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## Miscellaneous speeches to alumni. 1986-1987

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W Club SpeechI Introduction

- A. Greet and thank the hosts
- B. Identify with Twin Cities through FARA, Morans and alumni
- C. Real Estate Alumni Group and Diane Orbisson as National President
- D. Minnesota Journal of Real Estate refers to Wisconsin Real Estate Mafia

## II An early and sunny spring on campus

- A. Daffodils and tulips are up
- B. Teargas in the air
- C. Only the budget is frozen
- D. The Chancellor's Office equipped me with a series of upbeat brochures, TV pamphlets and advertising material on a university real estate endeavor which is now become a joint venture with Northwestern Mutual
- E. We have a new president, Kenneth Shaw and a new dean in the School of Business, Jim Hickman
- F. These are very brave and dedicated men as they have taken on their responsibilities in the worst of times
- G. Never has the university needed a strong and articulate alumni as it does now

## III The need for economy in state government and budget cuts to help offset a \$300 million state deficit is never comfortable but that is not the major factor underlying a deeply demoralized faculty and staff at the University. The fundamental problem is that there is no rational process for establishing priorities and policy with which to make the best use of the resources the state can afford to give us.

- A. The legislature has been taking control of the University from the hands of the Regents who are bewildered, fragmented and misled by the administration.
- B. The UW-Madison campus is expected to absorb about \$5 million in operating budget cuts but the legislature ordered the UW system not to solve its

problems by cutting class sessions. Steps are being taken to reduce enrollment by at least 1,000 by freezing the size of the freshman class, limiting transfers, etc. but TA budgets will be cut nevertheless.

- C. "It's like the mythical king who ordered the tide not to come in said UW Executive Vice President Kathryin Lyall. The agreement not to close class sections was made before the legislature took another \$5.5 million out of the UW budget.
- D. The legislature told the Regents they could economize by closing 2 sub-campuses and recover \$25 million therefrom but Earl vetoed that provision so the Governor and the legislature continue to bully and intimidate the Regents.
- E. Hector DeLuca, one of the UW's top scientists and Chairman of the Biochemistry Department has resigned as department chairman.

"DeLuca, one of the UW's top scientists, said the main reason he was quitting as department chairman after 16 years was that he was tired and wants to return to the laboratory.

But he also said the strain of administering state budget cuts had gotten to him. 'Somebody's got to start making decision, someone has to decide the prime things that have to be saved,' DeLuca said. 'Someone has to decide how important the Baraboo campus is when we're going to cut Madison to a second-rate institution ... to just keep whittling away at us is ridiculous.'

DeLuca said 'good departments' are being hit by budget cuts as hard as 'bad departments.' 'I don't want to be any part of that,' he said."

- IV I can talk about conditions in the Business School best where we currently have at least 11 openings in our faculty, as our best and brightest go where their talents are appreciated and compensated. Those of you who are Business School graduates will know the extent of the loss while I point out that Hawk, Kramer, Kappas, Haugan, Kroncke have left or are leaving in Finance and Houston and Peters are leaving in Marketing and

- A. Chancellor Shain was quoted as saying "Obviously the School of Business will have to do some hiring or it will be dysfunctional!"

- 1. It costs \$46,000 to hire a new assistant finance professor with little or no experience, although there are associate and full professors

who have yet to reach \$50,000.

2. We could not hire a new dean from outside the school since competitive wages exceeded those paid Chancellor Shain.
3. While there are liberal arts professors who are teaching 20-25 students per semester in Latin poetry and Polynesian, our TAs have to waive class size limits and teach 55 students or more per section.
4. The Business School was one of those good departments DeLuca was talking about and we have been whittled away to a second-rate institution.
5. 20% of the freshman class sign up for pre-business but only a small percentage can be admitted while the rest are forced to take majors they don't want or transfer, even though they are residents of the State of Wisconsin or Minnesota with whom we have reciprocity.
6. What we need is endowment, like many of the other great schools. The UW Foundation is embarking on its largest fund-raising drive but Chancellor Shain has earmarked the first \$20 million or more for a convocation center to be built on the railyard over the objections of Dane County, the City of Madison, and most of the students and faculty on campus.
  - a. \$20 million of endowment for the School of Business would provide *\$1.8 millic per year,* more than half the money needed to be competitive. Why should corporate contributors build a convocation center and dessimate a primary source of their best-trained employees?
  - b. When you're asked to give, give for endowments, not buildings. Just as the church is the congregation, not the structure, a university is a fellowship of motivated scholars, not an indoor athletic facility and column free temple for graduation speeches.

