Real Estate Development
Fall 2017

Course Information

Cross-listings: REAL 821, REAL 321, ARCH 768

Professor: Alan F. Feldman
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Office Hours: By appointment or telephone

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Office Hours: By appointment or telephone

Class Meeting: Monday 03:00 - 6:00 pm
Steinberg – Dietrich Hall - 209

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Course Objectives

The objective of this course is to prepare you for a career in real estate development, to help you understand the practical aspects of real estate development, and to make you a more informed real estate investor. In this course, you will review and develop skills in:

- A range of real estate development types and products
- Development process management
- Risk management and mitigation
- Real estate trend analysis

Course Topics

This course focuses on “ground-up” development, re-hab, re-development, and acquisition investments. The following are topics that will be reviewed over the course of the semester:

**Development Products:** Office, Retail, Entertainment, Industrial, Hospitality/Resorts, Single, Multifamily & Affordable Residential, Mixed-Use, Land, Adaptive Reuse;

**Development Process:** Market Analysis, Site Acquisition, Due Diligence, Development Strategy, Zoning, Entitlements, Approvals, Site Planning, Building Design, Pre-Construction, Construction, Equity Financing, Debt Financing, Marketing, Sales & Leasing, Management, Disposition;

**Specialty Topics:** Workouts and Bankruptcy, Deal Structuring and Joint Ventures, Sustainability, Suburban Infill, Brownfields, Infrastructure, Green Design, Public/Private Partnerships, Market Incentives, TIF’s, PILOT’s, Bonds, Condo & Homeowner Associations;

**Development Companies:** Development Company Types (Private, Public or Institutional), Financial Sources/Partnerships, Managing a Development Company, Development Company Jobs, Consultants and Lawyer Selection/Management, Public/Government Relations;


Course Structure

**Cases:** This course will make use of the case methodology, maximizing decision-making opportunities for you. You may be called upon (“Cold Called”) to begin a case or to answer questions pertaining to the case at any time. Class participation (and therefore preparation) is critical, as we will focus on the development process utilizing actual real estate projects. The class will compare and contrast many products and processes over the course of the semester. Selected developers and professionals will participate in active case analysis, underwriting and discussion as opposed to “war story recitations”.

**Lectures:** By reading, listening, and engaging in class lectures, we will study how to research and analyze real estate investments, determine macro-economic
trends, evaluate demographic and market data and gather/review comparables (“Comps”).

**Guest Speakers:** Real Estate professionals/current practitioners will discuss various aspects of the development industry and review their personal lessons, mistakes, and success stories with the class.

**Site Visits:** Tour under construction and/or finished developments to reinforce classroom discussion and provide in-person/hands-on experience to what a development site/project looks and feels like.

**Group Final Project:** The class will split into groups of 3-5 and complete the work of a real estate developer. Each group is expected to select a site/product of their choice and put to work class teachings in the form of an investment memorandum and committee presentation. More details to follow.

**Attendance:** Students are expected to attend all classes and site visits. Unexcused absences will result in points deducted from the class participation component of your grade. Excused absences are reserved for serious illness, death in the family, etc.

**Case Write-Ups**

For each class in which a case study is assigned, students will be required to turn in a written memo or paper discussing/answering the case questions. Case write-ups will be graded on strength and conciseness of analysis, organization, clarity, grammar, punctuation, and spelling. Case grades will be based on answering the stated questions and minimizing unnecessary, irrelevant and unsupportive information.

Students may work in groups of maximum two people. If you work as a team, please turn in one copy per team with the names of both team members listed on the first page. From time to time, we may allow more than two people per group at the professor’s discretion. All papers must be typewritten. With the exception of essential cases – those noted with an asterisk in the class schedule –, students may drop their lowest memo/paper grade.

