NDC’s work focuses on HOMES, JOBS and COMMUNITY. Founded as a national nonprofit in 1969, NDC has worked for almost 50 years fulfilling its mission to increase the flow of capital for investment in low-income communities. NDC directs capital to support the development and preservation of affordable housing, the creation of jobs through training and small business lending and the advancement of livable communities through investment in social infrastructure.
HOMES  
JOBS  
COMMUNITY

IMPACT AT A GLANCE

$610M  
in Equity Raised by Private Investors

$704M  
in New Markets Tax Credit Allocation

$2.5B  
in Public-Private Partnership Development

$210M  
in Small Business Loans

70K+  
Practitioners Trained

100+  
TA Client Communities
Using The NDC American Model™ approach to financing and building social and traditional infrastructure, we bring the public and private sector together to work in a collaborative development process which combines private sector expertise with the benefits of public sector financing.

We have financed over 40 projects totaling over $2.5 Billion, encompassing 3.7 million square feet and over 11,000 structured parking spaces
Recent Projects Using 63-20 and Related Approaches

UW Medicine South Lake Union

Phase 1 of UW Medicine South Lake Union)

- Phase 1 of a multi-phase bio-medical research campus development
- 105,000 sq. ft. Biomedical Research Laboratory
- Building Rehabilitation
- Cost savings of 10 to 20 Percent
- Financing: 501(c)(3) Bond
- Bond Issue: $38,225,000
Recent Projects Using 63-20 and Related Approaches

**UW Medicine South Lake Union**

**Phase 2 of UW Medicine South Lake Union**

- Phase 2 of a multi-phase bio-medical research campus development
- 300,000 sq. ft. Biomedical Research Laboratory for the University of Washington School of Medicine
- 15 percent estimated cost savings
- UW Medicine Phase 2 received a 2011 AIA Northwest & Pacific Region Merit Award
- Financing: 501(c)(3) Bonds
- Bond Issue: $159,465,000
Recent Projects Using 63-20 and Related Approaches

UW Medicine South Lake Union

(Phase 3.1 of UW Medicine South Lake Union)

- Phase 3.1 of a multi-phase bio-medical research campus development
- Over 300,000 gross square feet, 7 story structure to the existing Biomedical Research campus
- Underground parking garage consisting of approximately 250 parking spaces and loading dock
- LEED Gold
- Financing: 63-20 Bonds
- Bond Issue: $165 Million
Recent Projects Using 63-20 and Related Approaches

UW Medicine South Lake Union

(Phase 3.2 and 3.3 of UW Medicine South Lake Union)
PUBLIC/PRIVATE PARTNERSHIPS
THE PUBLIC SECTOR PERSPECTIVE
& COMPARISON CASE STUDY

JILL MORELLI, FAIA, DIRECTOR OF FACILITIES,
UW SCHOOL OF MEDICINE COLLEGE & UNIVERSITY SCIENCE FACILITIES: TRADELINE CONFERENCE
OCTOBER 27 & 28, 2013

UW School of Medicine
University of Washington South Lake Union
Molecular Science Building
SIMILARITIES

... SLU 3.1 (P3) & MoIES (GC/CM)

- Scientists like working in both buildings
- Wet bench science
- Urban sites
- LEED Gold
- Layout of typical floor
- Seattle permitting/review processes
- Tax deferral on equipment & research
- Second phase not constructed but included support work in first phase
- Contingencies, furniture, equipment in “soft costs” are considered all spent

UW School of Medicine
DIFFERENCES

SLU 3.1 (P3)
- 216,019 GSF (7 flrs+)
- 128,891 ASF
- BSL-3/SA, 2 interstitial spaces, 4 bay loading dock; pad built for 3.1 + 3.2
  - $109.6M TPC (adj.)
  - $ 92.0M TCC (adj.)

MoIIES (GC/CM)
- 90,374 GSF (4 flrs)
- 47,060 ASF
- minimal vibration and electromagnetic interference; radiant floors; bldg. expandable for Phase 2.
  - $72.6M TPC (adj.)
  - $58.6M TCC (adj.)

UW School of Medicine
Timeliness

SLU 3.1 (P3)
- Modified IPD
- Ground breaking: July 2011
- Opened: April 2013
- Construction time: 21 months
- Impacts: fire June 16, 2012. All space built out; all space fully occupied 8 weeks after opening.

MoIES (GC/CM)
- GC/CM, subs as advisors
- Ground breaking: October 2009
- Opened: September 2012
- Construction time: 35 months
- Impacts: fit out designed during construction; not fully occupied at time of opening.

