



12 STEPS

OF THE DEVELOPMENT PROCESS

STEP TWELVE: SETTLEMENT

Finally, you're that close you can almost smell the money in your account. After years of hard work (and lots of learning), this time has finally arrived. The time where all the blood, sweat and tears finally come to fruition and you have something to show for all the hard work.

It doesn't matter if you are selling your development or keeping it for the long term, this is a time to celebrate the progress and outcomes you have achieved.

Well almost anyway. There's still a couple more jobs to do.

Most people think its settlement time, what more can possibly need to happen. Instruct the solicitors and get the money in the door. You should have learnt by now, nothing is that simple.

There's a couple more things you need to have done, and these can mostly happen whilst construction is wrapping up. The earlier you plan these steps the smoother and faster things will complete at the end.

Final Inspections

Has the builder completed the construction to the specifications included in the contract? Is the inclusions list complete, and the quality up to scratch? Whilst the builder will provide a defect liability period, it is much easier to have things right at the start, so be thorough in your handover approach.

You might also consider having an independent building inspector go through the properties with you to identify any issues. A good building inspector is a trained professional with (if you've picked a good one) years of building experience and knows all the "tricks of the trade". Their job will be to identify any faults or shoddy tradesmanship, and ensure you take possession of an A1 completed project.



Subdivision

Now if you are creating multiple dwellings in your project, you will undoubtedly also be looking to subdivide the properties. Now I know it's a bit late, but a quick tip is that you should always look to have the subdivision included as part of your initial DA approval. A rookie mistake is to have the development approved, but not the subdivision. Then when you get to this point you realise your error, and can have significant time delays in organising something that should have been done way back at the beginning.

In order to subdivide the property, you will need to re-engage your surveyor or to start the preparation of the final subdivision plans. This will involve a final survey, detailing the boundaries, internal areas and common property. This process can generally be started once the driveway is in and the fencing erected.

Once prepared, this documentation needs to be signed off (approved) by your bank and your local council (or specialist certifier), and then submitted to "Land Registry Services" to register the change in title, and issue separate titles for each individual property. The purchasers of your new properties can't pay you if you don't have a legally recognised property to hand back in exchange. This process can take several weeks to plan and execute, as you are dealing with 3rd parties that you have no control over. Remember, "The squeaky wheel gets the oil".

In NSW, Land Registry Services advise they can take 6 weeks to finalise the subdivision paperwork, and that is reliant on all the documentation being correct. A wrong stroke of the pen, and back the paperwork comes for correction and then re-lodging, so this is a really important process. Every day that settlement is delayed could be costing you hundreds, even thousands of dollars, so it's important to get this right.

(Note: we operate in NSW, we are referencing the NSW process and departments. Whilst other states may be slightly different and separate government departments, the process may be similar)



Body Corporate/Strata

The other thing you need to have organised is the Body Corporate, who is going to look over the ongoing administration and running of your Strata or Community subdivision. If you are doing a traditional Torrens title subdivision, you will not need to worry about this part of the process, however generally when developing multi dwelling developments, the body corporate is generally involved.

If I jump back a couple of steps to Step 10 - Marketing, your off the plan marketing agency will probably have already asked you for a copy of the draft strata and estimate of fees. Way back in the design phase, your need to organise your team to prepare a draft strata, which allocates each units entitlements, including courtyards and common areas of the complex. From this document, a Strata manager can prepare an estimate of the ongoing Strata Management Fees for you. This can often be a consideration for a purchaser, and your solicitor will normally ask for this when preparing a contract.

So you will normally have contact with a Strata Manager much earlier in the peace. As with all of your consultants, it is worth meeting with a couple, and discussing the services you offer. Whilst you may be planning on selling all of your developments off, and may not be involved long term with the ongoing management of the complex, it is always good to have an understanding of what your Strata Manager does, and ways to streamline your processes.





Tax/GST

A much overlooked part of the settlement process is the area of Accounting. You've spent all of this money and time, and now you are nearing your pay day, but remember all of that money isn't yours. It's a good idea to have a chat to your accountant (hopefully this isn't the first time you have done this, as you should also discuss your plans prior to commencing to decide the best way to structure the transaction) to plan your steps forward post settlement.

In NSW there are now rules around with holding funds from settlement proceeds to ensure GST is being collected on new development projects, so making sure your affairs are in order early is imperative in maximising the correct profit available back to you at settlement.

Remember, you may also have GST implications on your development, and additional tax payable for you personally (or through your entity) so you need to plan what is owing and when it needs to be paid, so you have sufficient funds allocated to cover these expenses. Now hopefully you're ready for settlement, so instruct your solicitor to notify the purchasers and get the money in the bank.