

Ensure that Finished Lots Are “Finished”

By: Anthony Sumner

Beware of buying wholesale finished lots without a thorough inspection of the improvements and obtaining all proper documentation from the regulatory agencies, utility companies and testing companies.

City vs. End User Requirements

In most cases, finished lots are defined as lots that have been completed per the approved Civil Engineering plans and specifications and have been accepted by the Municipality. Anyone that has gone through the development process knows that municipalities can be



“Obtaining the necessary documentation is an important part of the Due Diligence process, but even more important is the analysis of these documents”

very strict when it comes to inspection and acceptance of improvements. One might assume that “if it is good enough for the City, then it is good enough for me”. This could be logical if the City had the developer’s interest in mind, but they don’t. The City is concerned about their interests, primarily the improvements within the public right-of-way (ROW). While this does include a significant amount of the value of the improvements, it is not all inclusive, so pay specific attention to the improvements within the HOA common areas and PUE’s. Additionally the amenities, landscaping, monumentation, signage, mailboxes, retaining walls, perimeter walls, and on-lot grading details will all be of specific concern to the end-user

that ultimately wants to buy the property from you.

Seen vs. Unseen

Even an untrained eye can identify obvious damage or warranty issues related to above ground improvements such as poor paving or cracked concrete, but it is always wise to have an experienced professional inspect the improvements prior to you as the buyer accepting them. Less obvious, but potentially more costly, are below grade or “unseen” issues with the improvements. Be sure to confirm that the water and sewer lines have passed their pressure tests, trenches have been backfilled and compacted properly and that the pavement meets the engineering specifications.

With the assistance of an experienced inspector and sound judgment, you and a buyer will be able to steer clear of a potential catastrophe and focus on the most viable opportunities.

Trust, but Verify

Obtaining the necessary documentation is an important part of the Due Diligence process, but even more important is the analysis of these documents. Astute buyers will not check the item off of the list once it is received, but will also analyze the impact of it. The soils have moderate swell potential: were the pads graded appropriately? The Final Plat is approved: but with what stipulations? The improvements plans are approved: for how long? Water & Sewer may be

addressed in the development agreement: but are the terms fair and reasonable? This is reimbursable: when and under what circumstances? Even better than “getting it in writing” is to actually see it for yourself. Visit the project, talk to the City, and meet with the engineer or contractor. No one will represent your interests better than you. If you do not have the time or expertise to do it yourself, hire a qualified development consultant to represent your interests and to scrutinize all of the important details of the project. By doing so, you won’t have to trust that the lots are finished; you’ll know that they are.

Competitive Advantage

Not all projects are created equal and every tract of land is unique. When preparing to enter a submarket with an acquisition, it is important to consider the impact of unfinished, the unseen and the unverified. While each of these items individually may not seem significant enough to be a “deal-killer”, the cumulative impact can add up fast and cut into your profit margins. In this market, most savvy buyers will make their money by purchasing the project that has a competitive advantage over the alternatives. Hopefully these tips will help you sort through the due diligence process and assist in finding that diamond in the rough.

Anthony Sumner is a Principal at Sandbox Development Consultants, a Phoenix-based Land Development Consulting firm.

www.sandboxdevelopment.com