



Cleveland
Neighborhood
Progress

Session 1 - Who, what, why?

REAL ESTATE LITERACY

MID
TOWN

Real Estate 101

**A COMMUNITY
CONVERSATION**

April 15, 2021 | 6:00 - 7:00 PM

**Join us virtually for this
introduction to basic real
estate concepts that explain
the development projects
happening in MidTown.**

**Register for FREE at
<http://tiny.cc/re101>**

Instructors
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Real Estate 101



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1. Intro

- Why Real Estate?
- Players
- How do we play a role?

2. The Development Process

- Predevelopment
- Construction
- Operation

3. Transactions, Ownership and RE Law

- Parties
- Rights
- Zoning

4. Financing and Risk Assessment

- Leverage
- Private vs public financing sources
- Brownfields



What do
we hope
you will
gain from
this
course?

Introduce real estate concepts

Develop stronger ties to the community

Increase the likelihood of engaged community participation around development

Educate new and inexperienced small developers in risk management

Demystify traditional real estate development processes

What will **you** be
able to leave with?

Copies of this
presentation

Links to free websites &
resources

Contacts and connections



Should I sell my house?

What does an appraiser do?

What do **you** hope to gain
from this course?

What is zoning?

How do I make money in
real estate?

SHHHH.....





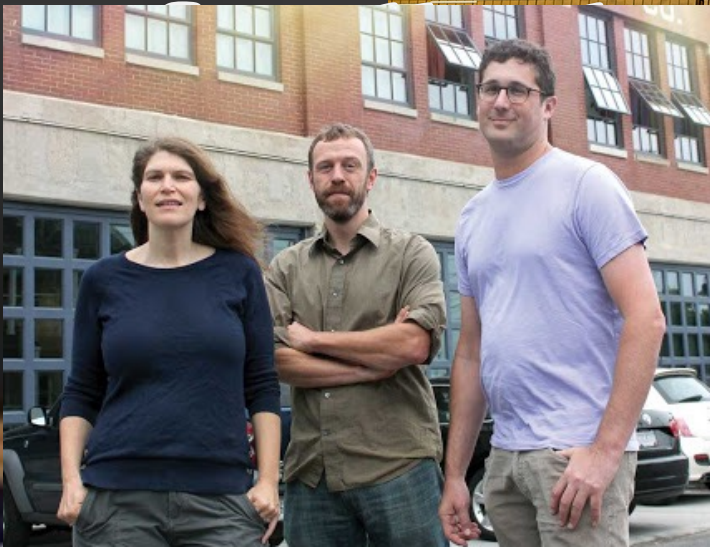


Redlining map of Cleveland

- Understanding today's landscape requires historical context
- Many development practices and policies which have shaped our current built environment
- This is not a “natural landscape” but is influenced deeply by **racial & social exclusion practices** in 20th century urban development
- When we look at structural inequity of today, especially within real estate, we must understand the historical drivers which created our current landscape
- There are many other resources outside this course that we can share if you want further information

What does **REAL ESTATE** mean to you?

- Building
- Land
- Money
- Wealth



What Is Real Estate?

Real estate is defined as the property, land, buildings, and air rights above land, and underground rights below the land.

RESIDENTIAL



COMMERCIAL



INDUSTRIAL



VACANT LAND



RE benefits – what do WE (MTC) see?

- **Social networks**
- **Health benefits**
- **Walkable communities**
- **Safer neighborhoods**
- **Sustainability practices**
- **Transit Oriented Development**
- **Parks/Public Space**

