JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

II. CLASSES AT THE UNIVERSITY OF WISCONSIN--MADISON

P. Assorted Bits from Additional Classes Taught by Graaskamp

7. Business 851 (Real Estate Administration: Public and Corporate Institutions): Syllabi, exams, and lecture notes

Index

BUSINESS 851 - Course Outline

REAL ESTATE ADMINISTRATION: PUBLIC AND CORPORATE INSTITUTIONS

I. Course Description

The programming, procurement, management, or disposal of real estate space required for public institutions such as hospitals, cities, churches, governmental agencies, and large corporate enterprises requiring real estate peripheral to principal activities or possessing surplus fixed assets in real estate. Primarily intended for the public administration major or real estate major interested in public service or broad corporate management. Prereq. Bus. 550 or 705. 2 cr.

II. Format of Presentation

The course will weight equally lecture, readings, and a research paper:

50-minute mid-semester exam -	100 points
50-minute final exam -	100 "
Research project -	200 "

The research paper will be individually tailored and the topic should be selected by Monday, June 23 and approved in writing.

III. Required Textbooks: (Available from Room 118)

Managing Corporate Real Estate, Howard F. McCloy, American Management Association, Inc. 1967. (Included in mimeo packet)

Industrial Real Estate, William Kinnard, Jr., 2nd Edition, Society of Industrial Realtors, Chicago, Illinois 1972.

Uniform Standards for Federal Land Acquisitions, Interagency Land Acquisition Conference, 1973. (Included in mimeo packet)

IV. Subject Area Outlined:

A. Corporate Real Estate Activities

1. Establishing real estate management systems
2. Forecasting space need changes
3. Site selection strategies
4. Capital budgeting alternatives for real estate
5. Selection of professional expertise
6. Disposal of surplus private property

B. Public Agency Real Estate Administration

1. Establishing real estate management systems
2. Acquisition of property by eminent domain
3. Construction and management of real estate for public purposes

C. Indices of Real Estate Administration Performance

1. Internal cost effectiveness
2. External cost impact
3. Corporate citizenship

Real Estate Administration - Syllabus

Week #1 Tues-Wed. June 17-18	INTRODUCTION TO REAL ESTATE MANAGEMENT SYSTEMS	
	A. Managing Corporate Real Estate, Howard F. McCloy	Mimeo
	B. Rules Governing Real Estate Transactions	Mimeo
	C. Existing Corporate Trends in Real Estate	Handout
	D. "Corporate Real Estate Management," Donald Blue, Corporate Real Estate Development & Management, Presidents Publishing House, Inc. N.Y. 1971	Mimeo
Thurs.June 19	INTRODUCTION TO CORPORATE AND INDUSTRIAL REAL ESTATE	
	A. Chapters 1 and 2, Industrial Real Estate, William Kinnard	Text
	B. "A Mountain," Encounters With the Archdruid, John McPhee, pp. 3-75	Mimeo
Week #2 Mon.June 23	SITE SELECTION AND SPACE DEFINITION	
	A. Chapter 3, Industrial Real Estate	Text
Tues.June 24	CAPITAL BUDGETING FOR CORPORATE REAL ESTATE	
	A. Review Chapter 5, Industrial Real Estate as necessary	Text
	B. Review modified internal rate of return as necessary.	
Wed.June 25	FINANCING ALTERNATIVES	
	A. Chapter 17, "Aids to Industrial Development" Industrial Real Estate	Text
	B. "Leasing or Owning Real Estate - Which Approach Will Maximize the Profits of Your Company," Robert Ellis, Coldwell, Banker & Co.	Handout
	C. Chapter 9, Industrial Real Estate	Text
Thurs.June 26	CORPORATE LEASING	
	A. Chapter 10,"Industrial Real Estate Leases," Industrial Real Estate	Text
	B. See Appendix 10A and 10B for lease agreements	
	C. "Lease Negotiation Using a Time-Sharing Computer," by J. Peter Williamson & R.S. Bower, AIM Mar.'67	Mimeo
Week #3 Mon.June 30	CORPORATE AND PUBLIC LEASING - CONTINUED	
	A. Specimen lease from General Electric	Mimeo
	B. "To Lease or Not to Lease?" George Marrah, Financial Executive, October 1968	Mimeo

