

Entrepreneurship

Creating a Real Estate Development

Subject Area: Business

Grade Levels: 12

Created: August 2011

Lesson Overview

The following lessons were created to be taught in the Business class of Entrepreneurship. The purpose of these lessons is to show the students some of the steps toward creating their own business through creating a housing development and selling it to the public. The students will start off by choosing a parcel of land to develop. They will then draw a layout of how they will divide the land in their community. Once the layout is created the students will interview staff to find out what options they look for in a house and start developing a house while tracking costs. Once this is done, the students will evaluate their profits/losses and attempt to sell their house to a potential buyer who observes the final presentation.

Materials Included in this Lesson

- Poster paper and pens
- Cost sheets for building
- Packet of upgrades with prices
- Worksheets

Other Materials for this Lesson

- Internet enabled computers
- Calculators
- MLS listings (ziprealty.com account with neighborhood searches already created)
- worksheets

Skills the Student will Learn

- How the Real Estate Market works
- How to be prepared for unexpected problems
- How to analyze trends in home building and use that information to increase sales
- How to sell their product to a potential buyer
- Communication
- Profit analysis

Student Deliverables

- Build sheet with itemized and total costs
- Layout of housing development
- Itemized timeline of house building
- Comparative house price analysis
- Total sales price
- Front view drawing of house
- Powerpoint presentation of home model

Length of Lesson: 7-8 Days

Activity Day One

Specific Objectives:

Students will be able to gain an understanding of what it takes to transform bare land into a housing development.

Warm up: If you could live in any area in Sacramento, where would you choose? What would influence your choice?

Procedure:

Powerpoint presentation:

- 1) land procurement: (infill vs. greenfield), potential issues and costs in regards to legal, site development, engineering, grading, biology issues, and profitability.
- 2) Development: costs and issues with building plans, re-zoning, and subdividing land. Designing the streets as well as parcel lines for each residence.
- 3) Building: developing unique plans that will appeal to many customers, as well as giving the customers a variety of options to make their house even more unique.
- 4) Sales: Marketing the houses and working with the bank and contracts.
- 5) Walk through: A photo walk through of one of New Home Company's completed houses.

Introduction of project to class

Students choose 4 person group for project

Activity Day Two-

(In computer lab)

Specific Objective: Students will be able to define many of the terms for specifics in home building as well as choose a parcel of land for development.

Warm up:

Students will define/explain key terms:

- Vanity, granite, crown molding cabinets, flooring (hardwood, laminate, tile, carpet, and vinyl), etc.

Procedure:

Students will choose their property for development from 10 different neighborhoods

- Students will use ziprealty.com (username: johnsonteacher@hotmail.com) website to research neighborhoods and prices of homes in specific neighborhoods to pick which one would be the best to develop in, in terms of profitability.

Activity Day Three-Four

Specific Objective: Students will be able to create a layout map of their 105,000 sq. ft. lot that they purchased in day 2 and use that information to create a layout map of their community with 15 housing lots, streets and parcels. Students will also research continue to research the price comps in their neighborhood to help come up with a sales price for their homes.

Anticipatory set: Would you rather live in a house or an apartment? Explain why in 5 sentences.

Procedure:

Discuss the warm up and go over reasoning of why people choose one type of residence over another. Remind the students to keep these things in mind when developing their community (ie: lot size if they want space, pool, etc. as well as making sure that they understand that smaller lots means that they can build more houses.

Students will draw their subdivision plans.

Activity Day Five-Six

(in computer lab)

Specific Objective: Students will use their research as well as a list of potential parts and costs to start creating their own house to build and ultimately sell, as well as work on creating their powerpoint for the final sales presentation.

Anticipatory set: If you were buying a house, what is one feature that you would have to have? Answer this question as a person who is about to make a large investment would answer it.

