

ULTIMATE

WEEKLY WEDNESDAY WEBINAR

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INTRODUCTION TO JOINT VENTURES

Presented By

David Netherton *Director, Pacific Law*

Introduction to Joint Ventures

David Netherton - Director

Pacific Law



Joint Ventures

- What is a property JV
- Benefits - Why enter a JV
- Types of Joint Ventures
 - Role of each party
 - Type of development
 - Structures
- Do you need to document a JV
- What to include in a JV agreement
- Timing – when to enter the JV
- Recipe for a successful JV
- What resources are available



Definition – What is a JV?

- A Joint Venture occurs where two or more parties associate themselves for a particular purpose or project.
- Be careful!!!

Common meaning vs
Legal definition vs
Tax definition



Types of JV

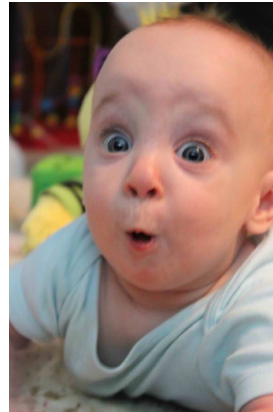
- You are a developer, but need someone with money to help fund the project
- You have equity, but you need a developer with experience
- You own land able to be developed, but you don't have the knowledge or money
- You have serviceability, but no time or knowledge
- Project is too big and you need others to share the load/risk



Parts of a JV

• 4 primary parts:

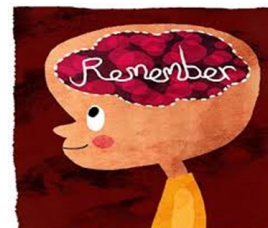
1. The Project
2. Roles of each party
3. Structure/Entity
4. Documentation



Joint ventures

REMEMBER:

- Backbone of any JV is the project and then the roles of the JV parties sits over the top.
- Are not an entity in themselves but a working relationship between 2 or more separate entities.
- Pick your JV partner carefully.



Roles of each party

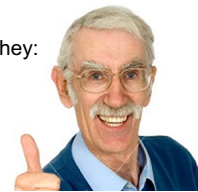
Roles of each party

- Serviceability
- Equity
- Worker



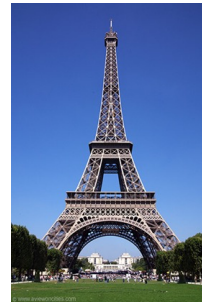
Land Development - An Example

- Wayne owns land that can be developed (units, duplex or reno), but he has no money or experience in development
- Emma has money and plenty of development experience and contacts
- Pros:
 - For the developer because they never take ownership of the land they:
 - Don't need to secure funds to purchase the land;
 - Don't use capital to provide a deposit;
 - Don't pay stamp duty or registration fees;
 - Don't pay finance application fees on land;
 - Don't service a loan and pay interest on land; and
 - Don't pay rates and land tax on land;
 - For the landowner they receive a higher price for the land and obtain exposure to receiving a share of the development profit.
- Issues to address for developer:
 - Control and Access, Liability and Risk.



Entities/Structures

- The type of Project and Roles of each party determine the:
 - entities (cpy/trust structure) to use
 - documents required
- Example:
 - Wayne decides to retain 2 units
 - Emma has the serviceability & development skill
 - Serviceability vs risk of build vs profile of end owner



Structures (cont)

Some of the many things we consider:

- How we can separate or quarantine a project from risk (e.g. construction/buyer risk)
- Risk profile of project, developer and end user
- Exit strategy of all parties
- Any existing structures already in place
- Income tax and CGT
- Financing arrangements
- Stamp duty considerations



Common Structures

- SPV
- stand alone special purpose company
 - JV parties are shareholders.
- 2 x Discretionary Trust
 - Land owner owns land in their discretionary trust and the developer enters a Project Management JV agreement with the land owner
- Unit trust
 - common with multiple parties or a syndicates
 - Fixed units (%)

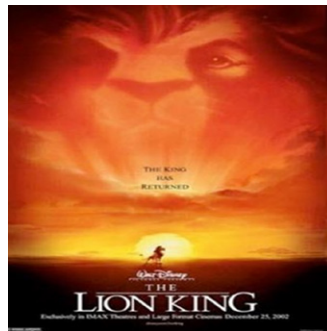


Documents - Do I need a JV Agreement

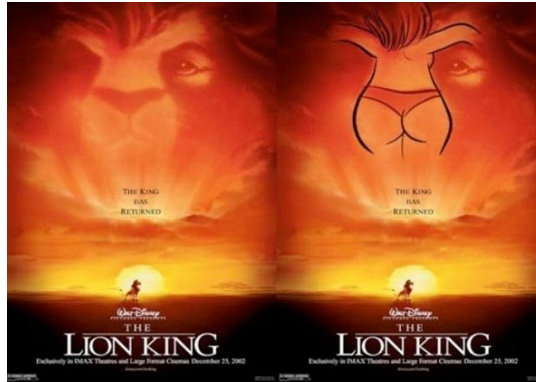
Do I need a JV Agreement?

We need to make sure you are on the same page.

What do you SEE?



What did your JV partner see?



What to include in JV agreement

- Firstly determine what type of JV document is required:
 - HOA
 - Loan
 - JV agt
 - PM/Reno agt



What to include in JV Agreement

- JV Agreements set out
 - Framework - backbone
 - Description of project - what is to be purchased, built & sold
 - Role of each party
 - Serviceability
 - Equity – when required – stages
 - Work
 - Financing & any other conditions
 - Who pays what
 - What if more money is needed
 - How the project is to run



What to include in JV Agreement

- How decisions are made
 - project committee
 - voting
- Timeline
- Security/caveat
- Profit and loss allocation
 - when payment is due
 - refundable if loss
- Exit strategies
 - what if JV partner dies?
- Accounting/invoicing
- Tax – GST/CGT/Stamp duty



When do I need a JV Agreement

Common Timeline

- Identify an opportunity, project or site
- Find the JV parties
- Do feasibility
- **Enter Heads of Agreement**
- Establish developing entity/structure
- Securing the site (Contract vs Option)
- Obtain DA approval/Finance
- **Enter JV Agreement**
- Settle property
- Carry out development



Recipe for a successful JV



GOOD COMMUNICATION and DOCUMENTATION!

- You are in it together whether it goes well or not.
- Don't just plan for the best!
- Keep a close eye on your JV partner - Do you know what your JV partner is doing?



Resources – Next Steps

- **You are not alone!**
- Entering a JV and working out how all the parts go together is something we help with
- My tips:
 - Step 1 – find your project & JV parties
 - Step 2 - determine viability of project
 - Step 3 – **come chat to us about the structuring of the project and JV (15 min free consult)**
 - Step 4 – Heads of Agreement
 - Step 5 – Enter JV Agreement



Questions

David Netherton

Director

david.netherton@pacificlaw.com.au

Calvin Kong

Director

calvin.kong@pacificlaw.com.au

www.pacificlaw.com.au

Phone: 07 5443 4744
Fax: 07 5479 4953
Post: PO Box 1669, Sunshine Plaza 4558
Office: Level 1, 5 Plaza Parade, Maroochydore



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