

AIA Academy of Architecture for Justice 2008 Conference

San Francisco, California
November 5-8



Bronx Criminal Court Complex – Rafael Vinoly/DMJM Architects



Queens Family Court – Pei Cobb Freed/Gruzen Sampton Architects



Islip Federal Courthouse – Richard Meier/Michael Spector Architects



San Francisco Court of Appeals – SOM Architects

Ed Rosen

Senior Vice President and Senior Architect

Bovis Lend Lease, New York

- Since 1991, has been committed to BLL's management of design and construction of 10 State and Federal courthouses valued at over US\$1B
- Founding member of Architecture for Justice Committee – New York Chapter AIA - 1993

Tony Elkins

Executive Vice President & Chief Commercial Officer

Lend Lease Investment Management, Americas

- Responsible for commercial aspects of complex real estate public-private partnerships
- From business development to deal close, responsible for PPP projects with the US military
- Responsible for developing LL fund management business in the US
- Recently closed the \$2.3B Army-Hawaii transaction, the largest military privatization deal ever

California Courts Program – Public Private Partnerships

- acquiring ownership of 451 courthouses from its counties
- identified immense needs for replacement/renewal of existing facilities
- no single public funding source large enough to meet needs
- exploring constructing new facilities in partnership with developers
- to capitalize on development expertise of private sector
- to achieve faster delivery of new facilities
- to off-load risk to development team
- to achieve “value-for-money” for taxpayers of California
- to restore judicial system operations to acceptable standards
- Long Beach Courthouse replacement designated as “beta” project
- PPP methodology very controversial – public employee unions oppose

Lend Lease Corporation

A publicly held Property Company specializing in project management and construction, real estate investment and development, parent company of Bovis Lend Lease

Bovis Lend Lease

One of the world's leading project management and construction companies using the industry's best practices to create high quality, sustainable property assets. Bovis Lend Lease is active in 30 countries with regional hubs in the United States, United Kingdom and Australia

Lend Lease Corporation and Bovis Lend Lease experience in:

Public Private Partnerships

- Lend Lease Corporation is active in PPP's around the world
- United Kingdom (hospitals, waste facilities and schools)
- United States (military housing communities in Alaska, New York, Kentucky, Hawaii, Arizona, New Mexico, North Carolina, Massachusetts)

Courthouses

- Bovis Lend Lease Federal courthouses - San Francisco, Sacramento, CA, Manhattan (2), White Plains, Islip, Brooklyn, NY (3), Omaha, NB
- Bovis Lend Lease New York State courthouses - Bronx, Queens, Rockland, Tompkins, Wyoming Counties

Current Initiatives

- Lend Lease decides to pursue PPP's for public buildings in North America, seeking investment opportunities for long –term government leases with secure income stream
- Developing strategies for California Courts, GSA Design/Build/Lease and Canadian Provincial Infrastructure PPP programs.

Lend Lease Strategies for California Courts

- Employ LL PPP experience to maximize development value /minimize concessionary payments
- LL overall financial strength and ability to provide financing critical factors
- Leverage Bovis Lend Lease's Courthouse construction experience
- Employ experienced California Courthouse design team
- Respond positively to the Judicial Council's Facilities Standards
- Offer long-term value to Judiciary, Courthouse Users and the Community

Lend Lease Strategies for California Courts (cont'd)

- Balance esthetics, function, security with budget realities of cost of construction and owning/maintaining hard-use public buildings.
- Employ Integrate Project Delivery methodology
- Design to highest sustainability standards
- Efficient operational practices / local facility managers
- Lease commercial and retail space to private tenants
- Modernize building and enlarge/upgrade facilities as required by the courts

Design Team

- Design competition - architecture and urban design major factors
- Premium on knowledge of courthouse design, California Trial Courts Design Standards, quick turnaround on design services delivery
- Ranked on sustainability, accessibility, life cycle costs, energy efficiency, durability
- BIM technology to facilitate Integrated Project Delivery collaboration
- “Success” compensation aligns the interests of the development team members
- Design team’s contribution is interactive with finance, real estate, legal, construction, facility management

Actus Lend Lease Overview

Actus Lend Lease is the nation's leader in public/private community development. With a focus on creating sustainable value, Actus Lend Lease creates communities that regenerate our environment, enrich people's lives and foster economic growth. Actus has global real estate experience, deep organizational capabilities and unmatched financial strength.

Actus Lend Lease has worked extensively through the Military Housing Privatization Initiative (MHPI), a program that provides for the transfer of military housing assets to private sector companies. With more than 40,000 residential units and 4,900 hotel rooms in its portfolio, Actus Lend Lease has created fully master planned mixed-use communities throughout the United States.

