

**UPP 533 – DEVELOPMENT FINANCIAL ANALYSIS
Spring 2009**

Mondays, Wednesdays 3:40-5:10 pm

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This course will acquaint students with the key financial principles of real estate development. As this is a course in an urban planning program, the course focuses on those projects that are less market-driven and more related to policy and planning priorities such as financing affordable housing and neighborhood retail development. After introducing important financing concepts and tools (e.g. mortgage mechanics, net present value), the course will instruct students how to develop, read, use, and troubleshoot development budgets and operating pro forma. The course will then examine different sources of financing, paying particular attention to the use of Low-Income Housing Tax Credits, Tax Increment Financing and other gap funding sources for community economic development. Through readings, discussion, case studies and projects, students will familiarize themselves with the changing landscape of development finance and learn how to make informed judgments about the issues that can make or break real estate projects.

Course Requirements:

Requirements for this course include the following:

Weekly Readings--Students are expected to do the required readings listed in the syllabus prior to attending class.

Class Participation--Informed discussion of the material is one of the most important components of this class. Through class discussions, students will learn how to be more reflective listeners and more persuasive speakers.

Take-home Exercises--These short homework assignments will help students to hone their research and analytical skills. Exercises will be collected at the *beginning* of the class period in which they are due, or they can be emailed to the instructor *before* class.

Final Project--Students will work in small teams and be provided with information regarding a particular community development project in Chicago. Each *team* will conduct

a financial analysis of the project, will hand in a development and operating pro forma, and will present its final report to the class in a mock presentation to our community client's board of directors. Each *individual* will be responsible for a write-up of the project that will touch on broader policy issues.

In addition to the above, the course will include an in-class mid-term.

The weight of each of these components in the final grade will be as follows:

Take-home Exercise (1)	10 %
Take-home Exercise (2)	10 %
Mid-term	30 %
Final Project	40 % (20% individual/20% team)
Class Participation	10 %

The participation grade is based on a combination of regular attendance and informed participation in class discussions. The instructor takes attendance at every class. If you are unable to come to class, please contact the instructor beforehand. Final letter grades will be assigned according to a standard ten-point scale (A = 90 to 100; B = 80 to 89, etc.).

Requirements:

It is essential that all reading be completed in advance of each class. All readings may be found online at <http://uic.docutec.com/eres/coursepage.aspx?cid=1580>. The password for this class is **green**.

Students should purchase a Hewlett Packard 12-C financial calculator (available at Radio Shack, other stores where consumer electronic goods are sold, and on-line in secondary markets such as Ebay). The calculator needs to be purchased by early February.

Students are expected to be proficient Excel users as class time will not be spent on the basics (e.g., inserting simple addition/subtraction/multiplication formulae in cells, labeling columns and rows). The class will meet in UIC public computer labs twice during the semester.

Schedule of Readings and Assignments

January 12	Introduction	
January 14	The architecture of financial markets (or, what went so very wrong?)	<p>Miles, Haney and Berens, "Real Estate and the Financial Markets" from Miles, Mike E., Haney, Richard L., and Gayle Berens, <i>Real Estate Development: Principles and Practice</i>. Washington, DC: Urban Land Institute, 1995 pp. 53-64.</p> <p>Robert Kuttner, "Shorts and Fannies: An Explainer on Fannie Mae, Short-Selling and Government Economic Regulation." <i>The American Prospect</i>, July 22, 2008</p>
January 19	NO CLASS	MLK Jr Day
January 21	Developers as planners	<p>Ross Miller, "The Great Game" from <i>Here's the Deal Chicago</i>: Northwestern University Press, 2003</p> <p>Richard Peiser, 1990. "Who Plans America? Planners or Developers?" <i>Journal of the American Planning Association</i> 56 (4): 496-503</p> <p>Miles, Haney, and Berens, "Developers and Their Partners" from Miles, Mike E., Haney, Richard L., and Gayle Berens, <i>Real Estate Development: Principles and Practice</i>. Washington, DC: Urban Land Institute, 1999: 15-30.</p>
January 26	Real estate market analysis	Bob Lefenfeld. 2001. "Market Analysis Basics: Elements of a Good Study." <i>Multifamily Trends</i> (Summer): 21-23, 50-51.
January 28	Land acquisition and preparation	Lavea Brachman, "Vacant and Abandoned Property: Remedies for Acquisition and Redevelopment" Lincoln Institute <i>Land Lines</i> : October

