

**Hunter College**  
**City University of New York** 7/25/12  
**Department of Urban Affairs and Planning**

**URBG 742: Economics of Real Estate Development**

**Tuesdays, 7:45 - 9:35 PM**  
**Fall 2012**  
**Room 1640- West Building**

**Professor Robert C. Rosenberg**  
**Email: bob@rhgcommunities.com**  
**Fax: (212) 679-5576**  
**Class assistant: Kisha Santiago**

Required Text: Real Estate Development: Principles & Process. Fourth Edition.  
Miles, Berens, and Weiss. ULI., 2007  
Other Reading: The Big Short by Michael Lewis, Norton & Co 2011,  
; Finance for Real Estate Development by Charles Long, ULI 2011

Tools/Materials: (e.g. calculator, software (e.g. Argus), online technology (e.g. blackboard or canvas) proficiency, etc.)

**Course Description:**

This course is intended to enhance understanding and provide a guide for would be developers looking to analyze potential development opportunities, and, to successfully arrange and structure equity and debt financing for a real estate development project. The course also focuses on the aspect of obtaining governmental approvals and assistance for a prospective development and the skills needed to navigate through community and political processes. Lastly, we will examine the ways in which developers seek to profit from their development, and limit tax liability.

**Course Objectives:**

1. A broad understanding of the historic changes that have taken place since the 1950s in both the financing of real estate and real estate ownership.
2. An understanding of how policy and funding affect the real estate environment.
3. To provide working knowledge of the composition and usage of various financial tools currently available (local, state, national).
4. An introduction to the different types of real estate developers and an understanding of the role of a private developer, a non- profit developer, a planner, an advocate, a community member, a politician, etc. in developing real estate.
5. An understanding of how to create a financial model and the demonstrated ability to create one which will predict feasibility and sensitivity to the market.
6. An ability to create and present a feasible, site-specific development proposal which reflects demographic, market and financial factors, within a team setting.
7. An assessable knowledge of each of the above.

**Introduction:**

Financing a real estate development project is a challenging undertaking that requires sweat equity, working capital, market knowledge, financial experience, connections, and strong analytical and communication skills. It involves both art and science. In essence, a real estate developer must connect with and convince both equity and debt capital providers-who will likely to put up most of the capital for a project-that the developer can successfully invest and deploy

such capital, in an inherently risky business, and not only return that capital to the investor; but, also deliver promised returns on that capital. Needless to say, investors and lenders expect to see a great deal of solid evidence that their capital will be well managed in this process. We seek to put finance into context within the development process highlighting four dimensions for successful development-values, information, financial viability, and relationships. We then go on to cover the basics of real estate finance; land valuation and acquisition; task management and budgeting; the capital markets for real estate; obtaining financing for development; and, ownership entity and financing structures. We explore managing risk in the entitlement process, public/private partnerships, and real life experiences and stories about how developers find capital and arrange financing.

#### Grading:

Grades will be a composite of the take home financial analysis (30%); take home exam (10%); your class participation (30%); and your group's project presentation of a potential development site your group selects (30%).

#### Expectations:

I will both lecture and present guests to discuss certain aspects of the industry. You are expected to complete the readings and actively participate in discussions. I will hand out case studies which will be discussed in class the following week. I assume each member of the seminar is able to work with computer spreadsheets such as Excel. If not, please learn immediately! I also assume you are reading the assigned materials; I will not repeat in class the materials you are to read, but will answer questions relating to the text. Weekly class topics and reading assignments are listed below:

### **Course Topics, Schedule, & Reading**

#### **August 28<sup>th</sup>, 2012:**

1. Overview of Seminar: Basic terminology and tools of the trade; the players then and today; emerging trends, a review and explanation of the course objectives
  - o *Reading homework:* Miles Chapter(s) 2 (The Raw Material: Land and Demographics in the U.S.) 3 (Developers and Their Partners) and 6 (Past WWII to the Present)

#### **September 4<sup>th</sup>, 2012:**

2. Understanding a Pro Forma: How to build and utilize the process
  - o *Reading homework:* Miles Chapter(s) 1 (The Real Estate Process) and 8 (R.E. Finance: The Logic behind R.E. Financing Decisions)

#### **September 11<sup>th</sup>, 2012:**

3. Financing Affordable Housing:
  - o *Guest:* Emily Allison, Duvernay & Brooks LLC
  - o *Reading homework:* Miles Chapter(s) 15 (Affordable Housing) and 16 (Stage Three: The Feasibility Study) and Appendix B (Gateway Business Center Offering memorandum).

