JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

III. REAL ESTATE DEPARTMENT ADMINISTRATION

D. Doctoral Program

2. Preliminary Examinations

b. Selected study and exam questions written by Graaskamp and other faculty

Index

Real Estate Department

Ph.D. Major Preliminary Exam for Clyde Richey

January, 1968

Morning Session

I. Write on two of the following questions:

a. Appraise the principal programs appearing in recent housing legislation that are designed simultaneouwly to combat blight and provide for the needs of low income families.

b. Prepare a critique of the 'least-effort' principle as a major conceptual building block in the theory of urban land use location.

c. Describe in depth the principal theoretic components of the field of urban land economics. Identify the main theoreticians involved' and the approximate dates and sequence of their contributions.

II. Write on two of the following questions:

a. To what degree does the Ratcliff concept of determination of highest and best use through competive bidding for sites explain the development of our urban areas today and predict the pattern of urban development in the future? Be sure to place your opinions in historical perspective.

b. Trace the implications of British devaluation of the pound and the FRB increase in the rediscount rate upon saving patterns and the supply and terms of mortgage money in the United States in 1968.

c. To offset the investment disadvantages for equity committed to real estate, the federal government subsidizes real estate investment by means of the federal income and estate tax laws. What are these disadvantages and suggest how government encourages investment despite these disadvantages for (a.) the single family home owner, (b.) the investor in rental property. How do these "subsidies" complicate comparison of yields on real estate equities with other forms of long term investment?

School of Business 1155 Observatory Drive, The University of Wisconsin, Madison 53706

November 18, 1968

MEMORANDUM

TO: Harold G. Fraine

FROM: J. A. Graaskamp

I. If you were to organize a small business investment company to make loans to new businesses in the ghetto area, what provisions would you design in order for your loan agreement to achieve:

1. Safety.
2. Low interest cost to the borrower during his first two years of operation.
3. Eventual full ownership of business by operator.
4. Profit on risk capital to justify your risk if the federal government would insure you against loss of only one-half of any loan principal.

II. Large insurance companies making mortgage loans on rental real estate often require a "bonus interest payments" in addition to the market interest rate in the contract. This bonus interest is computed either as a percentage of gross rents received or as a percentage of a carefully defined net income. On the basis of common sense and your general knowledge of accounting and finance, what problems could be anticipated in the contract language and choice of method?

III. It could be argued that a businessman with an established reputation for dishonest or sharp practices is not nearly so unethical as a businessman who embarks on a major project despite ignorant or faulty preparation in his planning. Why might this be so?

Karel Clettenberg

Real Estate Department

Ph.D. Major Preliminary Exam for Karel Clettenberg

May, 1969

Morning Session

I. You must write on the following question:

Present in detail your theory of urban land use structure. Give separate consideration to emerging structural forms and forces of change.

II. Write on two of the following questions.

A. Disect the elements and issues of measuring yield on rental real estate investments and illustrate by reference to evolutionary capitalization techniques employed by real estate analyists over the years.

B. Wisconsin law requires savings and loan lenders to issue mortgages with a clause permitting the lender to change the interest rate in the contract with 120-day written notice to the borrower. Recently large insurance companies have made commercial real estate loans with payments at a percentage constant relative to the original amount of the loan but with the interest to be determined annually by adding a stated percentage loading factor to the average Federal Reserve rediscount rate weighted monthly for the previous twelve months. Comment on the desirability or need for such contracts from the viewpoint of the borrower and the lender and formulate a public policy in regard to variable interest mortgage contracts.

C. The burden of real estate taxes on property ownership is rapidly reaching a saturation point in major cities such as Milwaukee. What alternatives are available to public finance managers to stabilize or reduce the real estate tax load on the core city resident and to distribute the cost of municipal services and responsibilities more equitably over metropolitan residents?

Ph. D. Preliminary Examination for
Real Estate Majors
University of Wisconsin School of Business

May 15, 1971 Authors: R.B. Andrews, K.J. Clettenberg, J.A. Graaskamp

Morning Session: Select one from each of the following three pairs of questions.

I.

A. In the discipline of urban land economics what do you consider to be:
   a. The principal blank areas in the theoretical structure of the field?
   b. The principal inadequacies or inconsistencies of existing theory?
   Discuss in detail your reasoning behind the choices made in a and b.

--OR--

B. Assume you have been asked to describe and project the economic base of Madison, Wisconsin. Describe the procedure you would follow to accomplish this objective. Indicate in your answer any problems you might encounter.

II.

A. Select for analysis a current social problem that is afflicting large cities in the United States. Explain in detail what contribution urban land economics as a field of thought and analysis can make to the resolution or betterment of the situation.

--OR--

B. Suppose you were asked for advice by another university concerning the development of a small basic library in urban land economics and were confined to a list of the most strategic twenty-five titles (and authors), how would you respond? Since the inquiring university may not want to buy all of these titles immediately they ought to have the list in priority order.

III.

A. The real estate credit crunch of 1966-67 reflected the disintermediation and intramediation of capital savings from mortgage lending institutions resulting in a severe reduction of residential mortgage money. However, during the 1970-71 credit crunch due to high long term interest rates, the Federal government has attempted to maintain a ready supply of mortgage money for residential purposes through traditional sources by a variety of institutional innovations designed to increase the liquidity and lending power of mortgage bankers and savings and loan associations while at the same time softening the impact of higher interest costs on middle and lower income groups in the housing market. Indicate the major new tools of such federal action and describe how they work to accomplish these aims.

--OR--

B. A new tool of mortgage finance is poorly referred to as the "equity participation loan" when the subject should be properly divided between supplementary interest contracts, surplus participation or deferred interest contracts, and true joint ventures. Discuss each of these three categories thoroughly and specify how each refines the allocation of entrepreneurial risk and equitable profit distribution to recognize the precise nature of the contributions of the lender and the developer to the eventual success of the project.

Ph. D. Preliminary Examination for
Real Estate Majors
University of Wisconsin School of Business

May 15, 1971 Authors: R. B. Andrews, K. J. Clettenberg, J. A. Graaskamp

Afternoon Session:

I. Select one of the following two questions.

A. Discuss the principal weaknesses of classical appraisal theory, indicating those areas in which professionals have succeeded to some degree in strengthening field procedures and execution to correct for the deficiencies of theory. Suggest what additional work or theoretical reforms have been proposed and which may have the most probable chance of eventual adaptation and use.

--OR--

B. Suggest a format for integrating fair market value analysis of gross rent, net income, mortgage-equity analysis with investment market value analysis (ala Hodges) and with spendable after tax cash values for counseling the individual investor. To go about such a synthesis you need to lay out the accounting tabs for both annual income and the reversion components in a parallel fashion so that you can move from net income and a residual to mortgage equity or cash throwoff to after tax cash flow and then to spendable after tax cash. It will be necessary to make some definitions for your accounting approach and lay it out in a step by step process in an accounting format or as a simple algebraic model.

II & III. Read the attached case on the Jones Wharf Redevelopment proposal. Structure the key issues of the case according to the seven components of feasibility analysis as outlined in the King James version on feasibility and then answer questions 1 to 4 on page 382 of the case. Be as complete as you can but remember the case is designed to reveal your ability to think on your feet and focus on the jugular issues in the two hours which remain. Make reasonable assumptions as necessary or raise questions where key facts are missing.

Karel Clettenberg

Real Estate Department

Ph.D. Major Preliminary Exam for Karel Clettenberg

May, 1969

Afternoon Session

I. You must write on the following question:

Prepare a critique of urban land use control systems used in this country. Comment on conditions of obsolescence in the system, overlap and direct conflict.

II. Write on two of the following questions.

A. Identify and develop the conceptual differences between a market value appraisal and a feasibility study for the same property development proposal.

B. Describe the leasing considerations of a shopping center developer as they affect capital budget planning and architectural design of the project.

D. Develop a critique of the Ratcliff appraisal process, suggesting in your essay to what degree Vp could represent a fourth approach to value and to what degree it represents simply a restructuring of the traditional appraisal report format.

Graduate School of Business 1155 Observatory Drive, The University of Wisconsin, Madison 53706

Afternoon Session
Ph.D. COMPREHENSIVE EXAMINATION - REAL ESTATE MAJOR

October 26, 1973 Donald Weiss - candidate

Write on 3 of the following 4 questions:

I. Among the risks of mortgage lending are a long term change in the interest rate, inflationary devaluation of the purchasing power of a dollar, loss of liquidity of the mortgage lending institution, or loss of a spread between the cost of capital and the net rate on loans. Identify and discuss as many mortgage loan innovations and institutional reforms as you can which have occurred primarily since 1960 as risk management devices for the risks indicated above.

II. Discuss the philosophical, strategic, and tactical implications for the real estate investor concealed in the term "equity position".

III. What do you predict will happen to the magnitude and direction of change of the real estate tax mill rate for Madison, Wisconsin over the next ten years?

IV. Discuss the present on-going reformulation of appraisal philosophy and procedures and project the implications for appraisal professional societies by 1985.

Ph.D. Minor Exam for Donald Michie

Prof. J.A. Graaskamp November 15, 1974

Write extensive essays on four (4) of the following questions:

1. Discuss the interplay of the physical design of an apartment building and marketing objectives and the financial constraints imposed on the builder.

2. Discuss the marketing problems of selling limited partnership interests in a FHA residential multi-family project to be built after syndication is funded.

3. Discuss the various marketing choices in physical component systems to be selected for office building construction.

4. Discuss the financial analysis of a proposed office building in terms of sensitivity analysis as this type of analysis would impact on marketing management and goals.

5. Describe the various requirements of a federal project selection criteria and marketing requirements for a subsidized 236 housing program which control the rental efforts of the property manager.

MAJOR PRELIMINARY EXAMINATION FOR PH.D.
Real Estate & Urban Land Economics
Morning Session - Monday, April 26, 1976

DIRECTIONS:

The morning section allocates three hours to develop a carefully structured response to one question selected from each of the following two categories prepared by Professors Andrews and Stanley. Average time of one and one half hours per question should permit the examinee to provide high quality responses in English.

A. Select one of the following two questions.

1. Relative to the conceptual areas of urban situs, structure, and land use succession explain:

   a. The position of these areas in the total framework of the discipline of urban land economics.
   b. The theoretical weaknesses and inadequacies of these areas.

OR

2. Develop a model which explains residential location within urban areas. Justify the variables used with empirical evidence.

B. Select one of the following two questions.

1. After thirty years of population and employment suburbanization coincident with increasing levels of market imperfection and governmental intervention, we are forced to admit that low income, typically minority, groups are prisoners within deteriorating central cities predominantly in the industrialized Northeast. Discuss and evaluate on the basis of efficiency and equity the many social, political and economic factors that have contributed and continue to exacerbate this condition.

2. Development Rights Transfer (DRT or TDR) are often touted as a means of alleviating the problem of Urban/Suburban windfalls/wipeouts and as a means of bringing order to the land planning process. The simple existence of such a proposal highlights the breakdown of a competitive land allocation system based on expected revenue flows. 1 What has happened? Critically discuss the 2 historic rationale for urban clustering, 3 the role and result of modern economic forces, 4 the breakdown in central city market mechanisms and 5 the advantages/disadvantages of the proposed TDR system. Finally, 6 evaluate the probability of success of a TDR system and state the 7 requirements for that even partial success.

MAJOR PRELIMINARY EXAMINATION FOR PH.D.
Real Estate & Urban Land Economics
Afternoon Session - Monday, April 26, 1976

Write on three of the following questions:

A. The Wisconsin school describes the real estate process as the interaction of various cash cycle enterprises seeking to maintain cash solvency, with the result that their collective decisions impact on the land. To what degree do physical land attributes impose on cash flow planning for each of the viewpoints? To what degree do static attributes impose on all the parties in the aggregate over time?

