**References to reputation risk have been removed from this booklet as of March 20, 2025. Removal of reputation risk references is identified by a strikethrough. Refer to OCC Bulletin 2025-4.**

# Real Estate Development

This Section supplements Handbook Section 730, Related Organizations, to provide greater detail when evaluating the effect of a service corporation's real estate development activities on the parent thrift. For purposes of this Section, the term "real estate development" refers to the development of land or other real estate for sale or lease in which the related organization has an ownership (equity) interest or actively manages the property. [Note: Real estate owned (REO), repossessed assets, and real estate held for use by a thrift or its subsidiary are not included in the definition of real estate development.]

Real estate development is an impermissible activity for national banks. As discussed in Handbook Section 730, subsidiaries engaged in activities not permissible for national banks are nonincludable for purposes of calculating OTS capital standards. Section 1464(t)(5) of the Home Owners' Loan Act (HOLA) requires that a thrift's investment in (and loans to) nonincludable subsidiaries made after April 12, 1989, be excluded from total assets and regulatory capital, unless grandfathered or authorized by the OTS under the transition rule. In accordance with HOLA, all such investments must be excluded from capital after June 30, 1996.

LINKS

Program

As discussed in the Related Organizations Section, the purpose of the related organization examination is to determine the extent to which the entity poses a risk to the parent thrift. Real estate development activity is inherently risky given the level of complexity often associated with the development process, reliance on estimated development costs and future cash flows, financing arrangements, and the potential effect of unforeseen events on project feasibility.

Federal associations and their operating subsidiaries are not permitted to directly invest in real estate, but may establish a service corporation for this purpose (including their lower tier subsidiaries, and joint ventures or limited partnerships) in accordance with § 545.74. (Refer to Handbook Section 730 for a summary of preapproved service corporation activities and related OTS notification and application requirements.)

There are several methods that a service corporation can use to participate in real estate development. The service corporation can, through use of its own funds or borrowed funds (received from its parent thrift or other source):

- assume the role of development lender;
- provide an equity contribution as a passive investor; or
- act as an "active" investor/participant on an individual, partnership or joint venture basis.

The discussion that follows focuses on the service corporation developer that acts as an "active" investor or participant in real estate development activities. A primary distinction between passive and active real estate investors is that the passive investor's exposure to loss is generally limited to the amount of its initial investment while the active investor's financial liability can ultimately exceed its initial investment. In addition, unlike the active form of ownership, the passive investor must depend on the ability and performance of a party (i.e., general partner, developer) over whom it can exert little if any control. While the active and passive forms of ownership are substantially different, the risk assessment issues discussed below generally apply to both types of investments.

Although § 1464(5)(c)(4)(B) of the HOLA restricts the amount that a federal association may invest in a service corporation, a substantial level of risk can nevertheless exist within this limitation. The risk to the parent thrift increases when the service corporation's analysis of a real estate investment is flawed or the service corporation, as an active project participant, fails to implement prudent internal controls and policies during project development.

As discussed in the Overview Section, the purpose of the preexamination analysis is to establish an examination scope that enables the regulator to obtain an adequate understanding of the related organization's activities and the materiality of the risk involved. In determining an appropriate scope of review, this Section provides the regulator with an overview of real estate development and practices that can serve to minimize the parent thrift's exposure to loss. Specifically, this Section discusses:

The Real Estate Development Process. There are four primary stages of real estate development: predevelopment, planning and design, construction, and marketing. The service corporation, as developer, serves as the focal point for all activity and will generally form a project development team that might include construction engineers, architects, or a general contractor.

Preacquisition Activity. The initial scope of the regulator's review should include an assessment of whether the service corporation has adequately evaluated the development project. There are fundamental aspects of evaluating a potential real estate investment that management and directors of the service corporation and parent thrift should consider prior to acquiring a property or commencing actual development or construction activity. Preacquisition activities should include an analysis of investment vehicles or forms of ownership to be used, project feasibility, appraisal information, and compliance with local, state and federal regulatory requirements. Even though a real estate project may be in the advanced phases of development during a scheduled examination, a review of preacquisition analyses will permit an initial assessment of the level of risk assumed by the service corporation. In addition, pro forma statements, plans and designs, and cost estimates can be compared to actual activity to identify existing or potential problems.

Postacquisition Oversight and Control. Once the property has been acquired, development begins. Construction contracts and financing arrangements are finalized to establish the obligations and responsibilities of project participants (i.e., developer, contractors, co-venturers, lenders), including insurance and bonding requirements during the construction phase. An adequate system for disbursing construction funds and monitoring stages of completion can provide for prompt identification of existing and potential risk factors (i.e., misuse of funds, cost overruns, breach of contract).

**Postdevelopment Activity.** The service corporation's role can include providing property management or leasing activities for completed projects. Several factors can affect the level of risk and profitability associated with such undertakings. A competent marketing or management team should be in place prior to completing construction.

In determining the risk presented to a parent thrift by a related organization's involvement in real estate development, the regulator needs to carefully review the entity's activities and operations as detailed in Handbook Section 730. The specific guidance and examination procedures that follow should be incorporated in the regulator's overall review in a manner consistent with the approach outlined in the Related Organizations Section. In addition, while a service corporation's preapproved lending activities can include extensions of credit to real estate developers, this Section does not specifically address lending activities. (Refer to Handbook Chapter 200, Asset Quality, for guidance on evaluating lending practices.) Many issues of concern to a prudent lender, however, will similarly affect the service corporation as real estate developer (i.e., evaluating appraisals and project feasibility, monitoring fund disbursements and construction progress).

## THE REAL ESTATE DEVELOPMENT PROCESS

The service corporation, as developer, is the focal point for the entire development process (i.e., provides funding, selects an appropriate site, determines project feasibility, and monitors construction). The service corporation can act in an individual capacity, in conjunction with one or more development partners, or as a joint venture with others in developing real estate.

The methodology used to design and construct a project will vary among developers and project types (i.e., residential subdivisions, large-scale commercial/retail, industrial properties). The following summary provides an overview of the service corporation's responsibilities as developer in evaluating and implementing the primary stages of real estate development for virtually all such projects.

### *Predevelopment*

The goal of this stage is to ensure that the site selected by the developer is primed for actual construction. Virtually every tract of "raw" (unimproved) land requires some form of preliminary work before construction may begin. For example, a tract of land may require grading and earth-moving operations to provide a suitable working surface. The costs associated with this stage should be incorporated in the project's overall cost estimates. The service corporation should verify that property represented as fully or almost fully primed for development, is primed for actual construction.

