

**B8428 SOCIAL IMPACT REAL ESTATE INVESTING & DEVELOPMENT**

**SPRING 2022 (B term)**

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| **PROFESSOR: JAMES PATCHETT**  E-mail: [jbp2155@gsb.columbia.edu](mailto:jbp2155@gsb.columbia.edu)  Office Hours: upon request | TEACHING ASSISTANT  TBA |

Communications from professor and teaching assistants about the course will take place through Canvas.

Students should make sure they regularly check for announcements and messaging notifications.

**SCHEDULE AND LOCATION**

Tuesdays, 4:30 – 7:45pm

Classroom: TBA

**COURSE DESCRIPTION**

This course will explore what are, 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 on U.S. 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, etc. Students will be exposed to a variety of financial tools (LIHTCs, tax-exempt bonds, NMTCs) 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 investor or developer?

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

**Please note: The case studies outlined below are representative based on the previous time this course was offered and are subject to confirming final speakers.**

**REQUIRED PREREQUISITES AND CONNECTION TO THE CORE (For Electives)**

Real Estate Finance (B8331) is not a prerequisite but strongly recommended. Students who have not taken Real Estate Finance or lack demonstrable professional experience are strongly encouraged to attend a 3-hour real estate finance “bootcamp” session – date and time TBD.

The learning in this course will utilize, build on and extend concepts covered in the following core courses:

|  |  |
| --- | --- |
| **Core Course** | **Connection with Core** |
| Corporate Finance | 1. Time value of money 2. Opportunity cost of capital 3. Risk |
| Decision Models | 1. Sensitivity Analysis |
| Strategy Formulation | 1. Creation of value vs. value capture 2. Trade-offs |
| Global Economic Environment | 1. Inflation and the business cycle 2. Fiscal policy 3. Role of financial markets in the economy |

Students will be expected to have mastered these concepts and be able to apply them in the course.

**METHOD OF EVALUATION**

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| --- | --- |
| Class Attendance & Participation | 30% |
| Team Presentation & Debate | 30% |
| Final Project | 40% |

**Final Project:**Final project topics will be distributed midway through the course.

*\*All readings available either on Canvas or via link below; subject to change as semester progresses\**

**ASSIGNMENTS**

All of your assignment submissions, cases and exams are subject to the [CBS Honor Code](http://www8.gsb.columbia.edu/honor/definitions). **Violations of the CBS Honor Code** **WILL lead to failing the assignment, case or exam and receiving an F for the entire course**. In order to avoid ambiguity that may lead to unintentional violations of the Honor Code, assignment description types have been standardized and specified below and specified above.

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| --- | --- | --- | --- | --- | --- |
| **Type** | **Designation** | **Grade** | **Preparation of submission** | **Discussion of Submission\*** | **Discussion of Concepts\*\*** |
| A | Group Work | Same grade for all group members | By the group | Permitted to discuss (within group) | Permitted |
| B1 | Individual w/ Discussions of  Concepts and Submission | Individual grade | Individual preparation | Permitted to discuss;  sharing solutions or submission files is not allowed | Permitted |
| B2 | Individual w/  Discussions of  Concepts Only | Individual grade | Individual preparation | Not permitted to share/discuss solutions or submission | Permitted |
| C | Individual | Individual grade | Individual preparation | Not permitted to share/discuss solutions or submission | Not permitted\*\*\* |

\* The designated group can be either an assigned study group or a self-selected one.

**ATTENDANCE POLICY**

Class attendance and participation are essential to benefit from the experienced professionals who have agreed to participate in your education and develop an ongoing relationship with your classmates. There are only six classes. I expect everyone to show up for every class on time. If there is a plausible reason for not attending, please inform me and the TA at least 24 hours before class—and expect to complete a make-up assignment.

NOTE: The following is applicable for Core Courses:

* Students that miss more than **33%** of their classes (unexcused absences) will at most receive a **P** **for the course grade**
* Students that miss more than **50%** of their classes (unexcused absences) will receive a **F** **for the course grade**

NOTE: The following is applicable for Core Courses and for any electives with OSA-administered exams:

* Students that miss the exam for an **excused** reason but are unable to take the exam within the stated make-up period will receive a **zero for the final exam grade**
* Students that miss the exam without notifying OSA (**unexcused**), will receive an **F for the course grade**

Taking exams off schedule creates significant logistical challenges in finding rooms and proctors and most importantly, has the potential to jeopardize the integrity of the exam. Therefore, requests for rescheduling of exams should only be made within the first three weeks of the semester and only for serious conflicts.

Rescheduling of exams for weddings, early travel home are not acceptable. Last minute rescheduling of exams may only be done for very serious cause.

