

Development Checklist

# Development Checklist

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# Development Checklist

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## WHAT TO LOOK FOR?

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### Investigation

- Investigate growth suburbs close to the CBD
- Look for good roads and rail access to the CBD
- Look for areas with good amenities; shops, schools, medical facilities, etc.
- Isolate the most suitable suburbs and study the area
- Create a list of properties for sale that might be suitable for development
- Grade areas into 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> class areas
- Look for areas that have street appeal
- Make a special note of untidy houses
- Create a file for the data

### Research

- Conduct online searches to determine your areas of interest
- Gather information from Council Planning departments
- Obtain maps and zoning information from regional authorities
- Colour grade classes of areas on maps
- Check selected houses against zoning
- Educate yourself about the area and the real estate industry
- Study your selected area's streets and define the demographic
- Determine the number of units or houses that will fit onto the development site
- Make a list of likely development properties
- Create a personal data base reflecting the sales and land value information you're collecting

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## Search and Data Facilities

- PD Online
- Real Estate websites
- Regional Councils
- Newspapers and real estate brochures
- Real Estate Agents

## Further Investigation

- Revisit suburbs and properties
- Score each for your needs
- Decide on properties to buy

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## *DUE DILIGENCE & FEASIBILITY STUDIES*

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### **Zoning**

- Shire zoning - how many units per zoned area?
- Zoning Maps – available at planning departments at local shires
- Shire and Zoning regulations – available at planning dep't and shires
- Determine if the zoning allows your proposed development
- Town Plan – available at planning dep't and shires or online
- Determine the capacity of the land – unit numbers, car parking, sewerage, etc.
- Determine if the zoning matches your market sector
- Make notes of areas where zonings have changed – e.g. old inner city areas with single houses that are were previously zoned for single housing and rezoned to multiple dwelling
- Mark out areas on a street directory where the exact boundaries are of the zoned areas that you have selected

### **Research your area of interest**

- What are the affluent areas or areas that are experiencing development?
- Look for street appeal
- Identify the price ranges of areas so you can make comparisons
- Keep a map with shires and councils mark and a list of contact offices
- Set up a spreadsheet with area information for easy reference
- Visit developments in your area and record prices and marketing strategies
- Research the infrastructure; amenities, schools, transport etc.
- Look at changes in infrastructure planned for the future
- Study the demographics and data projections of the area
- Visit display homes and units in your area to get ideas
- Find out if there are any impediments on the land that you have chosen

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## Analysing sales data

- Study marketing material from any developments that you visit and record the information for future reference
- Create a spreadsheet listing the sq. meter price of each development

## Choosing your site

- Accumulate facts and details of the area that could affect the development
- List your selected properties in order of preference

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## YOUR 'A' TEAM

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### The Team

- Lawyer that specialises in development
- Money Lender or Broker
- Civil Engineer that will help with design, planning, feasibility and contracting
- Town Planner
- Architect
- Land Surveyor
- Hydraulic Engineer
- Civil Hydraulic Engineer
- Electrical Engineer
- Quantity Surveyor (for larger developments)
- Landscape Architect
- Real Estate Agent / Purchasing Agent
- Graphic Artist
- Advertising Agency

### The Individuals

- Look for individuals that specialises in real estate development
- Ask for references or examples of their work/clients
- Ask for a schedule of their fees and charges
- Discuss the range of services that you will require from each individual
- Ensure that professionals are members of Professional Associations where relevant. Eg. Building Assoc. , Institute of Engineers, Law Society, Institute of Quantity Surveyors etc.
- Ensure professionals are completely familiar with local and state regulations
- Ensure all professionals have the necessary insurances and certification
- Don't discuss the actual development during the interview process
- Ensure that they are in touch with the latest laws, innovations and developments within the industry

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- Ask what sub-consultants and contractors that they use
- Ensure the individuals on your 'A' Team understand your time constraints
- Check on the progress on individuals to keep them on target

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## NEGOTIATING

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### Initial stages of Acquisition

- Decide if you will negotiate the purchase or will you use a Buyer's Agent
- Approach each owner and ask relevant questions and listen
- Go away and prepare a purchase contract if successful
- Consider all information and determine a fair offer

