

UNIVERSITY of
HOUSTON

C. T. BAUER COLLEGE of BUSINESS

Residential Community Development and Homebuilding Fundamentals

Section 07 , LEC-25223

Tuesday; 6:00 PM- 9:00 PM

Room: Melcher Hall, RM 120

Session 5

Instructor: Will Holder and John Hammond

Office Hours: Office hours: by appointment

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Course Concept:

This class is recommended for students seeking practical enterprise and operational knowledge of the residential development and homebuilding industry. The course will explore exactly how to organize and run a residential construction development company. Students will see how homebuilders manage the fusion of creative processes and manufacturing disciplines that shape one of America's largest and oldest industries. The course will explore the larger picture of the residential industry itself, profiling the current public and private companies comprising the industry, the people actively shaping the industry today, the departments and leadership positions within residential companies and the earning potential along these career paths. The course will explain the behind the scene business models that drive and sustain these dynamic and challenging residential enterprises.

COURSE PRIMARY LEARNING OBJECTIVES:

The course will expose students to the practical side of managing a complex residential business organization.

Learning objectives include the following:

- ***The macro industry model which drives as much as 5% of the USA's GDP*** - An industry overview, including the evolution of today's mega industry from what use to only be a local entrepreneurial business to its present day mixture of sophisticated large and small private companies and the national public giants. The student will be able to identify and contrast today's principal corporate players and be able to explain the specific and important roles played by each contributing segment of the industry, including: material vendors, licensed skilled contractors, construction craftsmen, professional engineers and other professional service providers which comprise the current residential business model. The student shall analyze the economic scope and impact of this large and complex industry, both nationally and

locally, and its impact on shaping the evolution of towns and cities, employment patterns and the daily lives of Americans.

- ***The enterprise business model of residential development and homebuilding companies*** – The student shall analyze and contrast the inter-workings of residential companies, how builders and developers are operationally organized, what specific roles different departments play and how these different disciplines function together to operate effectively in a very competitive and complex environment. The course will explore building company organizational charts and the industry specific skills that lead to different career paths. The course will explore the corporate cultures of various industry leading companies and the corporate executives and entrepreneurs currently excelling in the industry, typical compensation levels of various industry positions along these career paths.
- ***Explore the distinctions and the harmony between homebuilding and land development*** – Students shall learn and be able to explain and analyze the business relationships and principles employed between the land development process and the home building side of the business. Course work shall cover risk and reward measurement; advantages and disadvantages of types of ownership structures, general job cost and project based accounting principles, and functional business metrics that measure key economic drivers of each business. Students will be able to explain the interdependent relationship and the critical collaboration required between the land and the homes, including: land planning and home product types, marketing and branding the complete residential project, as well as the individual builder programs within the development, and ultimately the successful completion of the community's vision. Students will be engaged to understand the true scope of the industry which requires creating originally conceived products, building those products, and then selling and delivering them directly to the end users.

Text:

The course will utilize as a textbook: compilation of readings from recent and relevant residential development and homebuilding industry publications, along with current business professional publications. Each reading and research assignment from business publications shall be targeted to the upcoming lecture topics.

Attendance and Participation:

Attendance and in-person class participation are mandatory. NOTE: There may be classes which are held in locations other than the UH campus.

You are expected to come to class prepared to participate. This means that you have completed the assigned readings before class, plan to contribute, and share your ideas when appropriate.

Do your best!

ATTENDANCE IS TAKEN PROMPTLY AT 6:00 PM.

- The class room presentations by professors and guest lectures are critical to the course learning objectives. Attendance is mandatory and is expected. Students that miss one class due to family emergency or work related travel may be excused. Tardy students who are habitually late to class (arriving after 6:00 PM) are subject to those classes being treated as absences.

Class Decorum:

- Recommended dress code – business casual
- Class engagement – Students are expected to be fully engaged in the class presentations. Excessive or habitual use of cell phones or other electronic devices is NOT acceptable.
- Lively and passionate participation is encouraged.
- Prompt return to class after breaks is expected.
- Beverages or small snacks may be permitted in class to the extent that it is not a distraction to the class, subject to building rules. But, eating dinner in class is NOT permitted.

Blackboard:

The University of Houston's Blackboard system will be an important communication link for students in this class. Announcements are posted and reflect schedule changes, articles and other resources needed to fully understand the topics discussed.

Guest Speakers:

The class teaching experience will extensively utilize in-class presentations from actively practicing, industry professionals from different disciplines. Points made by guest speakers will become test questions for the midterm and final. These presentations are very important and success in the class is dependent on the insights brought to the class from the guest speakers.

