

# Humphrey School of Public Affairs University of Minnesota

## PA 5221 001 – Private Sector Development Syllabus Date: 9/29/23 REV



A residential conversion at 30 N. LaSalle, in Chicago, would include an 11th floor terrace inserted into the 1975 office building designed by Thomas E. Stanley. (Courtesy SCB)

### Course Information and Logistics

#### Basics

Day/Time: Friday Mornings, 9:00-11:45AM, (September 8 – December 8, 2023)

Classroom: HHH #60

Instructor: Peter Hendee Brown, FAICP, FAIA, PHD

Visiting Professor of Practice and Owner, Fifth Business Consulting

I use he/him pronouns and you can call me Peter. I will call you by your first name unless you ask me to call you by another name.

Email: [peter@peterhendeebrown.com](mailto:peter@peterhendeebrown.com). Note that emails sent to my university account may take longer for me to respond to, so be sure to use this email address.

Website: <http://www.peterhendeebrown.com/>

Cell Phone: 612.501.9590

#### Office Hours HHH 295-E: 12:00-1:00PM Fridays and by appointment

I will stay after class to answer questions. I am also available by appointment by phone, email, text, or zoom, and we will respond as quickly as I can to email.

#### Communications

I will periodically send BCC emails to the entire class. You are responsible for regularly checking your UMN email account. Let me know if you use a different email address.

#### Canvas Site (FYI, our Canvas site for this course is a pilot for a new template)

Everything that you need to know to take the course can be found in this syllabus or on the Canvas site. Weekly readings, assignments, videos, and other information can be found in the weekly modules. General resources, such as this syllabus and grading criteria, can be found under the course resources module at the top of the Canvas site.

## Class Format – “Flipped Class” w/ Asynchronous Lectures

Class will meet live/in-person during the scheduled class time – there will be no hybrid option and I will not be recording classes. We will use our time in class together for the discussions of cases, assignments, readings, brief lectures, and guest visits. I will post to Canvas my own pre-recorded video lectures and slide shows for you to watch outside of class. Assume 30-45 minutes of asynchronous lecture time each week.

## Peter’s Policies

- General
  - Attend every class – If you must miss a class, send me a message in advance.
  - Prepare for class – Do the work before class and be prepared for discussion.
  - Be curious – Think about your own experience of real estate and ask questions.
  - AI/Chat GPT – Read this [article](#)
- Classroom Norms
  - Use evidence and clear statements to identify problems and propose solutions.
  - Be hard on problems and solutions, not on people. Challenge others’ positions in the spirit of appreciative inquiry.
  - Listen to others carefully, respectfully and with empathy.
  - Allow time and space for all to speak who wish to speak.
  - Don’t assume that any aspect of a person’s identity defines their views on a topic we are discussing. Nor should you assume that anyone in the class automatically serves as a spokesperson for any particular group.
- Norms related to Guests
  - Our guests are doing you (and me) a big personal favor by taking time out of their busy schedules to share their knowledge and experience with the class
  - When speaking to guests, be respectful, professional, and avoid comments and questions that are personal, provocative, unfair, judgmental, or antagonistic
  - Keep an open mind and, when in doubt, err on the side of trust, empathy, generosity, and kindness

## Introduction – A Proposition

While policymakers, public administrators, planners, and members of the community all play their various parts, **in the end, it is private sector developers who really build our cities**. Developers use a wide variety of tools, skills, and resources to identify, analyze, and capitalize on opportunities that may not be apparent to their competitors or the public. Developers are also entrepreneurs who play for high stakes so they must possess an extraordinary tolerance for both ambiguity and risk if they are to realize their creative visions – and their anticipated profits.

This course is for those interested in gaining an understanding of how the real estate development process works from the viewpoint of the private developer. The course is designed to promote an understanding of the structure of urban real estate markets, the techniques of analysis and planning for real estate development, the leadership and management skills required to see a project through to completion, and the character of the entrepreneurial developer. It emphasizes quantitative methods, including site and building analysis, market analysis, and economic analysis through the creation and manipulation of “pro-forma” economic models. At the same time, you will consider qualitative issues such as a product quality, site/location, developer’s background,

temperament, goals, and access to capital as well as the importance of “fit” between a developer, a project, and other team members and actors including equity partners and lenders, architects and builders, government agencies and staff, elected officials, and other local interests. By applying these qualitative and quantitative methods of analysis to actual projects, you will gain insight into the developer’s decision-making process and come to understand how, in a process of creative synthesis, developers combine these tools with money, social and political connections, and personal skills to bring their grand visions to fruition.

