Instructor
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Office Hours: By Appointment

Credit Hours: 1.0
Meeting Time: Wednesdays, 6:30 PM – 9:00 PM
Location: UEP Classroom

Course Description
This course will focus on real estate development and finance with a concentration on housing affordability to low- and moderate-income households and community-based non-residential real estate projects. Recent changes in the real estate market will be discussed with particular emphasis on the impact of the sub-prime lending crisis and the price decline on production. The course will look at the role institutions such as community development corporations (CDC), public housing authorities, housing finance agencies, and financial intermediaries in the changing real estate market and in relation to production of affordable housing and neighborhood commercial space. It will examine the development process from conceptualization to project completion. It will address issues of sites identification and control, preparing feasibility analysis, winning community support, securing subsidies, permitting, financial packaging, development team selection, construction management and supervision, tenant selection, design and construction coordination, and asset management. The course will analyze development budget, operating pro-forma and cash flow. It will include real estate risk analysis and assessment of alternative debt and equity funding sources for rental housing, homeownership and commercial development. The course will include lectures, cases, exercises, site visits, guest lectures, and group presentations.

Course Objectives
This course will provide students with analytical and practical understanding of (affordable) residential real estate development and finance and the knowledge to:
  - Prepare and analyze development budget and operating pro-forma;
  - Assess development risks; and
  - Evaluate development feasibility analysis.

Course format and Requirements
This course will be a combination of lectures, case discussions, classroom exercises, and site visits. Intermediate knowledge of Microsoft Excel or familiarity with financial calculator operations is required for this class. Class participation and discussion will be encouraged. Cases will be based on actual real estate projects. Cases will include completed projects, projects under construction and projects in predevelopment phases. Classroom participation will be encouraged and expected. Students will be required to come to class prepared.

Students will be required to complete the following:
  - Several homework assignments
  - A midterm project
  - A final project
Grading
Homework Assignments 20%
Midterm Project 25%
Final Project 45%
Classroom Participation 10%

Required Readings


Handouts will be distributed in class throughout the semester.

Recommended Readings
http://lisc.org/resources/2005/01/multifamily_838.shtml?Affordable+Housing

http://www.curp.neu.edu/publications/reports.htm#reportcard2006


Course Outline

Class 1: January 16
Course Introduction and Requirements
- Introductions
- Course overview and requirements
- Assessment of students’ familiarity with real estate development and finance
- Assessment of students’ familiarity with Microsoft Excel and real estate financial calculations (loan amount, debt service payment, valuation, rates of return)
- Important real estate development concepts and terms
- Overview of the real estate development process

Class 2: January 30
Introduction to real estate development
- History of real estate development in the US
- Actors in the real estate development process
- Housing vs. commercial development
- Affordable vs. market rate residential real estate development

**Reading**
Miles Chapters 1-3 & 7-9
The State of the Nation’s Housing 2006 (blackboard)

**Class 3: February 6**
Fundamentals of Real Estate Finance
- Key real estate financial concepts and terms
- The real estate financing cycle
- Financial institutions
- Primary and secondary financing markets
- Sub-prime lending
- Real estate financing decisions

**Reading**
Miles Chapters 4-6

**Class 4: February 13**
Fundamentals of Real Estate Finance (continued)
- Development budget
- Predevelopment budget
- Before tax cash flow
- Operating proforma
- Debt and equity financing

**Reading**
Miles Chapters 4-6
Assignment 1 (handout)

**Class 5: February 20**
Real Estate Financial Calculation/Microsoft Excel Workshop
- Development budget calculation
- Development proforma calculation
- Debt and equity analysis and calculation

**Assignment 1 due**
Assignment 2 (handout)

**Class 6: February 27**
Real Estate Financial Analysis
- Risks analysis
- Rates of return
- Present and future values
- Leveraging
- Multi-year proforma
- Loan-to-value
• Ability to service debt
• Reversion

Reading
Assignment 2 due
Midterm (handout)

Class 7 & 8: March 5 & 12
Stages of Real Estate Development
• Project conceptualization
• Feasibility analysis/determination
• Project finalization
• Permitting and approvals

Affordable Housing Development
• Affordable housing issues: local, regional and national
• The Affordable Housing Crisis and the People it Affects
• Who Needs Affordable Housing
• The financial costs of affordable housing
• Role of CDCs in Development of Affordable Housing
• Site selection
• Feasibility analysis
• Appraisal and valuation
• Risk analysis
• Community support
• Project conceptualization
• Development team selection

Reading
Miles chapters 10-15
Myerson Pp. 1-72 (additional reading)
Site Visit (to be scheduled)

Spring Recess (March 17-21)

Class 9: March 26
Affordable Housing Development and Financing Tools
• Low Income Housing Tax Credit
• New Market Tax Credit
• Public Financing and subsidies
• Community Development Financial Institutions
• Mortgages
• Conventional financing

Reading
Financing multifamily housing (Handout/blackboard)
Myerson Pp. 75--133 (additional reading)
Guest Speaker
Midterm Assignment Due
Assignment 3 (handout)
Class 10: April 2
Real Estate Market and Feasibility Analysis
  • Definition of feasibility
  • Market and feasibility studies
  • Market data
  • Data sources
  • Appraisal

Reading
Miles Chapters 16-18
Market Analysis (handout/blackboard)
Assignment 3 due
Assignment 4 (handout)

Class 11: April 9
Non-Residential Real Estate Development
  • Site selection and preparation
  • Feasibility and market issues
  • Tenancy
  • Financing sources
  • Development team selection
  • Community issues
  • Project conceptualization
  • Asset Management
  • Contract negotiation

Reading
Miles Chapters 19 & 20
Guest speaker
Assignment 4 due
Site Visit (April 12)

Class 12: April 16
Project Completion, Sales and Asset Management
  • Construction supervision
  • Project completion check list
  • Asset management
  • Property management
  • Marketing

Review of Financial Concepts and Analysis

Reading
Miles Chapters 21 – 23
Class 13: April 23
Real Estate Development Issues
- Changes in real estate market and impact on affordability and housing production
- Preserving affordable multifamily housing
- Who is not being served
- How affordable is affordable housing
- Low Income Housing Tax Credit year 15 expiration
- Smart Growth and Affordable Housing

Final Project Due Date: Final week