Tues.July 1	SELECTION OF PROFESSIONAL EXPERTISE	
	A. "Criteria Used by Corporate Real Estate Managers to Select Independent Appraisers," C. Hayden Green, The Appraisal Journal, Apr.'75	Mimeo
	B. "Appraising for the Corporate Real Estate Department," E. C. Larkin, The Real Estate Appraiser, July-Aug. 1973	Mimeo
Wed.July 2	SELECTION OF PROFESSIONAL EXPERTISE (CONTINUED)	
	A. Chap. 6, "Marketing Industrial Space," Industrial Real Estate, pp. 175-223	Text
	B. Specimen listing agreement	Mimeo
Thurs.July 3	SELECTION OF ARCHITECTURAL-PROFESSIONAL EXPERTISE	
	A. "Statement of the Architects Services," AIA	Mimeo
Mon.July 7	DISPOSAL OF SURPLUS INDUSTRIAL PROPERTY	
	A. Chap. 11, "Rehabilitation and Conversion of Industrial Real Estate," Industrial Real Estate	Text
	B. "From Piano to Forte'," Progressive Architecture, Feb. 1975	Mimeo
Tues.July 8	THE PROBLEM OF RELOCATING CORPORATE EMPLOYEES	
	A.	
	B.	
Wed.July 9	MEASURING PERFORMANCE OF CORPORATE REAL ESTATE ADMINISTRATION	
	A. Lecture only	
Thurs.July 10	50-MINUTE EXAM	

BUSINESS 851 - Course Outline

REAL ESTATE ADMINISTRATION: PUBLIC AND CORPORATE INSTITUTIONS

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2. Uniform Standards for Federal Land Acquisitions, Interagency Land Acquisition Conference, 1973. (Included in mimeo packet)

3. Optional: Industrial Real Estate, William Kinnard, Jr., 2nd Edition, Society of Industrial Realtors, Chicago, Illinois 1972.

IV. Subject Area Outlined:

A. Corporate Real Estate Activities

1. Establishing real estate management systems
2. Forecasting space need changes
3. Site selection strategies
4. Capital budgeting alternatives for real estate
5. Selection of professional expertise
6. Lease negotiation
7. Purchase negotiation
8. Dispoal of surplus private property

B. Indices of Real Estate Administration Performance

1. Internal cost effectiveness
2. External cost impact
3. Corporate citizenship

C. Public Agency Real Estate Administration

1. Establishing real estate management systems
2. Acquisition of property by eminent domain
3. Disposition of public property

V. Five Modules of Study

1. Asset management in corporate framework
2. Corporate acquisition and disposition
3. Public administration of real estate assets
4. To be selected by students from list below
5. To be selected by students from list below

    1. Personnel relocation procedures
    2. Plant relocation procedures
    3. Corporate ethics and land resource management
    4. State facilities management and planning
    5. Municipal real estate management
    6. International real estate problems of the corporation
    7. Corporate strategy for eminent domain losses

Syllabus by Module

Module #1

A. Managing Corporate Real Estate, Howard F. McCloy
B. Rules Governing Real Estate Transactions
C. Existing Corporate Trends in Real Estate
D. "Corporate Real Estate Management," Donald Blue, Corporate Real Estate Development & Management, Presidents Publishing House, Inc., New York 1971
E. Chapters 1 and 2, Industrial Real Estate, William Kinnard
F. Chapter 3, Industrial Real Estate
G. Chapter 17, "Aids to Industrial Development"
H. "Leasing or Owning Real Estate - Which Approach Will Maximize the Profits of Your Company," Robert Ellis, Coldwell, Banker & Co.