### *Planning and Design*

During this stage, the service corporation performs a qualitative and quantitative evaluation of:

- the architect's drawings and plans;

- supply and demand characteristics of the market;
- comparable projects;
- project suitability factors;
- zoning or public land-use restrictions; and
- private covenants.

One or more architects/engineers (AEs) are typically hired by the developer to provide professional services for project planning, construction and design. For example, construction engineers generally assist in developing and formulating construction plans and evaluating costs. The AE can assist the developer with site planning, landscape engineering and design, selection of suitable building materials, internal and external styling and, in some cases, with supervision of construction.

### *Construction*

The construction stage consists of selecting a contractor, determining construction contract requirements, disbursing funds based on completion of project phases, building the improvements, and monitoring construction progress. A general contractor (GC) has a prominent role in project development as the individual or firm that constructs the project or improvements. The developer should be assured that the GC is fully capable of constructing a quality building in a timely manner, and within the projected construction budget. The need for and ultimate role of the GC is determined by the level of input and control exercised by the developer over the construction phase. The two extremes in this context are when the developer (1) assumes the role of GC and controls the entire construction process, or (2) negotiates an arrangement with an independent contractor whereby little, if any, control is exercised over actual construction activity.

The GC's responsibilities include hiring subcontractors that report solely to the GC. Generally, a direct contractual relationship does not exist between subcontractors and the service corporation developer. To avoid potential difficulties, however, the developer can contractually stipulate that subcontractors hired by the GC must sign and deliver lien waivers of their rights to file mechanics and materialmens liens and agree not to pass through claims against the GC to the service corporation, as developer.

### *Marketing for Sale or Lease*

The final stage of the development process requires that a marketing program be developed and a marketing team assembled. The marketing program should be based on an analysis of comparable properties and the marketing team should be familiar with the development project and current marketing conditions. Brokers can assist the developer in performing marketing analyses, making sales and rental projections and marketing or leasing the property. If a development project is held for sale or as an income-producing property managed by the developer, an experienced and

competent marketing or property management team should be in place prior to completing construction. This will help to ensure timely sales or maximum operating efficiency.

## Importance of Competitive Bidding

The service corporation developer should solicit competitive bids from a number of GCs and AEs and thoroughly review all bids received to evaluate the experience, qualifications and track record of each bidder. The winning bidders, of course, should possess the requisite skills, ability and knowledge to efficiently and competently design or construct the subject project.

A competitive bidding process enhances the likelihood of project success and can be applied to all phases of development. For example, design and construction phases that are open to competitive bidding can minimize total development costs. Yet, cost should not be the only factor in selecting a winning bidder. The lowest bidder may not necessarily be the most appropriate entity to hire. As discussed above, the bidder's skills and previous track record must be considered by the developer.

A lack of competitive bidding on any phase of project design or construction must be evaluated to determine whether all contracts awarded were negotiated on an arms-length basis. A service corporation developer can assume substantial risk when competitive bids are not solicited or a contractor's credentials are not verified. The lack of sufficient skill and expertise on the part of any primary project participant can cause substantial losses and have a material effect on a project's feasibility and marketability.

## Management Quality

As can be seen, the development process is a succession of steps that require adequate analyses, continued planning, and expertise on the part of all project participants. The competence and expertise of service corporation management with respect to the type of project under construction or development, and the implementation of sound policies and internal controls, are key factors in determining the level of risk presented to a parent thrift. In evaluating real estate development activities, the regulator should be familiar with the overall development process and the actual real estate project(s) undertaken by the service corporation.

## Real Estate Development File

Information pertaining to a project in development can be obtained from the service corporation's files, interviews with staff members responsible for project oversight or for a specific development phase, and, as necessary, visits to the development site. To facilitate audits and OTS examinations, 12 CFR § 563.170 requires that service corporations establish and maintain accounting and other records that provide an accurate and complete record of all business that the entity transacts. Therefore, the service corporation's files should include:

- the property's legal description;
- appraisal information;

- insurance policies or certificate of insurance;
- pro forma financial statements;
- a feasibility study;
- cost estimates for each development stage;
- project plans and designs;
- bid proposals for contracts;
- construction contracts;
- loan applications;
- credentials and qualification statements for consultants or contractors;
- names of individuals or entities that have more than a 10% beneficial interest in the property;
- statements setting forth applicable zoning or deed restrictions;
- flood plan information;
- geology and soil reports; and
- reports provided to the management and directors of the parent thrift and service corporation. (The types and frequency of reports should conform to internal procedures.)

A review of the project development file should provide an understanding of the development project, a framework for evaluating the adequacy of measures taken to contain risk, and an idea of whether the project is proceeding in accordance with a development plan approved by the service corporation's board of directors.

## PREACQUISITION ACTIVITY

Prior to acquiring property for development and commencing the overall real estate development process, the service corporation's management must make certain fundamental determinations. These involve:

- the appropriate investment vehicle or form of ownership to use as an "active" developer;
- appraisal information and project feasibility; and

- the project's compliance with local, state and federal regulatory requirements.

The overriding purpose of the preacquisition analysis is to determine whether the project is economically viable as proposed. In this process, certain concerns are of special importance:

**Raw Land Acquisition**. Generally, the service corporation's real estate development activity involves the acquisition of raw land with the intention of developing the property for sale or lease. There is significant risk associated with the acquisition of raw land due to the numerous variables that are beyond the developer's control. Service corporations, for example, should not acquire tracts of undeveloped land unless they plan to develop and market the land within a relatively short period of time following acquisition. The acquisition of land for speculative purposes can result in land "warehousing" and constitutes an unsafe practice for all but the most experienced real estate developers. The risk associated with warehousing is that the land does not generate income and a future market for the property may not materialize. This can result in land remaining virtually worthless for years.

**Risk Control/Project Funds**. In performing the preacquisition analysis, risk control should be of fundamental concern to the service corporation engaged in real estate development. Management should be wary of concentrating project development funds in unfamiliar economic or geographic areas in an effort to minimize potential losses associated with economic downturns or unanticipated oversupply in any one market. In addition, a developer can "spread risk" by reducing financial exposure in any one project and spreading development funds among several projects. Thus, development projects should be reviewed on an individual basis and as a portfolio for determining the aggregate risk presented to the parent thrift.

