P3 Vertical Case Study
Inderkum High School
Sacramento, CA

Brookhurst Development Corporation
Lease-Leaseback Development

Step-By-Step Process

- Public entity owns raw land. Works with developer to create specifications and design.
- Public Entity leases land to developer under long term ground lease (“site lease”).

- Developer “leases back” the completed facility to public entity under a long-term lease (“facility lease”).

- Developer
  - Procures Financing
  - Hires Contractor, architect, consultants
  - Builds Facility

gkkworks – Compton Unified Education Services Ctr.
Lease-Leaseback Contractual Structure

Public Partner

Private Partner

Site Lease

Facility Lease

Ownership

Tenancy

Design Collaboration

Development Team

Architect & Engineers

Construction Company

Financing & Underwriting

Legal

Other Consultants
A Tale of Two Schools
A True Story

Our story begins…

- Two virtually identical neighboring school districts
- Both needed a new high school of similar size
- Both had voter-approved bond funding on the horizon
- Both were eligible for state matching funds
- Both were growing and amassing home builder fees
- But, neither had enough funds to begin construction
- BDC approached both school districts at same time…
The tale of the first school …

- School district felt it was better to follow a “pay-as-you-go” approach and would only proceed once all funding was procured. District was also fearful and suspicious of the innovative approach of lease lease-back development and the concept of a fee paid to the developer.

- Thus, school construction was delayed almost four years. Over this period the market experienced high construction cost escalation and when combined with other costs of delay, project costs went from its original $50 million to $100 million – a 100% increase in cost despite no changes in the design or scope of the project.

- To mitigate the impact of these additional costs, district elected to eliminate performing arts and sciences buildings, sell off nine acres of athletic fields initially dedicated for students and use lower quality construction materials and methods. Unfortunately, it was still many millions over budget.

- The district’s failure to maintain the original budget and loss of the quality and quantity of amenities of the original program resulted in community protests while garnering significant media attention.
And now, the tale of the second school …

Inderkum H.S. – Natomas Unified School District
Sacramento, CA

- CEFPI Award-Winning project

- North Natomas Town Center would encompass over 200 acres featuring a community college, city library, regional park, aquatics center and innovative new high school

- High school would have a 2,000 student capacity with 72 classrooms, sports stadium, regulation football field and track, 2 baseball fields, gymnasium, theater and outdoor amphitheater and multi-purpose atrium.

- Self sustaining energy system with 465 kW photovoltaic panels and underground geothermal system

Architect: Nacht & Lewis
Challenges

- District had weak credit – under credit watch by County.

- District did not have enough funds to build high school while concurrently finishing renovations of 10 other schools.

- Traditional approach meant significant delay on delivery due to timing of matching state funds, developer impact fees and general obligation bond funding (same challenges facing the first school district).

- Previous high school was delivered 24 months late and $18 million over budget – Natomas Board of Education was concerned with a repeat.
Solution

- School district entered into a lease-back agreement.
- Brookhurst acquired credit enhancement allowing its procurement of $66 million in tax-exempt financing at 1.6% interest rate. Debt received highest Triple “A” credit rating.
- Developer contracted project under a guaranteed maximum price contract and built school.
- School was delivered ahead of schedule with classes in session before site work began on first school district’s high school.
- School was built under budget with $1.5 million in cost savings given back to the school district. School was voted “project of the year” by the Coalition of Adequate School Housing (C.A.S.H.).

...and they lived happily ever after.
For more information, please contact us:

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www.brookhurstcorp.com
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Private Partner

Site Lease

Facility Lease

Ownership

Tenancy

Design Collaboration

Development Team

Architect & Engineers

Construction Company

Financing & Underwriting

Legal

Other Consultants
PBI Contractual Structure

Public Partner

Ownership

Concession Agreement

Private Partner

Shareholders Agreement

Loan Agreement

Shareholders

Lenders

Customers/Users

Payment for Services

Architect & Engineers

Construction Company

Consultants

Legal

Operator