COURSE DESCRIPTION

The purpose of this course is to provide an introduction and overview of commercial real estate development. The target audience includes students not only interested in pursuing careers in real estate development but also students that may participate in the development process as owners, financiers, designers, and/or contractors. The course will include an outline of the commercial real estate development process focusing on typical strategies, challenges, and risks. The basics of development finance and value creation will be incorporated. Typical examples of development projects of various product types will be presenting each focusing on particular aspects of the process.

COURSE MATERIALS

The primary text for the course is *Real Estate Development: Principles and Process*, Mark J. Eppli, Mike Miles, Gayle Berens, and Marc Weiss, Urban Land Institute.

LEARNING GOALS AND OBJECTIVES

In this course, students will:

- …learn to evaluate a potential development opportunity
- …understanding market demand and use it to determine the best use for a given piece of land
- …become acquainted with the approval process at the municipal level
- …understand the risks associated with real estate development
- …analyze common structures for project finance and understand the use and importance of the pro-forma

PREQUISITES

Satisfactory completion of Real Estate Finance (22:390:695) or instructor’s approval.

ACADEMIC INTEGRITY

Students are responsible for understanding the Rutgers University Academic Integrity Policy. On all examinations and assignments, students must sign the Rutgers University Honor Pledge, which states, “On my honor, I have neither received nor given any unauthorized assistance on this examination or
ATTENDANCE

While your course grade does not depend explicitly on attendance, your performance in the course is highly dependent on your presence and participation in class. If you must miss lecture, you are responsible for all material covered as well as for any in-class announcements. If you expect to miss more than one or two classes due to illness or a family emergency, please let me know as soon as possible.

GRADING POLICY

Class grade will be determined by four deliverables:
1. Sample pro forma examining the highest and best use of the land
2. Analysis of environmental constraints or impediments to development on the land
3. Sample planning board checklist
4. Position paper on their role in the mock planning board

COURSE OUTLINE

Week One / Week Two. ASSIGNMENT – CHAPTER 1, 2 and 3

**WEEK 1  9/8/2015**
A. Introduction of instructors
B. What is development and who are the Players?
C. Use Groups / Asset Classes
   a. Residential
   b. Commercial / Office / Retail
   c. Industrial

**WEEK 2  9/16/2015**
- GUEST SPEAKER – Ron Ladell, AvalonBay re multi-family development challenges
D. Predominant Land Use Development Patterns
   a. Urban Infill
   b. Transit-oriented
   c. Suburban Sprawl
E. Economic Constraints – financing, market demand, paradigm changes (i.e., Internet)

**WEEK 3  9/21/2015**
Guest Speaker: MAYOR RICHARD TURNER, WEEHAWKEN to discuss public-private partnerships
ASSIGNMENT – CHAPTERS 4-6
A. You have a piece of dirt. What now?
   a. Where is it?
   b. Proximity to transit
   c. Urban vs. suburban
   d. Population demographics

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WEEK 4   9/28/2015

NOTE – GHJ IS OUT-OF-TOWN

GUEST SPEAKER – MICHAEL FRIEDMAN, ECOLSCIENCES
ASSIGNMENT - CHAPTERS 13 AND 14

B. What do the municipality or other government authorities want? Who has jurisdiction?
   a. Developing a relationship with your host municipality
   b. Role of the host municipality in the planning and development process
   c. How much of a partner is your host municipality willing to be?
      i. The role of the public/private partnership in real estate development
      ii. How will your development project further the goals of the municipality?

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WEEK 5   10/5/2015

GUEST SPEAKER – GOVERNOR JAMES McGREEVEY – to discuss Highlands Preservation Act

C. What is the highest and best use for the land?
D. What constraints or impediments are on the land?
   a. Environmental constraints to development
      i. Wetlands
      ii. Endangered species
      iii. State/municipal preservation ordinances
      iv. Steep slope, viewshed corridor, view preservation
   b. Environmental contamination
      i. Brownfields remediation
      ii. Contaminant remediation
   c. Infrastructure – or lack thereof
      i. Roads
      ii. Sewer
      iii. How much extra work will the developer need to do in order to reach the highest and best use for the land?

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WEEK 6   10/12/2015

GUEST SPEAKER – BISHOP REGINALD T. JACKSON – to discuss race in urban development
ASSIGNMENT: CHAPTERS 10-12, and 15 plus Article from Blog – “The Case for Reparations”

A. Market trends
B. Market feasibility
C. Product type
WEEK 7 10/19/2015

Guest SPEAKERS – ALL FROM ADVISORY BOARD
1. Residential: Ralph Zucker
2. Retail: Sal Davino
3. Office: David Bernhaut

ASSIGNMENT: CHAPTERS 16-18
PLUS COMPARATIVE MARKET ANALYSIS FOR THE MORRIS PLAINS PROJECT’S
MULTI-FAMILY COMPONENT
ANSWER THE QUESTION – WHAT IS THE (NARROW) RANGE OF RENTS FOR
STUDIO, 1-BR AND 2-BR RENTAL LUXURY RENTAL UNITS IN MORRIS COUNTY?
INDICATE SOURCE MATERIAL AND EXPLAIN YOUR THINKING BEHIND YOUR
ANSWER. NO MORE THAN 1 PAGE WILL BE READ.