Procedure:

During these 2 days the students will:

- a. Make a color poster depicting their house
- b. Create a timeline for the build
- c. Create a powerpoint presentation with pictures of the house, lists of features in the house, the sales price of the house (including how you calculated it, ie: neighborhood comps and features), total profit, etc.

Activity Day Seven-Eight

Specific Objective: Students will compile all of their information and present it to the class as well as a few teachers.

Procedure: This will be a sales presentation. The students will be trying to sell their property the audience of prospective buyers. They will present in a powerpoint that will detail all of the information about their property, including itemized costs and a total cost, sales comps from the neighborhood that they are building in, sales price, potential profit, amenities in the

neighborhood (shopping, schools, etc.), etc.

Enrichment Suggestions

Create a board game for the students to play modeled from the game of life where they go through the game and land on tiles depicting issues that might come up during housing development and building. The winning team will be the one who navigates through the game most successfully.

Student Resources

Internet enabled computers, worksheets (cost and materials, list of property acreage to purchase) and rubrics for assignment, calculators, mls listings, google maps, and interview questions.

Foundation Academic Standards

Economics

12.1.1 Examine the casual relationship between scarcity and the need for choices

12.2.3 Explain the roles of property rights, competition, and profit in a market economy

12.2.4 Explain how prices reflect the scarcity of goods and services and perform the allocative function of a market economy

CTE Pathway Standards

Engineering and Heavy Construction Pathway

B6.1 Understand the development of building plans and schedules using processes common to engineering and heavy construction.

Residential and Commercial Construction Pathway

D1.1 Identify design solutions for residential construction problems

Lesson Plan Relevance To Externship

In my externship I worked with a small homebuilding company known as The New Home Company. They purchase bare land and develop that land into small communities. They are currently building at three sites in Elk Grove, Lincoln, and Granite Bay. While externing with the new home company, I shadowed the builders, land buyers, real estate agents, contract negotiators, and designers. I used this knowledge to set up a mock building assignment where my students use some of the knowledge I gained to create their own small community. Each group of students will choose a piece of land and subdivide it into parcels and then develop one complete house on one of the parcels. They will then present their community and one house to the audience and try to sell the audience on buying in their community.

Rubric for the Creating a Real Estate Development Project

Student Deliverables	1 Exceeds Expectations	2 Meets Expectations	3 Approaches Expectations	4 Fails to meet Expectations
Layout of housing development	Neat and complete layout including lot sizes appropriate for neighborhood, streets, and possible community features	Complete layout of lots that are appropriate for neighborhood and streets.	Complete layout, but not well planned and lacking neatness.	Missing essential elements, incomplete
Timeline for house building	Detailed timeline with at least 20 items that need to be completed for the building of the home	Detailed timeline with at least 15 items that need to be completed for the building of the home	Detailed timeline with at least 10-14 items that need to be completed for the building of the home	Detailed timeline with at 0-9 items that need to be completed for the building of the home
Company Name, Logo, and Mission Statement	Creative name with artistic logo, and complete Mission Statement	Complete name with logo, and Mission Statement	Missing one component	Missing more than one component
Itemized build sheet for house including all costs and sales price	Exceptional and detailed build sheet with itemized costs and total costs for each department and the total cost for the house as well as the total sales price with neighborhood comps.	Complete build sheet with itemized costs and total costs for each department and the total cost for the house as well as the total sales price with neighborhood comps.	Missing 1 aspect of the build sheet	Missing 2 or more aspects of a complete build sheet.
Front view poster of house	Detailed drawing of home that takes up the whole poster and is neat with appropriate colors, and clean lines (use of ruler). Exceptional in artistic quality	Detailed drawing of home that takes up the whole poster and is neat with appropriate colors, and clean lines (use of ruler).	Drawing is detailed and neat but lacking complete color and clean lines	Drawing is not to scale, and does not fill the entire poster, lacking colors and clean lines
Powerpoint	Detailed presentation including with pictures of the house, lists of features in the house, the sales price of the house (including how you calculated it, ie: neighborhood comps and features), and total profit.	Detailed presentation including with pictures of the house, lists of features in the house, the sales price of the house (including how you calculated it, ie: neighborhood comps and features), and total profit.	Detailed powerpoint that is missing one key element	Powerpoint is missing more than one key element
Presentation	Students are dressed appropriately and have practiced the presentation, and give a confident sales presentation	Students are dressed appropriately and have practiced the presentation.	Students are either not dressed appropriately or have not practiced and prepared for presentation	Students are not dressed appropriately and have not practiced.