SLU 3.1 was delivered in 14 months less time.
Comparison Worksheet: SLU 3.1 and MoIES: 7 October 2013

Jill Morelli

Between 2009 to 2013, the School of Medicine and the College of Engineering both built a wet bench laboratory building using different project delivery methods. SoM 3.1 was constructed using a 501(c)3; the CoE building was constructed using the GC/CM process through UW’s CPO.

PROJECT COSTS: WITHOUT FINANCING & MUP COSTS

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Adj. Project Cost (TPC)</th>
<th>Total Construction Cost (TCC)</th>
<th>% of Const. cost to TPC</th>
<th>GSF</th>
<th>ASF</th>
<th>TPC/GSF</th>
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<th>Typ. floor efficiency</th>
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<td>SLU 3.1</td>
<td>$109,595,788</td>
<td>$92,032,232</td>
<td>84%</td>
<td>216,109</td>
<td>128,891</td>
<td>$507.13</td>
<td>$850.30</td>
<td>$425.86</td>
<td>$714.03</td>
<td>87%</td>
<td>60%</td>
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<td>MoIE building</td>
<td>$72,600,000</td>
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<td>81%</td>
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<td>$803.33</td>
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<td>$648.42</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>37%</td>
<td>45%</td>
<td></td>
<td></td>
<td>34%</td>
<td>43%</td>
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when modified for smaller scale of MoIES (1.13 reduction factor)

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SLU is cheaper than MoIES by...
Summary of Case Study

Timeliness
- perception: P3’s take less time
- reality: True; SLU 3.1 took less time by 13%-33%

Quality & Control
- perception: P3’s are of a lower quality
- reality: False: a different approach to maintenance drives different decisions
- Perception: institution has many decision making entities
- Reality: True; SLU designated SOM decision-makers.

Cost
- perception: P3’s cost less
- reality: True: by 14% to 29%

UW School of Medicine
Recent Projects Using 63-20 and Related Approaches

Ninth and Jefferson Building

- King County, Washington
- 440,000 sq. ft. Medical Office Building
- LEED Gold
- Erased a $30,000,000 project overrun on previous GC-CM process
- The BOMA 2011 Outstanding Building of the Year (TOBY) award for excellence in the medical office category
- Financing: 63-20 Bonds
- Bond Issue: $189,720,000

Harborview Medical Center
A Profile in Public Benefit

By the time the original GCCM group finished excavating the site, they were facing a $15 MILLION budget overrun

The University’s renovation of the Inpatient Expansion Building (IEB) had a similar $15 MILLION budget overrun

King County elected to transfer $15 MILLION from the Ninth and Jefferson Building to fill the gap on the IEB.

This left King County with a $30 MILLION budget gap; effectively killing the NJB project.
A Profile in Public Benefit

King County and University of Washington Partnered with National Development Council to assist with financing and development.

A development Team was assembled; NDC as Owner, Wright Rundstad as Developer, NBBJ as Architect, and Turner as Construction Manager.

This team was able to triple the usable square feet within the existing footprint and reduce development costs from $800 per sq. ft. to $450 per sq. ft.

Erasing the $30 Million deficit.
A Profile in Public Benefit

“Budget was well managed”
“Approximately $7.6 Million joint savings achieved on shell and core.”
“Restructured project was delivered at substantial savings compared to initial project estimate”
“The medical office building cost 50% less per square foot”
The Development Process

... Typical Forms of Public Delivery

1. Design Bid Build

2. GC-CM (Construction Manager at Risk)

3. Design Build or its now Infamous Cousin, Design Finance Build Operate and Maintain

4. Collaborative Design (Integrated Project Delivery)
The Development Process

Three Common Forms of Public Delivery:

Design-Bid-Build
Linear in character understood and explained. Supported by extensive legal precedent and framework.

GC-CM
Design team outside of GC-CM Contract. GC-CM procurement governed by alternative public works rules sub-contractor bidding usually a low bid process.

Design-Build
Design team and GC-CM procured as a team. Control and cost savings issues.
The Development Process

Principles of Effective Project Delivery:

1. Early Involvement of Key Participants
2. Collaboration in Design and Delivery
3. Trust and Respect among all Participants
4. Commitment to Teamwork for a Successful Outcome
5. Incentives to Perform
The Development Process

Public Delivery Forms Continued: Construction

Collaborated/Integrated Delivery Development Team at Risk, public agency stays connected to fully collaborative process.

