

CLEVELAND STATE UNIVERSITY
 LEVIN COLLEGE OF URBAN AFFAIRS
 DEPARTMENT OF URBAN STUDIES

SPRING SEMESTER 2004

Revised February 2, 2004

Course Syllabus

UST/PDD/PAD 623 Urban Development Finance (4 credits)

Meeting Time: Wednesday 6:00 - 9:50 P.M.
 Place: Urban Building UR 108
 Instructor: David P. O'Neill
 Office: Urban Building #UR 223
 Phone: (216) 861-5612
 Office Hours: Wednesday 5:00-6:00 p.m. and by appointment
 Email: david.oneill@colliers.com

Required Reading Materials:

- (B) Real Estate Finance, 11th Edition, by William Brueggeman and Jeffrey Fisher, 2001
- (W) Reading materials, including selected book chapters and articles can be accessed on LCUA network. From the Urban Building, you can find it at N:/oneill/PDD623 re Fin Spring 2004. Outside the building it can be accessed via ftp at <ftp://urban.csuohio.edu/utility>. "utility" refers to the N drive. Then, choose the folder "oneill" to find the materials for PDD 623.

Course Description

This 4 credit graduate course is intended for graduate students with a general introduction to urban development finance and market analysis. The goals of the courses are fourfold: 1) familiarize the student with the issues which make the public sector a partner in urban real estate development in the public interest; 2) train the student in the financial analysis of urban development projects, and 3) evaluate the cost of subsidy to the public sector. The fourth objective (met in the second part of the course) is to prepare a comprehensive urban development case study, to include site, market, financial and public subsidy analyses. The students will select their own real estate project. Throughout the course, issues related to public interest in real estate development will receive special emphasis.

The first meeting in the course (one session) will address the rationale for public sector involvement in urban real estate and highlight the financial value of items that the public sector brings to the real estate development process. We also review market analysis briefly. The second session of the course will address discounted cash flow analysis and introduction to spreadsheet modeling of mortgages. The bulk of the course (6 sessions) period will cover development finance topics including generating revenues and expenditures on a spreadsheet, and capital markets and instruments. We will also study debt financing from public and private sources, valuation, tax issues, development costs and deal structuring. Two sessions later in the course will be devoted to financing of single family housing and social equity in lending. The session after the exam will be devoted to deal structuring and class presentations of a case study on a urban

development finance project. In general, each session will be split into two parts: lecture (L) and discussion (D). The latter includes discussion of the real estate development case studies, homework or a guest speaker.

The second half of the course will be an applied real estate case study, to include scoping the project, market analysis, financial analysis, and evaluation of public subsidy. There will be at least one real estate case study homework assignment.

Course Requirements

The first half of the course will have a comprehensive final examination given in the ninth week. Students will select a real estate case study to analyze using a spreadsheet, and will present the results of their financial analysis during the 10th class period. Several computerized homework projects will also be assigned. Most of the examination questions will be drawn from lectures and class discussions.

Grading Procedures

Grading for the course will be:

Homework	40 %
Course Exam	20 %
Paper	25 %
Presentation	10 %
Participation	5

TOTAL	100 %

The numerical values for the letter grades are:

A=93-100, A-=90-92, B+=88-89, B=83-87, B-=80-82, C=70-79, F=69 or less. Students should refer to the CSU Graduate Bulletin for administrative procedures related to drop-add, withdrawal, and incompletes.

Course Outline

<u>Session Number</u>	<u>Date</u>	<u>Topic</u>	<u>Assignment</u>
1	1/21	L-Course overview, rationale for public interest L-Refresher: Market Analysis	(B) 1
2	1/28	L-Discounted cash flow analysis, mortgage mechanics D-Assignment #1	(B) 3-5,8

<u>Session Number</u>	<u>Date</u>	<u>Topic</u>	<u>Assignment</u>
3	2/04	L-real estate terminology mortgages & retail revenues D-Guest Speaker: Michael Campbell, KeyBank, 7:00 PM	(B) 2 2 Hrs. in LCUA Computer Lab #39
4	2/11	L-Capital Markets, debt and equity instruments, risk, leverage D-Assignment #2 Guest Speakers: Suzanne Hamilton/ Huntington Bank/Michael McCourt/ Pace Financial – 8:00 PM	(B) 11,17-21 <u>Assignment 1 DUE</u>
5	2/18	L-Valuation, taxation D-Guest Instructor, Dr. Robert Simons, 6:00 – 10:00 PM	(B) 9,10,13
6	2/25	L-Development costs	(B) 12,15,16 (W) Stephen Roulac, Journal of Real Estate <u>Assignment 2 DUE</u>
7	3/03	L-Deal structuring D-Homework- value of public subsidies for housing	Simons/Sharkey Chptr. 2 Hrs in LCUA Computer LAB #39
8	3/10	L-Financing of Single Family Housing, Equity in Lending D-Pass out Midterm Exam D- Guest Speaker: Roz Ciulla, Inv. KeyBank, Community Lending LIHTC Deals – 6:00 PM	(B) 6-7

