

DEVELOPMENT LAND

OPPORTUNITIES

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Robinson & Hall is committed to providing exceptional guidance to help landowners achieve the best outcome for their land.

‘Strategic development land’ is a term often used in the industry for land that may have short to long term development prospects. Sometimes, the potential for your land is not always obvious. In recent years we have sold many development sites for clients across the region and further afield. These sites range from just a few units selling for around £1 million, through to sites for over 1,000 units selling for many tens of millions. Some sites take several decades to reach a conclusion, others take only a few years, or even just a few months where we are commissioned to sell a site which already has consent. We usually work with the landowner from the outset of a scheme but we are also often brought in part way through, particularly where a difficulty has arisen. This might be a breakdown in relations with a promoter or another landowner, or it may be a technical issue, perhaps concerning access to the site, third party covenants or other title matters. Our expertise, attention to detail and negotiation skills are well known and we are happy to assist, whatever stage the project is at.

“I’d like to thank you for your hard work in achieving planning permission on the land. I understand that the plans you presented and statement you delivered at the planning meeting were far superior to any others.”

G D

“We would like to say how much we appreciate all the hard work and professionalism you have shown throughout negotiations. We would recommend your services to everyone.”

J K

NATIONAL PLANNING POLICY FRAMEWORK

The National Planning Policy Framework (NPPF) sets out the Government's planning policies for England to include economic, environmental and social planning policies. The policies laid out within the NPPF are to be applied to Local and Neighbourhood Plans and should be referred to during all planning decisions.

Some key topics the NPPF covers include housing, economics, business, development, transport and the environment. The NPPF introduced the presumption in favour of sustainable development, which is broken down into three pillars: social, economic and environmental.

LOCAL PLANS

Each Local Planning Authority (LPA) is required to prepare a Local Plan for its area. Local Plans can be created for each planning authority area or several authorities can work together to create a plan covering a few districts. Once Local Plans are in place, they form part of the statutory development plan. It should be noted that draft plans can also carry weight regarding planning decisions, especially when they are in the final stages.

The process of creating a Local Plan can take some time. LPAs usually target a time frame of 2-3 years, although some plans have taken much longer to reach completion. To create a robust Local Plan, there are several phases that LPAs usually have to adhere to.

CALL FOR SITES

When drawing up a draft Local Plan, the LPA needs to gain an understanding of what land may be available within the area. It will therefore request land to be brought forward by landowners and developers to be considered for future development known as a 'Call for Sites'. It is important not to miss any opportunity to put land forward as it maybe some years before the next Call for Sites is announced. The LPA will then review the sites and consider what sites should be submitted for inclusion in the Local Plan.

Developers and promoters will usually submit land that they have an interest in via an option or a promotion agreement. When a landowner is not currently working with a developer or a promoter, it is just as important to submit their land to the Call for Sites to ensure that the opportunity is not missed. Robinson & Hall regularly submits land on behalf of our clients.

NEIGHBOURHOOD PLANS

Neighbourhood Plans usually cover an area of a parish or a town. A Neighbourhood Plan allows local communities to have their say on future development in their villages and towns. Decisions on future development include designating areas for different forms of development or protection. They also allow locals to implement certain design criteria for the buildings to suit the local area amongst other things.

TYPES OF AGREEMENTS

Promotion Agreement

A promotion agreement is a legally binding contract between the landowner and a land promoter. It is created to bind the parties to work together in achieving planning permission followed by a sale of the site. The land promoter funds the work needed to achieve satisfactory planning permission. The ideal land promoter will have the necessary experience and expertise to achieve the desired outcome.

Option Agreement

An option agreement is a legally binding contract between the landowner and a developer. It grants the developer the right to purchase the land from the landowner during an option period in return for an option fee. The developer will look to obtain planning permission on the land during the option period. The purchase price the developer pays the landowner will be determined by the option agreement. The price could be a fixed price or a discounted percentage from the agreed market value of the site at the point of sale. The right to exercise the option lies with the developer.

Hybrid Agreement

A hybrid agreement is a blend of a promotion agreement and an option agreement. Usually, the other party will be a developer or have a development arm alongside their promotion company. The agreement between the two parties will allow the developer to purchase some of the land during an option period while the balance is sold on the open market to determine the value of the land.

Self Promotion

Land can be self-promoted by the landowner usually with the help of an agent and other third parties. The landowner will fund the promotion of their land themselves with the benefit that, if their promotion is successful, they will keep a higher share of the proceeds. It is usually more viable for a landowner to promote their land on a smaller scheme. Robinson & Hall often coordinates the self-promotion of development land by our clients.

THE PROCESS

The first stage of the process is to promote your site to the Local Planning Authority. A typical scenario might be as follows:

Step 1. Submit a representation for your site to the Local Plan.

As mentioned, councils will invite potential sites for development to come forward known as a 'Call for Sites'. As part of the process, they will determine the constraints and opportunities of sites together with an indication of 'deliverability', i.e. when realistically the site is likely to be developed.

Step 2. Landowner enters into a short-term option, promotion or hybrid agreement with a developer or promoter.

We can facilitate the introduction of a developer/promoter who will pay the landowner a fee to be allowed to promote the land through the planning system within the period of the agreement. We know which developers have a proven track record and can recommend accordingly to maximise your chances of success. We can also advise on the advantages and disadvantages of the option versus planning or hybrid promotion route. A contribution to your professional costs can often be negotiated from the developer/promoter.

