JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

I. MANUSCRIPTS

D. Book Reviews

6. Draft of <u>The ULI Development Textbook</u> by Emil Malizia, Michael Miles and Michael Stegman: Includes rough draft of correspondence with Geraldine Bachman of ULI, (Circa 1987)

Index

ULI

the Urban Land Institute

1090 Vermont Avenue, N.W.
Washington, D.C. 20005
(202) 289-8500

December 31, 1986

Professor James Graaskamp
Chairman
Real Estate and Urban Land Economics
University of Wisconsin
1115 Observatory Drive
Madison, Wisconsin 53706

Dear Jim,

Thank you for agreeing to be a member of the ULI steering committee for the real estate textbook. This book will be written by Emil Malizia, Michael Miles, and Michael Stegman, professors at the University of North Carolina, and will be published by ULI. The authors received a grant from the Urban Land Institute to write the text.

This textbook is intended for use in graduate schools offering an interdisciplinary program in land use and development. The emphasis of the text will be on the integration of public policy and planning issues with business objectives and financing tools.

The textbook steering committee serves as a guide and critic for the project. The committee is chaired by Harry Newman, chairman of the University Education Subcommittee of ULI's Education Committee.

As a participant of the steering committee, you will be asked to review and comment on the enclosed outline, two preliminary chapters, and the completed draft manuscript. You will also be asked to attend one or two review sessions when the committee meets with the authors. We encourage you to attend these meetings; however attendance is not required for you to be a member of the textbook steering committee.

Please return your comments on the enclosed outline to me as soon as possible, but no later than January 16. Remember that the outline will become the table of contents for the textbook, so it must be accurate and inclusive. Your comments should address the following points:

> Is the sequence of activities an accurate reflection of the development process?
>
> Is the material inclusive or are there other issues that should be addressed?

Are the public and private sector issues and concerns given the proper focus? Are public and private issues properly integrated so that the text will reflect the sequence and importance of each task as it occurs in a real project?

Have any important issues, points, or practices been omitted from the outline? If so, what are they?

What general advice would you offer to the authors as they prepare to write this textbook?

this is not happening

Harry Newman would like to schedule a meeting of the review committee later in January. I will let you know as soon as a date is set. We expect that the preliminary chapters will be available for review in the spring and that the manuscript will be finished by the end of 1987.

Your contribution at this stage in the formulation of the outline is very important, so I hope you will return your thoughtful comments soon. If you have any questions, please call me.

Sincerely,

Geri

Geraldine Bachman
Senior Associate
University Education

cc: Harry Newman

Graaskamp's Draft review of textbook outline

(L) 1984

Geraldine Bachman
Senior Associate
University Education
The Urban Land Institute
1090 Vermont Avenue, N.W.
Washington, D. C. 20005

Dear Geri:

In response to your request for comments on the textbook outline, I don't know where to begin. The chapter outline provided by Mike Miles and company is essentially an old one growing out of some articles and his textbook. It reflects the point of view of a finance professor rather than a broader view of an enterprise professor, an enterprise largely dependent on the ability to acquire entitlements on the public side as well as from the private capital market. The development process is a planning process, and planning is defined by Russell Ackoff as solving interrelated problems simultaneously and iteratively. Chapter 1 doesn't carry that connotation - from whence does the spark come?- the site, a real use, capital seeking an outlet, a politician seeking a diversion, or the subtle irritations of a society seeking self-esteem, efficiency, release from anxiety and stress, and physical comfort?

CAPS Is the sequence of activities an accurate reflection of the development process?

1. Chapters 1 and 2 should begin with either a site reconnaissance or intensive market research. Further, the local political structure is brought into the process very early on, before there is any test of government regulation. Those who administer the law are more important than the law itself.

3 ~~2.~~ Chapter 1 should have a flow chart of the development process, a critical path network to reveal what goes on in parallel and where the critical decision points are which will abort the project or cause it to go forward.