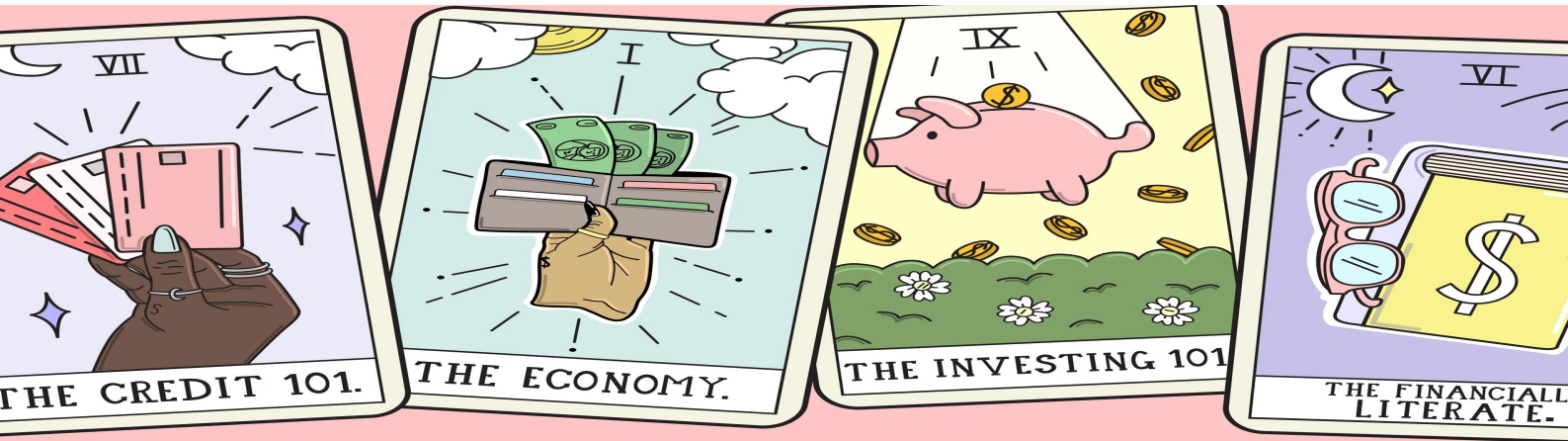




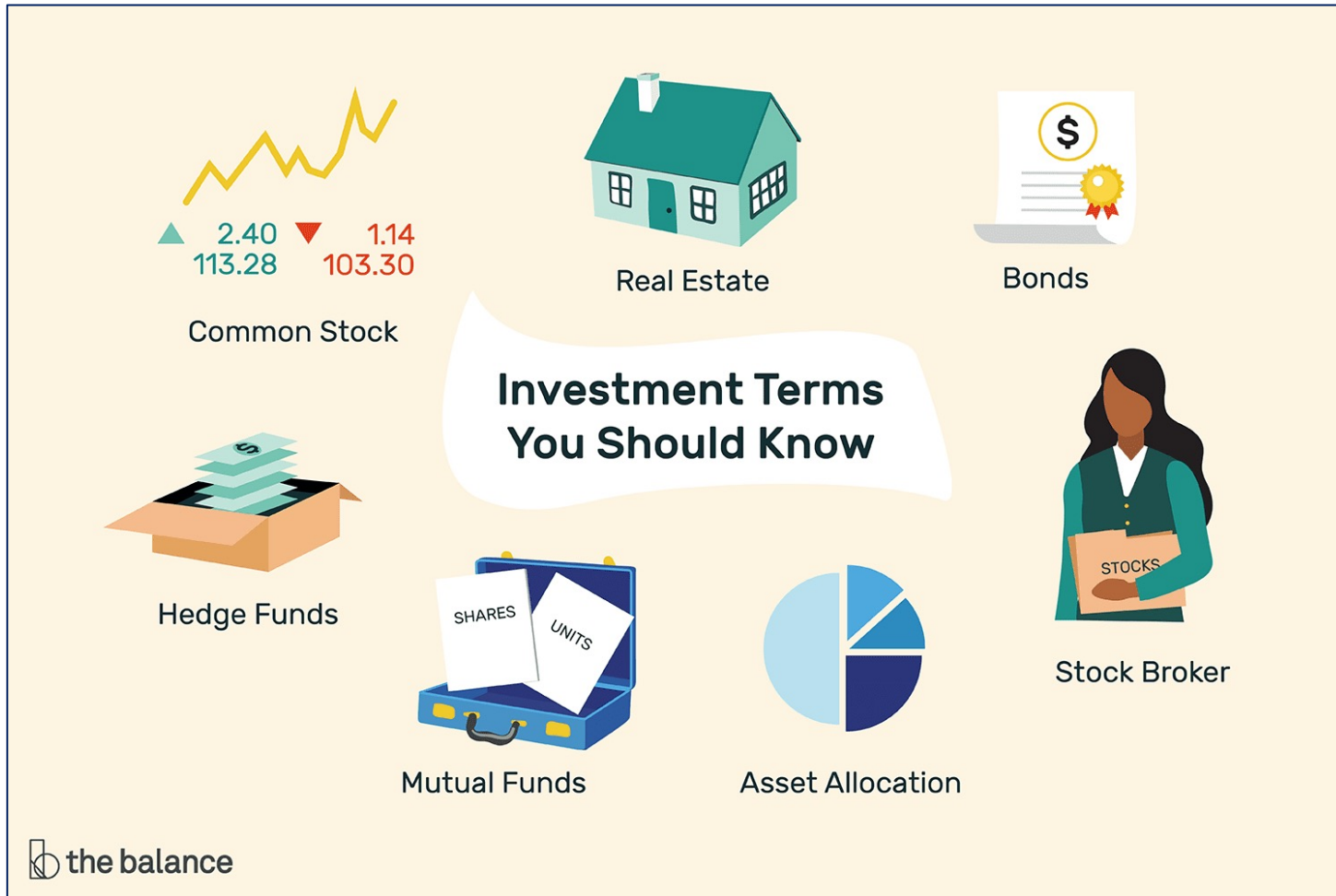
\$ \$

Real Estate is a Financial ASSET

- What Is an Asset?
- Physical substance that has an intrinsic worth due to their and properties. (Think \$\$)
- Assets include precious metals, commodities, real estate, land, equipment, and natural resources.



Make no mistake - Real Estate is an investment vehicle



- Why invest?