Case Studies:

One class will utilize a case study, and will utilize a series of articles for the purpose of expanded in-class discussion. Students are expected to prepare for this week's case study by widely reading about the subject company and topic. While no written assignment will be required for the Case Study, the students' knowledge and understanding of the reading assignments and the case study topic are expected to be shared brilliantly in class.

Case Study:

- **Tri Pointe Homes**

RESEARCH AND PRESENTATION PROJECTS:

All projects presentations are made to the class on the assigned evenings. Grading will be measured by the student's ability to "teach others" through their presentation.

- **LOCAL BUILDER/DEVELOPER INTERVIEW PROJECT:** Students will select a locally headquartered builder or local developer and shall, after researching that company's history and current Houston market position, interview the local builder/developer and prepare a class presentation of findings on topics like: the interviewed person's career path and what market challenges currently face the company and strategies currently deployed to meet the market.
- **INTERNET COMMUNITY/HOME SEARCH PROJECT:** Student shall choose a home shopping family from the fictional families provided and shall conduct a thorough web search to identify candidate homes in Houston that match the buyer family's specific needs. Student shall prepare a written summary and present in class of the findings and logic and mechanics of the search. The subject of the project is not

the home/community selected by the student, but rather the student's findings about the quality and functionality of the visited websites.

SCHEDULE:

Wk 1(3/22/16) Introductory presentations; class learning objectives and overview lectures to residential Real Estate

Professors will introduce learning objectives and course plan for the semester. Projects will be reviewed and grading will be explained. There will be brief lectures on both industries and how they collaborate to become one gigantic industry.

Residential Land Development Industry Overview

What is the role of the city, county, state and the developer in land planning, land use, transportation, water, sewer, drainage and smart growth? What types of companies are driving residential land development today? How are home building company's land divisions different or similar to "pure" land development companies? What is the impact of master planned communities on the industry? How does the nature of land development as a self liquidating asset impact the business model? Land development is a business to business model.

Homebuilding Industry Overview

What companies are driving the industry today? Who are the people shaping the industry today? What changes and movements are occurring in the industry through acquisitions and mergers? Private companies versus public companies, market share and what motivates these companies to organize and strategize as they do? What forces drive growth and innovation and what defines success for the different organizations?

Guest Speaker??

Wk 2(3/29/16) Residential Land Development

Land Development Company Organization

Organizing and operating a land company, organizational structure, and work flow between departments. What are the career paths within a company and educational requirements and compensation? Examining company organization versus project organization, organizing for a unique project versus a production organization. Who is the orchestra? What is the consulting network that supports the development industry and what are these functions and responsibilities. What are alternate career paths in residential land development?

Land Development Vision

More than just Location, Location and Location. How do you transform land into a community? How do you brand a community and who creates the vision? What elements are necessary to bring the vision to life? What types of communities are the most prevalent in the industry? What are the needs and wants of the home buyers? What are the key considerations in programming a community? How are communities themed, amenitized and designed? What is the role of the developer in establishing a social network in the community? Who are the key consultants in this phase?

Guest Speaker?

Wk 3(4/5/16) Homebuilding Operations and Career Paths

Homebuilding Company Organization and Career Paths

Organizing and executing the homebuilding business model, work flow between company departments and the roles of key players (vendors, craftsmen, and professional service providers), career and the different career paths within the industry, compensation within the industry, organizing for unique project type vs. production type companies. How companies are organized, what do the organizational charts look like and how does that affect how different companies operate nationally, regionally and locally.

Homebuilding Operations

The process starts with the creation of the product, next plan inception, then construction drawings. Proper execution depends on the accuracy of the estimating, purchasing and pricing process, which feeds into the home start process, producing a quality field construction package. Field management is more than construction management, it is equally driven by sales force management. Traditional construction management continues to focus on the construction schedule, vendor and trade communication, construction budget control, material management, site management, safety and quality control. Builders have to master the art of buyer control and collaboration with Realtors. Today's field is completely dependent on automated processes, the role of IT and the pace of change in automated systems.

Guest Speaker?

