

**STERN SCHOOL OF BUSINESS
NEW YORK UNIVERSITY**

SAMPLE COURSE SYLLABUS OPMG-UB.0060.01

REAL ESTATE DEVELOPMENT AND ENTREPRENEURSHIP

Spring Semester January 29 – May 7, 2015 Thursday evenings 6:30-9:15

COURSE OVERVIEW:

- This course will introduce students to the broad aspects of real estate development from an entrepreneurial perspective. It is directed to students interested in real estate development from the point of view of three classes of investors:
 - an entrepreneurial investor, looking to buy a coop, condo or small property for individual use or rental
 - a working general partner/managing member of a small group of investors, who will actually manage &/or be responsible for overseeing the property after purchase
 - a passive outside investor, who may be searching for an investment in real estate

- Operations involves the decisions made at the operating level of a business or project to assure the attainment of higher level goals and strategies. In real estate development, these operating decisions will determine whether or not a deal will be successful and meet overall financial goals. Many students may choose to pursue investments in real estate, and often to actually operate and manage the properties. Although some students will not work in the real estate industry, property investments will arise as opportunities to increase passive income and wealth. Understanding how these deals are created and managed will allow investors to choose deals with the highest probability of success. The real estate topics discussed in the course will include many types of development: residential, office, retail, land and industrial properties. In addition to case studies, class lectures and discussions, some outstanding guest speakers will be invited to reinforce the ideas taught in class. The class will include a real estate development term project at the end of the semester, with group presentations to the class and guest investors. Students are required to attend an outside professional real estate meeting, and there is a site visit to a current development property.

TOPICS:

The topics of the course will follow the primary focus of investing in a real estate project. Major stages in the investment process will be addressed, identifying alternatives and analytical models for decision making.

- Finding available deals and selecting the right project
- Valuing alternative projects; understanding the information and making better investment decisions
- Projecting future cash flow, NOI and IRR values
- Raising capital and financing the deal; identifying alternative sources for capital
- Dealing with sellers, brokers and service professionals
- Negotiating purchase and sale agreements and examining key legal issues and strategies
- Developing an acquisitions thesis and adding value before and after purchase
- Project managing your investment
- Refinancing, selling and other exit strategies; Optimizing tax liabilities and 1031 tax-free exchanges.

TEXT AND READINGS:

The Real Estate Game (REG) (**REQUIRED**) is a book about the real estate business, written in simple terms, and using the analogy of a game (rules and key players) to demonstrate how to take advantage of emerging opportunities in the property market. It is written in a personal and enthusiastic manner, and is useful to investors interested in properties ranging from small houses to large, multi-use projects.

Timing the Real Estate Market (TREM) (**REQUIRED. Now an eBook, info in NYU Classes**) expresses the opinion that timing is the most important aspect of real estate development and investing. Clear strategies are discussed as to how to identify and take advantage of the crucial major trends behind real estate cycles.

Barron's Dictionary of Real Estate Terms, 8th Ed (BD). (**OPTIONAL**) is an excellent and handy quick reference source to handy to the real estate industry's terminology

The text (**OPTIONAL**), Real Estate Development - Principles and Process (RED), is a very complete text on the topic. It is probably more intensive than the average real estate investor needs, but the extreme depth and scope of the book will assure coverage of almost all real estate issues and types of properties. This is an excellent reference book to keep and use beyond this course. Your need (desire) for this will determine if you buy it.

The topics are designed around the concept of the development process. This text captures an understanding of the process with a model of real estate development that first studies the

interrelated activities that constitute the process. With such knowledge in hand, one can then proceed to understand the particular product types and local markets necessary for successful development.

CLASSES: Thursday evenings 6:30 - 9:15PM Room [UC-24]

INSTRUCTOR: **Benjamin Atkins, Esq.**, Room 8-171
batkins@stern.nyu.edu

- Professor Atkins is the founding partner of Abingdon Square Partners, a real estate investment and development company based in Brooklyn, NY. He has owned and operated real estate development companies since 2002. Many of the examples discussed in class will come from actual projects that he has completed.

OFFICE HOURS: Thursday, 4:00 - 6:00PM, or by appointment

REQUIRED COURSE READINGS:

The Real Estate Game; William Poorvu; The Free Press; 1999. (REG)

Timing the Real Estate Market; Craig Hall; McGraw Hill; 2004 (TREM) **Now an eBook.**
Purchase information in NYUClasses.

