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Alternative Delivery Structures and Considerations
P3 IS NOT A NEW CONCEPT IN THE U.S.

U.S. P3’s date back to at least 1784, when the Potomac Canal Company was formed to build canals to circumvent obstacles when navigating the Potomac River.

The Potomac Canal Company’s first president?
P3 IS NOT A NEW CONCEPT IN THE U.S.

U.S. P3’s date back to at least 1784, when the Potomac Canal Company was formed to build canals to circumvent obstacles when navigating the Potomac River.

The Potomac Canal Company’s first president?

George Washington, a former surveyor.
WHAT IS A P3? HOW DOES P3 DIFFER FROM TRADITIONAL OR D-B PROCUREMENT?

P3 is a long-term, performance-based relationship between the public and private sectors to design, build, finance, operate and/or maintain an asset. Compared with D-B, P3s transfer significant risks to the private sector partner.

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### Delivery Methods: Risk Allocation in D-B vs. P3

<table>
<thead>
<tr>
<th>Risk Type</th>
<th>Project Delivery Method</th>
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<tbody>
<tr>
<td></td>
<td>Design-Build</td>
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<tr>
<td></td>
<td>P3 Concession</td>
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<tr>
<td>Owner</td>
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<tr>
<td>Shared</td>
<td></td>
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<tr>
<td>Developer</td>
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</tbody>
</table>

1. Actual risk assignments may vary by project
2. Eminent Domain delays retained by the owner
CERTAIN ALTERNATIVE PROCUREMENT STRUCTURES CAN TRANSFER MORE OR LESS RISK TO THE PRIVATE SECTOR THAN A P3

Degree of risk transfer (from the public to the private sector) varies by contractual structure.

Various alternative delivery structures should be considered, based on the pricing/evaluation of risks intended to be transferred to the private sector.

In many social infrastructure P3s, such as a municipal building, police station, courthouse, prison, etc.
- Private party will usually take on finance, construction, design, maintenance and lifecycle risk.
- Public sector will continue to bear custodial / security operations and usage risks.
- University residence halls are an exception. Usage / demand risk is typically borne by the private sector.
P3 IS APPROPRIATE WHEN IT IS LESS EXPENSIVE OVER A PROJECT’S LIFETIME FOR THE PUBLIC SECTOR VS. TRADITIONAL PROCUREMENTS

To compare the expense of a P3 vs. traditional delivery, we evaluate the costs & benefits of transferring certain risks to the private sector over the life of a project, including:

**Development / Construction.** Design, permitting, contractor/subcontractor default, date certain completion, construction costs;

**Financing.** Changes in financial markets, refinancing risk, credit spreads, insurance costs;

**O&M.** Long-term O&M and lifecycle expenses, mechanical and electrical reliability issues, building envelope and equipment repair and replacement, technological upgrades, and energy usage rates.

### Keys to Lifetime Value Creation in P3 vs. Traditional Procurement

- **Risk Allocation.** Risks borne by party able to bear them most effectively / efficiently;
- **Lifetime Perspective.** Accurate accounting of costs and risks of deferred maintenance vs. benefits from proper facilities management and timely lifecycle investment;
- **Long-Term Agreement.** Long duration (30 year+) agreement; payment-free return to the public sector of a fully-functioning, properly-maintained facility at the end of the agreement;
- **Construction Risk Transfer.** Management of budget, delays, change orders, contingencies;
- **Long-Term Third-Party Oversight.** Equity investors, lenders and technical advisors during delivery and O&M;
- **Single Responsible Party.** Any issues during the agreement term related to design, construction, or O&M;
- **Value Creation.** World class design with respect to use, efficiency and adaptability to future purpose;
- **Value Enhancement.** Via additional scope or adding energy or other solutions.
CLEAR PATH FOR RISK TRANSFER TO THE PRIVATE SECTOR

• **Project Agreement** governs roles and responsibilities of private and public sectors during the term of their partnership.

• **Effective Risk Transfers** typically embed the following into the Project Agreement:

<table>
<thead>
<tr>
<th>Public Roles / Responsibilities</th>
<th>Private Roles / Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear legal authorization for negotiation and execution of a P3.</td>
<td>Defined construction pricing.</td>
</tr>
<tr>
<td>Asset ownership retention.</td>
<td>Defined dates for construction completion and start of commercial operation.</td>
</tr>
<tr>
<td>Approval and oversight rights.</td>
<td>Acceptance of performance and pricing risk with respect to lifecycle maintenance.</td>
</tr>
<tr>
<td>Technical specifications for design, construction and operations.</td>
<td>Penalties for failure to perform to maintenance requirements.</td>
</tr>
<tr>
<td>Long-term responsibility to use and occupy the facility and to make timely appropriation requests.</td>
<td>Asset hand back / reversion requirements at end of agreement.</td>
</tr>
</tbody>
</table>
Sale-leaseback (or lease-leaseback)

- Usually more a real estate finance tool than a P3 model.
- Generally executed via a triple net (NNN) lease with public sector responsible for all costs - rent, operations, maintenance, lifecycle, taxes, insurance, etc.
- Used to finance e.g. charter schools, federal office buildings, etc.

Design, Build and Gap Finance

- Generally used to fill a short or medium term budget imbalance.
- Used frequently for transportation in states with budget appropriation lags (SH-183 in Texas; Corridor H in West Virginia; Various Florida projects).

Design-Build; Leaseback

- Couples some of the financial benefits of a sale/lease-leaseback with the design and construction benefits of P3 (e.g. certainty of pricing & timing).
- Ongoing maintenance can be managed through a qualified maintenance agreement or otherwise sub-contracted, but almost all of the payment will be lease payments, so not tied to long-term performance specifications.
POTENTIAL ADVANTAGES OF P3 AND ALTERNATIVE DELIVERY

No Advance Payment To Private Partner
- Public sector pays nothing until operational facility has been delivered or specific service rendered.
- Construction costs paid over term of the agreement.

Timing
- Avoids lengthy budgetary/finance debates or bond referenda, decreases time to start construction.
- On-time delivery of new assets (delay consequences include liquidated damages/lender remedies).