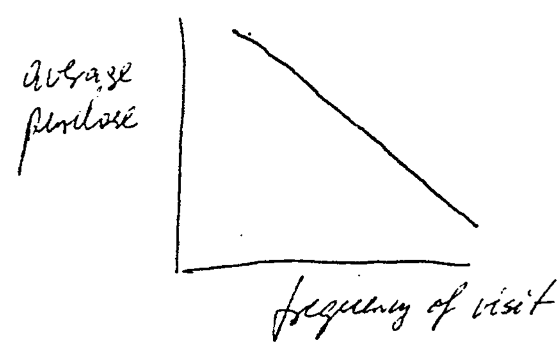
B. Assuming the extension of mortgage credit attempts to achieve zero dollars of loss for the lender, what risk management mechanisms may be applied to shift the variance between assumptions and cash realization from the lender on residential mortgages in 1976 in the areas of:

1. Contract relationship between borrower and lender
2. Internal portfolio management policy
3. Contract relationships between original lender and secondary institutions or investors

C. Restaurant management strategy can aim at limitless combinations of customer frequency and average purchase per visit. As the strategy shifts from very high frequency of visit with small average purchase per visit to infrequent visits for very expensive meals, how do the relationships of site characteristics and space requirements change, too?

D. For the site in search of a market, how do the thrust and techniques of marketing research evolve from the basic site attribute analysis? Where does this systematic process fit into the appraisal concept of most probable price?

E. "Feasibility analysis defines a set of parameters which would work and is the product of a generalist while project development requires feasibility confirmation by a team of specialists." How does this statement by Don Samuelson relate to real estate appraisal by an MAI and the concept of most probable choice?



University of Wisconsin-Madison
Department of Urban & Regional Planning
OLD MUSIC HALL, 925 Lathrop drive Madison, WI 53706 Telephone 608 262-1004

June 18, 1976

TO: Professor James Graaskamp

FROM: R. B. Andrews

RE: Questions for major prelim, July 1976.

\# Suppose you were asked for advice by another university concerning the development of a small basic library in urban land economics and were confined to a list of the most strategic twenty-five titles (and authors), how would you respond? Since the inquiring university may not want to buy all of these titles immediately they ought to have the list in priority order.

\# In the discipline of urban land economics what do you consider to be:

a. The principal blank areas in the theoretical structure of the field?

b. The principal inadequacies or inconsistencies of existing theory?

Discuss in detail your reasoning behind the choices made in (a) and (b).

Ph.D. Qualifying Examination Question
Urban Economics
June 1976

I. In the existing literature, microeconomic theories of the household and of the producer have been applied to the housing sector, and general equilibrium models determining household location, capital stock provisions, and land rent surfaces have been developed. An alternative formulation extends the analysis to take into account differences in the existing housing stock at different locations because of the existence of many submarkets and the fact that housing is a multidimensional commodity.

Describe the components of this multidimensionality and design a research framework capable of capturing the statistically significant factors influencing the consumer's housing consumption decision.

II. Milwaukee mayor Henry Maier has said "...we can metropolitanize our zoo, our sewers, our parks, our freeways, but we cannot metropolitanize social problems, education, private low income housing, public housing or any other step which would tend to effectively put the poor in the mainstream of American life ..." Evaluate this statement in light of post-war patterns of suburbanization, and the concomitant social, economic, and governmental changes. Finally, sketch the elements of a plan for alleviating urban poverty that would be both efficient and equitable while at the same time effective in placing the poor "in the mainstream of American life."

PRELIMINARY EXAMINATION

Ph.D. Minor - Real Estate and Urban Land Economics
Rick Johnson - Monday, July 11, 1977
9:00 A.M. - 4:30 P.M.

Write on three of the following questions in depth:

I. Discuss the accounting problems of a real estate equity investment trust generated by the various IRS rules governing the conditions of the conduit tax status of the trust. Be sure to indicate which problems were modified or eliminated by the 1976 tax reform act.

II. Assuming the extension of mortgage credit attempts to achieve zero dollars of loss for the lender, what risk management mechanisms may be applied to shift the variance between assumptions and cash realization from the lender on residential mortgages in 1976 in the areas of:

1. Contract relationship between borrower and lender
2. Internal portfolio management policy
3. Contract relationships between original lender and secondary institutions or investors
4. Relationship to federal government institutions

III. Discuss the significant innovations of the Ratcliff appraisal theory structure and then indicate specifically where economic base analysis, real estate credit market analysis, and compatibility of most probable use with the community each fit into the appraisal process and the relative weight given to each of these three considerations.

IV. Assuming the real estate process adjusts cash solvency at delivery for the consumer, producer, and public infrastructure to derive a location of choice, what changes do you foresee in the pattern of urban locations and existing land uses in response to:

1. Rising interest rates for consumer purchase of homes or business places
2. Rising levels of pollution control regulation and investment for the property owner including minipulation of energy prices to regulate use.
3. Reduction in the size, comfort, and range of private automobiles due to dependency on electric motors, steam engines, or other power sources than gasoline engines.

MINOR PRELIMINARY EXAMINATION FOR PH.D.
Real Estate & Urban Land Economics
Afternoon - 1:00-5:00 P.M., June 21, 1977

Write on four of the following questions, averaging one hour apiece, which should permit the examinee to provide high quality, well detailed responses in proper English syntax. Answers should demonstrate the ability to argue logically, familiarity with theory or literature relevant to the question.

I. Candidate must answer the following questions:

A. Patterns of commercial and industrial location are influenced by a multitude of factors. Discuss the impact of suburbanization, transportation, CBD deterioration, racial segregation, governmental policy, technology and changing market structure on the locational decisions of firms in the past 25 years. What forces do you feel will predominate in the next ten years? Justify your answer.

II. Write on three of the following questions:

A. Discuss how accounting principles and practice have distorted earnings and values of real estate investment trusts over the years anc contribute to the volatility of their share prices and investment position. Consider both general accounting problems and federal income tax accounting problems in your discussion.

B. "Feasibility analysis defines a set of parameters which would work and is the product of a generalist while project development requires feasibility confirmation by a team of specialits."
How does this statement by Don Samuelson relate to real estate appraisal by an MAI and the concept of most probable price?

C. The Wisconsin school describes the real estate process as the interaction of various cash cycle enterprises seeking to maintain cash solvency, with the result that their collective decisions impact on the land. To what degree do physical land attributes impose on cash flow planning for each of the viewpoints? To what degree do static attributes impose on all the parties in the aggregate over time?

D. How does the Ratcliff-Graaskamp approach to appraisal valuation to real estate as the most probable price at which a property would sell conflict or support current accounting theory on real estate asset valuation, balance sheet presentation, and surplus adjustments? Discuss on the assumption that the reader needs you to make the linkages between current accounting issues and current appraisal issues.

INTERNAL MINOR EXAMINATION FOR PH.D.
(Mark Wolfgram)

URBAN LAND ECONOMICS

September 16, 1977
(4 hour examination)

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

1. Describe the separate theoretical content of urban situs, succession, and structure. Explain the theoretical interrelation of these three areas.

2. What inconsistencies or theoretical inadequacies appear either in the development of each of these areas when viewed independently and, then, when viewed on an integrated basis?

II. Write on two of the following three questions. (Stanley)

1. Describe the components of a system of suburban residential growth control that is reasonably efficient and equitable, and is likely to pass judicial review.

2. Assume suburban residential growth control practices become widespread. Describe the complex set of changes likely to occur within central cities as a result. Include public housing, jobs segregations, industrial location, immigration, racial shifts, municipal revenues, ghetto development, CBD retail change, etc.

3. Metropolitan decentralization has been an outstanding urban characteristic from 1940-1970 in the top 30 SMSA's. The pattern has changed markedly in the seventies. Describe the numerous factors responsible for this change in the seventies.

III. How important is your major area of transportation to the conclusion reached in any or all of the above? (Andrews & Stanley)

AFTERNOON SESSION

Comprehensive Exam in Real Estate & Urban Land Economics

James R. DeLisle — Thursday, February 9, 1978

I. Choose one of the two following questions:

A. In the existing literature, microeconomic theories of the household and of the producer have been applied to the housing sector, and general equilibrium models determining household location, capital stock provisions, and land rent surfaces have been developed. An alternative formulation extends the analysis to take into account differences in the existing housing stock at different locations because of the existence of many submarkets and the fact that housing is a multidimensional commodity.

Describe the components of this multidimensionality and design a research framework capable of capturing the statistically significant factors influencing the consumer's housing consumption decision.

B. Milwaukee mayor Henry Maier has said "... we can metropolitanize our zoo, our sewers, our parks, our freeways, but we cannot metropolitanize social problems, education, private low income housing, public housing or any other step which would tend to effectively put the poor in the mainstream of American life..." Evaluate this statement in light of post-war patterns of suburbanization, and the concomitant social, economic, and governmental changes. Finally, sketch the elements of a plan for alleviating urban poverty that would be both efficient and equitable while at the same time effective in placing the poor "in the mainstream of American life."

II. Choose one of the following questions:

A. Suppose you were asked for advice by another university concerning the development of a small basic library in urban land economics and were confined to a list of the most strategic twenty-five titles (and authors), how would you respond? Since the inquiring university may not want to buy all of these titles immediately they ought to have the list in priority order.

B. In the discipline of urban land economics what do you consider to be:

1. The principal blank areas in the theoretical structure of the field?

2. The principal inadequacies or inconsistencies of existing theory?

Discuss in detail your reasoning behind the choices made in (1) and (2)

SECOND AFTERNOON SESSION

Comprehensive Exam in Real Estate & Urban Land Economics

James R. DeLisle   Friday, February 10, 1978

I. Choose one of the two following questions:

A. Discuss how the dynamic attributes of a shopping center site and structure influence the frequency of visitation and the average expenditure per visit and ultimately the total sales volume of the center.

B. Discuss how a significant rise in energy cost would modify the site, shape, and size of a Class A office space for rental income, multi-tenant use in terms of cash flows in the real estate process.

II. Write on one of the two following questions:

A. How does the concept of most fitting use relate to the Ratcliff approach to forecasting the most probable price at which a property will sell in an appraisal assignment? How does this contemporary approach differ in its assumptions from the traditional appraisal theory?

B. Attack or defend the position that public ownership of all land subject to long term leases to private parties for $1 and agreement to specific development uses would be consistent with a free enterprise system.

III. Write on one of the following questions:

A. Assuming that the real estate tax represents the equity position of a local community in individual real estate parcels, to what degree should the community actively spend money on public improvement to anticipate derivative increases in real estate tax income? Can the community formalize the purchase of future real estate tax income by investing the present value in public projects? What rate of return should the community use and what risks does it incur? Are these risks different than those of the private sector?

B. How would you define the subject matter of real estate? Can real estate be distinguished from urban land economics? Why is it important to place finite boundaries in a subject area or to distinguish real estate from land economics? In other words, catagorize the theoretical and philosophical differences between the two fields.

7. Assuming the real estate process adjusts cash solvency at delivery for the consumer, producer, and public infrastructure to derive a location of choice, what changes do you foresee in the pattern of urban locations and existing land uses in response to:

   1. Rising interest rates for consumer purchase of homes or business places.
   2. Rising levels of pollution control regulation and investment for the property owner inclucing mânipulation of energy prices to regulate use.
   3. Reduction in the size, confort, and range of private automobiles due to dependency on electric motors, steam engines, or other power sources than gasoline engines.

