


03

REAL ESTATE & ENTITLEMENTS #03

Thoughts:

Session 3

Building Blocks: Real Estate and Entitlements



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ITEM 1

The Building Blocks: Team Money Land Plan

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Notes:

Questions:

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Land Acquisition and Entitlement Strategies

- This session will discuss the process of taking **raw land** through obtaining your projects legal **entitlements** for construction.
- **This project development step is the step most fraught with potential problems, issues and risks.**
- **This phase is a **tough risky** business!**
- **But it can be the most rewarding financially!**



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Strategies on How to Tie Up Land Without Buying It



- Mitigation of Risk
- Preservation of capital
- Protection of your principle if you buy raw land

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Professional Services Team

Who is needed to get land into "contract"

- Real Estate Broker – land acquisition specialist
- Real Estate Attorney
- Title and Escrow Company(s)
- CPA/Financial & Tax Advisor



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Buying Time

Reducing Risk in Land Acquisition Transactions

- Articulate your Priorities & Assess Risks
- Preserve Capital and Time – Have strategy and team ready!
- Limit \$\$ exposure
- Have a comprehensive Due Diligence plan/checklist

"Entitlements" – *If possible, complete land purchase after you have government permits/approvals in hand that you can use the property for your envisioned project.*

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Basic Land Acquisition Strategies:

- Letter of Intent
- Purchase Agreement
- Purchase Agreement/Contingencies
- Option Agreement
- Extend Negotiations and/or buy more time



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LOI – Letter of Intent

An LOI is used to outline the intentions of buyers and sellers before a final legally binding agreement. Are the parties on the same page??

Standard Elements - Terms and Conditions:

- ID of buyers and sellers and Property (APN)
- Price to be paid for property - Consideration
- Time frame - completion/execution of Purchase Agreement
- Deposit of Earnest money in Escrow and when it goes "hard"
- Basic Obligations of Parties



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LOI – Letter of Intent (Continued)

- Contingencies – financing, entitlements
- Deposits and distribution instructions
- Due Diligence Period
- Closing
- Binding or non-binding agreement



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8.



Contract of Sale/ Purchase Agreement

Your LOI gets memorialized in a legally binding agreement, commonly known as a Purchase Agreement – details of all terms/conditions

• Can use standard Real Estate forms specifically designed for Land Acquisition or spell out terms and conditions or a Detailed Purchase Agreement

• Upon execution, this document becomes the “Bible” to guide the entire transaction – review, review and review!

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Example

Purchase price of land \$300,000

- Option funds deposited in escrow for \$10,000
- A 90 day Due Diligence period is specified
- At end of 90 days money goes “hard” (seller keeps deposit) or you back out of deal and recoup your \$10,000
- Purchase agreement closes X days after government approval of your entitlements – seller receives \$290,000

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Funds at Risk

Outright purchase:

- \$300,000 – purchase price
- \$50,000 – due diligence & entitlement processing
- \$2,000 carrying cost (interest on \$ for year)
- Lost opportunity cost and \$352,000 at risk

Option Agreement:

- \$10,000 -- option payment
- \$50,000 -- due diligence and entitlement processing
- Limited carrying and lost opportunity costs – only \$60,000 at risk

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Sales Agreement with Contingencies

Contingencies: Agreement specifies timetable for completion and responsibilities of the parties – such as:

- Financing
- Government Approvals – Entitlements
- Successful completion of Due Diligence
- Clearance of Title Issues by Seller
- Right of Transfer of Purchase Agreement – “Seller cannot unreasonable withhold transfer”



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10.

Option Agreement

A sales transaction that permits you the “option” to buy a property in the future at a set price.

- Pay for the option, usually small % of purchase \$\$
- Want the option \$’s to go toward final purchase \$\$
- Option \$’s are deposited and go to seller after due diligence period is completed – 90-120 days
- After “free look” period, option \$’s go “hard” – you can still walk away but seller has the option money to keep
- Option agreement close can be upon receipt of your government entitlements



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11.

Extending the Negotiations/Option Period

ly – Set – GO! Have your team ready to move!

Due Diligence periods run from date of signing Purchase Agreement your DD period is 90 days, you get additional time to research the project between the LOI and PA

–buying an extra 10+ days
request more time if you find potential deal killer early in the DD process caused by seller –example, a Title or nondisclosed environmental hazard



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Once land has been identified you can complete your due diligence and site plan

Obtaining Project Entitlements – A Discretionary Process

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Professional Services Team

- Civil Engineer
- Land Planner
- Municipal Advocacy*
- Geo Tech
- Environmental Professionals
- Construction contractors
- Attorney
- All hands on deck!

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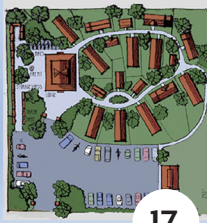
16.