The focus of the course will be on the acquisition, development, ownership, operation, and disposition of rental real estate, with an emphasis on the four main commercial real estate product categories – **office, retail, industrial/warehouse, and multi-family housing (apartments)**. We will also consider for-sale housing and condominiums, land development, non-profit development, and large-scale urban redevelopment. Finally, we will consider the reconciliation of private interests with public goals, but from a distinctly private market viewpoint – that of the developer.

Our country’s population has grown continuously for over 400 years and will continue to grow for the foreseeable future, which equates to a growing need for housing, office, retail, warehouse space, and other real estate product types, in other words, more development. Whether you love, hate, or are indifferent to developers and development, they both fill a need, and more important, they are here to stay. **The purpose of this course, therefore, is to give you the tools you will need as planners and citizens to improve the quality of development that will continue to shape our cities.**

## About the Course – Nuts and Bolts

### Course Objectives

The course will provide you with a framework that integrates theory and practice into a developer’s-eye-view of the urban real estate development industry. You will gain an understanding of the development process, real estate markets and products, project financing, the project cycle, and the developer’s motivations and decision-making process. More specifically, you will learn the following technical skills:

- How to understand the basic math behind development economics
- How to create and manipulate a development pro forma using Excel
- How to analyze the qualitative and quantitative aspects of a potential project
- How to understand development from multiple perspectives

With this combination of perspectives and skills, **you will be well prepared to sit across the table from a developer and represent the interests of the government, non-profit organization, or private sector company that you work for.** And for those students who are interested in working directly in the real estate industry, you will be able to confidently tell prospective employers, “I know how to create a proforma,” and that may just help you get a job.

### Workload

There will be weekly assignments throughout the semester, including three homework assignments; six or seven case studies; one book review; and a take-home final exam. You will complete the three homework assignments individually in the first few weeks of

class, and you will complete the case studies as teams, which should reduce your individual workload for the rest of the semester. SUGGESTION: Staying current with the weekly assignments throughout the semester is important to learning and success in the course.

### **Required Course Materials: Harvard Business Publishing (HBP) Coursepack**

Students will be required to purchase a coursepack directly from Harvard Business Publishing's website that will include seven case studies and two additional readings for a total of ~\$38.25. Each student is required to buy his or her own set of materials. The following link will take you to the HBP website and coursepack for this course:

<https://hbsp.harvard.edu/import/1077131>.

### **Required Reading**

Brown, Peter Hendee. *Development 101: Class Notes for Students of Private Sector Development, 2023 (Revised)*. This short manual integrates my notes and lessons from the early years of teaching this course. A PDF of the whole book has been posted on the course resources module of the Canvas site and PDFs of individual chapters have been posted in weekly Canvas modules, all at no cost to you!

### **Recommended Reading**

Brown, Peter Hendee. [\*How Real Estate Developers Think: Design, Profits, and Community\*](#). Philadelphia: Penn Press, 2015. An outgrowth of my own experience working in development and teaching this course, I wrote this book for people like you, and for everyone else involved in development – planners, architects, contractors, elected officials, community members, lenders, and investors. Many of my lectures are based on what I learned writing this book and while I don't require it, if you are interested in the subject, I recommend you read it. I wrote this book to be a fun and easy read and I appear to have succeeded, but don't take my word for it, see the [reviews](#) on Amazon.

### **Excel Proficiency**

I assume that you know the basics of how to create and manipulate Excel workbooks. Spreadsheets allow us to quickly create models that rely on basic formulas and can easily be manipulated to evaluate different options by changing variables. Most real estate financial analyses require nothing more than simple spreadsheets, basic arithmetic, and a little algebra. The same goes for this course: The math is easy.

## **Evaluation**

Evaluation will be based upon four key areas: **homework assignments**, **case studies**, one **book review**, and a **final take-home exam** that will be a case study.

### **Homework Exercises: 20% (30 points - three at 10 points each)**

You will complete three homework exercises in the first few weeks of class. These exercises can be found at the ends of each of the first three chapters of "*Development 101*" and they are designed to build your basic skills and understanding of economic analysis. Most homework questions should be figured out in pencil with the calculator on your phone. Several will require you to create and manipulate excel spreadsheets.

**Case Studies 40% (60 points - six at 10 points each)**

You will work in teams to prepare case study analyses and write-ups for six or seven case studies. You are strongly encouraged to work on and get comfortable with both the write-up and the spread sheet portions of each case. The class will discuss each case for 45-60 minutes and you will learn the most from the class discussion, so be prepared. For scoring, see “Case Study Write-ups – Expectations and Evaluation” on Canvas.