Cost and Use of Government Funds
- Budget certainty throughout term of contract.
- Potential for off-balance sheet treatment of payments to private sector partner (minimizes potential ratings impact); recent GASB reforms have made off-balance sheet treatment more difficult.
- Frees up government funds / debt capacity for use on other priorities.
- Current debt pricing is very close to pricing on general obligation bonds.

Risk Transfer
- Value for Money (VfM) must be clear in advance. VfM…
  - Compares costs and timing of P3 delivery with that of traditional infrastructure delivery.
  - Determines the net benefit (or cost) that results from transferring risks to the private partner.
- Single point of responsibility for risk transfer and lifecycle investment, design, construction, and FM.
- Public sector payments are usually conditional on both upfront and ongoing performance.

Innovation in Design, Construction, Finance and Maintenance
- Long-term partnership encourages innovation to create efficiencies over the term of the agreement.
POTENTIAL CHALLENGES OF P3 AND ALTERNATIVE DELIVERY

Complex Documentation. Requires P3 specialists (legal advisors, financial advisors).
- In various jurisdictions, emerging documentation standards have been vetted and are bankable.
- Design-build-leaseback documentation is generally simpler, with a NNN lease as operative document.

Politically Sensitive. Stakeholder education is important.
- Successful P3s have a “champion” – leader from the public sector who supports the project, is empowered, vocal and will see the project through.
- Design-build-leaseback may be less politically sensitive; may not require P3 legislation or governmental approval.

Equity Investor Compensation. For assuming risks (political, execution, appropriation, lifecycle).
- Availability P3s, equity is typically less than 10% of the total project capital, so does not materially effect overall pricing.
- Equity is important to risk transfer, as equity investors will assume the risk of functionality and performance throughout the entire term of the project. Lenders will also require equity buffers.
- Design-build-leaseback may require little or no equity, as there is little risk associated with rent receipt.

Private sector debt is usually more expensive than tax-exempt debt.
- Tax exempt debt is often available for P3 projects; taxable debt is not materially more expensive.
- In P3 projects, risk transfer, equity buffer, and lender oversight compensate for the slightly higher financing costs.

Payments to the private party may be considered as long-term obligations.
- Public sector obligations should be carefully framed to avoid violating any constitutional debt prohibitions and to maintain off-balance sheet treatment of payments to the private sector.
- Lease-based payments will generally be considered a long-term balance sheet liability.
# P3 Risk Spectrum

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Risk Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design-Bid-Build</td>
<td>Design and construction contracts awarded separately to private sector engineering and contracting firms.</td>
<td>Public</td>
</tr>
<tr>
<td>Design-Build (DB)</td>
<td>Combines the design and construction phases into one fixed-fee contract.</td>
<td>Public</td>
</tr>
<tr>
<td>Design-Build-Leaseback</td>
<td></td>
<td>Public</td>
</tr>
<tr>
<td>Design-Build-Operate-Maintain (DBOM)</td>
<td>Selected consortium responsible for design, construction, operation, and maintenance of a facility for a specific time.</td>
<td>Public</td>
</tr>
<tr>
<td>Design-Build-Finance-Maintain (DBFM)</td>
<td>Similar to DBOM but consortium is also responsible for all or a major part of the projects financing.</td>
<td>Public</td>
</tr>
<tr>
<td>Design-Build-Finance-Operate-Maintain (DBFOM)</td>
<td></td>
<td>Public</td>
</tr>
</tbody>
</table>
QUANTIFYING THE VALUE OF RISK TRANSFER

Traditional Infrastructure Delivery

- Base Costs = $60M
- Financing Costs = $15M
- Retained Risk = $20M
- Ancillary Costs = $12M

Total: $107M

P3 (DBFOM) Delivery

- Base Costs (incl. Premium) = $62M
- Financing Costs = $17M
- Retained Risk = $7M
- Ancillary Costs = $14M

Total: $100M

Value for Money = $7M

ILLUSTRATIVE

Ancillary Costs. Legal, advisory, and admin fees, technical services, SPV costs.

Retained Risk. Cost and performance of lifecycle investment, deferred O&M; refinancing / credit risk; regulatory changes.

Financing Costs. Interest and other fees associated with the debt and equity financing of the project.

Base Costs. Design and engineering, construction, lifecycle, O&M costs, plus a risk premium for providing a fixed cost.
PROGRESSIVE P3. LESS EXPENSIVE PURSUIT FOR ALL. PUBLIC RETAINS CONTROL. PUBLIC GETS COMMITTED SCOPE AND COST.

1. RFQ Process
2. Consortium SOQ Response
3. RFP Process / Shortlist
4. Consortium RFP Response
5. Interview & Consortium Selection

Establish Budget

Initial Design (~30%)
- Set Target Price (TP)
- Value Engineering
- Constructability Review

Revised Design (~60%)
- Compare to TP
- Warranty

Revised Design (~90%)
- Compare to TP
- O&M

Final Design (~100%)
- Compare to TP
- Commission, Start Up, Transition to Operations

Cost Estimates

Bid Design to Subs. Send GMP to Owner

Approve Design, Scope & Budget

Financial Close, Construction NTP

Public Owner
Private Consortium
Public Owner & Private Consortium
PROGRESSIVE P3. SUMMARY AND BENEFITS

Progressive P3 is a procurement approach based largely on private sector team or consortium qualifications.

Advantages to Public Sector Owner.

- Owner retains ability to exit prior to financial closing.
- Owner retains right to deduct payments for non-compliant construction and/or operations.
- Enhanced Owner input throughout pre-development period.
- Enhanced Owner control of scope, design, quality, price and schedule.
- Reduced Owner procurement and programing / design costs.
- Accelerated procurement cycle; shorter time to financial closing.
- Owner decisions are based on more than construction cost.
- Largely eliminates change orders and surprises.
- Eliminates need to pay a stipend to unsuccessful shortlisted bidders.

Advantages to Private Sector.

- Reduced solicitation pursuit costs.
- Enables Private Sector to collaborate with Owner to refine scope, design, quality, price and schedule.
- Increased likelihood project will achieve financial closing.
- Collaboration with Owner continues during operations and maintenance period.
PROGRESSIVE P3. IS PRIVATE CAPITAL MORE EXPENSIVE?

Traditional Municipal Finance is a “line of credit” financing.