## Evaluating Forms of Ownership or Investment Vehicles

Management should evaluate the level of risk associated with various forms of ownership that can be used to invest in a real estate project. The level of risk assumed by a service corporation can vary among investment vehicles based on the extent of the service corporation's ownership obligations, the amount of control that can be exercised over the development process or the financial and managerial resources of development partners or co-venturers.

### *Typical Investment Vehicles*

In evaluating the form of development project ownership, the following should be considered:

**Individual Ownership**. As an individual owner, the service corporation owns 100% of the development project and can exercise complete control over the project and retain all profits. The service corporation also assumes all risks and liabilities associated with project development. Therefore, this form of ownership can present substantial risk to the parent thrift when management has little or no experience in real estate development activities or undertakes a "first-of-its-kind" large commercial project. Since the service corporation is by definition a corporate enterprise, the extent of potential liability will generally not exceed corporate assets. (Refer to

Handbook Section 730, "Maintaining Separate Corporate Identities" and "Piercing the Corporate Veil.")

**Joint Venture**. Service corporations have used joint ventures to gain expertise and share the risk associated with a particular type of development project. The common characteristics of a joint venture include:

- a contribution by all parties of funds, knowledge, skill, expertise, acreage or some other form of assets;
- a right of mutual control or management over the project, although one party may be responsible for project oversight;
- a right to participate in profits generated by the project; and
- an obligation to share losses.

A written agreement should establish the characteristics of the joint venture relationship (i.e., the rights to exercise control or manage the project, contributions of funds, participation in profits or obligations to share losses, additional funding requirements). Generally, a contractual relationship does not exist between the parties to a joint venture agreement and the parent thrift unless the parent has made a direct loan to the joint venture enterprise. Absent a contractual relationship, a third party joint venturer generally has no direct legal recourse to the parent thrift in the event that development problems arise. A material risk associated with joint ventures, however, is the potential for joint and several liability. For example, each joint venturer is individually and collectively liable for damages attributable to negligence by the party supervising the development project. The issue of joint and several liability, highlights the importance of verifying that co-venturers have adequate assets or insurance to address this contingency.

**Partnerships (General, Limited, Master Limited).** General partnerships, in essence, are similar in form and function to joint ventures. The entities that comprise a partnership may consist of any combination of sole proprietorships, partnerships and corporate entities. A written partnership agreement or articles of partnership should fully delineate the rights, duties, and obligations of all partners. It should also conform to state regulatory guidelines concerning the formation of partnerships and related filing requirements. [Note: The master limited partnership allows limited partners to purchase interests or units in different projects. Limited partners do not participate in the partnership's business and are generally liable only to the extent of their investment. A limited partner that exercises any degree of control in managing the development project(s), however, may be perceived as a general partner by a court of law.]

**Syndications**. Syndications represent both a form of ownership and a financing vehicle. Syndicates can be formed to acquire, develop, manage, operate, or market real estate interests. Generally, a syndicate is comprised of a limited partnership formed by a general partner(s). The general partner often solicits a substantial portion of project funds from a third party lender rather than from the limited partners. The same risks associated with limited partnerships apply to syndicates.

**Real Estate Investment Trust (REIT).** REITS can own partial or whole interests in real-estate related security instruments. Therefore, REITs can invest in real estate equities or finance any phase of a real estate development project. Only those service corporations that have the requisite experience should establish or manage a REIT. The regulator should determine whether operations are being conducted in a fiduciary manner and in conformance with federal regulatory requirements.

Management's assessment of the level of risk associated with a particular investment vehicle should include a thorough assessment of the track record, expertise and financial resources of development partners. A development partner's inability to meet obligations or perform required responsibilities can materially affect a development project's success. An evaluation of the investment vehicle used by the service corporation should be included in management's initial real estate investment analysis.

### *Real Estate Investment Analysis*

Prior to participating in a real estate development project, the service corporation's management should complete an analysis of the investment's merits. A review of this analysis can provide substantial insight into the initial level of risk assumed by the service corporation. An understanding of management's assumptions and analyses should facilitate a comparison between preliminary projections and the service corporation's overall investment objectives and any development progress.

In valuing a real property investment, a developer should evaluate:

- the amount of after-tax cash flow that can be reasonably expected (after deducting all expenses);
- appraisal information and overall project feasibility;
- financing alternatives, if necessary;
- the effects of state and federal tax regulations (current and projected) on the project;
- the ability to promptly dispose of the property in a cost-effective manner, if required; and
- the benefits of investing in comparable projects or in other forms of investment vehicles on a risk versus return basis.

Prudent management will use both qualitative (see "Appraisal Information and Overall Project Feasibility") and quantitative analyses in evaluating risk and anticipated investment returns. The validity of the analyses are directly related to the reliability of the underlying data and assumptions.

Developers will use quantitative tools that provide "rule-of-thumb" comparisons in evaluating the economics of a real estate development project. Historical data can also be used for existing properties. Yet, regardless of the status of a project, the investor should always be aware that real

estate markets are subject to change and fluctuation. Two important measures used to compare investments are the net present value (NPV) and internal rate of return (IRR) of after-tax cash flow.

The investment analysis should also address the capabilities of development partners or co-venturers to fulfill their contractual obligations. Just as a prudent lender would thoroughly evaluate a prospective borrower/developer, it is incumbent upon the service corporation to conduct a similar analysis of its development partners. The analysis should include:

- verification of business references;
- a review of experience and track record relating to similar types of projects; and
- an assessment of financial strength through a review of audited financial statements, credit reports, tax returns, and bank accounts.

Consideration should also be given to whether the partner contributes a substantial portion of its own funds and, therefore, is motivated to fulfill its obligations and duties.

All information relating to management's analysis of real estate investments should be in the service corporation's files along with ownership agreements, contracts (i.e., partnership or joint venture agreements), and information on the credentials and financial resources of development partners. In addition, an appraisal and project feasibility analysis should be located in the files and incorporated in management's investment analysis.

## Appraisal Information and Overall Project Feasibility

Prior to acquiring property for development or commencing real estate development activity, management should, as previously indicated, thoroughly evaluate appraisal information, overall project feasibility, and compliance with regulatory requirements. The regulator's review of this analysis is a key aspect in determining the initial level of risk assumed by the service corporation.

The service corporation's management should perform an independent feasibility study and not rely solely on appraisal information or data provided by prospective development partners and other project participants. Management may, however, use consultants to perform various aspects of the analysis when in-house staff does not have sufficient expertise in a particular area (i.e., environmental hazards, market research, geology or topography). The complete "preacquisition" analysis should be reviewed by the service corporation's board of directors prior to proceeding with the real estate development process.

