

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN
College of Business
DEPARTMENT OF FINANCE

Fall 2017

FIN 447

REAL ESTATE DEVELOPMENT

Sections T3/T4

Time and Place: Tuesdays and Thursdays, 3:30 to 4:50 p.m.

Room 2043 BIF

Professors: R. E. Cannaday & Peter Borzak (T.A.: Sofia Sianis)

Phone: 217-333-2278

Office: 140A Wohlers Hall

FAX: 217-244-3102

Office Hours: Tues. and Thurs., 2:00 to 3:00 p.m.

E-mail: rcannada@illinois.edu

COURSE OBJECTIVE: To provide students with an exposure to the real world of real estate through a series of lectures by real estate professionals focused primarily on retail real estate development. A side benefit of the class will be to provide graduating students some insights into different career paths to help improve the career choices that they make.

COURSE REQUIREMENTS:

	<u>Weights</u>	
1. Attendance (grad. students, see NOTE 2)	15%	(based on % of classes attended)
2. Participation (grad. students, see NOTE 2)	15%	(based on average grade assigned by other team members for team case studies)
3. Field trip to Chicago for site visit	0%	Friday, Sept. 29
4. Mid-term Exam	20%	Tues., Oct. 31
5. Mini-Case Report & Team Presentation	20%	Thurs., Nov. 16 (3:30 - 9:30 p.m.)
6. Final Case Report & Team Presentation	30%	Fri., Dec. 15 (5:00 - 11:00 p.m.)

NOTES: 1. For the team reports and presentations, students will be divided into teams of 5 or so.

2. Graduate students will be required to do an extra paper which will account for 10% of their grade; weight for "Attendance" and "Participation" each adjusted to 10%.
3. Some review sessions will be scheduled for Fridays. Sessions before the mid-term exam will be to help you prepare for the exam. Sessions after the mid-term exam will be to help you prepare for the two cases.

TEXTBOOK/OTHER READINGS:

1. Recommended Text: Miles, Mike, et al., *Real Estate Development*, 5th ed., Urban Land Institute (U.L.I.), 2015
2. Lecture Notes provided by Prof. Cannaday for Topic 1 on August 29 and Topic 25 on November 28 (labeled as Topic 2 Lecture Notes)

3. Optional Reading: International Council of Shopping Centers, *Shopping Centers Today*, monthly magazine

COURSE OUTLINE:

1. Introduction/Overview & Omni Channel Retail: Role of Technology in Real Estate
2. The Big Picture for a Real Estate Development Firm (incl. alternative investment opportunities)
3. Role of Public Sector in Real Estate Development
4. Market/Feasibility Analysis & Appraisals
5. Analysis and Due Diligence for Property Acquisitions
6. Identifying Potential Development Projects
7. Legal Issues Related to Zoning, Entitlements, etc
8. Role of Architect in Development Process
9. Site Selection/Tenant Mix for Retail Development
10. Real Estate Equity Financing (view of intermediary who finds equity for developer)
11. Real Estate Debt Financing I (mortgage lender view)
12. Real Estate Debt Financing II (mortgage banker/broker view)
13. Public/Private Partnerships; Developer's Perspective
14. Public/Private Partnerships; University's Perspective
15. Other Pre-Construction Issues – Environmental Issues, Contract Negotiations, etc.
16. Finalizing the Development Concept
17. Construction Phase (incl. role of General Contractor and Construction Manager)
18. Construction Phase: Corporate Facilities; for ex., Development of New Corporate HQ's
19. Mid-term Exam and Discussion of Mini-Case Assignment
20. Post Construction: Holding and Leasing vs. Selling (real estate broker view)
21. Post Construction: Retailers and Retail Leasing, including pre-leasing (development firm view)
22. Post Construction: Role of REIT's in Development; for ex., buyer of completed project
23. Post Construction: Asset Management (of assets retained in development firm's portfolio)
24. Team Presentations for Mini-Case to panel of Cannaday, Sianis & Sinow
25. Investment Analysis for New Development Project; assignment of Final Case
26. Post Construction: Workouts – When Things Go Wrong
27. Hot Topic: Development and Management of Medical Office Buildings and Other Healthcare Facilities
28. Hot Topic: Green Development
29. Overview – Wrap Up and Discussion of Final Case
30. Team Presentations for Final Case to panel of Borzak, Grochocinski, Cannaday & Sianis