**Book Review: 20%. (20 points)**

You will read one of the books listed in the Book Review Assignment on Canvas, and then write a book review of a maximum of 500 words that summarizes what the book is about, addresses three or four issues discussed in class (such as risk, ambiguity, entrepreneurship, product type, design, market timing, financing, etc.), and that offers an opinion on the book itself. Examples of book reviews are available on the course website for reference. We will discuss the books in class.

**Final Exam: 20% (20 points)**

The final exam will be a take-home exam. The exam will be a case study, like those discussed in class, however you will be required to provide a more robust write-up and analysis and you will work alone. You can use as much time as you like but as a guideline 6-8 hours should be adequate. The exam will be assigned at the end of second to last class and will be due at the beginning of the last class.

**Grading**

|                     |             |
|---------------------|-------------|
| Homework Exercises  | 20%         |
| Case Study write-up | 40%         |
| Book Review         | 20%         |
| Final Exam          | 20%         |
| <b>Total</b>        | <b>100%</b> |

Final grades will be assigned based on percentage (90% and above = A range, 80% and above = B range, etc.). Please review the University Senate Uniform Grading and Transcript Policy (at the end of this syllabus) if you are unsure about the standards associated with each letter grade: [www.umn.edu/usenate/policies/gradingpolicy.html](http://www.umn.edu/usenate/policies/gradingpolicy.html)

**Show all your work**

For all assignments you should *show all your work*. If you make a small math error but have the principles correct, I will be generous in grading, but if you do not show your work, I will not be able to tell where you made your error.

**Course Copyright**

The instructor has the copyright on this syllabus and all lectures, lecture notes, video lectures, and slide show presentations. Students are prohibited from selling or being paid by any person or commercial firm for taking notes or recording class lectures without the advance express written permission of the instructor. Exceptions are permitted for students with a disability who receive the instructor’s approval in advance for note taking or tape recording as an academic accommodation. Some images from this syllabus were found on-line or taken from resources that are not accredited to the instructor.

## **Class Schedule (For detail, see weekly modules on Canvas)**

### **Week 1 (9/8): Introductions, Valuing Real Estate Part I: The Back of the Envelope**

Watch Before Class: Brown, video lecture, "Introduction to the Course"

Read Before Class: The Syllabus; Brown, *Development 101*: Introduction.

Discussion: What's your apartment worth?; expectations for Homework Assignments

### **Week 2 (9/15): Valuing Real Estate Part II: Using Spreadsheets**

Due Before Class: Homework #1 (At end of Dev 101, Chapter 1)

Watch Before Class: Brown, video lecture

Read Before Class: Brown, *Development 101*, Chapter 1 (Chapter 4 for reference)

Discussion: The time-value of money, discounted cash flows, Homework

### **Week 3 (9/22): Financing Real Estate Development**

Due Before Class: Homework #2 (At end of Dev 101, Chapter 2)

Watch Before Class: Brown, video lecture

Read Before Class: Brown, *Development 101*, Chapter 2, (Chapter 4 for reference).

Discussion: Types of mortgages, interest costs, Homework

### **Week 4 (9/29): Measures of Return and Review**

Due Before Class: Homework #3 (At end of Dev 101, Chapter 3)

Read Before Class: Brown, *Development 101*, Chapters 3, 4.

Watch Before Class: Brown, video lecture

Discussion: Guest, Homework, "developers," expectations for Case Studies

### **Week 5 (10/6): Field Trip to Canvas Apartments in NE Minneapolis**

No assignments due this week other than past due homework. Check Canvas for Videos and future assignments.

[\(APA MN CONF. IN ST. CLOUD 10/4-10/6\)](#)

### **Week 6 (10/13): Doing your first deal**

Due Before Class: Case Write-up – *Revere Street*

Watch Before Class: Brown, video lecture

Discussion: Guest, Case Study

### **Week 7 (10/20): Doing your next deal**

Due Before Class: Case Write-up – *Ft Myers Eldercare*

Watch Before Class: Brown, video lecture

Discussion: Guest, Case Study

### **Week 8 (10/27): The Cost and Value of Parking**

Due Before Class: Case Write-up – *Prospect Hill*

Watch Before Class: Brown, video lecture

Discussion: Guest, Case, Q&A/How are we doing?