(OPTIONAL TEXTS)

Barron's Dictionary of Real Estate Terms, Paperback 8th Ed.; Jack Friedman, Jack Harris and J. Bruce Lindeman; 2013 (BD)

Real Estate Development: Principles and Process; Miles, Bernes, Eppli and Weiss; Fourth Edition; ULI- The Urban Land Institute; 2007. (RED: P&P)

OPTIONAL READING:

1. Confessions of a Real Estate Entrepreneur; James A. Randel; McGraw Hill; 2006
2. What Every Real Estate Investor Needs to Know About Cash Flow, Frank Gallinelli, McGraw Hill, 2009
3. A Pattern Language, Christopher Alexander, Oxford University Press, 1977
4. The Death and Life of Great American Cities; Jane Jacobs; Vintage Books Edition; 1992
5. A Random Walk Down Wall Street; Burton Malkiel; W. W. Norton & Company; 2003
6. The Lexus and the Olive Tree; Thomas Friedman; Anchor Books edition; 2000

7. The Power Broker; Robert Caro; Vintage Books; 1975

TEACHING ASSISTANT:

GROUPS

In the first class you will form **groups of three to four students each**. Some of the Case Analyses, as well as the Final Project Presentations will be performed/submitted by groups. It is expected that all members will have an input on all papers and all work, i.e. the assignments should not be broken up among the group. Anyone not sharing in the group work will not get credit for that assignment. Let me know about any problems early on.

COURSE WORK AND REQUIREMENTS

- **Case Analyses**

Assignments will include five real estate case studies throughout the semester. You will analyze all of these cases, and choose four of the five cases to actually prepare and submit a written presentation. Two of these analyses will be done individually, and two by groups. These assignments should be 3-5 pages of text in length (double-spaced, not including any appendices), and be submitted at the beginning of the session on which they are due. Keep a copy for your reference during class. All members are expected to participate in each group assignment, and understand anything that is presented in your group paper. If you miss your group meeting and/or do not participate in the assignment, you are expected to do the work on your own, and submit it separately. Two of the cases will be available through the Harvard Coursepack section in NYUClasses. The remaining cases will be posted in the Lessons section in NYUClasses prior to the relevant Session.

- **Term Project**

A Term Project (value: 35% of your course grade) will be prepared and presented by groups, focusing on a pitch to investors to invest money in your deal. The deal will include the purchase and planning of a real estate development project. The presentations will include an oral final presentation, and will be presented to the class and guest investors in Sessions 10 and 11. There will also be three (3) written presentations submitted at specific partial completion points in the project.

The property will be selected by the group, and must be approved by the professor. Your proposal for your project will be submitted to me at the beginning of class in Session 3, September 17. The written presentations will be submitted as follows:

Due date**Include**

Session 3 February 12	Identification of property and Initial outline	1 page	property address, description of existing property, brief description of the development plan, section headings that will be in the final paper (but no details or analysis necessary)
Session 5 February 26	The Deal with the Investor(s)	1-2 pages	outline the total project cost, how much equity the Investor will be investing and the amount of debt, what the ownership split is, the expected returns for Investor, and detailed 'waterfall' of profit distribution.
Session 9 April 2	Final Outline	No page limit	full outline of the project, all sections outlined including details and analyses, projections, etc.

Oral Presentations to Investors (April 23 and April 30)

Major Focus Although your project will have to address everything described, the focus of your presentation will be a pitch to investor(s) to invest money in your deal. You will have to explain how much you are asking for and what the investor will get for this investment. You can choose any type of development project you wish (for example, it can be a ground-up construction project or the redevelopment of an existing building). You may choose any asset class of property (land, residential, office, industrial, retail, or combination of these) and it should be in a location that you can actually visit. The deal should be a real one, and be currently for sale, but you do not have to actually end up thinking that it is a deal worth doing. You might feel it is too risky, or provides too small a projected return. In these cases, you may wish to propose in your pitch that the deal only be done if there is a change in terms that make the deal attractive, such as a reduction in the purchase price. Possible sources to find potential investment projects are broker websites, the real estate section of local newspapers (i.e. New York Times, etc.) "for sale" signs and the offices of local realtors/brokers. More information on possible sources will be discussed in class.