- **Investing** is an effective way to put your money to work and potentially build more wealth.
- With well-chosen assets, investors can enjoy predictable cash returns, tax advantages, and more
- It's possible to leverage real estate to build wealth

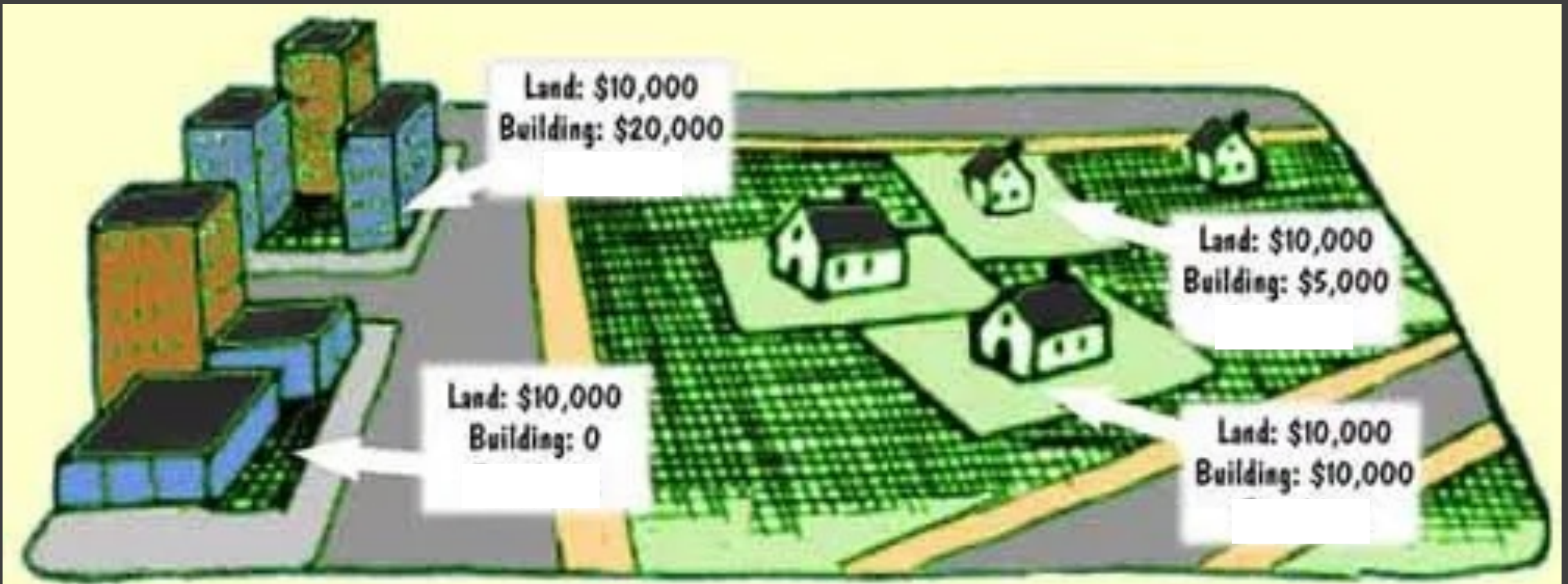
Real Estate has \$\$ VALUE

Property Value

- location
- market
- condition
- neighborhood
- age



"What someone is willing to pay"



VALUE

Land vs Building

How do you make \$\$ in real estate?

