

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

Fall 2011

FIN 490/580

REAL ESTATE DEVELOPMENT

Section RE/RD

Time and Place: Tuesdays and Thursdays , 5:00 to 6:20 p.m., Room 2043 BIF

Professors: R. E. Cannaday & Peter Borzak

Phone: 217-333-2278

Office: 140A Wohlers Hall

FAX: 217-244-3102

Office Hours: Tues., 3:00 to 4:30 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)	40%	(based on % of classes attended)
2. Participation	10%	(based on average grade assigned by other team members for team case studies)
3. Mini-Case Report & Team Presentation	20%	Thurs., Nov. 17 (5:00 - 9:30 p.m.)
4. Final Case Report & Team Presentation	30%	Tues., Dec. 13 (5:00 - 9:30 p.m.)

- NOTES: 1. For the team presentations, students will be divided into teams of five.
2. Graduate students will be required to do an extra paper which will account for 10% of their grade; weight for "Attendance" adjusted to 30% for them.

TEXTBOOK/OTHER READINGS:

1. Required Text: Miles, Mike, et al., *Real Estate Development*, 4th ed., Urban Land Institute, 2007
2. Optional Reading: International Council of Shopping Centers, *Shopping Centers Today*, monthly magazine
3. Recommended Reading (whole course, but especially for Topic 27): Kunstler, James Howard, *The Geography of Nowhere*, Touchstone, 1993
4. Recommended Reading (for Topic 29): Wolfe, Tom, *A Man in Full*, Farrar, Straus and Giroux, 1998
5. Other readings as assigned for specific topics.

COURSE OUTLINE:

1. Introduction to Course & Overview of Real Estate Development Process
2. Real Estate Valuation Methods
3. The Big Picture for a Real Estate Development Firm (incl. alternative investment opportunities)
4. Investment Analysis I (DCF Model for acquiring existing properties)
5. Identifying Potential Development Projects
6. Analysis for Property Acquisitions (vacant sites) & Due Diligence by Developer
7. Legal Issues related to Zoning, Entitlements, etc.
8. Market/Feasibility Analysis & Appraisals
9. Investment Analysis II (DCF Model for new development project)
10. Other Pre-Construction Issues – Environmental Issues, Contract Negotiations, etc
11. Basics of Mortgage Financing
12. Real Estate Debt Financing I (mortgage banker/broker view)
13. Real Estate Equity Financing (view of intermediary who finds equity for developer)
14. Real Estate Debt Financing II (mortgage lender view)
15. Public/Private Partnerships
16. Finalizing the Development Concept (incl. role of Architects and Engineers)
17. Construction Phase (incl. role of General Contractor and Construction Manager)
18. Construction Phase: Tenant/Owner Occupant View
19. Discussion of Mini-Case
20. Use of Argus for DCF Analysis
21. Post-Construction: Holding and Leasing vs. Selling (real estate broker view)
22. Retailers and Retail Leasing, including pre-leasing (development firm view)
23. Role of REIT's (as joint venture partner for development projects, etc.)
24. Asset Management (of assets retained in development firm's portfolio)
25. Hot Topic: Workouts – When Things Go Wrong
26. Team Presentations for Mini-Case to panel of Cannaday, McMillen & Sinow
27. Hot Topic: Mixed Use Development (assignment of Final Case)
28. Hot Topic: Green Development (plus brief discussion of Final Case)
29. Overview – Esoteric Stuff, Current Events, Discussion of Final Case
30. Team Presentations for Final Case to panel of Borzak, Waligora & Cannaday

WEEKLY SCHEDULE (w/recommended reading):

- Aug. 23 Topic 1, Introduction to Course & Overview of Real Estate Development Process, Peter Borzak, Principal, Pine Tree Commercial Realty (ref. Ch. 1 of Text)
- Aug. 25 Topic 2, Real Estate Valuation Methods, Roger Cannaday, Professor, University of Illinois (ref. handout and Ch's. 8 & 9 of Text)