Module #2

A. Chapter 10, "Industrial Real Estate Leases," Industrial Real Estate
B. See Appendix 10A and 10B for lease agreements
C. "Lease Negotiation Using a Time-Sharing Computer," by J. Peter Williamson & R.S. Bower, AIM March 1967
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I. Chapter 11, "Rehabilitation and Conversion of Industrial Real Estate," Industrial Real Estate
J. "From Piano to Forte'," Progressive Architecture, February 1975

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B. "Appraising for the Corporate Real Estate Department," E. C. Larkin, The Real Estate Appraiser, July-Aug. 1973 — Mimeo

Wed. July 2 SELECTION OF PROFESSIONAL EXPERTISE (CONTINUED)

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B. Specimen listing agreement — Mimeo

Thurs. July 3 SELECTION OF ARCHITECTURAL-PROFESSIONAL EXPERTISE

A. "Statement of the Architects Services," AIA — Mimeo

Mon. July 7 DISPOSAL OF SURPLUS INDUSTRIAL PROPERTY

A. Chap. 11, "Rehabilitation and Conversion of Industrial Real Estate," Industrial Real Estate — Text

B. "From Piano to Forte'," Progressive Architecture, Feb. 1975 — Mimeo

Tues. July 8 THE PROBLEM OF RELOCATING CORPORATE EMPLOYEES

A.

B.

Wed. July 9 MEASURING PERFORMANCE OF CORPORATE REAL ESTATE ADMINISTRATION

A. Lecture only

Thurs. July 10 50-MINUTE EXAM

Thurs., July 10	NO CLASS	
Mon., July 14	MID-SEMESTER EXAM	
July 15-17	GENERAL SERVICES ADMINISTRATION MANUAL	
	A. Chapters 1,2,3 on property acquisition	Mimeo
	B. Chapters 4 & 5 on lease acquisition and administration	Mimeo
Mon., July 21	GOVERNMENT ACQUISITION THROUGH EMINENT DOMAIN	
	A. "Eminent Domain: A Kaleidoscopic View, Sidney Z. Searles, Real Estate Law Journal Winter 1973	Mimeo
Tues., July 22	VALUATION AWARDS	
	A. Uniform Appraisal Standards for Federal Land Acquisitions, Interagency Land Acquisition Conference 1973	Handout
Wed., July 23	RELOCATION COMPENSATION	
	A. Relocation Assistance Handbook, Chap. 1-4	Mimeo
Thurs., July 24	FEDERAL DISPOSAL OF REAL PROPERTY	
	A. Disposal of Surplus Real Property, General Services Administration	Mimeo
Mon., July 23	MUNICIPAL REAL ESTATE ADMINISTRATION	
	A. "Real Property Inventory and Management System for Municipal Law Departments, Jeffrey A. Rich	
	B. City of Madison Real Estate Department description, Warren Kenney	Mimeo
Tues., July 24	IMPACT ANALYSIS FOR PUBLIC & CORPORATE DECISIONS	
	A. Selected readings from Environmental Impact Handbook	Mimeo
Wed., July 25	ECONOMIC-SOCIAL IMPACT ANALYSIS	
	A. Chap. 13, "Impacts of Growth: An Analytical Framework & Fiscal Example," Management & Control of Growth, Vol. II, ULI	Mimeo
Thurs., July 26	REAL ESTATE & GROWTH CONTROL	
	A. "Capital Facilities Planning as a Growth Control Tool & A Case Study of Metropolitan Washington, D.C." Management & Control of Growth, Vol. II ULI	Mimeo

Business 851

Corporate and Public Real Estate Administration

I. Mixture of majors and non-majors may cause some overlap of the first day.

   A. Refer to course outline and five module format.
   B. Selection of two modules by next week.
   C. Selection of term paper topic from remaining topic modules.
   D. Primary reliance on mimeos rather than text.