# Module 1: Course Overview & the Rise of Social Impact Real Estate (March 22)

Part 1: Introduction to Course

* Course overview
* What are community needs and how can real estate projects address them?
* What is “social impact investing”?
* What is the “financing gap”?
* Who are the capital providers: Banks, pension funds, private equity, CDFIs, mission-driven

capital, “Impact Investors”?

* Key concepts:
  + Housing finance essentials: Privat equity, LIHTC, Tax-Exempt Bonds, accessing capital markets
  + Frameworks: ESG, Community Reinvestment Act

Part 2: Guest Speaker

* **TBD** (Executive from major financial institution overseeing impact investing)

Readings to be completed before class (To be Updated):

* **Urban Revitalization & Impact Investing** – by Council of Development Finance Agencies
* **Intro to LIHTC** – by Enterprise Community

# Affordable Housing and Low-Income Tax Credits in the United States – by HBS

* **Housing Policy Debate: The Low-Income Housing Tax Credit as an Aid to Housing Finance: How Well has it Worked?** – by Fannie Mae Foundation
* **What You Need to Know About Social Impact Investing** – Wall Street Journal <https://www.wsj.com/articles/what-you-need-to-know-about-social-impact-investing-11601823600>
* Goldman Sachs Explains Why It Invested $233 Million in Port Covington - [https://www.southbmore.com/2018/04/05/goldman-sachs-explains-why-it-invested-233- million-in-port-covington/](https://www.southbmore.com/2018/04/05/goldman-sachs-explains-why-it-invested-233-million-in-port-covington/)

# Module 2: Stuyvesant Town (March 29)

Part 1:

* Group Presentations / Debate
  + Topic TBD
* Discussion on Stuyvesant Town
* Key concepts:
  + Rent control, rent stabilization, the “affordability gap.”

Part 2: Guest Speaker

* **TBD** (Investors, local representatives involved in deal)

Readings to be completed before class:

* Rent Control: A White Paper Report (pp 36-43) by National Association of Realtors - [https://www.irem.org/File%20library/IREMPrivate/PublicPolicy/NARRentControlWhitePaper.pd f](https://www.irem.org/File%20library/IREMPrivate/PublicPolicy/NARRentControlWhitePaper.pdf)
* Stuyvesant Town Original Advertisement - [http://chpcny.org/wp- content/uploads/2010/02/stuytown.pdf](http://chpcny.org/wp-content/uploads/2010/02/stuytown.pdf)
* Stuyvesant Town Original Relocation Plan - [http://chpcny.org/wp- content/uploads/2010/02/Stuy-Town-Relocation.pdf](http://chpcny.org/wp-content/uploads/2010/02/Stuy-Town-Relocation.pdf)
* 1943 NYT article on original Stuyvesant Town project, racial bias-<https://timesmachine.nytimes.com/timesmachine/1943/06/04/85105849.pdf>
* 2006 BlackRock/Tishman deal – [https://therealdeal.com/2015/11/09/this-2006-stuy-town- memo-predicted-money-wonderland/](https://therealdeal.com/2015/11/09/this-2006-stuy-town-memo-predicted-money-wonderland/)
* 2010 BlackRock/Tishman default - <https://www.nytimes.com/2010/01/26/nyregion/26stuy.html>
* Blackstone Deal overview - [https://www.nytimes.com/2015/10/22/nyregion/residents-exhale- after-stuyvesant-town-is-sold.html?\_r=0](https://www.nytimes.com/2015/10/22/nyregion/residents-exhale-after-stuyvesant-town-is-sold.html?_r=0)
* 2016 NYT profile of Stuy Town - [https://www.nytimes.com/2016/08/14/realestate/stuyvesant- town-an-oasis-near-the-east-river.html](https://www.nytimes.com/2016/08/14/realestate/stuyvesant-town-an-oasis-near-the-east-river.html)

# Module 3: Reviving Newark, NJ (April 5)

Part 1:

* Group Presentations / Debate
  + Topic TBD
* Discussion on Newark
* Key concepts:
  + Public-private partnerships, urban placemaking, Opportunity Zones, adaptive reuse, historical landmark preservation.