- I propose that the deals should be of a size that is consistent with our course focus, relatively small and entrepreneurially oriented. A comfortable range might be \$500,000 to \$5 million. Included should be a clear identification of the opportunity that you see in the development, and a clear plan for exploiting this opportunity. You will need to describe the deal, show analysis of its viability, and identify all construction, changes in use, etc. that are planned. Alternative strategies for the property are always useful to include. Analysis should be qualitative and quantitative. It is expected that you will calculate and show cash flow projections and returns (for both the property and the investor). You should estimate the amount of resources necessary to bring the deal to completion, and determine appropriate target leverage levels. Note that if you choose an apartment building in NYC, your property may be subject to rent control and rent stabilization laws. You should become familiar with the Rent Guidelines Board and its determination of rent increases, as well as understand their financial impact, if any, on the property you have chosen.
- An oral (in class) presentation (20-30 minutes) will be delivered to prospective guest investors. The particular investors you will be presenting to will be identified and described at least a week prior to your presentation. The slide deck of your presentation must be submitted at least a week prior to your presentation date. This will be given to the class and the investors, so that we can understand the deal and prepare for the presentation. It is planned that these presentations will take place on two evenings (Session 10 and 11).

Outside Meeting

An understanding of the political process associated with real estate development is important. Students are required to attend at least one public meeting of a governmental agency at which the major topic involves real estate. Acceptable meetings include City Planning Commission, Board of Standards and Appeals, Landmarks Preservation Commission, local Community Board meetings (either full board or a subcommittee), City Council meeting, Rent Guidelines Board or a meeting of your local governmental body with respect to a real estate matter. If you have a question on the acceptability of a meeting please check with the TA before attending. A one page report on the meeting is required and should cover the purpose of the meeting and its impact on the development process. By March 5 (Session 6), you will submit the name and date of the meeting you plan to attend (or have attended). **It is to be submitted on or before the last night of class (May 7).**

GRADING

Class Participation, Attendance	5%
Four Case Analyses (Can use best 4 of 5 assigned)	20%
Term Project	
Includes: Initial Outline, Deal for Investor, Final Outline and Oral Presentation to Investor	35%
Mid Term Exam (in class Session 7)	35%
Outside Meeting – one page summary	5%

CLASS PARTICIPATION AND ATTENDANCE (keep in mind: 5 points for this section)

The development of speaking and listening skills is considered an important part of your evaluation in this course. Please use the following guidelines to determine your effectiveness in class participation:

- Your comments should contribute meaningfully to learning in case discussions and lectures
- There are no bad questions
- Incomplete points or “one-word answers” will not get credit. Well thought out points that add to the class discussion will get due credit.
- There may be cold-calling. If you have not been able to prepare a case, or if you are uncomfortable with being called on in a particular class, please let the instructor know in advance of the class.
- There are no alternative assignments in lieu of class participation.
- You are expected to attend all classes. If you find that you are unable to make a class, please notify the professor in advance. Please sit in your selected seat, as per seating chart, for all classes. Bring and display name plates for all classes.

CLASS WEBSITE AND HOMEPAGE

The class website has been created on NYUClasses. Accessing this website will allow you to download all of the files related to the course. Please check this regularly as course assignments and other information will be added to the site throughout the semester.

SYLLABUS

OPERATIONS IN REAL ESTATE DEVELOPMENT Spring Semester 2015

SESSION 1: (Thursday, January 29)

INTRODUCTION –WHY DO WE INVEST IN REAL ESTATE?

1. Read Chapter 1, 2 and 3 in Real Estate Development: Principles and Process (RED:P&P) which introduce the issues and process of RE development
2. This class will provide an introductory overview of the real estate development process and the macro and micro forces that drive real estate values.
3. Discussion of course overview and requirements.
4. Introduction to the American Dream case (HBS 9-390-089 on Harvard Business Online Website) we will be discussing in Session 2.

