The Great Land-Buying Adventure

1. **Choose Your Site Criteria.**

   - Raw Land—Lower Initial Cost, Years of Effort
   - Developed Land—Electricity, Toilets, Showers
   - Fully Developed "Turn Key" Property—Move Right In

2. **Buy Property Like the Professionals Do.**

   - Find out how much money your group can borrow.
   - Master current property values and "the market."
   - Armed with this knowledge begin the search.

3. **Assessing Your Potential Borrowing Power**

   1) Total monthly income
   2) Total assets
   3) Total amount of debt owed
   4) total monthly payments for these dates.

   Add up the total annual gross income of everyone in the group who might cosign a loan and double this amount—roughly how much a bank would give you.

4. **The Search - Method A: Working with Real Estate Agents.** Realtors represent the sellers unless you sign a "buyer's agent" contract. All clauses in contracts and commissions are negotiable. Have your real estate lawyer look at contracts before signing them.

5. **The Search - Method B: Mastering the Local Real Estate Market on Your Own.** Check local newspapers and magazines, online sources, and organizations. Check zoning maps and tax maps. Drive around looking and asking. Even ask property owners if their property isn't for sale. Use marketing data, recent sales figures, and property appraisals to determine current market value and a reasonable asking price.

6. **About Zoning.** The General Plan describes what the local area will be like in the near future. Zoning regulations put the General Plan's land-use policies and goals into enforceable regulations via various use districts, and primarily regulates density, building mass, setbacks, parking. Subdivision ordinances (state, county, city) are a separate set of codes that describe property owners must meet to subdivide their property and sell individual lots to others. Local governments offer exceptions to zoning.

7. **Investigate Likely Properties.** Check zoning, water, roads, utilities, septic systems, state of existing buildings, building codes, possible future problems, possible legal issues, neighbors, amount of offer (get property appraised first!), financing.

8. **Take Property Off the Market for Further Research.** Two options:

   - Make an "Offer with contingencies," or
   - offer to buy an "option" on the property.

9. **Zoning Challenges.** Density regulations are usually the main zoning challenge for forming communities. If clustered development is allowed it usually cannot exceed the local density requirements — and this is worse in environmentally progressive areas.

   - Shop for counties with little to no zoning regulations.
   - In urban areas property is usually already zoned for a specific use and density.

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- Often goals of the city or county's General Plan don't match its current zoning map; the goals are not distributed, understood, or implemented yet; or local officials don't agree on the goals. Get an official opinion — in writing — about a property's zoning from local planning or elected officials *before* buying the property.
- Research history of a property at Country Courthouse or City Hall for a previous Use Permit that may have allowed more density. It's possible to reinstate an expired conditional use permit.
- Applying for a Zoning Variance, a Conditional Use Permit, or for permission to subdivide can take at least a year or more, and thousands of dollars or Euros in permits, fees, and research — it's still not a sure thing. Do this if you have time and money you can afford to walk away from.
- A requests for a zoning variance usually involves one or more public hearings with potential neighbors saying whether they want your future community or not.

10. **Disadvantages of Borrowing Money** include the cost of interest and risking loss of property if you can't make payments. But for most founders, it's the cost of starting a community.

11. **About "Renting Money"—What You Should Know.**

- Friends and family co-signing your loan increases your buying power, but if you miss payments for a few months and the bank or lender can't make back their money by repossessing your property, they'll go after the assets of your cosigners.
- Establish a contingency fund to cover both fixed and variable operating expenses, including loan payments, for 6-12 months.
- Seek only fixed-rate loans.
- Know your group's borrowing power ahead of time.
- Know each other's credit rating ahead of time.
- Get the property appraised ahead of time.
- Negotiate for no payments or interest-only payments for the first few years.

12. **Private Financing.** Advantages — better terms and more leniency if cash flow were tight for a while. Offer friends & family clearly written, well-presented explanation of your community's vision and goals, a strategic plan for how you'll accomplish them and your intended timeline, and how you'll manage and care for your property. Create an agreement, such as a Promissory Note, with all standard aspects of a loan — amount; length of loan; interest rate and terms of repayment; whether secured by real estate or a personal guarantee by group members; if its unsecured, how it will be repaid; and if there's more than one lender, whether each lender will be repaid sequentially or proportionally.

13. **When One Member Buys the Land.** Sometimes this is the only way it can happen. It frees the group from spending months trying to raise money another buyer with ready cash snatches it off the market. The founder buying the property functions like a bank, financing the land for the group at a presumably reasonable rate of interest and being reimbursed over time until the loan is paid back (except for the lending founder's portion of equity).

14. **Protecting Your Sole Owner with a Triple Net Lease.** Problems in sole ownership. If a founder who buys the property makes all decisions affecting the property, other founders can resent the power imbalance. If the whole group makes decisions affecting property value, the owner-founder can resent that his/her equity might be diminished by people who'd risked nothing. The sole property owner would also be solely liable for any lawsuits and damages, and financially responsible for maintenance, taxes and insurance, with no legal recourse to induce others to pay a share of these expenses if there were a dispute.

    You can create a lease document (in the US, a Triple Net Lease, a document normally used in commercial space rentals to describe the rights and responsibilities of landlord and tenant). A Triple Net Lease can be modified, or you can create your own lease document that describes the

rights and responsibilities of the sole owner-founder (the lessor) and the other founders and later members (the lessees). It can serve as a legally binding document to protect the owner-founder from undue financial or legal burdens and spread the responsibilities of property ownership fairly throughout the group. It can declare, for example, that certain named community members (including but not limited to the property owner) have certain property use rights and restrictions, and are equally responsible for paying the cost of maintenance, utilities, taxes, and insurance. It can indemnify the property owner form sole responsibility for liability. This lease document can include clauses that cover any kinds of rights and responsibilities unique to intentional communities but not found in commercial property landlord/tenant issues, and stipulate any default scenarios or remedies in case anyone violates the terms of the lease.

15. **Owner Financing.** Take same steps as in bank financing, including getting property appraised before making an offer. If you're buying developed property and plan to improve it anyway, consider negotiating for a lower down payment or better terms in exchange for a contract promising to do certain improvements on the buildings and infrastructure within a certain period of time after you buy it. Back this up with a business plan showing how much money you'd use for that purpose and where you'd get it.

16. **No Funds? How One Community Did It.** Four families rented a house in small Oregon town, banked the money they saved by group living, bulk food-buying, and creating a car co-op, and saved $50,000 in two years. They used this as the down payment to buy a large house, which they turned into a sustainable homestead and paid off in seven years. Debt free, they began spending their abundant disposable income on recreation and group vacations.

17. **Bank Financing.** This is usually the last choice of community founders, because the development plans of most communities don't meet most banks' criteria for loans. The more ecologically sustainable and non-standard your planned development, the less likely a bank will be interested in it. Nowadays most banks have less money to lend and increasingly depend on immediately selling their local loans to the secondary loan market, "bankers' banks" (like FNMA or "FannieMae" in the US). Thus your planned development needs to be even more standard for a "banker's bank" to approve it (and they don't approve projects with consensus named as the decision-making method in the bylaws), and they don't approve loans quickly and can disapprove of a loan even on the day you pay the money for the property, called the "closing." Get loan confirmation in writing from the bank before counting on it. Some recommendations:

- Make sure your legal documents support getting a bank loan.
- Research local banks.
- Determine the amount you want to borrow and write up your own loan application.
- Create a document showing, in detail, how you plan to use the loan funds.
- Collect résumés, net worth statements, and credit reports for each person in your group co-signing the loan.
- Meet with the bank’s executive vice president.
- Negotiate simultaneously with more than one bank.