

PPP Options Study for the Renovation of the Palais des Nations



Sam Tabuchi

Professor, PPP Graduate School of Economics at Toyo University

Director, Asia PPP Institute (APPPI) at Toyo University

Vice-Chair, Executive Board at UNECE Team of Specialists on PPP

Today's items...

- ▶ **Toyo University PPP activities**
 - ▶ PPP Graduate School
 - ▶ Local government support
 - ▶ Comprehensive Public Facility Management Planning

- ▶ **Preliminary Study on the various PPP options for the renovation of the Palais des Nations**
 - ▶ Strategic Heritage Plan(SHP)
 - ▶ PPP Method
 - ▶ Renovation with PPP
 - ▶ Toyo Recommendations



Toyo PPP



- ▶ **About us**
- ▶ **Toyo PPP School Programs**
- ▶ **Comprehensive Public facility management Planning**



Toyo PPP School: About Us

- ▶ **Toyo PPP Graduate School**
 - ▶ Established in 2006
 - ▶ Two-year Master's Degree Program
 - ▶ Over 100 Graduates
 - ▶ Economics Department
- ▶ **Research Center for PPP**
 - ▶ Established in 2008
 - ▶ A Japanese Strategic Research Center
- ▶ **Asia PPP Institute (APPPI)**
 - ▶ Established in 2011
 - ▶ Co-Chair of APPPI Dr. Mahathir & Chancellor Shiokawa
 - ▶ Setup Satellite office in Malaysia at IIUM campus
 - ▶ Active in Malaysia, Vietnam, Indonesia, Philippines and other Asian countries



**“PPP as the growth strategy”
8th International PPP Forum
(Nov. 2013)**



Toyo PPP Programs

▶ “Area Revitalization Support Program”

- ▶ Provide PPP solutions to local governments
 - ▶ Economic Development
 - ▶ Efficient Public Administration
 - ▶ Reconstruction from Tsunami
- ▶ More than 20 municipalities



Ogal Shiwa, Iwate

▶ Int’l. Area Revitalization Support Program in Asia

- ▶ 2011 Butuan City, Philippines
- ▶ 2012 Kyrgyz Republic
- ▶ 2013 Mandaue City, Philippines
- ▶ 2014 in Planning
 - ▶ Cebu Province, Philippines
 - ▶ Surabaya, Indonesia



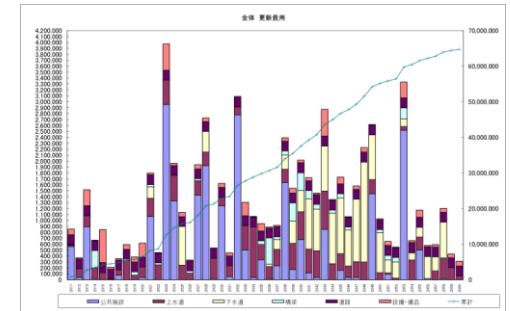
Butuan City, Philippines



Comprehensive Public Facilities Management Planning in accordance with National government law by Spring, 2014

- ▶ Evaluate asset/facility management plan for the Local Governments
- ▶ Analysis of replacing costs
- ▶ Manage aging/deteriorating infrastructure
- ▶ Find out Comprehensive solutions
 - ▶ Mergers/Multi-purpose usages
 - ▶ Utilization of unused public assets
 - ▶ PPP/PFI/O&M contract
- ▶ Alternative service provision
 - ▶ Using ICT and other technologies
 - ▶ Utilizing private assets, resources and skills

Innovative financial Method



Financial Analysis




Survey team

Must be creative when lacking public funds



TOYO UNIVERSITY



Preliminary Study on the Various PPP Options for the Renovation of the Palais des Nations

- ▶ **Strategic Heritage Plan(SHP)**
- ▶ **PPP Methods**
- ▶ **Toyo Recommendations**