**Group Project**

This assignment will serve as the final deliverable for the course. The class will self-divide into groups of three to five people, ideally with a mix of business and design students in each group. The goal of this project is to take course learning and apply it to a real-world situation. The project can be as “extensive” as a ground-up development, or as “simple” as a rehab of an older asset. In either situation, groups are expected to write a five to ten page investment memorandum detailing their development proposal – Market Analysis, Development Strategy (Zoning, Entitlements, Approvals, Site Planning), Design, Construction, Financing (Equity, Debt, Joint-Venture), Investment Model, and Sales/Leasing – as well as prepare a ten-minute class presentation and slide deck. This presentation should be structured as though the group is “presenting” the idea to the investment committee at their firm.

To make this assignment as “real life” as possible, actual practitioners and peers will sit in the class and act as the investment committee for the presentation. Groups should be prepared for up to five minutes of question and answers both during and/or after their presentation.

Projects will be judged on the following criteria:

- Clarity of presented information
- Strength of analysis
- Salesmanship during presentation
- Thoroughness of research
– Ability to answer questions
– Feasibility of proposed strategy

Grading

Class Participation and Attendance: 25%
Case Assignments: 35%
Group Project – written: 20%
Group Project – presentation: 20%

Re-Grade Policy

Students may request a re-grade on all assignments. However, the re-grade request:
– Must be accompanied by a clear and persuasive explanation for the request
– Must be submitted within one week of having received the assignment back
– Will result in the assignment being completely re-graded, and could thus receive a higher or lower score

Exams

There are no exams in this course.

Deadlines

Deadlines are firm. Case Write-Ups are due before 10:30 a.m. of the class day when the case will be discussed unless noted otherwise on the assignment sheet. Late papers for any reason are given a grade off if submitted after 10:30 a.m. of the class day but before 3:00 p.m. of the class day. After class begins at 3:00 p.m., a “No Credit” grade will be given. Insofar as this class helps prepare a student for “real world” investments and “investment committee” presentations, deadlines must be met and there will be no exceptions.

Submitting Assignments

All assignments must be submitted by uploading to the course site on Canvas. They must be formatted such that the PPT/Word/Excel documents open and print when the print button is clicked. The instructor will not spend additional time trying to open worksheets or to format documents to print. Said differently, the instructor will open your submission and click the print icon. What gets printed will be graded so please make sure that everything prints as you plan. Spreadsheets that require cutting and pasting to read will not be graded so please make sure they are ‘fit to one page’ in a font that is readable. Group assignments only need to be submitted once, but please clearly state group members on the coversheet. Please don’t submit a memo that you wouldn’t feel comfortable sending to the CEO of your future employer.

Attendance

You are expected to prepare thoroughly for and attend each class and actively participate. Punctuality is required. If you need to leave before the end of class, please let me know before class. Be sure and sign the attendance sheets – if you do not sign in, you will be counted as absent.
Class Website

Log in: [http://canvas.upenn.edu](http://canvas.upenn.edu) Select REAL 321/821 & ARCH 768 - Fall 2017 in the "Courses" menu. The Teaching Assistant and I will post any upcoming updates and important information here. Do not count on receiving an e-mail announcing class or assignment changes. Please make it a habit to check the website every day or two. We will generally post presentations and guest speaker bios for upcoming classes to make note taking more convenient. Projects and readings will also be posted if available in electronic form.

Readings

The primary textbook is *Professional Real Estate Development* by Peiser and a reference textbook is *Real Estate Finance and Investments* by Linneman. These texts will be used for general background information. Other readings will be assigned and provided at least one week before they are covered in class.

Electronics

Electronics are prohibited in the classroom, unless they are being exclusively used for the purpose of working through cases. Using a laptop or tablet for any other reason is distracting and highly discouraged.

Prerequisites

Students are responsible for having completed Corporate Finance (FIN601), or an equivalent. Students are expected to have taken, or are taking concurrently with this course, Real Estate Investments (REAL 721), and Real Estate Law (REAL 804). The class will be taught assuming you have a working knowledge and understanding of basic real estate law and valuation techniques.

Academic Integrity

All relevant University policies regarding Academic Integrity must be followed strictly. Please review the Code of Academic Integrity at:

[http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html](http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html)

Other Administrative Matters

Please treat our class room session as a board meeting - turn off all cell phones, tablets, and PDAs - do not text, email, or visit websites during class or otherwise distract others. Electronic devices should only be used for note-taking.

