



PLANNING PROMOTION AGREEMENT

Bowbridge Land offers a service that can be obtained individually from a number of professionals. However, whereas these firms will charge the landowner for all of the specialist reports and promotional expenses, Bowbridge Land carries these costs, earning its fee by taking a percentage of the sale price of the land once planning permission has been obtained.

Unlike a conventional builder/developer option, where land is sold to a single option holder at a "negotiated" value which may be significantly less than the true market value, Bowbridge Land offers consented land to the open market. This is done usually by formal or informal tender, thereby ensuring that the maximum price is achieved for the landowner.

As you know, land promotion can be a highly complex and expensive process. We co-ordinate a multi-disciplined team of consultants (always using the best to improve our chances of achieving consent). A typical project could include Planning Consultants, Highway Engineers, Architects, Ecologists, Archaeologists, Geotechnical Engineers, Service Engineers, Environmentalists, Lawyers and often a QC to promote the site to its best advantage through the planning process.

To secure a promotion agreement, the company will agree an upfront payment to ensure the landowner realises some of the value of his asset long before it gets to the open market. We also pay the landowner's legal costs.

Once the planning permission has been granted, we work with the landowner to find a buyer in the open market. This does not necessarily mean the land has to be sold as quickly as possible. We are prepared to wait for favourable market conditions to obtain the best price.

PLANNING PROMOTION AGREEMENTS VERSUS OPTION AGREEMENTS

The conventional builder option approach involves the payment to the landowner of an option fee upon committing to a fixed-term option. The builder then covers all promotion costs with the right to purchase the land at 'open market value' when and if planning permission is obtained. On the face of it this may seem an attractive proposition, giving the landowner the option to realise a figure which is many times the agricultural value of the land without incurring any costs or risk. If you compare the land promotion service Bowbridge Land offers to that offered by a builder, there are striking similarities but also some very marked differences particularly once permission has been granted.

The key differences are:

a) Planning Gain

As part of the process of gaining approval, concessions increasingly have to be made to meet local planning authorities' demands for planning gain (schools, social housing, community centres, public transport, etc.). There is no incentive for the option holder to minimise these concessions, which come out of the land value, so the landowner pays. Bowbridge Land on the other hand works hard to maximise the land value of the planning permission, since its reward essentially comes from sale proceeds from the land when it is sold. Every item of planning gain sought is considered against national policy and the test of reasonableness.

b) Land Sales

Throughout the pursuit of the common goal of achieving approval, the option holder has been on the same side as the landowner trying to obtain consent to residential or other forms of use. However, once this is achieved the builder and the landowner start to pull in opposite directions. The landowner wants to sell at the highest possible price but can only sell to one party. The builder with whom he has agreed an option aims to buy at the lowest possible price. Eventually they may agree somewhere in the middle, or the whole matter could go to arbitration. This is costly and causes uncertainty. Invariably the landowner will not realise the full land value as the land sale is not tested in the open market.

With the Bowbridge Land approach, once planning permission has been obtained we remain true partners with the landowner. We share a common interest in that we both wish to see the site sold for the highest possible figure. Our approach is particularly attractive to landowners who are obliged (as trustees or charities) to ensure assets are not undersold.

c) Timing

Under most builder options the land is purchased by the builder as soon as planning permission is obtained. However, market conditions might not be favourable or the timing not ideal for the landowner (e.g. for tax planning or tenancy reasons). Bowbridge Land on the other hand is prepared to wait for favourable market conditions and sell when it suits the landowner within the life of a planning permission.

d) Marketing

In advance of going to market we believe in answering as many of the uncertainties that affect the bidding process as possible, e.g. ground investigation, site surveys, servicing, drainage, etc. in order to minimise conditional bids and so make the marketing process that much simpler and more competitive.

Summary

The common objectives of most landowners are to:

- i) Maximise the chance of achieving a planning consent within as short a time frame as possible.
- ii) Minimise risk.
- iii) Maximise the ultimate return. Cash receipt in the short term might also be an important factor.
- iv) Retain a degree of control in the promotion process and upon receipt of planning consent to have flexibility as to when and how to sell.

The structure of the Bowbridge Land Promotion Agreement has been developed to meet these objectives. Of key importance is that we work on a "no win no fee" basis with an overriding goal, in contrast to that of a conventional builder option holder, to maximise value for the landowner.

Typical Terms of a Bowbridge Land Agreement

- 1) The parties agree a sufficient term to achieve a local development framework allocation and a planning permission.
- 2) Bowbridge Land makes a payment to the landowner at the outset.
- 3) The agreement determines Bowbridge Land's return (percentage of land value if the promotion is successful).
- 4) Bowbridge Land puts together and project manages and finances a team of consultants.
- 5) Bowbridge Land's interest is crystallized upon the grant of planning permission, a planning resolution or allocation.
- 6) The landowner decides when the consented land is to be sold and method of sale with a long stop to ensure postponement does not prejudice the Planning Consent.
- 7) The land is sold.
- 8) Upon achieving a sale Bowbridge Land is reimbursed its external costs and receives a predetermined return.