Project Overview

- Courtrooms: 31
- Overall Bldg: 531,000 GSF
- Court Space: 416,000 GSF
- County/Commercial: 105,000 GSF
- Construction Cost: $339,000,000 (approx.)
- Design Build Start: January 2011
- Occupancy September 2013
Project Overview

• Design, Build, Finance, Operate & Maintain
• ~3 year Design & Construction, 35 years Operation
• Includes Parking Operation & Commercial/Retail Leasing
• Strong Public Counterparties
  • Judicial Council of California (AOC): PBI counterparty
  • LA County: major lease counterparty
Project Development

- First Performance Based Infrastructure Project in the United States
- 11 Consortiums submitted Qualifications
- Five teams shortlisted for Interview, three selected for final D/B/F/M competition
- Six Month Competition w/ Multiple Proprietary mtgs.
- Proposals Submitted December 2009
- Selection of Long Beach Judicial Partners June 2010
- Financial Close Occurred December 20, 2010
Legal Matters

- Foundation: 2002 Trial Court Facilities Act
- Implementation: 2007 Budget Act
- P3 to be Considered for Long Beach
- Performance Expectations, Benchmark Criteria
- Roles of Executive Branch & Legislature
- Service Fee Paid from General Fund
- Avoid State Debt Characterization
Design Build Finance Operate & Maintain – Advantages

- Qualifications Based Selection
- Expedites Project Delivery
- Creates Lifecycle Focus
- Cuts Design Build Costs
- Funds Facility Management Costs
- Transfers Performance Risk
- Promotes Innovation
Source Of Comparative Advantages

- Integrated Asset Development & Delivery
- Participants Self-Select Business Interests Aligned
- Collaboration: Designer, Builder, Operator
- Competition On Design, Constructability & Operation, Not Just Construction Price
- Negotiated Transaction
Risks Transferred

- Design and Construction Risks
- Design Liability
- Completion Risk (Delay and Efficacy)
- Construction Cost Overruns
- Disputes Between Designer, Builder and Operator
Risks Transferred

- Operation and Maintenance Risks
- O&M Cost Overruns
- Regulatory Compliance
- Capital Maintenance
- Technological Obsolescence
- Excess Energy Consumption
- Rental Income Shortfalls
Risks Retained

- Owner’s Risk Under Any Delivery Method
- Changes In Law
- Uninsurable Force Majeure Events
- Pre-existing Site Environmental Conditions
- Such Uncontrollable = “Relief Events”
- Inflation (Service Fee 30% Index-Linked)
Long Beach Court - PBI

Project Structure

JUDICIAL COUNCIL

- Agreement & Payment
- Interest in Land

Lenders
- Senior Debt

Project Company
- Equity

Equity Provider
- Equity

Design/Construction

Facilities Maintenance

Sub-contracts

Capital Replacement
Long Beach Judicial Partners

- Meridiam Infrastructure a Developer & Investor
- 25 year Greenfield Investment Fund
- Align Interests of Government, Asset Life & Investors
- Alternative to the Private Equity Model
Space Occupancy

- Court: 79%
- County: 14%
- Commercial: 6%
- Retail: 1%
Revenue Streams

- Service Fee (Availability Payment)
- Payable by the AOC Upon Occupancy
- Performance Based (Subject to Deductions)
- Service Fee Comprises:
  - Fixed Capital Charge Component
  - Operating Charge Component (CPI Indexed)
- 91.5% of Total Revenue
Revenue Streams

- **Los Angeles County Lease Revenue**
  - Modified full service lease (utility costs passed through to the tenant)
  - Payable by the county in respect of approx. 100,000 square feet of rentable space
  - Indexing at CPI

- 6.5% of total revenue
Revenue Streams

- Parking Structure Revenue
  - Guaranteed revenue from parking operator
  - 1.5% of total revenue

- Retail Revenue
  - 5,800 gsf of retail space (food & convenience)
  - 0.5% of total revenue
### Availability Deduction Example

The project agreement includes a full schedule of values for unavailability deductions.

<table>
<thead>
<tr>
<th>Functional Unit</th>
<th>Linked Functional Unit</th>
<th>Deduction Value</th>
<th># of Units</th>
<th>Sessions Unavailable</th>
<th>Total Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trial Courtrooms</td>
<td>✓</td>
<td>$320</td>
<td>2</td>
<td>2</td>
<td>$1,280</td>
</tr>
<tr>
<td>Courtroom Entry Vestibule</td>
<td>✓</td>
<td>$133</td>
<td>2</td>
<td>2</td>
<td>$532</td>
</tr>
<tr>
<td>Holding Cells between Courtrooms</td>
<td>✓</td>
<td>$160</td>
<td>1</td>
<td>2</td>
<td>$320</td>
</tr>
<tr>
<td>Interview Room @ Courtroom</td>
<td>✓</td>
<td>$107</td>
<td>2</td>
<td>2</td>
<td>$428</td>
</tr>
<tr>
<td>Video Remand Booth</td>
<td>✓</td>
<td>$133</td>
<td>2</td>
<td>2</td>
<td>$532</td>
</tr>
<tr>
<td>Courtroom Waiting Area</td>
<td>✓</td>
<td>$80</td>
<td>1</td>
<td>2</td>
<td>$160</td>
</tr>
<tr>
<td><strong>Total Unavailability Deduction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$3,252</strong></td>
</tr>
</tbody>
</table>

*Example: One courtroom holding area is unavailable for one full day (2 court sessions)*
Traditional Procurement - Annualized Cost Basis including Retained Risks

- Tenant improvement costs
- Lifecycle costs
- Insurance & Taxes
- Retained Operating period risks
- Capital costs - planning & development
- Additional leased space costs - operating
- Facilitites management costs
- Capital costs - debt service

Project Year:
- Jun-09
- Jun-12
- Jun-15
- Jun-18
- Jun-21
- Jun-24
- Jun-27
- Jun-30
- Jun-33
- Jun-36
- Jun-39
- Jun-42
- Jun-45
- Jun-48
Project Finance for Public Infrastructure

• DBFO Contractor Forms Special Purpose Entity
• Entity Issues Debt For Construction
• Debt Is Non-Recourse To Owner, Project Company
• Service Fee Payable Only Upon Occupancy
• Equity and Debt At Risk For Performance Failure
The Downside

- Higher Interest Rate - Taxable Bank Financing
- Less Familiarity To State
- Legislation
- Approvals
- Narrower Debt Market
- Greater Transactional Complexity
Project Company Concerns

- State Credit Standing
- Service Fees Subject To Annual Appropriation
- “Essentiality”
- Special Purpose Building, Difficult To Reuse
- Cost to Propose Versus Stipend Amount
- Will Any Contract Ultimately Be Awarded?
Project overview

Schedule

Design

- Financial Close
- Start Design
- 50% DD
- 50% CD + Structure
- 100% DD
- 95% CD
- 100% CD

Construction

- Start of Concrete
- Start of Steel
- Ground Breaking
- Foundation Complete
- Top Out & Start Glass

2011 2012 2013

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3