

Getting Rich With Raw Land

By: Ron LeGrand

V.062620

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Getting Rich with Raw Land

By Ron LeGrand

There are many ways to make money in both residential and commercial real estate without getting involved with costly entanglements or taking big risks.

I've bought and sold between 3000-4000 houses over 37 years and owned one or more of most types of commercial property. My experience includes buying, fixing and selling or keeping office buildings, retail, apartments, mobile home parks, resorts, warehouses, and land.

I've purchased raw land in 9 states and developed into housing developments, retail centers, fractionals, cabins, mixed use and land I sold after changing zoning.

My favorite among all this is raw land. It comes in all sizes and potential uses and you can't go anywhere there isn't any.

Why Raw Land

The objective is to simply find land that's under zoned and rezone it to a higher and better use to increase its value. After the zoning is approved there are multiple exit strategies but I'll simply list it with a Broker and let him/her sell it at its increased price.

The difference in before and after value can sometimes be staggering and there's little for you to do to profit big.

No building or developing

No property management

No repairs or maintenance

Minimal risk with proper due diligence

No credit needed

Can be done without your money

Works with FSBO or listed parcels

No monthly payments

What Kind of Land

Any kind really!

- Small lot in the middle of the city with or without a building, as long as you can change to a higher use or buy cheap enough to justify.
- Commercial parcels of any size as long as you can change to higher use.
- Residential zoned of any size if you can buy cheap and create value by changing to commercial or increase the density to more residential units.
- Agricultural in the path of progress you can upgrade to any zoning that will increase its value.
- Any land you learn is below market value you can buy or option to sell at market value even without changing zoning.

Prescreening Raw Land

What to look for:

- Asking price below market *
- Seller financing at least short term
- Sellers willing to subordinate or release part of the property for the down payment
- Land in path of progress with low zoning
- Zoning already in place but under priced
- Availability of utilities
- Road frontage, the more the better
- Property in foreclosure
- Distressed owner
- Sellable assets such as trees or minerals
- Development activity surrounding*
- Tax deed sales

What to avoid:

- Retail priced land unless you see large upside after rezoning
- Sellers wanting all cash unless it's cheap
- Remote location
- Land locked parcels
- Wetland or other restrictions on a large part of the land

****Easy identifiers***

PRESCREENING
Property Information Sheet

Raw Land

Submitter's Name: _____ Date: _____

Phone: _____ Cell Phone: _____

Fax: _____ Email: _____

Address/Location of Property: _____

City _____ County _____ State _____

Is Property Listed? ☐ Y ☐ N How many days? _____

Realtor's Name: _____ Phone: _____

Cell Phone: _____ Email: _____

Brokerage Firm: _____ Fax: _____

Asking Price: _____ # of Acres: _____ Cost/Acre: _____

NOTE: One Acre Equals 43,560 Square Feet Asking Price/Square Foot: _____

Seller's Motivation: _____

How Asking Price Was Determined? _____

Market ("AS IS") Value: _____ How Determined? _____

Number of Useable acreage: _____ How Determined? _____

Best use of land? _____

What is the current zoning? _____

Water/Sewer: (In place or available?) ☐ Y ☐ N If no, how far away? _____

Hi-way/Road access: ☐ Y ☐ N How Much? _____

Waterfront Acreage: ☐ Y ☐ N How Much? _____

Wooded acreage: ☐ Y ☐ N What Percentage? _____

Gas/Electric: (In place or available?) ☐ Y ☐ N If no, how far away? _____

Distance to nearest Wal-Mart? _____ Home Depot? _____ Lowes? _____

Is the property within the city limits? ☐ Y ☐ N If no, how far away? _____

What is the population of the city where the property is located? _____

What is the distance to the nearest city that has a population greater than 50,000? _____

Does the Seller have any plans submitted to the Planning Commission? ☐ Y ☐ N If yes, what? _____

Is there any infrastructure in place? ☐ Y ☐ N

If yes explain: _____

Do you have photos of the property you can include? ☐ Y ☐ N

Is there Seller financing available? ☐ Y ☐ N All cash required? ☐ Y ☐ N

Is the Property owned "Free and Clear"? ☐ Y ☐ N

If debt is carried and financing is in place, really bear down on the Mortgage info:

In Foreclosure? _____ Auction/Sale Date: _____ Bankruptcy? _____ Type: ☐ 7 ☐ 11 ☐ 13

