

Property Acquisition and Due Diligence Checklist

I. SUMMARY

- A. Property Location: _____
- B. Seller Name: _____
- C. Purchase Price: _____
- D. Contingency Periods and Critical Dates
 - 1. Title Contingency: _____
 - 2. Inspection Contingency: _____
 - 3. Environmental Contingency: _____
 - 4. Financing Contingency: _____
 - 5. Lease Review Contingency: _____
 - 6. Other Contingencies: _____
 - 7. Increase Deposit on: _____
 - 8. Closing Date: _____

Property Acquisition and Due Diligence Checklist

II. NEGOTIATION OF PURCHASE AGREEMENT

<i>Item</i>	<i>Party Responsible</i>	<i>Date Due</i>	<i>Date Done</i>
A. Determine Transaction			
1. Straight Purchase	_____	_____	_____
2. Option (if any)	_____	_____	_____
3. Ground Lease	_____	_____	_____
4. Sale and Leaseback	_____	_____	_____
5. Installment Sale	_____	_____	_____
6. Master Lease	_____	_____	_____
B. Draft and Negotiate Letter of Intent	_____	_____	_____
C. Determine Purchasing Entity	_____	_____	_____
D. Determine Form of Purchase Agreement	_____	_____	_____
E. Retain Attorneys to Handle Drafting/Negotiations	_____	_____	_____
F. Negotiate Critical Terms of Agreement			
1. Purchase Price	_____	_____	_____
2. Deposit	_____	_____	_____
a. Amount	_____	_____	_____
b. Timing	_____	_____	_____
c. Who holds	_____	_____	_____
d. Who received interest	_____	_____	_____
e. Liquidated damages	_____	_____	_____
3. Specific Contingencies	_____	_____	_____
4. Contingency Periods	_____	_____	_____
5. Financing	_____	_____	_____
a. Third party	_____	_____	_____
b. Seller carry-back	_____	_____	_____
c. Assumption of existing loans	_____	_____	_____
6. Extension Rights (Closing & Contingency)	_____	_____	_____
7. Closing Date	_____	_____	_____
8. Condition of Title (Survey)	_____	_____	_____
9. Title Company and Escrow	_____	_____	_____
10. Seller Covenants	_____	_____	_____
a. Rental guarantees	_____	_____	_____
b. Leasing activities pre-closing	_____	_____	_____
c. Completing current tenant improvements	_____	_____	_____
d. Pay unpaid leasing commissions	_____	_____	_____
e. Seller lease-back	_____	_____	_____
11. Representation and Warranties	_____	_____	_____
12. Indemnities	_____	_____	_____
13. Closing Costs and Commissions	_____	_____	_____
14. Proration Formulas	_____	_____	_____
15. Holdback for Repairs, Environmental, etc.	_____	_____	_____
G. Finalize Any Brokerage Agreements	_____	_____	_____
H. Record Memorandum of Purchase Agreement	_____	_____	_____

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III. CONTINGENCY PERIOD DUE DILIGENCE