### *Appraisal Information*

Much of the information necessary to evaluate the development project can be gleaned from the data presented in a competently prepared OTS "conforming" appraisal. Although not a regulatory requirement, an OTS conforming appraisal may be useful regardless of whether the service corporation is the primary or sole investor, general or limited partner, or borrower or lender.

Significant risk is typically assumed by a service corporation that does not analyze an adequate appraisal prior to proceeding with development.

When the development project does not conform to the highest and best use classification as described in the appraisal, it may not be the most profitable use of the land and may pose risk for the service corporation developer. Handbook Section 208, Real Estate Appraisal, provides a detailed discussion on evaluating appraisals and management's appraisal policies and procedures. In addition, the following should be considered:

- The appraisal will set forth projected construction costs that should be compared to the developer's estimates. Material differences between the two projections indicate that problems exist with project plans or a lack of expertise on the part of the individuals involved. Such differences should be resolved prior to beginning construction.

- The service corporation should have no direct relationship with the appraiser. The appraiser should certify that he/she has no present or prospective interests in the subject property and no bias with respect to any party associated with the property.

- Appraisals should be current. An appraisal completed many months prior to a developer's decision to proceed with project development may not be reliable if there have been material changes in the market. A new appraisal report should be obtained when there has been a general decline in market values, the property has been held for an extended period of time, or the service corporation has other reasons to believe that the property or its market has changed.

Since the appraisal is such an important element in determining a project's overall feasibility, the effect of any appraisal weaknesses on project feasibility should be evaluated.

### *Feasibility Analysis*

Management should independently corroborate or verify the assumptions or conclusions discussed in the appraisal. This can be accomplished during the feasibility analysis. Prior to proceeding with a development project, the service corporation should fully evaluate its feasibility. The specific components that should be addressed include:

**Demographics**. Demographic components should be fully evaluated to determine whether the project can attract a viable target market. The U.S. Bureau of the Census is a primary source of information on demographics.

**Market Analysis**. The most significant components of the market analysis include a review of supply and demand characteristics, project desirability, and existing and projected comparables. An integral part of evaluating comparable properties involves the review of rental rates, sales prices, occupancy factors, absorption characteristics, amenities, and physical characteristics. This review generally forms the basis for the assumptions used to compile pro forma financial statements.

**Site Analysis**. Several variables are evaluated to determine whether the actual site of the project is appropriate from a feasibility perspective. These variables include:

- Project Type - Consideration must be given to whether the development project is suitable for the site.

- Site Configuration - The project should be appropriate to the site on both a cost and aesthetic basis.

- Physical Dimensions - Spatial requirements can vary considerably depending on the type of project involved. Acquiring a parcel of land that is too big may not be cost-effective.

- Current Use of the Property or Adjacent Properties - Surrounding properties should complement the development project and in no way detract from optimum land use.

- Geology and Topology - Rough or uneven terrain or unsuitable soil can significantly affect the value and viability of a parcel or tract of land. Management should use the services of soil engineers to determine whether the land is physically suitable.

- Easements or Covenants - A thorough review of public records should disclose if any public or private easements or covenants exist that may adversely affect the project. Potential problems associated with ingress or egress should be identified.

- Public Utilities - Costs associated with permits and hook-ups should be accurately projected in the analysis. Public utilities should be readily available and accessible to prevent delays.

- Zoning and Land-Use Regulations - The proposed site should conform to existing state and local regulatory requirements. The regulator should scrutinize the value ascribed to a parcel of land that was acquired and does not comply with regulatory requirements. The basis for any assumption that a zoning change will be approved should be documented in the files.

- Costs of Development - Costs associated with the site must not be prohibitive. If changes are to be made to the site, management should determine whether the changes are cost-effective. Most sites require some form of preliminary work before they are primed for construction.

**Plans and Costs**. The plans and costs associated with each phase of development should be evaluated by competent in-house staff or a consultant prior to beginning the construction process. A qualified consultant can assist in-house staff in determining whether plans are accurate and functional and whether related costs are reasonable and realistic. The individual(s) responsible for this review should have the requisite experience for determining whether the project's design is both aesthetically pleasing and functional. (Actual plans and costs, however, can vary considerably from initial predevelopment estimates.)

**Pro Forma Financial Statements**. The statements should address all stages of project development and provide data for use in determining project feasibility. Pro formas should include the:

- profit and loss statement;
- cash flow statement; and
- operating statement.

These statements are used to determine whether the development project is economically viable and whether additional funding is required. The regulator should review pro formas to determine whether the underlying assumptions and related projections are reasonable based on data contained in the development file. To the extent that development is underway, projections should be compared with actual development activity.

**Financing**. The service corporation may need to acquire funding for the project. Funding may be obtained through:

- a loan from a parent thrift (or other source) to the service corporation developer;
- a direct loan from the service corporation developer to the project; or
- an outright equity (or ownership) contribution.

The primary issue facing any developer is whether equity or debt financing is the most appropriate financing vehicle. The best financing package should minimize potential financial exposure and maximize potential after-tax return. The regulator should review the service corporation's evaluation of the merits of the financing approach that is selected.

A service corporation developer that requires financing can acquire funds from its parent thrift or from some other source. The service corporation could have difficulty in securing financing due to a lack of experience or proven track record in building a particular type of development project. Management can address this risk by engaging an experienced and capable project development team.

The developer must provide the lender with information regarding its experience, expertise, ~~reputation (including business references),~~ and financial strength. A lender should thoroughly review the financial standing of all related parties to ensure that the developer, contractor and subcontractors have demonstrated the capacity to successfully complete the type of project under construction.

The regulator should also consider whether the service corporation has overextended its credit and whether the developer provided personal guarantees of loan repayment or other forms of collateral. In addition, the regulator should be familiar with the following forms of financing that a service corporation developer might require and will often negotiate:

- Interim Financing - Interim loans (construction loans) are short-term loans usually made during the construction phase of the project. Funds are disbursed incrementally as the construction progresses. Usually, the interim lender will not provide 100% of the funds required to complete construction. The service corporation and its development partners may make up the difference with some form of equity contribution to the project. When the service corporation does not plan to market the development project immediately upon completion, some form of permanent or mini-permanent financing may be required.