### Negotiating the property purchase

- Prepare the contract for the purchase of the property
- Sign the deal there and then if you have made a decision
- Ensure your contract is conditional and include an 'opt out' clause just in case
- Be specific about the terms and make sure they are to your advantage
- Make sure that all of the sellers are present when negotiating to sign
- Ensure that all names and addresses are spelt correctly on the contract
- Include a clause in the contract for the seller to sign development applications
- Negotiate directly with the owner of the property wherever possible

### Contracts

- Ensure that you understand your contract documents thoroughly
- Seek legal advice if necessary for anything that you are unclear about
- Clarify the terms of progress payments in the contract if any
- Clarify what the builders' insurance will cover
- Clarify contract date commencement and conclusion and your rights
- Ensure that the contract has been completed properly and there are no blank spaces

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- Contracts should clearly state:
  - Start and finish dates
  - Agent details
  - Seller's name, address, phone and contact details
  - Buyer's name, address, phone and contact details
  - Property description
  - List any property encumbrances
  - A clear and concise contract price
  - The deposit (usually 10% of the purchase price)
  - Finance details
  - Any special conditions such as pest control or building inspections or additional inclusion or exclusions
  - Rates for variations
  - Liquidated damages if the project runs late
  - A defects liability period
  - A dispute resolution process
  - A list of prime cost allowances
  - Settlement date

### Process upon acceptance of offer

- Land deposit into a trust account
- Original contract to purchaser (you)
- Copy of contract to be sent to the seller's lawyer
- Take action on contract conditions and note actions dates in a diary
- Keep vendor informed regularly
- Ensure contracts have been sent to all parties involved

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## STRUCTURES

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### Types of structures

- Company
- Company Discretionary Trust
- Company Unit Trust
- Company Hybrid Trust

### Structures

- See an accountant to determine which structure would be best for your needs
- Set up trust structure prior to purchase of development site

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## FINANCE

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### Securing Finance

- Determine personal finance capacity
- Make a preliminary finance application
- Look for a lender or broker that specialises in real estate development
- Ensure that you deal with a lender / broker that understands your needs
- Ensure that contracts are subject to finance and DA approval
- Determine interest rates, charges and fees and negotiate the terms
- Lodge your application with a Commercial Finance Broker or Department
- Get Finance for the entire development project, not just the land
- Make sure that you include all the relevant documentation in your application
- Advise finance broker/institution that land is under contract and subject to DA and finance – provide them with a copy of the contract
- Draw a cheque for the DA application and obtain a receipt
- Complete a finance submission and present it to the broker

### What to include in your application for finance

- Introduction
- Financial Proposal / Commitment
- Site Information – Mapping, Description, Zoning
- Surveyor's plan of the site
- Preliminary design or plans and submission information
- Environmental Factors report –traffic flow, landscaping, land usage etc.
- Development Application letter
- Building quotes or contracts
- Concept design description and an architect's perspective drawings
- Demographic and target market for sales
- Complete financial analysis of costs, expenses and projected profits
- Cash flow analysis

## Development Checklist

- Time Line of work flow
- Conclusion

### Risk Assessment

- Supply a report of your financial history, assets and cash flow
- Get a copy of your credit report from the CRA and make sure it is correct
- Offer development land as your security but be wary of cross securitisation

### Finance Approval

- Read and make sure you understand your loan documents and fees
- Instruct your lawyer to perform Title Searches on the day of settlement
- Arrange a time and date for your lender to present your cheque
- Organise a cover note for Public Liability Insurance upon settlement of site
- Instruct Engineer to commence work – ask for written confirmation
- Approval may be granted on the condition that a percentage of the development is sold in pre-sales off the plan prior to granting further development finance.

