

# Subdivisions Checklist

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# Subdivisions Made Easy

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## WHAT TO LOOK FOR?

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### Research

- Conduct online searches to determine your areas of interest
- Obtain maps and zoning information from regional authorities
- Visit other subdivisions in the area
- Educate yourself about the area and the real estate industry

### Search and Data Facilities

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

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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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## STRUCTURES

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### Types of structures

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

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## NEGOTIATING

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### Negotiating the land purchase

- Prepare the contract for the purchase of the land
- 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

### Building Contracts

- Call for Tenders and negotiate a building contract with the best one
- 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
- Contracts should clearly state:
  - Start and finish dates
  - Rates for variations
  - Liquidated damages if the project runs late
  - A defects liability period
  - A dispute resolution process
  - A clear and concise contract price
  - A list of prime cost allowances

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## FINANCE

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### Securing Finance

- Look for a lender or broker that specialises in real estate development
- Ensure that you deal with a lender / broker that understands your needs
- 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

### 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
- Time Line of work flow
- Conclusion

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## 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 lots are sold in pre-sales 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

## Development and Sales Costs

- Plan Sealing Fees
- Monthly consultant and construction progress payments
- Construction of actual development (work out a per lot rate)
- Landscaping Fees

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- Legal Fees on the sale of lots
- 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 & FEASIBILITY STUDIES*

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### **Zoning**

- Shire block criterion - how many blocks per land size?
- Zoning Maps – available at planning departments at local shires
- Shire & Zoning regulations – available at planning dep't & shires
- Determine if the zoning allows your proposed subdivision
- Town Plan – available at planning dep't & shires or online

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

- What are the affluent areas or areas that are experiencing development?
- 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 subdivisions 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

### **Choosing your site**

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

### **Due Diligence**

- 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

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### 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; land 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 timeframes 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 Civil Engineer. 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 a Civil Engineer
- 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

### Detailed Design

- Develop the detailed design for Building Approval
- Construction drawings are submitted to council by Civil Engineer for approval
- Electrical Engineer will coordinate their design with that of the Civil Engineer

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

- Description of the site
- Dimensions of the site
- Some photographs to indicate the lay of the land
- A design brief which includes information about:
  - Average Lot sizes
  - Quantity of lots
  - Road widths
  - Public pathways
  - Cut and Fill
  - Park designations if required by Councils

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- Covenants
- Utilities access – water, electricity, gas, optic cable
- Design features
- Landscaping
- Site Survey Plan
- Examples of any subdivisions or the concept you are wanting to create

### What the Civil Engineer will come back to you with:

- A design brief which includes information about:
  - Numbered Lots
  - Lot sizes
  - Road layouts
  - Designated Park areas
  - Layout of Power Supply
  - Layout of Water Reticulation
  - Layout of Storm water and Drainage
  - Time frame for completion
- Estimates cost of the development construction

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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 & Financial Analysis
- Double check that all figures are correct

### 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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#### 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
- Any comments or concerns should be made to the engineer NOT the builder

#### 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

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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 SUBDIVISION

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### 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

### 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

### Site Sales

- Get lawyer to prepare a Pre-Sales Contract so sites 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

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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
- Determine the Stamp Duty payable, if any, for the area you are looking at

### Capital Gains Tax

- Understand your Capital Gains Tax obligations
- Record all of your expenses throughout the development process

### GST (Goods and Services Tax)

- Understand your GST obligations
- Keep a record of all GST paid and received
- Lodge BAS (Business Activity Statements)