

Interviewee: Chip Hartung
Interviewer: Adam Rice
Date of interview: October 11, 2007
Location: Tallahassee, Florida
Category: Fallschase
Status: Open
Tape location: Box #56

Rice: This is Adam Rice. I'm in Chip Hartung's office and we are discussing the Fallschase Project. Mr. Hartung, of course you're aware that this is being recorded?

Hartung: Yes.

Rice: Let's start with your perspectives on Fallschase.

Hartung: First of all, Fallschase started twenty-something years ago. As a real estate broker, I nor we—meaning the company—have never had any direct involvement with the project. We weren't involved in any initial sales of the property and we have not ever had any brokerage capacity to sell lots out of Fallschase nor were we involved in this recent transaction in the sale of Fallschase to the current owner.

Rice: Okay. With AIG, the developer?

Hartung: Right. I will say that over the years when Lamar Bailey owned the property at least two different occasions he consulted with us and we were lead to believe that potentially we may be involved with some of the sales. But none of that ever occurred.

Rice: Is there a reason for that? Because it was so controversial, you just didn't want to get involved?

Hartung: No. I think it mostly boiled down to the fact that the project never really received the approval to move forward during Lamar Bailey's ownership or at least—and he never selected a real estate company to market what limited number of lots he had so we never really reached a position where there was a move toward any brokerage services where there was a lot to sell.

Rice: Okay. Because it never got that far?

Hartung: Well, that's where my memory is not as great as I'd like for it to be. There were several legal issues that developed during his ownership several of which really prevented him from ever fully developing the property to the extent that lots could be sold. I know there was a default on loans. There were environmental issues he was fighting. There were bonds that were sold that were defaulted on. So there were a number of legal and environmental issues that affected the development in a way that, for all practical purposes, I am not sure it ever really

came to market. There was certainly a period of time when, if I'm not mistaken, maybe three houses were built in what might have been considered the first phase. I think those were all inside deals in which Lamar and friends of his but no broker was ever hired to go full blast to the marketing project.

Rice: Okay. So after that AIG took over and cleaned house?

Hartung: AIG of course purchased the property from Lamar with certain entitlements. We'd been introduced to several of their representatives, but to date I personally have not seen or been at a meeting with any of the representatives and have not seen specifically what their plans are for selling the residential lots. I'm really only familiar with what I've read in the paper in terms of their current commercial activity and the clearing of the land and the building of what we call the big boxes—Wal-Mart and Costco.

Rice: Right. And that's one of the things that's piquing our interests too is when you look at the development it looks like mostly parking, of course, and a few townhouses. But mostly big commercial property like you mention. Do you have any insight as to the process—I mean—they won't just go in and build a Wal-Mart without some understanding that people are going to go there in the first place. So, is there some sort of foresight there in the demographics they take?

Hartung: Well, normally most developers will have done their homework and determined that there is sufficient demographics in that area to support the store that they're going to build. Again, not being intimately involved with the sale, I have no idea what demographics either Wal-Mart or the developers used to determine to build capacity out in that sector of the city. But you would sure presume that they have, but that's when my personal opinion comes in to play. I find it awfully strange that probably a mile away there's a Sam's Club owned by Wal-Mart. And if that same development can contain a Costco in addition to a Wal-Mart Supercenter, that seems to me that's an awful lot of retail in square footage.

Rice: You mention the environmental issue and that's obviously a huge thing surrounding the Fallschase Project, building in what is clearly a flood zone. Do you have any perspective on that and why they would do that? And really, after so many years fighting this since the late 1970s, early 80s, like you said, how and where the fight finally caved in and they decided to break ground anyway. I guess that's two separate questions, but environmental issues first.

Hartung: Well, again, not being intimately involved with the project at any time on the development side or sales side, I can only go on what I read in the paper and hearsay. But most likely when he obtained his original permits, environmental rules in the 1970s were much different than what they are today. And so if I'm not mistaken, the biggest argument was that he was expected to do a certain thing based on what he was told years ago. And environmental law stands. But times go on, environmental law has gotten stricter. And so I'm sure a large part of the argument is what he is entitled to do thirty years ago versus what environmental regulations are today. And I can only assume that he obviously was rewarded to some extent certain

entitlements that he may have gotten in the past given the fact that the sale had to be subject to certain elements that he inherited by the new owner AIG. The full details of those I'm really not privy to. I can't really comment on what all the specific issues were.