• 100% debt and 0% equity because the project risk that equity addresses is absorbed (and often unrecognized) into the public sector balance sheet.

Project Finance.

• Takes the “risk free” cost of capital and adds the specific project risks at the time of the financing to arrive at the project debt rating (vs. the government as an enterprise).

Risk drives amount of equity required and cost of equity and debt.

• If project-based underwriting rigor is applied, the cost of capital (inclusive of any retained risk) is the same for public or private financing (except one is recognized on balance sheets and the other may not be).

Debate should be which party (public or private) is best able to manage the individual risks and, therefore, create value by reducing the cost of that risk.
PROGRESSIVE P3. CASE EXAMPLES

University Residence Hall

- Public Sector evaluates proposers on team qualifications, entitlement experience, finance strategy, and design versus a target budget and schedule
- Exclusive Negotiations Agreement (ENA) or pre-development agreement (PDA) under which the developer funds costs through financial closing
- ENA / PDA allocates certain pre-development costs to the Public Sector, contains exit ramps by which Public Sector reimburses developer’s costs for early termination, or terminates without reimbursement if developer cannot deliver design and budget by date certain
- Encourages innovation and partnership to refine the design within affordability limit

Texas Courthouse

- Build-to-Suit real estate transaction (e.g., not Design-Build under the procurement statute)
- Public Sector evaluates private sector proposers on site, team qualifications, finance strategy, and design innovation versus target price and schedule
- Exclusive Negotiations Agreement (ENA) or pre-development agreement (PDA) under which the developer funds pre-development costs through financial closing ($7 million)
- ENA / PDA contains exit ramps via which the Public Sector reimburses developer’s costs or terminates without reimbursement if developer cannot deliver entitled site and design by date certain (9 months)
- Encourages innovation and partnership to optimize the design within affordability limit
Introduction to Hunt Companies
HUNT. FAMILY OF COMPANIES

- **Investment Manager**
  - HUNT INVESTMENT MANAGEMENT
  - CAZENOVIA CREEK INVESTMENT MANAGEMENT
  - HUNT COMPANIES FINANCE TRUST

- **Broker Dealer**
  - BREAN CAPITAL

- **Mortgage Lender & Servicer**
  - HUNT REAL ESTATE CAPITAL

- **Military Housing**
  - HUNT MILITARY COMMUNITIES

- **Owner & Operator**
  - HUNT REAL ESTATE PORTFOLIO

- **Land Developer**
  - HUNT COMMUNITIES

- **Multifamily Asset Developer**
  - HUNT DEVELOPMENT GROUP

- **Developer & Affordable Housing Syndicator**
  - HUNT DEVELOPMENT GROUP

- **Global Public Infrastructure**
  - AMBER INFRASTRUCTURE GROUP

- **Construction Services**
  - HCH NORTH AMERICAN INFRASTRUCTURE LLC

- **Property Manager**
  - Pinnacle Realty Company

- **MMA Capital Holdings**

- **Pinnacle Campus Living**

- **Ledic Realty Company**
Hunt, along with its affiliates, has closed over 200 P3 transactions over the past 33 years.

- Public & Military Housing
- Courts & Justice
- Corrections
- Healthcare
- Education
- Municipal Buildings
- Water & Wastewater
- Transportation

**HUNT’S P3 EXPERIENCE**

£8.6 BILLION
International Infrastructure Management and Investment Advisory Services

$8.2 BILLION
Financing raised for U.S. P3 Projects

200+ SCHOOLS
Developed, Managed, or Advised in the U.K., Australia, North America, and Germany

214
Housing Authority Projects Completed

17,548 UNITS
Completed for Housing Authorities

3,739 UNITS
RAD Housing Units Closed

16.5 MILLION SF
CGL Facilities Maintained

165,000
Military Residents Served

70,000
Military Homes Built

51,484
Military Homes Owned

32,976 UNITS
Military Housing Units Managed

49
Military Installations
In 2015, Hunt acquired 50% of Amber Infrastructure, a UK-based developer, funder and manager of over 150 P3 infrastructure projects in Canada, Europe and Australia.

- Financed and delivered P3 projects around the globe. Its managed portfolio consists of 126 projects, all delivered successfully on behalf of public partners, utilizing a consortium team approach.
- Has delivered schools via P3 structures (e.g., design-build-finance-maintain, DBFM) and non-P3 structures.
- Possesses a long-term track record in developing, managing and investing in school projects. Has developed, managed or advised on over 200 schools in Canada, the UK, Australia, and Germany.
- Delivered P3 housing for Glasgow University in Scotland via renovating and repurposing existing assets.
- Delivers energy solutions for its university clients, including a £25 million biomass plant and heat distribution network for St. Andrews University.

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<tr>
<th>Project</th>
<th>Location</th>
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<tbody>
<tr>
<td>Glasgow University Housing</td>
<td>Scotland</td>
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<tr>
<td>Alberta Schools</td>
<td>Canada</td>
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<tr>
<td>Building Schools for the Future</td>
<td>England</td>
</tr>
<tr>
<td>Calderdale Schools</td>
<td>England</td>
</tr>
<tr>
<td>Derbyshire – Phase I</td>
<td>England</td>
</tr>
<tr>
<td>Derbyshire – Phase II</td>
<td>England</td>
</tr>
<tr>
<td>Maesteg Schools</td>
<td>Wales</td>
</tr>
<tr>
<td>Moray Schools</td>
<td>Scotland</td>
</tr>
<tr>
<td>Northampton</td>
<td>England</td>
</tr>
<tr>
<td>NSW New School 2</td>
<td>Australia</td>
</tr>
<tr>
<td>Pforzheim Schools</td>
<td>Germany</td>
</tr>
<tr>
<td>St. Thomas More</td>
<td>England</td>
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<tr>
<td>Tower Hamlets</td>
<td>England</td>
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</table>
In 2014, Hunt acquired a majority interest in Pinnacle, a Top 3 U.S. multifamily property manager.

- Pinnacle manages over 900 properties totaling approximately 169,000 units in 30 states.