### **Week 9 (11/3): Analyzing a Real Estate Opportunity**

Due Before Class: Case Write-up – *Shady Trail*

Watch Before Class: Brown, video lecture

Discussion: Guest, Case

**Week 10: (11/10): Comparative Financial Analysis of Real Estate Investments**

*Due Before Class:* *Case Write-up – Angus Cartwright III*

*Watch Before Class:* Brown, video lecture

*Discussion:* Guest, Case

**Week 11 (11/17): Design, Planning, Politics, and Partnerships**

*Due Before Class:* *Case Write-up – Waltz on the Danube*

*Watch Before Class:* Brown, video lecture

*Discussion:* Guest, Case

**Week 12 (11/24): NO CLASS – THANKSGIVING BREAK**

**Week 13 (12/1): Book Reviews**

*Due Before Class:* *Book Review Assignment*

*Watch Before Class:* Brown, video lecture

*Discussion:* Guest, Book Reviews, Jeopardy!

**Week 14 (12/8): Last Class! Career Planning, Life, and Wrap-up**

*Due Before Class:* *Final Exam - Take-Home Case Study - Individual*

*Discussion:* Final Exam Case, last lecture, thanks, and farewell!

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## **Adherence to Relevant University Policies**

The University's Education & Student life policies are available in the [\*online Policy Library\*](#).

### **Student Conduct Code**

The University seeks an environment that promotes academic achievement and integrity, that is protective of free inquiry, and that serves the educational mission of the University. To support this environment, the University seeks a community that is free from violence, threats, and intimidation; that is respectful of the rights, opportunities, and welfare of students, faculty, staff, and guests of the University; and that does not threaten the physical or mental health or safety of members of the University community.

As a student at the University you are expected to adhere to the [\*Board of Regents Policy: Student Conduct Code\(PDF\)\*](#). Note that the conduct code specifically addresses disruptive classroom conduct, which means "engaging in behavior that substantially or repeatedly interrupts either the instructor's ability to teach and/or a student's ability to learn." The classroom extends to any setting where a student is engaged in work toward academic credit or satisfaction of program-based requirements or related activities.

### **Use of Personal Electronic Devices in the Classroom**

Using personal electronic devices in the classroom setting can hinder instruction and learning, not only for the student using the device but also for other students in the class. To this end, the University establishes the right of each instructor to determine if and how personal electronic devices are allowed to be used in the classroom. For complete information, please review the [\*Teaching and Learning: Student Responsibilities\*](#) policy.

### **Scholastic Dishonesty**

You are expected to do your own academic work and cite sources as necessary. Failing to do so is scholastic dishonesty. Scholastic dishonesty means: plagiarizing; cheating on assignments or examinations, including the unauthorized use of online learning support and testing platforms; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; altering, forging, misrepresenting, or misusing a University academic record; or fabricating or falsifying data, research procedures, or data analysis. If it is determined that a student has cheated, the student may be given an "F" or an "N" for the course, and may face additional sanctions from the University. For additional information, please see: *Teaching and Learning: Instructor and Unit Responsibility*.

The *Office for Community Standards* has compiled a useful list of Frequently Asked Questions pertaining to scholastic dishonesty.

Beware of websites that advertise themselves as being "tutoring websites." It is not permissible to upload any instructor materials to these sites without their permission or copy material for your own homework assignments from these various sites. If you have additional questions and concerns, please clarify with your instructor for the course. Your instructor can respond to your specific questions regarding what would constitute scholastic dishonesty in the context of a particular class, e.g., when and whether collaboration on assignments is permitted, requirements and methods for citing sources, if electronic aids are permitted or prohibited during an exam.

### **Makeup Work for Legitimate Absences**

Students will not be penalized for absence during the semester due to unavoidable or legitimate circumstances. Such circumstances include verified illness, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, and religious observances. Such circumstances do not include voting in local, state, or national elections. For complete information, please see: Administrative Policy: *Makeup Work for Legitimate Absences: Twin Cities, Crookston, Morris, Rochester*.

### **Appropriate Student Use of Class Notes and Course Materials**

Taking notes is a means of recording information but more importantly of personally absorbing and integrating the educational experience. However, broadly disseminating class notes beyond the classroom community or accepting compensation for taking and distributing classroom notes undermines instructor interests in their intellectual work product while not substantially furthering instructor and student interests in effective learning. Such actions violate shared norms and standards of the academic community. For additional information, please see Administrative Policy: *Teaching and Learning: Student Responsibilities*.