The Strategic Heritage Plan (SHP) For the Renovation of the Palais des Nations



**Exploring PPP options to renovate buildings, best practices,
and applicability for the Palais des Nations**



Urgent Needs for Renovation

Deteriorating Piping Systems

Thousands of miles piping need to replace



Rusting, Leaking



Clogged Pipes

Outdated Conference Rooms



Poor sound quality from old analog interpretation/recording equipment

Interruption to conferences caused by equipment breakdowns

Deteriorating Building Structure



Corrosion and aging of concrete structures

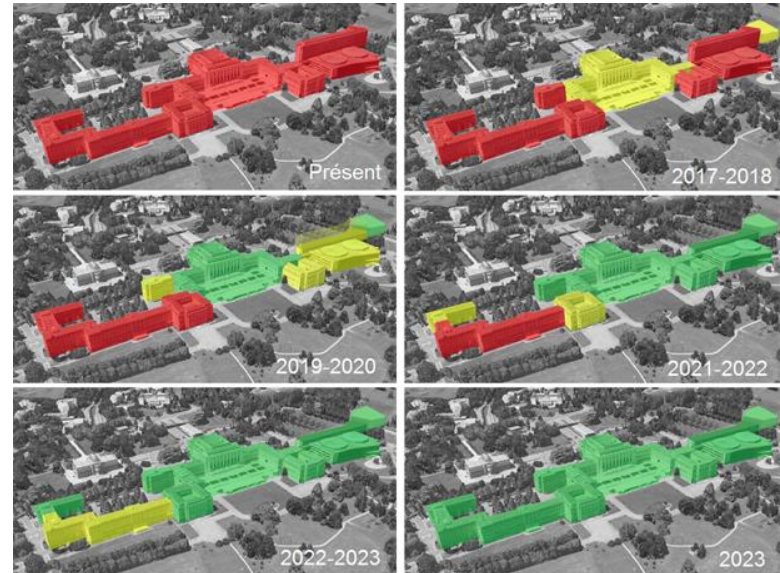
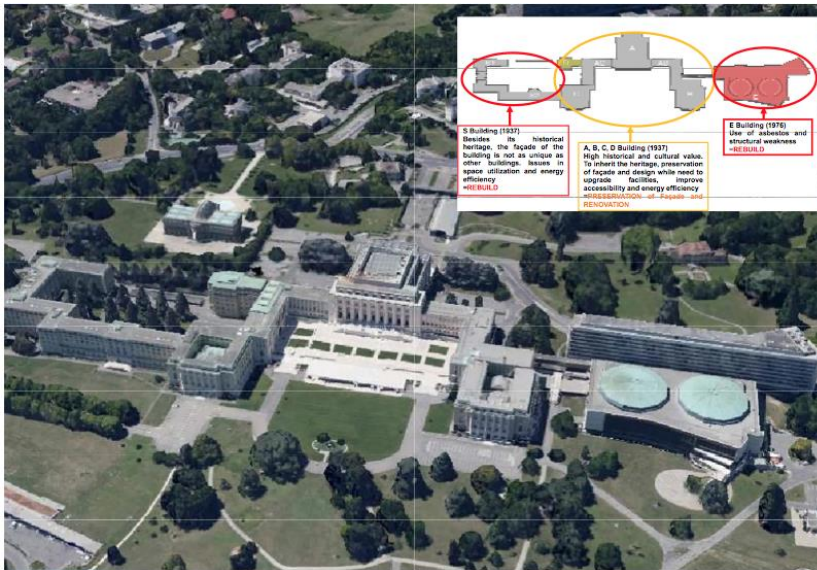


Strategic Heritage Plan(SHP)

Phased approach

Construct a new temporary building as swing space

Renovate A,B,C,D,E and S bldg.



#1:Build swing bldg

#2:Ph1

#3:Ph2

#4:Ph3

#5:Ph4

Renovation Costs of UN Facilities

Renovation of UN Head-quarter in New York (CMP)

Period 2007 – 2014

Cost \$ 2 billion (Initial estimate \$ 800 million)

Uncertainty of cost
overrun

Renovation of the Palais des Nation in Geneva (SHP)

Period 2017 – 2023

Cost Original estimate	618 million CHF
Current estimate	over 970 million CHF
Future actual spending	???? Million CHF



Operating Budget of UN

UN Budget for Japan

1 Regular Budget

2 PKO Budget

3 Int'l. Court of Justice Budget

4 Others

Annual assessed contribution by Japan- \$1.5 billion (estimate)

Other Int'l Org. Budgets

ILO,WHO, ITU, & other 140 plus international organizations (many requiring renovation/rebuilding their facilities)

Can the Member States continue contributing financially year after year?

Regular Budget of 2014

Rank	Nation	Rate
1	U.S.A	22.0%
2	Japan	10.8%
3	German	7.1%
4	French	5.6%
5	England	5.6%
6	China	5.1%
7	Italy	4.4%
8	Canada	3.0%
9	Spain	3.0%
10	Brazil	3.0%
11	Russia	2.4%
12	Australia	2.1%
13	Korea	2%
14	Mexico	1.8%
15	Holland	1.6%
16	Turkey	1.3%



Toyo University's studies on PPP possibilities

▶ Two aspects of PPP...