- Aug. 30 Topic 3, The Big Picture for a Real Estate Development Firm (incl. altern. investment opportunities), William Shiner (University of Illinois, 1978), President, The Shiner Group (ref. Ch. 3 of Text)
- Sept. 1 Topic 4, Investment Analysis I (DCF Model for acquiring existing properties), Roger Cannaday, Professor, University of Illinois (ref. handout and Ch. 9 & App. B of Text)
- Sept. 6 Topic 5, Identifying Potential Development Projects, Scott Gendell (University of Illinois, 1979), President and CEO, Terraco Real Estate Development and Management (ref. Ch's. 10 & 11 of Text)
- Sept. 8 Topic 6, Analysis for Property Acquisitions and Due Diligence, Mark Waligora, Vice President & Asset Manager, Pine Tree Commercial Realty (ref. Ch's. 16 - 18 of Text)
- Sept. 13 Topic 7, Legal Issues related to Zoning, Entitlements, etc., Donna Pugh, JD, Partner and Wayne Osoba (University of Illinois, 1982, 1985), Partner, Foley & Lardner, LLP and Bruce Boruszak (University of Illinois, 1979), Executive Vice President & General Counsel, Pine Tree Commercial Realty (ref. handout and Ch. 13 & pp. 481 – 483 of Ch. 19 of Text)
- Sept. 15 Topic 8, Market/Feasibility Analysis & Appraisals, Thomas Amato, CRE, Partner, Real Estate Counselors Int'l. (ref. Ch's. 16 - 18 of Text)
- Sept. 20 Topic 9, Investment Analysis II (DCF Model for new development project), Roger Cannaday, Professor, University of Illinois (ref. handout and Ch. 9 & App. B of Text)
- Sept. 22 Topic 10, Other Pre-Construction Issues – Environmental Issues, Contract Negotiations, etc., James Hanson (University of Illinois, 1988), Principal, Mesa Development (ref. Ch. 19 of Text)
- Sept. 27 Topic 11, Basics of Mortgage Financing, Roger E. Cannaday, Professor, University of Illinois (ref. handout and Ch's. 7 & 8 of Text)
- Sept. 29 Topic 12, Real Estate Debt Financing I (mortgage banker/broker), William Barry (University of Illinois, 1977), Senior Vice President, Draper and Kramer, Inc. (ref. handout and Ch's. 7 & 8 and pp. 450 – 458 of Text)
- Oct. 4 Topic 13, Real Estate Equity Financing, Thomas Conway (University of Illinois, 1989), Principal, and Alan Lagunov (University of Illinois, 2009), Analyst M3 Capital Partners (ref. handout and Ch's. 7 & 8 and pp. 480 – 481 of Text)