You will need a calculator that has the ability to compute present value and future values, periodic payments to amortize debt, net present value, and internal rate of return.
### Guest Speaker Directory - Preliminary

<table>
<thead>
<tr>
<th>Name</th>
<th>Company/Contact Information</th>
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| **Jeff Altman**  | Houlihan Lokey  
245 Park Avenue  
New York, NY 10167  
jaltman@hl.com  
212.497.4191 |
| **John Krauser** | Vineland Construction Company  
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Vineland, NJ 08360  
John.Krauser@NFLIndustries.com  
856.794.4724 |
| **Sam Becker, Esq.** | Blank Rome  
One Logan Square  
Philadelphia, PA 19103  
becker@blankrome.com  
215.569.5527 |
| **Eric Mallory** | Eureka Ventures  
2750 E. 146th Street, Suite 202  
Carmel, Indiana 46033  
eric@eurekaventures.net  
317.663.7864 |
| **Fred Berlinsky** | Markeim Chalmers  
1415 Route 70 East  
Cherry Hill, NJ 0803  
fberlinsky@markeim.com  
856.354.9700 |
| **Mehul Patel** | Resource Real Estate  
1845 Walnut Street, 18th Floor  
Philadelphia, PA 19103  
mpatel@resourcerei.com  
215.832.4157 |
| **Scott Crowe** | CenterSquare Investment Management  
630 West Germantown Pike, Suite 300  
Plymouth Meeting, PA 19462  
scrowe@centersquare.com  
610.834.9500 |
| **Jim Paterno** | Stockton Advisors  
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Philadelphia, PA 19103  
jpaterno@stocktonadvisors.biz  
215.636.4440 |
| **Allan Domb** | Allan Domb Real Estate  
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Philadelphia, PA 19103  
domb@allandomb.com  
215.545.1500 |
| **Joseph P. Topley** | Carey, Kramer, Pettit, Panichelli & Associates  
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Wayne, PA 19087  
topley@ckpp.com  
610.341.0200 |
| **Jim Feigenbaum** | Fentell Construction  
2301 Evesham Road, Suite 702  
Voorhees, NJ 08043  
JamesFeigenbaum@fentell.com  
856.772.1212 |
| **Richard F. Tomlinson** | Richard F. Tomlinson, II LLC  
1448 N. Lake Shore Drive  
Chicago, IL 60610  
rt@richardftomlinsonii.com  
312.593.8719 |
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<th>Class</th>
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<th>CASE</th>
<th>Readings</th>
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<tbody>
<tr>
<td>1</td>
<td>11-Sep</td>
<td>Introduction</td>
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<td>Peiser, Chapter 1: “Introduction”</td>
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<td>Course Administration</td>
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<td>Peiser, Chapter 2: “Organizing for Development”</td>
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<td></td>
<td></td>
<td>What is Real Estate Development</td>
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<td>9 Abuses Common in Pro Forma CF Projections - Martin III</td>
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<td>Review of Real Estate Finance and Law</td>
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<td>“It’s Recommended That You Write Clearly” - Blake, WSJ</td>
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<td>Investment Returns and Risks</td>
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<td>“Why Can’t MBA Students Write?” by Middleton, WSJ</td>
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<td>Real Estate Market Analysis</td>
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<td>“Financial Analysis of Real Property Investments” - Poorvu, HBS</td>
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<td>18-Sep</td>
<td>Office Redevelopment</td>
<td>*#1 Office Value Add</td>
<td>Understanding Real Estate Market Analysis</td>
<td>Case 1* Write-Up</td>
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<td>Market Analysis, Due Diligence &amp; Underwriting</td>
<td>Doug Vesey, Stockton Advisors</td>
<td>Peiser, Chapter 5: “Office Development”</td>
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<td>Office Marketing and Leasing</td>
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<td>“10 Common Pitfalls for Commercial Tenants” - Nicholas</td>
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<td>25-Sep</td>
<td>Residential Development</td>
<td>#2 Residential Land Development (Sing)</td>
<td>Peiser, Chapter 3: “Land Development”</td>
<td>Case 2 Write-Up</td>
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<td>Mixed Use, Hotels, Entertainment</td>
<td>Jim Feigenbaum, Fentell Construction</td>
<td>Linneman, Chapter 21: “There Are a lot of Right Ways”</td>
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<td>Equity and Debt Financing and Joint Ventures</td>
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<td>2-Oct</td>
<td>Hotel &amp; Entertainment Development</td>
<td>#3 Hotel &amp; Entertainment Development</td>
<td>Linneman, Chapter 21: “There Are a lot of Right Ways”</td>
<td>Case 3 Write-Up</td>
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<td>Jeff Altman, Houlihan Lockey</td>
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<td>5</td>
<td>9-Oct</td>
<td>Commercial Development</td>
<td>#4 Commercial Ground Up Development 10 Key Clauses in Construction Contracts-Goldenberg,Rosenthal</td>
<td>John Krauser, Vineland Construction Co.</td>
<td>Case 4 Write-Up</td>
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<td>Credit Considerations</td>
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<td>Alternative Uses</td>
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<td>6</td>
<td>16-Oct</td>
<td>Workouts / Repurchases</td>
<td>#5 Distressed Office / Workout</td>
<td>Prospering in a Turbulent Economic Climate by Ellen Rand</td>
<td>Case 5 Write-Up</td>
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<td>Workouts</td>
<td>Jim Paterno, Stockton Advisors</td>
<td>CMBS Cartoon</td>
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<td>Fee Interests, REOs, NPLs, CMBS, Servicers, etc.</td>
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<td>Bankruptcy Considerations</td>
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<td>7</td>
<td>23-Oct</td>
<td>Development Process and Entitlement</td>
<td>#6 Retail Power Center</td>
<td>Peiser, Chapter 7: “Retail Development”</td>
<td>Team Selection</td>
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<td>Forming Partnerships</td>
<td>Eric Mallory, Eureka Ventures</td>
<td>Structuring Development Joint Ventures - Thomas</td>
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<td>Environmental and Site Constraints</td>
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<td>Credit Tenants</td>
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8 30-Oct  Site Visit / Multi-Family Development  *#7 Multifamily
Multifamily Development / Redevelopment
Product Positioning and Setting Rents
Structuring Joint Ventures
Peiser, Chapter 4: “Multifamily Residential Development”
Case 7* Write-Up