- Permanent and Mini-Permanent Loans - Permanent loans are long term loans that are generally amortized over 10 to 40 years. These loans are used to fund the acquisition of permanent buildings or provide "take-out" financing for completed projects. Mini-permanent loans offer a borrower/developer an alternative to standard long-term fixed rate financing, and protection against interest-rate increases during the early years of operation. During actual construction operations, the borrower/developer generally remits "interest only" payments on the funds advanced. Following the completion of construction, the borrower/developer will pay a predetermined and fixed-rate of interest on the entire loan. By obtaining this type of loan, the developer typically has several years after the project is completed and operational to either find satisfactory permanent financing or market the property.

- Take-Out Financing - Lenders that provide interim financing may require the developer to obtain a take-out commitment for a third party lender to provide the developer/borrower with permanent financing. The take-out commitment should be of an adequate amount to cover principal and interest that has not otherwise been planned from other sources. When take-out financing is not used, a plan should be in place for paying off the construction loan.

  The expiration date, terms and conditions of the take-out commitment should be reasonable and attainable. In addition, the service corporation should verify that the take-out lender is financially capable of funding the permanent loan. Although a take-out commitment may be equitable and reasonable, a developer's deviation from stipulated construction progress could have serious consequences. A take-out commitment that fails to materialize could place the service corporation in a vulnerable financial position and require the parent thrift or a third party to advance some form of temporary financing (i.e., gap loan).

- Gap Loans - Gap loans (or bridge loans) are generally used by a borrower/developer to fill a temporary unanticipated need until adequate, permanent financing is obtained. For example, gap financing might be used to "buy time" when permanent financing is either too difficult or too expensive to obtain, the interim lender will not fund construction cost overruns, or the take-out lender will not provide permanent financing until construction is completed. Gap financing is often a "last resort" for a borrower because such funding can involve high interest rates and strict financial constraints to offset the lender's risks. A service corporation developer generally should attempt to find an alternative type of financing whenever possible.

The terms of any financing arrangements should be approved by the service corporation's board of directors and adequately reflected in the entity's pro forma financial statements. When the parent thrift provides interim and permanent financing to its service corporation, it incurs both the construction and market risks associated with the development. As stated above, effective monitoring techniques and internal controls during the construction process should ensure compliance with loan agreements (see "Monitoring Construction Progress" of this Section).

**Marketing Program**. A market analysis should indicate that a market exists for the specific type of development project contemplated. The service corporation developer assumes marketing risks when an effective marketing plan has not been implemented. A marketing team should be in place prior to completing construction and comprised of individuals who possess the experience and ability to market the project effectively.

Market risks can be minimized when a development project is substantially pre-leased or developed for a specific predetermined purchaser. For example, successful commercial/retail projects are often substantially pre-leased prior to commencing construction. A deficiency in pre-leasing could suggest a potential project failure.

The feasibility analysis must also indicate that a project, as proposed, complies with applicable local, state and federal requirements. A viable project that does not conform to applicable regulatory requirements can lead to substantial costs in attaining regulatory compliance and a possible project failure. Such costs should be reflected in the feasibility analysis.

## Compliance with Local, State and Federal Regulatory Requirements

Management's review of regulatory requirements should address the issues that follow. If the appraisal or project development file does not include an analysis of these issues, the service corporation may have assumed significant and undue risk.

### *Local Planning and Zoning Ordinances*

Land-use restrictions can significantly impede or even prevent project development. An analysis of local planning and zoning ordinances should be provided in a conforming appraisal. If a project does not conform strictly to existing ordinances, a parcel of land will either need to be rezoned or a variance obtained prior to actual project development.

### *Local, State and Federal Building Codes*

Depending on the type of project involved and its location, numerous jurisdictions may enforce building code requirements. Such requirements might address the property's accessibility to persons with disabilities (i.e., Americans with Disabilities Act). In certain cases, building codes can be strict and the costs associated with compliance can be significant. These costs can affect a project's feasibility and should, therefore, be included in development cost estimates. Building code requirements are subject to change, and measures must be taken to ascertain and comply with any new requirements.

### *Local, State and Federal Fire Codes*

Many jurisdictions and insurers require compliance with fire codes. Often this involves installation of fire and smoke alarms, sprinkler systems, and flame and heat resistant construction materials to be included. The costs associated with compliance can be substantial and should be fully projected in project cost estimates. In addition, noncompliance with codes can result in significant financial liability if a fire causes death, serious injury or damages property. The regulator should verify that the project is adequately insured for this type of casualty.

### *Local, State and Federal Housing Codes*

For certain types of residential or multi-family development projects, the service corporation must comply with the Federal Fair Housing Act provisions against discriminatory practices. Most states have developed similar legislation. Moreover, the Department of Housing and Urban Development (HUD) has imposed regulations that may affect the construction and/or marketing of a development project. In addition, when FHA or VA mortgage programs are used to market the project, the service corporation must comply with applicable regulatory requirements.

### *State and Federal Environmental Regulations*

The services of competent professionals should be used to evaluate environmental requirements. Generally, there is a direct relationship between the amount of information and data gathered and evaluated, and the potential risk assumed by the service corporation in this area. When a site can be classified as "suspect," a formal evaluation should be performed to determine whether contaminants are present. A service corporation can assume significant financial liability if it acquires a contaminated site and can be required to clean up an unusable site at its own (potentially substantial) expense. Sites that have been used for agricultural or industrial purposes, or are close in proximity to landfills, gasoline storage tanks, or polluted waterways, are generally more susceptible to contamination than other types of sites.

Thus, management's evaluation of a development project's feasibility, appraisal information and regulatory compliance comprise the initial step (referred to as the preacquisition analysis) in the overall development process. This step is critical for minimizing risk presented to the parent thrift from real estate development activities.

A project that is considered economically viable initially can be adversely affected by factors such as those listed above that can lead to the project's failure. A high degree of management skill is required to successfully execute any major project. Therefore, service corporations should undertake only those investments that they are competent to manage. An evaluation of management quality should incorporate the relevant guidance and procedures outlined in the Related Organizations Section.

## POSTACQUISITION OVERSIGHT AND CONTROL

After the preacquisition analysis is completed, the next step is to acquire the property (i.e., raw land, building, subdivision) and undertake the required stages of development. Postacquisition development activity (the "construction phase") consists primarily of activity necessary to construct or build improvements on the property for final sale or lease.