<i>Item</i>	<i>Party Responsible</i>	<i>Date Due</i>	<i>Date Done</i>
A. Title and Escrow			
1. Select Title Company	_____	_____	_____
2. Order Preliminary Report & Copy of Exceptions	_____	_____	_____
a. Specify ALTA or CTLA title policy	_____	_____	_____
b. Request survey update	_____	_____	_____
c. Get legible copies of exceptions	_____	_____	_____
d. Have all easements plotted	_____	_____	_____
e. get copy of subdivision map	_____	_____	_____
f. Consider requesting chain of title	_____	_____	_____
g. Get current assessment amounts	_____	_____	_____
3. Order Survey	_____	_____	_____
a. Select surveyor	_____	_____	_____
b. Negotiate cost	_____	_____	_____
c. Specify certification and scope	_____	_____	_____
4. Review Preliminary Report & Exceptions	_____	_____	_____
a. Liens	_____	_____	_____
b. Restrictions	_____	_____	_____
c. Taxes and assessments	_____	_____	_____
d. Easements	_____	_____	_____
e. Right of Way	_____	_____	_____
f. Covenants, Conditions & Restrictions (CC&R) and Reciprocal Easement Agreements (REA)	_____	_____	_____
1. Obtain estoppels	_____	_____	_____
2. Review articles, by-laws & budgets of any association	_____	_____	_____
5. Determine if New Easements Needed	_____	_____	_____
6. Determine if New CC&Rs or REAs Needed	_____	_____	_____
7. Review Survey	_____	_____	_____
a. Certification (to buyer and lender)	_____	_____	_____
b. Encroachments	_____	_____	_____
c. Easements	_____	_____	_____
d. Property description	_____	_____	_____
e. Deliver to title company	_____	_____	_____
8. Timely Object to Title Problems	_____	_____	_____
9. Determine Required Endorsements	_____	_____	_____
a. Owner's 100	_____	_____	_____
b. Subdivision	_____	_____	_____
c. Encroachments	_____	_____	_____
d. Survey	_____	_____	_____
e. Access	_____	_____	_____
f. Inflation	_____	_____	_____
g. Binder	_____	_____	_____
h. Bankruptcy exclusions	_____	_____	_____
10. Obtain Pro Forma Title Policy	_____	_____	_____
11. Open Escrow	_____	_____	_____
a. Deliver deposit	_____	_____	_____
b. Specify Investments for deposit	_____	_____	_____
c. Select escrow agent	_____	_____	_____
d. Obtain reinsurance if necessary	_____	_____	_____
B. Debt Financing			
1. Determine if Debt Financing is Necessary	_____	_____	_____
a. Contrctution loan	_____	_____	_____
b. Takeout loan	_____	_____	_____

2. Determine if Existing Loan is Assumable	_____	_____	_____
a. Review existing loan documents	_____	_____	_____
b. Negotiate assumption agreement	_____	_____	_____
3. Determine Availability of Bond Financing, Redevelopment Funds, or Similar Financing	_____	_____	_____
4. Consider Seller Financing	_____	_____	_____
5. Consider Secondary Financing	_____	_____	_____
6. Prepare Lender Package	_____	_____	_____
7. Contact Lenders	_____	_____	_____
8. Negotiate Terms and Loan Application	_____	_____	_____
a. Rate, term, amount	_____	_____	_____
b. Nonrecourse/guarantees	_____	_____	_____
c. Transfer/assumption rights	_____	_____	_____
d. Other Terms	_____	_____	_____
9. Negotiate Loan Commitment	_____	_____	_____
a. Commitment Fee	_____	_____	_____
1. Cash	_____	_____	_____
2. Letter of Credit	_____	_____	_____
b. Conditions for funding	_____	_____	_____
10. Approve or Disapprove Financing Contingency	_____	_____	_____
C. Equity Financing	_____	_____	_____
1. Determine if Equity Financing Is Necessary	_____	_____	_____
2. Identify Possible Equity Sources	_____	_____	_____
3. Identify Possible Equity Structures	_____	_____	_____
4. Consider Seller as Equity Source	_____	_____	_____
5. Consider Ground Lease Structure for Equity	_____	_____	_____
6. Consider Sale/Leaseback	_____	_____	_____
7. Prepare Package for Equity Financing	_____	_____	_____
8. Negotiate Equity Documents	_____	_____	_____
9. Obtain Firm Commitment	_____	_____	_____
10. Approve or Disapprove Financing Contingency	_____	_____	_____
11. Consider Pre-Sale	_____	_____	_____
D. Environmental	_____	_____	_____
1. Retain Environmental Engineer or Consultant	_____	_____	_____
2. Conduct and Review Phase I Investigation	_____	_____	_____
3. Conduct and Review Phase II Investigation	_____	_____	_____
4. Deliver Environmental Reports to:	_____	_____	_____
a. Prospective lenders	_____	_____	_____
b. Prospective equity participants	_____	_____	_____
c. Seller	_____	_____	_____
5. Prepare Response to Environmental Reports	_____	_____	_____
a. Prepare remediation plan	_____	_____	_____
b. Renegotiate seller's cleanup obligations	_____	_____	_____
c. Obtain clearance from necessary agencies	_____	_____	_____
d. Consider closure of underground tanks	_____	_____	_____
e. Obtain third party commitment to remediate	_____	_____	_____
f. Obtain remediation cost bid	_____	_____	_____
6. Approve or Disapprove Environmental Contingency	_____	_____	_____
E. Leases and Contract Review	_____	_____	_____
1. Obtain and Review the Following Documents:	_____	_____	_____
a. Rent Roll	_____	_____	_____
b. All leases and lease amendments	_____	_____	_____
c. All lease guarantees and subleases	_____	_____	_____
d. Lease concessions	_____	_____	_____
e. Tenant and guarantor financial statements	_____	_____	_____
f. Gross sales reports	_____	_____	_____
g. Current rent delinquency report	_____	_____	_____