## University Grading Scales

The University has two distinct grading scales: A-F and S-N. The A-F and S/N grading scales allow the following grades and corresponding GPA points:

| Letter Grade | GPA Points | Definitions  |
|--------------|------------|--|
| A            | 4.000      | Represents achievement that significantly exceeds expectations in the course.  |
| A-           | 3.667      |  |
| B+           | 3.333      |  |
| B            | 3.000      | Represents achievement that is above the minimum expectations in the course.   |
| B-           | 2.667      |  |
| C+           | 2.333      |  |
| C            | 2.000      | Represents achievement that meets the minimum expectations in the course.  |
| C-           | 1.667      |  |
| D+           | 1.333      |  |
| D            | 1.000-     | Represents achievement that partially meets the minimum expectations in the course. Credit is earned but it may not fulfill major or program requirements. |
| F            | 0.000      | Represents failure in the course and no credit is earned.  |
| <b>S/N</b>   |            |  |
| S            | 0.00       | Satisfactory (equivalent to a C- or better)  |
| N            | 0          | Not Satisfactory   |

For additional information, please refer to Administrative Policy: [\*Grading and Transcripts: Crookston, Morris, Rochester, Twin Cities.\*](#)

## Sexual Harassment, Sexual Assault, Stalking and Relationship Violence

The University prohibits sexual misconduct, and encourages anyone experiencing sexual misconduct to access resources for personal support and reporting. If you want to speak confidentially with someone about an experience of sexual misconduct, please contact a confidential [\*resource on your campus.\*](#) If you want to report sexual misconduct, or have questions about the University's policies and procedures related to sexual misconduct, please contact your campus [\*Title IX office or relevant policy contacts.\*](#)

Instructors are required to share information they learn about possible sexual misconduct with the campus Title IX office that addresses these concerns. This allows a Title IX staff member to reach out to those who have experienced sexual misconduct to provide information about personal support resources and options for investigation. You may talk to instructors about concerns related to sexual misconduct, and they will provide support and keep the information you share private to the extent possible given their University role.

For more information, please see [\*Administrative Policy: Sexual Harassment, Sexual Assault, Stalking and Relationship Violence.\*](#)

## Equity, Diversity, Equal Opportunity, and Affirmative Action

The University provides equal access to and opportunity in its programs and facilities, without regard to race, color, creed, religion, national origin, gender, age, marital status, familial status, disability, public assistance status, membership or activity in a local commission created for the purpose of dealing with discrimination, veteran status, sexual orientation, gender identity, or gender expression. For more information, please consult Board of Regents Policy: [\*Equity, Diversity, Equal Opportunity, and Affirmative Action \(PDF\).\*](#)

### **Disability Accommodations**

My goal is to create a learning environment that is accessible and inclusive for all students. If you anticipate any barriers related to the design of the course (e.g., format, materials, or structure), please contact me outside of class so we can explore potential options. If you have a disability and want to explore formal accommodations and/or further resources, please contact the UM Twin Cities campus Disability Resource Center (DRC) at 612.626.1333, visit the website at <https://diversity.umn.edu/disability/>, or email [drc@umn.edu](mailto:drc@umn.edu).

If you have already consulted with your DRC, please share your letter with me as soon as you can to discuss how your accommodations will be implemented in this course.

### **Mental Health and Stress Management:**

As a student you may experience a range of issues that can cause barriers to learning, such as strained relationships, increased anxiety, alcohol/drug problems, feeling down, difficulty concentrating and/or lack of motivation. These mental health concerns or stressful events may lead to diminished academic performance or reduce a student's ability to participate in daily activities. University of Minnesota services are available to assist you with addressing these and other concerns you may be experiencing. You can learn more about the broad range of confidential mental health services available on campus via the Student Mental Health Website at <http://www.mentalhealth.umn.edu>.

Remember that there are advisors in the Humphrey Student Services office who are trained and experienced counselors. They are available at very short notice to address any concerns you have and provide further resources within the University. **Humphrey Student Services, HHH 280, 612-624-3800**

### **Academic Freedom and Responsibility**

Academic freedom is a cornerstone of the University. Within the scope and content of the course as defined by the instructor, it includes the freedom to discuss relevant matters in the classroom. Along with this freedom comes responsibility. Students are encouraged to develop the capacity for critical judgment and to engage in a sustained and independent search for truth. Students are free to take reasoned exception to the views offered in any course of study and to reserve judgment about matters of opinion, but they are responsible for learning the content of any course of study for which they are enrolled.\*

Reports of concerns about academic freedom are taken seriously, and there are individuals and offices available for help. Contact the instructor, the Department Chair, your adviser, the associate dean of the college, or the Vice Provost for Faculty and Academic Affairs in the Office of the Provost. *[Customize with names and contact information as appropriate for the course/college/campus.]*

*\* Language adapted from the American Association of University Professors "Joint Statement on Rights and Freedoms of Students".*

**This publication/material is available in alternative formats upon request. Please contact the instructor.**