

## due diligence

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# Experienced developers quite often neglect to do enough preplanning/due diligence work

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Most experienced developers and development corporations know well and full the importance of proper due diligence, feasibility studies and initial development planning, *prior* to going hard on contract to purchase attractive land for development or renovation. It is surprising, however, that even experienced developers quite often neglect to do *enough* preplanning/due diligence work prior to charging forward with the costly entitlement process.

SURPRISE! This is a dangerous and at times, a deadly word in the land development business. It is the most basic goal and objective of the due diligence/feasibility process to assure that there are minimum numbers of surprises, if not eliminate these unpleasant gremlins altogether. The development industry often feels like flying a B27 bomber into hostile territory. Environmental and zoning rules and regulations come out of the sun from nowhere like enemy fighters. Hostile public sentiment, often emotionally based and irrational, comes in like flack. Feasibility studies to the developer are the best intelligence to help avoid the many minefields that lay in waiting for even the most innovative projects.

The importance of the pre-design or development planning process cannot be overstressed. Adequate time and monies should be invested during this initial phase of any project to assure that a complete understanding of the physical, legal, environmental and political constraints and characteristics of a project are well known prior to commissioning the development of full plans and the development process itself. In this manner, the developer is alerted to factors, which could, potentially delay, add costs, or even derail the successful development of a project.

The wise and experienced developer will hire qualified professionals to perform formal due diligence and feasibility studies at the earliest opportunity and prior to the closing of the due diligence period of a land purchase or lease contract. These studies not only create a plan or road map for the development process, but should include and address, at bare minimum, the following topics:

- On-site investigations
- Site photographs

- Phase one environmental audit
- Wetlands investigation
- Environmental jurisdictions
- Detailed description of physical attributes of the site
- Complete zoning analysis
- Utility availability
- Site accessibility & rules governing the same
- Preliminary engineering feasibilities (drainage)
- Interview of approving authorities & feedback from same
- Preparation of concept or schematic plans
- Preparation of a preliminary development schedule
- Cost estimates

A more detailed study would also delve into the political atmosphere with respect to the receptiveness of the application or project by hu-

man contact with the powers-to-be. Geotechnical analysis and land surveys provide valuable information about the physical constraints of the property. In many cases, it may also be wise to prepare attractive colored site concepts and renderings for presentation to public officials, and marketing early on so that the "vision" of the developer may be better understood.

One of the most important elements of the feasibility is a detailed development schedule. The schedule utilizes one of the more popular scheduling programs which provide a sophisticated method of task identification, sequencing, timing and the ability to map the interdependencies of tasks, sub-tasks and events. By carefully detailing the entire development process, includ-

ing the initial planning, preparation of plan documents, identification of all agencies approvals required, the developer may get a better sense of timing and costs. This will help better anticipation of soft cost time/expenditures and eliminate waste and costly surprises. The development schedule may become a living document which can become the key planning and tracking tool during the development process. It can be modified as conditions change as well as cost loaded to plan cash flow needs and projections.

We have found that the preparation of a detailed development schedule in combination with a well prepared formal site investigation report detailing the entitlement process and identifying and evaluating all aspects of the project devel-

opment is essential in providing a road map of sorts to the development process. It enables all owners and professionals to coordinate their efforts, and can be used as a marketing tool for prospective tenants and provide valuable information to financial institutions for financing the project as well.

Generally speaking, a bound site feasibility or site investigation report including narratives, exhibits, concepts, photos and schedules can be prepared within three to five weeks. The cost, between \$3,000 and \$15,000 depending upon the size and scope of the project. Its worth, *priceless!*

**Richard Kenderian is the president of Kenderian-Zilinski Associates, Wall, N.J.**

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