- ITEM 8: LOI-Letter of Intent cont
- ITEM 9: Contract of Sales/Purchase Agreement
- ITEM 10: Sales Agreement with Contingencies
- ITEM 11: Option Agreement
- ITEM 12: Example
- ITEM 13: Funds at Risk
- ITEM 14: Extending the Negotiations/Option Period
- ITEM 15: Identify Land/Start Due Diligence/Site Plan
- ITEM 16: Professional Services Team

Entitlement Processing

Identify all entities needed to sign off on approvals/permits for project

- Prepare/Submit Preliminary Application
- Refine Plan and Submit Formal Application
- Monitor Departmental Review of Application
- Conditions of Approval
- Planning Commission
- City Council
- Complete Purchase of Property



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Governmental Approval Process (continued):

Generally, the process is as follows:

- Staff -- review of preliminary project plan → submit final application
- Staff -- review of project → Administrative Approval or...
- Planning Commission
 - Public hearing by PC – approval or recommendation to Municipal elected body
- Governing Body -- Hearing & Action
 - Conditions of approval



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1b. What is the Density of the Zoning?

SITE SELECTION

Image Credit: ColoradoSprings.gov

21.

1c. Local Political Hot Topics?

SITE SELECTION

Image Credit: ColoradoSprings.gov

22.

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Questions:

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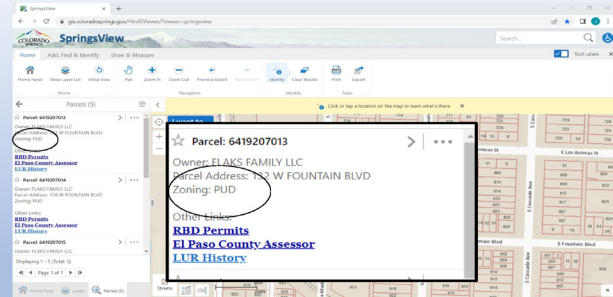
Tiny Home Site Development

JOHN W. OLSON, RLA | CNU-a | LEED AP



19.

1a. Municipal GIS Website – Lot Zoning



SITE SELECTION

Image Credit: GIS.ColoradoSprings.gov

20.

Administrative Review or Public Hearing?

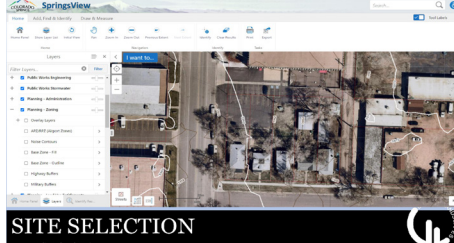


SITE SELECTION

City of Colorado Springs

23.

1e. Other Available GIS Information Topography? Utilities?

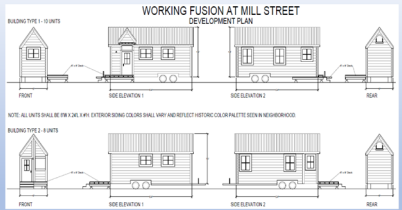


SITE SELECTION

Image Credit: GIS.ColoradoSprings.gov

24.

1f. Type of Home Planned and Building Code



SITE SELECTION

Image Credit: Altitude Land Community (2017)

25.

- ITEM 17: Entitlement Process
- ITEM 18: Government Approval Process
- ITEM 19: Tiny Home Site Development
- ITEM 20: 1A Municipal GIS Website- Lot Zoning
- ITEM 21: 1B What is the Density of Zoning?
- ITEM 22: 1C Local Political Hot Topics
- ITEM 23: 1D Administrative Review or Public Hearing?
- ITEM 24: 1E Other Available GIS Information
- ITEM 25: 1F Type of Home Planned & Building Code

1g. What are the Parking Standards?

MINIMUM OFF STREET PARKING REQUIREMENTS FOR SPECIFIC USES

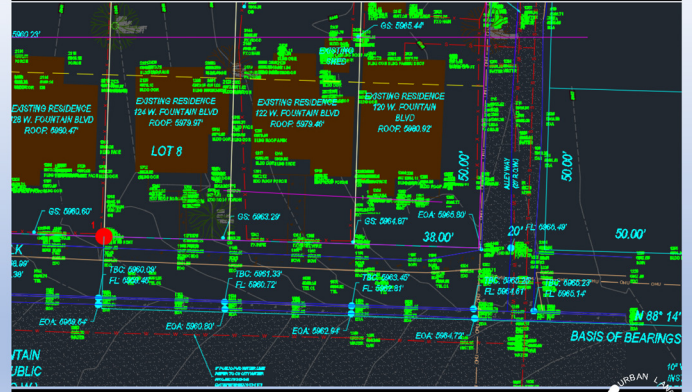
Use Types	Minimum Required Off Street Parking Spaces In All Zone Districts, Except As Allowed In Subsection 7.3.712A Of This Chapter
Residential use types:	
Accessory dwelling unit	1 space per dwelling unit
Attached dwelling units:	
Studio or efficiency	1.1 spaces per dwelling unit
1 bedroom	1.5 spaces per dwelling unit
2 bedrooms	1.7 spaces per dwelling unit
3 bedrooms	2.0 spaces per dwelling unit
Elderly (60 or over)	0.6 space per dwelling unit
Dormitory, fraternity or sorority house	0.5 space per bed

SITE SELECTION

Image Credit: ColoradoSprings.gov

26.

