

REAL ESTATE DEVELOPMENT

BUS 238a

Spring 2013

Thursdays, 9:30 am – 12:30 pm

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OVERVIEW

As a follow-up to BUS 235f, this course focuses on how developers create value from real estate assets. The course will examine the real estate development process: how a developer thinks, how projects are created and completed, and how problems are addressed. We will discuss market analysis, site selection, acquisition, planning, zoning, construction, leasing and permitting. Using cases and real life examples, working individually and in groups, and participating actively in classroom discussions, students will apply these skills to both written cases and actual locations.

The capstone project of the course will be the Final Project (described further below) in which all students, working in teams, will plan and present actual original development projects to a visiting panel of real estate professionals.

COURSE GOALS

By the end of this course, you should be able to:

1. Understand how a deal is identified and developed into a project that has created value;
2. Be familiar with the legal and regulatory real estate environment, including zoning, community input, property rights and limitations, leases and other contracts, land use regulations;
3. Understand the roles and responsibilities of the various people involved in a development project;
4. Be able to do rudimentary zoning analysis and site planning and design.
5. Understand the sources of capital and the basics workings of how a deal is financed;
6. Be familiar with the various approaches to contracting for construction
7. Understand societal challenges and opportunities that result from the inherent tension of individual versus communal rights and responsibilities and the roles of government in both regulating and encouraging development.

COURSE REQUIREMENTS

Prerequisite: BUS 235f or permission of the instructor.

Note: *Students who have taken BUS 238f may not take this class.*

COURSE MATERIALS

HBS Cases

<i>Lance Johnston: Developing 300 N. Broad</i>	9-801-126
<i>Regency Plaza</i>	9-391-021

JW Katzen Materials

To be provided from time to time

LATTE materials

Real Estate Financial Analysis Workbook

Real Estate Development, Principles and Processes, Miles et als, ULI (2004), chapter 15 *Affordable Housing*

Various supplemental materials for each class and for Final Project

I suggest that you purchase a financial calculator (the **HP 12c** is the industry standard) and learn how to manipulate cash flow, interest rates, amortization periods, payment schedules and present values. It is necessary for you to bring your calculator to each class.

Required Reading and LATTE assignments

You will need to buy two Harvard Business School cases.

The HBS cases are available at Harvard Business Online, where I have set up a site for this course at <http://cb.hbsp.harvard.edu/cb/access/7738664>.

In addition, I will be making available via LATTE original cases and additional materials. I will also be posting additional assignments and supplemental reading on LATTE. Accordingly, each student will be responsible for checking the course's LATTE site prior to each class.

I recommend the textbook, *Professional Real Estate Development, The ULI Guide to the Business*, by Richard Peiser, ULI – The Urban Land Institute, for valuable background reading. Several copies are available at the library.

Guest Lecturers

Prominent real estate professionals will be invited to class in order to add their perspectives to our discussions. Outside professionals will also be invited to evaluate the final class presentation projects.

ASSIGNMENTS and GRADING

Attendance and Participation

Real estate development is a highly interactive industry and, accordingly, this class will follow that model. The success of the class itself will depend to a great degree upon your regular attendance and preparation. For most classes, there will be a case assigned, and every student will be expected to come prepared to discuss it in detail, including, especially, the fluid economics. Some classes will include hand-outs of marketing brochures or short case problems, and you will be expected to analyze them “on the spot.”

Class participation is, therefore, critical (and a significant component of your grade). In order to ensure an effective and productive class process, students will be expected to bring and display name cards to every class and should expect to be called upon.

Assignments, Final Project and Grading

Students will be graded on their class participation, four written assignments and a team final project presentation.

The written assignments, which are to be submitted in groups of 4 (with the exception of the initial *Do the Numbers* exercise, which is to be done individually) are:

March 14	<i>Do the Numbers</i> exercise (will not be graded)
March 21	<i>Do the Numbers</i> analysis for <i>Lance Johnstone</i>
April 4	Proposed redevelopment plan for 240 N. Cary St., Brockton, MA
April 11	Write-up for <i>Regency Plaza</i> (Questions to be provided)

Since real estate development is a collaborative endeavor, you are requested to work on your written assignments in groups of 2, except as otherwise required above.

All written assignments are to be sent to me by email by noon on the Wednesday prior to each class and **must** be in the following format:

1. Include your name and the name of the assignment on the subject line of each email, on the folder name of each assignment and on each assignment itself in the form <last name/name of assignment>. Example: <Katzen/Do the Numbers>.
2. Do not use dollar signs or other currency indicators; do not use decimals; use comma separators for 1000s; and justify all numbers on the right hand side of spreadsheet columns. Example: use “445,550.” Do not use “\$445000.35.”

Any assignments not submitted in the foregoing format will not be graded.

The Final Project will consist of creation and presentation of an original development plan. Given an actual location, students, **working in groups of 4**, will plan an appropriate development or redevelopment. The Project will entail examining the site, understanding the local market, obtaining a survey, analyzing local zoning rules, identifying other potential regulatory issues, laying out the development, determining financial assumptions and projections, suggesting ownership and financial structures, and, *most important*, convincing a visiting panel of Boston real estate professionals why they should invest.

Written deliverables, in addition to live presentation, will include a market overview, an analysis of the development risks and strategy, a marketing brochure, a site plan and zoning analysis, and a financial analysis.

Note: Each team must submit a **one-page description** of its project to me by email by 5:00 pm on April 19. I will give you feedback during class on April 25.

The last class session, tentatively scheduled for May 2, will be devoted to in-class presentations of the Final Projects. Attendance is mandatory for all class members.

CLASS PARTICIPATION*	30% <i>Please keep a record of your participation, as I will ask for a written self-assessment at the end of the course.</i>
WRITTEN ASSIGNMENTS	40%
FINAL PROJECT	30%

- You may avail yourself of one unexcused absence. After that, each unexcused absence will result in a one-step reduction in this grading element (B+ to B, and so on). Excellent attendance with no class participation will result in a “class participation grade” of B-.

MISCELLANEOUS

Academic Honesty

You are expected to be honest in all of your academic work. Instances of alleged dishonesty will be forwarded to the Office of Campus Life for possible referral to the Student Judicial System. Potential sanctions include failure in the course and suspension from the University. For the University policy on academic honesty, please see section 5 of *the Rights and Responsibilities Handbook*.

Disabilities

If you are a student with a documented disability on record at Brandeis and wish to have a reasonable accommodation made for you in this class, please see me prior to the first class. Please keep in mind that reasonable accommodations are not provided retroactively.

Office Hours

By appointment.

COURSE OUTLINE

- Class 1** Overview of Real Estate Development
14 March 2013 Preparation: *Do the Numbers* exercise (which will be sent to you in advance)
- Class 2** Financing Development: Bank and Private Sources
21 March 2013 Preparation: *Lance Johnstone: Developing 3000 North Broad*
- Class 3** Site Planning
4 April 2013 Preparation: Visit the shopping center located at 240 N. Cary St., Brockton, MA and come to class with a redevelopment plan for that property
- Class 4** Construction and Design
11 April 2013 Preparation: *Regency Plaza*
- Class 5** The Permitting Process; Community Engagement
18 April 2013 Guest Speaker: Patrick Reffett, Planning Director, Natick, MA

Preparation: Visit Cloverleaf Apts and Chrysler Apts, Natick, MA
- Class 6** Affordable Housing; Government as Partner
25 April 2013 Guest Speaker: Howard Cohen, Beacon Communities

Preparation: Miles article *Affordable Housing*
- Final Presentations** Team presentations of final projects before “investors” from the Boston real estate community
May 9

