

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

SPRING SEMESTER 2005

January 18, 2005

Course Syllabus

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

Meeting Time: Wednesday 6:00-9:50 p.m.

Place : Urban Building UR 241

Instructor : Dr. Robert A. Simons, David O'Neill

Office : Urban Building #UR 223

Phone : 687-5258, 861-5612

Office Hours: Wednesday 5:00-6:00 p.m. and by appointment

Email : roby@urban.csuohio.edu, 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, on LCUA network or via hard copy N:/simons/ PDD 623 re fin spring 2003. Urban Affairs N drive at N:/simons/610 Real estate fall 2002/lectures 610/L#*.ppt Or <ftp://urban.csuohio.edu/utility>. This gets you to the N drive. Then go to Simons/623 r e finance spring 2005/lectures 623/L#*.ppt

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. Students will prepare a report and present their results to the class. There will also 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 about the eighth week. Students will select a real estate case study to analyze, and will prepare a paper and present the results to the class. Several computerized homework projects will also be assigned. While attendance will not be taken regularly, 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. Ph.D. students will be given an additional assignment equivalent to a short course paper. Students should refer to the CSU Graduate Bulletin for administrative procedures related to drop-add, withdrawal, and incompletes.

Course Outline

Session

<u>Number</u>	<u>Date</u>	<u>Topic</u>	<u>Assignment</u>
1	1/19	L-Course overview, rationale for public interest	(B) 1

RS,DO

guest speaker

L-Refresher: Market Analysis (if needed),

or

<u>Session Number</u>	<u>Date</u>	<u>Topic</u>	<u>Assignment</u>
2	1/26	L-Discounted cash flow analysis, mortgage mechanics	(B) 3-5,8 2 HRS in
RS		D-computer lab	241 With COW
3	2/2	L-real estate terminology mortgages & retail revenues	(B) 2
DO		D-homework assignment	<u>Assignment 1 due</u>
4	2/9	L-Capital Markets, debt and equity instruments, risk, leverage	(B) 11,17-21
DO		D-assignment #1	
5	2/16	L-Valuation, taxation,	(B) 9,10,13
RS		D-Guest Speaker-appraiser	6pm.
6	2/23	L-Development costs	(B) 12,15,16 (W)Simons
DO		D- Guest speaker(s)	<u>Assignment 2 due</u>
7	3/2	L-deal structuring	Simons & Sharkey chptr
RS		D-Homework-value of public subsidies	2 HRS in 241 with COW
8	3/9	L-Financing of Single Family Housing, Equity in Lending	(B) 6-7
DO		D-Guest Speaker:	<u>Assignment 3 due</u>

<u>Session Number</u>	<u>Date</u>	<u>Topic</u>	<u>Assignment</u>
9 RS	3/23	COURSE EXAM Guest speaker 8pm	--
10 RS	3/30	L-Introduction to case study research and applied analysis D-Selection of student projects (individual meetings) Guest speaker:	
11 DO	4/6	L-More Deal Structuring D-Guest speaker	
12	4/13	Guest Speaker L- SF Housing Lots case: exurban project D-Market study part of RE paper	
DO, RS AT ARES			
<u>** 4th assignment due **</u>			
13 RS	4/20	Guest speaker D-Financing part of paper, dealing with lenders D-work period/guest instructor meetings	
14 DO, RS in San ANTONIO	4/27	guest speaker D-deal structuring, public subsidies D-sources and uses, cash flows	
		5/2 (Monday)	Papers Due
15 RS, DO	5/4	STUDENT Presentations inside Jury	
5/11-13 Student presentations final cut			
OUTSIDE JURY show up at 3pm, start at 3:15pm, over by 5pm, prize money about 5:30pm.			
RS, DO			

Potential Judges: Ken McGovern chair,

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PDD 623 Urban Development Finance
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? _____

CASE STUDY FORMAT
(for UST/PDD 623)
revised 1/15/05

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?