8. What are the strategic considerations of any real estate investment strategy for any individual portfolio or major capital fund with which to organize tactical criteria in the selection of real estate equity positions? In particular expand on the strategic implications of political silhouette and estate planning constraints for an individual investor after outlining and ranking all of the significant categories in the first part of this question.

9. In the past corporate asset management has stressed efficiency in the use of working capital. Today many corporations find 40-50% of total assets invested in land and buildings. Describe how you would organize the functions of a newly created office of real estate asset management for a companv which manufactures printing paper and has a million acres of woodlands with which to supply 50% of log requirements. Briefly identify strategic priorities and then the sequence of organizational steps you would follow if timberlands were presently managed by a forestry department which now reports to you.

10. Discuss the implications of traditional and current accounting mechanisms for the valuation of real estate appearing in the balance sheet of operating companies.

Real Estate & Urban Land Economics
Ph. D. Minor Exam
Howard Olson
Monday, May 1, 1978
Prepared by Poof. James A. Graaskamp

I. (25%) The University of Wisconsin Real Estate program is attempting to rebuild real estate theory around a structure of premises and sub-sy tems which are part of a model termed The Real Estate Process. Carefully define the basic axioms and major sub-systems of this process and indicate how the environmental limitations of physical land can be accommodated within the process.

II. (25%) Real Estate Finance is taught as a business system in which contracts and institutions evolve as risk management devices. Describe all the elements of the single family detached home mortgage market and institutions of residential mortgage finance in terms of their risk management contribution to the financial stability of the originating residential mortgage lending institutions.

III. (50%) Write on <u>two</u> of the following three questions:

A. Discuss the pros and cons of using a general partnership versus a limited partnership form of organization for a $2.5 million resort to be built from scratch by ten partners who could each place a maximum of $250,000 in the venture.

B. Ratcliff has stated that the objective of city planning is to reduce site rental differentials among various areas of the town to zero. Graaskamp, on the other hand, argues that the essence of free enterprise is monopoly to avoid competitive pricing; furthermore, Graaskamp argues that a town owns a portion of every taxable property because it can divert rental dollars via the real estate tax to the treasury of the town. Discuss the apparent contradiction between city planning and the city fiscal interests.

C. Describe the mechanisms by which a forecast of expansion of an economic base employment center can be translated into the demand for various types of real estate and public capital investment.

November 14, 1978

TEN PROPOSED QUESTIONS FOR A PH.D. PRELIMINARY EXAMINATION
Prepared for Self Study by
I. Richard Johnson
Proposed by Prof. James A. Graaskamp

1. Real Estate Finance is taught as a business system in which contracts and institutions evolve as risk management devices. Describe all the elements of the single family detached home mortgage market and institutions of residential mortgage finance in terms of their risk management contribution to the financial stability of the originating residential mortgage lending institutions.

2. The University of Wisconsin Real Estate program is attempting to rebuild real estate theory around a structure of premises and sub-systems which are part of a model termed The Real Estate Process. Carefully define the basic axioms and major sub-systems of this process and indicate how the environmental limitations of physical land can be accommodated within the process.

3. Real estate taxes have a significant impact on location decision for each enterprise and its real estate decisions. These taxes channel demand accidentally or deliberately to or away from certain locations. Is it ethical for businesses to exploit political fragmentation of real estate tax districts in order to locate to minimize real estate taxes despite undesirable metropolitan land use patterns? Is it ethical for municipal planners, finance directors and assessors to modify assessments so as to stimulate better land use planning and long term conservation of land resources?

4. What are the theoretical differences which distinguish most probable price as advocated by Ratcliff and fair market value, the traditional appraisal bench mark? Given the assumptions of most probable price, would it be appropriate as a measure of damages in the courtroom? Which approach is more fair to the property owner and which may be more sensitive to the public position? Why?

5. Development Rights Transfer (DRor TDR) are often touted as a means of alleviating the problem of Urban/Suburban windfalls/wipeouts and as a means of bringing order to the land planning process. The simple existence of such a proposal highlights the breakdown of a competitive land allocation system based on expected revenue flows. What has happened? Critically discuss the historic rationale for urban clustering, the role and result of modern economic forces, the breakdown in central city market mechanisms and the advantages/disadvantages of the proposed TDR system. Finally evaluate the probability of success of a TDR system and state the requirements for that even partial success.

6. Lenders on mixed use land developments sometimes use an instrument called "an equity participation loan" when the arrangement might be more properly termed a supplementary interest contract, surplus participation, deferred return contract, and joint venture. Discuss each of these four types of funding methods and specify how each can refine the allocation of entrepreneurial risk, capital risk, political risk and timing so that profit distribution will recognize the true nature of contributions of the lender and the developer to success of the project.

7. Select any two relatively successful and operational growth management systems and briefly describe the important distinguishing characteristics of each. Then describe the regional effects by referring to

   a) housing market impacts-demand & supply side
   b) Urban migration patterns
   c) employment
   d) Income effects (absolute and distributional)
   e) Municipal Expenditures for services
   f) socioeconomic impacts

8. Discuss the characteristics, negative and positive, of a no-growth economy vs. a growth-oriented economy. Relate these characteristics to Alonzo's "Real City" and the impact on central city housing, population decentralization, maldistribution of income, property tax base and public expenditures for services and infrastructure investment.

9. Critique the Classical methods available for estimating retail demand and market area. Evaluate the contribution of Central Place Theory, urban ecology and marketing geography to this body of knowledge. Devise a simple descriptive framework for estimating urban market potential which displays all the component parts of the consumer retail decision-to-purchase.

10. Design a marketing model capable of addressing the major forces acting to decrease retail sales in a city of 100,000 to 500,000 population. Your model should be able to estimate present sales levels, and forecast future sales under conditions of no change. Given that substantial new suburban shopping center construction has taken place, include a procedure for determining the social attitudes and preferences towards the downtown CBD that accompany the decentralization of sales and which modify regional effective demand. Provide a discussion of your model's quantitative output and the extent to which it can aid in formulating plans for downtown redevelopment that realistically address the feasible retailing alternatives available to the CBD.

Real Estate & Urban Land Economics
Ph.D. Minor Exam
Howard Olson
Friday, January 19, 1979
Prepared by Prof. James A. Graaskamp

I. (25%) The University of Wisconsin Real Estate program is attempting to rebuild real estate theory around a structure of premises and sub-systems which are part of a model termed The Real Estate Process. Carefully define the basic axioms and major sub-systems of this process and indicate how the environmental limitations of physical land can be accommodated within the process.

II. (25%) Real Estate Mortgage Lending is a business system in which contracts and institutions evolve as risk-management devices. Categorize the various types of risk inherent in a conventional income property multi-family loan and then thoroughly identify the various contract features and institutional devices which might be used to stabilize investment results for the mortgage lending institution, loan originator, and other related parties.

III. Compare and contrast the Ratcliff approach to contemporary appraisal to the traditional three approaches format in terms of assumptions, procedures, and techniques. Under what conditions would the Ratcliff approach be compatible with the definition of value required for eminent domain actions? (25%)

IV. (25%) What are the major issues confronting real estate investment strategists for the next decade as suggested by real estate and urban land economics periodicals, professional conference themes, and current economic concerns. While the examinee is permitted some flights of imagination, references, citations, and other supportive detail is strongly encouraged.

August 29, 1980

PRELIMINARY EXAMINATION QUESTIONS

URBAN LAND ECONOMICS

*

Explain in detail how situs theory contributes some answers to the questions:

1) Where do things belong in the modern city?

2) How do things locate in the city?

3) How do things relate?

How, if at all, do the following factors fit into the structure of land use succession theory?

1) Vacancies.

2) Filtering.

3) Zoning variance.

4) Tenure shift.

#

Two originals

precipitated

COMPREHENSIVE PRELIMINARY EXAMINATION

Real Estate & Urban Land Economics
First Afternoon
Monday, August 3, 1981

Write on three of the following questions. Please use a different set of blue books for each question as they will be forwarded to Prof. Andrews or Prof. STanley as appropriate. Distribute your two hour exam period equally among the three questions you choose.

A. The functional view of situs is often claimed to be the closest to "reality". What is the functional view? What are its weaknesses? Does the organic view of situs provide a better analogical appraoch than the functional? What are the distinctions between the two?

B. What is the relation of urban land use succession to the following:

a. Filtering?
b. Vacancies?
c. Tenure shift?
d. Zoning variance?

C. Select any two relatively successful and operational growth management systems and briefly describe the important distinguishing characteristics of each.

a. Housing market impacts-demand & supply side
b. Urban migration patterns
c. Employment
d. Income effects (absolute and distributional)
e. Municipal Expenditures for services
f. Socioeconomic impacts

D. Descirbe the Distinctive Characteristics of Urban Housing Markets. Given these unique dimensions, discuss the major structural compoments of a comparative static model of urban housing and indicate the method by which price adjustments are realized. Finally, indicate and discuss the set of market failures that have precipitated the current housing "crisis" characterized by a generally acknowledged shortage of housing while at the same time increasing amounts of central city housing lie abandoned and vandalized.

E. Urban economic growth and development considts of vast array of interdependent linkages with social, economic and political institutions. In a manner similar to Thompson, examine and describe the demand and supply side characteristics of urban growth. Design a quantitative model capable of yielding predictions of urban area growth patterns and describe the components of such a model. Explain what outputs would be required by real estate land developers in order to enhance the probability of successful residential, industrial or commerical investment.

Live originals

COMPREHENSIVE PRELIMINARY EXAMINATION
Real Estate & Urban Land Economics
Second Afternoon
Tuesday, August 4, 1981

Write on three of the following questions. Please use a different set of blue books for each question. Distribute your three hour exam period equally among the three questions you choose.

A. Real Estate Finance is taught as a business system in which contracts and Institutions evolve as risk management devices. Describe all the elements of the single family detached home mortgage market and institutions of residential mortgage finance in terms of their risk management contribution to the financial stability of the originating residential mortgage lending institutions.

B. What are the theoretical differences which distinguish most probable price as advocated by Ratcliff and fair market value, the traditional appraisal bench mark? Given the assumptions fo most probable price, would it be appropriate as a measure of damages in the courtroom? Which approach is more fair to the property owner and which may be more sensitive to the public poisiton? Why?

C. The two most important aspects in development of real estate investment strategy for any individual portfolio or major capital fund fall under the category of political silhouette and channelly demand. Expand on these concepts in terms of their components; then debate whether subsidized supply factors are better classified as political threats or marketing tools for controlling demand.

D. Assuming the real estate process adjusts cash solvency at delivery for the consumer, producer, and public infrastructure to derive a location of choice, what changes do you foresee in the pattern of urban locations and existing land uses in response to:

1. The collision of demographic patterns which emphasize single person households in the younger brackets and increasing numbers of retirees at reduced incomes with rising cost of occupancy in terms of taxes, energy, and maintenance as well as debt service in the purchase of homes.

2. The geometric increases in construction costs, occupancy costs, and financing to institutional ownership of high rise office construction and management in both central city and suburban areas together with rapid increases in base rents and expense pass-through provisions on Class A space.

3. The growing preference in the population for small is beautiful, experience rather than possessions, and self fulfillment rather than a family dedicated to children.

