1
Net Present Value	—	+	—	—
Default Ratio	0	0	+	+
Debt Coverage Ratio	0 -1	0	—	0 -1

(7x2 26 -3/23

THE REAL ESTATE PROCESS
Business 550/705

Professor James A. Graaskamp
Fall Semester 1987
Midterm Exam #2

Name_____

Section 301

USE THE BLUE BOOK FOR YOUR ANSWERS!!

1. Carefully define or discuss FIVE of the following six terms or concepts as used in this course. (25 points)

a. disintermediation
b. special assessment
c. equalization rate
d. public infrastructure solvency
e. tax deductible versus tax credit
f. mortgage factor

2. Explain the pros and cons of a mortgagee foreclosing on a mortgagor. Be thorough in your answer. (15 points)

3. Describe the theme and concepts discussed in one of the following readings: (20 points)

a. "Real Estate Finance Blazes New Trails," Frederick Flick, Real Estate Today, April 1987, pp. 22-26.

b. "Using Due Diligence in Shopping Center Purchases," Michael H. Switzer, Real Estate Review, Fall 1986, pp. 88-92.

4. Describe the four traditional tax ploys and their impact on real estate and the impact of the 1986 Tax Reform Act on the use of each ploy or strategy. (20 points)

5. Given the following information set up how to solve the problem: (20 points)

As an investor you can borrow $ 300,000 at 12% interest for 30 years, monthly payments.

Net operating income is projected to be:

Years	1 - 5	$ 40,000
Years	6 - 10	$ 50,000

In Year 10 the property will sell at a NIM of 10. You will also have to pay a 6% real estate sales commission. Your before tax opportunity cost of funds is 14%. What is the total maximum purchase price for this investment?

annual debt se
loan princip

IF HLMC

THE REAL ESTATE PROCESS
Business 550/705
Midterm Exam #1

Professor James A. Graaskamp
Fall Semester 1987

Name_____

Dis. Section_____Attend_____

1. Carefully define FIVE of the following six terms or concepts as used in this course. (25 points)

a) constructive notice
b) most probable use
c) restrictive covenant
d) filler industry
e) radial or axial theory
f) friction

2. Taking into consideration the groups involved in the real estate process mentioned in Graaskamp's article, describe the groups and explain why cash solvencies and cycles are a critical concern. (20 points)

3. You are looking at a site in the Northwestern United States. The site is halfway up a valley side, and it over looks a lumber mill town and valley. To the back of the site you have timber and mountains. What type of analysis would you do if someone offered you this site? (Keep in mind what we have discussed in this course.) You plan to build a residential subdivision on the site. (25 points)

4. Briefly summarize the theme and basic concepts discussed in ONE of the following readings: (15 points)

a. "Why Real Estate Projects Fail," Boykin, James H. Real Estate Review, Spring 1985, pp. 88-91.

b. "Spotlight of San Antonio," Rice, J. and J. Roef. Urban Land, March 1984, pp. 2-7.

c. "Alternatives to Fear," Batterman, L. Progressive Architecture, October 1972.

5. Given the following information determine: (15 points)

a) Lot area
b) Area lost to setbacks
c) Standard Allocation Unit - measured in total square feet
d) Number of apartments that can be built on the site

Development proposes retail on the first floor and residential two bedroom apartments on the second floor.

Lot Dimensions - 200 feet (wide) by 250 feet (deep)

Setbacks 5 ft. side yards
20 ft. back yard
10 ft. front yard

Parking Requirements:
Retail.....1 space per 500 net SF of commercial space
Residential..1 space per bedroom
Each parking stall or space is 350 SF

Net Leasable area of each apartment is 800 SF.

Open Space Requirements:
Retail none
Residential 75 SF per bedroom

Building Efficiency 76.27%

Assume parking and open space may not occupy setback areas.