- In 2017, Pinnacle expanded its student housing division, Pinnacle Campus Living, via a joint venture with Campus Evolution Villages. Pinnacle Campus Living manages approximately 19,000 student beds at properties housing students from 29 colleges and universities including the University of Wisconsin, University of Minnesota, University of Maryland, George Washington University, and more.

- Pinnacle’s dedicated team of property managers provides university students with all of the services expected in university living; Pinnacle's operations team of seasoned experts excels in:
  - Property management and maintenance
  - Residence life
  - Marketing and leasing
  - Roommate matching
  - Community Ambassadors
  - Facilities and capital expenditures project management
  - Management systems and emerging technologies
  - Financial management and reporting
  - Staffing, training and personnel systems

- Pinnacle has completed over $1 billion of development including interior and exterior renovations.
Hunt made the strategic decision to invest in the higher education and justice industries as the business models share many similarities with Hunt’s successful privatized military housing portfolio, including strong links between project revenues and the public sector.

- Hunt made several acquisitions to form CGL Companies, a leader in facilities management, planning, design, programming and project & management for public and university facilities.
- CGL has 9 offices and has worked in more than 900 counties and municipalities, all 50 states, and 20 countries.
- Public Sector Owners have turned to CGL to deliver solutions on more than 1,900 projects.
- CGL currently performs facility maintenance for over 16.5 million square feet of public space.
- CGL provides services to university and public clients in education, justice, and healthcare.
- CGL clients include Georgia Tech (3 MM SF) and until recently University of Arizona Medical School (768K SF).
Hunt made a strategic investment in Moss & Associates (Moss), a family-owned, privately-held general contractor.

- With eight regional offices, Moss focuses on P3, Design-Build, and CM@R delivery.
- Over $1.5 billion in construction backlog.
- Portfolio encompasses a wide range of sectors including higher education, justice, solar energy, luxury high-rise residential, mixed-use developments, and hospitality.
- Substantial education experience.
  - 50 current and completed education projects
  - $850 million current and completed education projects
  - 5+ million SF current and completed education projects

Parkview Residence Hall & Parking Garage
Florida International University
Miami, FL

Biomedical Research Bldg
University of Miami
Miami, FL

Maritime Residence Hall
Texas A&M University
Galveston, TX
CASE STUDIES AND RESEARCH FINDINGS
SOCIAL INFRASTRUCTURE P3 IN PRACTICE. REAL WORLD VALUE FOR MONEY COMPARISONS OF P3 VS. TRADITIONAL PROCUREMENT

• Higher Education
• Long Beach Courthouse
• Long Beach Civic Center
• Indianapolis Courthouse
• Texas P3 Summary Experience
• Independent Studies and Summary Reports
• Summary of Australia/Canada/UK P3 Experience vs Traditional Procurement
HUNT. SELECTED HIGHER EDUCATION PROJECTS

Texas A&M (Galveston) - Hunt partnered with the Texas A&M System to design, build and finance a 612-bed, on-campus residence with two residential wings adjacent to a central commons area, illuminated courtyard, and 548 vehicle parking facility. Students moved into the new facility in 2016. Hunt is the master developer and Moss is the design-builder.

University of Glasgow (UK) - Amber has a long-term record of developing, managing and investing in school projects in North America and worldwide. One project is the development of a 264-bed student residence at University of Glasgow. Amber played a critical, hands-on role in developing unit design, selecting furniture, overseeing contractors and ensuring that work was completed in accordance with applicable municipal planning consents, all to ensure that students would occupy the units just one year from financial close.

Florida International University (Miami) - Hunt’s affiliate Moss helped FIU expand its campus residential community. As construction manager at risk, Moss worked closely with FIU and the design team to deliver FIU's Parkview Hall project. Parkview Hall provides 620 beds for graduate, honors, and other special interest housing. Parkview Hall project features community lounges, multipurpose room, and other areas to accommodate residential life programs and activities as well as an adjacent parking garage.

Georgia Tech Student Housing (Atlanta) - CGL has a long-term facility maintenance relationship with Georgia Tech. Georgia Tech contracts with CGL to maintain all student housing facilities on campus. CGL provides all mechanical shop support for HVAC, plumbing, food service equipment, and capital systems for over 3.2 million SF in 31 buildings.
Texas A&M University at Galveston
Galveston, TX

Project Description
Texas A&M University chose Hunt as its partner to design, develop and build a new 612-bed, on-campus student residence hall. Construction of the $44 million project was completed to enable students to move in 2016.

The design features a unified 612-bed facility with two residential wings adjacent to a central commons area, illuminated courtyard, and associated amenities. Hunt arranged design and finance services and provided development and construction management services for site and vertical construction. The facility’s commons is designed to provide many non-residential amenities, including classrooms, office space, conference rooms, lounges and/or miscellaneous support-related retail. The design provides students direct access to campus leadership and centralized gathering locations.

The development is the first partnership between Hunt and the Texas A&M University System.
Client Name
University of Glasgow

Size
264 Beds

Value
$30 Million

Initial Occupancy
2015

Firm Roles
Developer – Amber
Manager – Amber
Owner – Amber

Housing for University of Glasgow students
Glasgow, Scotland

Project Description
Amber Infrastructure has extensive experience in the successful delivery and management of P3 and infrastructure projects. Amber completed construction / renovation project of a 264 bed, two building project serving students of the University of Glasgow. Amber played a hands-on role in developing unit design, selecting furniture, overseeing contractors and ensuring work was completed in accordance with applicable municipal planning consents, all to ensure that students would be able to occupy the units by September 2015, one year from financial close.

The project redeveloped / renovated two redundant office buildings into en-suites and studio accommodations. Spacious living areas include common rooms for individual and group study, a game room, lounge and cinema room.
Florida International University at Modesto A. Maidique Campus
Miami, FL

Project Description
Florida International University (FIU) was looking to provide additional options for students to live on campus in an environment that fosters the educational pursuits of its diverse student population. The University tasked Moss to help expand its campus residential community and continue to provide unique opportunities for students to grow and develop in living environments that are convenient, safe, and affordable.

