



## BUSINESS TOOLS

### Land buying checklist

**Tip:** Develop a list of the features that are most important to you. This will save time as you work with your real estate agent to find your dream property.

**Tip:** Work with your lender for an estimate of affordability and lending programs that may be the best fit. This will help you find property in the price range you're looking for with the improvements you want.

# The dream of living in the country

## A land buying checklist.

Peace and quiet. Wide open spaces. Fresh, clean air. At some point, just about everyone dreams of living in the country. While exciting, the decision to move to the country is a major one. Buying, selling or financing rural properties is often different than properties within city limits. In this guide you will find helpful planning tips and practical advice for buying rural land, to help ensure your move to the country is a rewarding experience.

## Where should you start?

Buying a rural property and living in the country can be an exciting adventure. Avoid feeling overwhelmed as you begin seeking your dream property by carefully thinking through your purchase decision. The following checklist includes important considerations when evaluating rural properties.

## Develop your wish list.

Rural properties can vary significantly. A good place to start is simply developing your wish list. Why do you want to live in the country? What features are most important to you? Be clear about what you want — timber, pasture, hills, flat, irrigated, hunting or farm land. Does your dream include horses or livestock? A view? Close to town?

## Consider development costs and building plans.

Some development costs will be incurred on most rural properties you consider. It is important to evaluate these costs in conjunction with your land buying decision, building plans and financing needs. Buying undeveloped rural property can have its advantages since it provides the flexibility to develop the land to your specifications. On the other hand, buying a developed property that has a driveway, well, or electrical service may be more efficient depending on your plans, budget and timeline. If you're working with a general contractor it's important they be approved by your lender.

## Carefully walk through and inspect the property.

Once you have found a property, carefully inspect it by walking the entire parcel. A beautiful location is just a starting point and it is important to look beyond the aesthetics. You will need to carefully evaluate the following:

- **Boundary lines** - Find the boundary lines and ensure all fence lines or other structures are within the property boundaries. Encroachments or property line disputes can be a significant and costly concern. Request a survey of the property if a current survey is not available or if boundary lines are unclear.

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**Tip:** Consider the neighborhood carefully and consider how the adjoining properties are zoned, what is common for the area and how development may impact your property in the future.

**Tip:** Work with your Realtor, builder, county officials, and title officer to ensure legal and physical access to the property are established.

- **Drainage and wetlands** - Does the lay of the land support water runoff? Are wetlands on the property? Water issues or wetlands can influence the type of home you may build, where the home can be located on the property and insurance costs. Many counties restrict building next to wetlands or require offsets for improvements. Building in a flood plain may require flood insurance and additional development costs. An environmental survey identifying these boundaries and restrictions may be a good idea when wetlands exist.
- **Home site** - Does the property have a suitable building site? Also, does the county have the property zoned as a buildable property? Understand the topography of the property and make note of rocky outcroppings, hills, wetlands, flood plains, drainage and soils. Consider consulting a licensed builder to help you inspect the property to ensure your home plans are feasible on the property you're considering.
- **Hazards** - Inspect the property for hazards such as garbage dumps, buried or leaking fuel tanks, chemicals or other issues that may have significant costs associated with clean up.

### Understand the area you're interested in.

The location of a property is an important consideration for any purchase. A local realtor may be able to provide information about the area you are interested in and help determine if it meets your needs.

### Evaluate schools, services and fire protection.

Moving to the country may mean a longer commute, different schools and access to fewer basic service providers. Evaluate the amenities and services available with the rural property you are considering to ensure the costs and availability meet your needs. A few items to consider include:

- **Schools** - What school district is your property located in? Does the quality of the school meet your expectations? How long will it take to drive to school and is busing available after school and for school activities?
- **Garbage service** - What garbage services are available? How frequent is the service provided? What is the monthly cost?
- **County roads** - How well are the roads maintained? What about snow removal in the winter?
- **Cable and internet service** - What options are available for cable and Internet services? Are high-speed Internet connections available? At what cost?
- **Fire protection and emergency services** - Where is the nearest fire station? Hospital? Can you get homeowner's insurance considering these factors? Check with your insurance agent to determine what coverage is available and what the annual premiums would be.

### Verify the legal and physical access.

Ensure the property has legal and physical access. Many rural properties have physical access from the county road. Inspect existing access points or driveways from the public road system to ensure access is adequate for your plans. If an existing access point does not exist, make sure a new driveway will not be cost prohibitive or obstructed by natural obstacles such as cliffs, rivers or other geological features. Check with the county to ensure an access permit can be obtained if an existing driveway is not established. Some counties have restrictions on where access can be developed. This can be especially true for properties with rivers, streams or wetlands. Verifying legal access is equally important to establishing physical access. Legal access must be verified when properties do not have physical access established or do not adjoin a public road system.

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**Tip:** Contact the county public health department or a certified septic installer for septic feasibility requirements.

Verifying legal access entails verifying that proper easements are in place with the county, private land holders, the state, if public lands, or with other entities. Ask additional questions if the property is only accessible through a private road or across state or Federal lands. What kind of access does the existing easement grant? Do the easements allow for future development? What about ongoing road maintenance?

### Assess your potential water availability.

This is perhaps one of the greatest risks for a prospective buyer when considering undeveloped acreage. The cost of drilling a well can be substantial and is primarily influenced by drilling depth. Deeper wells mean larger development costs and a failed hole leads to additional drilling in alternate locations.

These costs can add up quickly to a very significant, unexpected expense. Low flow wells are also common in some areas. At a minimum, this will require additional storage facilities and may affect the marketability of the property. Worst case scenario, water may not be found on the property. If water is not found are there alternatives for water such as cisterns?