   a. Asset class
   b. Rental vs. For-Sale
      i. Changing demographics of homeownership
      ii. “Renters by choice”
   c. Construction style
      i. Low-rise / garden-style / stick frame
      ii. Mid-rise
      iii. High-rise
   d. Parking

WEEK 8 10/26/2015

GUEST SPEAKERS — PANEL ON NEW LAND USE PATTERNS, INCLUDING INDUSTRIAL,
AND DATA CENTERS

ASSIGNMENT: PREPARE COMPARATIVE MARKET ANALYSIS THAT DETERMINES ASKING
RENTS FOR A 10,000 SF STRIP CENTER IN MORRIS COUNTY. ASSUME 4 TENANTS SUCH
AS A CONVENIENCE STORE (7-11 OR WAwa), PIZZERIA, CHINESE RESTAURANT AND DRY
CLEANER.
INDICATE SOURCE MATERIAL AND EXPLAIN YOUR THINKING BEHIND YOUR
ANSWER. NO MORE THAN 1 PAGE WILL BE READ.

Guest Speakers –from Advisory Board
1. Industrial: Rick Gelmetti
2. Data Centers: Ed Russo

Week Nine / Ten / Eleven This section will conclude with a guest speaker and will include a mock proforma homework assignment

IV. He who has the gold makes the rules – so what can you finance?

WEEK 9 11/2/2015
GUEST SPEAKERS: JACK TYCHER, CANOE BROOK PARTNERS - TO CONSTRUCT A PRO FORMA
AND SANDY HERRICK – TO DISCUSS CAPITAL STACK FORMATION
ASSIGNMENT: CHAPTERS 7-9 AND REVIEW CLARK NJ CASE STUDY, POSTED ON CONTENT
SECTION OF BLACKBOARD
   A. The risks and rewards of development as an investment
   B. “Back of the envelope” finance calculations
   C. Engineering a capital stack
      a. Who are your financial partners?
         i. Equity partners
         ii. JV partners
         iii. Construction loans
         iv. Mezzanine debt
         v. Permanent loans

WEEK 10  11/9/2015
GUEST SPEAKERS – RICHARD SPENGLER, INVESTORS BANK – TO DISCUSS LOAN UNDERWRITING
PAUL PROFETA TO DISCUSS BORROWER CHALLENGES
ASSIGNMENT: REVIEW LOAN REQUEST ON BLOOMFIELD PROJECT POSTED ON THE
CONTENT SECTION OF THE BLACKBOARD
   b. What are your financial analysis tools?
      i. NOI and cap rates
      ii. Loan underwriting
      iii. Estimating rent
      iv. Hard vs Soft costs
      v. Pro forma income statement

WEEK 11  11/16/2015
GUEST SPEAKERS – TIM LIZURA, PRESIDENT AND MAUREEN HASSETT, SVP, NJEDA – TO DISCUSS PUBLIC
SECTOR INCENTIVES
   c. Are you eligible for financial incentives or other special financing tools?
      i. TIF
      ii. Brownfields remediation
      iii. Tax credits
      iv. Payments in lieu of taxes

WEEK 12  11/23/2015
GUEST SPEAKER: FRANK GIANTOMOSI, ESQ. – TO DISCUSS PUTTING TOGETHER A SITE
PLAN APPLICATION
Assignment Due: submit Loan Request FOR THE Morris Plains Project
No guest speaker. Class will focus on the elements of putting together a site plan application for a mixed-use project, residential over retail in urban environment. Pro forma elements will be discussed and Class will be expected to develop and present the analysis.

CLASS WILL BE DIVIDED INTO 4 GROUPS REPRESENTING:
1. Developer and its Professionals
2. Objectors
3. Municipal Government (Mayor and Council and Planning Board)
4. Municipal Professionals

Each group will be expected to make a presentation over the next two weeks, stating its position. Students can self-select their respective groups, no more than 7. Instructors will balance them out.

WEEK 13  11/30/2015
CLASS PRESENTATION OF GROUPS 1 (Developer) and 2 (Objectors)

WEEK 14  12/7/2015  LAST CLASS
CLASS PRESENTATION OF GROUPS 3 (MUNICIPAL GOVERNMENT) AND 4 (MUNICIPAL PROFESSIONALS)

FINAL EVALUATION AND DISCUSSION. END OF SEMESTER

SUPPORT SERVICES

If you are a military veteran or are on active military duty, you can obtain support through the Office of Veteran and Military Programs and Services. http://veterans.rutgers.edu/

If you are in need of mental health services, please use our readily available services. Rutgers University-Newark Counseling Center: http://counseling.newark.rutgers.edu/

If you are in need of physical health services, please use our readily available services. Rutgers Health Services – Newark: http://health.newark.rutgers.edu/

If you are in need of legal services, please use our readily available services: http://rusls.rutgers.edu/

If you are in need of additional academic assistance, please use our readily available services. Rutgers University-Newark Learning Center: http://www.ncas.rutgers.edu/rlc Rutgers University-Newark Writing Center: http://www.ncas.rutgers.edu/writingcenter