



assignment | challenge

United States Forces Korea (USFK)

IRES and its joint venture partner, the Knighthorse Corporation (“IRES/Knighthorse” or “Team”) provided sophisticated end-to-end lease procurement and financial advisory services to USFK in connection with the 144-unit UOQ Build-to-Lease (BTL) project located at K-16 Airfield in Seongnam, Korea. Services included the development and issuance of all solicitation documents, conducting of source selection activities resulting in designation of the Selected Offeror (“SO”), lease negotiation and execution, project financing execution, and lease administration training. Application of our unique BTL business process to this project resulted in an outcome with a clear and compelling value proposition to the Government; a comparison of the Overseas Housing Allowance (OHA) vs. BTL lease costs for this project indicates an annual average rent per unit over the 15-year lease term nearly 45% below the comparable OHA.

The overriding objective for this precedent-setting BTL project was to utilize a specialized competitive procurement process developed by IRES/Knighthorse and adapted to the Korean venue to obtain the lowest rent for a facility built to US Army standards under a lease which afforded the greatest degree of favorable contract rights obtainable. While the K-16 procurement was not without challenges due to the “beta-test” nature in a foreign venue and other factors (e.g., 15% decline in the US dollar, increasing interest rates), IRES/Knighthorse’s unique business process resulted in the generation of specific, quantifiable economic savings at various stages of the procurement, which culminated in the compelling value proposition described above.

outcome | results

IRES/Knighthorse believes the positive economic results for USFK’s “pilot” K-16 BTL project are attributable to our value-added services, reflect a proven, customized business process, and establish a strong precedent for future efforts under the Korea BTL program. Highlights of the features and economic benefits of the Team’s services are as follows:

- **Significant Rent Reduction Achieved During Source Selection & Lease Execution** – Lowered rent by 20% for total savings of \$13.6 million (\$6.7 million on an NPV basis) over the initial 15-year lease term
- **Significant Reduction in Hard Costs Achieved** – Value engineered a reduction of hard costs of approximately \$1 million from the ultimate SO, mitigating the negative impact of a 15% decline in the USD since October 2004
- **Successful Project Upsizing To 144 Units During Source Selection** – Incorporated the upsizing of the project from 96 to 144 units during the course of the procurement ensuring that any economies of scale in cost were achieved from the SO
- **Negotiation & Execution of a Lease With Favorable Government Contract Rights** – Our unique procurement methodology emphasized using IRES/Knighthorse’s negotiation skill sets to the greatest extent possible, thereby reducing the ability of offerors to negotiate adverse lease terms during the procurement or upon selection
- **Financing Competition Allowed For Reduced Rents and Fees** – Achieved a reduction of \$650 per-unit (\$1,120 on an exchange rate adjusted basis) equating to a 2.6% savings of approximately \$1.4 million (\$700,000 on an NPV basis) over the initial 15-year lease term

QUICK FACTS

STRATEGIC ADVISORY

Lease Procurement / Project Financing

First Build-to-Lease project completed in Korea. IRES improved industry financial performance by 20% through application of its unique BTL process.

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