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# Veterans Administration Historical Property Public Private Partnership (PPP) Redevelopment

## Potential A&E Firm and/or Investor Project Overview



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### **Stuart Spires & James McInnis**

*Specializing in Private Placement Services & Strategic/Implementation Consulting*

*For More Detailed Information and Participation Specifics Please Contact;*

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## Executive Summary

### The Vision

A Development Team was formed for a business opportunity for a classic/luxury car storage business in their local area, after they had talked to high net worth acquaintances, and analyzed the market, and put together the proposal production skills and A&E connections.



### The Property

An old WWII historical building that was in disrepair, and was located in a stunning bayside area, and which was owned by the Veterans Administration. It was determined that a joint venture between the VA and a private sector group might be possible for the site, and an initial proposal was requested by the VA.

### Gearing Up to Respond to the Veterans Administration Request

The Development Team brought aboard a partner who had extensive Construction Management experience and connections in the community, and they put two critical components in place;

- ◆ They delivered an Exploratory Proposal to the VA
- ◆ They brought an experienced Architectural and Engineering team as a key partner for the venture, who are veteran owned, and have a long track record of working with the VA

**A Potential Project Game Changer:** The Washington DC VA offices saw the Exploratory Proposal, and due to being under pressure to roll out new guidelines for new congressional legislation, proposed two potential next steps for the project;

- ◆ Getting the project authorized under the new Sec 111 legislation
- ◆ Using the project as a case study to support their VA wide guide lines development for implementing the legislation

Both steps would provide multiple significant benefits to the project.

### Validating the Veterans Administration Interest in a Private Sector Joint Venture

While validating the interest of both the regional and Washington DC VA organization, they requested a Conceptual Proposal, so two distinct paths to proceed could be evaluated;

- ◆ **Section 111 Authorization/Case Study Designation** - This was considered the preferred path by all parties involved, both on the VA side and the Development Partnership and the A&E firm
- ◆ GSA "Out Lease" approach - This more typical approach is still an option if the Section 111 Authorization/Case Study Designations were not approved



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### **Critical Next Step – Responding to the VA’s Request for a “Section 111 Conceptual Proposal”**

The Co-Developer (Stuart Spires) generated an in-depth "Conceptual Proposal", as per the VA's specifications, and with some specific input from the other team members, that was delivered to both the regional and Washington DC offices.

### **Targeting Approval of Section 111 Authorization/Case Study Designation**

If a Section 111 authorization had been received, a detailed "Development Study" effort would have been undertaken to answer all key VA and potential investor questions needed to proceed to the next phase of the project (see the Conceptual Proposal for details).

The Development Team had put two out of three success factors in place to realize this opportunity. The first was validating the VA's interest in the proposal, and considering granting special status. The second was assembling the right A&E team that the VA had been very satisfied with, based on multiple criteria.

The third step for pursuing this opportunity was to assemble an investor and/or an investor group who would be interested in participating in the project. Detailed Participation Specifics were set up, and an initial set of potentially interested investors was positioned.

### **VA Systemic/Historic Challenges – Project On Hold**

It was at this point, after a VA request for an Unsolicited Proposal, and the delivery of a detailed Conceptual Proposal as the response, that the VA ran into a variety of different obstacles, challenges, and historic changes to the entire VA organization, among other significant issues.

As a result of this array of issues the VA was facing, the project was put on hold.

### **New VA Plan – Project Back On (Phase 1 RFQ)**

As of April 2017, the VA announced, via a representative of the Washington Office of Real Property, that the VA had a new plan for proceeding with the property. They would put a two phase open bid process in place, and the VA was prepared to move aggressively to partner with a private-sector developer to redevelop this site.

They said they would have a process developed and published by Summer 2017. In late August they published the Phase 1 RFQ (Request of Qualifications) guidance, with a requirement for submitting by October 15<sup>th</sup> 2017.

The Development Team has submitted a detailed RFQ in October of 2017, with an initial investor as part of the proposal (who has supplied a LOI and Proof Of Funding)

The Development Team is conducting a widely focused search for additional interested investors, who can provide basic verification of funding availability. Experience in similar types of development projects would be of additional interest.

