

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

**SPRING SEMESTER 2009**

**revised January 9, 2009**

Syllabus

UST/PDD/PAD 623 Urban Development Finance

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

Place : Urban Building UR 309

Instructor : Dr. Robert A. Simons

Office : Urban Building #UR 223

Phone : 216 687-5258, 216 401-1700

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

Email : [r.simons@csuohio.edu](mailto:r.simons@csuohio.edu)

Special guest lecturer : Mitchell Schneider: [msc@first-interstate.com](mailto:msc@first-interstate.com) , 216 381 2900

Graduate Assistant : Eugene Choi: [e.choi99@csuohio.edu](mailto:e.choi99@csuohio.edu), 216 224-6791

Required Reading Materials:

(B) Real Estate Finance, 13th Edition, by William Brueggeman and Jeffrey Fisher, 2008

(W) Reading materials, including selected book chapters and articles, on LCUA network at Urban Affairs N drive at N:/simons/623 RE finance 2009\*\*\*/lectures/L#\*.ppt Or <ftp://urban.csuohio.edu/utility>. This gets you to the N drive. Then go to Simons/623 spring 2009\*\*\*/lectures/L#\*.ppt and download what you need.

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 proximate to the exam will be devoted to deal structuring and class presentations of a

case study on an 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 is also a real estate case study homework assignment.

### Course Requirements

The first half of the course will have a comprehensive final examination given in the tenth week. Several computerized homework projects will also be assigned. Students will select a real estate case study to analyze, and will prepare a paper and present the results to the class. 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.

### Students with special needs

“Educational access is the provision of classroom accommodations, auxiliary aids and services to ensure equal educational opportunities for all students regardless of their disability. Any student who feels he or she may need an accommodation based on the impact of a disability should call the Office of Disability Services at (216) 687-2105. The office was located in UC 304. Accommodations need to be requested in advance and will not be granted retroactively.” Students should notify the instructor as soon as possible if they have been granted an accommodation through the Office of Disability Services.

**Course Outline**

<b><u>Session Number</u></b>	<b><u>Date</u></b>	<b><u>Topic</u></b>	<b><u>Assignment</u></b>
1	1/21	L-Course overview, rationale for public interest, back of the envelope revisited L-Refresher: Market Analysis (if needed), supply and demand	(B) skim book
RS MS			
2	1/28	L-Discounted cash flow analysis mortgage mechanics D-computer lab <b>6-7:40 pm Meet in UR 39 south computer lab</b> Review assignment #1	(B) 3-5, 8, 12
RS			
3	2/4	L-real estate terminology mortgages & retail revenues D-homework assignment. <b>Guest Speaker: David O'Neill, confirmed</b> <b>***Assignment 1 due***</b>	(B)1, 2, 9
RS			
4	2/11	L-Capital Markets, debt and equity instruments, risk, leverage D-assignment #1 <b>Guest Speaker.</b>	(B) 13, 18-22
RS			
5	2/18	L-Valuation, taxation, D-Guest Speaker- 8 pm <b>Larry Kell Sr. confirmed</b> <b>Colliers Appraiser.</b>	(B) 10,11
RS			
6	2/25	L-Development costs D- Guest speaker <b>Don Pattison</b> Huntington Bank , 8pm. <b>Peter Rubin invited Alt date</b> <b>***Assignment 2 due***</b>	(B) 16,17 (W) Simons
RS			

Session

<u>Number</u>	<u>Date</u>	<u>Topic</u>	<u>Assignment</u>
7	3/4	L-deal structuring	chapter 18 <b>Simons &amp; Sharkey chptr.</b> (read in advance) <a href="#">resource files\hpd_simons_sharkey_article.pdf</a>
RS		D-Homework-value of public subsidies	“Jump Starting Urban Housing Markets”, <u>Housing Policy Debate</u> 1997 8 1:143-172 (N drive) <b>6-7:40pm Meet in UR 39 south computer lab</b>
8	3/11	<b>Guest speaker Mitchell Schneider, First Interstate Company, Retail #1 confirmed</b>	
MS		D- Intro assignment 4 due on 8 April <b>***Assignment 3 due***</b>	
<b>SPRING BREAK no class march 18<sup>th</sup></b>			
	3/19	<b>Traditional Jewish and Muslim Attitudes toward Mortgage Lending: A look at the Current Mortgage Lending Crisis Special Panel in CSU Atrium. 11-3pm. (Extra Credit)</b>	
9	3/25	L-Financing of Single Family Housing, Equity in Lending	<b>Guest Lecturer: Eugene Choi,</b> PhD student (B) 6-7 <b>Peter Rubin, reinvited/ Socratic development decision rules</b>
RS			
10	4/1	<b>COURSE EXAM</b> Mitchell proctors exam <b>Mitchell Schneider retail #2 lecture 6:00pm</b> guest	
RS AT ARES MS			
11	4/8	Guest Speaker: <b>Roz Ciulla,</b> invited Key Bank	
PASSOVER EC		L--Introduction to case study and student projects Discuss midterm exam. <b>** 4<sup>th</sup> retail oriented assignment due **</b>	
12	4/15	L- SF Housing Lots case: <b>sub-ex-urban Project.</b> <b>Ken Lurie Rysar Properties invited</b> <b>***Assign mentors***</b>	
RS			

Session

<u>Number</u>	<u>Date</u>	<u>Topic</u>	<u>Assignment</u>
13 MS	4/22	Mitchell review assignment D-Guest Speaker: Albert Ratner Forest City Enterprises, 6-8 confirmed	
14 RS	4/29	<b>Housing Market Trends (RS)</b> Guest speaker: Gary Gross, Gross Builders, confirmed	
	5/5 4pm. (Tuesday)	<b>Papers Due</b>	
15 RS EC DO	5/6	STUDENT Presentations <b>inside Jury</b>	
	5/11	<b>RE Tournament</b> Student presentations (Monday) <b>OUTSIDE JURY show up at 3:30pm, start at 4:00m, over by 5:30pm, prize money about 5:30pm.</b>	

Potential Mentors: Mitchell Schneider confirmed, David O'Neill conf., Arne Goldman, Ben Greenberg , AJ Magner, Suzanne Hamilton, Larry Kell Sr., Ken Lurie, Adam Fishman, Roz Ciulla conf., Keith Burgess housing new mkts, Don Pattison, Pep Llinas., Ed Peppers, Tony Delguyd, Mentoring starts about March 26<sup>th</sup>.

Potential Judges: ULI chair, David O'Neill, Ken Lurie , Mitchell Schneider conf., Suzanne Hamilton, Arne Goldman

N:/Simons/623 spr 2009 RE fin/real estate finance syllabus spring 2009.doc

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

SPRING SEMESTER 2009

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 1/8/09**

**EXECUTIVE SUMMARY**-3-5 pages covering all important points, including tables.

**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, demolition, brownfields, VAP, BUSTR, processes, remediation, rezoning, project ownership discussion. appendix..

**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?