Step 3. When planning consent is received, specialist advice is essential.

When the promotion agreement is triggered, usually on receipt of a satisfactory planning consent, the land is sold with the proceeds split in accordance with the agreed terms. This stage requires careful advice to ensure the landowner receives full value for the land.

Under an option agreement a market value for the land will need to be negotiated and agreed. Developers like to use a discounted cashflow method to show the land is worth less than comparables in the area but both have to be considered.

IT'S NOT JUST BROWNFIELD SITES

The Government has made it clear that a greater number of homes is needed to prevent housing supply issues in the coming years. LPAs therefore have ambitious targets to achieve sustainable growth in their areas. Brownfield sites in cities and large towns are given preferential treatment for development, yet in many locations such opportunities are no longer available to meet the increasing need for homes. They therefore look to release areas of Green Belt land and greenfield sites to ensure their targets are met.

OUR OFFERING & BENEFITS

Robinson & Hall is well placed to monitor the production of a large number of Local Plans across the region and to advise on the options available to you. Whether you instruct us to promote the land on your behalf or whether you ask us to find a development partner to work with, our aim is to make a highly technical and sometimes lengthy process as easy as possible for you.

It is no secret that the sale of strategic land can raise substantial sums for landowners. Such capital injections can enable you to:

- + Pay out business partners or family members
- + Allow the next generation to continue in the business
- + Fund a diversification project
- + Facilitate business growth
- + Survive in an increasingly competitive market
- + Pay off core debt
- + Make a comfortable retirement a reality

Our focus is to add value to your land or property, so over the years the level of services we provide have evolved to ensure that we can do just that. We want to cut out the need to deal with several companies to achieve your goal and therefore the range of property services we provide means that we can cater for virtually any land or property requirement.

- + Pre-application enquiries
- + Permitted development rights
- + Local Plan reviews & site promotion
- + Neighbourhood planning
- + Planning applications & appeals
- + Site appraisals
- + Strategic planning & option / planning production agreements
- + Architectural design services
- + Renewable energy

Our other departments include:

Residential Lettings Auctions Commercial Rural Property & Business
Architecture & Building Surveying

FREQUENTLY ASKED QUESTIONS

“I have been approached by several parties offering option and promotion agreements. How should I proceed?”

We usually favour promotion agreements over option agreements but will advise as to the best course of action on each specific site.

“What about the costs incurred from the land agent before signing up to a promotion agreement?”

We work for our clients on a risk basis. All costs are usually paid by the promoter as agreed within the promotion agreement and a fee is payable to the land agent on the sale of the property.

“What makes a good parcel of land for development?”

This is a broad question. However, sustainability of the site will be key. This is often linked to the existing infrastructure in the locality.

“What is a promotion fee?”

A promotion fee is an upfront payment given to the landowner by the promoter on the signing of the promotion agreement. The landowner will keep the money, even if the promotion comes to an end without gaining planning permission, but the fee is often taken from the gross sales proceeds before it is split between the parties.

“Interest has been shown on my land for warehouses/distribution centres. Should I hold out for residential?”

Large scale warehouses and distribution centres built for the likes of Amazon and other retailers can fetch greater returns than residential development.

“What is an equalisation agreement?”

When multiple landowners are involved to jointly promote land, an equalisation agreement is usually required. The agreement lays out how the proceeds of any sale will be split between the parties. Determining how to split the proceeds is a complex matter as each owner might bring different elements to the development outside of just their share of the land acreage. For example, a landowner who controls the only access to the site might desire a higher percentage of the proceeds than his acreage would have otherwise provided. There are also tax implications to consider.

“What are the costs involved for the landowner?”

There are no upfront costs as all costs are usually paid by the promoter. If planning is achieved and the site is sold, the costs incurred will be taken from the gross sales proceeds before the proceeds are split between the owner and promoter.

FREQUENTLY ASKED QUESTIONS

“Should I opt to register my land for VAT?”

There are usually many tax implications to be aware of before and after selling land for development. At Robinson & Hall, we work with many tax specialists to ensure our clients can plan accordingly.

“Why should I use a land agent?”

We act for the landowner, not the developer to achieve the most favourable terms for the landowner. Factors that need to be negotiated include the upfront payment to the landowner, the length of the term of the agreement and the percentage split of the proceeds.

“My proposed term is 30 years, which seems like a long time. Should I proceed?”

A 30 year term is longer than most but may be needed in specific scenarios. We seek to ensure that the contract length is appropriate to the circumstances.

“I have an agreement due to expire. Should I give up on the prospect of gaining planning permission?”

No, we can advise whether to extend the agreement or explore signing up with a different promoter. We have had success working with land promoters that were brought in after others had previously failed.

“My land may have development potential yet extends to only one acre. Is this too small to be promoted?”

We work with promoters with different criteria. Some are looking for smaller sites while others specialise in large scale development. At the moment we are actively promoting, managing the delivery of and negotiating the sale of a range of sites, from small plots of up to five dwellings on the edge of existing villages through to land forming part of sustainable urban extensions on the edges of large settlements or entire new settlements of thousands of dwellings.

“How much money could I receive if development is achieved?”

If handled correctly, a sale can be life changing for a landowner. However there are many obstacles to overcome and those who are poorly advised can end up with less than they deserve.



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