



# 1031 EXCHANGE:

## BUILD-TO-SUIT OR IMPROVEMENT EXCHANGE PROCEDURAL OUTLINE



Accruit is a leading independent, national Qualified Intermediary (QI) and Exchange Accommodation Titleholder (EAT) with over 20 years in the 1031 exchange industry, providing 1031 exchange service across all 50 states and specializing in all types of exchanges from forward, reverse, built-to-suit/improvement to non-safe harbor exchanges. Specialized EAT services are provided by Accruit Exchange Accommodation Services LLC (AEAS).

### Step 1:

#### Contact Accruit to start your 1031 Exchange

Provide all taxpayer information and documentation requested in your Welcome Email via the webform or email to the Client Service team member to get exchange initiated.

### Step 2:

#### Completion of the Assignment of Relinquished Property Contract form

If the relinquished property is being sold before the purchase of the replacement property your team member will prepare for your execution an Exchange Agreement together with an Assignment of Relinquished Property Contract. If you are acquiring the replacement property prior to the sale of the relinquished property this step will still take place but later on in the steps. If it is acquired before, it is considered a reverse BTS/Improvement Exchange, but the process is largely the same.

### Step 3:

#### Taxpayer assigns the Replacement Property Purchase Contract to the EAT

Don't confuse the Assignment of Contract Rights pertaining to the forward exchange of the relinquished and replacement contracts with the outright assignment of the replacement property contract with the EAT necessary for a BTS/Improvement Exchange. This step is intended to allow the EAT to step in the shoes of the taxpayer to acquire and improve the property.

### Step 4:

#### Taxpayer and EAT enter into Build-to-Suit or an Improvement Sale Contract for Replacement Property

The transfer back from the EAT to the taxpayer will take place after all improvements are made to the Replacement Property, but in no event more than the earlier of 180 days from the sale of the relinquished property or the EAT's acquisition of the replacement property should that have taken place before the sale of the relinquished property.



## Step 5:

### Taxpayer directs funds from Exchange Account to EAT

This is considered a progress payment/down payment from the taxpayer to the EAT under the Build-to-Suit or Property Improvement contract. The EAT, in turn will use these funds to purchase the replacement property.

## Step 6:

### Improvements are completed using Exchange Funds per the agreement with the Contractor

This agreement is executed by the EAT or assigned to the EAT's LLC by the taxpayer if it has already been executed. The taxpayer directs funds from the exchange account to the EAT progressively, as the work is done. Whenever a payment is to be made by the EAT, the taxpayer tenders a draw approval form to the EAT confirming that they are satisfied with the applicable work and that the EAT may make payment. The EAT may request applicable lien waivers prior to making payments.

## Step 7:

### Taxpayer assigns Replacement Property Contract to the EAT

The taxpayer assigns its rights under the contract for the purchase of the Replacement Property (the QEAA), now being acquired from the EAT, to the QI and gives written notice of this assignment to the EAT, on or before the closing.

## Step 8:

### Taxpayer takes ownership of Replacement Property

Via an assignment of the membership interest in the EAT which transfers the LLC, and the property it holds, from the member (AEAS) to the taxpayer. Alternatively, circumstances may warrant a deed be issued to the taxpayer by the LLC and the LLC may be dissolved.

### Reverse Build-to-Suit or Improvement Exchange

*The preceding steps outline a forward build-to-suit or property improvement exchange, in which the taxpayer sells the relinquished property prior to the acquisition of the replacement property. If the taxpayer wishes to acquire and begin the improvements on the new property before the sale of the old property, a reverse build-to-suit or property improvement exchange is necessary.*

*In the case of a reverse type exchange, funding to cover the purchase price and cost of improvements must be provided to the EAT from a bank and/or taxpayer loan. In this instance, the Titleholder LLC will sign loan documents as the borrower, and the taxpayer signs as the guarantor of the loan. Any earnest money having been put down is considered part of the funds lent from the taxpayer to the Titleholder. These loans get paid back at the conclusion of the transaction when the exchange funds are used by the taxpayer to acquire the property from the EAT.*



**Accruit**

**CONTACT US TODAY!**

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