h. Historical rent delinquency report	_____	_____	_____
i. Any executed letter of intent	_____	_____	_____
j. Most recent leasing status report	_____	_____	_____
k. Standard form lease	_____	_____	_____
l. All service and maintenance contracts	_____	_____	_____
m. All management contracts	_____	_____	_____
n. All warranties and guarantees	_____	_____	_____
2. Prepare Estoppels for Leases and Contracts	_____	_____	_____
3. Deliver, Receive and Review Estoppels	_____	_____	_____
4. Approve or Disapprove Estoppel Contingency	_____	_____	_____
5. Obtain Subordination Agreements for New Lender	_____	_____	_____
6. Determine Which Contracts Will be Terminated	_____	_____	_____
7. Renegotiate Tenant Leases	_____	_____	_____
8. Conduct Manager and Contractor Interviews	_____	_____	_____
9. Approve or Disapprove Lease Contingency	_____	_____	_____
F. Financial Analysis	_____	_____	_____
1. Review and Approve the Following:			
a. Historical financial statements	_____	_____	_____
b. Year-to-date unaudited financial statement	_____	_____	_____
c. Current operating and capital budgets	_____	_____	_____
d. Historical capital expenditures	_____	_____	_____
e. Real estate tax bills (including assessments)	_____	_____	_____
f. Aged receivables report	_____	_____	_____
g. Insurance policies now in effect	_____	_____	_____
h. Claims under insurance policies	_____	_____	_____
2. Prepare Pro Forma Budgets and Cash Flows	_____	_____	_____
3. Analyze Value on Cost, Comparable and Other Bases	_____	_____	_____
4. Approve or Disapprove Economic Contingency	_____	_____	_____
G. Physical Inspection	_____	_____	_____
1. Determine Gross and Net Acreage	_____	_____	_____
2. Inspect Physical Improvements	_____	_____	_____
a. Obtain and review the following reports:			
1. Engineering reports	_____	_____	_____
2. Mechanical reports, including HVAC	_____	_____	_____
3. Roof reports	_____	_____	_____
4. Asbestos reports	_____	_____	_____
5. Seismographic reports	_____	_____	_____
6. Existing plans and specifications	_____	_____	_____
7. Americans with Disabilities Act (ADA reports)	_____	_____	_____
8. Architect's review	_____	_____	_____
9. Structural engineer reports	_____	_____	_____
10. Contract's reports	_____	_____	_____
11. Fire code reports.	_____	_____	_____
b. Review public records regarding violations	_____	_____	_____
c. Analyze feasibility of planned modifications	_____	_____	_____
1. Discuss with building & planning agencies	_____	_____	_____
2. Process permit	_____	_____	_____
d. Inspect parking areas	_____	_____	_____
e. Determine compliance with Uniform Building Code (UBC) and zoning	_____	_____	_____
f. Obtain Inspection by Insurance company	_____	_____	_____
g. Obtain personal property inventory	_____	_____	_____
h. Perform UCC-3 search	_____	_____	_____
i. Approve or disapprove inspection contingency	_____	_____	_____
3. Inspect Nature of Land	_____	_____	_____
a. Topography	_____	_____	_____
b. Soils	_____	_____	_____
c. Obtain and review soils report	_____	_____	_____