ALTERNATIVE PRELIM QUESTIONS FOR REAL ESTATE
REPRESENTING VIEWPOINT OF
PROFESSOR JAMES A. GRAASKAMP
AS OF JUNE 1983

I. Assuming the extension of mortgage credit attempts to achieve zero dollars of loss for the lender, what risk management mechanisms may be applied to shift the variance between assumptions and cash realization from the lender on residential mortgages in 1983 in the areas of:

1. Contract relationship between borrower and lender
2. Internal portfolio management policy
3. Contract relationships between original lender and secondary institutions or investors
4. Relationship to federal government institutions

II. Discuss the significant innovations of the Ratcliff appraisal theory structure and then indicate specifically where economic base analysis, real estate credit market analysis, and compatibility of most probable use with the community each fit into the appraisal process and the relative weight given to each of these three considerations.

III. Assuming the real estate process adjusts cash solvency at delivery for the consumer, producer, and public infrastructure to derive a location of choice, what changes do you foresee in the pattern of urban locations and existing land uses in response to:

1. Rising interest rates for consumer purchase of homes or business places.
2. Rising levels of pollution control regulation and investment for the property owner including manipulation of energy prices to regulate use.
3. Reduction in the size, comfort, and range of private automobiles due to dependency on electric motors, steam engines, or other power sources than gasoline engines.
4. Impact of enterprise zones on basic consumer/producer/infrastructure location equilibrium.

IV. Describe those sub-areas of the field of real estate appraisal in which there still exist substantial conceptual and analytical problems. What is the current prospect for the resolution of these problems?

V. Discuss the marketing problems of selling limited partnership interests in a HUD financed 100-unit residential multi-family project to be built after syndication is funded.

VI. In the discipline of urban land economics, what do you consider to be:

1. The principal blank areas in the theoretical structure of the field?
2. The principal inadequacies or inconsistencies of existing theory?

Discuss in detail your reasoning behind the choices made in 1 and 2.

VII. Real Estate Finance is taught as a business system in which contracts and institutions evolve as risk management devices. Describe all the elements of the single family detached home mortgage market and institutions of residential mortgage finance in terms of their risk management contribution to the financial stability of the originating residential mortgage lending institutions.

VIII. Ratcliff has stated that the objective of city planning is to reduce site rental differentials among various areas of the town to zero. Graaskamp, on the other hand, argues that the essence of free enterprise is monopoly to avoid competitive pricing; furthermore, Graaskamp argues that a town owns a portion of every taxable property because it can divert rental dollars via the real estate tax to the treasury of the town. Discuss the apparent contradiction between city planning and the city fiscal interests.

IX. Discuss trends and impact in the next decade toward control of real estate investments as securities as developed in Roulac and readings on condominiums.

X. Is it probable that real estate investment properties could out-perform bonds and common stocks to the end of our oil in this century as it has in the past 25 years? Supply a set of axioms and argue your position.

XI. What types of screens and asset allocation criteria should be used to select and rank real estate investments for a national social security system in a developing country? Supply a set of objectives which generate suggested screens.

XII. "Feasibility analysis defines a set of parameters which would work and is the product of a generalist while project development requires feasibility confirmation by a team of specialists." How does this statement by Don Samuelson relate to real estate appraisal by an MAI and the concept of most probable price?

XIII. Restaurant management strategy can aim at limitless combinations of customer frequency and average purchase per visit. As the strategy shifts from very high frequency of visits with small average purchase per visit to infrequent visits for very expensive meals, how do the relationships of site characteristics and space requirements change, too?

IVX. The futurist's literature on America forecasts a variety of shifts in the economic contexts for the U.S. Identify 15 major theories of this literature and suggest how they would impact long-term resale values of central business district office buildings.

VX. Assume a friend, 30 years old, has obtained a real estate broker's license in Wisconsin and a general business administration degree. For six years he sold IBM equipment. Now he wants to become sophisticated in real estate on a self-tutoring program. Select ten books involving real estate analysis which from your experience will provide both scope and detail, indicating the primary reason for each selection.

prelims

University of Wisconsin Madison

School of Business
1155 Observatory Drive
Madison, Wisconsin 53706

Graduate School of Business

June 28, 1983

MEMORANDUM

TO: Prof. Mike Miles
Prof. Marian Wolfe
Prof. Mike Robbins
Prof. Rod Matthews
Instructor Robert Gibson
Instructor Dan Gunther
Fred Rendahl
Allen Hembel
Max Kummerow

FROM: Prof. James A. Graaskamp

RE: Prelim Exam

Over the past year the Department has been considering development of an alternative format for the Real Estate and Urban Land Economics exam. A prelim exam should demonstrate the ability of the prospective candidate relative to:

1. Extemporaneous ability to focus a broad familiarity with the literature and concepts and authors in the field of real estate and urban land economics on selective issues.

2. The ability to structure agreement quickly with readable exposition in good grammatical form.

3. The ability to think creatively about new ideas or premises by application of analogy to existing concepts which may be germain.

4. The ability to research and construct an essay in a reasonable period of time on a selected topic in the major field.

Therefore, the preliminary exam will consist of two parts; Part 1 will provide four questions in a six-hour exam period (three hours in the morning, three hours in the afternoon) selected from faculty question sheets. Part 2 will consist of a take-home essay question designed in conjunction with one of the faculty. Part 1 must be completed and passed before Part 2 is commenced.

To these ends and to provide focus to prelim studies I have asked Professors Robbins and Wolfe to prepare a set of prelim questions representing important viewpoints in their area of expertise. They should provide 5-10 appropriate essay questions for which prospect can prepare to write on four questions selected by the faculty during a six-hour exam period. The second portion of the prelim exam will require the prospective candidate to select one of the faculty members with whom the prospect will design an essay topic question to be researched and developed into a formal essay over a fourteen-day period. As you may know, Prof. Mike Miles will enhance our faculty beginning in September of 1983. A copy of his vita is attached so that you can have some familiarity with his background.

By the end of spring semester 1984, he will be having equal input into the prelim exam process. For those taking the exam before June 1, 1984, the exam will reflect a choice of questions weighted so that two out of four will be from the Graaskamp list and one out of five from the Robbins and Wolfe lists respectively. Each question will provide some opportunity for selection by the candidate. After June 1 the prelim exam will provide equal representation of questions selected by the four full time professors.

Questions selected by Prof. Graaskamp are attached to this memo.

Prelim Questions For Real Estate and Urban Land Economics

Professor Marian F. Wolfe

July 1983

1. Methods of estimating retail trade areas have been developed over the past fifty years. Some of these are based on formal mathematical models, where each successive theorist has tried to improve upon models used by the preceding analyst. A good example of this is Huff's attempts to improve upon Reilly's Law of Retail Gravitation. Other methods are more atheoretical, such as the analog method, and represent more common sense approaches to measuring retail demand.

However, none of these approaches is foolproof, and often investment decisions are made more on "judgment" than on accurate predictions of future demand. Do you feel retail trade models can still be developed further or are there inherent problems in estimating future demand, and so no method will generate accurate predictions?

In your answer, be sure to indicate a thorough knowledge of the major theories (and associated applications) of estimating retail trade areas and an awareness of the reasons why it is necessary to estimate retail demand in a spatial context.

2. There are many models of urban spatial structure. Some of the more important ones include:

a) Ecological model of land use succession
b) Tiebout model of community choice
c) Intraurban location theory
d) Racial Discrimination

1. Explain these models and discuss how they can be useful in feasibility analysis.
2. Discuss the applicability of each in regards to a feasibility study of Capital Centre in downtown Madison.
3. How would your answer be different if you were doing a feasibility study for a new townhouse project in the Chicago suburbs?

3. Some academic fields, such as history, anthropology or comparative literature, provide analysis and interpretation which frequently lacks application to the real world. These fields are good examples of "knowledge for its own sake." However, economics, particular econometrics, professes more-specifically, the ability to predict future trends in local and national economies.

Over the years, economists have developed several methods and models to project economic development in urban areas. These include: Economic Base Analysis, Input-Output Models, and econometric urban models. Each of these approaches have positive and negative qualities, in reference to accuracy, expense, and accessibility. Although they are subject to criticism, both the private and public sectors support research work in developing models of the urban economy, since knowledge of the future is invaluable for decisions to be made in the present.

1. Evaluate these three approaches used in projecting future trends in local economies, in general, and specifically with regards to use in feasibility studies.
2. In addition to whatever methodological flaws that you discussed above, what are other problems inherent in predicting future economic and employment developments?
3. Will we be able to improve our methods of modeling the urban economy?

Discuss.

4. "On grounds of both equity and efficiency a case can be made for reducing the scope of existing housing assistance programs and introducing some form of housing allowance designed to ensure that all low income families have access to decent housing." (Henry Aaron) Describe what you see to be the major factors that distinguish urban housing from other commodities such as food that people enjoy and the poor need more of. In what ways do these factors affect the case for adopting a housing allowance policy as a remedy for urban housing problems?

What other factors, e.g. the nature of housing market housing externalities or low income households' demand for housing, should be considered when deciding whether a housing allowance strategy is the best approach for urban housing problems of the poor.

5. Urban economists first coined the term "fiscal crisis" in the mid-1970's when it appeared that many large, older cities were experiencing serious imbalances between revenues and expenses. The culmination of the "fiscal crisis" was evident in New York City, which was unable to meet its obligations on municipal bonds and underwent severe restructuring of the debt and urban expenditures, in the same way that many third world countries are being forced to do in 1983.

At the time New York City was in the throes of the "crisis," there were some economists who felt that the experience of New York City was a harbinger of the fate that awaits, sooner or later, all cities. However, there were others, such as Richard Nathan of the Brookings Institution, who felt that the U.S. does not have a national fiscal crisis, but instead the crisis is localized in a few big cities and older and larger suburban areas.

1. Using New York City as an example, summarize the key factors associated with the fiscal crisis in older cities in the U.S.
2. To what extent are these factors likely to lead to fiscal crisis in other urban areas in the future.
3. What influence do other more recent trends, such as state revenue limitations (California's Proposition 13) and the new federalism of the Reagan administration, have on your assessment of the universality of the fiscal crisis?

6. There is acute interest among individuals in both the private and public sectors to achieve high rates of employment. In some areas, such as Los Angeles and San Francisco, the concern centers on how best to increase the absolute number of jobs, since more jobs bring more people, and therefore growth and development. In other areas, such as Milwaukee, jobs creation is necessary to retain population and prevent decline. In still other urban areas, such as Detroit and Newark, the concern is how to alleviate poverty to reduce welfare dependency, since decline in jobs has not been accompanied by a decline in the welfare rolls.

According to Lester Thurow, we are currently in a "zero sum society" in which gains experienced by one group or region will be offset by losses for other groups or regions. Do you feel achieving these three goals of absolute growth in some areas, prevention of decline in others, and alleviation of poverty is possible simultaneously?

Be sure to include the following considerations in your answer:

a) Causes of unemployment, such as job obsolescence, sunset industries, regional shifts;
b) Explanations for poverty, such as discrimination, culture of poverty, lack of human capital, and secondary labor markets, and
c) Potential role that could be played by the federal government to assist these employment goals, assuming either that we continue with Reagan's new federalism philosophy or that Ted Kennedy gets elected.

7. Transportation is one of many urban systems which create positive and negative externalities. The negative externalities are frequently ignored by planners and developers, since transportation systems are so crucial to urban development. However, we have experienced many negative consequences of poorly designed and managed transportation systems. These problems cannot be easily mitigated, given the high capital costs of most systems.

Discuss the negative externalities of both "new" mass transit systems and intraurban freeway systems. How can transportation planners realistically quantify these externalities and include them in benefit-cost analyses of proposed new transportation systems? If benefit-cost analysis did include all negative and positive externalities, would such an assessment lead to different transportation planning decisions than were made between 1950 and 1980?

