

Real Estate
Course Number: 33:851:432
Course Title: Real Estate Development

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 real estate development finance and value creation will also be incorporated. Typical examples of development projects including varied product types and asset classes will be presented.

The course will be taught through a combination of in-class lectures by the instructors as well as guest lectures by professionals with recognized expertise in relevant areas of real estate development. Several lectures will be dedicated to the presentation and review of case studies.

COURSE MATERIALS

The primary text for the course is *Real Estate Development: Principles and Process*, Miles, Netherton, Schmitz, Urban Land Institute, 5th Edition 2015. Also, students should feel free to rent the textbook as opposed to purchasing in order to save money. In prior semesters, some students have accessed the textbook on-line free of charge. All materials listed as a pre-read will be posted on Canvas prior to the particular class.

It is strongly suggested that you purchase a copy of *The Elements of Style*, Strunk and White which is a very short and inexpensive book that you will have for the rest of your life. Not only will this book assist you with good business writing, but it will be invaluable regardless of career choice.

In addition to readings from the text, slides and supplemental materials will be posted on Canvas which will serve as central location for all information concerning the course. It is expected that you will check the course page on Canvas on a daily basis for updated information.

LEARNING GOALS AND OBJECTIVES

In this course, students will:

- learn to evaluate a potential development opportunity.
- understand market demand and use it to determine the highest and best use for a given parcel of land.
- become acquainted with the land use approval process at the municipal level.
- become acquainted with leases, mortgages, tax incentives and other tools of the trade.
- understand the risks and opportunities associated with real estate development; and
- analyze common structures for project finance and understand the use and importance of the proforma.

PREREQUISITES

Satisfactory completion or co-enrollment of either Real Estate Finance (33:390:435) or Essentials of Real Estate Finance (33:851:380).

ACADEMIC INTEGRITY

I do NOT tolerate cheating. Students are responsible for understanding the RU Academic Integrity Policy (<http://academicintegrity.rutgers.edu/>)

I will strongly enforce this Policy and pursue *all* violations. On all examinations and assignments, students must sign the RU Honor Pledge, which states, “On my honor, I have neither received nor given any unauthorized assistance on this examination or assignment.” I will screen all written assignments through *SafeAssign* or *Turnitin*, plagiarism detection services that compare the work against a large database of past work. Don’t let cheating destroy your hard-earned opportunity to learn. See business.rutgers.edu/ai for more details.

ATTENDANCE AND PREPARATION POLICY

While attendance is not mandatory, it is strongly encouraged, and you are expected to attend all classes. A significant part of the learning experience will be driven by the variety and experience of the guest speakers presenting at most classes. By missing a class, you will be depriving yourself of the bulk of the learning experience especially due to the limited number of students and the expected interaction among students, guest lecturers and the professors. If you must miss a class, you **must** notify either professor in advance and it is your responsibility to find out what material was covered in class during which you were absent and to gain an understanding of that material prior to the next lecture. If a class needs to be cancelled due to the absence of both professors, notice via e-mail or Canvas will be sent as far in advance as possible.

For weather emergencies, consult the university webpage. If the campus is open, expect that class will be held.

Expect us to arrive on time for each class. We expect the same from you.

Expect us to remain for the entirety of each class session. We expect the same of you.

Expect us to fully prepare for each class session. We expect the same of you.

Expect us to participate fully in each class session. We expect the same of you.

Complete all background reading and assignments prior to class and when due respectively.

GRADING POLICY

Your grades will be determined by multiple factors. There will not be a mid-term or a final exam.

- Quizzes will account for one-third of your final grade.
- Written assignments will account for one-third of your grade
- Class participation and mock Planning Board presentation will account for one-third of your final grade.

Written assignments that are submitted late will be penalized. If you must miss a quiz, notify either of us as soon as possible **before** the time of the quiz by e-mail. Anyone missing a quiz without such prior notification will receive no credit for the quiz and will not be given a make-up.

COURSE SCHEDULE

Please note that the speakers and the order of the speakers may change throughout the semester. To the extent that changes occur, we will advise you, in advance, so you will be able to review the appropriate materials.

Dropbox Link: [add address link]

WEEK 1: INTRODUCTION/COURSE OVERVIEW

Developer Panel:

PRE-READ: Chapters 1 and 3; 10 Westfield materials

- A. Introduction of instructors; Syllabus review; Class protocols, expectations and objectives
 - B. What is real estate development; players/asset classes
 - C. Case Study-10 Westfield case
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WEEK 2: ***GOVERNMENTAL INVOLVEMENT/WHAT TO DO WITH THE DIRT?***

PRE-READ: Chapter 7; sample residential comparative market analysis

- A. Land use development/trends/patterns-urban infill, transit-oriented development (TOD), suburban sprawl
- B. Home rule
- C. Municipal goals and objectives
- D. Role of the host municipality/public-private partnerships
- E. PILOT
- F. TIF
- G. Brownfields, Tax Credits and State Incentives

Assignment: Prepare comparative market analysis for multi-family rental project-due ()

WEEK 3:

***WHAT TO DO WITH THE DIRT/
DEAL UNDERWRITING/PRO FORMA BASICS***

PRE-READ: CHAPTERS 9, 10 AND 11

- A. Dirt to due diligence
 - B. Market analysis
 - C. Back of the envelope finance calculation
 - D. Pro-forma analysis
 - E. Capital stack-debt (construction, mezzanine and permanent), equity, JV
 - F. Metrics/Ratios (Return/yield, IRR, LTC, DSC, ROE, CFAF)
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**WEEK 4: COMPARATIVE MARKET ANALYSIS MULTI-FAMILY ASSIGNMENT DUE
LEASING/ACQUISITION**

