

# **Real Estate Development and Finance**

## **A/UP 272**

**Instructor: Neal Richman**  
**Teaching Assistant: Lex Evans**

**Spring Quarter 2006**  
**Tuesdays, 9:00 am to noon**

**Thursday Workshops 9:00 am to 11:00 am. (Lex Evans will provide assistance in homework assignments and help coordinate group project work)**

### **Course Objectives**

The objective of this course is to demystify the real estate development process by providing students with the opportunity to expand and integrate their understanding of such areas as finance, land-use planning, and development politics. The course lectures will touch upon different types of commercial development (including multifamily housing, schools and office buildings); however, the class will focus primarily on retail and mixed-use development. Students will be required to work in teams to produce real estate research, including, site and context analyses, market studies, and economic feasibility plans.

The course begins with an overview of the real estate development system, including the key participants, their roles, and the necessary skills to coordinate their activities. The first half of the quarter will cover: 1) understanding the environment in which a development is situated, 2) introducing retail market studies, and 3) identifying the key components of the development envelope--eg. constructing charts of requirements. However, the primary emphasis is on analyzing financial feasibility, including the calculation of cash flow projections and investment returns. The aim is to provide a ‘Berlitz course’ in the language of real estate through immersion in some of the fundamentals of the field. The second half of the quarter will be organized such that project groups can synthesize their knowledge through producing a combined retail project feasibility proposal.

Learning how to learn about development is at least as important as learning any formal analytic tools or development principles. Key to successful development is the ability to listen to key stakeholders, to network for resources--both technical and financial-- and to reconceptualize development problems in ways that lead to better solutions. Thus, real estate development is an iterative process in which plans are modified in response to new feedback. The aim is to give students an understanding of what it takes to make development programs function effectively under challenging conditions, specifically in those urban communities where economic resources are scarce and development actions, highly politicized. To accomplish this objective, each project group will produce a proposal for a new retail development and present it to a ‘review committee’ in a real estate simulation exercise for the final exam.

## **Course Requirements**

This studio class is limited in size and is jointly listed by Urban Planning (max 21 students) and Architecture (max 12 students). First year Urban Planning student in the CDBE area of concentration have first priority; second year CDBE student have second priority. Other Urban Planning student can fill any remaining slots. There is no prerequisite for the class; however, students are advised to have good spreadsheet skills (or commit to gaining these skills) since the primary focus is on financial modeling. All students are required to attend class meetings, submit homework assignments, mid-term assignment and final development research.

## **Course Submissions:**

### **Individual assignments:**

Students are required to submit all homework assignments on time for grading. Late submissions will be reduced one half grade (from A to A-) for each week that they are late. Students can make corrections on their individual assignment and raise their grade accordingly, but an initial late submission can never achieve an “A”. There are three individual assignments: (A) Calculator homework (mandatory, but no grade), (B) Avalon Oasis Retail Analysis (Parts I) and Avalon Oasis Retail IRR (Part II).

### **Group work:**

There are three group projects. The first is “Using Dataquick to Find Comparables. The second is the Due Diligence report and “pin up” presentation of project work. This midterm assignment will include context study, identification of retail gaps, demographic analysis, and related tasks. A primary goal is a preliminary plan for building massing and parking. This assignment will receive a preliminary grade that can be improved, if necessary, by the final submission.. The completed group projects will carry the most weight in determining the final grade. Students will submit a 10 page written research projects that include financial analyses and revised design plans for each of the re-development sites. In addition to the written report, a “review committee” composed of development experts will comment on each project presentation during this ninth week session. These comments are advisory and will not determine the final grade on the project or for the course.

## **Readings**

Required: (Pick up at Westwood Copies, next to Coffee Bean on Weyburn and Gayley)

Reader 1: Selected papers, instruction sheets, and study problems.

Recommended: Other supplementary materials will be placed on reserve, including prior student project reports.

## **Required Equipment**

Students must have access to computer with spreadsheet financial functions. Students can either

buy a manual finance calculator or find an online financial calculator online.

## **Course schedule**

### **Session 1: Tuesday, April 4.**

#### **Development and Redevelopment, Project Checklist**

Review of course requirements. (All of the homework and group assignments are in the Introduction to the Reader. Overview of development process, objectives of development, time value of money. Calculator Homework: Financing problems.

### **Workshop 1: Thursday, April 6**

Introductions to spreadsheet basics. Highly recommended to students who have not completed UP 220 A and B, or comparable courses.

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### **Session 2: Tuesday, April 11**

#### **Financial Feasibility**

Calculator Homework review and submission, Introduction to financial feasibility, Basic financial pro-forma. Introduction to Estimating Costs. Distribution and discussion of homework, Avalon Homework Oasis Part 1. Divide into real estate project groups for mid-term and final assignment. Discussion of the Group Project.

### **Workshop 2: Thursday, April 13**

Assistance on developing a basic financial pro-forma so that students can complete Avalon Oasis Part 1. Understanding LOTS and ZIMAS and County Assessor Website

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### **Session 3: Tuesday, April 18**

#### **Phases of Financing, Retail Market Analysis**

Submit Oasis Part 1 and review. Appraisal techniques. More discussion about estimating buildable space and parking requirements, estimating construction costs. inflation indices, availability of finance capital, elements in financing applications. Introduction to Oasis Homework Part 2. .

### **Workshop 3: Thursday, April 20**

Review of Oasis Part 2. Further discussion of Estimating Buildable Space and Quick Cost Estimating.

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### **Session 4: Tuesday, April 25**

#### **Context Study, Site Analysis, Entitlements.**

Submit Oasis Part 2. Review financing concepts. Introduction to equity capital v. finance capital, risk and reward, calculating returns from cash flow and project sale, introduction to investment analysis tools. Context Study and Site Analysis. Planning Entitlements Research, Understanding the Development Envelope. Introduction to Estimating Sale Costs by Dataquick.

**Workshop 4: Thursday, April 27**

Additional support on financial analysis. Assistance on Dataquick Assignment..

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**Session 5: Tuesday, May 2  
Presentation of Due Diligence.**

DataQuick Assignment is submitted. Further discussion on equity capital and investment analysis tools. Opportunity for group work for due diligence presentation

**Workshop 5: Thursday, May 4**

Preparation for Presentation of Due Diligence Assignments

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**Session 6: Tuesday, May 9  
Multifamily Housing and Banking**

Presentation of Due Diligence Assignments. Panel comments on pin-ups. Discussion of Housing Feasibility Analysis. What is the value of Low Income Housing Tax Credits. Condos. Combining Housing and Retail Analysis. Can there be two owners of a site, two limited partnerships?

**Workshop 6: Thursday, May 11, 9am to 11 am**

Support for Final Group Submission. Cost Estimating, Development Feasibility Analysis, and Estimating Profitability.

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**Session 7: Tuesday, May 16  
Preparation for Project Presentation**

**9:00 Michael Banner..** Studio time for group projects.

**Workshop 7: Thursday, May 18, 9 am to 11 am**

More studio time for group projects. Technical Assistance as needed.

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**Session 8: Tuesday, May 23  
Studio Time/Preparation for Presentation**

Feedback on Final Development Research/Presentation

**Workshop 8: Thursday, May 25**

Final preparation for presentation

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**Session 9: Tuesday, May 30**  
**Project Presentations**

Final Written Report and Presentation of Development Proposals. Bring in Experts:

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**Session 10: Tuesday, June 7**

Review of Presentation Experience. Policy Debate: Large Scale Corporate Retail Redevelopment vs. Preserving and Supporting Local Retail Services Recommendations for Future. 272 evaluations.