Range of PPP Projects



D/B/B – Public Design/Bid/Build

D/B – Design/Build

O&M – Operate and Maintain

F – Finance

T – Transfer to Public Ownership

Source: NCPPP

Developer – Key Steps To Bid A PPP

- Industry Forum, initial investigation of proposed project and market
- Preliminary bid cost estimate – how will we manage the bid costs?
- Determine staffing to resource deal and manage design risk
- Who will our partners be (design, FM, local development, MEP, financing, legal, others)?
- What will our competitive advantage be?
- What is the political environment and how committed is the public sector to a P3 deal?
- How will we secure debt and equity?
- Prepare Go No/Go Paper

Strategic Critical Success Factors for Lend Lease for P3

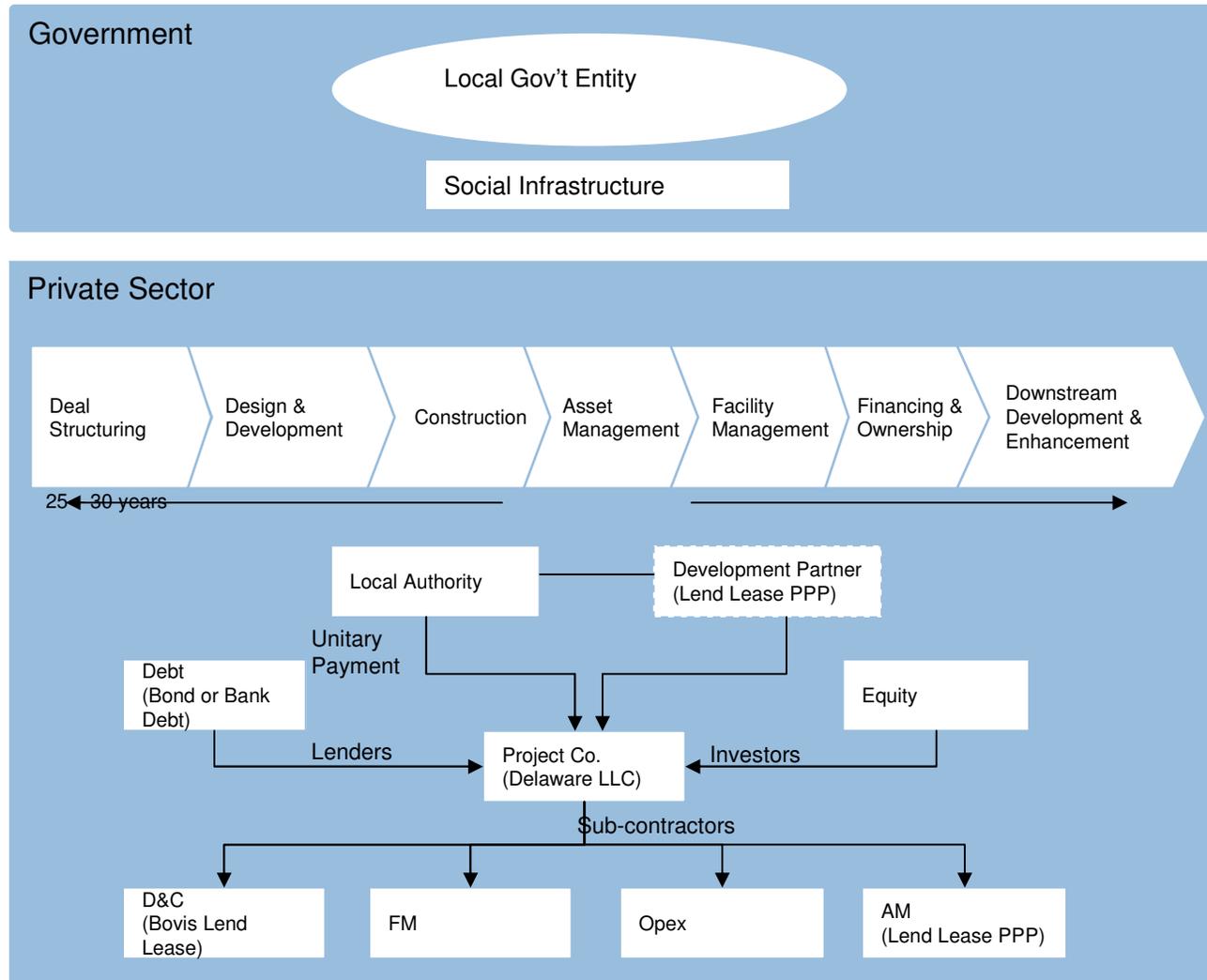
Creating the Right Team: Inv Mgt & Bovis to commit experienced resources.

- Court House D/B GMP expertise required (GMP required at low design levels). Need to leverage global IP / resources to support US team.
- Sector development expertise.
- Must lock up a leading design firm as a dedicated team member

Defining a Competitive Edge: Defining a “winning” edge to justify the high market entry costs.

- Leverage our sustainability position
- Leverage the fact that Lend Lease is one of only a few development firms that as a developer manages their own construction and can put equity in the deal (skin in the game)
 - LL provides an integrated solution.

Typical PPP Structural Chart



PPP Risks & Mitigations from Investor Perspective

Major Risks

Essentiality of asset

Predictability of annual concession payment

Construction risk

Operational risk

Mitigations

Only P3 highly essential assets

Government appropriation under an availability model better than from operating cash flow

Major design builder providing guarantees and/or bonding

Management agreements that allow for termination and incentive fees

Latest Developments

- **October 20, 2008** – Judicial Council of California, Administrative Office of the Courts (AOC) issues a Request for Qualifications for the New Long Beach Court Building
- The Request for Qualifications describes two (2) possible delivery methods; DBFOM and DBO
 - DBFOM (Design, Build, Finance, Operate and Maintain for 35 years)
 - DBO (Design Build Operate and maintain for 35 years with tax-exempt financing).
- (The DBO method is a surprise, as previous communications from AOC did not include this option.)
- THE RFQ schedule calls for financial close 5 months after proposal submission, but construction start 3 months after proposal submission.
- **October 23, 2008** – AOC recalls RFQ for New Long Beach Court Building without explanation