Check well logs in the surrounding area to estimate average flow and depth. This can be done quickly and easily through your state's water agency website.

### Research your state water agency websites:

Understanding water availability is critical when buying rural land. To estimate well depth and flow in your area, search online for your state's water agency and look for well log or groundwater data. Each state organizes this information differently, so be sure to explore the site or contact the agency directly for help.

Start by researching your state's water agency website below:

- **Arizona** - Arizona Department of Water Resources
- **California** - California Department of Water Resources
- **Idaho** - Idaho Department of Water Resources
- **Montana** - Montana Department of Natural Resources and Conservation
- **Oregon** - Oregon Water Resources Department
- **Washington** - Washington State Department of Ecology

### Consider septic feasibility and county requirements.

Most rural properties do not have access to a public sewer system and require on-site septic installation. The type of septic system available, county approval, and the costs are typically dependent on the types and depth of soil on the property. This is important to evaluate to ensure a septic system can be approved and to better understand the future development costs. A property may not be deemed suitable for a residence if it is unable to support a septic system.

Septic feasibility can be accomplished by performing a percolation test, also known as a "perc test." A perc test involves digging multiple holes on the property near the potential home site. A county official or certified professional can then perform a soil analysis to measure how quickly and effectively water would drain through the ground to support a septic tank and drain field. Each county has its own requirements for septic approval, inspection and installation.

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**Tip:** Determine which public utility serves the area and contact them to estimate the cost of electrical installation. Also, be sure to ask about rebates.

**Tip:** Work with real estate and lending professionals who specialize in rural properties.

### Review zoning, taxes and land use.

Rural zoning can significantly influence how the property may be used. Some agriculturally zoned properties may not be developed and/or may not meet county minimum acreage requirements for residential development. Significant differences can exist in the tax basis and assessments on agriculturally zoned properties. Changing the current zoning of a rural property for residential purposes can have tax implications in the form of penalties and back taxes. Find out how local laws and building codes may affect your building plans. Check with your county assessor's office to answer the following questions when considering building on a rural property:

- How is the property currently zoned?
- What is the tax basis for the property?
- Does the current zoning allow residential development?
- Will the tax basis change if a residence is constructed?
- If zoned agricultural, does the zoning and agricultural tax status transfer with the sale of the property?
- What are the requirements to maintain an ag exemption (minimum acreage size, annual income requirement, etc.)? (An ag exemption preserves the legal use and tax status of the property, however, some counties may have requirements which must be adhered to in order to maintain these benefits).
- What paperwork must be completed to maintain the ag exemption prior to the transfer of the property?

### Contact the electrical utility servicing the area.

Power installation is another significant cost of developing a rural property and one that is often grossly underestimated. Is power readily available at the road or close to the desired home site? If not, bringing power to the property may be a very expensive proposition.

Determine which public utility serves the area and contact them to estimate the cost of electrical installation. Also, be sure to ask about rebates. Many utilities offer sizable rebates for installation of the service and use of energy efficient heating and cooling systems. Be sure to discuss these specifications with your builder prior to building your home to qualify for these rebates.

### Evaluate the property for farm production.

Not all rural properties are farmed, but for those that are, farming can be a great way to earn additional income while maintaining the quality and value of the property. Owning a farm or larger acreage often requires additional responsibilities. This may include keeping noxious weeds controlled, maintaining fence lines, working the soil, harvesting crops, maintaining leases and irrigation and a host of other activities. These activities can vary widely depending on the location of the farm, crops being grown and local farming practices. Understanding these responsibilities, the costs and rewards is an important consideration before purchasing a farm property.

The following outlines several considerations when evaluating a farm property:

- **Leases** – Is there currently a lease on the property? Existing leases may be maintained or renegotiated, but represent a prior interest in the property. This means the buyer must honor the lease and its terms unless renegotiated. Consider existing lease agreements carefully to understand the terms, obligations and duration.

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- **Water rights** – Some farm properties are irrigated from a lake, stream, deep well or irrigation district. Water rights are highly regulated and an integral part of the property's value. Verify the water rights transfer with the land and consider the following additional questions as you evaluate the property:
  - a. Have the water rights been used in previous years?
  - b. Has the amount of water been adequate for the crops grown?
  - c. What is the cost of the annual irrigation assessment?
  - d. What is the age and condition of the irrigation equipment?
- **Conservation easements** – Several government conservation programs may apply to farm properties. If applicable to the property you are considering, ensure you understand the terms and duration of these contracts.
- **Production records** – Obtain the production records for the farm from the seller or through the Farm Service Agency office. Soil survey maps are also typically available through the Natural Resources Conservation Service.

### Ensure the property meets your needs.

The dream of living in the country begins with seeking the perfect property and evaluating its unique amenities, features and other considerations. When you think you have found the perfect property, get to know it well, ask questions and ensure it meets your needs.

### Consider using this land-buying checklist:

Thorough investigation means fewer surprises when you decide to build your dream home. Consider using this checklist to assist in your search for that perfect country property.

- ☐ Develop your wish list.
- ☐ Consider the development costs and building plans.
- ☐ Walk through and inspect the property.
- ☐ Understand the neighborhood you will be living in.
- ☐ Evaluate the local schools, services, and fire protection.
- ☐ Verify the legal and physical access.
- ☐ Assess potential water availability.
- ☐ Consider septic feasibility and county requirements.
- ☐ Review zoning, taxes, and land use.
- ☐ Contact the electrical utility serving the area.
- ☐ Evaluate the property for farm production.
- ☐ Work with professionals who understand rural properties.

*All loan actions are subject to program availability. Certain conditions and restrictions may apply.*

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