

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

- 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.”

- 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

- 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

- 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

- 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

- 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.

- 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.

- 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

- 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

- 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

- 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)