

DUE DILIGENCE WORKSHEET

for Farm/Ranch Purchase

By Rural Living Today

When you are considering the purchase of a ranch, farm or rural land, it is important to have answers to some very important questions before you actually close the deal. This list can save you a lot of headaches and also help you prioritize what you will need to do to make your new "slice of heaven" livable!

I would encourage you to examine and answer to the best of your ability each issue contained here plus others that might be applicable to the land parcel. If you don't have an answer, give it your best shot and then note it as a "potential risk" item.

When you have completed with your due diligence process, you should have two results. One is a very clear understanding of the potential risks associated with the property purchase. The other is an idea of the added costs required--in addition to the purchase price--to make the parcel livable or ready for construction.

GENERAL CONSIDERATIONS

Does the proposed parcel meet your personal requirements and allow you to do what you want to do? If not, what would be required to adapt it to your needs? This question is site-specific as well as an individual-specific. Make a list of your wants and needs, and then check it off.

Examples:

1. If you want to farm, and a majority of property is forested, what will it cost to make the forest into pasture?
2. If you intend to use a pasture for haying purposes, will you have to renovate the field? Is there enough water to irrigate or is it a sub-irrigated pasture that needs no irrigation?
3. What is the slope of the parcel? What kind of sunlight does it get? Is it on a hill, or behind a hill so it gets significantly less daylight? North slopes tend to be cooler and can lose up to four weeks of a growing season compared to comparable parcels with full sun access.
4. Are there trees on the parcel? If so, are they marketable timber? Some stands are worth a lot of money.
5. Are any existing structures usable? If not, what is your estimate to get them usable?
6. What kind of soil is on the property? Is it fertile and deep, or hardpan? What can you typically grow in it? Neighbors can help here. You can also get a soil map of the area from NRCS (Natural Resources and Conservation Service). Look at the one including your parcel. If there is a question, take soil samples and have them analyzed. This is not a costly procedure.

PLANNING – city, county and state issues

Some parcels may appear to have no issues until you apply for a permit or pursue a development project, and then all sorts of things might pop up. Before your purchase, go to the county planning office and meet with a planner. Ask the planner to take a look at the parcel(s) you are considering and ask if there are any concerns about the properties.

1. Are there any apparent issues that would prevent you from using the land the way you intend? Most of this deals with zoning. Find out what is required for development and building. This may involve some form of master planning or site planning. This is actually a good thing, as it causes you to objectively think out what you plan to ultimately do.
2. Find out about the process for obtaining a building permit (if buying land only and you intend to build). Review that with a person knowledgeable in construction who can point out anything unusual. If there are any issues, get an understanding of what it might cost you. Also, find out how long it usually takes for the county to issue required permits or perform inspections.
3. Are there any red flags that should be investigated? If so, find out what they are and who you need to contact to get specific resolutions.
4. Are there any designated wetlands on the property? If there are, you will have some specific building setback requirements for anything you want to do.
5. Are taxes paid up to date?

LEGAL ISSUES

This is a very important yet often overlooked area of due diligence, as it can be hard to understand. Because it might require professional help at a cost prior to the actual purchase, many people fail to do this part of due diligence. Sometimes it is a judgment call as to what is really important. The following items should be examined legally.

1. *Water rights:* This issue isn't about whether there is water in the well, but rather, whether or not you have the legal right to drill a well or use water on the property for activities above and beyond personal use. What rights do you have for irrigation? Livestock watering? Water for personal consumption is not usually an issue, but make sure you can irrigate a field if you intend to do that.
2. *Property boundaries:*
 - a. Is there a recorded survey? If so, get a copy from the county and verify it with boundary markers that you see.
 - b. Talk to adjacent neighbors with existing fences and ask them if the fence lines match their understanding of the true property lines.
 - c. Walk the property and see if there are any other fences that might infringe on future use. If they have been there a while, they could pose a legal boundary issue in the future.