### Purchasing and Finance fees and charges

- Conveyancing and title search fees
- Stamp Duty (vary from State to State)
- Legal Fees and miscellaneous legal fees
- Company establishment fees
- Council Rates and Local Authority fees or adjustments
- Real Estate Agent purchasing commissions
- Valuation or Appraisal Fees by the lender
- Accountancy Fees
- Interest on Finance
- Application and Lodgement Fees

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## Development and Sales Costs

- Plan Sealing Fees
- Monthly consultant and construction progress payments
- Construction of actual development (work out a per lot/unit rate)
- Landscaping Fees
- Legal Fees on the sale of units
- Advertising and Marketing Costs
- Sales Commissions
- Maintenance upon completion
- Annual Council Rates
- Land Taxes (can vary regionally)
- Insurance to cover the entire development during and after construction
- Development Management Fee – usually paid to you, the developer
- Sundry Costs – allow a little extra for any additional costs that you may incur
- Body Corporate Fees
- External road works levees

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## *DUE DILIGENCE*

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- Make sure a lawyer does a final Land Title Search the day prior to settlement
- Confirm all instructions in writing
- Create a time line of the entire construction process and budget
- Check with local councils to see if there are plans for zoning changes or major developments that may affect your development in the future
- Check with the Land Titles Office to clarify easements, covenants or if the land has any encumbrances.

### **Feasibility studies**

- Prepare several feasibility studies with varying options prior to committing
- Always enter full amounts in costings, not potential discounted prices
- Calculate legal fees and establishment cost as well as any duties or taxes
- Calculate expected sales income and balance it against the expected return
- Does it meet a profit return target of 33.33% - this is your target for viability
- Visit other development sites and analyse their data; unit price, location, etc.
- Talk to Real Estate Agents about developments in your area
- Make timelines realistic – allow for inclement weather or unforeseen hold ups
- Estimate time frames for how long it will take to gain any returns
- If your feasibility studies show that your project is not financially viable, review the costings with your Architect. If it is still not viable - DO NOT proceed
- Assess what the Council Planning regulations and constraints may be
- Assess what the Civil Engineering requirements and constraints may be
- Once construction costs are established revise you initial feasibility study
- Asses what the tax implications of your development may be

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## DESIGN & MAPPING

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### Mapping

- Enlist a Land Surveyor to establish the boundaries of any land purchases
- Land Surveyor will map out the development site when approval is granted
- Land Surveyor will check boundaries on plans and pre sales contracts

### Initial Design

- Select an Architect to design your proposed unit, housing or commercial development
- Lodge a Development Application for the initial design
- Hydraulic Engineer plans drainage, water management and site plumbing
- Quantity Surveyor may establish a budget and time line for the development

### Selecting an Architect

- Make sure that they are a member of your country's Institute of Architects
- Meet and discuss your project
- Discuss the range of services you require and if you do not understand the services – ask for an explanation
- Ask for the fees that you are likely to have to pay – and a firm quote once the project parameters have been determined
- Make sure you feel comfortable with the Architect and that you get the response you want
- Ask to look at examples of projects that they have done and speak to former clients

### Meeting with the Architect - what you will need to take along

- Description of the site
- Dimensions of the site
- Ask architect for correct zoning and land size for your projects - i.e. 2, 4, or 6 units etc.
- Some photographs to indicate the lay of the land

## Development Checklist

- A design brief which includes information about:
  - Covenants
  - Utilities access – water, electricity, gas, optic cable
  - Design features
  - Landscaping
  
- Site Survey Plan
- Examples of designs or concepts that you like

### **An architect can:**

- Assist with the financial analysis and feasibility of a project
- Help to select a suitable site
- Plan your budget
- Prepare the project's schedule for building
- Design and plan your development
- Organise soil tests
- Obtain necessary building and local authority approvals
- Prepare working documents for building construction
- Lodge plans for Building Approval (BA)
- Help you to select a builder and call for tenders
- Help to negotiate a contract with your builder
- Contract administration throughout the construction process
- Follows up and attends Authority meetings, deals with issues
- Make site visits and supervise the construction process
- Advise on maintenance and warranties after completion of the project
- Monitor progress payments and variations to the contract
- Certifies builder's claims less retention amounts and compile defects lists
- Issue the final building certificate and release of the retention of funds