- Public Agency
- Developer
- Special Purpose Entity “SPE”
- Architect & Engineer
- General Contractor-Construction Manager
- Sub-Contractors
The Development Process

Public Delivery Forms Continued: Rental

Public Agency

Lease

Developer

Special Purpose Entity “SPE”

General Contractor-Construction Manager

Sub-Contractors

Collaborated/Integrated Delivery Development Team at Risk, Public Agency stays connected to fully collaborative process
The Development Process

The NDC Approach “American Model”™:

Bonds - Direct Issue or Conduit

Revenue Ruling 63-20 allows a not-for-profit corporation to issue debt to finance a facility for tax exempt purposes, and IRC Section 145 allows 501(c)(3)’s to have tax-exempt debt issued on its behalf, provided:

- A local governmental entity endorses the financing
- The facility will be occupied by a governmental or tax exempt entity
- The facility reverts to the ownership of the endorsing local governmental entity at the retirement of the debt with a 63-20 and through a Ground Lease reversion with a 501(c)(3) Conduit Issue
The Development Process

The NDC Approach “American Model”™:

Using 63-20 Bonds for Municipal Facilities

Advantages

• Tax exempt debt
• Private development process
• Greater knowledge and efficiency = lower development costs
• Risk transfer to the private partner
• 100% financing

Disadvantages

• Slightly greater up-front cost
• Slightly higher interest rate - 5-40 basis points
The Development Process

The NDC Approach “American Model”™:

When does it make sense to use 63-20 or 501(c)(3) bonds for municipal facilities?

- When a public development is likely to be more costly than a privatized approach because of time delay or process
- When conventional general obligation bonds are not a good alternative
- When specialized development skills are necessary
The Development Process

The NDC Approach “American Model”™:

Not Your Typical Not-for-Profit

- Must be a single asset entity that has bankruptcy remote characteristics
- Strength and substance: There should be qualities about the not-for-profit that suggest it will be in existence for the length of term of the bonds
- Must have the correct public purpose
- Must understand real estate development, including long-term asset management
- Must understand the requirements of bond compliance
The Development Process

The NDC Approach “American Model”™:

- **Developer**
  - Works for the not-for-profit to oversee development
  - Must be substantial
  - Must be willing and able to guarantee completion and price
  - Must have direct experience in the project type

- **Architect**
  - Works for the not-for-profit, under the direction of the developer

- **Contractor**
  - Works for the not-for-profit, under the direction of the developer
The Development Process

The NDC Approach “American Model”™:

Tax-Exempt Bond: Project Characteristics

- Must be public in nature
- Should be of substantial size - $15 million or larger
- Must be income-generating, either lease, or fee revenue
- Must be credit-worthy
The Development Process

The NDC Approach “American Model”™:

Steps in the P3 Development Process

1. Public agency decides to use an alternative development process
2. A not-for-profit is selected - RFP or negotiation
3. A developer is selected - usually by RFP
4. Design process starts
5. Contracts are drafted
   • Lease
   • Development Agreement
   • Architect Contract
   • Bond Documents
   • Preliminary Official Statement / Official Statement
   • Trust Indenture
The Development Process

The NDC Approach “American Model”™:

Key Players in the 63-20 Finance Process

- Public Agency/Ground Lessor
  - Development Agreement
  - Ground and Facility Lease

- SPE
  - Issues Bonds

- Bond Trustee
  - Construction

- Property Manager
  - 97-13 Management Contract
  - Bond Proceeds

- Underwriter
  - Bond Proceeds

- Bond Buyers
  - Bond Repayment

Development Team
- Developer
- Architect & Engineer
- GC-CM
The Development Process

The NDC Approach “American Model”™:

Key Players in the Section 145 Conduit Issue Finance Process

- Public Agency/Ground Lessor
- SPE
- Bond Trustee
- Property Manager
- Underwriter
- Bond Buyers
- Bond Issuer

Development Team
- Developer
- Architect & Engineer
- GC-CM

- Development Agreement
- Ground and Facility Lease
- Construction $97-13 Management Contract
- Bond Proceeds
- Bond Repayment

Issues Bonds
The Development Process

Other Recent Projects Using the “American Model”™:

Wood Center Food Services

- University of Alaska Fairbanks
- 34,000 square foot new construction and 6,000 square foot renovation to the existing Wood Center building
- Dining addition adds 320 additional dining seats
- New student activities office and renovated main entrance
- Financing: 63-20 Bonds
- Bond Issue: $23,649,000
The Development Process

Other Recent Projects Using the “American Model”™:

Scranton, Pennsylvania

- Scranton Municipal Parking System
- $32 Million Up-Front Payment to the City of Scranton
- 45-Year Concession/Lease, 40-Year Tax-Exempt Financing
- Financing: 501(c)(3) Bonds
- 2,659 Spaces in 6 Garages and 1,479 On-Street Meters
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