V The Real Estate Department could be a model for all of the School of Business, if I say so myself. We don't expect a legislature or the Regents to help. The Chancellor is to be indured. We are attempting to solve our own problems.

- A. We have 800 real estate majors as loyal alumni who are organized, active in most major real estate markets, and supportive of our present students with job leads, case studies, field trip presentations, and money.
- B. The alumni are raising \$1.5 million including \$600,000 from themselves, \$600,000 from their employers, and \$300,000 from foundations. They have \$250,000 in the bank and \$250,000 in pledges and 2 years to go.
- C. My young faculty are underpaid and overworked, but they've agreed to stay on as we attempt to create endowment income to provide research help, augment their salaries to competitive levels, and devise methods to improve student instruction.
- D. Our department was 3 years ahead in microcomputers and the computer labs were monitored and the new students instructed by volunteers among the older students. Officers at the Real Estate Club run a summer internship program, a nine-month internship program, and a placement office in my office. With the aid of alumni they engineered at least two major field trips each semester as well as constant series of guest speakers.
- E. The faculty has an open door policy for students to create bonds while they're on campus and give them a reason for coming back to the campus. Each two years the alumni hold their own real estate seminar on campus for the two days prior to Homecoming. At our fifth biennial last fall, we had <sup>300</sup>~~300~~ alumni present at one time or another, we've outgrown Lowell Hall and will use the Concourse Hotel in 1987.
- F. Real Estate Alumni contributions are going into a permanent endowment to insulate real estate from the politics of state education. We have the number one real estate program in the country now and we intend to keep it that way because we owe it to our alumni to maintain the image of their degree and provide a network for career advancement, information exchange, and continual retraining. *Your W Club could have a similar mission for all UW grads.*

- G. If you alumni permit the legislature, the Governor, the Regents and the Chancellor to permit your university to become a second-rate institution without the powers to use limited resources wisely and in a way which will best serve the State of Wisconsin, then your degree will become second-rate too. You have a vested interest. Be sure you make yourselves heard in the Chancellor's office and with the Regents. Wish you could vote for Governor.
- H. You may be shocked because I have chosen Founder's Day to be critical about the current state of affairs and current lack of university leadership, but I am a Wisconsin boy, a Wisconsin grad, a Wisconsin faculty member who does not plan to cut and run for a better environment. I am a street fighter who will ultimately prevail over any handicap the Governor, the Regents, or the Chancellor may impose. Join the crusade to save the university from itself!

JAG

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## MINNESOTA ALUMNI TALK

Thursday, April 16, 1987

- I. A report on real estate matters in a descending order of importance --the real estate program, the Wisconsin scene, the national scene.
  - A. The Real Estate Program is now the fourth largest School of Business program in Madison in terms of total student credit hours and fifth largest in terms of number of graduates from the School of Business. The bad news is that there has been no change in teaching resources; the good news is that if Governor Thompson's budget is approved, Dean Hickman has indicated we would have a high priority for an additional assistant professor and an additional teaching assistant.
    1. We have four Ph.D. students in residence; we turned down two good prospects last week because we do not have adequate financial assistance. Dan Knox and Evan Harrison are full-time teaching assistance at \$10,800 a year; Mark Epley will teach 652 this summer and perhaps this fall double teaming with Elaine Worzala. Elaine will also administer the Alumni Reunion and record keeping to the end of 1987 and then do some additional teaching.
  - B. The tenure crisis for Mike Robbins has been relieved; the Chancellor's office ruled that payroll records were in error and that he had until 1989 to achieve tenure. One major article has been published, two are in the works, and he is rededicated to staying in Madison at the University. He bought a bigger house and scaled down his business operations.
  - C. Rod Matthews has expanded his regular teaching assignments to include the residential finance course in the spring and our leasing negotiations course during intersession as well as participating in our Ph.D. Seminar. Dean Blakely has graciously funded those increases from surplus funds.
  - D. In the fall, the Alumni Endowment funded the teaching assistant for Business 551; federal work study funded project assistants for Robbins and Myers.
  - E. The Alumni Endowment Fund is slightly over \$500,000 in the bank and will produce slightly more than \$45,000 in income for the next 12 months. Corporate giving has only worked where I make personal contact, schedule an interview, and then follow up with those in charge of corporate giving. I have lacked time to do that this spring but will start immediately in June with a goal of \$600,000 in the bank for October and another \$150,000 in pledges so we will be half way to our goal.
  - F. Our one credit 795 for guest speakers is working out well. Students go to three-out-of-four or four-out-of-five sessions for six hours on selected Fridays. This semester we have had Doug Stoker, Bill

Mundy, Kim Peterson, a half day each of Bob Zerbst and Eastdil, and our piece de resistance--Warren Lindquist of the Rockefeller Foundation, and Herbert Lembcke of Portman & Associates speaking on the political and physical development of Embarcadero Center.