Real Estate Ph.D preliminary exam questions by Professor Michael Robbins
July 1984

COMMERCIAL DEVELOPMENT-1

Mr. Orvil P. Anderson has brought a real estate proposal for you to evaluate. As a beginning point you decide to establish a first level default ratio. Orvil has never heard of such a thing and asks you to explain it to him.

1. From the viewpoint of 555 define what a First Level Default Ratio is.

2. What type of information is needed to establish the ratio, i.e. what makes up the four (4) components of the ratio. (Note this is the evaluation ratio NOT the computational ratio)

3. Orvil wants to know why, only the income from mininum rent and common area charges were used, during the initial analysis when he had provided estimates of overages and escalations.

4. There are both advantages and disadvantages of using the default ratio as a risk parameter, and structuring the deal (in the beginning) around the risk ratio.

5. Discuss the advantages, as indicated by the 555 case problem, of using the default ratio to structure the deal.

6. Discuss the disadvantages, as indicated by the 555 case problem, of using the default ratio to structure the deal.

RESIDENTIAL DEVELOPMENT-1

The Residential Development Handbook states (page 249):

> "In the residential development business, unlike many others, developers do not attempt to create the market. A housing product is designed for a specific segment or segments of the population."

Discuss how the 554 project followed this concept.

RESIDENTIAL DEVELOPMENT-2

The Residential Development Handbook states (top page 148):

> "When the number of alternative sites has been narrowed to one and the feasibility of a project has been determined, it is necessary to gather and analyze all pertinent information about the chosen site before developing a preliminary land use plan."

From the viewpoint of the 554 project discuss what is wrong with this statement and why.

RESIDENTIAL DEVELOPMENT-3

The residential development process involves "a complex set of decisions over time by a group of key and supporting participants or decision agents. Key decision agents include the landowner, the developer, and the consumer; supporting decision agents include realtors, financiers, and public officials." Once begun, the process only continues through positive decision making by actors involved.

In class we have concentrated on the following components of the residential development process:

1. Site Attributes
2. Design Attributes
3. Cost Attributes
4. Income Attributes

With this in mind assume the following to be true!

Through concentration on these four development units, we have been interpreting Project Feasibility as being:

> "The reduction of conflict between these four units to acceptable levels."

The assumption being: to the degree that conflict is resolved, the inherent risk in the project is reduced.

Compare and Contrast the following:

The lowering of risk is synonymous with increased PROJECT feasibility, but not necessarily compatible with EQUITY performance characteristics.

Compare and Contrast the following:

The joining of forces between the Developer and Public Bodies usually results in increased PROJECT feasibility, and thus reduces the risk to both parties.

RESIDENTIAL DEVELOPMENT-4

If a development project has an anticipated absorption period of five (5) years, with about 20% of the total units sold each year, and,

if public money is available to write down the cost of the land or the cost of the dwelling units (the total public contributation is equal regardless of which option is used),

then which option will have the greatest impact on PROJECT feasibility as defined by the 554 class project? Be sure to DETAIL your reasons.

From a public policy standpoint is it more cost effective to have a one time capital write down on the cost of land or the direct cost of construction?

Should the write down require the owner to reduce all rents a small percentage or sharply reduce the rents on a few units?

How would you estimate the relationship of rent reductions to the amount of the write down?

Should the write down take the form of a grant or a subordinated lien on the property in exchange for a share in resale or refinance proceeds?

If you recommend a grant, what conditions would you require in the public interest?

COMPUTER ANALYSIS-1

Office Equipment Selection

You are to evaluate this real estate office operation and provide a proposal for the purchase of micro computer hardware and software. You have a budget of $90,000 for the entire package.

Assume that your analysis has indicated that the office staff consists of seventeen (17) individuals distributed across four (4) functional areas. The four functional areas of work within the office are as follow:

1. Real Estate Consulting - Orvil Anderson
   Consists of Orvil, his secretary, and office manager

2. Property Management (5 projects - 440 units)
   Consists of manager and secretary

3. Real Estate Brokerage
   Consists of 3 sales persons and secretary

4. Real Estate Appraisal
   Consists of 5 appraisers, 2 researchers, and secretary

Your task is to select the best combination of hardware and software for each functional area, remaine within the budgeted amount, and document your selections for each functional area.

Material Costs

The cost of the hardware and software are estimated as follows:

Hardware

1.	Computer	$4,500 ea.
2.	Hard Disk	$5,000 ea.
3.	Printer	
	A. Letter Quality	$2,300 ea.
	B. Dot Matrix	$ 750 ea.

Software

1.	Spreadsheet	$ 450 ea.
2.	Wordprocessing	$ 350 ea.
3.	Data Management	$ 800 ea.
4.	Investment Analysis	$2,000 ea.
5.	Statistical Analysis	$1,000 ea.
6.	Accounting	$1,000 ea.

EVALUATION TABLE

Staff #	Computer	Printer	Software	Cost
1.	________	________	________	________
2.	________	________	________	________
3.	________	________	________	________
4.	________	________	________	________
5.	________	________	________	________
6.	________	________	________	________
7.	________	________	________	________
8.	________	________	________	________
9.	________	________	________	________
10.	________	________	________	________
11.	________	________	________	________
12.	________	________	________	________
13.	________	________	________	________
14.	________	________	________	________
15.	________	________	________	________
16.	________	________	________	________
17.	________	________	________	________
Total (Not To Exceed $90,000)				========

#3 morning

APPRAISAL-1

You are to assume that you have been hired to review and comment on an appraisal of a three (3) year old midrise office building. The appraisal was commissioned and paid for by the property owner for the purpose of estimating the Fair Market Value of the subject property for sales purposes.

The appraiser hired produced an appraisal following the traditional appraisal format. Included in the appraisal were the three approaches to value, i.e. Cost, Income and Market. The appraiser did not indicate that one particular approach to value was any better estimater than another, and in fact indicated that all three value approaches indicated approximately the same value for the subject property.

Your task is as follows:

Following the methodology established by Graaskamp and the Contemporary Appraisal format outline an approach that you would employ to review and critique the appraisal and thus the estimated Fair Market Value. Your outline should indicate four (4) significant components of each of the three approaches to value that need to be evaluated. For each significant component you are to describe the significance of the component and the characteristic of the component that you, as the reviewer, will be looking for.

#2 afternoon

FEASIBILITY-1

The process of real estate feasibility analysis, as proposed by Ratcliff and implemented by Graaskamp, is to divide the problem of real estate feasibility analysis into a series of sequential steps. Each step builds on the information evaluated in the previous step.

Your question is as follows:

Identify the steps in the feasibilty process and then for each step discuss the intent of each step, from the view point of the feasibility analysis process, and identify the significant analysis factors utilized in each step.

COMMERCIAL DEVELOPMENT-3

Using the letter codes below, identify the program that would be used first to evaluate the conditions proposed by each of the following questions. Following your selection, describe why the program chosen is correct.

COST = "A"
SCRPT - "B"
ELLWOOD = "C"
BFCF = "D"
MRCAP = "E"

1. The possible economic benefits of selecting an alternative developer profile.

   Ans: ____________

2. Bringing the issue of compound interest through TIME into the analysis.

   Ans: ____________

3. To balance the concept of risk against debt/equity relationships.

   Ans: ____________

4. Evaluate the direct economic impact of any construction delay.

   Ans: ____________

5. Evaluate the relationship of equity yield before tax and risk and how the two combined impact upon the initial project economics.

   Ans: ____________

6. To test the underlying assumptions between the established construction budget and the concept of value.

   Ans: ____________

7. Refine the analysis process by providing equity evaluation on a before and after tax basis.

Ans: __________

8. Providing for sensitivity analyis of alternative design proposals via development budget analysis.

Ans: __________

9. Follows the classic format of the FRONT DOOR method.

Ans: __________

10. Providing for the measurement of equity yield rate over time.

Ans: __________

11. Indicating the required allocations, to defined categories, of the proposed operating budget.

Ans: __________

12. Evaluation of Capital Component account through depreciation.

Ans: __________

13. Established project value, in part through debt amortization.

Ans: __________

REAL ESTATE AND URBAN LAND ECONOMICS

PH.D. PRELIMINARY EXAMINATION

August 1984

For

ROBERT GIBSON

Prepared by:

Professors Graaskamp, Robbins & Wolfe

MORNING SESSION

Develop an essay using sentence structure outline where appropriate for each of the following three questions. Time allotted is 3½ hours from 8:30 a.m. to high noon.

The afternoon session will give you a choice of two out of three questions during a three-hour exam period from 1:00 p.m. to 4:00 p.m. The author of each question is noted but your essay will be read and graded by all three on the exam committee.

I. The University of Wisconsin was instrumental in establishing the field or Urban Land Economics. Richard Ely and Richard Ratcliff represented the "Institutional Economics" or 'Wisconsin Heritage." Recent work in Urban Land Economics Theory has focused more on spatial models of urban land markets, and is best represented by William Alonso, Richard Muth, and other economists, who have attempted to improve these urban land models. Ideally, it would be possible to draw the links between the earlier tradition of Urban Land Economics theory and the mathematical models used in the new generation of urban land market theory.

   A. Briefly discuss the spatial components of Urban Land Markets, which are associated with the 'Wisconsin" tradition.

   B. Define and illustrate what is meant by the "new generation" of Urban Land Market Theory.

   C. Indicate where "new" Urban Land Market theory has built upon the "Wisconsin" tradition, and where it has chartered new ground.

   D. In your opinion, has the new theory drawn the necessary links between prior theory and present outlooks? Justify your answer.

Morning Session, Continued

II. Assuming the extension of mortgage credit attempts to achieve zero dollars of loss for the lender, what risk management mechanisms may be applied to shift the variance between assumptions and cash realization from the lender on residential mortgages in 1983 in the areas of:

1. Contract relationship between borrower and lender
2. Internal portfolio management policy
3. Contract relationships between original lender and secondary institutions or investors
4. Relationship to federal government institutions
5. Relationship of builder to home mortgage supply and interest risks

III. You are to assume that you have been hired to review and comment on an appraisal of a three (3) year old midrise office building. The appraisal was commissioned and paid for by the property owner for the purpose of estimating the Fair Market Value of the subject property for sales purposes.

The appraiser hired produced an appraisal following the traditional appraisal format. Included in the appraisal were the three approaches to value, i.e. Cost, Income and Market. The appraiser did not indicate that one particular approach to value was any better estimator than another, and in fact, indicated that all three value approaches indicated approximately the same value for the subject property.

Your task is as follows:

Following the methodology established by Graaskamp and the Contemporary Appraisal format outline an approach that you would employ to review and critique the appraisal and thus the estimated Fair Market Value. Your outline should indicate four (4) significant components of each of the three approaches to value that need to be evaluated. For each significant component you are to describe the significance of the component and the characteristic of the component that you, as the reviewer, will be looking for.

Morning Session, Continued

II. Assuming the extension of mortgage credit attempts to achieve zero dollars of loss for the lender, what risk management mechanisms may be applied to shift the variance between assumptions and cash realization from the lender on residential mortgages in 1983 in the areas of:

1. Contract relationship between borrower and lender
2. Internal portfolio management policy
3. Contract relationships between original lender and secondary institutions or investors
4. Relationship to federal government institutions
5. Relationship of builder to home mortgage supply and interest risks

III. Assuming the real estate process adjusts cash solvency at delivery for the consumer, producer, and public infrastructure to derive a location of choice, what changes do you foresee in the pattern of urban locations and existing land uses in response to:

1. Rising interest rates for consumer purchase of homes or business places.
2. Rising levels of pollution control regulation and investment for the property owner including manipulation of energy prices to regulate use.
3. Reduction in the size, comfort, and range of private automobiles due to dependency on electric motors, steam engines, or other power sources than gasoline engines.
4. Impact of enterprise zones on basic consumer/producer/infrastructure location equilibrium.