The construction stage is the most "cost intensive" aspect of the development process and is comprised of numerous phases. The service corporation developer should analyze all hard and soft construction costs and maintain a record of the value associated with all cost items in the budget. Construction cost estimates should be included in the appraisal and compared to the developer's estimated construction costs. Material differences between the two projections is often an indication of problems with project plans or lack of expertise on the part of the individuals involved. Such differences should be resolved prior to construction.

From the construction phase forward, a comparison between plans/designs and cost estimates and actual development progress can highlight potential concerns such as: the inability to complete construction within cost and time limitations; construction defects; departures from approved specifications; internal control weaknesses; or fraud related to the misuse of construction funds.

An adequate system for disbursing construction funds and monitoring construction phases is an important aspect of controlling risk associated with development activity. Effective monitoring procedures provide protection to the developer, lender and GC and allow these parties to promptly determine the status of development progress at any time. For example, adequate internal controls and the disbursement of funds pursuant to a budget can likely discourage:

- front-end loading by a borrower, development partner, or contractor to maximize profit at the beginning of construction;
- misappropriation of construction funds by a development partner; and
- excessive retention of fees by a development partner. (Systems for monitoring construction fund disbursements are discussed further in "Monitoring Construction Progress.")

### Construction Contracts

In determining the level of risk associated with construction activity, construction contracts should be reviewed. The construction contract sets forth the rights and duties of the parties regarding costs, construction scheduling, and default. The service corporation's legal counsel should participate in the preparation of the contract. There are three primary types of construction contracts (i.e., lump-sum or fixed price, cost plus fee, and unit price), the terms of which are primarily determined by the form of compensation to be paid to the builder. A discussion of each type is beyond this Section's scope, but the following elements should be addressed in any construction contract:

**The Method of Payment to the Contractor**. The review should address:

- any preconditions to payment;
- provisions for inspection of construction imposed by the developer or lender;
- certification procedures by a qualified architect or engineer concerning the builder's eligibility for payment;
- the extent of construction completion required before the builder is entitled to periodic and final payments; and
- any provisions relating to nonpayment of obligations.

**Liquidated Damages Provisions**. These clauses specify the amount of funds that the builder must pay the developer for any delays in construction beyond a stipulated completion date. Performance or completion bonds can assist in offsetting any damages incurred by a developer as a result of such delays.

**Grounds for Contract Termination**. Contracts generally include provisions for the builder and developer to receive written notification of a breach of contract. Both parties have an opportunity to cure the default prior to terminating the contract. Generally, the builder may terminate the contract when:

- legal impediments prevent the ability to perform contractual duties and obligations;
- the owner fails to make the premises available for construction;
- payment is not made under established terms; or
- there are other material breaches.

Likewise, the developer may terminate the contract if the builder:

- becomes bankrupt;
- fails to pay subcontractors;
- violates building laws or regulations; or
- is otherwise responsible for a material contractual breach.

**Project Scheduling Provisions**. A contractual provision should delineate target dates for completing certain phases of construction and the overall project. The three most typical types of monitoring schedules are the Critical Path Method (CPM), the bar chart (GANTT) and the

Program Evaluation and Review Technique (PERT). Internal controls and procedures for tracking schedule compliance is important for minimizing risk associated with costly delays and a failure to satisfy the provisions of other agreements (i.e., financing arrangements).

**Contingency Reserves**. Most construction contracts provide for a contingency reserve. These funds are necessary to cover costs that cannot be identified when the initial construction budget is prepared. (As a general rule, at least 5% of all hard and soft construction costs should be placed in a contingency reserve often referred to as a "holdback.")

In summary, the regulator's review of plans and costs, financing arrangements, and construction contracts should reveal the service corporation's obligations, responsibilities and funding requirements during the construction phase. Based on this information, the regulator should determine whether various techniques have been used to contain risk (i.e., preparation of a budget, adequate contingency reserves, reasonable and attainable contractual obligations, insurance coverage).

## Insurance and Bonding Considerations

Management's written policies should address insurance requirements for all parties involved in project development. Prudent developers, GCs, and lenders generally obtain or require other parties to obtain insurance coverage for real estate development activities. Management should ensure that the project is at all times protected from liability and various hazards, and that such protection satisfies the requirements of construction contracts and financing arrangements.

### *Insurance Coverage*

There are numerous types of policies that might be required by parties involved in development activity. Developers that directly participate in construction activities and GCs (as detailed in construction contracts) are generally required to carry:

**Builder's Risk Insurance Policies**. These policies are generally flexible and cover numerous loss contingencies. For example, a policy could be obtained to cover all of the GC's construction equipment and materials, both on and off the construction site, and protect these items against losses from fire, weather, or other casualties. A construction lender may insist on being named as a "loss payee."

**Liability Insurance Policies**. These policies insure the GC or developer for claims by third parties for personal injuries or property damage suffered as a result of negligence or misconduct on the part of the GC. Comprehensive policies can also insure against losses caused by subcontractors or other third parties on the construction site.

**Workers' Compensation Policies**. These policies are required by state law and are designed to provide medical benefits and financial compensation to employees injured on the job. Subcontractors with employees must also carry this type of coverage.

**Title and Flood Insurance**. A prudent developer (and lender) will also require title insurance coverage. Moreover, for properties located in a designated flood plain, or in an area prone to flooding, a developer will obtain insurance coverage for such losses.

While insurance policies can be obtained to cover virtually every type of loss imaginable in the real estate development context, consideration should be given to whether the cost of premiums justifies the expense. The amount of premiums is often directly related to the track record of the entity being insured. In evaluating a GC, service corporation developers should consider whether the amount of premiums or a refusal to insure is indicative of the standard of care used by the GC on previous construction projects. Construction contracts should require the GC to provide certificates of the prescribed insurance coverages prior to commencing construction operations.

The regulator should verify that there has been compliance with the developer's established policies and all contracts/agreements that require adequate levels of insurance. The service corporation's files should contain certificates evidencing such coverage.

### *Types of Bonds*

Developers can also use bonding to protect themselves from risk of loss. Bonds are obtained by the GC, usually at the behest of the developer. The surety companies that provide bonds act only in the capacity of guarantors, not insurers. In effect, sureties guarantee that they will protect the developer from certain deficiencies that may be exhibited by the GC. The two primary types of bonds that a GC may be required to obtain are:

**Performance (Completion) Bonds**. The surety guarantees that the project will be completed in conformance with contractual plans and specifications. Generally, these types of bonds are only available to developers that possess an excellent track record and strong financial resources. If this type of bond cannot be obtained, the GC may be unable to fulfill its contractual obligations.