- Extra credit will be given to each group who creates an interview with 10 questions and interviews 5 adults who might be thinking of buying a house. The interview should include questions about what the prospective home buyers are looking for in a home.

Creating a Real Estate Development Business

As a way to get some practice in creating new business ideas, you will have the opportunity to develop your first business with a few parameters in place to guide you to your finished product. You will be placed in groups of four for this assignment. Once your group has been created, each small group will be starting a business and creating a small real estate development.

Each business will need to complete each of the following requirements for their final project:

- 1) Create a Company name, logo, and mission statement. *extra credit will be given for a catchy slogan
- 2) Choose a piece of greenfield land to turn into a small housing development, and create a poster depicting the actual lots with size dimensions per lot and new streets.
- 3) Create a detailed timeline for the building of one of the houses in your development (4 months).
- 4) Create an itemized build sheet for the one house, including all costs, and the final sales price (Each house will be 2,000 square feet, and the base price for building cost is \$75 per sq. foot.)
- 5) Create a poster depicting a front view of the house that would appeal to potential customers.
- 6) Powerpoint and presentation listing all of the information about your business (what type of business it is, who are the owners, what is its slogan, mission statement, etc.), as well as what went in to creating your housing development, and finally a presentation of your actual house, how much it cost to build, and what you are selling it for.

*After each presentation, I will choose which house to buy based upon proper amenities, value, and the strength of your sales pitch.

Day 1:

- Powerpoint presentation and explanation of project
- Choosing of teams
- HW: each group brings 2 posterboards

Day 2-5: In computer lab

- Choose piece of land
- Complete research of area of town that you will be building in (comp sales)
- Create layout of development by creating a poster depicting the neighborhood lot lines
- Create timeline of building process per home
- Create build sheet with all individual costs, total cost, sales price, and potential profit
- Begin work on powerpoint presentation for project

Day 6: In computer lab

- Finalize powerpoint
- Practice presentation
- Make sure project is complete and ready to be presented

Day 7-8:

- Presentations

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Creating a Real Estate Development Business

Each neighborhood has enough land for 15 equal lots.

For this assignment, you will need to create a poster depicting your small development and show how your lots will look, including streets.

You can choose how to layout your lots however you like, but each lot will need to be accessible by a street. You can also choose to use 2 lots to build one house if you like, but you cannot build 2 houses on 1 lot. In lieu of building a house on every lot, you can also use one or more lots as a playground or community center. This could potentially increase value of homes in your neighborhood, but it will also take away from a lot that you could have built a house on and sold it. You can create any shape of lot that you would like, but remember they all need to be the same square footage.

The greenfield piece of land you will choose from are all 105,000 sq ft, and you will be dividing them into 15 individual lots to build your homes on.

The land is as follows:

East Sacramento: \$2,000,000

Oak Park: \$1,000,000

Natomas: \$1,500,000

Carmichael: \$1,750,000

College Greens: \$1,500,000

Midtown Sacramento: \$1,750,000

South Sacramento: \$1,000,000

Elder Creek: \$1,000,000

Land Park: \$1,750,000

North Oak Park: \$1,000,000

Creating a New Housing Development

Mr. Watkins 2011

Land procurement

- This is the point where you decide where you would like to buy your land and what type of land you are going to purchase
- Infill vs. greenfield



Land procurement- Infill

In real estate development, infill land is the land that has already been built up and is now being redeveloped or altered. Infill projects typically happen in cities, or when one real estate business has started a project and another business finishes it.

