



15 - Fincancing Land Development - ch. 17

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▼ Supplemental

- ▼ riskiest part of real estate financing
- ▼ lenders don't want to write loans (will try to give way low LTV <50% and recourse) bc the land is not income producing

▼ Lecture

- ▼ land development
 - ▼ highly fragmented, competitive, and local business
- ▼ land acquisition

Resources

https://s3-us-west-2.amazonaws.com/secure.notion-static.com/388e1c58-b3f2-4665-8334-b5e5a111cdc1/13_-_FINANCING_LAND_DEVELOPMENT_-_Chapter_17.pdf

- ▼ option agreements 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 → if the developer exercises the option the option price for the land will be paid at closing the acquisition
- ▼ zoning and land use
 - ▼ city or county land use plans specify uses for each land parcel (may that be residential, commercial, industrial, agricultural, ...)
 - ▼ letter signifies use and digit describes allowable density (floors) e.g., R-1, R-2, R-3, ..., A-1, A-2, A-3, ...
 - ▼ local land use plans are usually updated every 5-10 years
 - ▼ zoning code can be revised whenever necessary
- ▼ entitlement process
 - ▼ process land developer uses to convince local authorities to convert unentitled land to entitled land to be subdivided and developed for particular use/size (office, apartment, etc.)

- ▼ developing a project inconsistent with local zoning and land use requires a variance from local planning authorities → otherwise will be demolished
- ▼ land financing
 - ▼ difficult to obtain → low LTVs <50% → recourse to borrower → tight conditions to assure repayment
 - ▼ due to the risky nature of land → not income producing
 - ▼ usually implemented as a blanket mortgage → land developer needs to meet with lender to sell property covered by the loan
- ▼ release schedule
 - ▼ time frame lender expects individual land parcels in a development project to be sold according to release prices agreed to in the land loan contract → so loan will be repaid
- ▼ onsite improvements
 - ▼ land grading, internal paving, private streets, lighting, landscaping
- ▼ offsite improvements
 - ▼ public roads, street lighting, traffic lights, sewer line

extensions, parks and schools,
etc

▼ Discussion



SUMMARY