

Monday, 9:05 - 10:25 am; Wednesday 3:05-4:25, Room 107

Dan Immergluck

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Office Hours: Monday 10:30-11:50; Wednesday 10:30-11:50 and by appointment (*preferred*)

This purpose of this course is to enable students to:

- 1) Understand both the “big picture” and the more detailed mechanics of real estate financial markets, including the roles of developers, investors, lenders, tenants, owners, and the public sector. We will address these issues from both a financial and social perspective, including addressing issues of affordability, equity, and sustainability.
- 2) Analyze real estate-based development proposals and projects for feasibility, credit-worthiness, and long-term viability. Real estate financial analysis is a critical skill for those involved, either directly or indirectly, in the land and project development process.
- 3) Appropriately utilize government and third-sector programs in real estate finance projects. To do this, it is important to understand both the theory and mechanics of public and nonprofit real estate finance programs and policies.

Grading for the course will be based on the following weights of student responsibilities:

Individual Class Attendance and Participation:	10%
Six Homework Assignments (see below for distribution)	38%
Midterm:	20%
Final (noncumulative):	12%
Group Financial Analysis Report (13%) and Presentation (7%):	20%

Notwithstanding these percentages, *if any of the above items is not completed, or your effort on it is deemed severely lacking, then that item may affect your overall grade in the course to a greater extent than is represented by the percentages above.* More than two or three absences during the semester—especially if not excused—will disproportionately and negatively affect your grade.

Homework exercises will be given graded primarily for effort and completeness. Some homework assignments will be worth more toward the cumulative 40 percentage points than others. For late homework, I will deduct points as follows: less than 24 hours = 25%; 24-48 hours = 50% deducted; more than 48 hours late = zero credit for homework. Homework assignments must be done *individually*. Group work is not permitted on the homework exercises until after they are turned in. Redoing homeworks in groups after they are due can be a useful method for preparing for exams.

The group project is explained further in a separate document. Each group will be given a separate case-study real estate finance problem for which they will be asked to prepare a written analysis, including financial calculations in spreadsheet format, as well as a presentation (using PowerPoint or similar) to the class summarizing their analysis. Your individual grades on the group project will depend on my assessment of the overall project, as well as my assessment of your contribution to the group. The latter will be based, in part, on from peer evaluation feedback that I receive from other members of your group. Reports that are turned in late will be significantly downgraded as follows: less than 24 hours = 1 letter grade; 24-48 hours = 2 letter grades; more than 48 hours = failing grade for report.

If you have any special needs because of a learning disability or any other kind of disability, please feel free to discuss this with me. I will do my best to accommodate you.

Final grades will be granted based on how the weighted average (shown above) falls according to the following: 90-100%=A; 80-89.9%=B; 70-79.9%=C; 60-69.9%=D; 0-59.9%=F.

Academic dishonesty – including cheating and plagiarism -- is a serious offense requiring disciplinary measures. You should be familiar with Georgia Tech Academic Honor Code and its interpretation in the CRP Student Handbook.

This course assumes basic facility with spreadsheet software—such as Excel. We will use Excel extensively, especially its financial functions, including present value of an annuity, internal rate of return, loan payment calculations, etc.\* All assignments that are expected to be done on a spreadsheet will be in homework assignments or the final project. The midterm exam will not require use of a computer, but will require access to a simple, nonfinancial calculator.

You are not to use online tools for calculating answers in homework problems. There are many websites for calculating loan payments and amortization schedules, etc. This course requires you to use Excel to do your calculations.

The use of a financial calculator (e.g., HP 12-C) is *not* required and is not incorporated into the teaching of the course. If you wish to use a financial calculator, that is fine as long as you can show all work that is requested in any assignment or exam. (The Brueggeman and Fisher text frequently provides supplemental instructions for the use of financial calculators in various calculations. These directions relate quite directly to solving problems via Excel financial functions as well.) If, for example, you are asked to calculate an internal rate of return (IRR) and show how you derive it for a problem, it will not be sufficient to simply enter parameters into a financial calculator and provide the IRR.

The only written assignment (other than problem solving on homework and in the midterm) is intended to be a professional financial analysis. You should utilize footnotes for references and notes where appropriate. Footnotes should follow a consistent and complete format, which reveals the authors, titles, sources, dates and pages of the resource(s). Web site citations should include retrieval dates and full URLs *in addition* to all of this other information.