		2005, Volume 17, No. 4
February 2	Capital budgets	Bennett Hecht, "Project Feasibility and Total Development Costs" in <i>Developing Affordable Housing</i> . New York, NY: John Wiley, 2006. <u>Exercise 1 due</u>
February 4	Capital budgets	Harvard Business School, "Financial Analysis of Real Property Investments" to be handed out in class
February 9	Mortgage mechanics	Miles, Haney and Berens, "The Successful Loan Application" from <i>Real Estate Development</i> from Miles, Mike E., Haney, Richard L., and Gayle Berens, <i>Real Estate Development: Principles and Practice</i> . Washington, DC: Urban Land Institute, 1995
February 11	Mortgage mechanics with the HP 12-C	HP-12C Owner's Manual, pp. 36-64
February 16	Mortgage mechanics with Excel	Meet in computer lab SCE 408
February 18	Rent tables and operating budgets	Bennett Hecht, "Determining Projected Income and Expenses" in <i>Developing Affordable Housing</i> . New York, NY: John Wiley, 2006.
February 23	Tax considerations and appraisal techniques	Bruegmann, Fisher and Stone, "Valuation of Income Properties" from <i>Real Estate Finance</i> New York, NY: McGraw Hill. 1988, pp. 397-410.
February 25	Gain from sale	
March 2	Discounted cash flow analysis	Miles, Haney and Berens, "Discounted Cash Flow Analysis" from Miles, Mike E., Haney, Richard L., and Gayle Berens, <i>Real Estate Development: Principles and Practice</i> . Washington, DC: Urban Land Institute, 1995
March 4	NO CLASS	Urban Affairs Conference

March 9	Discounted cash flow analysis with the HP-12C	HP-12C Owner's Manual, pp. 65-75 <u>Exercise 2 due</u>
March 11	Discounted cash flow analysis with Excel	Meet in computer lab SELE 2249
March 16	Practice session	
March 18	Midterm exam	
March 23	NO CLASS	SPRING BREAK
March 25	NO CLASS	SPRING BREAK
March 30	The political economy of gap financing	Community Information Exchange 1994. "Deals from Hell: How Creative Nonprofits Pull Off Affordable Multifamily Housing with ONLY 11 Funders," <i>Strategy Alert</i> #41. Washington, DC. Roberto Quercia, William Rohe, and Diane K. Levy. 2000. "A New Look at Creative Finance." <i>Housing Policy Debate</i> 11 (4): 943-972.
March 1	Site visit	
April 6	Public sources of debt financing	Federal Home Loan Bank Affordable Housing (AHP) Program The Illinois Affordable Housing Trust Fund Program
April 8	Low Income Housing Tax Credits	Kirk McClure, "The Low Income Housing Tax Credit as an Aid to Housing Finance: How Well Has It Worked?" from <i>Housing Policy Debate</i> 11 (1): 91-114
April 13	Low Income Housing Tax Credits	Alex Frangos, "Credit Losses Stall Affordable Housing Projects" <i>Wall Street Journal</i> , March 12, 2008
April 15	Tax Increment Financing	Rachel Weber. 2004. "Tax Increment Financing in Theory and Practice." In <i>Financing Economic Development for the 21st Century</i> , Sammis White, Richard Bingham and Edward Hill, eds. Armonk, NY: M.E. Sharpe, Inc.

April 20	Tax Increment Financing	Carl Seidman, "Municipal Finance Tools" in <i>Economic Development Finance</i> , Sage, 2005: pp. 341-358
April 22	Building green	Davis Langdon "The Cost of Green Revisited" July 2007
April 27	Commercial development	Carol Wayman. 2004. Building Blocks 2004: The New Market Tax Credit. Washington, DC. Carl Seidman, "Federal Economic Development Programs" in <i>Economic Development Finance</i> , Sage, 2005: pp. 319-339
April 29	Commercial development	Robert Simons and John Brennan, "The Development of Inner-City Retail Niche Markets"
May 4	<u>Team presentations</u>	
May 7	<u>Papers due by 5:00 pm</u>	Late papers will not be accepted!