**D-Guest Speaker: Daryl Rush,
NPI – 8:00 PM**

Assignment 3 DUE

<u>Session Number</u>	<u>Date</u>	<u>Topic</u>	<u>Assignment</u>
9	3/17	SPRING BREAK	
10	3/24	L-Introduction to case study research and applied analysis D-Selection of student projects (individual meetings) Guest Speaker: Peter Rubin, The Coral Company - 8:00 PM	MIDTERM EXAM DUE
11	3/31	L-More Deal Structuring D-Guest Speaker: Adam Fishman, Centerpoint Properties – 6:00 PM	
12	4/07	L- SF Housing Lots Case: Exurban project D-Market study part of RE paper Guest Speaker: Paul Goldberg, Flagship Properties – 8:00 PM	
13	4/14	D-Financing part of paper , dealing with lenders D-Work period/guest instructor meetings Guest Speaker: Mary Lovett, Esq., Cowden Humphrey Nagorney & Lovett – 8:00 PM	Assignment 4
		DUE	
14	4/21	Financing Case Study D-Deal structuring, public subsidies D-Sources and uses, cash flows D-8:00-10:00 PM Early Bird Student Presentations Guest Speaker: Albert Ratner, Co-Chairman, Forest City Enterprises – 6:00 PM	
	4/26	(Monday)	PAPERS DUE

15	4/28	Student Presentations (INSIDE JURY)
	5/05	Student Presentations FINAL CUT (OUTSIDE JURY) Show up at 4PM, start at 4:45PM, over by 6pm, several thousand dollars in prize money awarded about 6:30PM.

Potential Judges: Ken McGovern chair, Albert Ratner, Paul Goldberg, Russell Berusch, Daryl Rush, Wendy Sattin, India Pierce Lee.

CASE STUDY FORMAT
(for UST/PDD 623)
Revised 1/06/04

The Project: Description of site, past uses, brownfield issues, current zoning and land use, access and visibility, utilities, traffic counts, highest and best use. *Map 1: Project location and Map 2: Site layout.*

The Stakeholders and Issues presented by the Project, neighbors, other nearby property owners, contextual issues, political issues, market demand for intended use.

The Development Team Developer, development objectives, consultants, and government partner.

Planning for Project Redevelopment How consultants interact and plan for project. Key implementation strategies and timing before project was initiated. *Figure 1: Key project planning activities, milestones and dates.*

Site control and Preparation. Site assembly, property options, city role, brownfields, VAP, BUSTR, processes, remediation, rezoning.

Highest and Best Use Analysis. Matrix of potential uses and site attributes, ordinal ranking of best uses for the site. *Table 1. Highest and Best Use Analysis*

Market Analysis. Market area definition, competitive supply, current and future demand, market niche analysis, revenue, absorption and vacancy assumptions, tenant or marketing recommendations. *Table 2. Market Niche Analysis*

Developing the Project. Site acquisition, environmental remediation, utilities, hard and soft costs, construction lending, developer and/or builder profit, and total development costs. *Table 3. Project Development: Sources and Uses of Funds*

Financing the project. Revenues, expenses, Net Operating Income, appraised value, Loan to value ratio, equity, debt, leverage, debt service, debt service coverage, before and after tax cash flow,

Investment (present value) decision analysis, estimated rate of return, deal structure. *Table 4. Project Cash Flow and Investment Analysis: Pro Forma Income and Expenses*

Justification of Public Investment, justification of market failure, "gap" financing, and amount of public subsidy. *Table 5: Present Value of Public Subsidy and Cost/Benefit Analysis.*

Assessment of Project Viability. Is the project a "go?" Which parts work and which do not? market, rate of return, private financing, public/private partnerships, community support, etc. What would have to be done to make the project feasible?

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SURVEY OF CLASS PARTICIPANTS

1. Name _____
2. Address _____
3. Telephone Number (h) _____ (w) _____
4. email address _____
5. Social Security Number ___-__-___, CSU ID _____
6. Enrollment status at CSU _____
7. Full time student or part time student _____
8. Development Experience _____
9. Your current job _____
10. Your objectives in this course _____

11. Experience with computerized spreadsheets _____

12. Any prior economics, math, architecture, real estate or finance courses??

13. Are you in the Certificate in Urban Real Estate Development and Finance program? _____