- Oct. 6 Topic 14, Real Estate Debt Financing II (mortgage lender), Nancy Philipsen, Head of Mortgage Production/Investment Officer, State Farm, Mortgages/Real Estate Division, Investment Department (ref. Ch's 7 & 8 and pp. 450 - 458 of Text)
- Oct. 11 Topic 15, Public/Private Partnerships, David Cocagne (University of Illinois, 2000), President & CEO, Vermilion Development, and Chris Dillion (University of Illinois, 2003), Managing Director, Vermilion Development, and Michael Jasso, Managing Deputy Commissioner, Department of Housing & Economic Development, City of Chicago (ref. Ch's. 13 to 15 of Text and handouts)
- Oct. 13 Topic 16, Finalizing the Development Concept (incl. role of Architects and Engineers), Lee Pearson, Executive V.P., Pine Tree Commercial Realty (ref. Ch's.12 & 19 of Text)
- Oct. 18 Topic 17, Construction Phase (incl. role of General Contractor and Construction Manager), Michael Brenner, President, Mirco Builders (ref. Ch's. 19 & 20 of Text)
- Oct. 20 Topic 18, Construction Phase: Tenant/Owner Occupant View, Joseph McKeska (University of Illinois, 1988), V.P., Real Estate and Store Development, Supervalu, Inc. (ref. Ch. 20 of Text)
- Oct. 25 Topic 19, Discussion of Mini-Case Assignment, Prof. Roger E. Cannaday, University of Illinois; Chris Hamelberg Co-Owner, Old Farm Shopping Center; David Barr (University of Illinois, 1979), Chairman, Barr Real Estate; and Kathy Reeves, Commercial Appraiser, Whitsitt & Associates
- Oct. 27 Topic 20, Use of Argus for DCF Analysis, Ellen Hayes (University of Illinois, 1999), Manager of Training Services, Realogic Analytics (ref. handout and Ch. 9 & App. B of Text)
- Nov. 1 Topic 21, Post-Construction: Holding and Leasing vs. Selling, Todd Caruso, Senior Managing Director, CB Richard Ellis (ref. Ch. 22 of Text)
- Nov. 3 Topic 22, Retailers and Retail Leasing, incl. pre-leasing, Peter Eisenberg, Principal, Clark Street Development and Marlon Stone, Executive Vice President, Retail Advisory Group, Colliers International (ref. pp. 477 - 480 of Ch. 19 & Ch. 22 of Text)
- Nov. 8 Topic 23, Role of REITs in Development, Mark Zalatoris (University of Illinois 1979), President/CEO, Inland Real Estate Corporation (ref. pp. 139 - 141 of Ch. 6 and p. 166 of Text)

- Nov. 10 Topic 24, Asset Management, Alan Pollack (University of Illinois, 1973), Chairman, Providence Management Co., (ref. Ch. 21 of Text)
- Nov. 15 Topic 25, Hot Topic: Workouts – When Things Go Wrong, Lee Smolen (University of Illinois, 1982), Partner, Sidley Austin LLP (ref. handout)
- Nov. 17 Topic 26, Mini-Case Presentations, 5:00 to 9:30 p.m. Each team will have approximately 25 minutes to make their presentation to panel of Cannaday, McMillen and Sinow.
- Nov. 22 Holiday
- Nov. 24 Holiday
- Nov. 29 Topic 27, Hot Topic: Mixed Use Development, Greg Karczewski, Managing Director, Real Estate, Mesirow Financial (ref. handout plus Kuntsler book); assignment for Final Case distributed
- Dec. 1 Topic 28, Hot Topic: Green Development, David Baum and Douglas Baum (University of Illinois, 1990), Principals, Baum Development, LLC (ref. pp. 557 & 558 of Ch. 23 of Text); disc. of Final Case
- Dec. 6 Topic 29, Overview – Esoteric Stuff, Current Events, Discussion of Final Case, Peter Borzak, Principal, Pine Tree Commercial Realty (Ch. 1 of Text and “Other Readings” as assigned)
- Dec. 13 Topic 30, Final Case Presentations, 5:00 to 9:30 p.m. Each team will have approximately 25 minutes to make their presentations to panel of Borzak, Waligora and Cannaday.

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/FullCode_web.pdf)

“It is the responsibility of the 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.” (from p. 14). Definitions of infractions of academic integrity are given in Section 1-402, pp. 15-17 of the Code, under headings such as Cheating, Fabrication, and Plagiarism. The Code further states, “Students have been given notice of this rule by virtue of its publication. Regardless of whether a student has actually read this rule, a student is charged with knowledge of it. Ignorance of a rule is never a defense.” (from p. 14). Penalties for infractions are summarized in Section 1-403, pp. 17 & 18.

OTHER STUDENT RESPONSIBILITIES:

1. It is recommended that students be available immediately following some Tuesday classes for attendance of the scheduled Rho Epsilon Real Estate Student Association meetings (6:30 p.m. in the same room; schedule of speakers will be handed out in class early in the semester).
2. 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 and participation.