- G. Approximately \$8,500 will be used for summer research by Robbins.
  - H. Approximately \$8,000 will be used for the guest speakers in the lease negotiations course, including the famous New York Atty. Emmanuel Halper, Dave Schooler, and Clinton Miller from United Properties, and Herb Cohen.
  - I. Two extravaganzas: The Real Estate Club is flying 45 people to Washington D.C. for a three-day field trip after cutting a deal with Northwest Airlines and Dave Carley. Prior to their arrival, the Washington Chapter, led by T.J. and Jim Kane are running a seminar in Baltimore next Thursday the 23rd. Bill Kinard and Tony Downs are contributing their time and Congressman Barnard will receive a small honorarium. Yours truly will get expenses and fund a part of his 1/9 summer honorarium.
- II. Within the state of Wisconsin, we are scoring points for the program as well.
- A. State of Wisconsin Investment Board is using me as senior advisor to bridge between previous director Charles Miller and the new director of real estate Paul Fanfera. We have changed investment policies and are moving with the trend towards less 100 percent ownership to 50/50 joint venture with a few selected partners and more use of participating debt and existing co-mingled funds.
  - B. We are on the kitchen cabinet for Richard Longbaugh, the new director of the Wisconsin Housing and Economic Development Authority. Since there is no great advantage to tax exempt financing we are creating a new set of tools using our earned surplus for credit enhancement, zero-rent ground leases on sights we purchase to control development, and structuring to trade off investment credits for credit enhancement. In addition, we are going to experiment by choosing a couple of consultants on contract to generate one or two projects in each district by mid-summer for base fee plus a commission if the project proves viable.
  - C. My direct opposition to the convocation center not only caused the University to give it up, but accomplished a series of thank-you notes and personal visits from the regents for alerting them to that potential mistake.
  - D. Several student feasibility studies are producing public projects --including conversion of a Richland Center Hotel to elderly housing, an elderly project for the Group Health Co-op in Madison, and a retail project in Milwaukee. Another student project is the bases for an alternative convention center in downtown Madison.



- III. On the National scene, as you may of heard we are now a member of Salomon Brothers Real Estate Advisory Board which is providing access to a great many new folks and opening doors for many more graduates in New York City and Boston.
- A. R-41C will make a profound difference on the lending patterns of THRIFTS but will find itself in letters of engagement for all manner of fiduciaries. While the appraisal requirements are tough and expensive, what is unique is the appraisal management section which lays the burden on the directors and officers who control policy and review of appraisal procured. Only a limited number of appraisers are capable of meeting R-41C standards, and most appraisers have an exclusion in their mal-practice coverage relative to R-41C requirements.
  - B. The letter of engagement will become standard practice in ordering an appraisal and specifying both appraisal content and business procedures. Appraisals can be expected to double in price--maybe triple and will include a full market analysis.
  - C. The SEC has ruled that an appraisal reference in a prospectus must be done in a professional fashion or its prima facie misrepresentation, so that most syndications can probably be challenged by an unhappy partner on the basis of the appraisals!
  - D. Salomon Brothers believes that long-term real estate investment must be positioned in terms of some long-term trends starting with the nine nations of North America followed by much demographic, life style, and political style, and fiscal investment analysis.
    - 1. For example, I am commissioned to do an essay on long-term central city values where public education is failing, old intra-structure is not being replaced, illegitimate, minority births are rising, public employee pension balances are not funded, etc. The result will be red-lining of some traditional investment areas. For example, Louisiana and Mississippi will be hurt by their education system while New York will be hurt by social instability and failing intra-structure producing high assessments on commercial property.
  - E. With the federal deficit and the sterility of Congress there will be no great federal programs to prime the pump. Education, Intra-structure, social assimilation of minorities will occur at the local level only if there is corporate/business leadership, and must reflect annual costs in excess of current property insurance and real estate tax assessment costs if local real estate values are to be immunized against social fracture and unrest. Net income increases over the next 20 years will be even flatter than projected.
  - F. The alumni loaned me for a day to our biggest givers. Prudential cashed in their first chip. We spent the day discussing risk management in real estate as compared to stock diversification.