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## Architects checklist

- Ensure that the architect is a member of their Institute of Architects
- Double check the plans and specifications ensuring that you understand them
- Check inclusions of features and extras on the plans
- Estimate cost of the development construction
- Clarify what the Architect is responsible for on the project
- Ensure contracts are signed and the contract price and terms clearly stated
- Complete DA design and DA application
- Do a new Feasibility Study with new figures

## Major Architect Institutes:

### Royal Australian Institute of Architects

<http://www.findanarchitect.com.au/>

### The American Institute of Architects (AIA)

<http://architectfinder.aia.org/>

### Royal Institute of British Architects

<http://www.architecture.com/UseAnArchitect/Home.aspx>

### Singapore Institute of Architects

<http://www.sia.org.sg/new/>

### Royal Institute of Architects in Ireland

<http://www.riai.ie/>

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## Royal Architectural Institute of Canada

<http://www.raic.org/>

## Hong Kong Institute of Architects

[http://www.hkia.net/en/LookingForArchitects/LookingForArchitects\\_01.htm](http://www.hkia.net/en/LookingForArchitects/LookingForArchitects_01.htm)

## New Zealand Institute of Architects

<http://www.nzia.co.nz>

### Hydraulic Engineer

- Designs documents relating to water and waste management
- Services are drawn to scale on design documentation
- Obtains all of the necessary authority approvals
- Prepares specifications, schedules, quantities and estimates
- Complete the 'as constructed' set of drawings
- Carry out all instruction supervision and report to the client
- Provide estimates of the projects cost
- Supervise construction of their specifications

### Hydraulic Engineering can include:

- Sewer drainage, gravitational drainage, pumps
- Vacuum systems
- Trade waste drainage and treatment plants
- Storm water drainage
- Rainwater down pipes and gutters

### Quantity Surveyor

- Advise client of budgets and costings – larger projects
- Prepare a Bill of Quantities for tax purposes

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## SELECTING A BUILDER

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- Get to know builders in your area and find out their m<sup>2</sup> rate
- Your architect may offer you some recommendations
- Get builders to price DA plans
- Get the builder's advice on the plans
- Get a final fixed price quote and time contract from the builder

### Builders Checklist

- Get a fixed price from the builder based on the working drawings
- Ensure all contracts are signed and prices clearly specified
- Builder attends to the defects list
- Builder will ensure that all rubbish is removed from the site upon completion
- Builder hands over all guarantees upon completion
- Builder receives retention funds upon completion

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## APPLICATIONS, PERMITS & QUOTATIONS

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### Finance

- Put together a Finance Real Estate Development Proposal#
- Include a Cash Flow Analysis and Financial Analysis
- Double check that all figures are correct
- Check your credit standing – ensure that any issues are cleared up prior to applying for finance

### Development Approvals

- Lodge a Development Application for the preliminary design
- Submit Construction Drawings for building approval
- Submit Electrical Engineers drawings for building approval
- Write a personal letter to the Town Planner stating your specific requirements
- The Town Planner will assess the application in accordance to the town plan's zoning guidelines. If it is satisfactory it will be presented before the Town Planning Committee
- Development approvals will be issued in writing from the Planning Authority
- Understand any Terms and Conditions that the approval may contain
- Attend a pre-lodgement meeting with your local council prior to lodging applications

### Quotations

- Civil Engineer calls for tenders on construction while awaiting building approval
- Builder is selected from tender applications and a contract is negotiated
- Builder to supply cost estimates for all design and building services
- Enlist a Quantity Surveyor to estimate and monitor construction budgets
- Electrical Engineers will provide estimated costings to the Civil Engineer
- Compare individual contractor quotations with the Civil Engineer's estimates
- Ensure Tender contracts and documents don't include any unusual clauses

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## IMPLEMENTATION OF CAPITAL WORKS

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### Contractors Checklist

- Ensure that the contractor has a current contractor's licence
- Ensure that the name and number on the license matches the contract
- Ensure that work undertaken is covered in the contract and specifications
- The contract price should be clearly stated on the front page of the contract
- Note any cooling off periods stated in the contract
- Make sure that any deposits paid are within the legal limits
- Ensure that all variations to the plans are in writing and signed by both parties
- Clarify who's responsible for approval applications
- Ensure that you have a certificate of insurance prior to work commencement
- Make sure you have received and understand the Home Building Act of 1989
- Ensure that you have a copy of the signed contract
- Confirm contact details for your contractors