Renovation (SHP) through
PPP

- Cost efficiency
- Avoid cost overrun and change orders
- Avoid delay

Revenue generation through
PPP

- Generate revenue
- Accommodate hotel/housing/office demands of Member States



Possible funding options for the UN

Funding options	Pros	Cons
1. Member States Assessed contribution	-Ordinary way to gather necessary funding	-May need to establish a special fund for SHP -Major contributing countries are reluctant to contribute for SHP after seeing the failure of CMP in NY
2. Other UN sources (e.g. donation or sponsorship by Member States)	-Major conference rooms, facilities and others may be done	-Difficult to cover all the estimated cost -(e.g. seismic reinforcement, carbonization of building structure)
3. Long-term borrowing or bond issuance	-Ease each year's Assessed contribution for capital expenditure from Member States	-Require longer-term commitment (deferred payment to repay) from the Member States for SHP -Need to find one/several Member State(s) to provide loans
4. Sale of portion of UN properties and other assets	-Can reduce the amount of Assessed contribution by offsetting the revenue with SHP cost	-Host state has the First right for refusal -Not sufficient to cover SHP -Only one off income can be generated by selling. -Limits future possibility of utilization of property
5. Host state funding	-Strengthen relationship with the Host State -Able to obtain funding with below-the-market interest rate - Host State Act amended	-Require longer-term commitment (for repayment) from the Member States for SHP -Utilization of FIPOI vs. international open competition
6. Private banks	-Strong interests from the market	-GA has approved borrowings only from government sources -UN does not have credit ratings and cannot provide mortgage or guarantee
7. Revenue generating PPP options	-Can offset significant portion of SHP -Lessen financial burden of Member States -UN can lead innovative solution for developing properties of international organizations	-Zoning change must be agreed between the Host State and UNOG in order to develop certain properties

* All funding options require approval from the GA. Some may also require discussion and agreement by the Host State.

** Even if 1-3, 5, or 6 can be obtained, the effort to reduce the cost of SHP is required. In this degree, 4 and 7 are effective.

PPP Method - Use of underutilized property for development of public buildings

- ▶ Case 1 James Oyster School re-bldg. in WDC
 - * School was over 75 years old and needed to be rebuilt and expanded
 - * WDC govern't could not afford the cost
 - * School had an extra property (unused)
 - * Allow the development and use of **PILOT PPP**
 - * Built new/expanded school for 11 million bond offering



PPP Method - Use of underutilized property for development of public buildings

▶ Case 2 Toshima City Hall & Residential Development

* Toshima Ward needed to rebuild its City Hall

Used **Long Term Land Lease Payment (50 out of 70 years)**

to build \$160 million New City Hall

* Private Developer paid the land lease and building **mixed use dev.**

Mainly **housing (450 units)** above the new city hall building.



PPP Method-French Embassy Reconstruction and refurbishment by lease of under-utilized property

Embassy

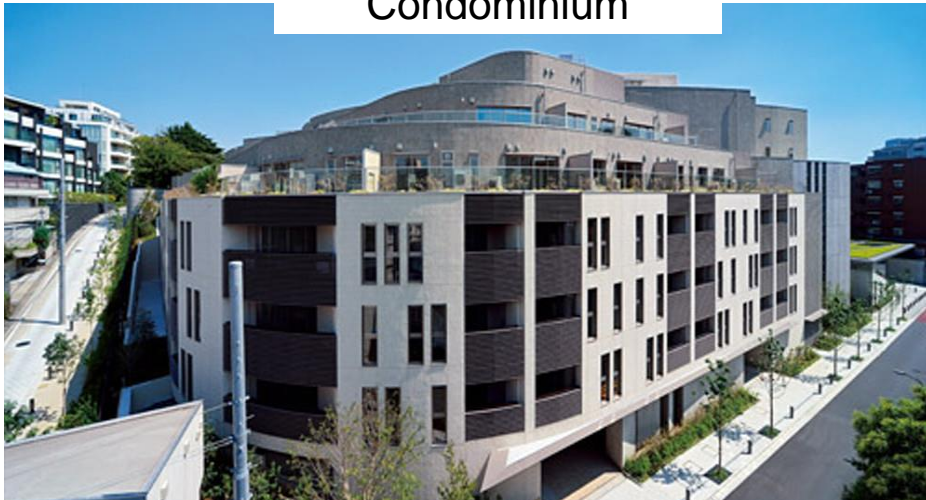


- ▶ **3 Projects combined:**
 1. DBM of Embassy in Tokyo
 2. Refurbishment of Ambassador's official residence and all other properties owned by France
 3. Long-term lease of under-utilized property (4500 sq m., 54 years)

