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***Project Management - Military Housing Acquisition  
FORT LEAVENWORTH FAMILY HOUSING PRIVATIZATION***

***Total Units: 1,583***

***Total Development Costs: \$337.5M***

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**Project Information**

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**Contract #:** N/A

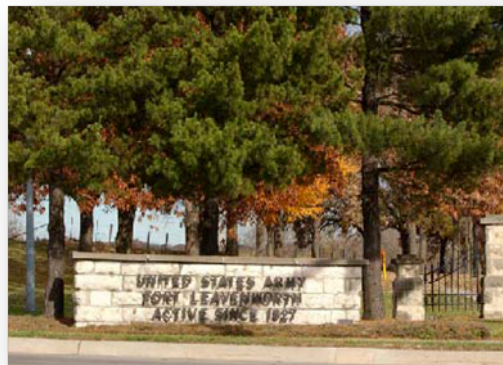
**Type of Contract:** Firm Fixed Price

**Amount of Contract:** \$350,000 plus Success Fee \$1.2M

**Point of Contact / Reference:** Dan Ray, Managing Director, Jefferies & Company, Inc (Phone: 303.524.1629 and 303.881.5803)

**Email:** DanRay@jefferies.com

**Prime / Sub:** Concourse was the prime contractor (under the name FPS)



**Summary**

After previously submitting a Step I proposal on their own and not being selected as part of the qualified group, Michaels Development retained Concourse to advise their subsidiary Michaels Military Housing (MMH) on the pursuit of the Army's Fort Leavenworth RCI privatization project (Leavenworth Project) encompassing 1,583 family housing units. Concourse acted as MMH's technical and financial advisor during the Step I and Step II proposals and the Community Development and Management Plan (CDMP). Concourse's efforts resulted in award of the Leavenworth Project to MMH, and acceptance of the CDMP by Department of the Army, Secretary of Defense. The project \$337M Dollar closed in March, 2006 resulting in the privatization of 1,583 housing units.

**Work Description**

***Step I Proposal***

Concourse assumed the lead role in producing the Step I Proposal, which focused on demonstrating the qualifications and past experience of Michaels Development. In order to select projects relevant to the Army initiative, Concourse and MMH reviewed Michaels' assets and projects to highlight projects that met the Army's past performance requirements.

***Step II Proposal***

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In preparing the Step II, Concourse conducted due diligence of Fort Leavenworth, including a site visit and unit inspections to assess the quality and condition of the housing units. Concourse also led the review of an extensive document library compiled by the Army. The document library included asset condition reports, a Housing Market Analysis, a database of existing units, environmental reports, operating and maintenance expense budgets, planned capital upgrade reports, and historical occupancy reports. Concourse and MMH also engaged in discussions with local officials to ensure that the project would not be subject to property taxes, as well as meeting with school officials to gain input on the affect of the project on the school district.

The due diligence and analysis performed provided inputs for a financial pro forma that Concourse produced to model the Leavenworth Project's finances. The model includes revenue projections, operations and maintenance budgets, construction budgets, loan sizing parameters and amortization schedules, sources and uses of funds schedules, and cash flow and return schedules. The model was also used in performing cost benefit analyses in which the amenities and finishes of a unit were varied to change the cost per unit and the resultant funds available for new construction.

Concourse also coordinated drafting and preparation of all narrative documents as well as supporting technical and financial plans, specifications and exhibits. In order to manage the flow of information between numerous team members, Concourse utilized their in-house document management and review system created for dealing with large transactions such as the Leavenworth Project.

### *CDMP Process*

The Step II submittal and oral presentation resulted in the Army awarding the Leavenworth Project to MMH. Upon award, MMH and the Army entered into the CDMP process on-site at Fort Leavenworth. The CDMP lasted six months, and Concourse provided two full time on-site personnel. During the CDMP, Concourse acted as MMH's lead financial advisor, and was also responsible for drafting the finance section of the CDMP.

In order to ensure that the Leavenworth Project received the most advantageous financing, Concourse worked with the project developer to create a debt competition. Concourse worked closely with the developer and drawing on their financial expertise, previous MHPI experience and knowledge of investment banking created a Request for Proposal (RFP) in order to evaluate the financing alternatives for the project.

The debt competition RFP required lenders to include the estimated amount of debt proceeds, the interest rate on the debt, the term of the debt, any associated fees, debt sizing and underwriting criteria, risks associated with financing, and mitigation of those risks, strategies to mitigate interest rate risk, strategies to reduce negative arbitrage, and use of innovative debt structures.

After performing extensive research on major financial institutions with experience in MHPI projects, Concourse and their client invited seven prominent firms to compete for the underwriting of the project debt. Ultimately six proposals were received, and Concourse conducted extensive analysis of each proposal. The analysis conducted included a cost benefit analysis, assessment of

risks and benefits, and a lifecycle cost of debt analysis. Based on the proposals received, it was clear that conducting a debt RFP led to more much more desirable financing than would have been achieved through a sole source award. The use of a debt competition resulted in approximately \$40 million in additional debt proceeds for rehabilitation of the family housing assets at Fort Leavenworth.

A unique aspect of this project that occurred during development of the CDMP was the resignation of the homebuilder Straub Construction. Straub resigned after Straub decided to reallocate its resources to pursue other Kansas City area projects. Based on Straub's resignation, the project developer and Concourse had to quickly find a substitute homebuilder to ensure that the CDMP remained on schedule. The new homebuilder had to be found quickly, yet Concourse also needed to ensure that the homebuilder had the capability and qualifications needed to successfully perform on a military housing privatization project, while also meeting the project's budget. After analyzing several potential firms, Clark was selected as the homebuilder. Clark possesses extensive experience building Army Housing and their addition to the team proved to be a strong asset. Despite Straub's resignation the CDMP was submitted on schedule.