WEEKLY SCHEDULE (w/recommended reading):

Aug. 29 Topic 1, Introduction/Overview (Ref. Ch's. 1 - 3 of Text), Peter Borzak (George Washington Univ., 1984), Principal; and Omni Channel Retail: Role of Technology in Real Estate, Graham Grochocinski (Univ. of Illinois, 2009), Creative and Marketing Director; Pine Tree, LLC

- Aug. 31 Topic 2, The Big Picture for a Real Estate Development Firm (incl. alternative investment opportunities), William Shiner (University of Illinois, 1978), President, The Shiner Group (ref. Ch. 1 of Text)
- Sept. 5 Topic 3, Role of Public Sector in Development, Michael Blue (University of Illinois, 1984 & 1987), Principal, Teska Associates, Inc. (ref. Ch's. 7 & 8 of Text)
- Sept. 7 Topic 4, Market/Feasibility Analysis & Appraisals, Thomas Amato (Dominican University, 1976), CRE, Partner, Real Estate Counselors Int'l. (ref. Ch. 13 of Text)
- Sept. 12 Topic 5, Analysis and Due Diligence for Property Acquisitions, Alfred Klairmont (University of Illinois, 1978), President, Imperial Realty Company (ref. pp. 232 – 233 and 325 – 326 of Text)
- Sept. 14 Topic 6, Identifying Potential Development Projects, Scott Gendell (University of Illinois, 1979), President & CEO, Terraco and Pat Tupa (University of Illinois, 1979), Divisional V.P., Real Estate, Walgreen Co. (ref. Ch. 9 of Text)
- Sept. 19 Topic 7, Legal Issues related to Zoning, Entitlements, etc., Donna Pugh (University of Florida, 1979), JD, Partner and Wayne Osoba (University of Illinois, 1982, 1985), Partner, Foley & Lardner, LLP (ref. handout and p. 68, Ch. 7 & pp. 237, 260– 261, and 273-274 of Text)
- Sept. 21 Topic 8, Role of Architect in Development Process, Michael Lingertat (University of Illinois, 1994 & 1996), Managing Director, Skidmore Owings & Merrill (pp. 32 – 33, 252 – 254, and 278 – 280 of Text)
- Sept. 26 Topic 9, Site Selection/Tenant Mix for Retail Development, Jim Pye (University of Illinois, 1981), Director of Real Estate, Famous Footwear/CALERES (ref. Ch. 12 of Text; especially pp. 230 – 239 & 244)
- Sept. 28 Topic 10, Real Estate Equity Financing, Brad Foss (DePauw University, 2000), President and COO, DESCO Group (ref. handout and Ch's. 10 & 11 of Text)
- Sept. 29 Field Trip to Chicago: Site Visit to a real estate development project, plus Real Estate Luncheon at Standard Club with hundreds of real estate alumni; details to be announced
- Oct. 3 Topic 11, Real Estate Debt Financing I (mortgage lender), Julie Thick (University of Illinois, 1995), Senior Client Executive, JP Morgan Chase Real Estate Banking (ref. Ch's. 10 & 11 and pp. 260 - 261 of Text)