- ▶ **Paid by Private investment**

Redevelopment and refurbishment costs were offset by the leasing rights of under-utilized property (1/5 of the land)

Condominium



PPP Method-**Belgium Embassy Reconstruction** **by sale of Land**

Embassy



Office and residence



▶ **Two projects combined**

1. Redevelopment of the Embassy
2. Development of under-utilized property

▶ **Redevelopment costs were covered by sale of the land**

7,000 sq m (420 million Euro)

Consortium built a mixed-use building



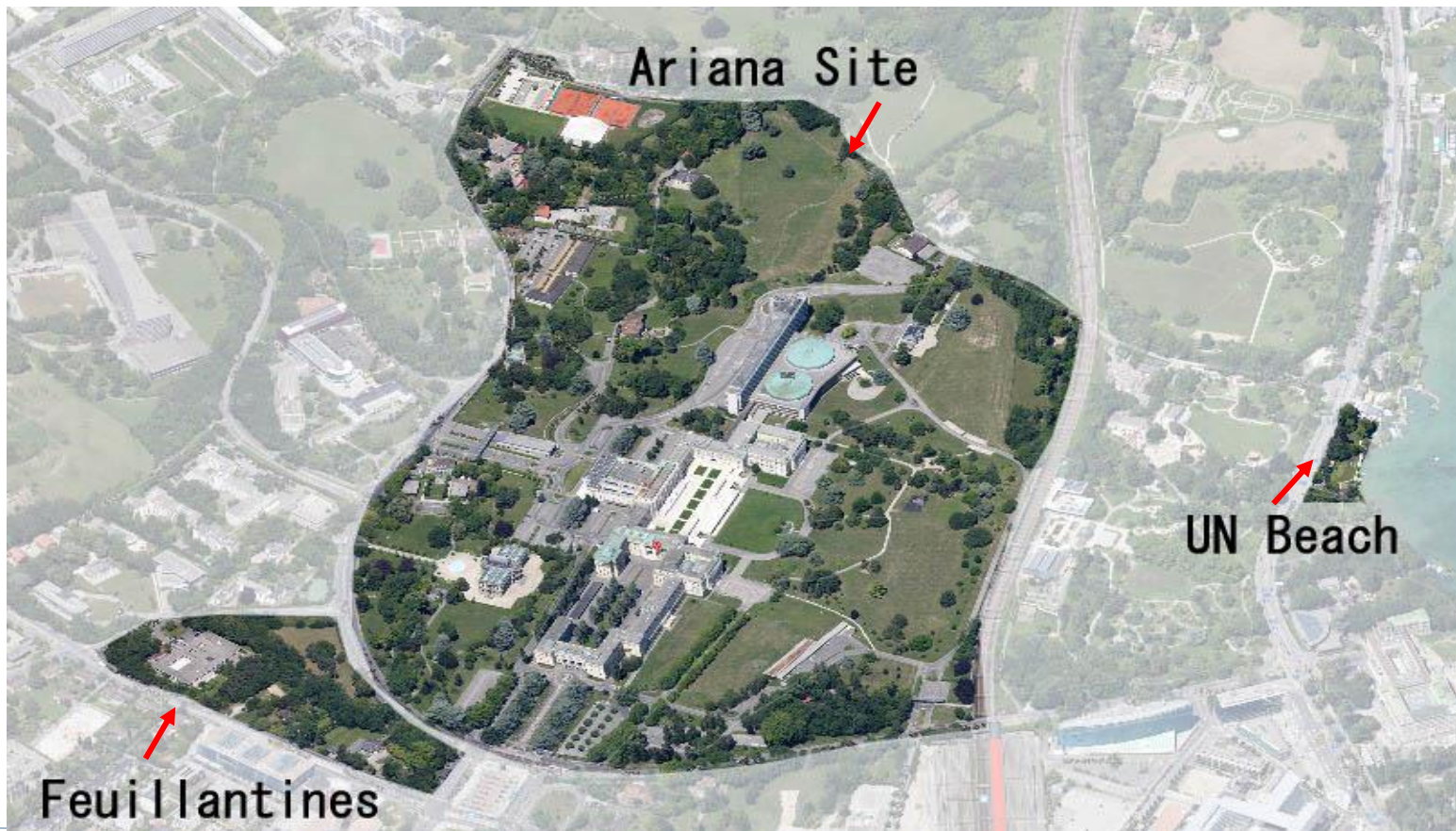
Commercial markets in Geneva

- 1 Limited hotel/lodging facility surrounding UN Complex
Extra activities of country missions
- 2 Limited Housing property around Geneva
Cost of housing rentals in Geneva
Skyrocketing rents for diplomats/UN staff
- 3 Costs of Water-front property in Geneva



Development Possibilities of UN Properties

- ▶ Lodging/Hotel possibilities at Feuillantines Property
- ▶ Housing development at Lake Lemman Property
- ▶ Housing development at Ariana Site



PPP report

(Preliminary finding)

Hotel/Extended Stay at Feuillantines

(A) Income

Sales 71 million
Annual room Sales 34million
500 rooms (single, twin/double, triple/suite)
Average charge for a night 200CHF
Occupancy rate 95%
Days of operation 360 days
Food & beverage sales 24million
Estimated as 70% of room sales
Convention Sales \$13 million
Estimated 40% of room sales

(B) Costs and profits of private Cost

Construction cost 120 million
Total floor space 30,000 m²(40% used for restaurants, biz center, banquette, service and utility space)
Construction unit price 4,000CHF/ m²
Operational cost 42.6million
Estimated as 60% of total sales with opr. fee
Debt Payment 7 – 9 million
