

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

B. Assessors and Other Public Officials

13. Address given at the Dane County Regional Planning Commission Dinner; ties the real estate process into the planning process. No date or place given

## Dane County Regional Planning Commission Dinner

### I. Some Basic Definitions

It is not always clear whether regional planning is primarily concerned with real estate matters or real estate is continually reacting to issues and forces created by planning. I would like to think the space-time product we call real estate is responding to collective needs and objectives defined by regional planning.

- A. Reminded of a student comment in a physics lecture where one professor was arguing that a black hole was caused as the result of a super density of mass while the other was arguing that mass was the result of particles with opposite charges colliding and cancelling each other out. The student in frustration observed that for all their talk, modern physics didn't know its mass from a hole in space.
- B. So let me begin with a fundamental concept of our program in real estate.
  - 1. Real estate is artificially delineated space with a dimension in time intended to house an activity.
  - 2. Real estate is a manufactured artifact in the money economy that means that every element of real estate is a cash cycle enterprise.
  - 3. The real estate business is any element of expertise involved in the conversion of space/time to money/time and of money/time to space/time.
  - 4. A real estate project is a captive customer for services and supply.
  - 5. Equity is the degree to which you can convert or divert real estate cash flows to your benefit.
- C. The real estate process involves three major groups of enterprises which can be further sub-divided.
  - 1. The consumer group - user, collective user, future user.
  - 2. The production group - capital, management, and labor and materials
  - 3. The infrastructure group of offsite services, utilities and government
- D. All these parties are organized enterprises with the fundamental objective of remaining solvent. Solvency not value is the critical issue.
  - 1. Solvency explains the migration to lower priced homes and the rural communities.
  - 2. Solvency explains the farmers fight against land use controls which reduce the changes of his selling land at a price which will sustain his retirement.
  - 3. Lack of understanding of value and solvency leads to home sellers accepting land contract terms at their price, rather than sell for cash at a much lower price.
- E. Fear of change in the status quo. Fear of change is the primary motivator in opposition to planning commission land use decisions as these decisions may threaten planning expectations of solvency.

- II. All the investor has in a piece of real estate is a set of assumptions about the future and these must be the softest assumptions of all.
  - A. Prudential economist
  - B. The real estate economist - stranded on a desert island, opening a can of beans.
  - C. We are undergoing a difficult transition from a political economy which stressed distribution of production benefits to a political economy which stresses accumulation of capital and participatory democracy.
  - D. The loss of federal and state aids will push much of the responsibility for local services on the real estate tax base of the township, city, and county. In Dane County, the real estate tax will be hard pressed to maintain the infrastructure of roads and public transit, of schools and welfare services which were initially prompted and supported by grants in the state and federal level.
    1. Fundamental to planning and development are the limits of the financial base. Dane County is well-to-do but not wealthy in terms of industry and capital plant. Therefore a real estate tax must be applied equitably and the funds used efficiently.
    2. Fundamental to regional planning must be a regional tax base - i.e., count-wide assessment by sophisticated and trained assessors. The few trained assessors in city and county government are overwhelmed by the incompetency protected by Civil Service or elected by short sighted township elections. Given the state aids available by county assessment it would seem a fundamental requirement of a one county regional plan.
  - E. There will probably be no great capital projects like urban renewal, State Street and the Square, or inter-state highways for a long time to come. Progress will come in the form of small projects over time which must be coordinated by a city-county master plan.
  - F. The master plan and proper use of financial incentives must be used firmly to channel public and private investment. We can never afford another mistake like MATC in terms of time, process, or final choice.
  - G. Most economic development will be joint ventures between enterprise and government with government providing innovative financing and land banking to make the solvency formula work.