Business 550/705
THE REAL ESTATE PROCESS

FINAL EXAM
(200 Points)

Spring Semester 1986
Professor James A. Graaskamp

Name KEY
Disc. Sec._____

(3 pts. each)

(60) I. MULTIPLE-CHOICE QUESTIONS: Write the letter corresponding to the one best answer in the blank to the left of each question.

C 1. Traditionally, public regulation of land use has been dealt with at the _____ level of government.

a) federal
b) state
c) local
d) regional

C 2. Indirect (versus direct) regulation of land use occurs through all but which one of the following:

a) public works
b) general property tax assessment
c) zoning
d) building code enforcement

d 3. This procedure for measuring the return on equity involves compounding all cash flows to equity investors forward to a terminal date at a specified reinvestment rate and then finding the compound interest rate that equates the terminal value and the initial equity investment.

a) overall discount rate
b) internal rate of return
c) financial management rate of return
d) modified internal rate of return

d 4. Under present Wisconsin statutes, the state may enforce regulations for which one of the following when counties have no laws which meet the state's minimum standards:

a) shoreland zoning
b) floodplain zoning
c) subdivision regulations
d) all of the above

d 5. Which one of the following is not a direct or indirect control used by state and federal governments in regulating land use and real estate decisions?

a) tax subsidy of particular land uses
b) regulation of the property owner
c) regulation of financial institutions
d) all of the above are direct or indirect controls

b 6. Which of the following statements is <u>not</u> true regarding how to cope with a hostile environment (as a developer)?

a) Minimize the front-end investment.
b) Apply for approvals which are not specific and binding regarding allowable construction methods.
c) Condition your purchase of the site upon obtaining a building permit.
d) All of the above statements are true.

d 7. Which of the following statements is <u>not</u> true regarding the Breckenridge Development Code?

a) In some neighborhoods, Victorian design must be used for all new development and redevelopment.
b) There are no uses-by-right and virtually no prohibited uses.
c) Performance better than the minimum of zero required by the code on all the relative policies taken together is rewarded with an increase in density.
d) Points are awarded for the construction of fireplaces in residential units.

b 8. Which one of the following is <u>not</u> one of the three essential ingredients behind the success of the working committee in Kansas City?

a) Representation on the working committee by the key organizations in the local real estate process.
b) Relaxing the city's standards for pavement width and thickness.
c) Dedication to achieve specific results by taking issues one at a time and following through on the necessary changes.
d) A positive attitude by the city and by the homebuilders toward making Kansas City a better place for builders to do business.

b 9. Basically, _____ involves a conditional exchange between the city and the developer. The city permits the developer to build a larger building in exchange for some public amenity, such as a plaza or open space.

a) fiscal zoning
b) incentive zoning
c) performance zoning
d) inclusionary zoning

d 10. As occurred in the case of Mountain Village (California), large-scale residential developers often respond to stiff opposition to their multi-family housing proposals by ____ .

a) building a shopping center on the site instead of houses and apartments
b) staying with their original plans and raising prices
c) meeting all of their opponents' demands
d) substituting a smaller number of higher-priced houses

C 11. The developer's leading allies in the San Bruno Mountain (CA) case were the _____.

a) environmentalists
b) residents of the nearby blue-collar neighborhoods
c) construction workers
d) planning commission

d 12. Which of the following is not a type of project acceptable to HUD under the Urban Development Action Grant program?

a) middle-income housing
b) downtown shopping malls
c) downtown hotels
d) all of the above are acceptable to HUD

b 13. Professor Graaskamp presents the real estate process as the constant interaction of three major groups and their subgroups. Each of these conceptual groups and subgroups consist of real-world enterprises. The critical common concern of all these conflicting enterprises is _____.

a) increasing their span of control
b) cash solvency
c) profit maximization
d) using other people's money

d 14. Which of the following recommendations is not made by the author in "Coping with the Risks of Commercial Development" regarding what to do prior to buying the land?

a) Do your site investigation.
b) Get a lot of your leases signed.
c) Arrange for construction and permanent mortgage financing.
d) All of the above are recommendations made by the author.