**Labor and Materials Payment Bonds**. These bonds are designed to provide the developer with limited protection from the claims of unpaid subcontractors and suppliers/materialmen. Coverage can be somewhat limited in terms of the types of creditors covered and in the total amount of payment tendered.

Thus, bonds provide the developer with a limited amount of protection from the GC's inability to fulfill its obligations. The presence of bonds acts to further minimize the risks associated with real estate project development.

## Disbursing Funds and Monitoring Construction Progress

In addition to finalizing financing arrangements and construction contract negotiations, postacquisition activity involves establishing adequate internal controls for disbursing construction funds and monitoring progress. Effective monitoring procedures provide protection to a developer, GC, and lender. These parties should be able to promptly determine the status of construction progress at any time. For example, a prudent lender or a developer will not disburse construction funds until verifying that specified construction phases have been completed or that other phases

have commenced. As stated above, an inadequate monitoring system can lead to construction delays, abuses remaining undetected or violations of financing terms, all of which can increase the parent thrift's loss exposure.

### *Disbursing Construction Funds*

Funds should be disbursed to the GC on a scheduled and verifiable basis. In addition, the developer should confirm costs depicted in the budget and verify that work has been completed or that materials were delivered to the site. The "voucher" and "progress payment" systems are two primary disbursement methodologies that might be used by developers.

**Voucher System**. This disbursement technique is used most often on large-scale development projects. In completing certain phases of construction activities, the GC or other vendor will provide the developer (or lender) with a requisition form, receipts describing the work performed and the materials supplied, and a detailed invoice. This documentation should be compared for accuracy with construction progress reports prepared by the GC. If the amounts expended conform to the value of the completed activity (as per the budget), disbursements can be made.

Under the voucher system, disbursements can be made by a lender, developer, or third parties (i.e., title or escrow companies). It can be advantageous for the party providing development funds to directly control the disbursement process. This often allows the disburser to closely monitor construction progress. Lenders will generally require that loan agreements contain a disbursement provision. Experienced developers that disburse funds directly may also contractually impose the same type of control. An escrow disbursement procedure can be mutually advantageous when a GC is reluctant to allow the developer to control disbursements or the developer is relatively inexperienced.

All involved parties should thoroughly review and understand how and when disbursements will be made (i.e., types of required documentation, time frames for providing documentation to the disburser). Delays in providing supporting documentation can lead to interruptions in construction that can adversely affect project cost estimates.

**Progress Payment System**. This disbursement system is generally used on small-scale projects or those with relatively few stages of construction. A borrower/developer could receive a lump sum disbursement from a lender and in turn disburse funds to a GC or the developer could directly disburse its own funds to the GC. In either case, values are specified for the construction phases and disbursements are made accordingly. Although a project may be small in scope, construction progress must be monitored so that disbursements are made to the GC in a timely and prudent fashion.

### *Monitoring Construction Progress*

The techniques used to monitor progress will vary among development projects. The construction project's size, level of complexity (i.e., interrelationships between construction phases), and disbursement requirements should be considered when establishing an appropriate monitoring system. Any monitoring system should be implemented in accordance with written procedures

approved by the service corporation's board of directors. The system should, at a minimum, enable the service corporation's management to promptly determine:

- the time frames associated with construction phases;
- the actual stage of completion at any point in time; and
- whether construction is proceeding on schedule and within the projected budget.

A primary focus of the regulator's review should be the evaluation of internal systems for disbursing funds and monitoring construction progress. Due to the complexities associated with specific types of projects and monitoring systems, the regulator should also verify that a qualified individual(s) is overseeing the system's implementation and approving related disbursements. When such controls are inappropriate or nonexistent, the service corporation developer assumes significant risk.

## POSTDEVELOPMENT ACTIVITY

The primary aspect of postdevelopment activity involves marketing the property for sale or lease and any other activities that are considered to be "reasonably incident" to real estate development activities under § 545.74 (i.e., managing a home owners association, temporary operation of a water utility for homeowners of a subdivision). A service corporation developer can handle such responsibilities directly through the use of qualified in-house staff or may enter into arrangements with brokers or a third party property management team.

### Property Management and Leasing Activities

Professional property management refers to the management of real estate for a fee to maximize tax benefits, capital appreciation or net income associated with real property ownership. The project manager's primary responsibilities are to maximize the property's net income and to successfully conduct marketing or leasing activities. Property owners often use the services of a professional property manager to:

- increase occupancy levels;
- reduce tenant turnover;
- provide expense and income analyses;
- oversee scheduled property maintenance;
- perform accurate record keeping; and
- secure improved tenant relations.

In accordance with § 545.74, federal thrifts may establish a service corporation to provide property management or leasing services. Such services can involve managing the disposition of the parent thrift's REO properties. (Handbook Section 251 provides a detailed discussion of REO and repossessed assets and sets forth appraisal procedures, accounting treatment, and prudent internal review procedures.) The service corporation's management should have adequate expertise or engage the services of an independent, qualified property manager. In addition, project plans and related projections associated with the timely disposition of such properties should be realistic and provide sufficient detail for determining compliance with such activity. Periodic progress reports and financial statements should be forwarded to the service corporation's board of directors.

There are numerous risks associated with property management and leasing services. Certain risks assumed by the property manager or the service corporation in fulfilling their respective duties are insurable. For example, insurance can be obtained to provide coverage for fire, flood, earthquakes, and other forms of casualties. Comprehensive general liability insurance packages cover bodily injury, medical payments, and property damage. In addition, owners, landlords and tenants (OLT) liability insurance can be acquired to insure potential liability arising from property ownership, maintenance, or the use of the insured premises in operations incidental thereto. The service corporation must also comply with insurance requirements of the state in which it operates (i.e., workmen's compensation insurance programs).

Additional risks that are not insurable include violations of state or federal laws (i.e., Fair Housing Act, National Environmental Protection Act), fraud, failure to meet contractual obligations, or unanticipated downturns in the economy. The regulator should determine whether all insurable risks are in fact insured and whether all other potential risks have been identified and addressed by management.

Profitability relating to the property management function should be a major concern if the service corporation is involved in a high volume business. A number of factors that directly relate to profitability include:

- The Management Contract - A definitive management contract should delineate the rights, duties, and obligations of the property owner and the property manager. The contract should clearly define all fees and compensation schedules including any arrangements relating to performance bonuses.