REAL ESTATE AND URBAN LAND ECONOMICS

Ph.D. PRELIMINARY EXAMINATION

August 1984

For

ROBERT GIBSON

Prepared by:

Professors Graaskamp, Robbins & Wolfe

AFTERNOON SESSION

(Write on two of the three; you have from 1 - 4 p.m.)

I. Methods of estimating retail trade areas have been developed over the past fifty years. Some of these are based on formal mathematical models, where each successive theorist has tried to improve upon models used by the preceding analyst. A good example of this is Huff's attempts to improve upon Reilly's Law of Retail Gravitation. Other methods are more atheoretical, such as the analog method, and represent more common sense approaches to measuring retail demand.

However, none of these approaches is foolproof, and often investment decisions are made more on "judgment" than on accurate predictions of future demand. Do you feel retail trade models can still be developed further or are there inherent problems in estimating future demand, and so no method will generate accurate predictions?

In your answer, be sure to indicate a thorough knowledge of the major theories (and associated applications) of estimating retail trade areas and an awareness of the reasons why it is necessary to estimate retail demand in a spatial context.

II. The Process of real estate feasibility analysis, as proposed by Ratcliff and implemented by Graaskamp, is to divide the problem of real estate feasibility analysis into a series of sequential steps. Each step builds on the information evaluated in the previous step.

Your question is as follows:

Identify the steps in the feasibility process and then for each step discuss the intent of each step, from the view point of the feasibility analysis process, and identify the significant analysis factors utilized in each step.

III. Is it probable that real estate investment properties could out-perform bonds and common stocks to the end of our oil in this century as it has in the past 25 years? Supply a set of axioms and argue your position.

REAL ESTATE AND URBAN LAND ECONOMICS

PH.D. PRELIMINARY EXAMINATION

August 1985

For

Dan Guenther
Max Kummerow
Fred Rendahl

Prepared by:

Professors Graaskamp, Robbins & Wolfe

First Session

Develop an essay using sentence structure outline where appropriate for each of the following three questions. Time allotted is three hours from 9:00 a.m. to high noon.

The afternoon session will give you a choice of two out of three questions during a three-hour exam period from 1:00 p.m. to 4:00 p.m. The author of each question is noted but your essay will be read and graded by all three on the exam committee.

1. The University of Wisconsin was instrumental in establishing the field or Urban Land Economics. Richard Ely and Richard Ratcliff represented the "Institutional Economics" or 'Wisconsin Heritage." Recent work in Urban Land Economics Theory has focused more on spatial models of urban land markets, and is best represented by William Alonso, Richard Muth, and other economists, who have attempted to improve these urban land models. Ideally, it would be possible to draw the links between the earlier tradition of Urban Land Economics theory and the mathematical models used in the new generation of urban land market theory.

    A. Briefly discuss the spatial components of Urban Land Markets, which are associated with the 'Wisconsin" tradition.

    B. Define and illustrate what is meant by the "new generation" of Urban Land Market theory.

    C. Indicate where "new" Urban Land Market theory has built upon the 'Wisconsin" tradition, and where it has chartered new ground.

    D. In your opinion, has the new theory drawn the necessary links between prior theory and present outlooks? Justify your answer.

(Wolfe)

2. What are the theoretical differences which distinguish most probable price as advocated by Ratcliff and fair market value, the traditional appraisal bench mark? Given the assumptions of most probable price, would it be appropriate as a measure of damages in the courtroom? Which approach is more fair to the property owner and which may be more sensitive to the public position? Why? (Graaskamp)

3. If a development project has an anticipated absorption period of five (5) years, with about 20% of the total units sold each year, and

   if public money is available to write down the cost of the land or the cost of the dwelling units (the total public contribution is equal regardless of which option is used),

   then which option will have the greatest impact on PROJECT feasibility as defined by the 554 class project? Be sure to DETAIL your reasons.

   From a public policy standpoint is it more cost effective to have a one-time capital write down on the cost of land or the direct cost of construction?

   Should the write down require the owner to reduce all rents a small percentage or sharply reduce the rents on a few units?

   How would you estimate the relationship of rend reductions to the amount of the write down?

   Should the write down take the form of a grant or a subordinated lien on the porperty in exchange for a share in resale or refinance proceeds?

   If you recommend a grant, what conditions would you require in the public interest?

   (Robbins)

At the time New York City was in the toroes of the "crisis," there were some economists who felt that the experience of New York City was a harbinger of the fate taht awaits, sooner or later, all cities. However, there were others, such as Richard Nathan of the Brookings Institution, who felt that the U. S. does not have a national fiscal crisis, but instead the crisis is localized in a few big cities and older and larger suburban areas.

1. Using New York City as an example, summarize the key factors associated with the fiscal crisis in older cities in the U. S.
2. To what extent are these factors likely to lead to fiscal crisis in other urban areas in the future.
3. What influence do other more recent trends, such as state revenue limitations (California's Proposition 13) and the new federalism of the Reagan administration, have on your assesment of the universality of the fiscal crisis?

(Wolfe)

3. Lenders on mixed use land developments sometimes use an instrument called "an equity participation loan" when the arrangement might be more properly termed a supplementary interest contract, surplus participation, deferred return contract, and joint venture. Discuss each of these four types of funding methods and specify how each can refine the allocation of entrepreneurial risk, capital risk, political risk and timing so that profit distribution will recognize the true nature of contributions of the lender and the developer to success of the project.

(Graaskamp)

November 16, 1987

TO: Professors

Matthews
Myers
Robbins

Ph.D. Students

Eppli
Evans
Knox
Warzala

Carter
Zaprzalka
Riddiough

FROM: James A. Graaskamp

RE: Ph.D. Exam

Consistent with our discussions of July 20 I have assembled a representative set of past prelim exams and exam questions prepared to guide student preparation for the exam.

I would like each of the professors to prepare 10 questions that reflect current and important issues in their specialities or theories and techniques with which the Ph.D. student should be articulate and conversant. I would like to issue a compiled set of 30-40 questions by the first week of school. Professors should submit their questions to me by the end of summer vacation.

The format for the next Ph.D. comprehensive exam will be to require the student to write on 3 out of 4 questions on each of two afternoons 1-5. More than half the questions would reflect the field questions provided by the faculty as study guides. Following the exam the student would have no less than 8 weeks to prepare a detailed research proposal for the other component for the comprehensive exam for candidacy. Assuming Econ course requirements are resolved for the spring semester the first four Ph.D. students would like to take the comprehensive exam the end of July.

REAL ESTATE AND URBAN LAND ECONOMICS

PH.D. PRELIMINARY EXAMINATION

August 1985

For

Dan Guenther
Max Kummerow
Fred Rendahl

Prepared by:

Professors Graaskamp, Robbins & Wolfe

Second Session

1. Some academic fields, such as history, anthropology or comparative literature, provide analysis and interpretation which frequently lacks application to the real world. These fields are good examples of "knowledge for its own sake." However, economics, particular econometrics, professes more-specifically, the ability to predict future trends in local and national economies.

   Over the years, economists have developed several methods and models to project economic development in urban areas. These include: Economic Base Analysis, Input-Output Models, and econometric urban models. Each of these approaches have positive and negative qualities, in reference to accuracy, expense, and accessibility. Although they are subject to criticism, both the private and public sectors support research work in developing models of the urban economy, since knowledge of the future is invaluable for decisions to be made in the present.

   1. Evaluate these three approaches used in projecting future trends in local economies, in general, and specifically with regards to use in feasibility studies.
   2. In addition to whatever methodological flaws that you discussed above, what are other problems inherent in predicting future economic and employment developments?
   3. Will we be able to improve our methods of modeling the urban economy?

   Discuss. (Wolfe)

2. Urban economists first coined the term "fiscal crisis" in the mid-1970's when it appeared that many larger, older cities were experiencing serious imbalances between revenues and expenses. The culmination of the "fiscal crisis" was evident in New York City, which was unable to meet its obligations on municipal bonds and underwent severe restructuring of the debt and urban expenditures, in the same way that many third world countries are being forced to do in 1983.

ROD MATTHEWS
January 17, 1988

PRELIM QUESTIONS

1. What is the status of the "taking issue" in 1988 after the following recent Supreme Court decisions: Keystone Coal Assoc. v. DeBenedictis; First English Evangelical Lutheran Church of Glendale v. County of Los Angeles; and, Nollan v. California Coastal Commission ?

2. Since the turn of the century zoning has been premised on the Euclid case which upheld the segregation of residential uses from other types of land uses.

With the great current popularity of mixed use zoning, planned unit developments, and other creative forms of zoning, what now is the premise of zoning, and how does it differ from zoning which is premised upon the segregation of residential uses from other types of land uses?

UNIVERSITY OF WISCONSIN-MADISON

GRADUATE SCHOOL OF BUSINESS 1155 Observatory Drive
Madison, Wisconsin 53706

Ph.D. Minor Exam

Real Estate & Urban Land Economics

K. Edward Atwood

Write a one-hour essay on four of the following questions, utilizing sufficient detail and terminology to show professional competence and preparation in the literature as well as supporting your own arguments and opinions. In each question structure the subject material before providing a complete opinion called for by the question.

1. Distinguish between the concept of real estate, a real estate industry, and the real estate process. Is the University of Wisconsin view of the real estate process best taught in a school of business, a school of architecture and planning, or a school of law? Why?

2. If financial risk management is the control of variance between assumptions and realizations, indicate what federal programs have been developed since 1960 which would reduce the variance in financial revenues or costs of a savings and loan association relative to:
   1. Its savings pool attraction system
   2. Its loan acquisition system
   3. Its liquidity system
   4. Its safety system

   Give one institutional reform for each of the above elements and explain how it reduces variance in revenue or cost flows.

3. Could an appraisal done in the style and format of Professor R.U.Ratcliff be used to satisfy appraisal requirements explicit or implicit in the Canons of the CPA Institute governing valuation procedures? In what matters is it analagous to acceptable accounting procedure? What features or elements of the Ratcliff approach might be incompatible with accounting principles?

4. What are the major tax shelter strategies of a developer of real estate projects prior to actual operations and rent of the completed project?

5. Critique the cost approach in appraisal from the stand point of its compatability with auditing principles. Does the Ratcliff attack on the cost approach undermine in any way the premises of valuation in accounting?

MAJOR PRELIMINARY EXAMINATION FOR PH.D.
Real Estate & Urban Land Economics
Morning Session -

DIRECTIONS:

The morning section allocates three hours to develop a carefully structured response to one question selected from each of the following three categories prepared by Professors Andrews and Stanley. Average time of one hour per question should permit the examinee to provide high quality responses in English.

I. Select one of the following two questions.

A. Describe the components of a aystem for suburban residential growth control that is economically efficient, equitable, feasible, practical and legally valid. The advantages and disadvantages of each component, as well as its definition, should be included.

B. Patterns of commerical and industrial location are influenced by a multitude of factors. Discuss the impact of suburbanization, transportation, CBD deterioration, racial segregation, governmental policy, technology and changing market structure on the locational decisions of firms in the past 25 years. What forces to you feel will predominate in the next ten years? Justify your answer.

II. All candidates will write on the following question:

A. Filtering, a small component in the structure of urban change, has often been proposed as a primary goal of government housing policy. Place filtering in perspective by describing the system of metropolitan change operative in the late 1970's with special reference to economic, social, demographic, racial and political patterns. The anchor points for your analysis are market price effects, market distortions, government policy and the twin benchmarks of efficiency and equity.

