



## assignment | challenge

## Department of Transportation Headquarters, Washington D.C.

IRES teamed with its joint venture partner, Knighthorse Corporation (Colliers/Knighthorse), to provide financial advisory services to GSA in connection with development of the new 1,350,000 square foot Department of Transportation Headquarters building in Washington D.C. The scope of services for this \$480 million build-to-lease federal project performed by Colliers/Knighthorse included, but were not limited to, lease negotiations support, conducting of a project financing competition, financial analysis of GSA's contract rights under the lease, and assistance with the negotiations and execution of the project financing.

This landmark project had numerous specific requirements and challenges affecting this transaction including:

- High visibility project requiring multiple levels of governmental oversight and approval
- Situated on leased land owned by GSA with a transfer to the developer upon completion of the environmental remediation
- Required a direct understanding of OMB A-11 & A-94 guidance and requirements. The project was burdened with a less than optimal OMB operating lease scoring result, which reduced the amount of tenant improvements that could be provided through the lease payments
- Involved complex lease negotiations and project financing execution support in order to meet GSA and DOT objectives

## outcome | results

Colliers/Knighthorse supported the execution of an “over-funded” project financing on behalf of GSA and the Department of Transportation. Through the efforts of Colliers/Knighthorse, the GSA was able to receive approximately \$55 million in additional funds excluded from the debt estate for additional tenant improvements without material changes to the terms of the lease or increased risk to the GSA. Based upon the financial engineering services of Colliers/Knighthorse, market timing, competition among project lenders and the insertion of favorable contract rights for the GSA into the lease during negotiations, the \$55 million in additional funds recouped by the GSA exceeded the amount of funds for tenant improvements which were unavailable for the project due to unfavorable OMB scoring requirements.

This past performance underscores the significant benefit of obtaining efficient financing from private capital sources for public/private partnership build-to-lease activities. Colliers/Knighthorse assistance with project financing and experience with the debt capital formation process resulted in the GSA maximizing the value of the lease to secure additional funds without a material change in terms, thus proving that the more efficient the financing, the more likely the real estate improvements will be greater under a privatization or build-to-lease project.

### QUICK FACTS

#### STRATEGIC ADVISORY Financial Advisory Services

1.35 million s.f. HQ project  
Build-to-lease procurement  
\$480,000,000 project financing  
Located in Washington, DC

### IRES CONTACT

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