

# BARRY GROSS

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## Advisory Services for Land Optimization

- **Portfolio owner:** a parcel approved for 1,400 units was acquired as part of a portfolio purchase. After evaluation, the client recorded the property on its books with no value (a complete loss). We were engaged to identify a different disposition strategy. Based upon our recommendations, the project was reentitled including avoidance of an area requiring expensive grading. Five years after our assignment, we were informed the project was 2/3 sold out and the builder had earned more than \$70,000,000.
- **Lender client** had foreclosed a property. An appraisal based upon an approved Specific Plan for 1,300 units indicated the property could not be profitably developed. Our client retained us to determine if there was an opportunity to monetize the property. We worked with the local jurisdiction and within one year obtained an approved tentative tract map for 139 units and an updated approved Specific Plan for an additional 1,300 lots. Due to regulatory constraints, the lender sold the property and recovered \$9.0 M. Our client's buyer is processing the remainder of the property to full entitlement and this buyer is projecting additional cash flow of \$50.0M.
- **Texas developer** with a 400-acre property. Their initial plan was to develop the property for a multiproduct line residential use. After reviewing the zoning code and city financial incentives, we suggested that he change the use to a combination of industrial and multifamily. Based upon marketing information provided by a national broker, the land residual was doubled from about \$40.M to more than \$80.M and the project duration will be reduced from more than 5 years to less than 2 years.
- **Private Equity Client** was underwriting the purchase of about 1,700 acres for about 4,000 homes. The fund had an underwriting budget of \$200,000. We were engaged and reviewed the documents provided by the project sponsor. These included project cash flows, title documents, geotechnical reports, water availability studies, preliminary sanitation facilities plans, a Phase 1 analysis, a public facilities finance plan, a market study, a proposed land plan among other documents. We visited the site, spoke to all the consultants, reviewed the documents and prepared an underwriting summary memo within 17 days. Other than attorneys, the private equity fund did not engage any other consultants. The project was approved by the private equity fund. The client underwriting costs, including attorney's fees were less than \$90,000 saving the client \$110,000.
- **Oil producer** owned 4,500 acres in central California. A portion of the field was depleted, and the oil producer considered developing 1,500 acres for a mixed-use project. We reviewed the area zoning code and met with elected officials and local government personnel. We obtained marking information from the Internet. Without the benefit of working with a land planning firm, we developed a product mix of residential, multifamily, affordable, retail, office and industrial uses. We then met with a land planning firm to develop a preliminary site plan that was the basis of a land residual model, including cash flows. The client is currently processing a Specific Plan.
- **Industrial scale farmer** retained us to evaluate the opportunity to convert 5,000 acres of farmland to a Master Planned Community in Central California. In this case, we were provided a preliminary land plan. We developed preliminary market information from the Internet and prepared a land residual value projection. Our analysis indicated the property, if approved, would be a financial success. The client is now dealing with the political process to determine if they want to pursue the entitlement.
- **Other services:** processing Specific Plans, Tentative Tract Maps, Environmental Impact Reports and Resource Permits. Preparation of Project Budgets, Cash Flows, Project Schedules and Partner Waterfalls. Focus on identifying product mixes resulting in increased Land Residuals Values and Net Present Values while maximizing Internal Rates of Return and minimizing peak capital.
- **Product segments evaluated include** Master Planned Communities, Residential, Multifamily, Industrial, Retail, Office, Hotels.

