

Commercial Land Development

The success of any organisation—regardless of size or industry—is determined, in part, by its location. Your organisation’s primary location helps determine its growth potential, profit and visibility. Yet finding the ideal location and building can prove to be a daunting task. Because of this, some organisations choose to develop an available piece of land either for themselves or to sell to an interested party.

As with any long-term, large investment project, the potential for unforeseen costs and risks is ever-present. Therefore, before organisations make the commitment to develop a piece of land for themselves or to sell, they should review the following risks and best practices associated with commercial land development.

Land Development Process

When an organisation commits to developing a piece of land, there are four general steps:

1. **Locate a piece of land to develop.** Before your organisation begins the search, identify your needs. Consider your day-to-day operations, the quality of service you want to provide and if you need the ability to expand. Based on your specific criteria, your organisation can then narrow down potential locations.
2. **Conduct an assessment of the land.** Once you have found a suitable plot of land, but before you purchase it, have an environmental health officer conduct a survey to identify potential environmental hazards and whether the land is suitable for your intended purposes.

To help organisations identify viable plots of land and begin development, the HSE created an app called Planning Advice. The fee-based service can be found at:

www.hse.gov.uk/landuseplanning.

3. **Develop a thorough construction plan for the project.** Once you have found a suitable plot of land and have identified any potential environmental hazards, hire a developer and contractor to begin planning the project. After developing a clear construction plan, have a licensed inspector conduct a survey of the site to identify any potential health and safety risks. The developer, contractor and you must establish procedures to mitigate the potential impact of those risks.

Choosing to develop a piece of land could provide your company with the opportunity to design the perfect, ideal location to foster success.

4. **Begin construction on the project.** Before each new phase of construction begins, have both the environmental health officer and licensed inspector visit the site to ensure that any potential risks are being properly managed.

While there may be additional steps or processes that your organisation implements, these four represent those which are universally essential.

Provided by **Crendon Insurance Brokers Ltd**

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Land Development Risks

There are four common risk categories that your organisation may encounter during your land development project:

1. General:

- You may receive fines due to health and safety or environmental offences.
- You may overpay for the site and overestimate the value of the completed development.
- You may underestimate various costs and the time it will take to sell or let the development.

2. Construction:

- There may be insufficient construction risk management plans to mitigate environmental damages and any negative impact to worker health and wellness.
- There could be a lack of worker training on how to be environmentally responsible, how to work safely on a large construction site, and on general risk management knowledge.
- There could be unforeseen costs for building materials.

3. Financial:

- There may be a lack of interested parties looking to purchase the completed development or a lack of customers willing to visit the property due to the location.
- There may be additional construction projects—such as roads, car parks, street lights, etc—that would need to be completed before the development could be viable.
- There could be construction delays that may lead to investors or interested parties pulling their funding.

4. Environmental:

- There could be human error, either in execution or planning, that leads to

environmental damage—such as contaminated groundwater or long-term damage to the surrounding ecosystems.

- There could be improper planning and preparation that exposes the development to flood damage.
- There may be an inadequate environmental inspection that fails to identify protected wildlife or other risks.

Although this is not a comprehensive list of all the possible risks that an organisation may encounter, it does reflect those which could be the most damaging.

Methods to Mitigate Risks

Land development can be a costly and time-consuming investment that is exacerbated by inherent risks. For that reason, organisations should develop a thorough risk management scheme. A successful scheme may include these four strategy groups:

1. Environmental Impact:

- Hire an environmental health officer to identify any potential risks to the surrounding environment.
- Identify any environmental laws you need to adhere to during development. This may include the following:
 - The Environmental Protection Act 1990, which outlines emission standards and proper waste management procedures.
 - The Wildlife and Countryside Act 1981, which outlines guidelines for the protection of native species.
- Secure the proper environmental permits to ensure the development remains compliant. The full list of environmental permits can be found at www.gov.uk/topic/environmental-management/environmental-permits.

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- Conduct an assessment on the environmental impact of the development before construction begins. Government guidance on how to complete an assessment can be found at www.gov.uk/guidance/assessing-environmental-impact-guidance.

2. Worker Knowledge:

- Organise training and education courses on how to work efficiently and safely on a large construction site.
- Hire an environmental health officer to educate workers on the most environmentally safe procedures.
- Verify that workers have a comprehensive understanding of all the potential health and wellness risks. This should include training on any necessary personal protective equipment.

3. Construction:

- Design the structure in segments or phases. In this manner, each finished segment can be effectively used upon completion rather than having to wait until the entire structure is completed to be usable.
- If an organisation is interested in renting space in the completed structure before or during construction, you can pre-let the property. This helps ensure that the structure will be profitable upon completion and potentially allows the renting organisation some control over how to develop the space.
- Through a partnership between two or more organisations, beneficial collaboration can spread out potential risks and costs.

4. Insurance:

- Property development insurance—an indispensable part of any property development risk management scheme—can include the following:

- Construction risks
- Public liability
- Environmental liability
- Loss of income or rent
- Delay in completion
- Defective title
- Contract works
- Restrictive covenants
- JCT Clause 21.2.1 Insurance

These four strategy groups do not represent a comprehensive list of all the risk management strategies, but it does reflect those which may be the most beneficial.

Location, Location, Location

Developing a piece of land can give an organisation the opportunity to choose the ideal location to help ensure its success. Yet, there are inherent risks that must be properly managed before an organisation's vision can be realised. However, with thorough and proper planning, an organisation can create that beneficial space. For more information on how your organisation can effectively develop a piece of land, contact **Crendon Insurance Brokers Ltd.**