IV. Some economic and demographic implications of land use in Dane County must be as follows:

- A. Housing - a few years ago the dream house simply cost more than the dream; today you can't afford a house in your wildest dreams because of the cost of land, material, utilities, and money.
1. Residential mortgage financing has gone through revolutions in the last 20 years in terms of its institutions, its formulas, and access to capital - but it always enjoyed a high national priority and insulation from international capital markets. No more.
  2. Interest rates will remain above 13-14% and therefore what must change is the product. Real Estate Research Corporation predicts that the size of the home will drop on the average to 11-1200 sq. ft. and that density per acre will rise so that the majority of ownership units will be townhouses, zero lot line homes and multiple story condominiums. That needn't be bad - consider the following types of housing which Madison builders have talked about for years but were afraid to try on.
  3. Dane County home builders are on the ropes. (sleep like a baby) Some are considering relocating to other communities in the west where there are better prospects for growth and better appreciation of the entrepreneur.
  4. I predict that to encourage innovative land planning we will need to set up a regional land bank, not only for the rail yards to be abandoned in Madison, but for selected parcels needed for urban development in the faster growing smaller communities in Dane County. Developers will insist that political risks of innovation will be born by the body politics and not the individual development.
- B. Retailing - Dane County is basically over-retailed in the urban area and under-retailed in the smaller towns in terms of neighborhood centers. However, neighborhood centers should not be forced by politics. (Capital Center travesty, Park Medical Building). It makes no sense to have amateurs on citizen commissions and councils ignore the judgments of experienced developers and designers.
- C. The regional shopping center has peaked out but will serve as nodes for development in the future. Apartments and offices will be built on the edge of the parking lot and they will be critical keys to development of a future light rail system.
- D. Office space development in terms of large rental properties has peaked out because it is less costly and more energy efficient to remain low rise. (Sears, Roebuck and SOM residential tower proposal) Institutional offices must be motivated to locate on rail corridors to accelerate the development of traffic densities that will permit light rail by 1990.
- E. The modern industrial-research park such as Tech Center in Denver Stanford in Palo Alto, and others is likely to be a new introduction on the Dane County scene both on Madison's west side and in the general vicinity of the Dane County airport (such as the Madsen project on Independence Lane or Bishops Woods in Milwaukee).

- F. Recreational land uses are likely to continue popular as the cost of travel leads more people to spend more of their leisure time close to home.
  - 1. Dane County and Madison have neither the wealth nor the need for public investment in large structures. The essence of Dane County is its beautiful natural land resources.
  - 2. The Phil Lewis concept of the E-way should be completed quickly and expended into more distant corners of the county to provide a biking and trail system to interconnect major towns and rural areas of the county. Better safety for cyclists in the rural areas and more consistent camp site opportunities for the bicyclist is consistent with most everybody's idea of more thrifty recreation, exercise and better knowledge of your neighbor.
  
- V. Dane County and the Madison urban area represent one of the most attractive economically stable areas in the United States for establishing a life style and quality of life appropriate to the post industrial era. We are not saddled with the ruins of obsolete industry and we have in place the finest institutions possible for health, youth, creative occupation, enjoyable retirement, and meaningful interaction with the world outside Dane County. That is a unique opportunity but it requires at a minimum:
  - 1. A coordinated master plan for the county and its urban centers so that the many little decisions can eventually add up to a coordinated whole.
    - a. The bones of the system should be a firm thrust toward light rail or trolley networks in the existing county corridors by 1990.
    - b. The vehicle for leadership should be a county-wide economic development corporation of major businesses combined in a limited dividend enterprise to be a catalyst for economic development and job retention.
    - c. Land control should be by means of a county-wide land bank with which to control not only the railyards coming available in Madison and key residential and economic residential sites along the rail corridors.
    - d. The present efforts of the county to preserve rail corridors should be expanded with assistance from the city in terms of the railyards, etc.
  
  - 2. A county-wide economic development corporation which would require various interest to contribute money in exchange for a seat on the Board might be able to reduce the destructive competition within and between the politicians in our various communities who insist in dabbling in the small details of development when their role is really approval of a long term master plan.