a 15. Which of the following programs was not discussed in the article "How St. Louis Turned Less into More" as being a major part of St. Louis' promotion of redevelopment?

a) enterprise zones
b) Urban Development Action Grants
c) tax abatement
d) investment tax credit for historic preservation

d 16. The "polarization of housing quality" that occurs in response to restrictions on the housing supply in the face of increasing demand for housing refers to:

a) housing quality in the northern states running down while housing quality in the southern states improves.
b) the quality of apartments improving while the quality of detached, single-family residences declines.
c) higher-income space consumers suffering since no new housing is being built while low-income space consumers enjoy low rents.
d) higher-income space consumers maintaining and improving their houses as values increase while lower-income space consumers strain to pay rents while letting their houses run down.

C 17. One of the reasons there is so little balance between residential and other land uses is:

a) Taxpayers are too eager to assist low-income consumers in finding affordable housing.
b) Housing consumers are easy to represent because their needs are very similar while other types of space consumers differ widely in their needs.
c) Individuals responsible for land use regulations feel confident that they know what is best for the housing consumer and rarely use surveys of housing consumers.
d) The future consumer is given too much consideration when compromise on land use regulations is necessary.

a 18. Several years ago, the State of Wisconsin studied the cost of alternative land use policies and found which of the following residential environments to be cheapest?

a) urban
b) suburban
c) exurban
d) outlying communities

d 19. _____ are thought to be a way to shift economic pressure by giving the owner of a golf course or a historical landmark some of the residual land value created by allowing more intense development at another site.

a) enterprise zones
b) tax incremental financing programs
c) Urban Development Action Grants
d) transferable development rights

C 20. In the article "Applying Real Estate Financial Analysis to Planning and Development Control," author David Dowall discusses four distinct areas where real estate expertise can help. Which one of the following was <u>not</u> discussed?

a) Designing incentive programs that promote the provision of public amenities.
b) Evaluating requests for a relaxation in regulations or for financial assistance.
c) Designing social service delivery programs.
d) Creating public/private partnerships.

(40) II. MATCHING ATTRIBUTES: Write the abbreviation of the program corresponding to the attribute description in the blank to the left of the attribute description.

(4 pts. each)

EZ = enterprise zones
TIF = tax incremental financing
MRB = mortgage revenue bonds
UDAG = Urban Development Action Grant
IDB = industrial development bonds
HoDAG = Housing Development Action Grant

MRB 1. Issued by state and local units of government to promote multi-family rental housing construction by providing low-cost funds.

TIF 2. Under this program the state's Department of Revenue must certify the base value of the district prior to construction of new facilitie

UDAG 3. This program requires minimum leverage of $2.50 in private funds for every $1.00 of program funds.

HoDAG 4. This program transfers funds from the federal government to the local government to be used to financially assist developers of multi-family housing projects.

EZ 5. The focus of this program is tax relief, cutting red tape, etc.; it would offer significant reductions in corporate, property, and social security taxes for participating firms.

UDAG 6. This program is frequently utilized to assist hotel construction in downtown areas due to the large number of jobs created for unskilled workers.

UDAG 7. The comparative degree of physical and economic distress among applicant communities is a major selection factor in this program.

EZ 8. Critics argue that offering only one incentive to reduce labor costs and several that would reduce the cost of machinery may undermine the effectiveness of this program in creating jobs.

IDB 4 pts. for each 9. ~~Under this primarily nonresidential~~ program, credit-rating is based on the developer and the project, ~~not on the community.~~

TIF 10. This state-level program encourages redevelopment in areas that are either blighted, in need of conservation work, or suitable for industrial sites.

