

Wheeling and Dealing

A real estate agent talks about selling out.

We talked with John Bates, a veteran Coldwell Banker real estate broker in Naperville, IL (a Chicago suburb). He has considerable experience lining up farmland sales for commercial or residential development in the midst of some of the country's thickest suburban sprawl.

PF: Can you give us an idea of how much business you do?

BATES: About \$50 million in sales this year [2001]. That's property taken on contract for the one to two years to get it through the process.

PF: The process?

BATES: You are typically looking at a one to two-year period for a developer to go through all the processes such as zoning and platting. The developer usually closes on the deal 30 days after final platting.

PF: The farmer has to basically put his land on hold – not do anything else with it – while the developer lines up their project for one to two years.

BATES: Reputable builders and developers generally put up hard money to show they are for real. Typically there should be \$25,000 on an 80 acre piece given to the owner 120 days after receipt of a recent survey.

PF: That's just basically up-front money for trouble of tying up his or her land, right?

BATES: Right, but the biggest problem I have is, finding land. Many landowners are looking to do a tax-deferred land swap. But when they are looking to buy land at \$3,000 to \$5,000 per acre and they are selling theirs for \$25,000 to \$50,000 per acre they'll need five to 10 times as much land, it can be tough finding 2,000 acres of land for the tax-free exchange that the farmer desires.

PF: Is there, naturally, a lot of debate about farmland 'preservation and urban and suburban sprawl?

BATES: Some farmers and others in Kane County (just west of Chicago) are trying to limit growth, to keep it a rural farming area. It's unfortunate, I think, that it could take away the right of farm owners if they want to sell. Why shouldn't they get the best price?

PF: Can this growth, for instance in the Chicago area, continue indefinitely?

BATES: We're running into some problems. Some municipalities are growing so fast their sewer or water-pumping capacities are being overwhelmed. These are the things that developers and we look at.

Is it close enough to be serviced by the community? Developers and builders are now going further out.

PF: Is there also a lot of debate about how dense developments should be?

BATES: Remember that density (the number of homes per acre) equals dollars, not only in the developer's pockets but in the farmer's as well. When a community's future-use plan [assuming they have one] suggests residential estate zoning, the farmer can anticipate very little in price per acre. Estate zoning means 1 to 1.8 units per acre. Developers might have an interest in purchasing that property for \$7,500 to \$21,600 per acre.

PF: \$21,600 per acre! That's nothing to sneeze at.

BATES: But property zoned as a medium-density residential area can bring eight units per acre with a resulting price of \$60,000 to \$96,000 per acre.

PF: So, really, density is a good thing in your business?

BATES: Three things happen with higher densities. There is more money to the farmer, a more viable project to the developer and builder with the likelihood of more money, and less suburban sprawl.

PF: What do you mean?

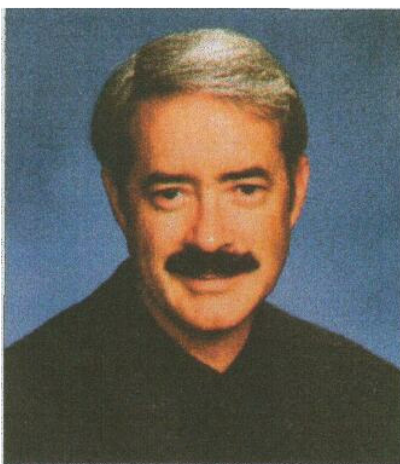
BATES: When a developer is planning a subdivision, he needs to put the same amount roads and underground water and sewer lines for one unit to an acre as he would for eight units to an acre. Some farmers don't know how the game is played. That's, where I can help.

PF: How so?

BATES: The farmer or landowner should make sure that whenever they have a property go to contract they receive all plant, soil tests, plans, etc, at no cost. Just in case the developer decides not to buy, they have more information that may help the next sale go quicker.

PF: Preliminary meetings, zoning boards, the platting process, surveys, wetland and floodplain studies — how long does all of this take?

BATES: The quickest deal I've ever done took from start to finish, about nine months. Most take 14 months to two years I don't want to jinx myself, but I have been on one that has already been two, going on three years- But that is not normal, and that development is 880 acres—that is an enormous project.



John Bates is a veteran Real Estate Broker in the Chicago area.
Photo courtesy of Coldwell Banker