

## **Supporting Evidence Item 36 – Explanation of the LSDP Model**

### **What is the LSDP Model?**

The Land Sales Delivery Partner (LSDP) model is a generic term given to a land release and development model whereby an LSDP is appointed to manage the MOD's longer term interest in major development sites over a number of years. The LSDP invests in infrastructure and releases the site to the open market in phases to house builders / SME developers in line with an agreed development and phasing plan.

### **Why is the Model Used?**

The Ministry of Defence is increasingly utilising the LSDP model to bring forward the release and development of major development sites. A LSDP is ordinarily required when DIO cannot secure the best financial return by simply selling the whole site in one single lump/transaction to a developer. Best returns are secured by breaking up the site into "ready to develop" serviced sites. DIO needs the services of a master developer/JV Company in order to do this.

### **Who is the LSDP?**

There are a number of Companies in the UK that can provide suitable services. These ranges from strategic site developers, to volume house builders, down to simple infrastructure contractor suppliers.

### **How is the Agreement Structured?**

The LSDP partnership is structured through a Development Management Agreement (DMA). This is the legal agreement entered into between DIO and the LSDP that sets out the terms on which the land is to be managed. The DMA is a procurement of services that is typically subject to payment of a development management fee, an incentivisation fee paid from the gross sale receipts and the option to acquire land at market value without the need to enter into competition.

The key components of the DMA are:

- An over-arching objective – Maximise NPV. This aims to drive the LSDP behaviour to maximise the potential returns of the development in terms of value and time.
- The Development Term – This is typically drafted for longer than is required. LSDPs are committed to, and have a vested interest in, timely delivery.
- The Business Plan and the annual Business Plan process – A critical component of the DMA where DIO has the ability to set and drive the implementation programme.
- Development Obligations – What the LSDP must do and provide including funding and planning targets.
- Development Partners option for Direct Development – Typically 35% of the residential land and 100% Commercial. In the case of St George's, RCC's aspiration to directly deliver the business zone is noted.
- Estimated Costs and LSDP Incentivisation – Sets out mechanisms which underpin development expenditure, gross receipts, development management fee and gain share / profit distribution and the DMA and Project Executive Group (PEG) process that controls this.

- Waterfall Mechanism – How costs and receipts are treated and how dividend payments are determined and distributed. Typically this establishes that the LSDP received priority for land sales to recoup their infrastructure investment.

### **Where has the LSDP Model been used successfully?**

LSDP is MOD's preferred method for taking forward the release and development of large development and regenerations sites.

#### **Aldershot Urban Extension (AUE) – Wellesley Aldershot (2011 to 2029)**

- LSDP DMA with Grainger PLC commenced in 2011
- Up to 3,850 homes to be delivered
- First parcel was handed over in March 2013
- Detailed planning consent in 2014
- First units delivered in 2016
- Various parcels sold to developers including Bellway, Ashberry Homes and Barratt Homes

#### **Bordon (Prince Philip Barracks), East Hampshire (2014 to 2031)**

- LSDP DMA with Whitehill & Bordon Regeneration Company, a JV between Taylor Wimpey UK and Dorchester Living, commenced 2014
- 2,400 new homes to be delivered over 15 years
- Site handover took place in March 2015
- Outline planning consent achieved September 2015 with Phase 1 detailed consent granted Summer 2017
- Project includes frontloaded infrastructure delivery (including the A325 relief road), a new school and a town centre
- First land parcel disposed of in June 2017 with the first homes delivered May 2018
- Parcel developers include Radian Homes, Barratt Homes and David Wilson Homes