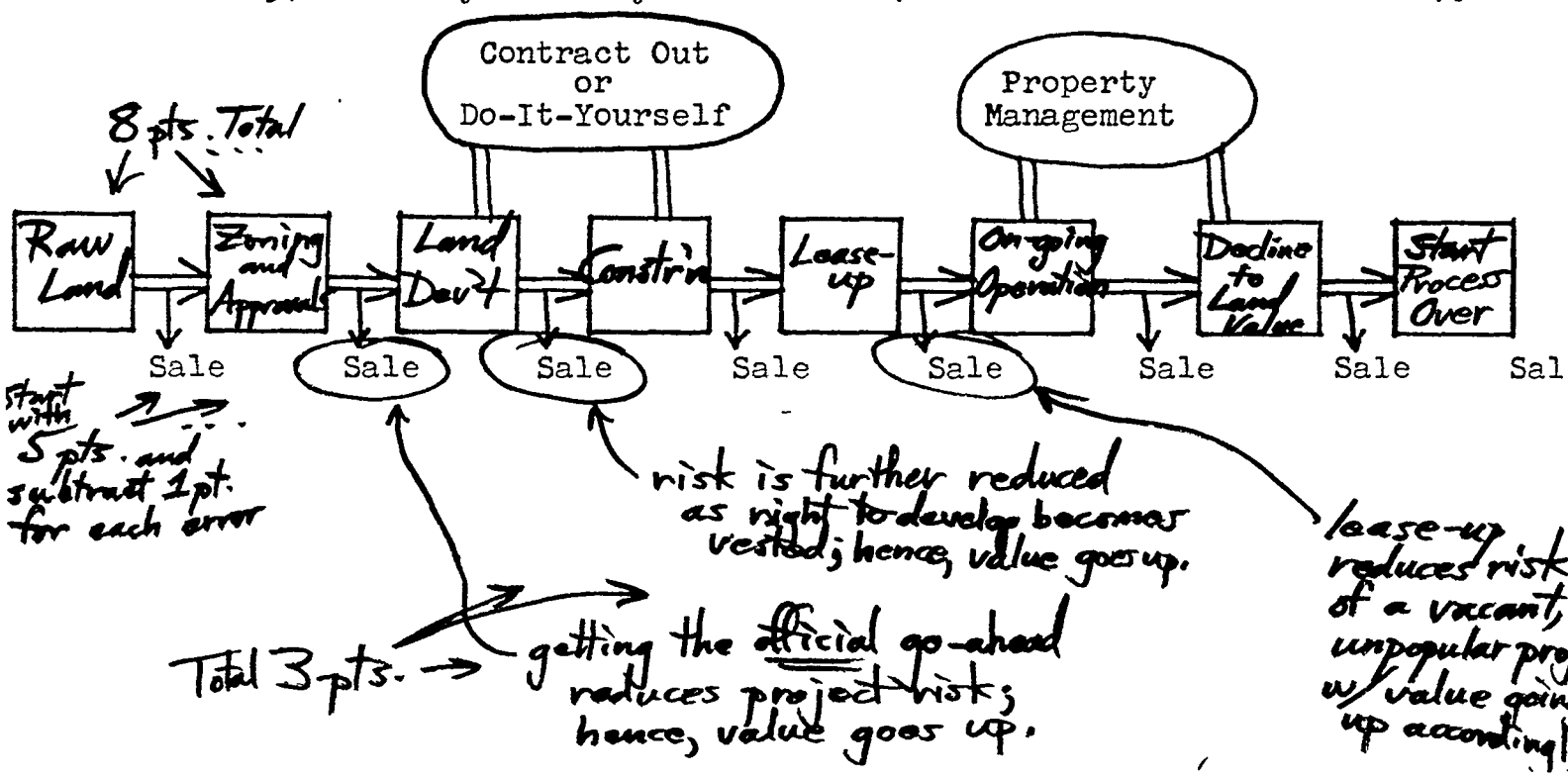
(24) III. THE FINANCIAL RATIO & CASH FLOW STATEMENT MATRIX: Indicate how the financial measure in each row changes in response to the following occurrences. Enter a (+) if it goes up, a (-) if it goes down, or (0) if it stays the same.