- Oct. 5 Topic 12, Real Estate Debt Financing II (mortgage banker/broker), William Barry (University of Illinois, 1977), Senior Vice President, Draper and Kramer, Inc. (ref. handout and Ch's. 10 & 11 and pp. 241 & 261 of Text)
- Oct. 10 Topic 13, Public/Private Partnerships; Developer's Perspective, David Cocagne (University of Illinois, 2000), President & CEO, Vermilion Development and Chris Dillion (University of Illinois, 2003), President, Campbell Coyle (ref. pp. 158 – 171 of Text and handouts)
- Oct. 12 Topic 14, Public/Private Partnerships; University's Perspective, Laura Frerichs (University of Illinois, 1999), Director, University of Illinois Research Park, and Director of Economic Development, University of Illinois at Urbana-Champaign (ref. handout)
- Oct. 17 Topic 15, Other Pre-Construction Issues – Environmental Issues, Contract Negotiations, etc., James Hanson (University of Illinois, 1988), Principal, Avison Young (ref. pp. 117 – 118, 125 -126, 137 – 142, 275 – 278, 341 – 342 and Ch. 14 of Text)
- Oct. 19 Topic 16, Finalizing the Development Concept, Mike Klingl (University of Illinois, 1986), Senior Development Director, Mainstreet (ref. pp. 278 - 280 of Text)
- Oct. 24 Topic 17, Construction Phase (incl. role of General Contractor and Construction Manager), Donald Manhard (University of Illinois, 1982), President, Manhard Consulting and John Druffel (University of Illinois, 1984), Executive Vice President, CA Ventures (ref. Ch. 15 of Text)
- Oct. 26 Topic 18, Construction Phase: Corporate Facilities; for ex., Development of New Corporate Headquarters, Scott Phillips (University of Illinois, 1992), Director, Corporate Real Estate, McDonald's Corp. (ref. Ch. 15 of Text)
- Oct. 31 Topic 19, Mid-Term Exam and Discussion of Mini-Case Assignment, Prof. Roger E. Cannaday, University of Illinois, & Chris Hamelberg (Purdue University, 1997), Co-Owner, Old Farm Shops, and CEO, The University Group
- Nov. 2 Topic 20, Post-Construction: Holding and Leasing vs. Selling (real estate broker view), Todd Caruso (University of Arizona, 1980), Senior Managing Director, CBRE and Maria Pope Toliopoulos (Loyola University of Chicago, 1997), Senior Vice President and Director of Leasing, Retail Properties of America (ref. Ch. 17 of Text)

- Nov. 7 Topic 21, Post-Construction: Retailers and Retail Leasing, incl. pre-leasing (development firm view), Peter Eisenberg (University of Wisconsin, 1996), Principal, Clark Street Real Estate and Marlon Stone (University of Michigan, 1993), President /CEO, Stone North America, LLC (ref. Ch. 16 and pp. 330 - 331 of Text)
- Nov. 9 Topic 22, Post-Construction: Role of REIT's in Development; for ex., buyer of completed project, Mark Zalatoris (University of Illinois, 1979), President & CEO, IRC Retail Centers, Inc. (ref. pp. 6, 13, and 191 – 197 of Text)
- Nov. 14 Topic 23, Post-Construction: Asset Management (of assets retained in development firm's portfolio), Alan Pollack (University of Illinois, 1973), Chairman, Providence Management Co., (ref. Ch. 17 of Text)
- Nov. 16 Topic 24, Mini-Case Presentations, 3:30 to 9:30 p.m. Each team will have approximately 25 minutes to make their presentation to panel of Cannaday, Sianis and Sinow.
- Nov. 21 Holiday
- Nov. 23 Holiday
- Nov. 28 Topic 25, Investment Analysis for New Development Project, Roger Cannaday (Virginia Tech, 1962), Real Estate Professor, University of Illinois (ref. handout and Ch. 11 & pp. 257 – 258 of Text)
- Nov. 30 Topic 26, Post-Construction: Workouts – When Things Go Wrong, Andrew Margolick (Barry University, 1996), President, ARM Consulting LLC (ref. handout); Final Case assignment distributed
- Dec. 5 Topic 27, Hot Topic: Development and Management of Medical Office Buildings and Other Healthcare Facilities, Todd Lillibridge (University of Illinois, 1978), President and CEO, Lillibridge Healthcare Services, Inc.
- Dec. 7 Topic 28, Hot Topic: Green Development, David Baum (Northern Illinois University, 1988), Principal, Baum Development LLC & Vatsal Desai (University of Illinois, 2008, 2010), Design Director and Project Manager, Revision Group (pp. 118 – 119 and 346 -347 of Text)); plus brief discussion of final case
- Dec. 12 Topic 29, Wrap-up and Discussion of Final Case, Peter Borzak (George Washington University, 1984), Co-Founder/Managing Principal, Pine Tree Commercial Realty