**October 2<sup>nd</sup>, 2012:**

4. The Role of the Developer:
- *Guest:* Avery Seavey, The Seavey Organization
  - *Reading homework:* Miles Chapter 10 (Inception of an Idea) 11 (Market Research) and 12 (Refinement of an Idea), Class discussion Long pp 12-16

**October 9<sup>th</sup>, 2012:**

5. Government as an Agent for Change:
- *Guest:* Ruth Anne Visnanskas, Deputy Commissioner for Development, NYC HPD
  - *Reading homework:* Miles Chapter(s) 13 (*The Roles of the Public Sector*) and 14 (*Meshing Public and Private Roles in the Development Process*).

**October 16<sup>th</sup>, 2012:**

6. Developers with City Planning
- *Guest:* Cecilia Kushner, Director of Special Initiatives, CPC
  - After the lecture, a case study and take home exam will be distributed for discussion at class session in three weeks
  - *Reading homework:* Miles Chapter(s) 8 (Real Estate Finance- The Logic) and 9 (Discounted Cash Flow: The Equity Perspective in More Detail)

**October 23<sup>rd</sup>, 2012:**

7. Let's Make a Deal- Risk Control
- *Guest:* Jeffrey Levine, Levine Builders
  - *Reading homework:* Miles Chapter(s) 7 (R.E. Finance: Background) and 10 (Stage One: Inception of an Idea)

**October 30<sup>th</sup>, 2012:**

8. "Inside Job" The Movie and "What Went Wrong":
- *Guest:* Norman Kranzdorf, Urdang & Associates
  - *Reading homework:* ULI Chapter(s) 17 (Market Analysis: Collecting, Validating and Understanding Market Data) and 18 (Data Sources Supporting Market Studies), "The Big Short" Chapter 3, "How Can a Guy Who Can't Speak English Lie?"
  - I will assign teams which will each find and analyze a potential development site.

**November 6<sup>th</sup>, 2012:**

9. Valuation of Income Properties; Appraisal and The Market and Sources for Capital:
- Lecture followed by discussion of case study and take home exam
  - *Reading homework:* Miles Chapter(s) 11 (Market Research) and 12 (Stage 11-Refinement)

**November 13<sup>th</sup>, 2012:**

10. The Public Approval Process:

- *Guest:* James Lima, James Lima Planning and Development
- *Reading homework:* Miles Chapter 19 (Stages Four and Five: Contract Negotiation and Formal Commitment) Chapter 22 (The Challenge of Marketing and Sales)

**November 20<sup>th</sup>, 2012:**

11. Financing a Deal:

- Lecture and class discussion of relative merits of alternatives
- *Reading homework:* ULI Chapter 20 (Stages Six and Seven: Construction, Completion and Formal Opening)
- Discussion of class reactions to “The Big Short” chapter

**November 27<sup>th</sup>, 2012:**

12. **Team Presentations**

**December 4<sup>th</sup>, 2012:**

13. **Team Presentations**

**December 11<sup>th</sup>, 2012:**

14. **Detailed Assessment of Student Presentations and Course Review**

*Financial Analysis to be handed out (in lieu of Final Exam)- due December 19<sup>th</sup>, 2012*

15. **No class**

**FINAL PAPER DUE : December 19<sup>th</sup>**

Papers should be delivered to:

Robert C. Rosenberg, Esq.  
c/o Rosenberg Housing Group, Inc.  
125 E. 23<sup>rd</sup> St.  
Suite 400  
New York, NY 10010

*\* Include a self-addressed, stamped envelope. Your analysis grade and course grade will be mailed back to you.*