II. Real estate as a peripheral aspect of enterprise management.

   A. Asset management.
      1. Working capital preferred to fixed capital.
      2. Mobility preferred to fixed location.
      3. Adaptability preferred to technical specialization.
   B. Liability management.
      1. Command of capital by intimidation.
      2. Command of capital by contract.
      3. Command of capital by debenture.
      4. Command of capital by equity.
      5. Command of capital internally generated.
   C. Profit management.
      1. Spread between asset productivity and liability costs.
      2. Asset appreciation.
      3. Improvement of market position.
   D. Matching of liability cost to asset productivity to maintain profit spreads.
      1. Degree of control v.s. severity of exposure to laws.
      2. Control a function of ownership form.
      3. Exposure a function of liability compared to change in assumptions.

III. Real estate is a major asset of both private and public enterprises and yet is the most undermanaged or poorly managed assets of most enterprises.

   A. Definition of real estate.
   B. Real estate is an artifact, a manufacture commodity, and a sub-system enterprise.
      1. Space-time equals money time.
      2. Space-time is derived from attributes of functions to be housed.
      3. Money-time is derived from money management objectives relative to space-time costs.
   C. Real estate business is the providing the service or expertise to convert space-time to money-time.
   D. Each outlay for real estate is a revenue profit center to some other enterprises and therefore at some point economy of scale and risk acceptance lead to inhouse real estate expertise.
   E. Three basic clusters of enterprise, consumers, private production sector, and public infrastructure.
      1. Social ethic requires real estate decisions which permit each to operate at solvency.
      2. Environmental ethic requires efficient utilization of finite resource.
      3. Legal ethic creates private property to encourage husbandry and therefore advance efficient use of resources.

IV. Real estate is a corporate responsibility.

A. Chief administrative officer
B. Treasurer.
C. Secretary-Council.
D. Divisional responsibilities.
   1. Market
   2. Production
   3. Service
   4. Administration
E. As opportunity costs of capital have shifted for maturing cooperations, real estate has shifted from staff service function to profit center divisions, and from custodial administration to growth management.
   1. Space-time equals future commodities speculation.
   2. Money-time equals money market speculation.
   3. Time is the common component and relates to the planning horizon on the enterprise which is a function of basic corporate goals.
   4. Private enterprise relates to maximizing values of net receipts.
   5. Public enterprise relates to minimizing present values of net outlays.

BUSINESS 851 - SITE SELECTION FACTORS

I. Stragetic components of site selections
   A. Weight loss-weight gain product
   B. Marketing position
   C. Labor negotiation position
   D. Personnel administration
   E. Regulatory framework
   F. Capital budgeting
   G. Rate of return

II. Location and general rate of return model
   A. Net income/net invested capital before and after relocation
   B. Unit input and revenue per unit of product
   C. Site comparison on basis of units of input
      1. Labor
      2. Raw material
      3. Transportation
      4. Occupancy cost
      5. Management cost
      6. Training cost
   D. Net invested capital
      1. Land cost
      2. Building cost
      3. Machinery cost
      4. Moving cost-plant and material
      5. Moving cost personnel
      6. Training cost personnel
      7. Lost income and extra cost of move
      8. Adjustment for salvage value
      9. Adjustment for capital cost subsidies
      10. Adjustment for training cost subsidies
      11. Income tax advantages

III. Mobility of capital is the ultimate labor negotiation strategy
   A. All fringe benefits are ultimately forms of profit sharing
      1. demographic components of costs (medical, pensions, vacation time)
   B. Indirect community role in labor negotiations
   C. Compatibility of multiple industries
   D. Community quality as a competitive edge for personnel recruitment
      1. Labor union vs. professional
      2. Hardware vs. software output
      3. Clean industries vs. dirty industries
   E. Community attitude towards regulation