Rice: Do you know what range they would be shooting for as far as economic class and what kind of impact would that have on the real estate market in general?

Hartung: It's kind of a good question. But it's hard to answer because AIG Baker paid so much for that property, so it's hard for me to really grasp where they'd have to be as far as price points on their lot in order for them to get a return on their investment. The development, the property, is not just commercial piece—it contains a substantial residential area. And so somehow or another they at some point will put those lots on the market for sale and the question you're asking is where are those price points going to be in terms of what demographics will those properties appeal to.

Rice: Right.

Hartung: Um, historically the east side of town has had a fairly healthy supply of lots and a fairly healthy sales of lots. But most of the subdivisions that were being built on the east side of town are relatively modestly priced homes. And again being what AIG Baker paid my guess is that it's going to be hard for them to deliver moderately priced lots. Even if we weren't in a real estate slump, I would question whether or not—I would be very curious—to know if they were going to deliver affordably priced lots. Now with the market conditions the way they are, the demand side of the housing market is really, really lean. And so it would be very interesting to see what happens.

Rice: That is something else I noticed is that in Tallahassee, as it seems, is pretty saturated with real estate already, so to compete you're going to have to have lower prices.

Hartung: We're representing a development very near Fallschase right now and the price of homes are in the mid-200s [thousands] and it's very, very slow.

Rice: How does that work out when they have trouble selling a property?

Hartung: I would say let's hope that AIG Baker has some serious staying power. Eventually the market will turn around, it will improve. There's still a challenge to deliver affordable housing and affordably priced lots. Tallahassee just doesn't have the make-up for a lot of high end housing or lots.

Rice: What kind of impact will this have specifically on the Buck Lake area and the surrounding area? Anytime a new development is built—especially the kind of high price range they're probably going to seek—does that have any kind of impact on the surrounding or older housing that's already there?

Hartung: I think that the fact that it would be nearly impossible for them not to deliver higher-end products. That fact would suggest that if anything it must increase or enhance the price of the surrounding properties and developments. I mean, if they were going in there and building something crappy, that would diminish the values around. But the fact is in the developments there they're going to have to develop something of high quality there and therefore I think the surrounding developments will be positively impacted instead of negatively impacted. You could argue well what about the increased traffic and commercialization there. Typically that doesn't bring down property values and my understanding is even with the commercial that they are doing there, they are enhancing some of the roadways in those areas. And so my thinking is it's probably going to have a positive impact on real estate value than bring it down.

Rice: About the traffic—

Hartung: I think—again, from what I read in the paper and so on—there seems to be sufficient buy-in from the surrounding neighborhoods and they were involved in the process and as I understand met with the developer and were satisfied with what their plans were.

Rice: You mean the Buck Lake Alliance and such?

Hartung: Yeah. I don't think anyone anticipated the clear-cutting that took place. I think that's caused a lot of public outrage.

Rice: It's phenomenal. I mean, it's gone. The before and after is totally different.

Hartung: I think that will cause some negative publicity. It's hard to explain. I don't know how to justify what they've done. I don't know how to put a positive spin on it. I'm not sure one can put a positive spin on it.

Rice: Do you think there's this "see-I-told-you-so mentality" from the surrounding neighborhoods when you look and see that they've wiped out 750,000 square feet?

Hartung: Probably, probably. Again not being privy to any negotiations that took place between the Buck Lake Alliance and the developers, I don't know what they may have seen or may not have seen in terms of the developed plans. But judging from public reaction, it would lead me to believe that no one ever spent much time—or nor were they—or perhaps they weren't even shown any kinds of plans for the actual site plans. Although truthfully, somebody shows you a site plan, that doesn't necessarily figure the thought that the developer can go and clear-cut everything. A site plan related to commercial wouldn't necessarily tell you the developer would go and clear-cut.