### *Management Approach*

- a) For the Leavenworth project, Concourse coordinated and managed all team members and subcontractors in support of the project. Subcontractors that Concourse managed included architects, land planners, engineers, builder and property manager. Concourse coordinated each of these team members to ensure work was delivered on time and reflected an appropriate level of quality needed to complete the planning and development of the Leavenworth CDMP.
- b) Concourse also implemented management systems for budgeting, forecasting and mitigating costs. One key budgeting and forecasting tool was the project pro forma. The pro forma includes revenue projections, operations and maintenance budgets and budgeting tools, construction budgets and budgeting tools, loan sizing parameters, sources and uses of funds schedules, and cash flow and return schedules. Concourse worked closely with the builder, and IRM (the project's property manager) to develop and refine budgets, using Concourse's budgeting tools.
- c) During the CDMP, Concourse worked with leaders of the Army portfolio and asset management program to ensure processes and controls were put into place that would ensure a smooth transition to privatization and allow the Army to monitor the project. This work included sharing key project documents, and establishing portfolio management reporting benchmarks and procedures prior to transition.
- d) The CDMP was an extensive document that emphasized delivering quality to the Army through the housing privatization project. Concourse worked on developing an extensive property management plan and quality control process to ensure a high standard of quality throughout the 50 year term of the project.



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- e) To ensure integrity of technical data and operations, Concourse developed a document management system with a web interface. All documents were controlled in a centralized repository and changes were tracked to ensure that each change was documented and validated. Because of the sheer volume of documents generated for the Leavenworth project, document integrity was essential.
- f) Concourse conducted a risk mitigation plan for the project to ensure that the project held each of the required insurance coverage. At the same time steps were taken to design the project to reduce and avoid risk, thereby reducing insurance costs.
- g) Throughout the CDMP process, Concourse produced concise project dashboard reports with key project data points. These reports were shared with base and Army leadership on a weekly basis, to keep all parties informed of critical issues, while minimizing Army efforts.
- h) Once the project was completed, Concourse worked with the client to identify lessons learned and to document best practices from the project that could be applied to future project.
- i) Concourse's client was new to the MHPI business. As such, Concourse worked extensively with the client to train them on the MHPI business. Training materials included reviewing sample proposal documents, legal documents, and lessons on creating financial models for military housing projects.
- j) Concourse developed an FTP site to share key project information and documents. Each user was given a login and password to access the system. Such a system could be utilized for training materials as well.

### **Additional Information**

Concourse established a document management system for the Leavenworth project. Throughout the production of the CDMP there were numerous documents created, including financial documents, architectural and site plan documents, legal documents as well as draft CDMP documents. As documents were created, each document was categorized and appropriately shared on a project FTP site.

### **Project Status**

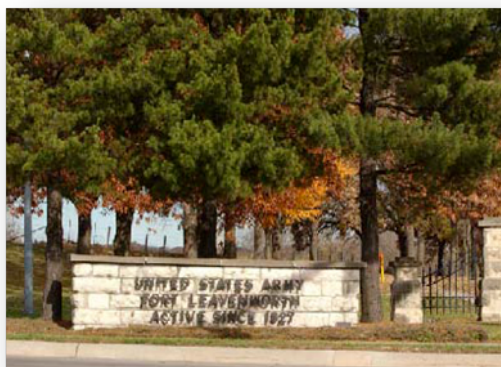
The project successfully closed in 2006.

## ***Military Housing Acquisition***

### ***FORT LEAVENWORTH FAMILY HOUSING PRIVATIZATION***

#### **Introduction**

Fort Leavenworth is located in Leavenworth County, Kansas, in the upper northeast portion of the state. It has been in operation for over 170 years and has been historically known as the "Intellectual Center of the Army". The garrison supports the U.S. Army Training and Doctrine Command (TRADOC) by managing and maintaining the home of the U.S. Army Combined Arms Center (CAC) which involves leader development, collective training, Army doctrine and battle command (current and future). Under the Military Housing Privatization Initiative, the Army intended to privatize approximately 1,583 family housing units at Fort Leavenworth.



#### **Scope of Work**

Concourse was engaged by the Army to provide support to the military housing acquisition process in the financial, real estate investment and development sectors in support of the Family Housing Privatization at Fort Leavenworth. The project included drafting economy and financial models, creating plans, reviewing debt structure and creating financial statements, analyses, RFP and evaluating the response and establishing communication channels among the key performers.

#### **Project Performance**

For this project, Concourse's scope of work included:

- Drafting the economic models required including: the development budget, projections, operations budget, multi-tranche debt model, sources and uses, and the monthly and annual cash flow statement.
- Creating an occupancy phasing plan, coordinate the plan with the land planning and construction professionals, and incorporate the occupancy plan with the cash-flow model.



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- Reviewing various debt structures and implement the most advantageous debt structure available.
- Assisting with the overall CDMP-preparation strategy.
- Developing the financial pro forma for the project, and conducting numerous scenario and feasibility analyses for the project
- Writing a debt competition RFP that was submitted to seven prominent investment banks and lenders
- Evaluating the responses to the debt RFP, and ultimately recommending the highest ranked lender
- Facilitating communication between Army leaders, Army consultants and the developer with respect to financial issues

#### **Conclusion**

Concourse's efforts resulted in the successful privatization of 1,583 family housing units at a total project cost of approximately \$337 million.

#### **Project Reference**

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