

## Bridport Negotiation

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### Confidential Information for EASTERLY

You are the owner of the Easterly, a successful bed-and-breakfast inn, located in the picturesque seaside village of Bridport. You purchased the Easterly over 20 years ago, partly as an investment, and partly to restore an old sea captain's house to its former glory.

Your goal today is to try to negotiate the purchase of a neighboring piece of land. Here is the key background.

You operated the inn at a loss for a number of years and invested significant funds in building maintenance and repairs. After years of struggling to make ends meet, you feel that you've finally "discovered" a winning combination: you've brought in a highly competent manager and built up a loyal following of visitors. In the past few years, you've even been able to turn a profit, and the value of the real estate has increased substantially (even taking into account the investments you had to make in improvements).

Amidst this success, however, you're now facing a challenge from Brims – a regional chain of coffee shops – who has bought a vacant parcel of land that sits on the side of your inn facing the harbor. They have already filed for a permit to build a one-and-a-half story structure that would block the view from the inn's porch and some of its best rooms.

You have no doubt that Brim's coffee shop would seriously hurt your inn. You wish that you had purchased the lot yourself – either when you bought the Easterly or this past year, but you hadn't known it was on the market.

In any event, you have always been under the impression that the lot was unbuildable as a commercial property due to an existing deed restriction. The deed restriction dates back to 1940, well before you bought the Easterly, and states that the lot in question shall only be used for residential purposes unless given permission otherwise from the surrounding lots. As the beneficiary of such restriction, your own property deed also makes note of this restriction. In fact, the lawyer you consulted tells you that you may still be right. Acting on her advice, you have filed a formal objection to the issuance of a building permit. Such challenges are heard by various municipal regulatory boards, and can end up in court if either the permit seeker or the challengers are dissatisfied with the local rulings.

In a nutshell, Brims claims that the deed restriction should be thrown out or modified to allow their store. Brims argues that there have been significant changes in the neighborhood since 1940, rendering the restriction obsolete.

Your lawyer has advised that would be correct if they were proposing a residential use, but the deed restriction may hold up in court against commercial usages. She has said that you have at least a 50 percent chance of ultimately stopping the issuance of a building permit to Brims for the construction of their new coffee shop. Yet, going through local regulatory procedures, a trial, and possible appeals could take several years and cost at least £25,000. Moreover, there's no guarantee that you would win – even if you do block this particular building permit, Brims could sell the land to someone else who would be allowed to build a single-family house there, which would interfere with the inns views and substantially diminish the value of the property.

As a result, your lawyer has urged you to purchase the lot from Brims, before either side sinks too much money into a legal fight over zoning issues. Obviously, you do not want to pay any more than necessary to acquire the parcel. At the same time, unless Brims is demanding a completely unreasonable price, it would be better to buy the lot from them rather than run the risks (and bear the costs) of going to court.

A meeting has been arranged with a representative from Brims. It should be clear to them already that you are not prepared to drop your legal challenge to their building permit. By the same token, you understand that they are not willing to drop their project unless they are paid something for the land they recently bought. As a result, if you do buy the parcel from Brims, you want to get as good a price as possible.

In preparation for the negotiation, you had to consider the market value of the land. It turns out that's difficult, however. Its small size and the unresolved deed restrictions make it unique. In the end, its value can only be set by whatever a willing buyer and seller happen to agree on. In your case, keeping the land open, so that views from the inn are not obstructed, is important. You have calculated that if the land were built upon, the value of your Easterly property would decline about £350,000 in value (give or take 10%). This potential loss reflects the reduced rent that you could charge for your premium rooms and the resulting loss of business income. In short, your motivation for buying the land is to prevent someone else from building on it. If you buy the parcel, you will simply landscape it nicely, which will add to the charm of the property.

You also did some research into Brims and their financial situation. You have confirmed that Brims paid £100,000 for the parcel of land three months ago. That seems pretty close to the current value of the parcel as a residential building lot, but perhaps on the low side. It is harder to estimate its future value, as that depends on the real estate market. It could be higher or lower in several years if you were to wait for a final court ruling to vindicate your legal position. Finally, you were not able to get hard data on how much Brims would have to pay for a comparable site for its coffee shop, but you guess it could be as high as £200,000.

Remember, your objective is to purchase the land at the lowest price possible. For the sake of this simulation, please do not introduce other issues or terms. Simply try to reach agreement on price. Your respective lawyers will handle the legal technicalities, and you will arrange your own financing.

Good luck!