2a. Land Survey

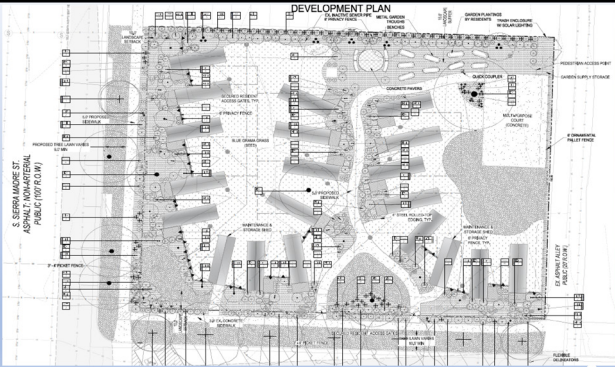


DEVELOPMENT ENTITLEMENTS

Image Credit: Altitude Land Consultants/ We Fortify

27.

2c. Landscape Design



DEVELOPMENT ENTITLEMENTS

Image Credit: Altitude Land Consultants/ We Fortify

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3. Construction Permits Necessary

- a. Utility Service Permits
 - Water, WasteWater, Electric, Gas
- b. Grading & Erosion Control
- c. Building Permits

CONSTRUCTION DOCS & PERMITS

Image Credit: Altitude Land Consultants/ We Fortify

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Task List:

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Task List:

2b. Site Plan/ Site Development Plan Needs

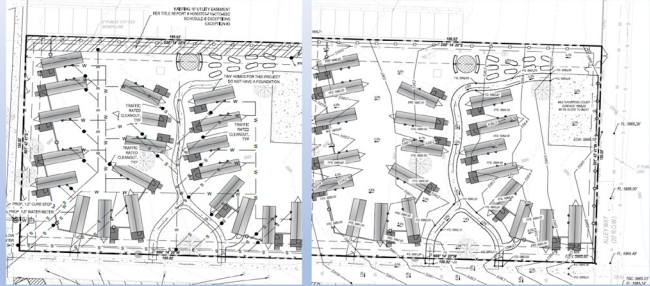
SHEET INDEX:		
DRAWING NO.	DRAWING NAME	SHEET NO.
DP1	COVER SHEET & NOTES	01 OF 14
DP2	SITE PLAN	02 OF 14
DP3	SITE DETAILS	03 OF 14
DP4	PRELIMINARY GRADING & DRAINAGE PLAN	04 OF 14
DP5	PRELIMINARY UTILITY PUBLIC FACILITY PLAN	05 OF 14
DP6	FINAL LANDSCAPE PLAN	06 OF 14
DP7	LANDSCAPE SCHEDULE AND NOTES	07 OF 14
DP8	LANDSCAPE PLANTING DETAILS	08 OF 14
DP9	TREE INVENTORY PLAN	09 OF 14
DP10	FINAL IRRIGATION PLAN	10 OF 14
DP11	IRRIGATION DETAILS	11 OF 14
DP12	IRRIGATION DETAILS	12 OF 14
DP13	IRRIGATION SCHEDULE & NOTES	13 OF 14
DP14	ARCHITECTURAL ELEVATIONS	14 OF 14

DEVELOPMENT ENTITLEMENTS

Image Credit: Altitude Land Consultants/ We Fortify

28.

2b. Civil Engineering



DEVELOPMENT ENTITLEMENTS

Image Credit: Altitude Land Consultants/ We Fortify

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4. Financial Assurances

Most Jurisdictions require some sort of Financial Assurance, or Bond Payment to the City. The amount is generally based upon the Public Improvements (sidewalk, Curb & Gutter, Right-of-Way Landscape)

CONSTRUCTION DOCS & PERMITS

Image Credit: Altitude Land Consultants/ We Fortify

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Tiny Home Site Development

JOHN W. OLSON, RLA | CNU-a | LEED AP



33.

With approval of Project Entitlements you may now complete your project per your "conditions of approval"

"Conditions of approval" are your roadmap for project completion – this is no longer a discretionary process – you now have a legal right to complete your project!

This is now a "bankable" project as risk has been minimized!!

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- ITEM 26 IG What are the Parking Standards?
- ITEM 27: 2A Land Survey
- ITEM 28: 2B Site Plan/Site Development Plan Needs
- ITEM 29: 2B Civil Engineering
- ITEM 30: 2C Landscape Design
- ITEM 31: 3. Construction Permits Necessary
- ITEM 32: 4. Financial Assurances
- ITEM 33: Tiny Home Site Development
- ITEM 34: With approval of Project Entitlements "conditions of approval"