Providing construction management at risk services, Moss worked closely with FIU and the design team to deliver FIU's Parkview Hall. This student residence hall provides 620 beds for graduate, honors, and other special interest housing at the University's Modesto A. Maidique Campus. The residence hall was completed and initial occupancy occurred in 2013. Parkview Hall features community lounges, a multipurpose room, and other areas to accommodate residential life programs and activities as well as an adjacent parking garage.
Client Name
University of Hawaii Foundation

Size
300 Beds
Innovation, Academic, Office and Retail Spaces

Value
Confidential

Initial Occupancy
2022

Firm Roles
Developer – Hunt
Financing – Hunt
Design Builder – Moss
O&M – Pinnacle

University of Hawaii, Manoa
Honolulu, HI

Project Description
University of Hawaii Foundation selected Hunt to design, build, finance, operate and maintain its newest and first P3 residence hall. Currently in design refinement, the project will house 300 students of the University’s Pan Asian Center for Entrepreneurship (PACE) program.

Co-located within the development are many innovative program and design features including an innovation lab in which PACE students will team with others and local entrepreneurs to bring their business concepts to life. The development also will contain classrooms, academic rooms, meeting space for all 300 student-residents, PACE offices, retail / foodservice, a rooftop function area, a street level plaza, and parking. In addition, the project preserves and incorporates the front and side facades of the historic Atherton House into the overall project.
Eastern Michigan Parking Concession P3

University Objectives
• In exchange for parking concession rights, receive an upfront payment to redeploy for EMU strategic priorities.
• Engage an experienced operator to allow for cost-efficient O&M of the parking system, and ensure best practices that safeguard the interests of the system users.
• Allow for the orderly and timely transition from existing EMU parking operations.

University Goals
• Enhance EMU liquidity.
• Invest in long-term, strategic initiatives. EMU’s top priorities include:
  – Engineering programmatic growth.
  – Continued development of the College of Health and Human Services.
  – Enhancing the on-campus student experience.
• Shift parking capital responsibility to a third-party, and provide EMU more resources to invest in its academic priorities.

University Parking Assets
• 7,345 parking spaces (6,499 permit spaces, 667 transient spaces and 179 hourly, on-street spaces with meters).
Eastern Michigan Parking Concession Financing

• EMU Parking System assets include 6,499 permit parking spaces, 667 transient parking spaces and 179 hourly, on-street parking spaces with meters.

• Upfront concession payment of $55 million to EMU for the rights to operate and maintain the 9,633-space parking system for 35 years.

• In order to increase its financial position EMU ran a bid process for the concession of its parking system. Concessionaire, a not-for-profit entity, used a not-for-profit concession model which provided a more efficient structure.

• Concessionaire closed on $59.3 million of tax-exempt Bond Anticipation Notes (BANs) in April, and in July on its long-term tax-exempt permanent financing in consisting of 62 million of senior (rated) and subordinate (non-rated) bonds.

• Senior bonds are secured by (a) parking system gross revenues, (b) an assignment of the concession and trademark license agreement and (c) related contracts and various accounts under the Trust Indenture.

• Subordinate bonds are secured by the excess cash flows received from distributions from the senior bonds surplus fund.
### Summary of VFM Analysis of P3 (DBFOM) vs. Traditional Procurement

- **George Deukmejian Courthouse (P3) and San Bernardino Justice Center (Traditional)** are highly comparable; similar in quality and size and were built in similar construction markets at roughly the same time.

- **George Deukmejian Courthouse** was developed under a typical P3 DBFM model which assumes a significant transfer of design, build, financing, and maintenance risk to the private developer over the first 35 years of the facility’s life. The P3 Courthouse was designed and constructed nearly two years faster than the traditional courthouse.

- **San Bernardino Justice Center** was developed under a traditional Construction Manager at Risk (CMR) procurement model which assumes that the procuring authority retains all major risks during the design and development phase and the operating phase of the project.

<table>
<thead>
<tr>
<th></th>
<th>George Deukmejian Courthouse (P3)</th>
<th>San Bernardino Justice Center (Traditional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Courtrooms</td>
<td>Long Beach, CA</td>
<td>San Bernardino, CA</td>
</tr>
<tr>
<td></td>
<td>31</td>
<td>35</td>
</tr>
<tr>
<td>Court Area (GSF)</td>
<td>416,000</td>
<td>383,745</td>
</tr>
<tr>
<td>Delivery Method</td>
<td>P3 – Design, Build, Finance, Maintain</td>
<td>Traditional – CM at Risk</td>
</tr>
<tr>
<td>Project schedule:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Duration</td>
<td>51 months</td>
<td>74 months</td>
</tr>
<tr>
<td>Construction</td>
<td>28 months</td>
<td>38 months</td>
</tr>
<tr>
<td>Construction costs</td>
<td>$279,280,431</td>
<td>$257,233,486</td>
</tr>
<tr>
<td>Hard construction costs per GSF</td>
<td>$671</td>
<td>$670</td>
</tr>
<tr>
<td>Degree of risk transfer and allocation to developer</td>
<td>High degree of risk allocation</td>
<td>Moderate risk allocation</td>
</tr>
</tbody>
</table>

- George Deukmejian Courthouse (P3) and San Bernardino Justice Center (Traditional) are highly comparable; similar quality and size and were built in similar construction markets at roughly the same time.
Faster P3 Project Schedule.

P3 courthouse was designed and constructed 23 months faster than the traditionally-procurred (CM@R) courthouse for two main reasons:

- **P3 procurement allows for design, approvals, and construction phases to overlap and be fast-tracked.** Traditional CM@R delivery method requires sequential approvals of Preliminary Plans, Working Drawings, Bidding, and Construction phases – all of which require more time to complete.

- **P3 procurement utilized private financing, which was readily available and not subject to the timing of state bond sales.** CM@R construction start was delayed by nine months as a result of a cancelled state bond sale.

Comparable Construction Costs; Increased Performance.

Even though the per-square-foot hard construction costs for the P3 and CM@R courthouses are nearly identical, three factors add value to the P3 model:

- **Resiliency.** Mechanical and electrical equipment configurations were designed to reduce failure and avoid service payment deductions thus enhancing the future performance and reliability of the facility.

- **Convertibility.** Infrastructure was designed for future conversion of leased office space to six courtrooms.

