

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

I. Other Presentations In Which Either The Date And /
Or Sponsoring Organization Is Missing

3. Development Topics

- b. "Recreational Land Development", An
Overview, circa 1970s

RECREATIONAL LAND DEVELOPMENT--AN OVERVIEW

Circa 1970s

- I. Trends in recreational land development in 10 years have reflected the most rapid rate of innovation of any type of real estate. Buyers are much more willing to accept new concepts in reaction to conformity of suburbia, concern for environment and limitations in budget since the product is attempting to broaden its market base in terms of income group, age, and variety of recreational alternatives.
 - A. The original product was the lake lot and cabin, an informal type of subdivision by many small, marginal, and uninformed developers and these still account for the largest share of recreational units sold.
 - B. More sophisticated developers realize that the revenue unit was lake ~~frontage~~ front footage and that it was cheaper to manufacture that close to urban areas by damming a creek. Moreover, the project would be within the preferred 2 hour driving range.
 1. To control enough land to enclose all the branches of the lake often left the developer with much back land acreage which he would subdivide and sell as back lots for a very low price which taught him to respect the mass market.
 2. To increase the value of the back lots, it was necessary to increase their access to the water and take away their image as second-rate lots so he began referring to all the lots as property.
 - C. Success of well-designed back lots and community access points led to the Lake Camelot experiment in which none of the lots were ~~on~~ on the water. Shore-line was maintained and all the lots became equal and therefore priced-out equally while environmental quality was greatly increased and stabilized.
 - D. Realizing a "property" simply provided access to leisure time pursuits, the Voyager Village project in Burnet County involved 8 natural lakes. No lots are permitted within 200 feet of a lake and set-backs on lots are a minimum of 75 ft.. Every type of recreational facility is provided including an airport, golf course, ski hill, bath houses on the lakes, boat ramps, etc. The object of a leisure home is to consume or waste time and provide a device for reducing urban involvement socially, or at the school level or the unnecessary activities of shopping, etc. It provides the emotional release of a dream for retirement, or family togetherness or romantic isolation or romantic identification with the out of doors. The number one recreation is still hiking or sitting on the porch.
 - E. Ultimately, the second home is to provide access to the out of doors without the congestion of public park systems or with the psychology of the reserved private club which has elements of status, safety, belonging, and assured availability and quality control. Snowflower represents the next step ~~x~~ in the evolution where the buyer owns a membership certificate rather than title to a specific piece of ground. Snowflower provides 4 different levels of camping experience for the family. The Homes' Association has evolved into a club which maintains and own everything. The club has a maximum number of members at

two times its daily capacity.

- F. Only 3% of the lots sold are built on each year. More recently, second home buyers want an immediate, instantly operational package without having to deal with contractors, townships, and all the rest from a distance. As a result, many projects are packaging by using cluster building techniques or modular units.
1. Modularity take advantage of the equity build-up in lots purchased at an earlier time and the greater availability of financing including FHA loans to 75% of value.
 2. The multi-family package makes possible more dollar sales per customer, and multiple profit centers in building, furnishing, maintaining, renting, and brokerage for the developer who has created a captive market.

- G. The explosive growth in second home development and purchase has met tremendous abuse of both the natural resources and the consumer which in turn is generating much needed legislative momentum at local, state and federal levels.

1. Environmental control of shore-line resources is both a local and state responsibility.
2. Legislative control of marketing is primarily a state and federal problem.
3. Administrative control of investment matters through state Blue Sky agencies and the federal SEC

- II. Demand pressure for recreational homes can be indicated by providing some demographic detail of the market.

- A. The backbone of the recreational market are those families with incomes greater than \$15,000 per year and this group is growing from 10.8-million families in 1970 to a projected 23 million by 1980.
- B. The NAHB estimates people were building second homes in the late 1940's at a rate of 20,000 per year and that this figure escalated rapidly to 40,000 houses per year in the 1950's. In the 1960's this rose to an average of 60,000 second home starts per year. By 1967 the census bureau study indicated that about 1.7 million of the 58.8 million households in the U.S. had second homes reserved year around for their own use and that the median income for these owners was twice that for home owners in general.
- C. For the decade of the 1970's the NAHB project 150,000 second home starts each year, while the FHA predicts 200,000 while Sanford Goodkin predicts 1/5th of all homes built over the next 10 years will be mountain cabins, seashore cottages and wilderness retreats.
- D. The sales potential will be different in various parts of the country since 38% of all second homes are in the northeast and 30% in the northcentral sections of the country accounting for 2 out of 3 second homes. The balance is equally distributed between the south and the west. However, it is in the south and the west where the fastest rate of growth in development is taking place as northerners seek warmer climates for the winter season and westerners improve their access to ski slopes, etc.

