



Always do your work on the front-end of the deal

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There is nothing like closing on a land parcel for development and finding after you close that:

- * The city is going to require you to provide a new 8" water main to your property at a cost of \$18,000.
- * Or the sewer cannot reach youâ€”you are going to have to go septic, but your soil won't percolate.
- * Or the city just changed their flood maps and you have to fill two ft. on five acres.
- * Or a "no growth" city commission has just declared a moratorium on building permits.

These are just a few of the situations that have happened to people I have known after they closed. These situations could have been ascertained before closing with work and due diligence. When I was teaching, I told my attendees that the only thing they could not find out about a property was when the next earthquake would come.

I have known people to build a strip center without checking the competition, the population, and/or the traffic count. And then they have spent years trying to make it feasible. This is called doing your work "on the back-end of the deal" instead of the front-end.

I suggested to one of my clients that he should contact my fellow S.E.C. member, Charles Sutherland, and hire him to do a market study on a piece of land for a mini storage system. The price of the study was \$5,000. When the report was finished, it indicated the project was not feasible. Instead of the client being pleased at not having made a bad deal, he was upset. What he wanted was support for something he had already decided to do. I don't know whether he took the advice or not, but if he did not, doing the work on the back end is probably costing him \$10,000 to \$15,000 a month. Here are a few things that could make your future easier if you remember:

- * There is no deal you must have, he who cares least wins, be selective.
- * It is better to walk away from a deal than it is to live with the consequences of a bad deal.
- * Never close on a tract of land until building permits have been issued.
- * When assembling building costs never assume anythingâ€”use and rely upon only signed bids.
- * When you have all of the facts before you, making decisions will not be difficult. Don't make any decisions before you have all the facts.
- * Do not try to put a square peg in a round hole. If things do not fit, don't force the issue, another opportunity will present itself soon.
- * On zoning deals, see the neighbors first before petitions are filed.

Again, do your work on the front-end! It will save you a world of heartache later.

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