<u>Mortgage Info</u>	<u>Mortgage Balance?</u>	<u>Monthly Payment?</u>	<u>Payment Current?</u>	<u>Amount in Arrears?</u>
----------------------	--------------------------	-------------------------	-------------------------	---------------------------

1st	_____	_____	<input type="checkbox"/> Y <input type="checkbox"/> N	_____
-----	-------	-------	---	-------

2nd	_____	_____	<input type="checkbox"/> Y <input type="checkbox"/> N	_____
-----	-------	-------	---	-------

3rd	_____	_____	<input type="checkbox"/> Y <input type="checkbox"/> N	_____
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Locating Land

- Commercial Brokers
- FSBO Signs
- Broker Signs
- Mailers to Landowners
- Tax Deed Sales
- Auctions
- Paid Facebook Ads
- Commercial Websites
- Referrals
- Run Ads on Multiple Websites

Websites To Find Land

- **GoogleEarth.com**
Satellite imagery and maps free to use basic website or you can order a subscription version.
- **Land.net**
Commercial land and Property for sale. Free to use website.
- **LandAndFarm.com**
This site is the global market place for rural property, and also offers a monthly newsletter to registered users who wish to receive it, letting them know about pertinent site news recent advertisements, and other information that may be of interest. Free to use website.
- **Landbluebook.com**
Land for sale Nationwide. Free to use website.
- **Loopnet.com**
Operates the largest Commercial Real Estate listing service online. Search for land, office, retail, industrial, apartments, hotels and other types of properties. There's a key field on the site where you can enter words such as subordination, motivated seller, or seller financing etc., All the listings in that city with those terms will come up. Free to use the basic website, and a minimal fee for premium membership.
- **REE.com**
Real estate exchanges by private parties, including planes, cars, yachts, notes, etc. You can view properties to exchange or trade and they provide you with contact information for the owner as well as what the owner is looking to exchange/trade for. If new properties are added that meet your criteria, you will be notified.

Also has a listing of article of interest and useful financial tools and information, as well as many useful resource links.

- **ReMax.com**
Properties for sale nationwide. Free to use website.
- **TerraServer.com**
This is a satellite site. Free to use website.
- **TM1031exchange.com**
Listings nationwide for 1031 exchange. Free to use website.
- **MarcusMillichap.com**
Numerous properties nationwide.
- **CBRE.com**
Numerous properties nationwide.

Many other sites, including any major real estate firm.

Structuring Offers

There are several ways to structure offers on vacant land to make it easy to finance. How you will finance will determine how you structure offers.

1. Option Until Sold

This is certainly the easiest way to finance because there is no financing. The seller gets paid when you get paid. Offer a \$5,000, \$10,000, or ? option deposit that's refundable for 60 days and goes hard thereafter if you move forward. This gives you plenty of time to do your due diligence to verify if it's a go. Check with a zoning attorney to discuss how long it will take to zone and make the option several months longer. It's a good idea to build in an extension even if it requires you to put up more money. Your only costs are option fee, attorney fee, and any needed reports. If the seller has no plans for the property, this should be easy to negotiate. He/she has nothing to lose. An attorney should create the agreement to include the seller agreeing to sign a listing agreement and all required documents when asked. If property is in an LLC, ask the seller to appoint you manager so you can sign. Could do same with a land trust.

2. Purchase With Small Down Payment

And Seller Carry Back Note, no interest or payments for a year or two. Share the plan with the seller and it shouldn't be a hard sell. It's in their best interest to get paid. You can close now if you feel good about the prospects or close after your due diligence.

3. Seller Wants Larger Down Payment

Ask seller to subordinate to a private first loan large enough to cover seller's down and costs to get rezoned and then some. Structure second to seller with no payments or interest for as long as possible. Structure private first with no payments, accruing interest.

4. Trade Personal or Real Property for Down Payment

Do you have a vehicle, boat, RV, equipment, receivable, land, house, etc... you can give to the seller for a down payment and a first mortgage on their property with no payments or interest for long enough to get zoned and sold? Ask for more time than you think you'll need. What you paid for your trade item is irrelevant. Trade at retail value.

5. Give Seller a Note On Your Property In Lieu of Down Payment As Additional Collateral

When seller gets paid off, he releases the note. This puts skin in the game so seller knows you're real. No payments on your note or note to seller, 2 or 3 year balloon. **DO NOT USE YOUR RESIDENCE**

6. Use Part of Sellers Property to Borrow Enough For Down Payment On All of It

This can work with acreage or buildings as long as they are on separate parcels or they can be split before closing. Decide how much you need down and other costs, then determine what part of sellers property is worth about twice that much and ask to get it free and clear for the down payment. This will allow you to borrow what you need from a private lender at 50% LTV.