Wk 4(4/12/16) Residential Land Development Economics

Acquisitions and Economics of Residential Land Development

What is the role of the cash flow model in land acquisition and the annual business plan? What are the key assumptions? The precision of the cash flow depends on the accuracy of the estimating, most importantly, lot yield, commercial acreage yield, development cost amount and timing, sales price and timing, appreciation, capital cost, and recovery amount and timing. How is the cash flow model stewarded and updated? What is the role of the cash flow model in the annual business plan? How are the cash flow and the income statement different? Understanding of the critical financial metrics including internal rate of return, unleveraged rate of return, return on net assets, gross profit contribution, and inventory turns. What financing tools are prevalent in the industry today and how have they changed?

Public/Private Finance Vehicles

What types of public/private finance vehicles are used in the industry? What is a MUD, a TIRZ, a PUD, a LID, a 380 Agreement, a DPC, a management district? How are municipal districts created? How are bonds sold? Who buys them? What are current yields? How important are the finance vehicles in maintaining affordable housing? Who are the consultants in this part of the industry? What are the career opportunities in these fields?

Wk 5(4/19/16) Homebuilding Accounting and Legal Issues

Residential Accounting and Financial Fundamentals

Students shall be engaged to understand critical financial measurements, or pivotal metrics, including return on invested capital employed, return on internal investment, gross profit contribution, asset turnover and the role of net present value. Students shall gain knowledge and understanding of different nomenclature used in residential development and homebuilding. Other topics include measuring risk and reward, the role of leverage and equity, options and the meaning of specific

performance. How important is cash management and how is it different than profit? How does that tie to the role of treasury, bank lines versus address specific loans, the current A & D loan environment?

Guest Speaker?

Wk 6(4/26/16) Residential Marketing and Sales

Marketing and Selling Communities and Homes

Branding builders and communities, and understanding one's own value proposition. The community value proposition defines competitiveness and must be apparent to shoppers. The role of multiple brands and market segmentation is essential in building market share. Understanding and implementing mass and micro marketing tactics, and the role of the basic 5 Ps of marketing (Product, Price, Promotion, Place, People) is critical in light of the evolving roll of social marketing and the changing buyer shopping patterns.

Internet Search Project Presentations and Discussion

Student presentations and discussions of their internet search project findings.

Wk 7(5/3/16) Private Builder/Developer Presentations

Students shall present their experience and findings from their project.

Wk 8(5/9/15) Final Exam

Land Development Vision

Style Guide:

The recommended writing style for this class may best be described as "Executive Summary Style". It is recommended that you write as if you were preparing a brief for your boss's boss. It is recommend that you use informative headings followed by brief narrative or pointed bullet style information coverage. Headings should follow the path of logic you want your reader to follow. After each heading make your points and cover the readers' likely concerns or questions and bring the reader through the important points to a logical conclusion or summary.

Grading:

General Class attendance and participation	10 points (graded/credit)
Local Builder/Developer Interview-Presentation	35 points (graded/credit)
Internet Home Search Project-Presentation	20 points (graded/credit)
<u>FINAL EXAM</u>	<u>35 points (graded/credit)</u>
Total points	100 points

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GRADE SCALE:

93 - 100 = A	80 – 82 = B-	60 – 69 = D
90 – 92 = A-	77 – 79 = C+	
87 – 89 = B+	73 – 76 = C	
83 – 86 = B	70 – 72 = C-	

PeopleSoft:

The University of Houston’s PeopleSoft system will be an important communication link for this class. I endeavor to use this system to send class-wide and individual e-mails. Please be sure your e-mail address is updated.

Code of Conduct:

A student admitted to the University of Houston accepts the responsibility to conform to all University of Houston rules and regulations. Proven failure to meet this obligation will justify appropriate disciplinary action including, but not limited to, expulsion, suspension, disciplinary probation, reprimand or warning. Although the University will make every reasonable effort to make the rules and regulations available, students are responsible for becoming familiar with them. <http://www.uh.edu/dos/pdf/codeofconductFall2013.pdf>

Academic Honesty:

The University of Houston Academic Honesty Policy is strictly enforced by the C. T. Bauer College of Business. No violations of this policy, such as plagiarism or cheating, will be tolerated in this course. A discussion of the policy is included in the University of Houston Student Handbook, <http://www.uh.edu/dos/hdbk/acad/achonpol.html>. Students are expected to be familiar with this policy.

Students are expected to produce original work in the course. Previous course-work from other classes cannot be submitted for credit in this course for any class assignment or project. At the instructor’s discretion, work will be submitted to Turn It In.

Accommodations for students with Disabilities:

The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, in order to receive academic accommodations, students must register

with the Center for Students with Disabilities (CSD) (telephone 713-743-5400), and present approved accommodation documentation to their instructors in a timely manner.