ADVANTAGES OF CORPORATE ENTITY

1. Marginal tax rate reduction
2. Acquisition of existing depreciation and tax basis
3. Exchangeable units real estate trust, etc.
4. Divisible units for gift allocations
5. Multiple classes of stock to retain control
6. Multiple classes to shift equity buildup of wealth
7. Pension and profit sharing plans or deductions on income
8. Timing of income through salaries, bonus, and dividends
9. Clear segregation of funds and assets
10. Shares are personal property not affected by dowery, death transfers, etc. and corporate contracts cannot be easily challenged by heirs. Opportunity for spinoff, segregation of investments or structuring of land and cash ventures. Expand powers of trustees and reduce exposure to conflicts of interest.

Bus. 851

Corporate Real Estate ~~Lecture #4~~

I. Selection of Professional Expertise

A. Position of Real Estate on Staff Network
1. Accounting, Finance, Corporate Planning, Plant Management
2. Book Value, Present Value, Space Requirement, Cost to Replace
3. Manual of Corporate Procedure
4. Level of Anxiety Necessary to Motivate Search for Outside Consultant

B. Level of Outside Consultant
1. In House "Hobbiest"
2. Real Estate Brokers - SIR
3. Corporate Legal Counsel
4. Accounting Firms with Real Estate Divisions
5. Engineering Firms
6. Designated Real Estate Counselors
7. All May Serve as Experts on Experts

II. Capital Budgeting Alternatives

A. Elements to be Considered in Structuring Cash Outlays and Receipts
1. Profit Centers Objectives
2. Time Line Horizon
3. Capital Budget Outlays
4. Operating Revenue and Expense Patterns
5. Capital Financing
6. Income Tax Position
7. Indices of Risk
8. Measures of Return

B. Basic Alternative Strategies for Funding
1. Subcontracting by Purchase Contracts
2. Short Term Leasing
3. Long Term Leasebacks
4. Ownership and Leaverage

C. Consideration of the Sale and Leaseback Touches on all the Major Issues of Internal Financing of the Real Estate Facility
1. Refer to Coldwell Banker Booklet
2. Tax Stratigies in Long Term Leasing
3. Tiering the Investment

Business 851 Corporate and Public Real Estate Administration

Midsemester Quiz

July 14, 1975 James A. Graaskamp

I (25%) Write on one of the following two questions:

A. What are the critical assumptions and relationships which will determine whether a company should own or lease real estate as illustrated by Coldwell Banker as well as Kinnard?

B. Discuss the considerations in lease cancellation from the tenant point of view and how these might affect negotiations for various provisions of a 10 year lease for office space?

II (25%) Write on one of the following two questions:

A. What criteria might be used to select an independant appraiser for corporate real estate problems?

B. What is the basic process for marketing industrial space?

III (50%) Discuss some of the significant strategies of corporate real estate policy as they would affect overall needs for asset management of the corporation. What basic policy directives would be required of a corporate board of directors who by their action will initially establish a corporate office for real estate administration?

Business 851

Public & Corporate Real Estate Administration

August 6, 1975 FINAL EXAM J. A. Graaskamp

I. (30%) Write on one of the following two questions:

A. Discuss eminent domain in terms of its process and its possible inequities for the owner and disadvantages for public real estate administrators as it is presently evolving.

OR

B. What are the various financial advantages and benefits to the private property owner should he lose his property via eminent domain rather than in a negotiated sale to a public authority?

II. (30%) Write on one of the following two questions:

A. Discuss and describe the process for disposition of surplus real property by a general services administration, in light of various constraints under which it must operate.

OR

B. What are some of the significant advantages and disadvantages in the position of the city real estate manager as opposed to a private corporate real estate manager?

III. (40) Write on one of the following two questions:

A. Discuss the implications of the environmental impact review process for public and private real estate administration today and in the future.

OR

B. Discuss capital facilities planning as a tool for metropolitan control of growth and the indirect spinoff revenue which may be created for a municipality by the way in which it locates its real estate requirements.