7. Pay All Cash

As a last resort, I have bought several parcels of land, all cash. The price you pay is relevant to your intended exit strategy. If my intent is to simply rezone and resell, I could pay retail price for the land, but that would be rare. For example, if I pay \$20,000 per acre for farmland I know is worth \$50,000 per acre after rezoned, maybe the price isn't that important. This will require capital from your partner, you or a combination of combined with a private loan at low LTV. If you're paying retail, it will be difficult to borrow 100%. When you're paying cash, make sure all due diligence is done before you close to avoid expensive seminar.

8. Partner With The Seller

I have developed a partnership model in the course, that risk free for you and the seller and requires no money from you. Simply, use a development agreement that creates a strike price the seller gets all cash when you cash out. It should be at or below current as is value for the land. After the seller gets paid, you split the profits 50/50. Your interest is protected by an agreement and any money needed can be borrowed on sellers land as a small first mortgage. See the next section. You should also build in a monthly fee and a larger payment when zoning is complete.

Equity Share Land Development Plan

You will find sellers who own larger or even small tracts of land that would like to stay in the deal and receive a piece of the backend profit. These sellers make good prospects for equity share deals.

There are many ways to structure these deals, but here's one you may find useful.

Let's say you find a seller with a 120-acre tract of agricultural land in the path of progress. You feel if it's rezoned to 4 houses per acre, the current asking price of \$20,000 per acre, (\$2,400,000) would go to \$40,000 per acre (\$4,800,000).

An attorney tells you it will take about 6 months and \$5,000 to get it done.

Here's your offer to the seller:

1. I'll joint venture with you and do all the work necessary to get your property to its highest and best use and then sell it at a much higher price and split the profits with you 50/50 after you get \$2,400,000.

Here's what I'll ask you to do to make it work:

1. Okay the Development Agreement
2. Allow the LLC to borrow the capital needed on the land to pay for all the cost of rezoning and other costs, including a \$2,000 monthly management fee to me to cover my overhead, until site approved. I'll also take a \$25,000 fee upon zoning approval. You will not guarantee the loan and I'll hire an accountant to hold all the money and distribute only as development agreement dictates. The loan will not be needed until I have done the front end work to verify the highest and best use and the validity of the rezoning.
3. Sit back and relax until you're paid. I'll keep you informed through the process.

Here's what I'll do:

1. Hire all the professional needed and manage the project until all land is sold.

How much work will you do?

1. Negotiate deal and get the development agreement signed.
2. Do the due diligence needed that doesn't cost money and determine if it's a go.
3. Get loan to cover all costs from private lender. Loan must accrue interest until paid. Make sure you build in your monthly fee and 25k when rezoned. In my example, I'd borrow 75k.
4. Hire attorney and wait for rezoning approval.
5. Hire agent to sell entire parcel.

How many deals like this can you do simultaneously?

As many as you can negotiate, since none will require your money and almost no time.

What if seller needs some money now?

Simply tell him you'll get a larger loan to cover costs and his required cash, which will be deducted from his share. This also gives you a reason to lower the purchase strike price; i.e., if he needs \$250,000 now, get him the cash and lower his \$2,400,000 to \$2,000,000 with \$250,000 now and \$1,750,000 as you sell the land.

How can the seller be sure the money goes into the property?

If necessary, you can hire a CPA to write checks and send a monthly statement to the seller.

What if the seller wants to see a track record?

Come to Papa!

Due Diligence Before Making An Offer

1. What's the highest and best use and how does seller and broker feel about the chances? Has anyone asked the city? How long is the expected time to rezone?
2. Has the seller made you an offer? Did you discuss terms?
3. How close is sewer, water, electric and other developments? If housing development is close, how many houses does it look like they built per acre? What are the houses selling for? How big is the average house? How much per square foot?
4. How much of the land is high and dry?
5. How much road frontage?
6. Does seller have a survey, wetland report or any other useful reports?
7. Have I done the best I can to determine the value after rezoned?
8. Have I created a reasonable way to finance it and a plan if it doesn't work, knowing I can't make an offer until I can decide how to finance?

The Offer Can't Be Made Until The Question Is Answered!

The Method To Fund Will Back You Into The Offer.