Rice: Right. One would almost think though that it wouldn't even be necessary because surely they wouldn't just go in and clear everything out. I mean, you look at Southwood where there's trees that are huge and old that were left up.

Hartung: It's a bit tricky. There's a lot of—it's very difficult to construct a commercial development without clear-cutting. Just because of the amount of impervious surface. It's real easy—I shouldn't say real easy—but it's much easier to work with the topography and vegetation in the residential development. In a commercial development—if the planners were opposed to clear-cutting, they should have limited the size of the development, but truly by virtue of the size of the development you can almost assume they'd have to clear-cut. You just can't put up these big box stores and work them around trees.

Rice: Right. And then the parking too, of course—

Hartung: And then the parking on top of it.

Rice: The parking is enormous.

Hartung: One of the things that always frustrates me is that when government allows—or when they require a certain amount of trees be left—in many, many cases the trees get damaged or the roots or limbs get damaged and they eventually die or they're garbage trees to begin with and they look like crap on the property. I would much rather go ahead on a commercial development go ahead and acquiesce to a certain clear-cutting, if you will, but insist upon stricter requirements for replanting. And that's one thing that I think this county has really missed the boat on. As I look around Tallahassee right now and as I look around Tallahassee right now I see example after example where they required certain trees be left in certain areas be left and what's standing in those areas right now is just garbage trees. You know, water oaks or just really, really cruddy landscaping.

Rice: Can you give me an example?

Hartung: Well right on the side of this building right here I've got three trees left, but every year I cut one down. The sweet gums, water oaks, and garbage trees that do nothing but—they're diseased. And um, this lot would be much more handsome if they said take those trees out from day one, but you've got to plant, say, twice as many healthy trees so that when they mature, you know, you're going to have the same—you're going to end up with a similar environment—probably a better environment. Because right now, in two or three more years, all the trees on the north side of this building are going to be gone. Because they're partially diseased right now and it's just a matter of time. So, I'm not trying to necessarily support the clear-cutting that happened out there, but there's oftentimes more that goes in to it than what you think. And, knock on wood [knocks on desk], I want to believe that the county has required the developer to go back in and replant significantly on that lot so that when that lot matures it will be a good looking development but I don't know that because I haven't seen the site plan. I don't know tree requirements were. But it's very possible that in spite of the public uproar over the way it looks right now it's very possible that the county has required very strict replanting and at the end of the day the site may look better than what we all think it might.

Rice: Finally, is Fallschase a testimony to a growing city or is it more a situation of a big

developer just coming in and trying to get a cornerstone in a market that is doing just fine on its own?

Hartung: That's a difficult question. In spite of what I just said, I am not an advocate of big box retail. I think it has its place. But I—I think it's ridiculous to have a Sam's Supercenter within a mile of a Wal-Mart Supercenter and a Costco next door.

Rice: And there's a Wal-Mart on Apalachee Parkway too—

Hartung: And there's a Wal-Mart Supercenter on Apalachee Parkway. It just—it makes absolutely no sense to me. That's the part that—I'm more upset about that than I am the clear-cutting. The clear-cutting—you can, you can fix that. But how do you fix that [the big boxes]? Someone once told me we had more Wal-Marts per capita than any city in the nation.

Rice: [laughing] I would believe it.

Hartung: But if you think about how many Wal-Marts in this town, it's not like it takes more than twenty minutes to drive to any one of them. And so, so have we arrived as a culture, as a community where you have to have a Wal-Mart within ten minutes where everybody lives? That to me is just the worst part of the whole thing.

Rice: I guess the ultimate question is what would happen if there is not enough people to shop at this Wal-Mart or Costco when there's another just down the road and then you have these big, empty buildings.

Hartung: And that's right now controversy going out on Monroe Street. I mean you can see several of our major arteries littered with those type of situations. The old K-Mart on North Monroe where the new Publix is now. And well the old Northwood Mall was vacant for quite a few years before the state moved in and changed it to offices. So yeah that happens and hopefully you have stores that will buy those. But it happens. There's vacant Wal-Mart stores all over town.

Rice: I guess time will tell.

Hartung: Time will tell.

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