B8428-001 SOCIAL IMPACT REAL ESTATE INVESTING & DEVELOPMENT

Professor Rachel Diller

Fall 2015
Wednesday 4:00 – 7:15pm
Room Uris 333

COURSE DESCRIPTION
This course will explore what is, and how to develop and invest in “social impact” real estate projects. How do we define what constitutes “social impact” with respect to real estate projects? What are the financial building blocks and sources of capital available for developers and investors to utilize when putting together deals?

Using examples of real deals, and focusing largely on urban markets, students will work through the challenges and opportunities of financing various types of projects, including: affordable and mixed-income housing, mixed-use, neighborhood retail, community facilities. Students will be exposed to a variety of financial tools (LIHTCs, tax-exempt bonds, NMTCs, etc.) and public sector programs that are necessary to make social impact projects feasible while also being asked to gauge whether the risk-adjusted returns warrant “doing the deal”.

In addition, the course will explore the following questions: who are the players in the “social impact” real estate space? Who are the capital providers in both the public and private sectors? Who are the developers? Can you make money being a socially responsible developer? What role do non-profits play?

Speakers will include: for-profit and non-profit developers, fund managers, government officials and financial institutions.

REQUIRED PREREQUISITES AND CONNECTION TO THE CORE (For Electives)
Real Estate Finance is not a prerequisite but recommended. Students who have not taken Real Estate Finance or lack demonstrable professional experience will be required to take two real estate finance “bootcamp” sessions. The first 90-minute “bootcamp” session will take place during the first week of Fall term classes (exact date/time TBD). The second 90 minute session will take place during the first day of class (second half, after the break).
The learning in this course will utilize, build on and extend concepts covered in the following core courses:

<table>
<thead>
<tr>
<th>Core Course</th>
<th>Connection with Core</th>
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<tbody>
<tr>
<td>Corporate Finance</td>
<td>1. Time value of money</td>
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<td>2. Opportunity cost of capital</td>
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<td>3. Risk</td>
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<td>Decision Models</td>
<td>1. Sensitivity Analysis</td>
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<td>Strategy Formulation</td>
<td>1. Creation of value vs. value capture</td>
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<td></td>
<td>2. Trade-offs</td>
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<tr>
<td>Global Economic Environment</td>
<td>1. Inflation and the business cycle</td>
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<td>2. Fiscal policy</td>
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<td>3. Role of financial markets in the economy</td>
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Students will be expected to have mastered these concepts and be able to apply them in the course.

REQUIRED COURSE MATERIALS
TBD. A detailed syllabus will be available in August and materials posted on the web.

CLASSROOM NORMS AND EXPECTATIONS
Class Attendance and Participation:
Class attendance and participation is essential to benefit from the experienced professionals who have agreed to participate in your education and develop an on-going relationship with your classmates. I expect everyone to show up for every class, and if there is some plausible reason for not attending, please inform me ahead of the class.

GRADING [PRELIMINARY—MAY CHANGE]
Final grades will reflect grades received in the Assignments, final project, and class participation. There will be no midterm or final examination for this course.

METHOD OF EVALUATION
- Participation: 25%
- Assignment #1: 25%
- Assignment #2: 25%
- Final Paper: 25%

CONTACTING PROFESSOR DILLER
Office Hours: By appointment.
Please email Professor Diller at rdiller.ba@gmail.com.

Canvas: Please be sure to have your announcement and messaging notifications set to ASAP.

TEACHING ASSISTANT: TBD
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Class Schedule

September 2  Part 1: Course Overview and Themes
- What are the community needs & how can real estate projects address them?
- History of comprehensive community development and impact investing fields

Part 2: Real Estate Finance “Bootcamp” (*optional for students who have already taken Real Estate Finance; mandatory for all other students)

- Financial Tools for Social Impact Real Estate: Running Numbers
- Understanding Risk and Return

September 9  Capital and the “Financing Gap”
- Where is the capital?
- Who are the players?
- Banks, pension funds, private equity, CDFIs, mission-driven capital
- What is the capital’s motivation? How does it measure “return”?
- Quantifying the financing gap and gap-filling methods
- Financial analysis: comparing a conventional and social impact real estate capital stack and proforma

September 16  The Building Blocks of Social Impact Real Estate: Residential (Part 1)
- Defining Housing Affordability
- Evolution of Federal housing policy
- Government Programs and Tools – Federal and Local
- LIHTC Program: Overview, Developer and Investor Motivations, Mechanics and computations
- Putting Deals Together: Case study with Guest Speaker: TBD
September 23

The Building Blocks of Social Impact Real Estate: Residential (Part 2)

- Using municipal finance for housing
- Tax-Exempt Bond Financing: Structure, markets and case studies
- Local Tax Abatements: Case Study of NYC’s “421-a”
- Discussion of “Housing New York: A Five-Borough, Ten-Year Plan”, Mayor De Blasio’s housing plan

Guest(s): TBD

September 30

The Building Blocks of Social Impact Real Estate: Commercial

- Retail, Community Facilities, Mixed-Use
- Tools (New Markets Tax Credits, Historic Tax Credits, etc)
- Putting Deals Together: Case study with Guest Speaker(s): TBD

October 7

The “Business” of Socially Responsible Real Estate Investing and Development

- For-Profit vs. Non-Profit: Who Does it Better?
- Can you make money? How much is too much?

Guest(s): TBD

October 21

The Financing Markets: Hearing from the Participants

- Social impact investing: “emerging” industry
- CDFI, Bank and Mission Driven capital providers

Guest(s): TBD

October 28

Comprehensive Community Development and “Healthy Neighborhoods”

- What is an integrated community and what makes a healthy neighborhood?
- Putting Deals Together: Case study with Guest Speaker: TBD

November 4

Place-Based Case Study and Deal “Spotlight”: New Orleans

- New Orleans Overview: Challenges and Opportunities
- Putting Deals Together: Case study with Guest Speaker(s): TBD

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1 Class date to be changed, due to Religious Holiday. Date/time of make-up TBD.
November 11  
Place-Based Case Study and Deal “Spotlight”: Detroit  
- Detroit Overview: Challenges and Opportunities  
- Case Study: Detroit Riverfront  
  Guest(s): TBD

November 18  
Process and Politics of Neighborhood Transformation  
- Guest(s): TBD

December 2  
Does Investing in Social Impact Real Estate Work?  
- Discussion of outcomes, intended consequences, effect of economic cycles  
- Site visit / Field trip to Social Impact Real Estate project in NYC