9 6-Nov  Securities / REIT Analysis  *#8 Public Market Securities
Introduction to REITs
How are REITs valued?
Development in Public vs. Private Companies
The REIT Way, Investopedia, January 2003
Case 8 Write-Up
Project Concepts
Extra Credit
Deliverable

10 13-Nov Condo Development  #9 Condo Development / Distressed Purchase
Purchase versus Build New
Financing, Developers and Purchasers
Tax Credits
Allan Domb, Allan Domb Real Estate
Case 9 Write-Up

11 20-Nov Golf / Adaptive Reuse  #10 Golf Course Case
Golf Industry and Economics – Real Estate?
Bankruptcy and Restructure
Not For Profits
Fred Berlinsky, Markeim Chalmers
Sam Becker, Esq., Blank Rome
Case 10 Write-Up

12 27-Nov Debt Financing  Guest Speaker: Debt
Project Review, Discuss Expectations
Fixed vs. Floating Debt
Construction and Take-out Loans
Recourse vs. Non-recourse
Carve-outs
Joe Topley, Cary Cramer and Pettit
Project Abstract

13 4-Dec Current Real Estate Trends  Peiser, Chapter 8: “Trends and Issues”
Where Are We Today?
Overall Course Review
Careers In or Involving Real Estate Development
Group Mock Presentations

14 11-Dec Presentations  Group Mock Presentations
Version as of 7/28/2017

*Essential Case - Students may not drop their grade for this assignment