There are three key texts which you are required to purchase. They are:

William B. Brueggeman and Jeffrey D. Fisher, *Real Estate Finance and Investments*, 12<sup>th</sup> Edition, New York: McGraw Hill, 2005. (Referred to as B&F)

National Development Council, *ED 202 Real Estate Finance Textbook*, Version 2004. Edgewood, KY: National Development Council. (Referred to as NDC ED202 REF)

National Development Council, *HD 420 Rental Housing Development Finance Textbook*, Version February 2005. Edgewood, KY: National Development Council. (Referred to as NDC HD 420 RHDF)

Other readings are available on e-reserve, on the web, or via library internet sources. E-reserve readings are marked with an asterisk.

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\*If you are *not* familiar with Excel, you may need to spend a good deal of extra time in learning the software in the first couple of weeks of the course. (Second year students are certainly expected to be facile with Excel.) There are a number of online tutorials that might be helpful. Some of these can be found on the following websites:

<http://office.microsoft.com/en-us/assistance/CH062527951033.aspx>

<http://www.usd.edu/trio/tut/excel/>

<http://www.baycongroup.com/el0.htm>

## August 21 and 23

### About the Course

#### An Overview of the Development Process and the Role of Planners in Development Finance

\*M. Miles, G. Berens and M. Weiss, *Real Estate Development: Principles and Process*, Third Edition. Washington, D.C.: Urban Land Institute, 2000, pp. 5-14.

NDC ED202 REF, Introduction and Chapter 1.

B&F, Chapter 11, pp. 292-298 (including Exhibit 11-2).

\*E. Hill and N. Shelley, "An Overview of Economic Development Finance," in R. Bingham, E. Hill and S. White, *Financing Economic Development: An Institutional Response*. Newbury Park, CA: Sage Publications, 1990, pp. 13-28.

## August 28 and 30

### Building Blocks for Real Estate Financial Analysis

Mortgage/Real Estate Finance Mechanics, Legalities

Future and Present Values, Net Present Value, and Internal Rates of Return

B&F, Chapters 1 (skim), 2

B&F, Chapter 3; NDC ED202 REF pp. 93-116

## September 6 (No Class September 4)

### ***Homework # 1 Due September 6 (6 points)***

Fixed- and Adjustable-Rate Loans

B&F, Chapters 4 (pp. 70-94) & 5 (pp. 110-114; 117-121)

## September 11 and 13

### ***Homework #2 Due September 11 (6 points)***

Leases, Effective Rents

Sources and Uses of Funds, the Pro Forma Income/Expense Schedule, and Ratio Analysis

B&F Chapters 9 (pp. 240-254), 11 (pp. 295-308), 16 (pp. 429-437; skim pp. 438-446; 447-455);

NDC ED202 REF Chapters 2 and 3

## September 18 and 20

### ***Homework #3 Due September 18 (9 points)***

Valuation

B&F Chapter 10, pp. 255-272; 279-287; NDC ED202 REF Chapter 4

## September 25 and 27

### ***Homework #4 Due September 25 (6 points)***

Taxation and Leverage

B&F, Chapter 11 (pp. 308-317); NDC ED 202 REF Chapter 5, pp. 68-72

B&F Chapters 12 (pp. 320-332) and 16 (pp. 456-461)

NDC ED202 REF Chapters 5 (pp. 68-72), 6 (pp. 78-93) and 7

October 2 and 4

Low-Income Housing and Historic Rehabilitation Tax Credits  
NDC ED 202 REF Chapter 5, pp. 72-77; NDC HD 420 RHDF Chapters 5 & 6  
Review for Midterm

**October 9 MIDTERM EXAM**

October 11 Guest Speaker: Richelle Patton, Vice President, Progressive Redevelopment, Inc.  
Progressive Redevelopment, Inc., <http://www.prihousing.org>

October 18 (No Class October 16)

The Borrowing-Lending Process; Structuring Loans  
B&F, Chapter 16 (pp. 438-446), Chapter 12 (pp. 332-349)  
F. DeGiovanni, R. Ream, L. Phare, and A. Schwartz, *Bank-Ability: A Practical Guide to Real Estate Financing for Nonprofit Developers*, New York: Community Development Research Center, New School University, 1996, pp. 21-69.