- E. The 1967 Census study indicates 50% of husband and wife households have no children under 15 and 15% of other households do not. 70% of households with second homes are in the age bracket 35 to 64 and 21% are over 64. While households for those under 35 represent 25% of total households, they represent only 8% of the market.
- F. 50% have their second home within 100 miles and 70% do within 200 miles with the exception of the upper income ~~xxxx~~ strata where as many as 20% are more than 500 miles away reflecting more ability to pay for transportation or to remain away from work longer.
- G. Proximity reflects a change in vacation pattern from long 2 or 3 week trips during a single season toward the mini-vacation taken frequently during 2 or 3 seasons of the year. The Christensen study ranked summer, fall, and spring in that order as the favorite seasons for using their cottage.
- H. In Wisconsin, there are ^{three} zones of demand pressure tied to population centers at Minneapolis, Chicago, and Milwaukee and eastern Wisconsin. The degree of pressure depends on both Interstate access and the shape of the fan of alternative recreation owners. Milwaukeeans cannot go east and prefer not to go south, Chicagoans can go to Michigan or Wisconsin and to the west the fan goes all the way to southwestern Wisconsin. Minneapolis has the broadest array of alternatives to the west, the north, or Wisconsin. Developers must tie to these primary trade areas for large scale projects and more and more the trade area is defined by the amount of time it takes to drive home on Sunday night so that the trade area is shrinking slightly as congestion increases.

- III. Environmental impact and control has been relatively unsuccessful where local communities and counties have been responsible and more impressive where state agencies have been able to learn from their own mistakes and the local government. The locals are much more influenced by short-term increase of the tax base and business than by long-term environmental impact.
 - A. The first problem is water pollution due to sewage and disturbance of shore-lines and natural filters of marshland on the shore.
 - B. In Wisconsin 60% of our land or more is unsuitable for septic tanks and so the locals disregard water tables, bed rock and seepage patterns. Developers proceed without a permit facing maximum fines of \$1,000. To avoid drinking water pollution and reduce the size of lots otherwise necessary to keep the well a minimum distance from the septic tank, many developers are putting in water systems.
 - C. A second element of water damage relates to the recreation capacity of the lake in terms of motor boats and related pollution, fishing pressure, quality of water for swimming, etc. relative to potential loads when all the lots are built out--an eventuality which may take 20 years.
 - D. Land resources also have capacity limitations by considering the "edge effect", that is those interfacing points where most animal life occurs such as the interfacing of meadow and woods, water and land, or brush and full timber. Presently, environmental impact is concerned with static inventories of flora and fauna but work is progressing on the dynamic natural balance which must be conserved in the dynamics of land ecology. The presence of man will have a damaging effect and

the problem is one of meeting both philosophical and economic constraints.

- E. The Lily Lake project represents an experimental approach to the trade-off problem between environment and economics--the natural and the behavioral components of the context.
 - 1. Definition of critical site characteristics in terms of slope, soils, water table, education and priority elements of natural habitat.
 - 2. Definition of supply of developable acreages.
 - 3. Recognition of distance between buildable areas and water areas and possible design features to correct for this disability.
 - 4. Linkages of site in terms of approach zone, other parkland areas, and other boating lakes.

- IV. Regulation of development and marketing process is fragmented and relatively unco-ordinated both within a state and between states which leaves many gaps for the unscrupulous and tremendous frustration for the legitimately concerned developer.
 - A. There are local approvals for zoning, septic tank administration, building permits, and acceptance of special responsibilities such as maintenance of a dam or parks or roads.
 - B. In addition to state approval of plats, states have a variety of other tools for administrative regulation such as the utility commission, harbor commissions, high-way commission, resource board, shore-line control, legislation affecting registration of title, powers related to state owned lake bottoms, and a variety of new agencies spawned by concern of the state attorney general for the consumer such as Standard purchase agreements which can be rescinded.
 - C. Federal regulation can be explicit or take the form of conditional grants and aid to provide economic incentive for minimum standards by the state.
 - 1. The Office of Interstate Land Sales registration presumes that full disclosure of the facts will protect the consumer--presuming that full disclosure will result in defensive buying decisions and provide a means of conviction for a sin of omission when the laws don't permit prosecution for the real sins committed.
 - 2. Underwriting standards for the FHA Second Home program and through FSLIC or FDIC auditing of institutional loans can also indirectly discourage inferior development.
 - 3. The federal search is on, however, for methods which can prevent development of key resources at all such as creation of national parks in Apostle Island, wilderness areas on the St. Croix and similar devices for the coastline.