- d. If there are any potential issues or critical boundaries to be verified, have a property survey done and put in the property corners. This is another step often omitted by prospective buyers. Evaluate your level of comfort and security vs. the cost of the survey, which will run many \$1000's. Take a look at an aerial map by Google Earth. This can really be an eye opener. The county accessor maps also can be a great resource. The point is for you to have a clear sense of the property lines.
 - e. One note here: Rural property lines, while very important, are not exact. Obviously, a small discrepancy on a 20 acre parcel is not nearly as important as one on a standard city lot.
3. *Easements on the property:*
- a. Are there any recorded easements on the property? There could be an easement for the electrical company to put a future 25,000 volt power line through the center of your property. Or it could be access for a new natural gas line or any other kind of utility. It could be one for a power line leading to a neighbor's property or an access road for a neighbor to reach his property.
 - b. If there is an easement, is there a maintenance agreement in place?
 - c. You don't need to contest easements; you just need to determine if there is something planned that YOU ARE NOT AWARE OF. Again, know this before you buy.
4. *Legal Access to Your Property:*
- a. If directly from a county public road, you have clear access.
 - b. If from a private access road or if it crosses over a private parcel you must:
 - Determine that the access use is recorded.
 - Determine that the county recognizes this as the legal access for the parcel.
 - Determine whether additional work is needed to upgrade the road to required county standards.
 - Talk to the owner of the property the road crosses and see what the owner's understanding is.
 - c. If it is a road used by multiple parcels, determine if there is a ROAD MAINTENANCE AGREEMENT. This will determine responsibility for routine and special maintenance of the road. Examples of this: More gravel is needed--who pays? Winter plowing is required--who does it?

UTILITIES

1. *Power:*
 - a. What power is onsite or nearby?
 - b. What is the power company's estimate to bring power to where you potentially want to put your structures?
 - c. One big question you need to answer--and it is a cost issue--should the power be buried or run overhead on poles? Remember that buried power is less likely to be affected by wind, snow, and ice.

- d. Determine if you need or want three-phase power. Some utility companies provide it and some don't. It is really needed only for heavy duty shop applications such as welding equipment.
2. *Telephone*: Sometimes this can be run with the power line but is a different utility from the power company. How close is telephone to the parcel? Again, relatively accurate costs should be quoted by the telephone utility.
3. *Internet*: Is DSL or broadband internet available? If not, your only potential is satellite internet.
4. *Cable*: This usually is not an issue, as it isn't usually available for rural properties.
5. *Water*: Is there a public water connection? If not, what water is available onsite? A strategy for obtaining water is vital prior to your closing. This may be one of your biggest risks.
6. *Wells*:
 - a. If you are buying a developed property, test and inspect any existing well(s). There are many companies that can quickly and inexpensively test well capacity and water quality. This will give you a clear understanding of existing water sources.
 - b. If there is no acceptable source of water, a well must be drilled or dug.
 - Drilled wells are very common. Neighbors or a local well drilling company can give you an idea of what /where/how much/ water might be obtained by drilling. There is no guarantee though. Some sites CLEARLY will have water and some CLEARLY will not (stay away from these). Many will fall in-between. Costs of wells/pumps could be from \$3000 to over @\$25,000.
 - Surface wells are also called dug wells. If there is water near the surface this could be one of your options.
7. *Sewer/Septic* :
 - a. Is public sewer available?
 - b. Is there an existing system of septic tank and drain field?
 - If so, these should be tested and inspected so you know their condition.
 - If none exist, a new septic system must be installed. The local health department can most likely help you with designers or installers. A couple of phone calls can probably provide you some initial answers. However, the design is fully based on the kind of soil that is used for the drain field. Beware of wet ground!! This could cause significant added costs for the system.

EXISTING HOME AND STRUCTURES

1. Have inspections completed on a home and any other usable structures so that you will have a clear understanding of the condition of each one. This will provide you the basis to estimate any additional work you may have to do to make it livable for your purposes.
2. Examine any abandoned structures on the property. If they are condemned, the county may require you to either repair or remove them. One example of this is a mobile home that stood on a piece of property. Inside the mobile home was

extremely bad mold and mildew that rendered the mobile home useless for any form of habitation. In a case like this, you may decide to have the seller remove it from the site prior to closing on the property so you are not responsible for it.

After taking care of due diligence, you will be able to sleep better knowing that you have examined this major purchase reasonably and you are now ready for the next steps!

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