SESSION 2: (Thursday, February 5)

FINDING REAL ESTATE OPPORTUNITIES

1. Read (Skim) Part II (Ch 4, 5 and 6) on the history of RE development (RED:P&P).
2. Read, analyze and be prepared to discuss the American Dream case (HBS 9-390-089 on Harvard Business Online Website). This case examines some of the basic issues confronting the Hanlons as they analyze their housing alternatives. These issues are very common to people buying a home, and you may have experienced some of these issues personally.
3. **SUBMIT AS CASE ANALYSIS #1 (to be done individually):** Analyze the Hanlon's situation, identify the key issues involved in their decision, and make a recommendation to them. Support your recommendation with any assumptions you make, analysis of alternatives, and sensitivity analysis. Use an appendix for any numerical calculations. (See the general description of these case analyses in the syllabus.)
4. The following questions will help in analyzing the case:
 - a) How will the Hanlons' financial plan be affected by their real estate decision?
How will the decision affect their lifestyle?
 - b) What risks do the Hanlons face? What can they do to manage these risks?
5. Introduction to the real estate "set-up"; key terminology and analytic techniques.

SESSION 3: (Thursday, February 12)

ANALYZING THE DEAL, PROJECTING CASH FLOW AND DETERMINING VALUE

1. Read Chapters 10, 11 and 12 on bringing ideas to reality in RED:P&P.
2. Read Chapters 1 and 2 in The Real Estate Game (REG)

3. **SUBMIT AS CASE ANALYSIS # 2 (to be done individually):** Read and analyze the five set-ups included in Session 3 in NYUClasses. Do opportunities exist in these potential deals? How could they be exploited?
4. In this class we will examine the Case Analysis #2 set-ups in greater detail. A guest lecturer, Mehul Patel of Equator Capital Partners, will discuss underwriting issues, terminology and building a solid and flexible model for pro-forma analyses.
5. **TERM PROJECT:** Your group should **SUBMIT** a written proposal for the term project at the beginning of class. It should include the address of the property, existing conditions, a brief discussion of your planned development, and an initial outline including headings for all sections that will be in the final project (but no details or analyses are necessary) (1 page).

SESSION 4: (Thursday, February 19)

PURCHASING YOUR FIRST INVESTMENT PROPERTY; LEGAL ISSUES AND STRATEGIES

1. Read Parts 4, 5 and 6 in TREM. This includes chapters 11-16.
2. Read Chapters 6, 7 and 8 in REG.
3. Read the Pinckney Street case (HBS 9-813-182; access through the HB Online site). This case involves the finding and acquiring of a small income producing property.
4. **SUBMIT AS CASE ANALYSIS # 3 (Group):** Analyze the Pinckney Street case. Organize your analysis by answering the following 4 questions:
 - a. How did Lee search for his property?
 - b. How would you evaluate the Pinckney Street property? What are the risks and rewards?
 - c. How would you evaluate Lee's search for a mortgage?
 - d. What do the numbers look like? Should Lee make this investment?
5. In this class we will welcome, Mr. Harvey Krasner, Esq., who will discuss the legal issues and strategies arising during the acquisition process, including attorney selection critical issues to consider at the early stages of the negotiating process, and strategies for dealing with buyers, sellers and lenders.
6. Read, analyze and be prepared to discuss the short legal case which will be distributed prior to the class.

SESSION 5: (Thursday, February 26)

DETERMINING WHERE AND WHAT TO BUY: DEVELOPING AN ACQUISITIONS THESIS

1. Read Chapters 16, 17 and 18 on planning and analysis in RED:P&P.
2. Read Chapters 3, 4 and 5 in REG.
3. Read and analyze the Wynwood, Miami case for class discussion. Details in NYU Classes.
4. In this class we will analyze the Wynwood, Miami case study as a means of understanding the development of an acquisition thesis and how this theory can evolve after purchase. We will discuss capitalizing your real estate project and some of the key issues which

come up when raising equity. In the second half of the class we will welcome a guest speaker, Mr. David Behin, Partner and President of Investment Sales at MNS. Mr. Behin will discuss finding and working with a real estate broker and how to identify emerging markets for acquisitions.

5. **TERM PROJECT: SUBMIT** a description of the Deal being offered to the Investors at the beginning of class (or prior by email). This should contain calculations of the total project cost, how much is to be borrowed, how much you are asking the Investor to invest, the proposed ownership split, expected returns for the Investor, and detailed waterfall of profit distributions (1-2 pages).