9. How long do I think it will take to complete my due diligence and then to close based on my method of purchase? If I have the money available, it will take only a few days after close of due diligence. If I have to borrow money or not clear yet where it's coming from, I'll need plenty of time after close of due diligence.
10. Have I thought through any release provisions or special requests?

Commercial Letter of Intent

Chris Morris
Chris@21alliance.com

Re: +/-63 acres, 775-780 N 75 W & US Hwy 6, Valparaiso, IN 46385

This letter is to set forth the basic terms upon which River Point Inc, as Trustee ("Buyer") located at 9799 Old St. Augustine Rd, Jacksonville, FL 32257, would be willing to purchase the above referenced property ("Property"). The terms, including the purchase price, amount of earnest money deposit, inspection rights and purchase contingencies, along with closing date are set forth below:

Purchase Price: \$725,000

Terms: \$5,000 Deposit, \$50,000 Down, First Mortgage to Seller, 3-year Balloon

Due Diligence: The first of several necessary reports will be ordered and paid by the Buyer within 10 days after acceptance and continue to be ordered based on the outcome of previous reports. The Buyer will do everything possible to expedite the reports to a completion within a 60-day inspection period. However, Buyer is not in control of the time required so the inspection period may be extended until the last report received not to exceed 60 days. **If Buyer elects not to proceed, all reports ordered will be forwarded to the Seller within 15 days of contract cancellation at no cost.**

Closing: To take place within 30 days after due diligence (not to exceed 120 days).

Contingencies: Contract will contain a release clause allowing Buyer to sell part of the property prior to full payment and pay Seller partial payments toward the balance owed to the Seller.

Brokerage: Buyer is not a licensed agent or broker but will sign an addendum prepared by Broker allowing payment of commission agreed upon with Seller.

Confidentiality: Buyer and Seller agree to keep this offer, the terms of this offer, the acceptance of this offer and any other information disclosed which is pertinent to this offer confidential and will only disclose it to those representatives, lenders, and third parties on a need to know basis in order to accurately determine the site's feasibility.

It would be the intent of the Buyer to enter into a purchase and sale agreement submitted by buyer not later than the 18th day of January, 2020. The agreement would incorporate the terms set forth herein, together with such terms as may be agreed to by the parties.

This letter is intended as a non-binding expression of interest on the part of the Buyer to purchase the Property and not as a purchase offer which, if accepted, would create a legally binding contract.

If the terms set forth herein form an acceptable basis upon which you would sell the Property, and you would like to move forward to negotiate a purchase contract, please so indicate by signing in the space below and return to tish@legrandprojects.com.


River Point Inc, as Trustee
Ron LeGrand, its President

Agreed to and accepted this ____ day of _____, 2020

Seller's Signature

Print Name

Title

Commercial Letter of Intent

Chris Morris
Chris@21alliance.com

Re: +/-63 acres, 775-780 N 75 W & US Hwy 6, Valparaiso, IN 46385

This letter is to set forth the basic terms upon which River Point Inc, as Trustee ("Buyer") located at 9799 Old St. Augustine Rd, Jacksonville, FL 32257, would be willing to purchase the above referenced property ("Property"). The terms, including the purchase price, amount of earnest money deposit, inspection rights and purchase contingencies, along with closing date are set forth below:

Purchase Price: \$350,000 cash

Terms: \$5,000 Deposit

Due Diligence: The first of several necessary reports will be ordered and paid by the Buyer within 10 days after acceptance and continue to be ordered based on the outcome of previous reports. The Buyer will do everything possible to expedite the reports to a completion within a 60 day inspection period. However, Buyer is not in control of the time required so the inspection period may be extended until the last report received not to exceed 90 days. **If Buyer elects not to proceed, all reports ordered will be forwarded to the Seller within 15 days of contract cancellation at no cost.** Buyer will perform all Due Diligence at its expense to apply for rezoning after the final report.

Closing: To take place within 30 days after city approves a minimum of 4 units per acre.

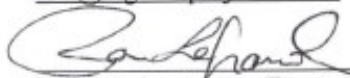
Brokerage: Buyer is not a licensed agent or broker and will receive no commission.

Confidentiality: Buyer and Seller agree to keep this offer, the terms of this offer, the acceptance of this offer and any other information disclosed which is pertinent to this offer confidential and will only disclose it to those representatives, lenders, and third parties on a need to know basis in order to accurately determine the site's feasibility.

It would be the intent of the Buyer to enter into a purchase and sale agreement submitted by buyer not later than the 27th day of January, 2020. The agreement would incorporate the terms set forth herein, together with such terms as may be agreed to by the parties.