- **Expandability.** Significantly more holding cells included to accommodate future expansion.
CALIFORNIA COURTHOUSE. VFM DESIGN, LIFECYCLE PLANNING AND RISK ALLOCATION ASSESSMENT

Innovative and Collaborative Design and Construction Processes.
P3 procurement method maximized innovation, partnership and collaboration in the design, construction, and operations processes.

P3 project company
• Based its design on the needs of the public agency
• Is accountable to meet standards of maintenance, repair, and replacement over the length of the project agreement
• Relies on a more proactive and integrated approach to operations and lifecycle planning as a part of design and construction.

Traditional procurement methods
• Have a lesser degree of accountability for future performance.
• Incorporate fewer design and construction innovations and efficiencies.

Risk Allocation and Transfer.
P3 project allocated risks to the private developer (design, construction, financing, operations and maintenance). CM@R project had the procuring authority retain all risks except construction.

P3 project company
• Is responsible for the project’s design, construction, financing, operating and maintenance
• Is best able to manage the associated risks which further enhances VfM.
• Achieved cost-effectiveness not just through greater risk transfer, but also because of the nature and magnitude of the risks transferred. Certain risks (schedule, design review, unforeseen conditions, parking revenue, and landlord revenue risk for the non-court space) were transferred to the P3 project company.
Operating Cost Transfer and Predictability.

**P3 project company** assumed the risk of operating and maintaining the facility to specified levels for the duration of the project agreement (35 years).

- P3 procurement only requires the public authority to make the availability payment. This payment is level and predetermined, facilitates future budgetary planning and eliminates risks from future price fluctuations.

**CM@R project** exposed the public authority to fluctuations in future O&M costs and an irregular cost profile due to lifecycle renewal costs.

- CM@R procurement requires the public procuring authority to retain full cost responsibility for life-cycle and ongoing maintenance costs.

**P3 procurement** subjects the private sector sponsor/developer to performance and availability deductions enforced over the term of the project agreement; this results in a significantly more consistent facility condition level.

**Traditional procurement** methods typically result in a significantly more reactive approach to lifecycle maintenance, whereby the overall condition of the facility declines until funds for lifecycle maintenance are appropriated thus leading to one off improvements.
<table>
<thead>
<tr>
<th>Risk</th>
<th>P3 Courthouse Long Beach, CA</th>
<th>Traditional Courthouse San Bernardino, CA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Security of Suppliers &amp; Subs</td>
<td>Developer</td>
<td>CMR</td>
</tr>
<tr>
<td>Subsurface conditions</td>
<td>Developer/State</td>
<td>State</td>
</tr>
<tr>
<td>Utility relocation</td>
<td>Developer/State</td>
<td>State</td>
</tr>
<tr>
<td>Change in law/code</td>
<td>Developer</td>
<td>State</td>
</tr>
<tr>
<td>Plan check/permitting uncertainty</td>
<td>Developer</td>
<td>CMR/State</td>
</tr>
<tr>
<td>Insurance</td>
<td>Developer</td>
<td>CMR</td>
</tr>
<tr>
<td>County fees</td>
<td>Developer</td>
<td>State</td>
</tr>
<tr>
<td>Off-site improvements</td>
<td>Developer</td>
<td>CMR</td>
</tr>
<tr>
<td>Commissioning</td>
<td>Developer</td>
<td>State</td>
</tr>
<tr>
<td>Punch list</td>
<td>Developer</td>
<td>CMR/State</td>
</tr>
<tr>
<td>Landlord risk</td>
<td>Developer</td>
<td>N/A</td>
</tr>
<tr>
<td>Parking revenue risk</td>
<td>Developer</td>
<td>N/A</td>
</tr>
<tr>
<td>Labor disputes</td>
<td>Developer</td>
<td>CMR</td>
</tr>
<tr>
<td>Post-occupancy State involvement</td>
<td>State</td>
<td>State</td>
</tr>
<tr>
<td>Future expansion</td>
<td>Developer</td>
<td>State</td>
</tr>
<tr>
<td>Subcontractor cost overruns</td>
<td>Developer</td>
<td>CMR</td>
</tr>
<tr>
<td>Post-warranty work</td>
<td>Developer</td>
<td>State</td>
</tr>
<tr>
<td>Life-cycle and maintenance</td>
<td>Developer</td>
<td>State</td>
</tr>
</tbody>
</table>

**Developer.** Long Beach Judicial Partners, the project company in the Long Beach Courthouse P3 project. Developer is subject to performance and availability deductions.

**State.** Administrative Office of the Courts (public sector)

**CM@R.** Construction Manager at Risk (traditional procurement approach in CA). State retains full cost responsibility under CM@R delivery for building life-cycle and ongoing maintenance. Life-cycle replacement are not included in annual budget requests but addressed reactively.
City and Port of Long Beach retained Arup to analyze procurement options. P3 delivery was selected based on VfM delivered to the City/Port through the following P3 features and conclusions:

- Lowest risk and shortest delivery compared with design-build and design-bid-build.
- Lower overall O&M costs, resulting in lower present value lifecycle costs.
- Project Team assumes all risks of design, development, entitlement, change orders, cost overruns, construction delays and litigation.
- City continues to occupy existing facilities until new facilities are available to occupy, at which time, payments begin. No payments until completion.
- After 40 years, the facility is transferred to the City at no cost. Facility must be in a condition of “Good” or better.
Marion County Justice Center
- Fiscal Feasibility Analysis Prepared by KPMG demonstrated VfM.
- Project cancelled in June 2015 for political reasons.
- CJV invested 45,000 hours on design and construction during bid.

Quantitative Findings
- P3 provides whole life cost savings to the City of $134.3MM compared to the Public Sector Comparator (PSC).
- P3 represents net savings of $3.2MM below the annual affordability limit Year 1.
- P3 provides long-term budget certainty for the City and accounts for all Justice Complex’s costs.

