THE INTERNATIONAL BUSINESS SCHOOL
BRANDEIS UNIVERSITY

Spring 2019
Monday & Wednesday 5 – 6:20pm

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OVERVIEW

Pre-requisite – Real Estate Fundamentals or Real Estate and Society

As a follow-up to BUS 235f and/or BUS 135a, this course focuses on how developers create value from real estate assets. The course will examine the real estate development process: who are the parties in interest in a development, how the various parties think, how projects are created and completed, and what are the impediments to success. The class will also consider the built environment, looking backwards and forwards at real estate development and including review of the University as a real estate deal and a real-time example during the semester.

We will focus on the 6 major tasks that must be accomplished in order to complete a real estate development:

(i) Types of real estate development
(ii) Land planning, market and feasibility analyses
(iii) Regulatory, Zoning, permitting and community engagement
(iv) Debt and Equity Financing
(v) Project Management
(vi) Exit strategies

Using the textbook, written cases, actual locations and real-time local development issues, working individually and in groups, and participating actively in classroom discussions, students will study the players and pieces of a real estate development.

The capstone project of the course will be the Final Project in which all students, working in teams, will plan and present actual original development projects to a visiting panel of real estate professionals.
LEARNING GOALS AND OBJECTIVES

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

1. Understand the elements of a real estate development and the creation of value added;
2. Understand the roles and perspectives of the various people involved in a development project;
3. Understand the sources of capital and the basics workings of how a deal is financed;
4. Be familiar with the legal and regulatory real estate environment, including local zoning, community input, state or federal regulations, property rights and limitations, ground leases and other contracts;
5. Be able to do rudimentary zoning analysis and site planning design;
6. Be familiar with the various approaches to project management and 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.
8. Consider the future of real estate development. How will the future be unlike the past?

COURSE REQUIREMENTS

Attendance, Workload and Participation

Class attendance is required and students are expected to arrive at class prepared to discuss the day’s topics. For a number of classes, a case is assigned – some of these are individual assignments and some are team. It is critical to the learning process that each student come prepared to discuss the reading, case, and any problem and their solutions in detail. Students are expected to use name cards at every session.

Success in this two credit course is based on the expectation that students will spend a minimum of 4.5 hours of study time per week in preparation for class (readings, papers, discussion sections, preparation for exams, etc.)

The expectation is that preparation work will be done in ADVANCE of class discussion. Some errors are expected as a part of the learning process, by identifying areas requiring further discussion and clarification, advance preparation enhances the learning process.

Academic Honesty

You are expected to be honest in all your academic work. Please consult Brandeis University Rights and Responsibilities for all policies and procedures related to academic integrity. Students may be required to submit work to TurnItIn.com software to verify originality. Allegations of alleged academic dishonesty will be forwarded to the Director of Academic Integrity. Sanctions for academic dishonesty can include failing grades and/or suspension from the university. Citation and research assistance can be found at LTS – Library Guides.
Disabilities

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

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 or reading or Internet research 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 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 in 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.

Grading

Assignments, Final Project and Grading

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

The written assignments, which are to be submitted in groups (with the exception of the initial Do the Numbers exercise, which is to be done individually) are identified in the Course Outline below as “Preparation.” I will give you specific information about each deliverable at the end of the prior class.

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 day of the class in which the subject will be discussed, 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: <Schlesinger/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 righthand side of spreadsheet columns. Example: use “445,500.” Do not use “$445000.35.”
3. Use Excel spreadsheets for the exercises to become comfortable with it even if we do not need to manipulate the numbers.

The Final Project will consist of creation and presentation of an original development plan. Given an actual location, students, working in groups, 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 10, 2019. I will give you feedback during class on April 15, 2019.

The last class session, tentatively scheduled for May 1, 2019, will be devoted to in-class presentations of the Final Projects. Attendance is mandatory for all class members.

CLASS PARTICIPATION* 30% Please keep a record of your participation, as I will ask for a self-assessment at the end of the course.

QUIZZES 15%

WRITTEN ASSIGNMENTS 30%

FINAL PROJECT 25%

- 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-.

COURSE MATERIALS

1) The textbook for the course is: Real Estate Development- Principles and Process 5th Edition by Miles et als. The text is available on Amazon.com for purchase or for rent.

2) Building a Campus – Gerald S. Bernstein, (Editor) is available at the Library
3) In addition, this course utilizes readings and cases from the Harvard Business Publishing. You will need to establish an account in order to purchase the required materials, if you do not already have one. Please access the site here https://hbsp.harvard.edu/import/612077 look for IBS RE Development 2019. The cost pack should cost approximately $8.50.