III. Select one of the following two questions:

A. Relative to the conceptual areas of urban situs, structure, and land use succession explain:

a. The position of these areas in the total framework of the discipline of urban land economics.
b. The theoretical weaknesses and inadequacies of these areas

OR

B. Develop a model which explains residential location within urban areas. Justify the variables used with empirical evidence.

THIS EXAM SHEET MUST BE IN BLUE BOOK

MAJOR PRELIMINARY EXAMINATION FOR PH.D.
Real Estate & Urban Land Economics
Afternoon Session - Tuesday, June 21, 1977

DIRECTIONS:

Write on three of the following questions prepared by Professor James Graaskamp:

A. "Feasibility analysis defines a set of parameters which would work and is the product of a generalist while project development requires feasibility confirmation by a team of specialists." How does this statement by Don Samuelson relate to real estate appraisal by an MAI and the concept of most probable price?

B. In an a developing country such as Ghana, to pick an example at random, what risk management mechanisms exist or must be created to contol the variance in income and losses for residential development mortgages. To what degree do the systems of the United States mortgage market need to exist or need to be considered irrelevant on matters of:

1. Contract relationship between borrower and lender
2. Internal portfolio management policy
3. Contract relationships between original lender and secondary institutions or investors
4. Liquidity and devaluation due to balance of payments or government deficit operations

C. Is it probable that real estate investment properties could out-perform bonds and common stocks to the end of our oil in this century as in the past 25 years? Supply a set of axioms and argue your position.

D. What types of screens and asset allocation criteria should be used to select and rank real estate investments for a national social security system in a developing country? Supply a set of objectives which generate suggested screens.

THIS EXAM SHEET MUST BE IN BLUE BOOK

II. Write on two of the following questions:

a. Discuss the concept~~e~~ of "feasibility analysis" in relation to development of a urban fringe site as a planned unit development type of subdivision.

b/ Develop a model formula of relationships for analyzing the optimal size and form of a proposed downtown high-rise office building. You may assume such given constraints as you wish and define your own symbols, etc.

c. Suggest the various alternative government policies which could be used to affect the cash flow of apartment house developmemt in such a way that rents charged the tenant could be held within the range of lower income groups and still provide a return to the investor.

Sample Ph.D. Comprehensive Questions

1. Comment in detail on the significance of or contribution by real estate appraisal to each of the other principal functional areas of the real estate profession. How, if at all, have the relations of appraisal to these other areas changed over the past 25 years?

2. Describe those sub-areas of the field of real estate appraisal in which there still exist substantial conceptual and analytical problems. What is the current prospect for the resolution of these problems?

3. Discuss the marketing problems of selling limited partnership interests in a FHA residential multi-family project to be built after syndication is funded. [illegible] 100 unit [illegible]

4. In the discipline of urban land economics what do you consider to be:
   a. The principal blank areas in the theoretical structure of the field?
   b. The principal inadequacies or inconsistencies of existing theory?

   Discuss in detail your reasoning behind the choices made in a and b.

5. Suppose you were asked for advice by another university concerning the development of a small basic library in urban land economics and were confined to a list of the most strategic twenty-five titles (and authors), how would you respond? Since the inquiring university may not want to buy all of these titles immediately they ought to have the list in priority order.

PH.D QUALIFYING EXAMINATION QUESTIONS

IN URBAN ECONOMICS AND URBAN GROWTH ANALYSIS

Answer _two_ of the following three questions.

I. Filtering, a small component in the structure of urban change, has often been proposed as a primary goal of government housing policy. Place filtering in perspective by describing the system of metropolitan change operative in the late 1970's with special reference to economic, social, demographic, racial and political patterns. The anchor points for your analysis are market price effects, market distortions, government policy and the twin benchmarks of efficiency and equity.

II. Describe the components of a system for suburban residential growth control that is economically efficient, equitable, feasible, practical and legally valid. The advantages and disadvantages of each component, as well as its definition, should be included.

III. Patterns of commercial and industrial location are influenced by a multitude of factors. Discuss the impact of suburbanization, transportation, CBD deterioration, racial segregation, governmental policy, technology and changing market structure on the locational decisions of firms in the past 25 years. What forces do you feel will predominate in the next ten years? Justify your answer.

Ph.D. Qualifying Examination Questions
in Urban Economics

Choose one of the following:

1. After thirty years of population and employment suburbanization coincident with increasing levels of market imperfection and governmental intervention, we are forced to admit that low income, typically minority, groups are prisoners within deteriorating central cities predominantly in the industrialized Northeast. Discuss and evaluate on the basis of efficiency and equity the many social, political and economic factors that have contributed and continue to exacerbate this condition.

2. Development Rights Transfer (DRT or TDR) are often touted as a means of alleviating the problem of Urban/Suburban windfalls/wipeouts and as a means of bringing order to the land planning process. The simple existence of such a proposal highlights the breakdown of a competitive land allocation system based on expected revenue flows. What has happened? Critically discuss the historic rationale for urban clustering, the role and result of modern economic forces, the breakdown in central city market mechanisms and the advantages/disadvantages of the proposed TDR system. Finally, evaluate the probability of success of a TDR system and state the requirements for that even partial success.

SELF-STUDY QUESTIONS

1. What urban institutional forms have the most direct and dramatic effect on urban situs, structure, and succession? What is the precise nature of this impact? What cross-institutional conflicts or cumulations are possible if not probable?

2. What are the significant, non-quantifiable variables of situs? What are the long-term prospects for their quantification?

3. Urban structure is usually conceived in both land use and a physical sense. How is this dual character explained? What are the relationships of the two?

4. What is the tie between urban situs and structure? Is structure more than an agglomeration of situs relationships? Explain.

5. What are the principal influences on structure of : city age? culture? size?

6. What are the probability levels of succession for each major urban land use category and their principal subcatagories? What is the rationale behind the probability levels chosen?

7. What is the relation of urban land use succession to the following:

   a. Filtering?
   b. Vacancies?
   c. Tenure shift?
   d. Zoning variance?

8. Is urban land use succession best conceived of as an urban area/district phenomenon or as an individual property situation?

9. The functional view of situs is often claimed to be the closest to "reality". What is the functional view? What are its weaknesses?

10. Does the organic view of situs provide a better analogical approach than the functional? What are the distinctions between the two?

Ph.D. Exam Questions

from Dowell Myers

1. Some have said market research, over the past decade, has been non-consequential, mere window dressing, or a charade. Why is this so, and how may it be changing?

2. All market studies present data pertaining to economic base or employment trends. Often this data resembles boiler plate that is never quantitatively factored into the analysis. How can employment forecasts be integrated into real estate market research?

3. Most market studies present data on "demographics." Without making use of examples, explain the general value of demographic data for real estate market research. How do these data really improve the decision-making process? How should they be quantitatively factored into the analysis of markets?

4. Institutional investors have recently decided to increase apartment holdings in their portfolios despite high vacancy rates nationwide. What is the outlook for apartment markets over the next decade? How will current forces of supply and demand interact to shape the return on apartment investments?

5. What is filtering in the housing market? How did the urban land economists Ratcliff, Hoyt, and Fisher view this? How does the modern experience of gentrification force us to revise filtering theory?

6. Centralization of urban development is breaking down. More offices and retail are being built in suburbs. In addition, Lessinger (and others) have argued that outlying, exurban areas will experience the most rapid development over the next decade. With so many alternative sites in suburbs or outlying areas, scarcity and value are reduced. Will development be spread thinly across vast acreage, or what? Discuss the major forces shaping the changing geography of prime real estate investments. Are downtown markets "finished"?

7. In the early 1960s, the new science of "urban economics" sprang up to succeed "urban land economics" (ULE) in dominance. How was this able to occur? What were the advantages of urban economics and the disadvantages of ULE? Now, some are saying that the disadvantages of urban economics are growing more apparent and the advantages of ULE may be rediscovered. Please discuss this succession of paradigms.

8. Classic urban land economic theory holds that land use succession is part of a cycle involving maturity and then deterioration. Must all sites decline? Is deterioration even a requirement of succession? What is the basic economic process, how is it consistent with classical ULE theory and how may this theory be extended?

9. The notion of an anchor is key to retail analysis. Relate this concept to the notion of linkages in urban land economics, then address the following example: It is clear that Madison's Capitol on the Square anchors the surrounding office market. Unfortunately, it cannot adequately anchor the surrounding retail market that has been declining. How might the historical museum nearby help to anchor a new special-purpose cluster of retail establishments?

10. What is the process of "discovery" in academic knowledge? Discuss the role of discoveries in paradigm change. How do practical research problems faced in the industry interact with academic theory to create discovery and paradigm change? How should scholars position themselves with regard to this process if they are to increase their chances for leadership?

Jim:
Your Copy

Typical Ph.D. Preliminary Examination Questions

In Urban Economics

For Self Study

Prepared by C. E. Stanley

1. Describe the Distinctive Characteristics of Urban Housing Markets. Given these unique dimensions, discuss the major structural components of a comparative static model of urban housing and indicate the method by which price adjustments are realized. Finally, indicate and discuss the set of market failures that have precipated the current housing "crisis" characterized by a generally acknowledged shortage of housing while at the same time increasing amounts of central city housing lie abandoned and vandalized.

2. Evaluate the economic logic of the argument that employment has moved to the suburbs because central business district land values have gone so high that employers can no longer afford to locate there. Include a discussion of the economic theory supporting your analysis. Overlay your conclusions with a discussion of the social, political and institutional factors aggravating and confusing the basic economic issues. An urban economic model such as that employed by Mills may prove helpful.

3. Critically review Post-war Urban Public Housing Policy (UPHP) in terms of efficiency and equity. Formulate a set of urban goals and design a UPHP that supports those goals or at least does not further the deterioration of the central city. Your UPHP should consist of a list of characteristics and their associated impacts, positive and negative, similar to the work completed by Rothenberg.

4. The major policy debates in urban transportation seem to center on the benefits and costs of public transit vs automobile travel. As an urban economist your perspective must be broad enough to recognize that transportation affects many dimensions of urban life as well as the future pattern of urban development. Design a cost-benefit framework that incorporates the multidimensional impact of transportation on the urban economy.

5. Urban economic growth and development consists of a vast array of interdependent linkages with social, economic & political institutions. In a manner similar to Thompson, examine and describe the demand and supply side characteristics of urban growth. Design a quantitative model capable of yielding predictions of urban area growth patterns and describe the components of such a model. Explain what outputs would be required by real estate land developers in order to enhance the probability of successful residential, industrial or commercial investment.

6. A review of the history of zoning and its reform suggests that changes are brought about by economic interests. Critically evaluate the statement "...Zoning reform will continue to create new winners and losers thus creating incentives for further change". Evaluate the case for the elimination of zoning vs continuing reform. Establish the links between zoning and Central City deterioration.

7. Select any two relatively successful and operational growth management systems and briefly describe the important distinguishing characteristics of each. Then describe the regional effects by referring to

   a) housing market impacts-demand & supply side
   b) Urban migration patterns
   c) employment
   d) Income effects (absolute and distributional)
   e) Municipal Expenditures for services
   f) socioeconomic impacts

8. Discuss the characteristics, negative and positive, of a no-growth economy vs. a growth-oriented economy. Relate these characteristics to Alonzo's "Real City" and the impact on central city housing, population decentralization, maldistribution of income, property tax base and public expenditures for services and infrastructure investment.