(+2 pts. if correct, -1 pt. if wrong, and 0 pts. if blank)

	a decrease in the vacancy rate	use accelerated deprec. instead of S-L	an increase in the mortgage loan interest r
Net Operating Income	+	0	0
Default Ratio	0	0	+
Cash Throwoff	+	0	−
Payback Period	−	−	+

(16) IV. THE REAL ESTATE DEVELOPMENT PROCESS: The directions for this section consist of three parts:

1) Fill-in each of the 8 boxes representing stages in the development process.
2) Circle the points at which selling the property is often highly profitable (as discussed in class).
3) Briefly note why this is so (next to each circled "sale").



(60) V. CASE STUDY QUESTIONS: This section consists of 3 subsections:

(18) A. Explain how new town developer James Rouse addressed the issue of public infrastructure creation and solvency at Columbia, MD by filling-in the following chart:

	Agency 1	Agency 2	Agency 3
Name of Agency	(Howard County) Utility District	(Howard County) School District	(Columbia Assoc.) Recreational Utility
Responsible for providing these services	utilities: • water • sewer • gas • electricity ? ...	schools (education)	• recreational facilities • public mass transit
Size of district served (e.g., village, county)	county	county	Columbia (town/city)
Capital funds were raised by...	tax-exempt bonds via Comm-Gen'l warehousing	• ← Same • Donations of land for school sites (by Rouse)	← Same
Revenues were generated by...	• property taxes and user fees	• property taxes	• (special assessments (property taxes) (user fees)

(12) B. The basic problem facing developers of new towns is that they must strike a balance between 3 major factors. Clearly identify each factor and discuss the trade-offs between each pair of factors by filling-in the following blanks:

Factor 1 is Need for cheap land (so that interest costs don't consume the developer).

Factor 2 is Need to be somewhat close to existing urban areas to attract residents (business

Factor 3 is Need to have the urban infrastructure in place before the space consumers arri

Trade-off between factors 1 and 2 is Closer to city, land prices are higher, but eas (to attract consum

Trade-off between factors 1 and 3 is [redacted], land prices higher [redacted] infrastructure in plac (or near

Trade-off between factors 2 and 3 is Closer to city, less pressing need for infrastructure to be in place right away.

Alternatively:

1) Need to respect the environment.

2) Need to set up community such that local political participation is high.

3) Need to have all of the proper social software in place (e.g., HMOs, education)

↑ up to 6 pts. (none for trade-offs 'cause only limited budget really results in any trade-offs)

C. Complete the following chart:

(30)

	Columbia, Maryland	One Magnificent Mile, Chicago	Water Tower Place, Chicago	Quincy Market, Boston, MA	Baltimore's Inner Harbor
The (or one of the) main developer(s) of the project (if a joint venture -- so indicate): 1 pt. each	• Howard Co. Dev't Co. (or James Rouse & Cmn. Gould)	• [redacted] Levy Bros.	• Urban Investment Dev't Co. (Klutznick) or (Marshall Fields)	• Rouse or • Ben Thompson Assoc. or • City of Boston Redev't Auth.	• Rouse or • Hyatt (Regency) or • CC-IH, Inc.
1 pt. each	• Joint Venture	Not a J.V. (?)	• Joint Venture	• Joint Venture	• Joint Venture
The most important linkage attribute contributing to the success of the project: 2 pts. each	• located in growing transportation corridor between Baltimore and Wash., D.C.	• location on Michigan Ave. (in high-inc. multi-use area)	← same	• proximity to downtown or • proximity to waterfront rehab district	• between CBD & water rec. resources
1 pt. each → The optimal land use concept illustrated by the case study (e.g., HBU, MFU, MPU):	MFU or MPU (depending on)	HBU (max. profits)	HBU (max. profits or lack of urban amenities to some cities)	MFU or MPU (depending on justification)	MFU or MPU (depending on justification)
Briefly justify your answer for each case study. 1 pt. each →					

THE REAL ESTATE PROCESS
Business 550/705

FINAL EXAM

Summer Session 1986 (150 Points)
Instructor: Dan Guenther

Name KEY

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(6) I. MULTIPLE-CHOICE QUESTIONS: Write the letter corresponding to the one best answer in the blank to the left of each question.