F. cont. Diversification is being defined experimentally by:

1. Lease, size, term, and pass-through features.
2. Credit quality of tenant.
3. SIC code and volatility of employment by SIC code.
4. Tenant investment in premises.
5. Landlord investment in premises on behalf of tenant.
6. Location characteristics.
7. Community characteristics.
8. Aggregate upto bank district economy.
9. Re-insurance of shock losses by subset to higher aggregate levels.

G. In a year or two, portfolio managers will become much more specific in their search specifications and dispositions to fit much more sophisticated concept of diversification and portfolio immunization against 10 or 15 year social and business cycles which can be identified.

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# **Public And Private Control Of Appraisal Procurement**

**DEFINED STANDARDS, IMPROVED METHODS, HIGHER FEES**

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151 E. Wacker Drive  
Chicago, Illinois  
Friday, September 11, 1987, 8:30 a.m. to 5:00 p.m.**

***Sponsored by:***

**UNIVERSITY OF WISCONSIN  
REAL ESTATE ALUMNI  
CHICAGO CHAPTER**

# About the Instructors

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## **Joseph B. Diehl**

Joseph Diehl is a partner and chief financial officer of TCW Realty Advisors, in Los Angeles, a firm which manages over \$1 billion in pension fund assets. A member of the Illinois Bar Association and a CPA, he is currently chairman of the Accounting Committee of the National Council of Real Estate Investment Fiduciaries, which is trying to promote sound and consistent accounting practices for real estate investment. He has been financial officer for several major real estate investment groups during his career stretching from 1971.

## **John D. Dorchester, Jr.**

Don Dorchester is the president of Real Estate Research Corporation in Chicago which operates nationally in the areas of appraisal, market studies and real estate policies for the government sector. Formerly president of the American Institute of Real Estate Appraisers, he has been a leader in introducing higher standards of appraisal, computer analysis software and systems for the small appraisal office, and the interface of appraisers with accounting, government, and European committees for appraisal standards.

## **James A. Graaskamp**

James A. Graaskamp is founder and President of Landmark Research, Inc. and Chairman of the Department of Real Estate and Urban Land Economics, School of Business, University of Wisconsin.

He is currently a real estate advisor to Salomon Bros., the State of Wisconsin Investment Board, and First Minneapolis Bank. His specialty is appraisal for litigation. In 1986 he was the recipient of the Alfred E. Reinman Award from the SREA.

Dr. Graaskamp received his Ph.D. degree in real estate and risk management from the University of Wisconsin. He also received an M.B.A. degree in security analysis from Marquette University, and a B.A. degree from Rollins College.

## **Donald E. Kelly**

Donald E. Kelly is legislative counsel for the Society of Real Estate Appraisers in Washington, D.C. for whom he monitors federal and state legislation and works with the Congressional process in preparing language for legislative proposals and reports. Formerly staff counsel for the U.S. House of Representative's Banking, Finance and Urban Affairs Committee, he is a Political Science graduate from the University of Florida, as well as a graduate from its Law School, and a member of the Florida bar.

## **Jared Shlaes**

Jared Shlaes is now Senior Principal of Pannell Kerr Forster, a nationally recognized accounting and appraisal firm. He is a designated Real Estate Counselor, an MAI, well known author and editor, as well as successful developer. A true Chicagoan, he has a BA and MBA from the University of Chicago and a series of awards for his work with moderate income apartments in innercity locations and in landmarks preservation.

# The Program

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- 8:30 - 9:00 a.m. — **Registration**  
Continental Breakfast
- 9:00 - 9:15 a.m. — **Introductory Comments**  
Professor James A. Graaskamp
- 9:15 - 10:00 a.m. — **A Case for the Federal Initiative from the Viewpoint of the Select Committee for Implementation**  
Don E. Kelly
- 10:00 - 10:15 a.m. — **Questions and Answers**
- 10:15 - 10:30 a.m. — **Coffee Break**
- 10:30 - 11:30 a.m. — **A Case for the Federal Initiative From the Viewpoint of an Appraisal Practitioner**  
Don Dorchester
- 11:30 - 11:45 a.m. — **Questions and Answers**
- 11:45 - 12:45 p.m. — **Lunch**
- 12:45 - 1:30 p.m. — **Accounting/Appraisal Interface**  
Jared Shlaes
- 1:45 - 3:00 p.m. — **Accounting Issues Related to Appraising Income Property for Pension Funds and Others**  
Joseph Diehl
- 3:00 - 3:15 p.m. — **Break**
- 3:15 - 5:00 p.m. — **Letters of Engagement to Control Appraisal Procurement**  
Professor James A. Graaskamp  
Chairman, Real Estate and Urban Land Economics