9. Critique the Classical methods available for estimating retail demand and market area. Evaluate the contribution of Central Place Theory, urban ecology and marketing geography to this body of knowledge. Devise a simple <u>descriptive</u> framework for estimating urban market potential which displays all the component parts of the consumer retail decision-to-purchase.

10. Design a marketing model capable of addressing the major forces acting to decrease retail sales in a city of 100,000 to 500,000 population. Your model should be able to estimate present sales levels, and forecast future sales under conditions of no change. Given that substantial new suburban shopping center construction has taken place, include a procedure for determining the social attitudes and preferences towards the downtown CBD that accompany the decentralization of sales and which modify regional effective demand. Provide a discussion of your model's quantitative output and the extent to which it can aid in formulating plans for downtown redevelopment that realistically address the feasible retailing alternatives available to the CBD.

SELF-STUDY QUESTIONS

Andrews

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REAL ESTATE AND URBAN LAND ECONOMICS

PH.D. PRELIMINARY EXAMINATION

August 1984

For

ROBERT GIBSON

Prepared by:

Professors Graaskamp, Robbins & Wolfe

MORNING SESSION

Develop an essay using sentence structure outline where appropriate for each of the following three questions. Time allotted is 3½ hours from 8:30 a.m. to high noon.

The afternoon session will give you a choice of two out of three questions during a three-hour exam period from 1:00 p.m. to 4:00 p.m. The author of each question is noted but your essay will be read and graded by all three on the exam committee.

I. The University of Wisconsin was instrumental in establishing the field or Urban Land Economics. Richard Ely and Richard Ratcliff represented the "Institutional Economics" or 'Wisconsin Heritage." Recent work in Urban Land Economics Theory has focused more on spatial models of urban land markets, and is best represented by William Alonso, Richard Muth, and other economists, who have attempted to improve these urban land models. Ideally, it would be possible to draw the links between the earlier tradition of Urban Land Economics theory and the mathematical models used in the new generation of urban land market theory.

   A. Briefly discuss the spatial components of Urban Land Markets, which are associated with the 'Wisconsin" tradition.

   B. Define and illustrate what is meant by the "new generation" of Urban Land Market Theory.

   C. Indicate where "new" Urban Land Market theory has built upon the 'Wisconsin" tradition, and where it has chartered new ground.

   D. In your opinion, has the new theory drawn the necessary links between prior theory and present outlooks? Justify your answer.

Morning Session, Continued

II. Assuming the extension of mortgage credit attempts to achieve zero dollars of loss for the lender, what risk management mechanisms may be applied to shift the variance between assumptions and cash realization from the lender on residential mortgages in 1983 in the areas of:

1. Contract relationship between borrower and lender
2. Internal portfolio management policy
3. Contract relationships between original lender and secondary institutions or investors
4. Relationship to federal government institutions
5. Relationship of builder to home mortgage supply and interest risks

III. You are to assume that you have been hired to review and comment on an appraisal of a three (3) year old midrise office building. The appraisal was commissioned and paid for by the property owner for the purpose of estimating the Fair Market Value of the subject property for sales purposes.

The appraiser hired produced an appraisal following the traditional appraisal format. Included in the appraisal were the three approaches to value, i.e. Cost, Income and Market. The appraiser did not indicate that one particular approach to value was any better estimator than another, and in fact, indicated that all three value approaches indicated approximately the same value for the subject property.

Your task is as follows:

Following the methodology established by Graaskamp and the Contemporary Appraisal format outline an approach that you would employ to review and critique the appraisal and thus the estimated Fair Market Value. Your outline should indicate four (4) significant components of each of the three approaches to value that need to be evaluated. For each significant component you are to describe the significance of the component and the characteristic of the component that you, as the reviewer, will be looking for.

Morning Session, Continued

II. Assuming the extension of mortgage credit attempts to achieve zero dollars of loss for the lender, what risk management mechanisms may be applied to shift the variance between assumptions and cash realization from the lender on residential mortgages in 1983 in the areas of:

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5. Relationship of builder to home mortgage supply and interest risks

III. Assuming the real estate process adjusts cash solvency at delivery for the consumer, producer, and public infrastructure to derive a location of choice, what changes do you foresee in the pattern of urban locations and existing land uses in response to:

1. Rising interest rates for consumer purchase of homes or business places.
2. Rising levels of pollution control regulation and investment for the property owner including manipulation of energy prices to regulate use.
3. Reduction in the size, comfort, and range of private automobiles due to dependency on electric motors, steam engines, or other power sources than gasoline engines.
4. Impact of enterprise zones on basic consumer/producer/infrastructure location equilibrium.

REAL ESTATE AND URBAN LAND ECONOMICS

Ph.D. PRELIMINARY EXAMINATION

August 1984

For

ROBERT GIBSON

Prepared by:

Professors Graaskamp, Robbins & Wolfe

AFTERNOON SESSION

(Write on two of the three; you have from 1 - 4 p.m.)

I. Methods of estimating retail trade areas have been developed over the past fifty years. Some of these are based on formal mathematical models, where each successive theorist has tried to improve upon models used by the preceding analyst. A good example of this is Huff's attempts to improve upon Reilly's Law of Retail Gravitation. Other methods are more atheoretical, such as the analog method, and represent more common sense approaches to measuring retail demand.

However, none of these approaches is foolproof, and often investment decisions are made more on "judgment" than on accurate predictions of future demand. Do you feel retail trade models can still be developed further or are there inherent problems in estimating future demand, and so no method will generate accurate predictions?

In your answer, be sure to indicate a thorough knowledge of the major theories (and associated applications) of estimating retail trade areas and an awareness of the reasons why it is necessary to estimate retail demand in a spatial context.

II. The Process of real estate feasibility analysis, as proposed by Ratcliff and implemented by Graaskamp, is to divide the problem of real estate feasibility analysis into a series of sequential steps. Each step builds on the information evaluated in the previous step.

Your question is as follows:

Identify the steps in the feasibility process and then for each step discuss the intent of each step, from the view point of the feasibility analysis process, and identify the significant analysis factors utilized in each step.

III. Is it probable that real estate investment properties could out-perform bonds and common stocks to the end of our oil in this century as it has in the past 25 years? Supply a set of axioms and argue your position.

REAL ESTATE AND URBAN LAND ECONOMICS

PH.D. PRELIMINARY EXAMINATION

August 1985

For

Dan Guenther
Max Kummerow
Fred Rendahl

Prepared by:

Professors Graaskamp, Robbins & Wolfe

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    B. Define and illustrate what is meant by the "new generation" of Urban Land Market theory.

    C. Indicate where "new" Urban Land Market theory has built upon the 'Wisconsin" tradition, and where it has chartered new ground.

    D. In your opinion, has the new theory drawn the necessary links between prior theory and present outlooks? Justify your answer.

(Wolfe)

2. What are the theoretical differences which distinguish most probable price as advocated by Ratcliff and fair market value, the traditional appraisal bench mark? Given the assumptions of most probable price, would it be appropriate as a measure of damages in the courtroom? Which approach is more fair to the property owner and which may be more sensitive to the public position? Why? (Graaskamp)

3. If a development project has an anticipated absorption period of five (5) years, with about 20% of the total units sold each year, and

   if public money is available to write down the cost of the land or the cost of the dwelling units (the total public contribution is equal regardless of which option is used),

   then which option will have the greatest impact on PROJECT feasibility as defined by the 554 class project? Be sure to DETAIL your reasons.

   From a public policy standpoint is it more cost effective to have a one-time capital write down on the cost of land or the direct cost of construction?

   Should the write down require the owner to reduce all rents a small percentage or sharply reduce the rents on a few units?

   How would you estimate the relationship of rend reductions to the amount of the write down?

   Should the write down take the form of a grant or a subordinated lien on the porperty in exchange for a share in resale or refinance proceeds?

   If you recommend a grant, what conditions would you require in the public interest?

   (Robbins)

At the time New York City was in the toroes of the "crisis," there were some economists who felt that the experience of New York City was a harbinger of the fate taht awaits, sooner or later, all cities. However, there were others, such as Richard Nathan of the Brookings Institution, who felt that the U. S. does not have a national fiscal crisis, but instead the crisis is localized in a few big cities and older and larger suburban areas.

1. Using New York City as an example, summarize the key factors associated with the fiscal crisis in older cities in the U. S.
2. To what extent are these factors likely to lead to fiscal crisis in other urban areas in the future.
3. What influence do other more recent trends, such as state revenue limitations (California's Proposition 13) and the new federalism of the Reagan administration, have on your assesment of the universality of the fiscal crisis?

(Wolfe)

3. Lenders on mixed use land developments sometimes use an instrument called "an equity participation loan" when the arrangement might be more properly termed a supplementary interest contract, surplus participation, deferred return contract, and joint venture. Discuss each of these four types of funding methods and specify how each can refine the allocation of entrepreneurial risk, capital risk, political risk and timing so that profit distribution will recognize the true nature of contributions of the lender and the developer to success of the project.

(Graaskamp)

November 16, 1987

TO: Professors

Matthews
Myers
Robbins

Ph.D. Students

Eppli
Evans
Knox
Warzala

Carter
Zaprzalka
Riddiough

FROM: James A. Graaskamp

RE: Ph.D. Exam

Consistent with our discussions of July 20 I have assembled a representative set of past prelim exams and exam questions prepared to guide student preparation for the exam.

I would like each of the professors to prepare 10 questions that reflect current and important issues in their specialities or theories and techniques with which the Ph.D. student should be articulate and conversant. I would like to issue a compiled set of 30-40 questions by the first week of school. Professors should submit their questions to me by the end of summer vacation.

The format for the next Ph.D. comprehensive exam will be to require the student to write on 3 out of 4 questions on each of two afternoons 1-5. More than half the questions would reflect the field questions provided by the faculty as study guides. Following the exam the student would have no less than 8 weeks to prepare a detailed research proposal for the other component for the comprehensive exam for candidacy. Assuming Econ course requirements are resolved for the spring semester the first four Ph.D. students would like to take the comprehensive exam the end of July.

REAL ESTATE AND URBAN LAND ECONOMICS

PH.D. PRELIMINARY EXAMINATION

August 1985

For

Dan Guenther
Max Kummerow
Fred Rendahl

Prepared by:

Professors Graaskamp, Robbins & Wolfe

Second Session

1. Some academic fields, such as history, anthropology or comparative literature, provide analysis and interpretation which frequently lacks application to the real world. These fields are good examples of "knowledge for its own sake." However, economics, particular econometrics, professes more-specifically, the ability to predict future trends in local and national economies.

   Over the years, economists have developed several methods and models to project economic development in urban areas. These include: Economic Base Analysis, Input-Output Models, and econometric urban models. Each of these approaches have positive and negative qualities, in reference to accuracy, expense, and accessibility. Although they are subject to criticism, both the private and public sectors support research work in developing models of the urban economy, since knowledge of the future is invaluable for decisions to be made in the present.

   1. Evaluate these three approaches used in projecting future trends in local economies, in general, and specifically with regards to use in feasibility studies.
   2. In addition to whatever methodological flaws that you discussed above, what are other problems inherent in predicting future economic and employment developments?
   3. Will we be able to improve our methods of modeling the urban economy?

   Discuss. (Wolfe)

2. Urban economists first coined the term "fiscal crisis" in the mid-1970's when it appeared that many larger, older cities were experiencing serious imbalances between revenues and expenses. The culmination of the "fiscal crisis" was evident in New York City, which was unable to meet its obligations on municipal bonds and underwent severe restructuring of the debt and urban expenditures, in the same way that many third world countries are being forced to do in 1983.