C 1. Traditionally, public regulation of land use has been dealt with at the _____ level of government.

a) federal
b) state
c) local
d) regional

C 2. Indirect (versus direct) regulation of land use occurs through all but which one of the following:

a) public works
b) general property tax assessment
c) zoning
d) building code enforcement

d 3. This procedure for measuring the return on equity involves compounding all cash flows to equity investors forward to a terminal date at a specified reinvestment rate and then finding the compound interest rate that equates the terminal value and the initial equity investment.

a) overall discount rate
b) internal rate of return
c) financial management rate of return
d) modified internal rate of return

d 4. Under present Wisconsin statutes, the state may enforce regulations for which one of the following when counties have no laws which meet the state's minimum standards:

a) shoreland zoning
b) floodplain zoning
c) subdivision regulations
d) all of the above

d 5. Which one of the following is not a direct or indirect control used by state and federal governments in regulating land use and real estate decisions?

a) tax subsidy of particular land uses
b) regulation of the property owner
c) regulation of financial institutions
d) all of the above are direct or indirect controls

e 6. According to Gallion & Eisner, which of the following have been used to circumvent zoning provisions?

(a) spot zoning.
(b) variance.
(c) conditional use permit.
(d) "b" and "c".
(e) all of the above.

d 7. Which of the following statements is <u>not</u> true regarding the Breckenridge Development Code?

a) In some neighborhoods, Victorian design must be used for all new development and redevelopment.
b) There are no uses-by-right and virtually no prohibited uses.
c) Performance better than the minimum of zero required by the code on all the relative policies taken together is rewarded with an increase in density.
d) Points are awarded for the construction of fireplaces in residential units.

b 8. Changing the zoning of a section of town from commercial uses to residential uses is an example of:

(a) upzoning.
(b) downzoning.
(c) neither.

F 9. When the federal government of the U.S. was formed, the "police power" was placed in the hands of the federal government which in turn delegated such authority to the states.

(T) true
(F) false

T 10. The use of the "police power" is no longer confined to the public health, safety, and general welfare but has been extended to embrace such matters as "public convenience and comfort."

(T) true
(F) false

d 11. The major difference between the "police power" and the "right of eminent domain" concerns:

(a) which level of government enacts the regulation.
(b) the applicability of "due process".
(c) the geographical area in which the right or power can be used.
(d) the matter of compensation to the landowner.

d 12. Which of the following is <u>not</u> a type of project acceptable to HUD under the Urban Development Action Grant program?

a) middle-income housing
b) downtown shopping malls
c) downtown hotels
d) all of the above are acceptable to HUD

b 13. Professor Graaskamp presents the real estate process as the constant interaction of three major groups and their subgroups. Each of these conceptual groups and subgroups consist of real-world enterprises. The critical common concern of all these conflicting enterprises is _____.

a) increasing their span of control
b) cash solvency
c) profit maximization
d) using other people's money

c 14. How much did it cost in fiscal 1985 to subsidize just the existing stock of public housing?

(a) around $30 million
(b) around $300 million
(c) around $3 billion
(d) around $30 billion
(e) none of the above

e 15. Evidence of the continuing need for public housing for the elderly and the poor was shown by:

(a) an average wait of 16 months by the elderly for a public housing unit.
(b) an average wait of 18 months by the nonelderly for a 2-BR public housing unit.
(c) the observation that 59% of local (public) housing authorities reported a vacancy rate of 3% or less.
(d) "a" and "c".
(e) all of the above.

