CLEVELAND STATE UNIVERSITY                    SPRING SEMESTER 2010
LEVIN COLLEGE OF URBAN AFFAIRS
DEPARTMENT OF URBAN STUDIES    Revised January 12, 2010

Syllabus
UST/PDD/PAD 623 Urban Development Finance

Meeting Time: Wednesday 6:00-9:50 p.m.
Place         : Urban Building UR 108
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
Special guest lecturer : Peter Rubin, The Coral Company, 216 932 8822 x 222,
graduate Assistant       : Maura David: mdavid@law.csuohio.edu, #UR 232 M, (c) 614-638-3041
Required Reading Materials:
(W) Reading materials, including selected book chapters and articles, on LCUA network at
Urban Affairs N drive at N:/simons/623 spr 2010***/lectures/L#*.ppt Or
ftp://urban.csuohio.edu/utility. This gets you to the N drive. Then go to Simons/623 spring
2010***/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
A 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:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Homework</td>
<td>40 %</td>
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<tr>
<td>Course Exam</td>
<td>20 %</td>
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<td>Final Paper</td>
<td>25 %</td>
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<td>Final Presentation</td>
<td>10 %</td>
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<tr>
<td>Participation</td>
<td>5 %</td>
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<td><strong>TOTAL</strong></td>
<td><strong>100 %</strong></td>
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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) 687-2015. The office was located in MC 147. 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.
<table>
<thead>
<tr>
<th>Course Outline</th>
<th>Date</th>
<th>Topic</th>
<th>Assignment</th>
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<tbody>
<tr>
<td>Session Number</td>
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<tr>
<td>1</td>
<td>1/20</td>
<td>L-Course overview, rationale for public interest, back of the envelope revisited</td>
<td>(B) skim book</td>
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<td>L-Refresher: Market Analysis (if needed), supply and demand</td>
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<tr>
<td>2</td>
<td>1/27</td>
<td>L-Discounted cash flow analysis, mortgage mechanics</td>
<td>(B) 3-5, 8, 12</td>
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<td>D-computer lab</td>
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<td><strong>6-7:40 pm Meet in UR 39 south computer lab reserved</strong></td>
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<td></td>
<td></td>
<td>Review assignment #1</td>
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<tr>
<td>3</td>
<td>2/3</td>
<td>L-real estate terminology, mortgages &amp; retail revenues</td>
<td>(B) 1, 2, 9</td>
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<td></td>
<td>D-homework assignment.</td>
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<td><strong>Guest Speaker: David O’Neill, confirmed</strong></td>
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<td><em><strong>Assignment 1 due</strong></em></td>
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<tr>
<td>4</td>
<td>2/10</td>
<td>L-Capital Markets, debt and equity instruments, risk, leverage</td>
<td>(B) 13, 18-22</td>
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<td>D-assignment #1</td>
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<td><strong>Guest Speaker. Lonnie Shiffert, Citizens Bank conf.</strong></td>
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<td>5</td>
<td>2/17</td>
<td>L-Valuation, taxation</td>
<td>(B) 10, 11</td>
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<td><strong>D-Guest Speaker- 8 pm Jessie Ruckel, res appraisal, conf. , Jeff Sherman, 440- 946-1188, commercial appraiser conf., <a href="mailto:jshe44094@aol.com">jshe44094@aol.com</a></strong></td>
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<tr>
<td>6</td>
<td>2/24</td>
<td>L-Development costs</td>
<td>(B) 16, 17</td>
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<td>D- <strong>Guest speaker Don Pattison, and Pep Llinas, Bandera Company, confirmed both</strong></td>
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<td><em><strong>Assignment 2 due</strong></em></td>
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**Session Number**

- 7: 3/3  
  - **Topic**: L-deal structuring  
  - **Assignment**: chapter 18 Simons & Sharkey chptr.  
    (read in advance) resource files\hpd_simons_sharkey article.pdf
  - **RS**: D-Homework-value
    “Jump Starting Urban Housing Markets”, Housing Policy Debate 1997 8 1:143-172 (N drive)

  - **6-7:40pm Meet in UR 39 south computer lab reserved**

- 8: 3/10  
  - **MS**: Guest speaker Mitchell Schneider, First Interstate Company, Retail #1
  - **D- MS Intro assignment 4 due on 8 April**
  - ***Assignment 3 due***

**SPRING BREAK no class march 17th**

- 9: 3/24  
  - **L**: Financing of Single Family Housing, Peter Rubin, Equity in Lending
  - **PR**: Peter Rubin, confirmed/ Socratic development decision Rules 8:15pm

- 10: 3/31  
  - **COURSE EXAM MAURA proctors** exam
  - **L**: Introduction to case study and student projects last day, not the Seder itself

- 11: 4/7  
  - **MS**: Discuss midterm exam.
  - Mitchell review retail assignment
  - Guest Speaker: Susanne Hamilton, Workouts, invited, 8pm
  - **4th retail oriented assignment due**
  - ***Assign mentors***

- 12: 4/14  
  - **DO conf.**: L- SF Housing Lots case: sub-ex-urban Project.
  - **RS AT ARES**: Gary Gross Gross Builders, invited Ron Spahr, “Root Cause of the Mortgage Crisis” in resource files directory
<table>
<thead>
<tr>
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<th>Topic</th>
<th>Assignment</th>
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</thead>
<tbody>
<tr>
<td>13</td>
<td>4/21</td>
<td>D- Housing Market Trends (RS) (Meet at Doubletree Inn, Rockside and I-277, Independence, w/Appraisal Institute. $25 dinner. Jerry J. Tomko, SRA, 440-942-4064, <a href="mailto:jerry@tomkoappraisals.com">jerry@tomkoappraisals.com</a>, aiohio.org</td>
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<tr>
<td>14</td>
<td>4/28</td>
<td>Guest speaker: Ken Lurie David Orlean, confirmed Guest Speaker: David Heller, NRP Group, invited, 8pm</td>
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<tr>
<td>15</td>
<td>5/5</td>
<td>STUDENT Presentations inside Jury</td>
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<tr>
<td>15</td>
<td>5/10</td>
<td>RE Tournament Student presentations (Monday)</td>
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Potential Mentors: Mitchell Schneider confirmed, David O’Neill conf., Peter Rubin, conf. Arne Goldman, Ben Greenberg AJ Magner, Suzanne Hamilton, Larry Kell Sr., Ken Lurie, Adam Fishman, Roz Ciulla, Keith Burgess, Don Pattison, Pep Llinas, Lonnie Shiffert, Tony Delguyd, Jesse Grant, Ken Lumpkin, Howard Goldberg, Mentoring starts about April 7th,


N:/Simons/623 spr 2010 RE fin/real estate finance syllabus spring 2010.doc
PDD 623 Urban Development Finance
SURVEY OF CLASS PARTICIPANTS

1. Name____________________________________________________
2. Address_________________________________________________

3. Telephone Number (h)_______________ (w)_________________
4. email address __________________________________________

5. CSU ID ____________, or KSU ID or SSN if not CSU student______________
6. Enrollment status at CSU________________________________

7. Full time student or part time student__________________
8. Real Estate 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 11/16/09

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?