

Real Estate Development Opportunities

Tuesdays ~~11:00~~ am, Room 114

11:00 - 13:00

GSAPP Real Estate Program

Columbia University

Professor Hank Bell

Office Hours: Tues. ~~11:00 am to 3:00 pm~~

15:00 - 17:00

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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 1: ETHICS

Recommended reading:

United States Criminal Code (Law School Reserve)  
Old Testament, The Talmud, New Testament  
Writings 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 sewerage limits to growth

Readings: Every week, New York Times Sunday and Wednesday- RE 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 & 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. F.A.R.

-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. coop

The master plan

Alternatives to traditional construction

Investigative reporting

Reading: 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 real estate taxes! Equalization rates
- Netherlands, Australia vs. Vermont, The tax appraiser
- The triangle of \$, Sq. Ft, Quality.
- Housing Town Housing, Garden Apartments mid rise + High rise conversions
- 100 Year Flood Plain/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

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## LECTURE IV

*done* I am a dummy the Estoppel Certificate

-Rent Control and Rent Stabilization

*done* The art of deal making- front end of the horse.

Money/Effort, Intuition, Good Faith Money, Interest

-Bankruptcy and the banks

*done* 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 \_\_\_\_\_

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## LECTURE V

- Rooming Houses, Senior citizen housing, congregant  
Russia, Cuba, Assisted Living, Church Housing
  - Sheltered rent formula
  - Universities + Senior citizens
  - Ethnic 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

Recommended reading: Means Construction cost Data Book, 2005 (Avery res)  
McMahan, John, Property Development, Effective Decision Making in Uncertain Times, Chapter 14, pp. 301-320, "Construction", McGraw-Hill, 1976.

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- Estimating, the backbone of construction
- Different methods of estimating
- Triangle of costs: quality (\$/s.f.), quantity (s.f.), price (\$)
- The actual take off
- Capital budgets
- The cubic 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 development costs.

## 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

-On the Waterfront New

-Over Highways

-Fire Houses

-Schools/Churches

-Air Rights

-Hotel Pierre

Technology as a Development Tool

Handouts: Acorn Housing Brochures, Etc.

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-Operation Breakthrough

-Aggregating the market.

-Code acceptance, political acceptance, and union acceptance.

-Capitalized cost of the factory.

-How technology affects the decision-making process and visa-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.

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## 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/Dept store/store

• -Leases

• -Tax Payer

• -Major tenants vs. satellites

• -Catch them in the cross Fire

• -Parking requirements

• -Auto Centers

• -Boxes the big gorilla

• -Warehouses

• -Mixed use buildings

• -The internet

• -Parking lot economics

• -Sales Tax Economics

-Assignment- Public Housing Conversion

→ Assignment - Strip/OK outdoor mall

→ ~~ATLANTA~~ BOULDER/DENVER



## LECTURES 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
- Financialty Obsolete
- Tax Free Exchanges
- Certiari

Handout: 1185 Avenue of Americas

-Various Current Office Building Offerings

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## LECTURE 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 N.Y.

Peacock Hill, Charlottesville, VA

Sarasota Florida, Edgemont, N.Y., Hastings, N.Y.

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

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## 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.

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- Job appeal. 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).