This letter is intended as a non-binding expression of interest on the part of the Buyer to purchase the Property and not as a purchase offer which, if accepted, would create a legally binding contract.

If the terms set forth herein form an acceptable basis upon which you would sell the Property, and you would like to move forward to negotiate a purchase contract, please so indicate by signing in the space below and return to tish@legrandprojects.com.


River Point Inc, as Trustee
Ron LeGrand, its President

Agreed to and accepted this ____ day of _____, 2020

Seller's Signature

Print Name

Title



Commercial Letter of Intent

Chris Morris
Commercial Broker
chris@21alliance.com

Re: approx. 24 acres US Hwy 6 & Swanson Road, Portage IN, 46368

This letter is to set forth the basic terms upon which River Point Inc, as Trustee ("Buyer") of 9799 Old St. Augustine Road, Jacksonville, FL 32257 would be willing to purchase the above referenced property ("Property"). The terms, including the purchase price, amount of earnest money deposit, inspection rights and purchase contingencies, along with closing date are set forth below:

Purchase Price – \$175,000, Cash

Terms – \$2,000 deposit

Due Diligence – 30 Days

Closing – 30 Days after Due Diligence

It would be the intent of the Buyer to enter into a purchase and sale agreement not later than the 6th day of December, 2019. The agreement would incorporate the terms set forth herein, together with such terms as may be agreed to by the parties.

This letter is intended as a non-binding expression of interest on the part of the Buyer to purchase the Property and not as a purchase offer which, if accepted, would create a legally binding contract.

If the terms set forth herein form an acceptable basis upon which you would sell the Property, and you would like to move forward to negotiate a purchase contract, please so indicate by signing in the space below.



River Point Inc., as Trustee
Ronald LeGrand, its President

Date

Agreed to and accepted this _____ day of _____, 2019

Seller's Signature

Print Name:

Title:

Here's A Deal Saver

Here's a clause you may add to your contract that may solve several issues, such as:

- Seller doesn't want to tie up the property as long as you wish.
- Seller wants a shorter due diligence period.
- Seller wants a large earnest money deposit.

First Right of Refusal (Bump) Clause

Seller may continue to market the property during escrow and if a bonafide buyer is located and seller produces a copy of the contract to buyer, buyer will have five business days to release this agreement in full or designate the earnest money as non-refundable and proceed under the terms outlined herein. Seller shall release all earnest money deposits and reimburse buyer for due diligence expenditures and all due diligence works will be turned over to seller in the event buyer chooses to void this agreement.

