



14 - Financing Project Development - ch. 16

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▼ Supplemental

- ▼ Apple acquiring HP land through real estate firm → apple park
- ▼ Disney acquiring disney world in florida using 40 separate buyers
- ▼ using fake or intermediary companies to buy up lan at a lower priice for a larger corp is a completely legal

▼ Lecture

- ▼ Project development
 - ▼ acquiring a land site

Resources

https://s3-us-west-2.amazonaws.com/secure.notion-static.com/05c383c8-9dcc-4dad-a692-48857691a7fa/12_-_FINANCING_PROJECT_DEVELOPMENT_-_Chapter_16.pdf

- ▼ financing and construction of a building - office, apartments, etc.
- ▼ leasing and managing the property
- ▼ selling, exchanging, or refi
- ▼ mixed use development
 - ▼ combined real estate uses in a single project
- ▼ development decision factors
 - ▼ global, national, local economic forecast
 - ▼ supply and demand for space
 - ▼ competition from current and planned developments
 - ▼ capital markets - financing cost and availability
- ▼ project feasibility
 - ▼ feasibility study → to forecast tenant demand, rent levels, construction costs, project timing, exit strategies & future sales price, risk eval
 - ▼ location is a key factor
- ▼ construction financing
 - ▼ covers hard (physical resources and related services) costs and soft costs (designs, legal stuff - may include interest) of construction

- ▼ construction loans are disbursed in “draws” (disburse the loan only after pieces of construction are completed by the contractor) after costs are incurred
- ▼ typically recourse to the developer
- ▼ usually short term (maturing after construction completion)
- ▼ floating rate with construction interest capitalized into the outstanding loan balance → negative amortizing → $PV=0$
 $FV=\text{balance}+\text{interest}$
- ▼ construction lenders want permanent lender (take out lender) in place to pay off and replace construction loan when construction is completed & leasing targets selected
- ▼ a permanent “stand by” lender is a permanent lender who doesn't intend to actually fund their loan → just to collect fees from developer by paying off the construction loan
- ▼ project development issues
 - ▼ building issues: footprint, envelope (the exterior of the building enveloping the building), facade (all

perceivable exterior design),
stacking plan (floors)

▼ traffic mitigation plans,
property taxes

▼ permitting issues: zoning
codes, building codes

▼ permitting

▼ process of obtaining govt
approval to permit the proposed
project development

▼ project must comply with local
zoning codes and building
codes → or getting Variance →
for a building permit

▼ permitting involves negotiating
with city planners and staff →
ultimately negotiating with
residents in the area

▼ zoning codes

▼ allowable uses, maximum
floor area ratio (FAR) - how
many floors/how dense, height
restrictions, minimum lot size,
minimum parking ratios, building
setbacks (distance from other
developments)

▼ zoning codes specify what
developments can be permitted
- r1-r5, c1-c3, m1-m3,...

▼ may include incentive zoning,
inclusionary zoning, and/or
cumulative zoning

▼ building codes

- ▼ specify materials and approve method for construction → considers natural disasters - CA earthquakes, FL hurricanes, South tornadoes
- ▼ city staff must approve architectural and engineering designs and specs for the project
- ▼ includes site plan, elevations, project renderings
- ▼ code of compliance is enforced by city inspectors during construction before a certificate of occupancy (c of o) issued by local authority after project completion and compliance with building and zoning codes

▼ Discussion



SUMMARY