Land procurement- Infill

Pros

- Already partially set up
- Electricity, plumbing and streets already in place
- Tests have been done on the land

Cons

- Costs more money up front to purchase
- Might need to fix other peoples mistakes
- You have to follow other peoples process
- Might have failed due to undesirable area

Land procurement- Greenfield

In real estate development, greenfield land is land that has not been used for building real estate in the past. It is typically land that has been used for agriculture before.

Land procurement- Greenfield

Pros

- Cheap land
- More land

Cons

- You have to set up infrastructure: roads, electricity, plumbing, sewers, etc.
- Have to run tests to make sure you can build there
- Have to get land properly zoned (issues with permits, costs)
- Further from city/urban areas

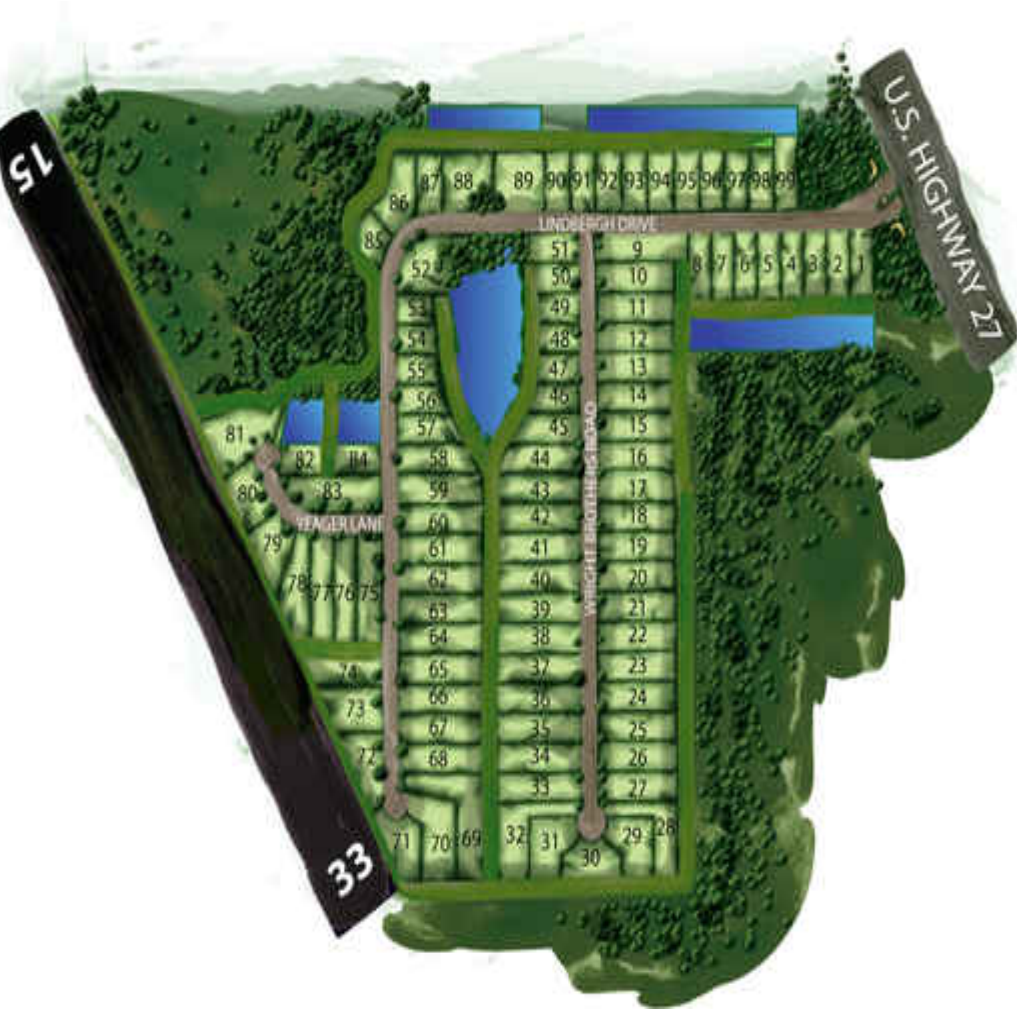
Development

- Analyzing the area around your development to see what customers are looking for and how much they are willing to pay. (surveys and mls listings)
 - Price per sq ft
 - Lot sizes
 - Comparable homes
 - Sales prices