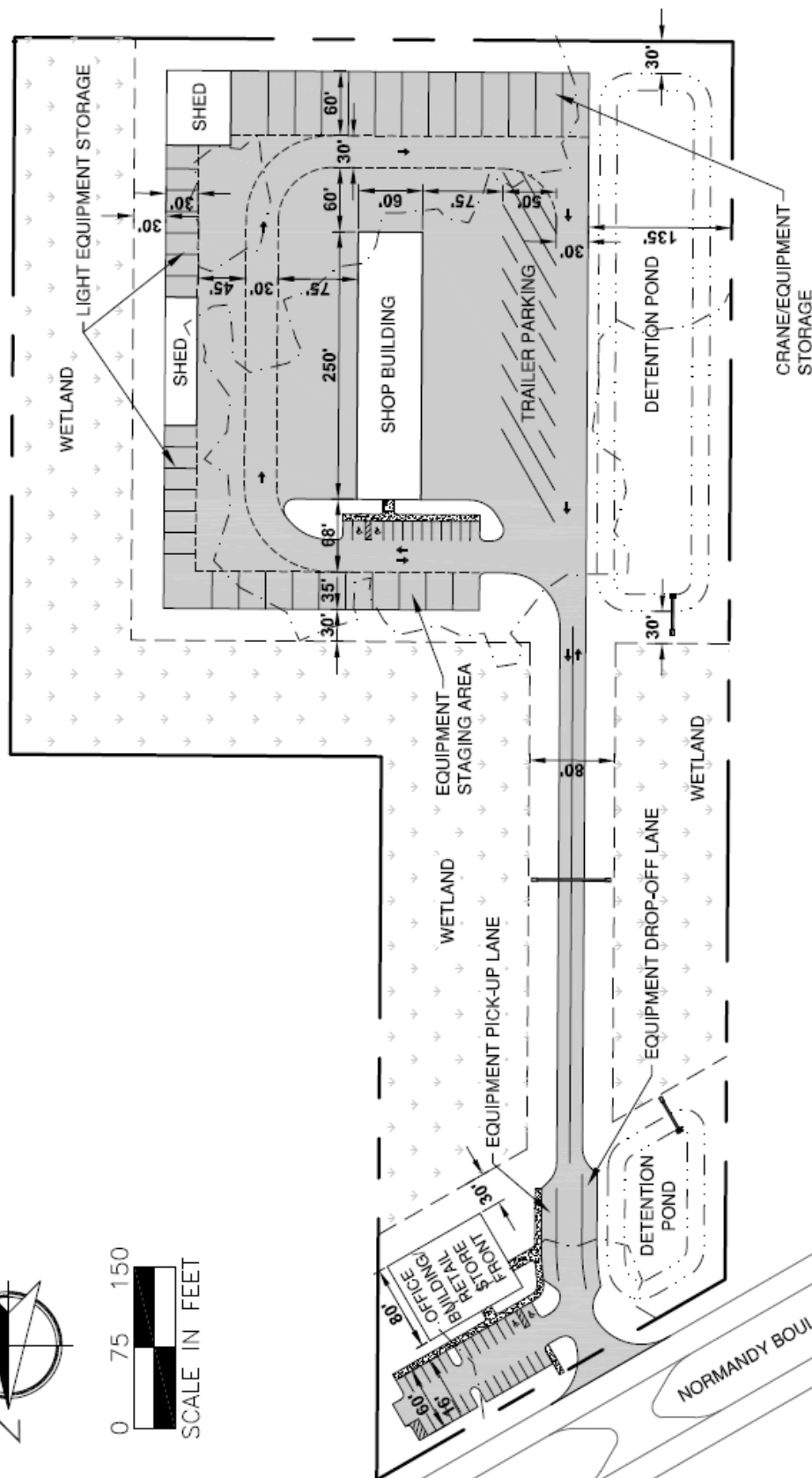
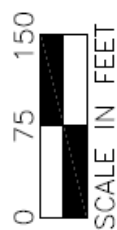
Due Diligence Before Closing

1. Order title search and deliver copy of contract to your attorney. He/she may want to order title.
2. Visit the property if you haven't already and look around for what you think is the best use and what's being built nearby. You may want to take an engineer with you.
3. If you intend to close before zoning approval, get a lender or partner involved immediately and discuss available funding, if needed. If you're not closing until rezoned, this can wait.
4. Hire an engineer to check out feasibility of property use, zoning change, city plans for intended use and roadblocks that may create and advise you on all hidden traps and costly entanglements as well as cost projections to rezone. You'll need a conceptual plan.
5. Hire an appraiser to determine as is and after zoned value or was good comps.
6. Hire attorney to visit zoning department to see what they'd like on the property.
7. If it's a go, order the necessary due diligence reports; i.e., wetland report, phase one. Should be done before you rezone.
8. When applicable, notify the seller or agent you have released the contingencies so your deposit will now go hard. Make sure you feel confident the financing is available first and your attorney approves all the above reports. If it's not a go, have your attorney notify seller or broker you're canceling the deal and to send back your deposit, or you can renegotiate the contract.
9. Have your attorney send you the closing documents to examine in advance and before sending to seller's attorney. Make sure it matches the contract and true intent.

Exit Options For Land

1. List with a broker and wait for sale after you increase value.
2. Develop it to its highest use and build. DO NOT attempt this without professional help.
3. Have a plat map created by an engineer and get approval by city. You can then sell the whole parcel to a developer at a higher price than you'll get by simply rezoning or sell the lots individually undeveloped.
4. Develop the horizontal, utilities, roads, water and sewer and sell lots of builders. Get professional help.

Make sure you learn the tax consequences of each before making the decision. For example, if you own land for a year and then sell its long term capital gains. If you develop into lots and sell them its short term gain no matter how long you hold. Twice the taxes.



EQUIPMENT RENTAL FACILITY

12250 NORMANDY BOULEVARD, JACKSONVILLE, FLORIDA

SITE PLAN



GOODSON BERGEN AND ASSOCIATES
CONSULTING ENGINEERS

175 FORTUNE PARKWAY, SUITE 403
JACKSONVILLE, FLORIDA 32256

Phone: (904) 519-7770

Fax(904)519-7776

Engineering License Number: CA32987

SCALE	1" = 150'
DRAWING	1 OF 1
DATE	4/23/20
PROJECT NO.	-