PRE-READ Sample leases and acquisition contract

Review Quiz #1

WEEK 5: LAND USE

PRE-READ SAMPLE COMPARATIVE MARKET ANALYSIS FOR RETAIL STRIP SHOPPING CENTER

REVIEW COMPARATIVE MARKET ANALYSIS FOR MULTI-FAMILY RENTAL PROJECT

Assignment: Prepare comparative market analysis for retail strip shopping center-due ()

WEEK 6: FINANCING, ACQUISITION AND DISPOSITION

PRE-READ: Sample loan documents and sample commercial leases

- A. Loan underwriting
 - B. Debt; recourse/nonrecourse
 - C. Construction costs-construction loan
 - D. Permanent loan
 - E. Valuation
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WEEK 7: COMPARATIVE MARKET ANALYSIS RETAIL ASSIGNMENT DUE

[RUSSO PROJECT] CASE STUDY

PRE-READ: [Russo Project] case study materials for class presentation on

Assignment: Prepare loan request-due

WEEK 8: MORRIS PLAINS CASE STUDY QUIZ #2

PRE-READ: Morris Plains case study materials for class presentations

Review comparative market analysis for retail strip shopping center project

WEEK 9: - NO CLASS

WEEK 10 ENVIRONMENTAL CONSTRAINTS

PRE-READ: Chapters 7 and 12

- A. Highest and best use for the land
- B. Environmental constraints-wetlands, endangered species, preservation ordinances and steep slope
- C. Environmental contamination and remediation
- D. Infrastructure or lack thereof-roads, water, sewer and utilities

Review Quiz #2

**WEEK 11: LOAN REQUEST ASSIGNMENT DUE
CONSTRUCTION**

PRE-READ: Chapter 15

Class divided into 6 groups for class presentations

- A. Developer and its professionals
 - B. Objectors and its professionals
 - C. Planning Board members and its professionals
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WEEK 12: CLASS TRIP-AVALON OLD BRIDGE-BUS CHARTER

PRE-READ: Chapters 2 and 18

Demographic and future trends

WEEK 13:

QUIZ #3

RACE, AFFORDABLE HOUSING AND TAX CREDIT DEVELOPMENT

PRE-READ: The Case for Reparations

Review loan request assignment

WEEK 14- *ADAPTIVE REUSE-BELL LABS CASE STUDY/REAL ESTATE MARKETING*

PRE-READ: Chapter16

Review Quiz #3

Review/prepare for class presentation

WEEK 15: MOCK PLANNING BOARD

Class Presentations-Developer, Objector and Planning Board

SUPPORT SERVICES

If you need accommodation for a *disability*, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at ods.rutgers.edu.

[Rutgers University-New Brunswick ODS phone (848)445-6800 or email dsoffice@echo.rutgers.edu]

[Rutgers University-Newark ODS phone (973)353-5375 or email ods@newark.rutgers.edu]

If you are *pregnant*, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.

[Rutgers University-New Brunswick Title IX Coordinator phone (848)932-8200 or email jackie.moran@rutgers.edu]

[Rutgers University-Newark Office of Title IX and ADA Compliance phone (973)353-1906 or email TitleIX@newark.rutgers.edu]

If you seek *religious accommodations*, the Office of the Dean of Students is available to verify absences for religious observance, as needed.

[Rutgers University-New Brunswick Dean of Students phone (848)932-2300 or email deanofstudents@echo.rutgers.edu]

[Rutgers University-Newark Dean of Students phone (973)353-5063 or email DeanofStudents@newark.rutgers.edu]

If you have experienced any form of *gender or sex-based discrimination or harassment*, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at <http://vpva.rutgers.edu/>.

[Rutgers University-New Brunswick incident report link: <http://studentconduct.rutgers.edu/concern/>. You may contact the Office for Violence Prevention and Victim Assistance at (848)932-1181]

[Rutgers University-Newark incident report link: https://cm.maxient.com/reportingform.php?RutgersUniv&layout_id=7 . You may also contact the Office of Title IX and ADA Compliance at (973)353-1906 or email at TitleIX@newark.rutgers.edu. If you wish to speak with a staff member who is confidential and does **not** have a reporting responsibility, you may contact the Office for Violence Prevention and Victim Assistance at (973)353-1918 or email run.vpva@rutgers.edu]

If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via <https://temporaryconditions.rutgers.edu> .

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/>]

[Rutgers Counseling and Psychological Services–New Brunswick: <http://rhscaps.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/>]

[Rutgers Health Services – New Brunswick: <http://health.rutgers.edu/>]

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

Students experiencing difficulty in courses due to *English as a second language (ESL)* should contact the Program in American Language Studies for supports.

[Rutgers–Newark: PALS@newark.rutgers.edu]

[Rutgers–New Brunswick: eslpals@english.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>]

[Rutgers University-New Brunswick Learning Center: <https://rlc.rutgers.edu/>]

[Optional items that many faculty include:

- Students must sign, date, and return a statement declaring that they understand the RU Academic Integrity Policy.

- Students must sign, date, and return a statement declaring that they understand this syllabus.]