

Real Estate Entrepreneurialism for Architects, Builders, Developers, Buyers and Sellers  
Class Time: Tuesdays 11am to 1pm  
113 Avery

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Office Hours: Tuesday 3pm to 5pm  
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GSAPP Real Estate Development Program  
Columbia University

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Enclosed is a list of lecture modules, which do not necessarily correspond one-to-one with class, meeting. The readings which are listed are recommended, though not required, in order to reinforce the topic of the lecture. All handouts will be provided.

## LECTURE I: ETHICS

Recommended Reading: United States Criminal Cod (Law School Reserve)  
Old Testament, The Talmud, New Testament  
Wirings by Socrates, Plato & Aristotle

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- Public officials
  - Boards of review
  - Choosing the developer, general contractor, contractor
    - Should you always choose the lowest qualified bidder?
  - Setting a level of profit
  - Tenant intimidation
  - Collecting rent
  - Favors, gifts
  - Kickbacks, blackmail, extortion and graft
  - Recognizing and admitting conflict of interest
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- This course wants to show how to fit the whole building process including design into a feasible pattern.
  - Politics goes before everything else, even before economics. “If the people do not want you, you are dead.”
  - Zoning Board
    - Zoning is a concept linked to the highest and best economic use of a piece of land.
    - Zoning functions to enforce a process of controlled growth.
  - Planning board
  - Board of architectural review
  - Board of architectural standards in New York City
  - Building commissioner
  - Electrical inspectors
  - Board of fire underwriters
  - The advisory board of standards and appeals

### ALSO:

- Before you put a shovel in the ground
- Things they don’t tell you in school
- Portal to Portal pay unions/contractors
- Price fixing

### AND:

- Who can afford to own a house and at what price
- 24 Hours
- Water and sewage limits to growth

Readings: Every week - New York Times Sunday and Wednesday – Real Estate Section

## LECTURE II

The success or failure of the project is determined before “the shovel hits the ground.”

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- The necessity that the architect is involved in more than just design
  - The client goes to someone who is able to put together the whole job
- AIA and Development: Development is not a bad word.
- Real Estate: a closed business fraternity
- A track record
- A captain of a team
- The kinds of builders: speculative, investment builder, operator and dealer.
  - The competent and the non-competent builder
- Land broker; she knows every piece of land in her area. As a beginner you have to find a land broker
- Land assembler
- Land developer: a separate business and a separate profit
- The first price you hear is the lowest one you will hear in your lifetime.
- Land developer (packager); he can be the middleman, putting the package together and selling it to the builder or builders.
- “Land is like a horse, not like a cow.” The young builder should not get into the luxury of carrying land, given its cost.
- Sandy Thieneman: How to do business with the local banker.
- The architect and zoning: FAR
- Mortgage Banker
  - “All you need is one mortgage broker. The worst thing you can do is shop around for mortgages.”
- The banker and loan portfolios
- Firm commitments and conditional commitments
- Real estate lawyers
- The construction superintendent, architect, P.E./civil engineer and surveyor
- The renting agent
- The management agent

### ALSO:

- Sales before construction loans
- Residual building value
- Condominium vs. Co-op
- The master plan
- Alternatives to traditional construction
- Investigative reporting

Readings: Out of town newspapers

## LECTURE III

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- Residual land value
- Constant vs. Non-Constant Mortgage
- Bail out for a condominium – rental housing
- Go-No-Go Decision-making: Cap Value vs. Total Cost
- The theory of rest estate taxes! Equalization rates
- Netherlands, Australia vs. Vermont, The Tax Appraiser
- The triangle of \$, Square Foot, Quality
- Housing: Town Housing, Garden Apartments, Mid-rise + High-rise conversions
- 100 Year Flood Plan / wetlands
- The role of the architect
- Release clauses
- Air Rights
- Type of Loans
- Reverter Clause
- Site Development Review Release Clause, Access Water, Sewer
- Politics – If you are not wanted, don't come.
- Separate profit center
- “Feeling out” a neighborhood – Image
  - Good side of the street / sun
  - Ambulance
  - Transportation
  - Views
  - Schools / Shopping