Dec. 15 Topic 30, Final Case Presentations, 5:00 to 11:00 p.m. Each team will have 25
Friday minutes to make their presentations to panel of Borzak, Grochocinski,
Cannaday and Sianis

GRADES: Plus and minus grades will be used.

ACADEMIC INTEGRITY: A summary of the Student Code on your obligation to maintain academic integrity is as follows: (Note that the Student Code is available online at <http://admin.illinois.edu/policy/code/>)

“It is the responsibility of each student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions.” (Part 1-401). Definitions of infractions of academic integrity are given in Part 1-402 of the Code, under headings such as Cheating, Plagiarism, and Fabrication. The Code further states, “Students have been given notice of this Part by virtue of its publication. Regardless of whether a student has actually read this Part, a student is charged with knowledge of it. Ignorance is not a defense.” Sanctions for infractions are summarized in Part 1-404.

OTHER STUDENT RESPONSIBILITIES:

1. It is recommended that students be available for review sessions on Fridays from 12:30 to 1:50 p.m. (or some alternate time to be decided based on best time for the most students) to help them prepare for the mid-term exam (early in the semester) and to discuss any questions they have about the two cases (later in the semester).
2. It is recommended that students be available following some Tuesday classes for attendance of the scheduled Rho Epsilon Real Estate Student Association meetings (5:00 p.m. in a room in B.I.F.; schedule of speakers will be handed out in class early in the semester).
3. If a student must arrive at class late or leave early, advance notice by e-mail to Prof. Cannaday would be appreciated. Note that arriving late or leaving early is highly discouraged because of the importance of class attendance.
4. During class sessions, students must close up/turn off laptops and other devices that might distract them from what is going on during class. Remember that for most sessions, real estate professionals have driven down from Chicago, volunteering their time, and we need to give them the impression that we appreciate that and will be paying close attention to their presentation.

BIF EMERGENCY PROCEDURES

Because BIF is not a designated tornado shelter, **in the event of a tornado warning please seek shelter in the Wohlers Hall basement or the Armory** (the nearest designated University tornado shelters). **If a tornado is imminent, the BIF basement stairwells can be used on an emergency basis.** In the event of a fire in BIF, exit BIF and proceed to 141 Wohlers Hall. In the event of threat from a shooter on campus, lock down the classroom and move to a place of safety within the classroom. If you encounter a suspicious package, do not touch the package, alert campus security, and refrain from cell phone usage until the situation is resolved. More details and action instructions are available in the BIF Building Emergency Action Plan.

ACKNOWLEDGMENT

This is to acknowledge the contribution of The Harold E. Eisenberg Foundation to the founding and evolution of this course. Peter Borzak, working on behalf of the Eisenberg Foundation, laid the groundwork for establishment of the course by developing a detailed summary of the key elements that should be included for each lecture and by getting all of the guest lecturers for the first time the course was offered in Fall Semester 2008. Peter continues as a co-professor for the course and does the first and last lectures each semester. Several guest lecturers are mentors for the Eisenberg Foundation's mentorship program, including Peter Borzak, Bill Shiner, Michael Blue, Jim Pye, Al Klairmont, Donna Pugh, Bill Barry, Marlon Stone and Todd Caruso. Also, Peter Eisenberg, who is a guest lecturer for the course, is President of the Eisenberg Foundation.