There should be discussion of the sunk costs involved in project search that may be lost on the abort and which must be added to the search costs for the next project.

3. The risk of loss of sunk costs should be expanded into a careful discussion of risk management as it controls negotiations in Chapters 3, 4, 5, and 6 .

4. The terminology in the outline doesn't seem to reflect the industry. What happened to the pre-architectural program as it would be developed by the client, the AIA contract, the general conditions, the blueprints and specs, etc.

2 5. The public relations and advertising firm is brought into the process at the time of idea refinement along with the property managers - I see no emphasis on creation of a development team.

6. The sequencing of the development process followed by the market process followed by the political process seems to de-emphasize the latter two. Nevertheless, it is marketing research skills and political finesse that separates successful developers and lendors from the majority of their competitors.

In answer to your question, are public and private issues properly integrated, the answer is "no.".

My general advice, ~~which~~ would be to reorganize the chapters around a critical path network of the development process and in the appendix carry forward a narrative of a case study project that was compatible with the critical path network presentation and a computer run of some project management system such as SUPER PROJECT or HARVARD PROJECT MANAGER. Several years ago, the ULI had an excellent case study prepared for city managers on the evolution of an office building in a downtown area where various political forces modify the plan relative to parking, height, and style. The MIles outline doesn't seem to capture that frustrating, iterative ~~process~~ path of renegotiation over time.

Sorry to be so late in my comments. We'll try to be more responsive to the rough draft chapters.

Sincerely,

THE DEVELOPMENT PROCESS

by

Emil E. Malizia
Mike E. Miles
Michael A. Stegman
Ginger Travis

A VERY PRELIMINARY CHAPTER OUTLINE

Part I

STAGES IN THE DEVELOPMENT PROCESS

Chapter 1 Idea Inception - The Spark
- type of project, location, and size
- preliminary feasibility
- financing capabilities

Chapter 2 Idea Refinement
- site location considerations
- securing the site
- user requirements and site design
- initial discussions with construction and permanent lenders
- initial discussions with equity interests

Chapter 3 Precommitment
- begin formal feasibility study
- market study
- preliminary architectural design
- relating building technology to user needs
- initial construction cost estimates
- determine ability to comply with all government regulations
- specific discussions with construction and permanent lenders
- complete feasibility

Chapter 4 Commitment
- arrange financing commitments
- decision on contracting
- decision on equity structure
- preleasing decisions
- obtain necessary permits

Chapter 5 Initiation of Construction
- purchase permanent commitment
- close construction loan
- close land purchase or pay off land loan
- sign advance leases
- sign construction agreement
- switch to formal accounting system

Chapter 6 Construction Period
- continual interface between construction manager, leasing or marketing representative, and financial officer

Chapter 7 Final Stages of the Development Process
- operations personnel brought on scene
- preopening activity, marketing, promotion
- permanent loan closed
- equity interests take control from developer

Chapter 8 ~~Asset~~ Management of the Asset Over Time

Part II

PROVING THE MARKET

Chapter 9 Supply and Demand Analysis in General
- methods of estimating demand
- methods of estimating supply
- methods of projecting absorption, developing a market niche, and projecting a project capture rate

Chapter 10 Market Studies of Specific Project Types
- elements of residential studies
- elements of nonresidential studies
- special cases - large-scale projects, mixed-use development, redevelopment

Chapter 11 Problems and Pitfalls in Analyzing Development Opportunities
- understanding the macroeconomy and key growth areas
- delineating trade area and draw
- market segmentation and capture

Chapter 12 Improving Market Studies
- estimating shifts in demand
- estimating supply response
- gauging the competition - marketing techniques
- using spatial theory more effectively

Part III

THE PUBLIC INTEREST IN DEVELOPMENT

Part IV

ADDITIONAL STRATEGIC ISSUES IN THE DEVELOPMENT PROCESS