Handout      Britton + Kerwood  
Fundamental Concepts in Income Property Financing

## LECTURE IV

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- I am a dummy the Estoppel Certificate
- Rent Control and Rent Stabilization
- The art of deal-making – front end of the horse
  - Money/Effort, Intuition, Good Faith Money, Interest
- Bankruptcy and the banks
  - The KE + US Recaptors
- P.U.D. – Chapel Hill / Daniels Island / Cluster Hovien
- Turnkey
- R.F.P.
- Income Approaches – income, cost, meetings, sales price comparables
- Two forms of profit ... Land/Building
- They're not making land anymore?
- The 7 Musketeers - the secrets of real estate one at a time
- Cash Flow Depreciation
- Refinancing release clauses
- Exculpation clause, environmental problems and the Len
- Bonding
- Site selection
- Cost Benefit Analysis
- Value Engineering
- Life cycle costs
- Sources of information, Sanborn Maps
- How to make a comparison
- Real Estate Tax histories
- Site Inspection. Ask sales manager. People living there.
- Sixth month after moving in is the best time to sue the builder

Handout      Comparable Approach  
Green \_\_\_\_\_

## LECTURE V

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- Rooming Houses, Senior Citizen Housing, Congregant
    - Russia, Cuba, Assisted Living, Church Housing
  - Sheltered Rent Formula
  - Universities + Senior Citizens
  - Ethic enclaves
  - Pruitt IGO
  - Gentrification rehab vs. new construction
    - Baltimore, River Oaks
  - New towns – walking vs. riding
    - Columbia, Reston, Roosevelt Island
  - T.I.F. New Fields, Dayton, Donald Huber, Battery Park City
  - Profit Sharing
    - Reappraisal, P.I.L.O.T. % of the gross
  - Tranches
  - Tax Free Zones, Enterprise Zones
  - Community Development Block grants
  - Co-Generation, solar, wind, California
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## LECTURE VB

### Construction Estimating, Bidding and Management Procedures

- Estimating, the backbone of construction
- Different methods of estimating
- Triangle of Costs: Quality (\$/sf), Quantity (sf), Price (\$)
- The actual take off
- Capital budgers
- The cubit foot – relation to costs
- Hard vs. soft costs
- The Two Park Avenues
- Construction managers – no major building is built without one
- Architecture and the cost of the building
  - Selection of the architect can make a great difference
- Strong and slow rental seasons
- Design sells buildings and maintains rents
- Building monuments
- Site developments costs

### Recommending Reading:

RSMeans Construction Cost Data Book, 2005 (Avery)

McMahan, John, Property Development, Effective Decision Making in Uncertain Times, Chapter 14, pp. 301-320, “Construction,” McGraw-Hill, 1976.

## LECTURE VI

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- Public Housing, Low-income Housing
- Section 9, 421, J.51, Mitchell/LAMA, Gold R.O.I.
- Skewed Rents, Present Value of Tax Benefits
- Industrial Buildings
  - Vertical, Horizontal, Scissors
  - Repositioning Army, Navy, War, Environmental problems, Oil Tanks
- Overseas competition
- New RE.E. Tax Transfer Benefits
- Corporate Involvement + Tax Incentives
- The Auction
- One the Waterfront New
- Over Highways
- Fire Houses
- Schools and Churches
- Air Rights
- Hotel Pierre

### Technology as a Development Tool

Handout      Acorn Housing Brochures, etc.

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- Operational Breakthrough
- Aggregating the market
- Code acceptance, political acceptance and union acceptance
- Capitalized cost of the factory
- How technology affects the decision-making process and vice-versa
- One man's component is another man's system
- Even with lower construction costs, other costs remain fixed
- Transportation problems
- The problem of acceptance of new technology
- Marketing new technology

Handout      Tax Incentive Programs

## LECTURES VII + VIII

### SHOPPING CENTERS, LEASING PRACTICES

#### Recommended Reading:

Britton & Kerwood, Financing Income, Producing Real Estate, Chapter 9, pp. 89-100,  
“Lease Analysis, Some Practical Applications and Techniques,” (Avery Reserve).  
Arnold, Real Estate Investor’s Deskbook, Chapter 9, pp. 9-3 to 9-27, “Leasing Real  
Estate.” Warren, Gorham & Lamont Inc., 1982.