851 Key

I. A. - Strict definition of indemnity, limited consequential loss benefit no extra expense benefits - presently modified by requirements for relocation and relocation awards which increase cost of eminent domain as compared to negotiated purchase. Relocation requires extra time delays as it postpones possession beyond date formerly possible under eminent domain.

I. B. - Financial advantages include tax free capital gain, liquidity of real estate assets and special benefits, payment for moving and related expenses up to 50 miles. Direct losses of tangible personal property which remains in place, search expenses, time spent in search and loss of annual net earnings for the previous two taxable years or a minimum of $2500, or other special charges for insurance.

II. A. - Federal government distinguishes between excess property designated as such by the director of any specific agency and surplus property which is excess property not suitable according to GSA for any other federal agency. Property becomes surplus after 30 days following notice of availability of excess property. GSA inspects and determines fair market appraisal value based on highest and best use in the market for private use no priority is given to the previous owner under the surplus property act. GSA must consider environmental impact local community plans, temporary rentals, and special notice of sale to public agencies having special eligibility following 20 days of public notice. State forests, school boards and other agencies may be eligible. (airports, etc.) What remains can be a negotiated sale at fair market value with a public agency or GSA may then sell surplus property by sealed bid, public auction, brokers for special use properties or a negotiated sale for properties worth less than $1,000, when advertising fails to secure a bid or peculiar conditions make it impossible to advertise.

II. B. - Significant advantages of city real estate manager include access to data in city planning, tax offices, traffic engineering and other city data sources is not measured in terms of rate of return and typically is funded for cash purchase although the amount may be controlled by city council or enabling regulations. The department performs all major functions of the acquisition process and if negotiations are not successful he may resort to eminent domain. All payments for purchase and relocation must be presented to the common council for payment. Difficult to transfer property between departments and negotiation on sales hamstrung by anti-graft regualtions and common council approval.

III. A. - Environmental review represents a significant long term delay for public and private real estate administration and a almost certain source of litigation since the exact requirements are unknown or undefined by legal precedent. As a result:

1. Lead time is greatly prolonged and uncertain
2. Once approved a proposal is locked in lest changes require amendment and further litigation of the review process.
3. Costs up front increase and destroy feasibility of many marginal projects.
4. A monopoly is created for projects predating review requirements for a premium in time and money is available for recycling old properties.

5. Projects must be small and with a low silhouette to avoid federal and state review thereby increasing fragmentation of land palnning rather than improving regional integration.
6. Increases awareness of team approach to development process for varous professional disciplines.
7. Increases urgency for more integrated measure of land potential, tax base, and indemnity through use of transferable rights.

III. B. - Growth control is possible either through zoning or provision of public facility. sewer is critical but can be manipulated by special interest groups. Both existance and capacity of service systems can control, direct, or prevent growth. Community may also benefit by the way in which it locates schools, parks, theaters to increase tax base values. Constraint on services increases housing costs to export lower income families, disrupts construction, disperses labor force.

Business 851
Final Exam

Wednesday, December 14, 1977 Prof. J. A. Graaskamp

I. (50%) Write on two of the following essay questions.

A. Compare and contrast the real estate acquisition alternatives of the corporate real estate manager with the public real estate manager.

OR

B. Compare and contrast the constraints on real estate asset disposition on the corporate real estate manager as opposed to his opposite in public agency real estate manager.

OR

C. What are the financial constraints which favor purchase over long term leases for public real estate acquisition of office space? Which of the theoretical advantages may be largely dissipated in practice?

II. (25%) Suggest what kinds of measures of performance would be appropriate in evaluating the effectiveness of the real estate management office of an enterprise.

III. (25%) Write a short essay on one of the following:

A. Briefly identify and discuss the critical components of a long term lease for commercial office space.

OR

B. Discuss the procedures and problems of transferring an employee who owns his own home to a new community.

OR

C. Identify some of the problems associated with the ownership of corporate real estate property in foreign countries.