d. Special conditions/cost	_____	_____	_____
e. Drainage	_____	_____	_____
1. Any special requirements	_____	_____	_____
2. Cost of such requirements	_____	_____	_____
4. Inspect Vegetation	_____	_____	_____
a. Usefulness	_____	_____	_____
b. Sensitivity	_____	_____	_____
5. Inspect Natural Water	_____	_____	_____
a. Usefulness	_____	_____	_____
b. Flood Hazard	_____	_____	_____
c. Sensitivity	_____	_____	_____
d. Water table	_____	_____	_____
6. Mineral Rights	_____	_____	_____
7. Special Hazards	_____	_____	_____
a. Erosion potential	_____	_____	_____
b. Subsidence potential	_____	_____	_____
c. Fault zones potential	_____	_____	_____
d. Noise/vibration	_____	_____	_____
e. Toxics/chemicals	_____	_____	_____
f. Existing underground tanks	_____	_____	_____
g. Unsightly neighbors	_____	_____	_____
h. High winds	_____	_____	_____
i. Incompatibly zoned neighbors	_____	_____	_____
8. Accessibility	_____	_____	_____
a. Frontage/access streets	_____	_____	_____
b. Ability to handle projected traffic	_____	_____	_____
1. Necessity for new signals	_____	_____	_____
2. Necessity for road expansion	_____	_____	_____
c. Distance to major freeway	_____	_____	_____
d. Distance to shopping	_____	_____	_____
1. Convenience shopping	_____	_____	_____
2. Regional shopping	_____	_____	_____
e. Fire access	_____	_____	_____
9. Solicit Local Advice	_____	_____	_____
a. Seller(s)	_____	_____	_____
b. Local civil/soils engineers	_____	_____	_____
c. Planning/public works	_____	_____	_____
d. Architects	_____	_____	_____
e. Others	_____	_____	_____
10. Utilities	_____	_____	_____
a. Water	_____	_____	_____
1. Availability	_____	_____	_____
2. Sufficient quantity/pressure	_____	_____	_____
3. Hook-up charges (fees)	_____	_____	_____
4. Separation of fire and domestic supply	_____	_____	_____
b. Sewer	_____	_____	_____
1. Adequate suppliest to the site?	_____	_____	_____
2. Hook-up charges (fees)	_____	_____	_____
c. Gas/electric	_____	_____	_____
1. Availability	_____	_____	_____
2. Cost to make available	_____	_____	_____
3. Fees (how much, who pays)	_____	_____	_____
d. Telephone	_____	_____	_____
1. Availability	_____	_____	_____
2. Cost to make available	_____	_____	_____
3. Fees (how much, who pays)	_____	_____	_____
e. Cable TV/satellite dish	_____	_____	_____
f. Storm drains/flood control	_____	_____	_____
1. Cost	_____	_____	_____
11. Existing Approvals	_____	_____	_____