Part 2: Guest Speaker

* **TBD** (Developer working in Newark, NJ)

Readings to be completed before class:

* **Meshing Public and Private Roles in the Development Process** – by Lynne Sagalyn
* **Catalyst for Change: the FHTC** – by the National Trust for Historical Preservation
* **The Adaptive Reuse Toolkit –** by Matteo Robiglio
* **Opportunity Zone White Paper** – by Duval & Stachenfeld LLP
* NY Mag on Newark development - [http://nymag.com/intelligencer/2018/11/newarks-revival-is- finally-real-so-is-its-latest-problem.html](http://nymag.com/intelligencer/2018/11/newarks-revival-is-finally-real-so-is-its-latest-problem.html)
* Interview with Ron Moelis - [https://commercialobserver.com/2015/07/home-ron-lm-ceo-ron- moelis-is-having-his-moment/](https://commercialobserver.com/2015/07/home-ron-lm-ceo-ron-moelis-is-having-his-moment/)
* As States Pick ‘Opportunity Zones’ for Tax Breaks, a Debate Over Who Benefits - [https://www.wsj.com/articles/will-new-tax-incentives-for-poor-communities-work-some-are- skeptical-1521547201](https://www.wsj.com/articles/will-new-tax-incentives-for-poor-communities-work-some-are-skeptical-1521547201)

# Module 4: Essex Crossing (April 12)

Part 1:

* Group Presentations / Debate
  + Does the development of Essex Crossing (and similar projects) portend unacceptable displacement of local residents, or is it a job-creating boon for the Lower East Side?
* Discussion on Bedford Union Armory
* Key concepts
  + Mixed-use structures, ground-up development, joint ventures, gentrification and community stakeholders.

Part 2: Guest Speaker

* **TBD** (Developers leading project)

Readings to be completed before class:

* **Financing for Mixed Use/Planned Development Projects** – by David Jones
* **Holistic Place-Based Investments** - by Nancy Andrews and Dan Rinzler
* NYT project overview - [https://www.nytimes.com/2017/06/15/nyregion/essex-crossing- renewal-lower-east-side.html](https://www.nytimes.com/2017/06/15/nyregion/essex-crossing-renewal-lower-east-side.html)

# Module 5: Urban Industry: Brooklyn Navy Yard, Brooklyn Army Terminal, Industry City (April 19)

Part 1:

* Group Presentations / Debate
  + Does the success of Industry City prove that the private sector is capable of revitalizing urban manufacturing itself, or should public authorities retain ownership of the redevelopment of industrial properties?
* Discussion on Brooklyn Navy Yard, Brooklyn Army Terminal, Industry City
* Key concepts:
  + - Urban manufacturing, zoning and land use issues, economic development corporations, cooperatives

Part 2: Guest Speaker

* **TBD** (Leaders of one of these institutions)

Readings to be completed before class:

* **Inflection Point: New Vision, New Strategy, New Organization –** by Nancy Andrews and Nicolas Retsinas *(in “What Works”)*
* Brooklyn Army Terminal
  + 2018 site overview - [https://www.nytimes.com/2018/11/23/nyregion/the-brooklyn- army-terminal-new-yorks-next-manufacturing-hub.html](https://www.nytimes.com/2018/11/23/nyregion/the-brooklyn-army-terminal-new-yorks-next-manufacturing-hub.html)
  + 2018 piece on UPROSE - [https://brooklyneagle.com/articles/2018/11/09/brooklyn- army-terminal-to-open-first-co-op-owned-solar-garden-in-new-york/](https://brooklyneagle.com/articles/2018/11/09/brooklyn-army-terminal-to-open-first-co-op-owned-solar-garden-in-new-york/)
* Brooklyn Navy Yard
  + 2007 piece on announcement of new developments:<https://www.nytimes.com/2007/08/29/business/29navy.html>
  + 2010 piece on historical preservation:<https://www.nytimes.com/2010/05/16/realestate/16row.html>
  + 2015 site overview: [https://www.nytimes.com/2015/11/01/realestate/reinventing-the- brooklyn-navy-yard.html](https://www.nytimes.com/2015/11/01/realestate/reinventing-the-brooklyn-navy-yard.html)
* Industry City
  + 2014 site overview: [https://www.nytimes.com/2014/01/19/nyregion/industry-city-the- soho-of-sunset-park.html](https://www.nytimes.com/2014/01/19/nyregion/industry-city-the-soho-of-sunset-park.html)
  + 2018 interview with Andrew Kimball (2-part video): [https://commercialobserver.com/2018/07/video-industry-giant-part-1-qa-with- industry-citys-andrew-kimball/](https://commercialobserver.com/2018/07/video-industry-giant-part-1-qa-with-industry-citys-andrew-kimball/)
* NYC ZoLa – Zoning & Land Use Map https://zola.planning.nyc.gov/about?layer-groups=%5B%22building- footprints%22%2C%22commercial-overlays%22%2C%22street- centerlines%22%2C%22subway%22%2C%22tax-lots%22%2C%22zoning- districts%22%5D#9.72/40.7125/-73.733

# Module 6: Hudson Yards (April 26)

Part 1:

* Group Presentations / Debate
  + Topic TBD
* Discussion on Hudson Yard
* Key concepts:
  + Public-Private partnerships, infrastructure financing

Part 2:

* Tying course themes together
* Discussion of final project topics Readings to be completed before class:
* **TBD** (Developers, public officials overseeing deal)