Qualitative Findings
- Accelerates project delivery.
- Addresses critical safety issues and inefficiencies inherent in existing facilities.
- Holds developer accountable for the long-term performance and maintenance.
- Provides effective risk transfer with the party that is best able to manage them, optimizing project delivery over the long term.
# Indianapolis Courthouse: Comparison of P3 Bid vs. Public Sector Comparator (20 & 30 Year Public Debt)

<table>
<thead>
<tr>
<th>$ millions¹</th>
<th>DBB Traditional Delivery 20-year debt</th>
<th>DBB Traditional Delivery 30-year debt</th>
<th>P3 Bid (Initial)</th>
<th>P3 Bid (Updated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service Fee Payment</strong></td>
<td>$0.0</td>
<td>$0.0</td>
<td>$717.6</td>
<td>$674.5</td>
</tr>
<tr>
<td><strong>Net Debt Service²</strong></td>
<td>$571.6</td>
<td>$573.1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating Costs³</strong></td>
<td>$217.0</td>
<td>$217.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating Risk Adjustment⁴</strong></td>
<td>$60.8</td>
<td>$60.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Cost of Ownership (NPV @ 5%)</strong></td>
<td>$849.4</td>
<td>$850.9</td>
<td>$717.6</td>
<td>$674.5</td>
</tr>
<tr>
<td><strong>State Tax Adjustment⁵</strong></td>
<td>$2.5</td>
<td>$2.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Cost of Ownership – PBI (NPV @ 5%)</strong></td>
<td>$851.9</td>
<td>$853.4</td>
<td>$717.6</td>
<td>$674.5</td>
</tr>
</tbody>
</table>

1. Values shown on an NPV basis at 5.0% discount rate.
2. Net Debt Service includes total debt service less debt service reserve income and release.
3. Operating Costs include O&M and lifecycle costs.
4. Operating Risk Adjustment includes O&M and lifecycle risk adjustments; construction risk is included in net debt service.
5. State Tax Adjustment adds back state tax revenues given Indiana’s State corporate tax rate.
6. Value for Money (VfM) analysis is based on the developer’s initial bid. US Treasury rates had later dropped; the last column represents the NPV of the bid in the lower interest rate environment.
INDEPENDENT STUDIES. SUPPORT FOR P3 DELIVERY

Washington DC OP3 Testimony:
  • On average, P3’s are 17% less expensive and 3 times as likely to be delivered ahead of schedule vs. traditional procurement.

Penn State study of 351 projects revealed a P3 project has the following benefits relative to a traditional procurement:
  • 6% lower design build costs.
  • 12% shorter construction time.
  • 33% faster project completion time.

Infrastructure Ontario Study
  • 30 of its P3 projects demonstrated on average, an awarded P3 contract came in 20.5% below the pre-RFP budget (i.e., the public sector’s estimated project cost).
P3 EXPERIENCES.  AUSTRALIA, CANADA, UK

Australia.  Study of 21 P3 projects and 33 Traditional projects since 2000.
• P3s demonstrate clearly superior cost efficiency over Traditional Procurement, which can range from 30.8% when measured from project inception, to 11.4% when measured from contractual commitment to the final outcome.
• On $4.9 billion of contracted P3 projects, the net cost over-run was only $58 million – compared to $673 million on $4.5 billion of Traditional Procurement projects.

Canada.  Study of 42 P3 projects which have reached construction completion.
• 35 projects (83%) were delivered on time or early.
• 38 projects (90%) were delivered no more than 4 months after planned completion date.
• 40 projects (95%) were completed no more than six months later than expected.
Average cost savings have been 13% for P3 projects when comparing to traditionally procured projects.

United Kingdom.  Hundreds of P3 projects procured since the early 1990’s.
UK National Audit Office found:
• Only 30% of non-P3 major construction projects were delivered on time and only 27% within budget.
• Over 70% of P3 projects were delivered on time, and no construction cost overruns were borne by the public sector.
United Kingdom (cont’d)

UK Treasury researched 61 P3 projects and found:

- 89% of P3 projects were delivered on time or early
- 77% of public sector managers stated that their P3 projects were meeting their initial expectations, i.e. the overall performance of the private sector partner was matching up to expectations at the time of contract close.

UK National Audit Office (NAO) found:

- Over 70% of P3 projects were delivered on time, versus
- Only 30% of non-P3 major construction projects were delivered on time

- In P3 projects, no construction cost overruns were borne by the public sector, versus
- Only 27% of non-P3 major construction projects were within budget
## TRANSPORT P3S. COST SAVINGS IN U.S. AND CANADIAN P3S

Construction Cost Savings Achieved in North American Transportation P3s Compared to Each Project’s Public Sector Comparator (PSC).

<table>
<thead>
<tr>
<th>Project</th>
<th>Savings Relative to PSC</th>
<th>Savings Relative to Competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>I-595, Florida (Road)</td>
<td>14.3% lower than PSC ($300m)</td>
<td>30% below next most competitive price</td>
</tr>
<tr>
<td>A30, Quebec (Road + Bridge)</td>
<td>33% lower than PSC</td>
<td>~20% below competitor</td>
</tr>
<tr>
<td>Denver FasTracks, Colorado (Transit)</td>
<td>13% lower than PSC</td>
<td>~20% below competitor ($300m)</td>
</tr>
<tr>
<td>Southeast Stoney Trail, Alberta (Road)</td>
<td>NPV 63% below PSC</td>
<td>~40% below competitor</td>
</tr>
<tr>
<td>Alberta Road Projects (Average of 5 Projects)</td>
<td>NPV 27% below PSC</td>
<td>-</td>
</tr>
<tr>
<td>Windsor Essex Parkway, Ontario (Road)</td>
<td>NPV 15% below PSC</td>
<td>~20% below competitor</td>
</tr>
<tr>
<td>I-635 (LBJ Freeway), Texas (Road)</td>
<td>NPV 15% below PSC</td>
<td>~50% below competitor</td>
</tr>
<tr>
<td>Port of Miami Tunnel, Florida (Road / Tunnel)</td>
<td>12.5% lower capital costs than PSC</td>
<td>~50% below competitor</td>
</tr>
<tr>
<td>Goethals Bridge, New York (Road / Bridge)</td>
<td>13.7% lower than PSC</td>
<td>~7.2% below high bid</td>
</tr>
<tr>
<td>Presidio Parkway, California (Road)</td>
<td>20% lower than PSC</td>
<td>-</td>
</tr>
</tbody>
</table>
Faster Delivery.

- North Tarrant Expressway delivered 6 months ahead of schedule.
- LBJ Expressway delivered 4 months ahead of schedule.
- DFW Connector delivered 10 months ahead of schedule.