As an owner, you can

- Sell your property
- Lease your property

Additionally, real estate investors make money through

- Rental income
- Appreciation

The benefits of investing in real estate include

- Stable cash flow
- Tax advantages

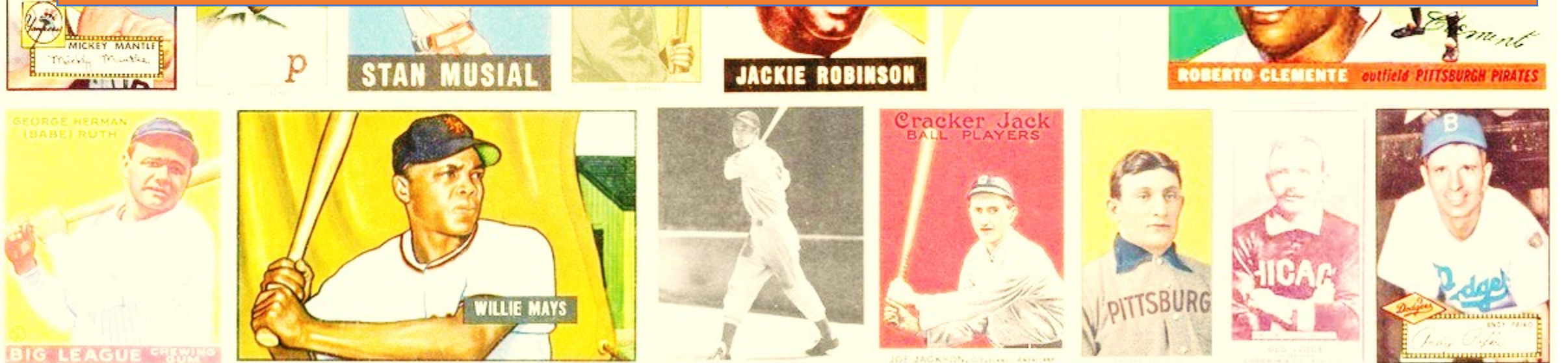
PROFORMA Crossroads of Janesville (104,337 SF)

Jump To: 1 ◀ ▶	1	2	3	4	5	6	7	8	9	10
End of Year	10/30/2012	10/30/2013	10/30/2014	10/30/2015	10/30/2016	10/30/2017	10/30/2018	10/30/2019	10/30/2020	10/30/2021
Anytime Fitness	\$50,325	\$52,338	\$53,385	\$54,472	\$55,559	\$56,686	\$57,813	\$60,145	\$61,352	\$62,579
Dollar Tree	\$134,320	\$134,320	\$134,320	\$134,320	\$134,320	\$140,160	\$140,160	\$140,160	\$140,160	\$140,160
Hobby Lobby	\$421,950	\$421,950	\$421,950	\$421,950	\$421,950	\$436,500	\$436,500	\$436,500	\$436,500	\$436,500
Slumberland	\$240,000	\$240,000	\$240,000	\$240,000	\$240,000	\$275,909	\$275,909	\$275,909	\$275,909	\$275,909
POTENTIAL RENTAL INCOME	\$846,595	\$848,608	\$849,655	\$850,742	\$851,829	\$909,255	\$910,382	\$912,714	\$913,920	\$915,147
Anytime Fitness Reimbursements	\$12,811	\$12,811	\$12,811	\$12,811	\$12,811	\$12,811	\$12,811	\$12,811	\$12,811	\$12,811
Dollar Tree Reimbursements	\$37,166	\$37,166	\$37,166	\$37,166	\$37,166	\$37,166	\$37,166	\$37,166	\$37,166	\$37,166
Hobby Lobby Reimbursements	\$185,192	\$185,192	\$185,192	\$185,192	\$185,192	\$185,192	\$185,192	\$185,192	\$185,192	\$185,192
Slumberland Reimbursements	\$96,831	\$96,831	\$96,831	\$96,831	\$96,831	\$96,831	\$96,831	\$96,831	\$96,831	\$96,831
TOTAL POTENTIAL RENTAL INCOME	\$1,178,595	\$1,180,608	\$1,181,655	\$1,182,742	\$1,183,829	\$1,241,255	\$1,242,382	\$1,244,714	\$1,245,920	\$1,247,147
General Vacancy	(\$94,288)	(\$94,449)	(\$94,532)	(\$94,619)	(\$94,706)	(\$99,300)	(\$99,391)	(\$99,577)	(\$99,674)	(\$99,772)
EFFECTIVE RENTAL INCOME	\$1,084,307	\$1,086,159	\$1,087,122	\$1,088,122	\$1,089,122	\$1,141,954	\$1,142,991	\$1,145,137	\$1,146,247	\$1,147,375
Property Taxes	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)
Insurance	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)
Utilities	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)
CAM	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)
Total Expenses	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)
NET OPERATING INCOME	\$752,307	\$754,159	\$755,122	\$756,122	\$757,122	\$809,954	\$810,991	\$813,137	\$814,247	\$815,375
BB&T	(\$606,460)	(\$606,460)	(\$606,460)	(\$606,460)	(\$606,460)	(\$606,460)	(\$606,460)	(\$606,460)	(\$606,460)	(\$5,316,825)
Leasing Commissions	(\$128,977)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reversion	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$11,950,000
CASH FLOW BEFORE TAX	\$16,871	\$147,700	\$148,663	\$149,663	\$150,663	\$203,495	\$204,532	\$206,677	\$207,787	\$7,448,550