d 16. The "polarization of housing quality" that occurs in response to restrictions on the housing supply in the face of increasing demand for housing refers to:

a) housing quality in the northern states running down while housing quality in the southern states improves.
b) the quality of apartments improving while the quality of detached, single-family residences declines.
c) higher-income space consumers suffering since no new housing is being built while low-income space consumers enjoy low rents
d) higher-income space consumers maintaining and improving their houses as values increase while lower-income space consumers strain to pay rents while letting their houses run down.

f 17. Court decisions generally support zoning as a proper use of the police power as long as:

(a) it's reasonable and not arbitrary.
(b) it's applied consistently to similar properties in similar situations.
(c) it doesn't discriminate against minorities.
(d) it is in harmony with the objectives of the community's master plan.
(e) all except "a".
(f) all of the above.

C 18. According to the article with the similar title, "the hidden factor in land use regulation" is:

(a) groundwater pollution.
(b) corruption.
(c) ownership.
(d) lienholders' rights.

d 19. _____ are thought to be a way to shift economic pressure by giving the owner of a golf course or a historical landmark some of the residual land value created by allowing more intense development at another site.

a) enterprise zones
b) tax incremental financing programs
c) Urban Development Action Grants
d) transferable development rights

C 20. In the article "Applying Real Estate Financial Analysis to Planning and Development Control," author David Dowall discusses four distinct areas where real estate expertise can help. Which one of the following was <u>not</u> discussed?

a) Designing incentive programs that promote the provision of public amenities.
b) Evaluating requests for a relaxation in regulations or for financial assistance.
c) Designing social service delivery programs.
d) Creating public/private partnerships.

b 21. According to Christine Boyer, the underlying intent behind the 1916 zoning ordinance in New York was:

(a) separation of ethnic groups.
(b) protection of investments in commercial & residential property.
(c) increase the density of development in midtown Manhattan and in the financial district of lower Manhattan.
(d) separation of high-income apartments from office buildings.
(e) none of the above.

a 22. Which of the following is <u>not</u> one of the broad decision areas for land use policy at the state and federal level?

(a) recreational land
(b) natural resources
(c) urban land & the urbanization process
(d) agricultural land & rural communities

g 23. Retailers' criteria for desirable sites in central city locations include:

(a) frontage on busy streets.
(b) near existing retail concentrations.
(c) gentrified neighborhoods for higher-end chains.
(d) "a" and "b".
(e) "a" and "c".
(f) "b" and "c".
(g) all of the above.

II. MATCHING ATTRIBUTES: Write the abbreviation of the program corresponding to the attribute description in the blank to the left of the attribute description.

EZ = enterprise zones
TIF = tax incremental financing
MRB = mortgage revenue bonds
UDAG = Urban Development Action Grant
IDB = industrial development bonds
HoDAG = Housing Development Action Grant

MRB 1. Issued by state and local units of government to promote multi-family rental housing construction by providing low-cost funds

TF 2. Under this program the state's Department of Revenue must certify the base value of the district prior to construction of new faciliti

UDAG 3. This program requires minimum leverage of $2.50 in private funds for every $1.00 of program funds.

HoDAG 4. This program transfers funds from the federal government to the local government to be used to financially assist developers of multi-family housing projects.

EZ 5. The focus of this program is tax relief, cutting red tape, etc.; it would offer significant reductions in corporate, property, and social security taxes for participating firms.

UDAG 6. This program is frequently utilized to assist hotel construction in downtown areas due to the large number of jobs created for unskilled workers.

UDAG 7. The comparative degree of physical and economic distress among applicant communities is a major selection factor in this program.

EZ 8. Critics argue that offering only one incentive to reduce labor costs and several that would reduce the cost of machinery may undermine the effectiveness of this program in creating jobs.

IDB 9. Under this primarily nonresidential program, credit-rating is based on the developer and the project, not on the community.

TF 10. This state-level program encourages redevelopment in areas that are either blighted, in need of conservation work, or suitable for industrial sites.

HoDAG 11. Under this program a one-time subsidy of up to 50% of project costs can be provided to the developer of multi-family housing.