- a. Review the following:
 - 1. All licenses, permits and approvals
 - 2. Certificates of occupancy
 - 3. Copies of any notices of violations of law
 - 4. List of litigation pending against property
 - 5. Conditional use permits
 - 6. Pending Environmental Impact Reports (EIR)
 - b. Obtain estoppels from local agencies
 - c. Obtain new permits required for redevelopment
- H. Governmental Due Diligence
- 1. Analyze Political Situation
 - a. Politics of the city
 - b. Politics of the site
 - c. Neighborhood politics
 - 2. Analyze City Submission Process
 - a. Type and steps
 - 3. Analyze Zoning/Density
 - a. Present zoning
 - b. Likely density
 - c. Planned changes
 - d. Procedure for changing
 - e. Attitude of city officials towards changing
 - 4. Determine Attitude of Neighbors
 - 5. Investigate Growth Restrictions
 - a. Existing
 - b. Proposed
 - c. Attitudes
 - 1. City officials
 - 2. Citizens
 - 6. Investigate Planning/Building Requirements
 - a. Parking
 - b. Design criteria
 - c. Setbacks
 - d. Special requirements/restrictions
 - e. Landscaping
 - f. Height
 - g. Condo vs. apartment requirements
 - h. Sprinklers
 - i. ADA requirements
 - j. Sound wall requirements
 - k. Solar requirements
 - l. Security requirements
 - m. Seismic requirements
 - 7. Low/Moderate Income Requirements
 - 8. Public Use Requirements
 - a. Fire station
 - b. Open space, parks, roadway, school, etc.
 - c. Any condemnation likely?
 - d. Historical/archaeological
 - e. Wildlife/environment
 - f. Flood/fire/earthquake
 - 9. Investigate Subdivision Requirements
 - a. Steps required
 - b. Maps required
 - c. Timing
 - d. Special requirements
 - 10. Investigate City Fees

a. Building/permits	_____	_____	_____
b. Subdivision/site development	_____	_____	_____
c. Planning/zoning	_____	_____	_____
d. Utility	_____	_____	_____
1. Sewers	_____	_____	_____
2. Water	_____	_____	_____
3. Electrical/gas	_____	_____	_____
4. Storm drains	_____	_____	_____
e. Parks	_____	_____	_____
f. Roads/traffic	_____	_____	_____
g. Schools	_____	_____	_____
h. Special fees	_____	_____	_____
i. Special assessments	_____	_____	_____
j. Tree fee	_____	_____	_____
k. Street lighting	_____	_____	_____
l. Underground signaling	_____	_____	_____
m. Housing mitigation fees	_____	_____	_____
n. Flood control	_____	_____	_____
o. Engineering/Inspection	_____	_____	_____
p. Special taxes	_____	_____	_____
q. Growth management fees	_____	_____	_____
11. Review Off-Site Improvements	_____	_____	_____
a. Storm drainage	_____	_____	_____
b. Road improvement	_____	_____	_____
c. Flood control	_____	_____	_____
d. Parks improvement	_____	_____	_____
e. Special facilities	_____	_____	_____
f. Traffic signals	_____	_____	_____
g. Sanitary	_____	_____	_____
h. Underground utilities	_____	_____	_____
i. Sidewalks	_____	_____	_____
12. Analyze Possible Development Agreements	_____	_____	_____
a. Are they available	_____	_____	_____
b. Is a long agreement required	_____	_____	_____
I. Negotiate New Leases	_____	_____	_____
1. Identify Prospective Tenants	_____	_____	_____
2. Obtain Seller Consent to Negotiate	_____	_____	_____
3. Draft Letter of INTent	_____	_____	_____
4. Draft New Leases	_____	_____	_____
J. Ground Leases	_____	_____	_____
1. Review and Approve Ground Leases	_____	_____	_____
2. Confirm Finance Ability	_____	_____	_____
3. Renegotiate	_____	_____	_____
4. Buy-Out Ground Lessor	_____	_____	_____
5. Get Ground Lessor Estoppel	_____	_____	_____
6. Draft and Obtain Ground Lessor Consent	_____	_____	_____
7. Prepare Form of Ground Lessor Assignment	_____	_____	_____
K. Obtain Board Approval	_____	_____	_____
L. Other	_____	_____	_____
1. Obtain Appraisal	_____	_____	_____
2. Determine If Any Current or Theatebed Litigation	_____	_____	_____
3. Determine If Any Current or Threatened Condemnation	_____	_____	_____