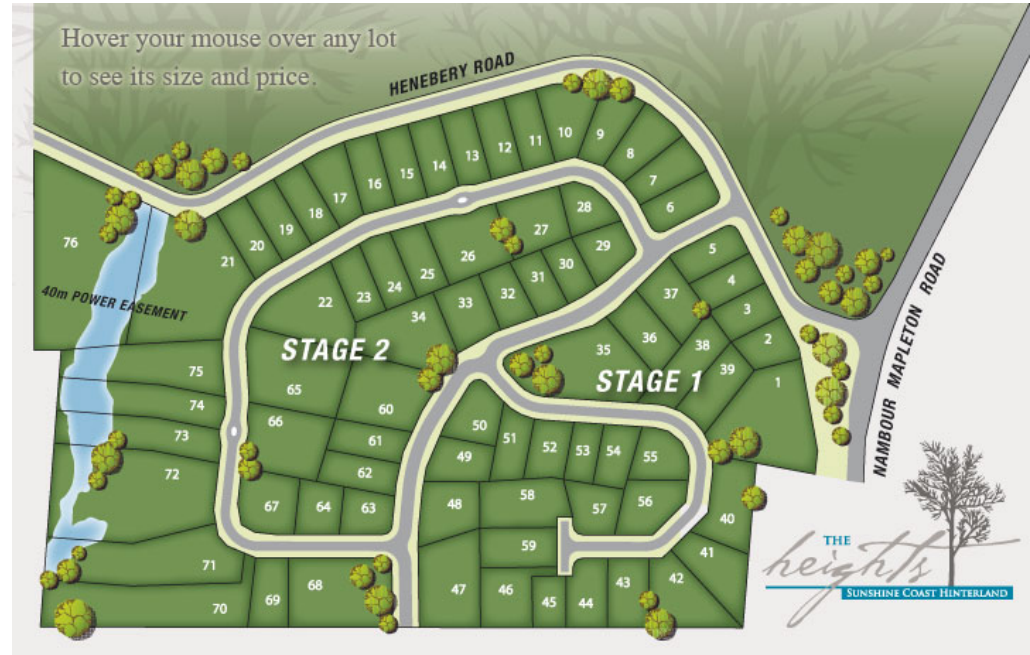
Development

- Deciding how to set up your housing lot layouts streets, and infrastructure (plumbing, sewage, electrical, etc.)
- Choosing home building styles that fit in with the neighborhood

Development



Development



Building

Once the layout has been bought and a buyer has decided upon a basic housing design, the building process begins.

- This process takes about 4 months
- Each step requires permits and inspections

Building

Month 1-

- Running electrical, water, and sewage from street to the location of the house
- Grading and leveling the land
- Pouring the footings for the slab foundation
- Pouring the actual slab foundation
- Homeowner walk

Building

Month 2-

- Framing (putting up the walls)
- Putting in the rough electrical (wires inside the walls) and rough plumbing (pipes in the walls)
- Sheeting the roof
- Installing the windows
- Install HVAC
- Homeowner walk

Building

Month 3-

- Put insulation in wall and attic framing
- Hang and finish drywall
- Install cabinets
- Install interior trim and doors
- Paint interior
- Install sinks, counters and fixtures (lights, plumbing, outlets, etc.)