- Marketing Plan - To be successful, the property manager and property owner should jointly formulate a formal marketing plan. Realistic goals and objectives should be specified. In addition, the plans should only be developed after a thorough and sufficiently current marketing analysis has been completed.

- Duty to Maximize Net Income - A property manager should attempt to maximize the property owner's net income, not only through efficient marketing services and lease negotiations, but also by implementing effective tenant selection processes and rent collection techniques. The property manager should subject the property to periodic income and expense analyses and assess the dynamics of the market place to identify any

factors that may adversely affect future income potential. Income and expense projections should be available for future periods and be based on realistic assumptions and sufficient detail that enable the service corporation's board of directors to make informed decisions. The property manager should also take actions to maximize the property's economic life through timely repairs or capital improvements.

- Accurate Recordkeeping - The property manager should keep accurate records relating to all phases of property management or leasing activity to provide an accurate and current financial assessment of the property, and to facilitate the preparation of financial statements, tax returns and reports to the board of directors of the parent thrift and service corporation.

### Real Estate Sales

To the extent that a development project, or a portion thereof (i.e., houses within a subdivision), is on the market for sale or in the advanced phases of construction, the regulator should verify that the marketing plan and sales projections are sufficiently reasonable and accurately reflect a current assessment of the local real estate market. When actual sales activity falls substantially below sales forecasts, management should be able to explain the variance and the potential effect of slow sales activity on the service corporation's obligations and overall financial condition.

All real estate sales should be reported on the service corporation's financial statements in accordance with GAAP. Accounting for the sale of real estate is complex and will vary depending on (1) the point at which a sale actually occurs and (2) the way in which the gain on the sale is recognized under GAAP. (For a detailed discussion of accounting for sales of real estate refer to Handbook Section 251, Real Estate Owned and Repossessed Assets, and the Statement of Financial Accounting Standards (SFAS) No. 66.)

## Overall Risk Assessment

In determining the overall risk presented to the parent thrift by a related organization, the basic aspects of real estate development, as discussed in this Section, should alert the regulator to potentially unsafe and unsound practices to be evaluated during an examination. For a service corporation that is relatively active in real estate development, it is likely that each development phase will require some form of review consistent with the risk-focused examination approach detailed in Handbook Section 730.

## REFERENCES

### United States Code (12 USC)

#### *Home Owners' Loan Act*

| | |
|---|---|
| § 1464(c) | Loans and Investments |
| § 1464(t) | Capital Standards |
| § 1464(t)(5) | Separate Capitalization Required for Certain Subsidiaries |
| § 1464(t)(5)(D) | Transition Rule (For Certain Nonincludable Subsidiaries) |
| § 1464(u) | Limits on Loans to One Borrower |

#### *Federal Deposit Insurance Act*

| | |
|---|---|
| § 1828(m) | Activities of Thrifts and Subsidiaries |
| § 1831(e) | Activities of Savings Associations |

### Code of Federal Regulations (12 CFR)

#### *FDIC Rules and Regulations*

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|---|---|
| § 303.13(d) | Equity Investments |
| § 303.13(f) | Notice of Acquisition or Establishment of a Subsidiary or the Conduct of New Activities Through a Subsidiary |

### OTS Rules and Regulations

#### *Subchapter A: Organization and Procedures*

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|---|---|
| Part 516 | Application Processing Guidelines and Procedures |

#### *Subchapter C: Regulations of Federal Savings Associations*

| | |
|---|---|
| § 541.23 | Residential Real Estate (Definition) |
| § 545.32 | Real Estate Loans |
| § 545.35 | Other Real Estate Loans |

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| § 545.36 | Loans to Acquire or Improve Real Estate |
| § 545.37 | Combination Loans |
| § 545.74 | Service Corporations |
| § 545.74(c)(3) | Permitted Activities (Real Estate Services) |
| § 545.74(c) | Acquiring Real Estate for Prompt |
| (3)(vi) | Development |
| § 545.81 | Operating Subsidiaries |

### *Subchapter D: Regulations Applicable to All Savings Associations*

| | |
|---|---|
| § 561.30 | Nonresidential Construction Loans |
| § 563.37(b) | Service Corporation Debt |
| § 563.93 | Loans to One Borrower |
| § 563.100 | Real Estate Lending Standards |
| § 563.101 | Real Estate Lending Standards |
| § 563.170 | Examinations and Audits; Appraisals; Establishment and Maintenance of Records |
| § 563.170(c)(1) | Records with Respect to Loans Secured by Real Estate |
| § 563.172 | Re-evaluation of Real Estate Owned |
| Part 567 | Capital |
| § 567.1(h) | Eligible Savings Association (Definition) |
| § 567.1(i) | Equity Investments (Definition) |
| § 567.1(aa) | Subsidiary (Definition) |
| § 567.9(c) | Deductions From Capital (Investments in Nonincludable Subsidiaries) |
| § 571.18 | Accounting Per Troubled Debt Restructuring |
| § 571.26 | Classification of Assets |

## Accounting Practices

### *Financial Accounting Standards Board - Statements of Financial Accounting Standards (SFAS)*

| | |
|---|---|
| No. 34 | Capitalization of Interest Cost |
| No. 58 | Capitalization of Interest Cost in Financial Statements that Include Investments Accounted for by the Equity Method |
| No. 66 | Accounting for Sales of Real Estate |
| No. 67 | Accounting for Costs and Initial Rental Operations of Real Estate Projects |
| No. 98 | Sale-Leaseback Transactions Involving Real Estate |

### *Accounting Principles Board - Opinions (APBO)*

| | |
|---|---|
| No. 18 | The Equity Method of Accounting for Investments in Common Stock |
| No. 21 | Interest on Receivables and Payables |

### *AICPA Accounting Standards Division - Statements of Position (SOP)*

| | |
|---|---|
| No. 78-2 | Accounting Practices of Real Estate Investment Trusts |
| No. 78-3 | Accounting for Costs to Sell and Rent, and Initial Rental Operations of, Real Estate Projects |
| No. 78-4 | Appreciation of the Deposit, Installment and Cost Recovery Method in Accounting for Sales in Real Estate |
| No. 78-9 | Accounting for Investments in Real Estate Ventures |
| No. 80-3 | Accounting for Real Estate Acquisition, Development and Construction Costs |
| No. 81-1 | Accounting for Performance of Construction-Type and Certain Performance-Type Contracts |