October 23 and 25

***Homework #5 Due October 23 (8 points)***

Syndications, Limited Partnerships, LLCs, and REITs

NDC ED 202 REF Chapter 8 (read 126-158; skim 158-164), Appendix B  
B&F, Chapter 18 (read), 21 (skim)

More Federal, State and Local Affordable Housing Finance Tools and Environment

NDC HD 420 RHDF Chapters 1-4 (skim/review)

Dillon, M. "Financing Multifamily Rental Housing Using Tax-Exempt Bonds: An Introduction."  
The Enterprise Foundation, 2001. Retrieved on May 4, 2005 at  
<http://www.enterprisefoundation.org/pubsnews/bb/cc6974.asp>

Fireison, S. "Financing Affordable Housing: Section 202 Basics." Volume 21, number 2 (August 2004): 16 – 23. Available on Proquest ABI Complete.

Read (including links) web pages:

Federal Home Loan Bank of Atlanta

[http://www.fhlbatl.com/fhlb\\_content.cfm?lev1=5cis&lev2=aahp&lev3=1about](http://www.fhlbatl.com/fhlb_content.cfm?lev1=5cis&lev2=aahp&lev3=1about) (links under *Affordable Housing Programs*)

State of Georgia programs

<http://www.dca.state.ga.us/housing/HousingDevelopment/index.asp#PROG> (links under *Programs*)

Atlanta Development Authority

<http://www.atlantada.com/buildDev/residentialPrograms.jsp>

**Guest Speaker: Lynn Brazen, Federal Home Loan Bank of Atlanta**

## October 30 and November 1

### Homeownership Financing and Secondary Markets

B&F Chapters 7 & 8 and 19 (read pp. 516-522; 522-541 is optional)

M. Lea, "Innovation and the Cost of Mortgage Credit," *Housing Policy Debate* 7 (1996): 147 – 174. Retrieved on June 30, 2006 at

[http://www.fanniemae.foundation.org/programs/hpd/pdf/hpd\\_0701\\_lea.pdf](http://www.fanniemae.foundation.org/programs/hpd/pdf/hpd_0701_lea.pdf)

Fair Isaac, "Understanding Your Credit Score." Retrieved on July 31, 2006 at

[http://www.myfico.com/Downloads/Files/myFICO\\_uycs%20booklet.pdf](http://www.myfico.com/Downloads/Files/myFICO_uycs%20booklet.pdf)

M. Berry, ed., "Perspectives on Credit Scoring and Fair Lending: A Five Part Article Series, Part 1," *Communities and Banking* 29 (Spring 2000), Federal Reserve Bank of Boston. Retrieved on June 30, 2006 at <http://www.bos.frb.org/commdev/c&b/2000/spring00.pdf>

## November 6

### **Homework #6 Due November 6 (3 points)**

Affordable Mortgage Lending Programs, the Foreclosure Process, and Alternative Ownership Structures

Excerpts from D. Listokin, E. Wyly, L. Keating, K. Rengert, and B. Listokin, *Making New Mortgage Markets: Case Studies of Institutions, Home Buyers and Communities*, Fannie Mae Foundation, 2000, pp. 1-78; 225-237. Retrieved on July 31, 2006 at

[www.fanniemae.foundation.org/programs/pdf/rep\\_newmortmks.pdf](http://www.fanniemae.foundation.org/programs/pdf/rep_newmortmks.pdf).

J.M. Collins and R. Nawrocki, "Single Family Mortgage Default Processes: A Discussion of the Value of Interventions by Nonprofit Programs." Ithaca, NY: PolicyLab. Retrieved on August 3, 2005 at [http://www.policylabconsulting.com/documents/FMF\\_2005614%20-%20Collins\\_Paper5\\_ValueofForeclosurePrograms\\_6\\_05.pdf](http://www.policylabconsulting.com/documents/FMF_2005614%20-%20Collins_Paper5_ValueofForeclosurePrograms_6_05.pdf).

Enterprise Foundation, "Alternative Financing Models—Hybrids of Homeownership." Retrieved July 30, 2006 at <http://www.practitionerresources.org/cache/documents/19611.doc>

**November 8: No class—excellent time for groups to meet re: presentations (but not for the first time!)**

## November 13 and 15

Specialized Real Estate Development Finance Tools: TIFs/TADs, New Markets Tax Credits

\*R. Weber, "Tax Incremental Financing in Theory and Practice," Chapter 3 in S. White, R. Bingham, and E. Hill, eds., *Financing Economic Development in the 21<sup>st</sup> Century*. New York: M.E. Sharpe, 2003, pp. 53-69.

D. Selby and C. Hunter, "Tax Increment Financing: How Public-Private Partnerships are Financing Urban Redevelopment," *Real Estate Finance*, Volume 21, number 2 (August 2004): 3-7. Available on Proquest ABI Complete.