TF 12. Critics argue that this program is abused regarding the types of projects constructed and that the benefits to the community vary from one part of the state to another.

MRB 13. Under this program at least 20% of the units have to be set aside for occupancy by low-income families for 10 years or half the life of the mortgage, whichever is greater.

III. FILL-IN-THE-BLANK / SHORT-ANSWER QUESTIONS:

1. The "real estate process" is defined as the dynamic (on-going) interaction of 3 major groups -- the space constr grp, the space prodn grp, & the public interest grp -- regarding the growth, ownership, & use of real estate.

2. Two reasons why office space users are moving to Chicago's west side near the Loop (other than proximity to the Loop) are:
   (a) lower rents and
   (b) near transp'n system/stations.

3. Two reasons why residential space users are moving to Chicago's west side near the Loop are:
   (a) close to work and
   (b) " " cultural excitement in downtown Chicago.

4. Two reasons why the residential movement to downtown Chicago may soon slowdown are:
   (a) when kids arrive, many will move out to suburbs and
   (b) there are only so many likely candidates (to move downtown).

5. According to Kirschbraun & Denitz, the two stages of residential revitalization in central cities that have been observed recently are
   (a) young families/singles back to the city and
   (b) existing " " / " remaining in " ".

6. The greatest difficulty that shopping center developers face in urban neighborhoods is site assemblage at an affordable cost.

7. The four basic goals of the Charles Center-Inner Harbor master plan (drawn up in 1964 as the Charles Center mixed-use project was nearing completion) were:
   (a) redoing the Municipal Center;
   (b) new office bldg. constr'n in area;
   (c) " residential " " " ; and
   (d) recreational playground (IH as a 5).

8. Three distinct ways in which the "Swiss Cheese Strategy" covered up Rouse's role in the land acquisition process for Columbia, MD were

(a) use of dummy corporations, lawyers, et al.

(b) went after large, key parcels ; and

(c) kept almost everyone in the dark .

9. The purpose of Rouse's "Enterprise Foundation" is to

promote (before & more) low-income housing

while the purpose of its subsidiary, the "Enterprise Development Company" is to

to earn a profit from debt that can go toward

and the purpose of the Enterprise Social Investment Corporation is to

raise funds for (low cost loans) .

10. Two of Richmond, CA's weaknesses were:

(a) poor image; lack of jobs? and

(b) lack of middle & upper-income residents .

11. Two of Richmond, CA's strengths were:

(a) industry weighed heavily in the tax base and

(b) views of S.F. & S.P. Bays (etc.) .

12. The three components of Richmond, CA's subsequent economic development strategy were:

(a) try to get several govt & private sector [illegible] ;

(b) balanced hsg. supply via attracting ; and

(c) improve the waterfront (?) .

I. Complete the following chart:

(24)

	Columbia, Maryland	Water Tower Place, Chicago	Quincy Market, Boston, MA	Baltimore's Inner Harbor
One of the most important dynamic attributes of the project:	• Social System (examples) • Envir'l Quality • Recreational Facilities - Other	• Enclosed atrium interior • Controlled exterior	• Festival atmosphere • Historical Flavor	• Waterfront Ambiance •
The most important linkage attribute contributing to the success of the project:	• Highways linking Columbia to Baltimore and to Washington	• Frontage (location) on N. Michigan Avenue (or proximity to consumers)	• Downtown location (near ~~)	• Close to downtown (hub of city)
The optimal land use concept illustrated by the case study (e.g., HBU, MFU, MPU): and Briefly justify your answer for each case study.	MFU/MPU Why? ~~	HBU Why? ~~	MFU/MPU Why? ~~	MFU/MPU Why? ~~

(2) V. ESSAY QUESTION:

In a brief, yet thoughtful essay, discuss and defend what <u>you</u> feel is the proper role of ethics in land use decision-making by real estate developers.

* Proper Role: ~~~
(6 pts.)

* Why? ~~~~
(6 pts.)