4) In addition the course utilizes LATTE materials including:

   - JW Katzen material – Danbury
   - Miles, *supra* – 4th Edition Chapter 15 *Affordable Housing*
   - Vogel – Real Estate Financial Analysis Workbook (referred to as Gilbert hereafter)

5) In addition materials on the history and development of Brandeis will be available at the Library.

6) You will need to be familiar with Excel spreadsheets and either a Texas Instrument BA-II calculator or app or HP 12 calculator or app. I will be using the BA-II.

Harvard Business Publishing materials are in .pdf format and should be viewed with Adobe Reader which is available free at www.adobe.com. You will have immediate access to Harvard Business Online upon placing the order. For subsequent access, you will be required to logon, so please save your account settings.

**NOTE:** This material is copyright protected, so each student MUST purchase their own course pack and sharing the material from HBS Publishing is expressly prohibited.

<table>
<thead>
<tr>
<th>#</th>
<th>DATE</th>
<th>CLASS TOPIC</th>
<th>Reading, Discussion Topics and Assignment Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Introduction/Goals/Players/Asset Classes</td>
<td>March 13</td>
<td>March 13</td>
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**Reading:** Textbook – Miles et als. Chapter 1-2

**Case/Do the numbers:** Calculator exercise – LATTE

**Google***: Middlesex Veterinary College
Northland Newton

*The term “google” in this syllabus is used generically to mean Internet research.*

**Topics:**

1. Who are the students?
2. What is real estate development?
3. Real Estate asset classes
4. Who are the players?
5. Where would you look for land if you wanted to build a university?
6. What happened to Amazon in New York?

**The Jared Kushner Model – 2 Family**

**March 18**

Reading:
- Miles et al. Chapter 3
- Brandeis – Wikipedia entry
- Brandeis – Bernstein pp 22-29
- [https://fitsmallbusiness.com/cost-to-flip-a-house/](https://fitsmallbusiness.com/cost-to-flip-a-house/)

**NOTE:** This is Internet nonsense. You may assume that everything in this website is untrue. However, consider the methodology – or google “how to flip a two family house” and pick a different one

Case/

**Do the numbers:** Watham 2 Family – LATTE

**Google:**
- Trulia – Waltham 2 Family House
- Waltham Assessing
- Jared Kushner Somerville properties

**Topics:**
1. What was the first Master Plan for the University?
2. Thoughts about the University as a real estate deal
3. Elements of a spreadsheet of a transaction
4. What are the costs to get in, through a process and get out
5. What are the options of sale v. rent
6. What does the market think

**Land Planning/Patterns**

**March 20**

Reading:
- Textbook – Miles et al. Chapter 6, Chapter 12
- Brandeis – Bernstein pp 30-33

Case/

**Do the numbers:** Gilbert Building Set-up pp 1-9 Exercise 1

**Google:**
- Levittown, smart growth
Northland Newton – city cover page, fish around as you wish:
http://www.northland.com/tag/newton/

Topics:
1. What are past and current trends in real estate development
2. What are the current buzzwords in the industry?
3. How does development influence culture and vice versa
4. How macro and micro factors add or detract from real estate value
5. What was the first Master Plan for the University
6. Preview Gilbert Exercise 2

4. The Market – Cruel but Efficient

Reading: Textbook – Miles et als. Chapter 9
Case/Do the numbers: Revere Street
Google: https://www.128cre.com/index.php
Northland Newton

Field: Visit the Northland site in Newton – Needham Street and Oak Street

Topics:
1. What is for sale/lease in the area?
2. Revere Street case
   a. Making a real estate investment – investigation, assessment, and risk
      i. Market – strength and weaknesses
      ii. Property specific strengths and weaknesses or benefits and risks
   b. Understanding the sources and uses of funds
   c. Assessing performance and cost
   d. Determining basic return and metrics
   e. Beginning to understand growth potential
3. Real time example – Northland Newton

5. The Development Process – Critical Path

Reading: Textbook – Miles et als. Chapter 7
https://en.wikipedia.org/wiki/Gantt_chart

Case/Do the numbers:
Google: Registry of Deeds www.masslandrecords.com South Middlesex County

Topics:
1. What are the terms of a purchase agreement
2. How does the regulatory requirements affect deals
3. What is the relationship between regulatory requirements and urban planning
4. What is a timeline for development
5. What are the costs of following the timeline
6. What information is publicly available