Building

Month 4-

- Install carpet/flooring
- Touch up painting and drywall work
- Clean up
- Homeowner walk
- Final Homeowner walk

Sales

- Looking at prices in the neighborhood that you are planning to build in and using those “comparable” prices to sell your house.
- Making your product stand out from the competition.
- Creating a connection with the customer to make them feel that they have to buy it.
- Working with the customer through the building process to make the home unique to their tastes.

New Home Company



New Home Company

Mission Statement

Build a Better Life -Wood and steel make for strong homes. But the best homes are homes built with heart. The homes we build are how the world knows we exist. They are an expression of our values, our experiences, and our knowledge of how people want to live. We've spent decades building homes. But what gives us a profound sense of fulfillment is that we've gone farther and helped to provide better environments, contributed to better schools, supported communities with a deeper sense of social consciousness – all with a level of integrity, of respect, of compassion for the world in which we live. Which is why we hold ourselves to a higher standard. We understand this is as much about building a better life as it is about building a better home.

Distinctive Exteriors

- - Charming exteriors with designer exterior color palette for enhanced streetscape appeal
- - Monier—Life Tile Concrete tile roof
- - Three-car garages with direct home access
- - Sectional metal roll-up garage door to enhance the exterior architecture (per elevation)
- - Belt drive garage door for quiet operation
- - Design front landscape to meet water conservation
- - Energy-efficient, almond-colored window frames with grids
- - Exterior porch lighting
- - Two-hose bibs (per plan)
- - Complete rain gutters and down spouts
- - Concrete walkway from driveway to gate for easy access to the backyard

Interior Amenities

- - Hand-set 12 x 12 ceramic tile on selected floors (per plan)
- - Plush wall-to-wall carpeting throughout home in many color choices
- - Handsome raised-panel interior doors throughout
- - Custom Alder cabinetry throughout
- - Kwikset brushed nickel door hardware
- - Brushed-nickel lighting fixture package
- - Textured ceiling and walls throughout
- - Designer enhanced radius drywall corners
- - Spacious walk-in closets in the master bedroom and secondary bedrooms (per plan)
- - Ceiling fan in master bedroom and family room
- - Nine-foot ceilings
- - Colonial-style door casing and baseboards throughout
- - Coronado base with Victorian casing throughout
- - Recessed canister lighting per plans
- - Whole-house structured wiring, which includes telephone (CAT5) and cable television (RG6); at specified locations only
- - Elegant E-Stone marble bath countertops throughout
- - Kohler faucets in all bathrooms

Kitchen Highlights/Master Bedroom Suites

- - Custom Alder cabinetry
- - Dual compartment sink, porcelain on steel, with Kohler kitchen faucets
- - Hand-set ceramic tile countertops
- - Pantry storage
- - GE white or black kitchen appliances
- - Free-standing range with self-cleaning oven
- - Microwave/Hood
- - Multi-cycle dishwasher
- - Pre-plumbed for refrigerator ice-maker hookup
- - Recessed canister lighting Luxurious
- - Spacious walk-in closets
- - Luxurious oval tubs
- - Handcrafted alder cabinetry
- - Compartmental water closet in master bath
- - Separate shower with glass enclosure
- - Dual sink vanity in master baths
- - Designer selected Kohler faucets and towel bars
- - Medicine cabinets in master baths and secondary baths

Energy Saving Features

- - Energy-efficient central air conditioning and gas heating
- - Weather stripping on exterior doors
- - Energy-efficient, 50-gallon gas water heater with built-in insulation blanket
- - Fully insulated exterior walls and ceilings per Title 24
- - ZTE system (two-story plans only)
- - Tempered sliding glass door
- - Dual-pane low E vinyl windows with almond colored finish frames (grids per elevation and plan)
- - Set-back thermostats for temperature control
- - Full garage finished with sheetrock and tape

New Home Company info/ Walkthrough

[http://thenewhomecompany.com/collection/
madeira-elk-grove#](http://thenewhomecompany.com/collection/madeira-elk-grove#)