Any subsequent investor who can provide a Proof Of Funding document, and can provide a Letter Of Interest for the project, will obtain a "right of first refusal" position for the next Phase of the project (contact us for details).



## Detailed Overview – Developing the Opportunity

### *The Vision*

- ◆ A classic/luxury car storage business was envisioned, after talking to high net worth acquaintances, many of whom had classic/luxury cars they wanted to store close to their residences, but there was only 2 locations in the county to do so, and there was a long waiting list for both. The demographics of the county indicate a strong market for this type of business.



### *The Property*

- ◆ After a comprehensive search of the local county (located in California) an old WWII building in disrepair was found, that was classified as historical, and which was owned by the VA (and who wanted to redevelop the property).



- ◆ The property was in a stunning bayside area, literally surrounded by many beautiful parks, restaurants, beaches, and marinas, all within walking distance.



- ◆ The VA's capital asset manager for the region was contacted, who was the VA representative in charge of making progress towards a solution with this building (and under pressure from various sources, such as the city the property is located in). A site walkthrough was conducted with the VA (and their respective construction, engineering experts), and it was determined that a joint venture



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between the VA and a private sector group might be possible for the site. An initial proposal was requested.

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#### ***Gearing Up to Respond to the Veterans Administration Request***

- ◆ The Co-Developer, with a background in business analysis, planning and risk management, put two critical components in place to move the project forward;
  - ◇ He prepared and delivered an Exploratory Proposal to the VA, which was reviewed by the VA's regional representative and presented to the local metropolitan VA sub-committee directly responsible for the property
  - ◇ Through his Construction Manager partner, he brought an experienced Architectural and Engineering team as a key partner for the venture, who were veteran owned, have a long track record of working with the VA, and who include experts in environmental engineering, historical building restoration, and public relations in addition to the typical A&E capabilities
    - The regional VA directors and Washington DC VA officers expressed their high regard for the A&E team members, especially their expertise in historical preservation/restoration, environmental engineering, and PR, as they see these capabilities as vital if the project was going to succeed



- ◇ **Potential Project Game Changer:** The Exploratory Proposal ended up being presented to the Washington DC VA offices, and the national officers for Historical Preservation and Real Estate Property were interested in the project. This interest was based on the fact that there is some newly passed congressional legislation for enabling Public Private Partnerships for federally owned historic buildings (Sec 111), and the national VA officers have to write the guidelines for how the VA will implement the legislation. In order to support this effort they proposed two possible next steps (**both steps would provide multiple significant benefits to the project**);
  - Getting the project authorized under the new Sec 111 legislation
  - Using the project as a case study to support their VA wide guide lines development for implementing the legislation



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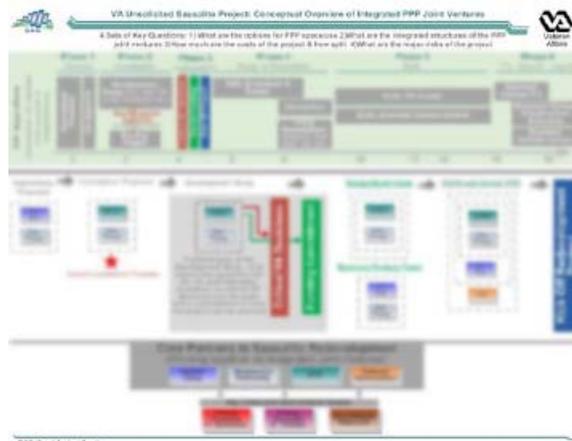
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### Validating the Veterans Administration Interest in a Private Sector Joint Venture

After validating that both the regional and Washington DC VA organizations were indeed interest in a joint government/private sector redevelopment venture for the property, both of the organizations jointly requested a new expanded version of the proposal, which they called a conceptual proposal, that would have more Architectural and Engineering data in it, and a plan for how the joint venture between the Architectural and Engineering firm and the development partnership would execute the project. The two distinct paths proposed by the VA to proceed were;