### Construction Phase

- Quantity Surveyor monitors Progress Payments during construction
- Ensure that Progress Payments reflect work completed on the site
- Once the building contract is signed, the builder is in charge of the site
- Make sure you always advise the builder when you are on site
- Organise demolition or removal of any existing houses or unwanted buildings from the site
- Any comments or concerns should be made to the engineer NOT the builder
- Note daily happenings in a diary throughout the construction process

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## Completion Phase

- Civil Engineer and consultants carry out a final inspection upon completion
- Complete a Builder's Defect List
- Re-inspections of repaired defects
- Civil Engineer issues a Certificate of Practical Completion to authorise the release of any Retention Money
- Quantity Surveyor produces the final account report
- Builder organises the removal of any rubbish from the site upon completion

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## ISSUING OF TITLE

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### Administrative Management

- Create a Body Corporate for lot owners of pre-sales to supervise fund budget
- Body Corporate Manager will assist with the first Administrative Budget
- Body Corporate manger can also prepare the 'Sinking Fund'
- Keep records of the 'minutes' of each Body Corporate Committee meeting

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## MARKETING YOUR DEVELOPMENT

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### Prior to marketing your development

- Visit units and display homes to get ideas for your marketing strategy
- Critically examine and photograph other projects
- Collect brochures and sales data from other developments
- Make up files that include all of this data
- Talk to projects sales agents and ask for customers criticisms
- Explain your development intentions
- Find out price resistance levels
- Check on your market data file for current sales prices
- Decide on a price range you can offer for each property
- From your market data file, work out a sq. metre rate price rate for your feasibility study
- Discuss plan layout with your chosen agent from who you can get an opinion of sale prices and general input
- Ask agents to review plans and suggest prices on DA plans
- Prepare marketing plan and organise marketing material

### Advertising and Marketing Costs

- Sign Writers or Graphic Designer to design signage / branding
- Perspective Artist to create an image of what the development will look like
- Printers to print brochures or print media for promotion of the development
- Advertising Agency that specialises in Real Estate promotion
- Media costs for advertising in newspapers etc.
- Keep a record of advertising rates for various sizes
- Real estate agents will expect you to pay for your own advertising
- Website development

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## Commencement of Marketing

- Create a pictorial signboard of the development as soon as it commences
- List features that will attract buyers based on your feasibility studies
- Print brochures or other promotional media
- Prepare a Price List for pre-sales
- Make sure you direct ads at your target market and they generate inquiries
- Monitor and record responses on marketing so that you know which media is the most effective
- Record contact details of interested parties so that you can direct market to them in the future

## Sales

- Get lawyer to prepare a Pre-Sales Contract so it can be sold of the plan
- Ensure that any special clauses are included in this contract
- A standard real estate Sales Contract can be used once the development is complete and the Title Plan is registered
- Understand what your Sales Contracts mean and ask questions if necessary
- Ensure that Sales Contract are filled out correctly by you and the purchaser
- Ensure that the deposit has been banked into the agreed account
- Monitor agents' sales activity

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## TAX

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### Tax in general

- Enlist the services of a qualified accountant that specialises in real estate
- Determine the tax implications prior to beginning your development so that you understand your obligations
- Put structures in place to minimise risk and maximise tax benefits

### Capital Gains Tax

- Determine what your Capital Gains Tax will be (if applicable) and allocate those funds until required
- Pay Capital Gains Tax when required

### GST (Goods and Services Tax)

- Determine if you will need to pay GST and register if necessary
- Get your accountant to calculate the GST and ensure that this money is kept aside
- Keep a record of all of your receipts and invoices for GST purposes
- Pay GST when required

### Stamp Duty

- Determine the Stamp Duty payable, if any, for the area you are looking at
- Just as there may be Stamp Duty on your land purchase, there may also be Stamp Duty to pay to your State Government in Australia
- Get a copy of the Stamp Duty schedule from the State Government