

FINANCING LAND DEVELOPMENT

Land Development: A highly **Fragmented, Competitive** and **Local** business.

Land Acquisition: **Option Agreements** are often used to give **Time** to the **Land Developer** to pursue the **Entitlement Process**. Periodic **Option Payments** can be made over an extended time frame (monthly, quarterly, annually), and if the **Developer** ultimately exercises the **Option** the **Option Price** for the **Land** will be paid at the closing of the **Land Acquisition**.

Zoning and Land Use: City or county **Land Use Plans** specify the allowed uses for each **Land** parcel (e.g. **Residential, Commercial, Industrial, Agricultural, Special Purpose, ...**) with subcategories for allowed density of use (e.g. **R-1, R-2, R-3, R-4, R-5, C-1, C-2, C-3, M-1, M-2, M-3, A-1, A-2, ...**). The local **Land Use Plan** is usually updated every 5-10 years, and the local **Zoning Code** can be revised, in whole or in part, whenever necessary.

Entitlement Process: The process by which the **Land Developer** applies to the local authorities to convert **Unentitled Land** to **Land** that is **Entitled** to be **Subdivided** and **Developed** for a particular purpose and size (**Office, Apartments, Shopping Center, Warehouse, Hotel, etc.**) **Developing** a project that is inconsistent with the local **Zoning Code** and **Land Use Plan** requires a **Variance** from the local **Planning Authorities**.

Land Financing: Difficult to obtain, **Low LTVs**, generally **Recourse** to the **Borrower** and with **Tight Conditions** from the **Lender** to assure **Repayment**.

Release Schedule: The **Time** frame within which the **Lender** expects the individual **Land Parcels** in a **Land Development Project** to be **Sold** according to **Release Prices** agreed to in the **Land Loan** documents so that the **Loan** will be **Repaid**.

Release Prices: The pre-agreed **Minimum Prices** at which the **Developer** can **Sell** individual **Land Parcels** and obtain the **Lender's Release** from its blanket **Mortgage Lien** for the **Land** parcels **Sold**.

Onsite Improvements: Land grading, internal paving, private streets, lighting, landscaping, etc.

Offsite Improvements: Public roads, street lighting, traffic lights, sewer line extensions, parks and schools, etc.