Property Acquisition and Due Diligence Checklist

IV. CLOSING DUE DILIGENCE AND PROCEDURES

<i>Item</i>	<i>Party Responsible</i>	<i>Date Due</i>	<i>Date Done</i>
A. Preparing Partnership (or LLC) Agreement			
1. Determine Identity of Partners or Members			
2. Determine Capital Contributions			
3. Determine Recentage Interests			
4. Determine Voting Rights			
5. Determine Buy-Out Right			
6. Reserve Partnership or LLC Name			
7. File LP-a			
8. Obtain Tax ID No.			
9. Draft Partnership or LLC Name			
10. Execute Partnership or LLC Agreement			
11. Deliver Partnership or LLC Agreement to Lender			
B. Prepare Final Closing Documents			
1. Grant Deed			
2. Bill of Sale			
3. Assignment of Leases			
4. Assignment of Intangibles			
5. Escrow Holdback Agreement			
6. Tax Withholding Statements			
7. Loan Documents			
8. Partnership Agreement (see Advising Partners)			
9. Loan Assumptions			
10. Authority Documents			
11. Environmental Indemnity			
12. State Withholding Exemption Certificate			
13. FIRPTA Statement			
14. Preliminary Change in Ownership Report			
C. Prepare Escrow Instructions			
1. No Transfer Tax of Record			
2. Consider Minimization of Transfer Tax			
3. Deposit of Funds			
4. Condition Closing on Termination of Contracts			
5. Condition Closing of Final Buyer Inspection			
6. Confirm Seller Authority to Sign			
D. Approve Closing Statement			
E. Finalize Title Policy			
F. Arrang for Wire Transfer of Funds			
G. Obtain Original Seller Materials			
1. Keys			
2. Original Leases and Contracts			
3. As-Builts and Other Plans			
4. Guanantees and Warranties			
5. Correspondence and Financial Records			
6. Other Original Material			
7. Security Deposits			
8. Permits and Certificate of Occupancy			
9. Other Books and Records			
H. Miscellaneous			

1. Termination Designated Contracts
2. Send Notification Letter to Tenants
3. Confirm no Change in Condition of Property
4. Confirm Accuracy of Seller Representation

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

- I. Obtain and Put In Place
 1. New Insurance Policies
 2. New Property Manager
 3. New Service Providers
 4. New Utility Service
 5. Terminate Designated Contracts

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Property Acquisition and Due Diligence Checklist

V. AFTER CLOSING

<i>Item</i>	<i>Party Responsible</i>	<i>Date Due</i>	<i>Date Done</i>
A. Prepare Closing Binder	_____	_____	_____
B. Arrange for Delivery of Executed Documents	_____	_____	_____
C. Obtain and Review Title Policy	_____	_____	_____
D. Handle Post-Closing Prorations	_____	_____	_____
E. Condition Tax Reassessment	_____	_____	_____

Property Acquisition and Due Diligence Checklist

VI. KEY CONTACTS

1. Seller

Name of Entity: _____
Contact: _____
Address: _____

Email: _____
Phone: _____
Fax: _____

2. Seller's Broker

Name of Company: _____
Name of Broker: _____
Address: _____

Email: _____
Phone: _____
Fax: _____

3. Seller's Attorney

Name of Firm _____
Name of Attorney _____
Address: _____

Email: _____
Phone: _____
Fax: _____

4. Buyer

Name of Entity: _____
Contact: _____
Address: _____

Email: _____
Phone: _____
Fax: _____

5. Buyer's Broker

Name of Company: _____

Name of Broker:

Address:

Email:

Phone:

Fax:

6. Buyer's Attorney

Name of Firm:

Name of Attorney:

Address:

Email:

Phone:

Fax:

7. Title Company

Name of Company:

Title Officer:

Address:

Email:

Phone:

Fax:

8. Escrow Company

Name of Company:

Escrow Officer:

Address:

Email:

Phone:

Fax:

9. Environmental Engineer

Name of Firm:

Name of Engineer:

Address:

Email: _____
Phone: _____
Fax: _____

10. Contractor

Name of Firm: _____
Contact: _____
Address: _____

Email: _____
Phone: _____
Fax: _____

11. Current Property Manager

Name of Company: _____
Name of Contact: _____
Address: _____

Email: _____
Phone: _____
Fax: _____

12: Other

Name of Company: _____
Name of Contact: _____
Address: _____

Email: _____
Phone: _____
Fax: _____