- ◆ **Section 111 Authorization/Case Study Designation** – This is considered the preferred path by all parties involved, both on the VA side and the Development Partnership and the A&E firm
- ◆ GSA "Out Lease" approach - This more typical approach is still an option if the Section 111 Authorization/Case Study Designations are not approved



### Critical Next Step – Responding to the VA’s Request for a “Section 111 Conceptual Proposal”

The Developer put together the very extensive “Conceptual Proposal”, with additional detailed information, as requested by the VA. The Capital Asset manager and deputy manager for the VA region were developing a roll-out strategy for the proposal as well as a communication plan and briefing schedule, as they moved the proposal through the VA’s authorization process.

The table, titled "VA Historical Property Public Private Partnership (PPP) - Building Envelope Only Example", is a detailed financial and operational schedule. It features a grid with columns for months from 2011 to 2017 and rows for various project metrics. The metrics include categories like "Construction Costs", "Operational Costs", "Revenue", and "Net Present Value". The table uses color-coding (green for positive values, red for negative) to highlight different financial aspects. It also includes a footer with a disclaimer: "All numbers are estimates only. Use of numbers in this table is for illustrative purposes only." and a page number "Page 10 of 11".



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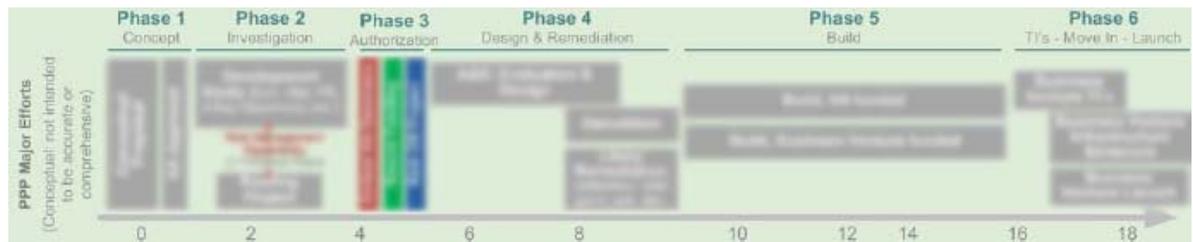
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As this was an "Unsolicited VA Proposal" submitted by a veteran owned business, there were significant advantages if the proposal was accepted (including not being required to put the project out for competitive bid).

### **Next Steps if the Conceptual Proposal for Section 111 Authorization and Case Study Designation was Approved:**

If Section 111 authorization had been received, a detailed "Development Study" effort would have been undertaken, proposed to be funded by the VA (see Conceptual Proposal for Details). This would answer key VA information requirements such as detailed costing for the redevelopment, options for how the government/private sector joint venture could work, and comprehensive risk management/due diligence plans around topics such as potential environmental issues, historical building ramifications, and managing local Public Relations. It would have also answered key investor/developer questions about the venture with a detailed business plan for the car storage business, including cost analysis, capitalization levels and time frames, and the financial projections for the business model.



### **Final Requirement to Prepare for the "Development Study" Effort**

The Development Team's efforts to this point had put two out of three success factors in place to realize this opportunity of a joint venture with the VA. The first was validating the VA's interest in the proposal, and of granting special Sec 111 and/or case study status if possible, and the second was assembling the right A&E team to develop both the best "Conceptual Proposal" and the follow on "Development Study" possible for the VA. The A&E team's credentials, experience and past history with the VA had resulted in being initially vetted by the VA as a team with the right critical resources.

The third and final step in pursuing this opportunity was to assemble an investor and/or an investor group who would be interested in participating in the project.

### **VA Issues / Project On Hold / Project Back On**

But due to various issues the VA was dealing with, the project was put on hold. Then an announcement was made by the VA that the project would restart in summer 2017, with a new strategy. That new strategy and a new two Phase approach was announced in late August 2017, and which required the Development Team to submit a new format for the new Phase 1 RFQ, and restart the process of onboarding the required investor/investment group.

That RFQ has been submitted, with an initial investor, and additional investors are currently being sought by the Development Team.

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