6 Regulatory Example - Entitlements April 1

Reading: Textbook – Miles et als. Chapter 8

Zoning Use and Development Standards
http://www.newtonma.gov/civicax/filebank/documents/69436
sections 4.1.2 – 4.1.3; 4.2.1 – 4.2.3

Wetlands
http://www.mass.gov/eea/docs/dep/service/regulations/310cmr10a.pdf
pages 223 – starting with Section 10.58 (2) 1. A river is… through page 227 - General Performance standard

Historic
http://www.newtonma.gov/gov/planning/histpres/projrev/demrevfaq.asp

Case/
Do the numbers: Gilbert Exercise 4
Google: Northland Newton
http://www.newtonma.gov/civicax/filebank/documents/91748 pp 1-26, pp 82-88

Topics:
1. Government Regulations
2. What are zoning regulations trying to regulate? How?
3. What are wetlands regulations trying to regulate? How?
4. What are the Issues in the Northland development
5. What are historic regulations trying to regulate? How?
6. Public and Private Restrictions

7 Affordable Housing April 3

Reading: Miles, supra – 4th Edition Chapter 15 Affordable Housing
Newton Zoning Ordinance – Inclusionary Zoning – Section 5.11
http://www.newtonma.gov/civicax/filebank/documents/69436

Case/
Do the numbers: Tax credit deals – 2Life Communities
Conventional deals – Austin Street

Google: Massachusetts Housing Finance Agency
Citizens Housing and Planning Association
Northland inclusionary housing plan
http://www.newtonma.gov/civicax/filebank/documents/91204

Topics:

1. What is affordable housing and why is it significant?
2. What makes some units affordable?
3. Forms of subsidy
   - Unit cross-subsidy
   - Interest rate subsidy
   - Rent subsidy
   - Tax credit subsidy

8 Financing - Overview and REIT April 8

Reading: Textbook – Miles et als. Chapter 10
About AvalonBay
AvalonBay Proposal
Gilbert Pages 10-11

Case/: AvalonBay
Do the numbers: Gilbert Exercise 2
Google: Northland Newton - Fiscal Impact
http://www.newtonma.gov/civicax/filebank/documents/92240

Topics:
1. What is a REIT and how does it make money?
2. What is the pitch to the municipality to get a deal?
3. How does the REIT make money in Santa Monica – what are the assumptions and the risks?
4. What is the fiscal impact of development on a municipality?

9 Financing – The Lender’s View April 10

Reading: Textbook Miles et als. Chapter 11
Gilbert Pages 13-17

Case/:
Do the numbers: Gilbert Exercise 3
Google: Northland Newton - Fiscal Impact
http://www.newtonma.gov/civicax/filebank/documents/92240
Topics:
1. What does the Borrower want?
2. What does the Lender want?
3. What are the variables?
4. Who signs a guarantee? What if the deal fails?
5. How has lending/borrowing changed over time?

10 Design, Engineering April 15

Reading: Brandeis - Bernstein pp 31-37
http://www.newtonma.gov/civicax/filebank/documents/91748
pp 1-17, 23-26, 67-71, 82-88 (skim)
How Architecture and Design Can Increase Marketing Value in Commercial Real Estate (LATTE)

Case:
Do the numbers: Design exercise (TBD)
Google: Value Engineering: Good or Evil
What is Green Building
Green Building

Topics:
1. The role of architecture in real estate
2. The impact of architecture on society
3. Architecture and design and value engineering
4. Green building
5. Sustainability

11 Marketing, Sales, Leasing April 17

Reading: Textbook Miles et al Ch 16
Lease Form - Latte

Case:
Do the numbers: Bayside HBS case
Google

Topics:
2. Ground Lease
3. Who are the parties
4. What are the variables
5. The lender perspective
Reading:  
https://medium.com/@UrbanResilience/suburban-remix-the-next-generation-of-urban-places-9e8711d6c557

https://www.youtube.com/watch?v=sipwxj7hArE
Virginia APA suburban remix start at minute 4

Case/: Danbury  
Do the numbers:  
Google: Abbie Hoffman

Topics:  
1. How to projects get into trouble  
2. Is there anything anyone could have done to avoid it  
3. What are the perspectives on getting out of trouble  
4. How does the Suburban Remix concept address the failing shopping centers in Danbury or elsewhere

13 Final Project May 1