P. J. Armistead, "New Markets Tax Credits: Issues and Opportunities" New York: Pratt Institute Center for Community and Environmental Development, April 2005. Retrieved on June 5, 2005 at <http://www.picced.org/pubs/nmtc-report.pdf>. Skim examples 1-8 in Appendix B. Read example 9 more closely.

J. Sass Rubin and G. Stankiewicz. "The New Markets Tax Credit Program: A Midcourse Assessment." Federal Reserve Bank of San Francisco: Community Development Investment Review 1(1). Retrieved on July 31, 2006 from <http://www.frbsf.org/publications/community/review/122005/article1.pdf>.

**Guest Speaker: To Be Announced**

## November 20

Groups 1, 2, 3 Presentations

**Bring enough copies of slides (reduced to 3-4 per page, e.g.) for entire class**

## November 22

Groups 4, 5, 6 and 7 Presentations

(depending on available time, group 7 may have to present on November 27)

**Bring enough copies of slides (reduced to 3-4 per page, e.g.) for entire class**

## November 27

Alternative Providers of Community and Economic Development Finance

CDFI Data Project, "Providing Capital, Building Communities, Creating Impact" Fourth Edition, Fiscal Year 2004. Philadelphia: National Community Capital Association, 2006. Retrieved on July 30, 2006 at <http://www.communitycapital.org/customer/home.php>. Must download from online store (publication is free).

L. Benjamin, J. Sass Rubin, S. Zielenbach, "Community Development Financial Institutions: Current Issues and Future Prospects, *Journal of Urban Affairs* 26, number 2 (August, 2004): 177-195. Available on EBSCO Host Academic Search Premier.

K. Nieman and M. Bush, "Doing Well While Doing Good: The Growth of Community Development Banking, 1992-2001." Chicago: Woodstock Institute, September 18, 2002. Retrieved on July 8, 2005 at <http://woodstockinst.org/document/alert18.pdf>.

M. Pinsky, "Taking Stock: CDFIs Look Ahead After 25 Years of Community Development Finance." Washington, DC: Brookings Institution Center on Metropolitan Policy, December 2001. Retrieved on July 30, 2006 at <http://www.brookings.edu/es/urban/capitalxchange/pinsky.pdf>.

## November 29

Sustainable Finance: Time-Tranches, Financing Green Development, and Location Efficient Mortgages

C. B. Leinberger, "Financing Progressive Development," Washington, DC: Brookings Institution Center on Metropolitan Policy, May 2001. Retrieved on July 13, 2005 at <http://www.brookings.edu/es/urban/capitalxchange/leinberger.pdf>

J. Tassos, *Affordable Housing: How States are Using the Housing Credit to Advance Sustainability*. Washington, DC: Enterprise Foundation. 2005.

<http://www.practitionerresources.org/cache/documents/48151.pdf>

*Update*, February, 2006.

<http://www.greencommunitiesonline.org/documents/GreenStatePolicies2006.pdf>

Fannie Mae's Energy Efficient Mortgage,

[http://natresnet.org/resources/lender/fanniemaefnm\\_brochure.pdf](http://natresnet.org/resources/lender/fanniemaefnm_brochure.pdf)

[http://natresnet.org/ratings/faq\\_mortgage.htm](http://natresnet.org/ratings/faq_mortgage.htm)

<http://natresnet.org/ratings/default.htm>

A. Blackman and A. Krupnick, "Location-Efficient Mortgages: Is the Rationale Sound?" *Journal of Policy Analysis and Management*, Volume 20, Issue 4: 633-649. (Wiley Interscience has a PDF version, which is advised over the Proquest HTML.)

December 4, 6

***Group Project Report Due for All Groups on December 4***

The Wise Use of Development Subsidy, Community Benefits Agreements, and Accountability

J. Gross, G. Leroy, and M. Janis-Aparacio, *Community Benefits Agreements: Making Development Projects Accountable*. Washington, DC: Good Jobs First and the California Partnership for Working Families. Retrieved on July 15, 2005 at <http://www.goodjobsfirst.org/pdf/cba2005final.pdf>, pp. 1-79, and 94-116.

R. Weber, "Do Better Contracts Make Better Economic Development Incentives?" *Journal of the American Planning Association* 68 (2002), 1: 43-55. Available on Proquest ABI Complete.

Review for Final Exam

**December 13 FINAL EXAM: 11:30 AM, Wednesday, Room 107**