SESSION 6: (Thursday, March 5)

FINDING OPPORTUNITIES THROUGH MORE UNUSUAL PROPERTIES

1. Read Timing the Real Estate Market (TREM), Parts 1-3. This includes Ch 1-10.
2. **SUBMIT AS CASE ANALYSIS #4 (GROUP)** the Greenpoint Pencil Factory case. Details in NYUClasses.
3. **SUBMIT** the name (date and location) of the Professional Meeting you plan to attend by hand-in at the beginning of class, or by email prior to class). Please see above and Session 2 in NYUClasses for details and suggestions of professional meetings.
4. In this class we will discuss the Greenpoint Pencil Factory case study as means of better understanding the components involved in purchasing a "distressed" asset. We will also analyze the process of developing a "value added" development plan, and see how that plan can evolve when put into practice. I will introduce some of the concepts involved in "pitching" a deal to investors, using the Greenpoint Pencil Factory property as the proposed deal and the class as the proposed "investor". We will conclude the class with a discussion of some of the additional due diligence issues to be aware of during the acquisitions process.
5. **Next week is our Midterm exam.** In Session 6 in NYUClasses you will find some material that will be helpful to your preparation. There is a list of key terms in the vocabulary document. Also, there are some practice short answer questions (with answers). See if you have any questions about any of these terms or questions, and if so, ask about them in Session 6.

SESSION 7: (Thursday, March 12)

1. **Mid-term exam.** Details of the test will be discussed prior to this date.

Wednesday, March 19 – SPRING BREAK NO CLASS

SESSION 8: (Thursday, March 26)

PROJECT MANAGEMENT OF YOUR REAL ESTATE INVESTMENT

1. **This night we will meet at 6:30pm at a current development site. Location to be announced.**
2. After we visit the project, we will report back to our classroom at Stern for further discussion.

3. In the second half of this class we will cover the project management of your real estate investment. Issues will include scheduling techniques, best practices, and selection and management of contractors and other vendors, all with an eye towards maximizing project returns and minimizing delays and cost overruns. Our Guest Speaker for this class will be Sam Provisero, Principal at JBS Project Management.
4. Read Chapters 19 and 20 in RED:P&P on implementing the development.

SESSION 9: (Thursday, April 2)

UNDERSTANDING THE INFORMATION; HOW TO MAKE BETTER INVESTMENT DECISIONS

1. **SUBMIT a final copy of your Group Term Project.** It can be emailed to me prior to class or submitted in hard copy at the start of the class. This should be a final outline, including the headings that will be in the Final Project and each section should contain detailed analysis, calculations, projections and sensitivities.
2. In this class we will scrutinize in detail a commercial broker Offering Memorandum (OM) as a means of better understanding how data is presented to potential investors. In preparation for this session you should read and analyze the OM which will be posted to NYUClasses prior to the class. What information is provided? What is missing? How do you attempt to digest the information so that that you can create an accurate underwriting model to aid in your decision-making? We will also discuss the differences between an NOI and IRR analysis in greater detail, as well as sensitivities, cap rate changes and the resultant changes in valuation.
3. Read Chapters 7, 8 and 9 in RED:P&P on Financing the Deals

SESSION 10: (Thursday, April 9)

BUYING IN A NEW MARKET

1. **SUBMIT AS CASE ANALYSIS #5 (GROUP)** the Spanish Trails, Las Vegas case study. Details in NYUClasses.
2. Read Chapters 21, 22 and 23 in RED:P&P on making deals successful.
3. Read Chapter 9 in REG which summarizes the Real Estate Game.
4. Read Part 6 in TREM, including Chapters 17 and 18.
5. In this class we will discuss buying property in new areas, particularly places the developer may be unfamiliar with. Here, the importance of your service provider relationships (broker, lawyer, architect, contractor, etc.) is intensified. Examples of retail and office development opportunities in the Las Vegas market will be discussed. Our guest speaker for this class will be Professor Harry Chernoff, Clinical Associate Professor of Operations Management. Professor Chernoff will discuss the Spanish Trails case, a project which he developed in Las Vegas, NV

SESSION 11: (Thursday, April 16)

TBD

SESSION 12: (Thursday, April 23)

ATTRACTING EQUITY INVESTORS

1. In this session we will begin our In-Class student group oral presentations to two potential investors. Groups will present their proposals to the guest investors, followed by Q&A. Guest investors to be announced.

SESSION 13: (Thursday, April 30)

Continuation of the In-Class student group oral presentations.

SESSION 14: (Thursday, May 7) – **Last day of class.**