## Continuing Education Credits:

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The American Institute of Real Estate Appraisers and the Society of Real Estate Appraisers will each provide seven hours continuing education credit. Attendee must sign morning and afternoon rosters and bring certificate for signing by instructor at the close of the meeting.

# Conference Registration Form

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Mail this form and your check, made payable to Center for Advanced Studies in Business, In., for the full amount, to: Chicago Appraisal Conference, Room 118, UW-School of Business, 1155 Observatory Dr., Madison, WI 53706.

Please register the following listed individual(s) for the **Public and Private Control of Appraisal Procurement** conference:

Firm			
Address	City	State	Zip
Name of Participant/title	Business phone	Home phone	
Name of Participant/title	Business phone	Home phone	

I have enclosed \$\_\_\_\_\_ (\$195 for each participant).  
Make checks payable to: Center for Advanced Studies in Business, Inc.

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# The Sponsors

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The University of Wisconsin-Madison, Real Estate Program is the oldest NAR approved curriculum in the country. Its Alumni have their own national organization which is sponsoring regional seminars to raise additional endowment funds for the University of Wisconsin Real Estate Program. Messrs. Diehl, Dorchester, Kelly, and Shlaes have donated their time to this program and Congressman Barnard graciously consented to a special interruption in his congressional day. The Wisconsin Real Estate Alumni wish to acknowledge with appreciation the special services and support of the following organizations:

**American Institute of Real Estate Appraisers**  
**International Society of Real Estate Appraisers**  
**Mortgage Bankers Association of America**

## To Register:

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Complete, detach, and mail registration coupon to: **Chicago Appraisal Conference, Room 118 UW-School of Business, 1155 Observatory Dr., Madison, WI 53706.** Payment in full must accompany registration. Make checks payable to: University of Wisconsin Real Estate Alumni Club. Questions should be directed to Professor James A. Graaskamp at **(608) 262-6378**.

## The Conference Fee:

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The conference fee including materials and luncheon is \$195 for each participant. Net surplus will be transferred to University of Wisconsin Real Estate Endowment Fund.

## Refunds:

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Written notice or telegram is required for all cancellations. Cancellations received by this office on or before September 8, 1987, will be issued a refund of \$150. There are no issues of refunds on cancellations received by this office after September 8, 1987.

## Hotel Accomodations:

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No provision has been made for hotel accomodations. The attendees can make their own arrangements.

## Parking:

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Parking is available in The Illinois Center Parking Ramp for \$9 for twelve hours. Parking at the hotel with unlimited in-and-out service is available for \$12 a day for hotel guests.

## Meeting Room:

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Conference will be held in the lower level Conference Center at the Hyatt Regency Hotel at 151 E. Wacker Drive, Chicago, Illinois 60601.

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## SOCIETY OF REAL ESTATE APPRAISERS®

HEADQUARTERS: 225 NORTH MICHIGAN AVENUE / CHICAGO, IL 60601-7601 / (312) 819-2400

August 17, 1987

James A. Graaskamp  
The School of Business  
1155 Observatory Drive  
Madison, WI 53706

Dear Mr. Graaskamp:

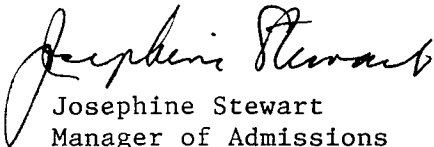
I am pleased to inform you that, based on the information submitted the following hours of Required/Equivalent category credit will be awarded for Society recertification to designated members attending;

September 11 - Public and Private Control of Appraisal Procurement- 7 Hours  
October 23 - Real Estate Investment- 6 Hours

While it is the member's responsibility to obtain and submit a completed attendance form, Chapters may prepare the forms in advance. Each slip handed out should show the attendee's name, Society account number and an original signature of the program official, as well as all program information.

Please contact me if additional information is needed or if I may be of assistance in the future.

Sincerely,

  
Josephine Stewart  
Manager of Admissions

JS/bma