The Key Players In Real Estate Who Does What?



The Key Players – Who Does What?

- Owner vs Renter
 - AKA Landlord vs Tenant
- Buyer vs Seller
- Developer vs Contractor
 - Owner/Operator
 - Fee developer



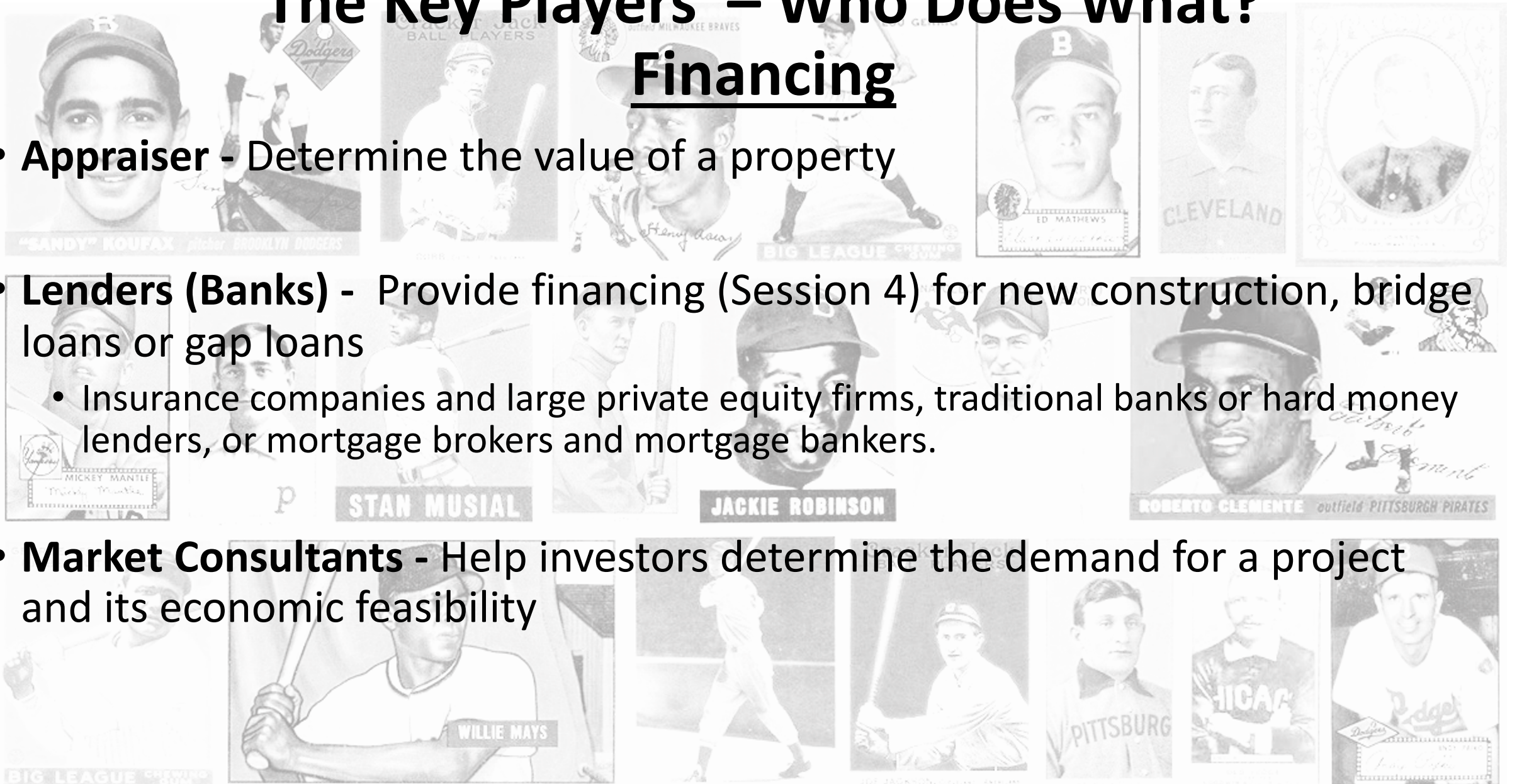
The Key Players – Who Does What?