Substantial Cost Savings.

- Over $250 million in cost savings through innovation have been received through the alternative technical submission process for DB and DB CDA projects.

Life-Cycle Cost Savings.

- Via incorporation of long-term maintenance.

Fewer Cost Overruns / Change Orders.

- Less than 1%.
QUESTIONS
Tad Guleserian
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HCH North American Infrastructure, LLC
Hunt Companies, Inc.

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Web: www.huntcompanies.com
1947
Sons Jack and Kelly join their father, M.L. Hunt, to form Hunt Sales Company, a retail lumber, hardware, and building store in El Paso’s Lower Valley.

1950
Hunt changes its name to Hunt Building Corporation. Hunt adds development and financial services to its capabilities.

1961
Hunt earns its first $1 million construction contract, sells the retail lumber and building material business. Hunt launches its design-build unit.

1963
Hunt begins its private development activities with Caprock Apartments, a 292-unit complex in El Paso, Texas.

1969
Hunt signs its first military housing contract to construct 300 units of base housing at Holloman Air Force Base in New Mexico for $4.4 million.

1971
The company begins development and construction on 21 HUD Section 8 projects.

1977
The company begins development and construction on 21 HUD Section 8 projects.

1973
Hunt begins its private development activities with Caprock Apartments, a 292-unit complex in El Paso, Texas.

1979
Hunt starts its property management division with Shady Oaks in Fort Worth, Texas, a 138-unit affordable housing property developed, built, and owned by Hunt.

1985
Hunt begins its role as one of the premier design-build contractors for the U.S. Armed Forces, being awarded the first Section 801 military housing contract in Newport News, Virginia.

1995
Hunt enters into retail development with its development and construction of the Sunland Towne Centre, a 325,000 square foot power center in El Paso, Texas. In Albuquerque, Hunt acquires the site and begins planning for The Plaza at Cottonwood, a 425,000 square foot shopping center.

2000
Hunt is awarded four Military Housing Privatization Initiative (MHPI) projects, which include Robins Air Force Base in Georgia, Dyess Air Force Base in Texas, Camp Pendleton Marine Corps Base in California and Naval Air Station Kingsville in Texas. This milestone launches Hunt to become one of the industry’s largest MHPI developers and owners.

2007
Hunt celebrates its 60 year anniversary. Hunt is awarded the largest Air Force MHPI project, which is located at three different military installations and totals $750 million.
HUNT

2010 - 2018

2011
Hunt closes on the purchase of Capmark Financial Group’s Affordable Housing portfolio, acquiring partnership interests and other assets associated with more than 74,000 units of affordable-to-modest-income housing at more than 400 properties across the U.S.

Hunt makes a strategic investment in LEDIC Management Group, a third party multifamily property management company.

2012
Hunt acquires the Carter Gebie Lee Companies, expanding its capabilities in social infrastructure. The newly formed company reorganizes and consolidates to form CGL Management Group.

Hunt forms a new entity, Hunt Capital Partners, a Low Income Housing Tax Credit (LIHTC) syndication and investment company.

2013
Hunt completes the acquisition of Centerline Holding Company, which includes a mortgage company. The company is named Hunt Mortgage Group, and later renamed Hunt Real Estate Capital. The acquisition approximately doubles the number of units in the affordable housing portfolio and provides a licensed lending platform.

2014
Hunt invests in Pinnacle Property Management Services, LLC, a leading multifamily management company.

Hunt acquires the real estate advisory contracts of The Tuckerman Group from State Street Global Advisors.

2015
Hunt finalizes a strategic investment in Amber Infrastructure Group Holdings, a leading international infrastructure, asset management, and investment services company headquartered in London, England.

2016
Hunt acquires Forest City’s privatized military housing business, increasing the company’s total number of privatized military housing units owned and managed to over 32,000, and owned in total to approximately $2,000.

Hunt acquires Cazenovia Creek, a leading buyer of property tax liens nationwide, expanding its investment management footprint.

2017
Hunt celebrates its 70th year in business.

Hunt forms strategic alliance with Pennrose Properties, LLC, through its acquisition of a minority interest, integrating Hunt’s affordable housing operations with the Pennsylvania-based firm.

2018
Hunt and WestStar break ground on high-rise project in El Paso that will become Hunt’s new corporate headquarters.

Hunt forms Hunt Capital Holdings and receives a minority investment from Gallatin Point Capital LLC into that platform which consolidates Hunt’s financial services and investment management businesses.


Hunt acquires Alden Capital Partners, a leading syndicator of affordable housing tax credits. The company is later renamed Hunt Capital Partners.

Hunt and the Housing Authority of the City of El Paso completes the largest Rental Assistance Demonstration (RAD) initiative in the U.S.
**HUNT. BY THE NUMBERS**

- **£8.6 Billion** International Infrastructure Management and Investment Advisory Services (Amber)
- **$8.2 Billion** raised for U.S. P3 projects
- **200+** Infrastructure Projects Delivered through P3’s to Design, Build, Finance, Operate & Maintain
- **200+** Schools Developed, Managed or Advised in North America, UK, Australia and Germany

- **70,000** Military Homes Built
- **51,484** Military Homes Owned
- **32,976** Military Homes Managed
- **165,000** Military Residents Served

- **$1.5 Billion** Construction Backlog (Moss)
- **169,000 Units** Property Managed by Pinnacle
- **19,000 University Beds** Property Managed by Pinnacle
- **1.1 Million SF** Commercial Managed by Pinnacle
- **16.5 Million SF** Facilities Maintained by CGL

- **10,051 Acres** Being Master Planned
- **111,919** Multifamily Housing Units Developed or Design-Built (Moss and Hunt Legacy)
- **$15.4 Billion** Total Construction Value on Completed Projects (Moss and Hunt Legacy)
- **23.3 Million SF** Commercial Space Built /Developed or Design-Built (Moss and Hunt Legacy)

- **$15.1 Billion** Loan Servicing Portfolio
- **$27.5 Billion** In Multifamily Loans Originated
- **116** Institutional and High Net Worth Investors
- **$2.4 Billion** Assets Under Management
HUNT. ACROSS NORTH AMERICA