

RED 598 – RESIDENTIAL LAND ACQUISITION (2 UNITS)

FALL 2019 / MONDAY / 6:00 PM – 7:50 PM

CLASSROOM THH 110

INSTRUCTOR: NAM JOE

nam.joe@usc.edu

(310) 593-4072

COURSE DESCRIPTION

This course is an in-depth introduction to land acquisitions from the perspective of the for-sale, residential production development industry. While course materials and discussion will be focused on homebuilders and homebuilding, students will find that many of the acquisitions concepts and strategies to be discussed are applicable across real estate asset classes.

The first half of the semester will be dedicated to understanding the land acquisition process from sourcing to closing and all the steps in-between. During this time, students will gain an understanding of the “nuts and bolts” of residential land acquisitions and begin to develop the requisite “hard” skill set required to be a proficient land acquisition professional. Topics covered will include financial analysis, market research, contracts and due diligence. The goal of this portion of the course will be to develop the foundation necessary to confidently engage in the acquisition of land assets. The first half of the course will culminate in a mid-term exam designed to test the key concepts and skills involved in the land acquisition process.

The second half of the semester will focus on land acquisition strategies, sourcing, soft skills, key players, deal structures and value maximization. Building off of the foundation from the first half of the semester, students will gain exposure to the art of land acquisitions and what is required to excel in the field beyond the fundamental skill set. Students will develop a full picture of the land acquisition landscape, an understanding of the various players engaged in the acquisition and disposition of land and how to creatively source and structure transactions.

Towards the end of the semester, a case study will be introduced, and students will work in groups on preparing an investment memorandum. The class will culminate with a simulated asset management committee meeting where each group will present the case study project for approval.

LEARNING OBJECTIVES

By the end of the semester, each student will understand (i) the steps necessary to shepherd a project from sourcing to asset management committee approval and successful closing, as well

as, (ii) all of the key players involved in the land acquisition process. Further, a working knowledge of all the skills required of a land acquisition professional will have been gained including:

- Deal Sourcing
- Financial Analysis
- Market Research
- Preparing Letters of Intent
- Conducting Due Diligence
- Contract Negotiations
- Transaction Management
- Preparation of Investment Memoranda
- Deal Structuring

COURSE NOTES

Reading assignments, class slides, case studies and other relevant documents will be posted to Blackboard (<http://blackboard.usc.edu>). Guest experts will periodically feature in selected class sessions. Additionally, workshops will be held during portions of class to hone critical skills such as project underwriting. Attendance in class sessions will be a critical component of the overall grade.

COURSE SCHEDULE

Week 1 – August 26, 2019

Introduction / Overview

- Land Development and Homebuilding
- Land Acquisition Process
- Key Concepts
- Land Acquisition Skill Set
- Careers in Land Acquisition

Labor Day – September 2, 2019

Week 2 – September 9, 2019

Market Research

- Macro Data
- Forecasting Revenue
- Absorption Rates
- Scattergraphs
- Third Party Market Studies
- Demographics

- Psychographics
- Local Area Information

ULI Fall Meeting – September 16, 2019

Week 3 – September 23, 2019

Financial Analysis I

- Homebuilder Proformas
- Residual Land Value
- Financial Metrics
- Capital Structures

Week 4 – September 30, 2019

Financial Analysis II and Deal Structures

- Options / Long Escrows
- Rolling Options and Multiple Takedowns
- Joint Ventures
- Profit Participation

Week 5 – October 7, 2019

Contracts and Legal Documents

- Letters of Intent
- Purchase and Sale Agreements
- Option Agreements
- Confidentiality Agreements
- Commission Agreements
- Operating Agreements

Week 6 – October 14, 2019

Due Diligence and Acquisition Approval

- Entitlement Status
- Site Plans and Density
- Title Review
- Technical Studies
- Market Study
- Budgets
- Schedules
- Investment Memoranda
- Land Committee Process