Construction

- **General Contractor** - Responsible for overall construction
 - **Subcontractors** - Specialize in different portions of the construction
 - IE electrical and plumbing installation, and heating and cooling systems.
- **Architect** - Create a detailed building plan prior to construction
- **Environmental Consultant** - Oversees any remediation work to reduce environmental contamination to an acceptable level
- **Landscape Architect** - Designs functional and attractive public and private areas in and around the property.
- **Civil Engineer** - Assesses land use and identify the infrastructure needed

The Key Players – Who Does What? Financing

- **Appraiser** - Determine the value of a property
- **Lenders (Banks)** - Provide financing (Session 4) for new construction, bridge loans or gap loans
 - Insurance companies and large private equity firms, traditional banks or hard money lenders, or mortgage brokers and mortgage bankers.
- **Market Consultants** - Help investors determine the demand for a project and its economic feasibility



The Key Players – Who Does What?

Buying/Selling Transactions (Session 3)

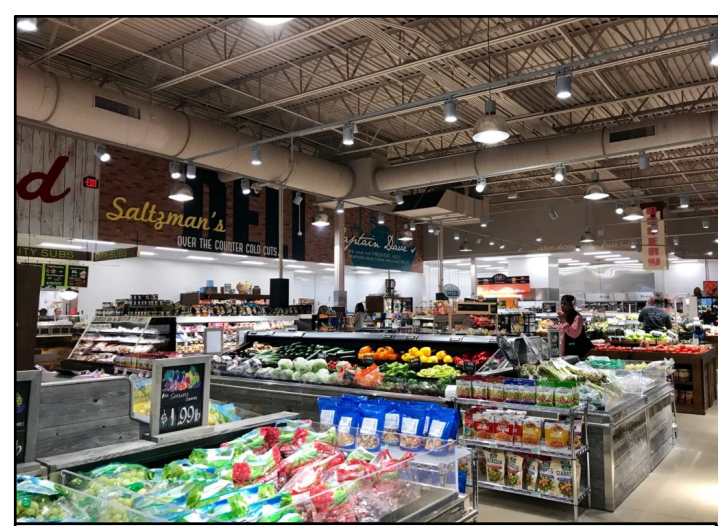
- **Real Estate Broker** - Represent buyer or seller of property in land acquisition, subdivided lot sales, and property acquisitions and sales
- **Attorney** – Reviews legal documents related to land acquisitions, leasing, zoning, contracts, etc.
- **Title Companies** - Ensure that a property title is legitimate and free of any liens or encumbrances before the title is transferred.
- **Leasing Agent** - Works to maximize gross revenues by leasing to tenants.

The Key Players – Who Does What? Community

- **Planner** – City official who works in all project aspects such as zoning, ingress and egress, security, and water drainage
- **City Officials** – Economic Development, Community Development & Building Department
- **Surveyors** - Identify the boundaries of a property
- **Councilperson** – Advocate for project and helps facilities process
- **Community Development Corporations** - works to ensure positive benefit to community

How do MTC play a role in community building and real estate?

1. Facilitating transactions
2. City Design Review
3. Influence other City processes
4. Advocate for public funding
5. Owner of real estate





Questions.....

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