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- Strip Malls / Community Malls / Regional Malls
- Net, Net Leases
- Magnet stores + Parking requirements
- Urban + Suburban – Amsterdam NY
- Access
- Transportation Failures
- Cut them off at the pass
- E.I.S.
- Tenants in Occupancy + Doing business
- How to tell a failed mall / store / department store
- Leases
- Tax Payer
- Major tenants vs. satellites
- Catch them in the crossfire
- Parking requirements
- Auto Centers
- Boxes – the Big Gorilla
- Warehouses
- Mixed-use buildings
- The internet
- Parking lot economics
- Sales Tax economics

Assignment: Strip or Outdoor Mall

Buell / Denver



## LECTURE IX + X

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- Office Buildings
  - Suburban, Urban Reuse
  - Office Parks
  - New Uses – research, universities
  - 1185 Avenue of the Americas
  - Night-time Cities
  - Grand Central vs. Penn Station
  - Otis support
  - Jobs – labor availability
  - 96% vs. 4% cost benefit analysis
  - Assemblage + Tenants + Leases
  - Financially Obsolete
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- Tax Free Exchanges
  - Certiari

Handout      1185 Avenue of the Americas  
                  Various current Office Building Offerings

## LECTURES XI

### LARGE SCALE & MIXED USE DEVELOPMENTS: PUDS & NEW TOWNS

#### Recommended Reading:

Eichner, The Community Builders (final 20 pages)

Course reserve, Avery Library

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- Creating location
  - Planned Unit Development: a detailed analysis
    - Primrose Farms, Heritage Hill, Somers, New York
    - Peacock Hill, Charlottesville, Virginia
    - Sarasota, Florida; Edgemont, New York; Hastings, New York
    - Site selection criteria; the importance of location
  - New town in town: selecting and upgrading a location
    - The area has to be acceptable politically and economically
    - Need of credible sponsors
    - Who is going to live there?
    - Roosevelt Island analysis; Jamaica, Queens analysis
    - Battery Park City analysis
    - Tax benefit financing – tax increment financing
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### HISTORIC PRESERVATION: OPPORTUNITIES AND PROBLEMS WITH HISTORIC STRUCTURES

- Historic Preservation Tax Incentives & Disincentives
- Façade Donation
- The cultural trust
- Investment Tax Credits

## LECTURE XII

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- Golf courses
  - Review and preparation, assignment for final exam
  - Walking streets, the Stroget
  - The Community + Development Partnership: H.U.D.C
  - Dukakis and Inner City Development
  - New uses for
    - Schools, Parks / Triage / Fences
    - Public Properties
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## MARKETING AND MANAGING COMPLETED PROJECTS

### Recommended Reading:

McMahan, John, Property Development – Effective Decision Making in Uncertain Times, pp. 325-370 (Chapter 15 “Merchandising” & Chapter 16 “Property Management”) McGraw Hill Books, 1976.

- Job appeal and the importance of the right price
- Market analysis
- Examination of the market area, capacity, price levels
- Trenton – 102 rentable apartments case
- Separation of newly-converted condominium projects requires professional experience
- Management expense as a percentage of the rent
- Is the area improving or worsening?
- Quality of schools. Quality of shopping. Public services.
- “Cardiac Hill” – vistas of natural beauty. Apartments overlooking a park are different from apartments overlooking a parking lot.
- Managing the building project – small, middle-size and large projects
- Onsite vs. offsite management

### AND:

- Oil/gas
- Union relations
- Roof grouting
- Rent collection
- Office security

### LAST LECTURE –

- The Meadowlands
- My gift to you for the future

Handout      Gift for the Future  
Meadowlands (Hackensack M.D.C. vs. Hartz Mountain Foods)