- Building Internal Consensus

Week 7 – October 21, 2019

Mid-Term

Week 8 – October 28, 2019

Land Planning and Product

- Building Typologies
- Product Trends
- Value Maximization
- Segmentation

Week 9 – November 4, 2019

Entitlements and Land Development

- Tentative Tract Maps
- Specific Plans
- Development Agreements
- Superpads
- Blue-Topped Lots
- Finished Lots
- CEQA

Week 10 – November 11, 2019

Sourcing and Land Brokers

- Offering Memorandums
- Pipeline Forecasting
- Grassroots Sourcing
- Broker Relationships
- Networking
- Online Tools
- Dual Agency

Week 11 – November 18, 2019

Introduction of Final Case Study and Workshop

Week 12 – November 25, 2019

Key Players in Land Acquisitions

- Private Homebuilders
- Public Homebuilders

- Land Developers
- Private Equity
- Masterplan Developers
- Opportunity Funds
- Banks
- Land Flippers
- Private Individuals / Families
- Transaction Management

Week 13 – December 2, 2019

Housing Cycle and Land Acquisition Strategies

- Value-Add
- Merchant Building
- Land Banking / Off-Balance Sheet
- Distressed Investing
- Assumption Changes in Underwriting
- Core, Secondary and Tertiary Markets

Final Presentation – TBD (December 11, 2019 – December 18, 2019)

Presentation Component of Final Project (30-Minute Assigned Slots)

COURSE GRADING

Quizzes – 10%

Attendance – 25%

Mid-Term – 35%

Final Project (Investment Memorandum) – 15%

Final Presentation (Asset Management Committee Presentation) – 15%

EXAMPLE

ITEM	WEIGHTING	SCORE	TOTAL POSSIBLE	SCALED	WEIGHTED
QUIZZES	10%	30	40	75.0%	8%
ATTENDANCE	25%	12	13	92.3%	23%
MID-TERM	35%	80	100	80.0%	28%
MEMORANDUM	15%	7	10	70.0%	11%
PRESENTATION	15%	9	10	90.0%	14%
TOTAL	100%				83%

GRADING SCALE

Course final grades will be determined using the following scale:

A	95-100
A-	90-94
B+	87-89
B	83-86
B-	80-82
C+	77-79
C	73-76
C-	70-72
D+	67-69
D	63-66
D-	60-62
F	59 and below

STATEMENT ON ACADEMIC CONDUCT AND SUPPORT SYSTEMS

ACADEMIC CONDUCT

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Part B, Section 11, “Behavior Violating University Standards” <https://policy.usc.edu/scampus-part-b/>. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct>.

SUPPORT SYSTEMS

Student Counseling Services (SCS) - (213) 740-7711 – 24/7 on call

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

<https://engemannshc.usc.edu/counseling/>

National Suicide Prevention Lifeline - 1-800-273-8255

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. <http://www.suicidepreventionlifeline.org>

Relationship and Sexual Violence Prevention Services (RSVP) - (213) 740-4900 - 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. <https://engemannshc.usc.edu/rsvp/>

Sexual Assault Resource Center

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: <http://sarc.usc.edu/>

Office of Equity and Diversity (OED)/Title IX Compliance – (213) 740-5086

Works with faculty, staff, visitors, applicants, and students around issues of protected class.

<https://equity.usc.edu/>

Bias Assessment Response and Support

Incidents of bias, hate crimes and microaggressions need to be reported allowing for appropriate investigation and response. <https://studentaffairs.usc.edu/bias-assessment-response-support/>

The Office of Disability Services and Programs

Provides certification for students with disabilities and helps arrange relevant accommodations.

<http://dsp.usc.edu>

Student Support and Advocacy – (213) 821-4710

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. <https://studentaffairs.usc.edu/ssa/>

Diversity at USC

Information on events, programs and training, the Diversity Task Force (including representatives for each school), chronology, participation, and various resources for students. <https://diversity.usc.edu/>

USC Emergency Information

Provides safety and other updates, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible, <http://emergency.usc.edu>

USC Department of Public Safety – 213-740-4321 (UPC) and 323-442-1000 (HSC) for 24-hour emergency assistance or to report a crime.

Provides overall safety to USC community. <http://dps.usc.edu>