All initial costs are borrowed from private banks

Expected return 18 - 20 million
Estimated as 10% of Investment

Margin 16.6 – 18.6 million/year (A) – (B)

This amount is gained by the private sector to offset the upfront payment

In 10 years 180-200 million CHF

In 20 years 360-400 million CHF

In 30 years 540-600 million CHF

If one more 500 room hotel is developed 360 million CHF in 10 years



PPP report

(Preliminary finding)

Housing at Lake Lemon Property

(A) Revenue

Sales \$4.5 million/unit

200 m² per unit. Discounted price

Estimated from market price (22,500CHF/ m²)

(B) Costs and profits of private

Construction Cost 1,000,000/unit

4,000CHF/ m² for each unit

and land clearance etc. 30, 000/unit

Profits & others 3,500,000/unit

Estimated as 30% of sales. Including profits, selling, general and administrative and other costs

Margin 3,000,000/unit (A) – (B)

This amount is gained by the private sector to offset the upfront payment

If 40 units are sold 120 million CHF

If 80 units are sold 240 million CHF



PPP report

Housing At Ariana Property

(Preliminary finding)

(A) Revenue

Sales 800,000/unit

100 m² per unit. Discounted price

Estimated from market price (11,000CHF/ m²)

(B) Costs and profits of private

Construction Cost 330,000/unit

3,000CHF/ m² for each unit

and land clearance etc. 30,000/unit

Profits & others 240,000/unit

Estimated as 30% of sales. Including profits, selling, general and administrative and other costs

Margin 227,000/unit (A) – (B)

This amount is gained by the private sector to offset the upfront payment

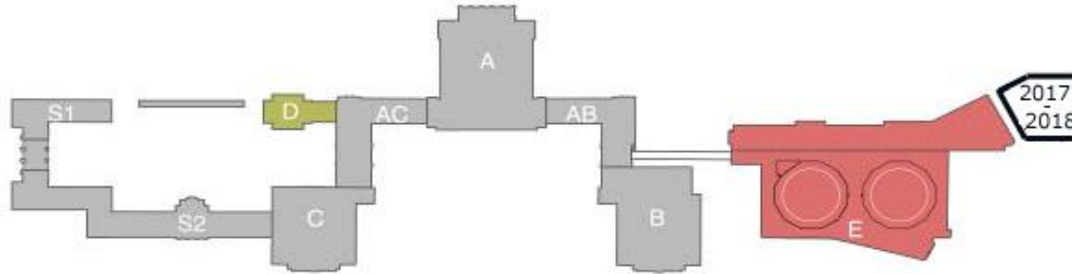
If 1,000 units are sold 227million CHF

If 2,000 unites are sold 455million CHF



PPP report

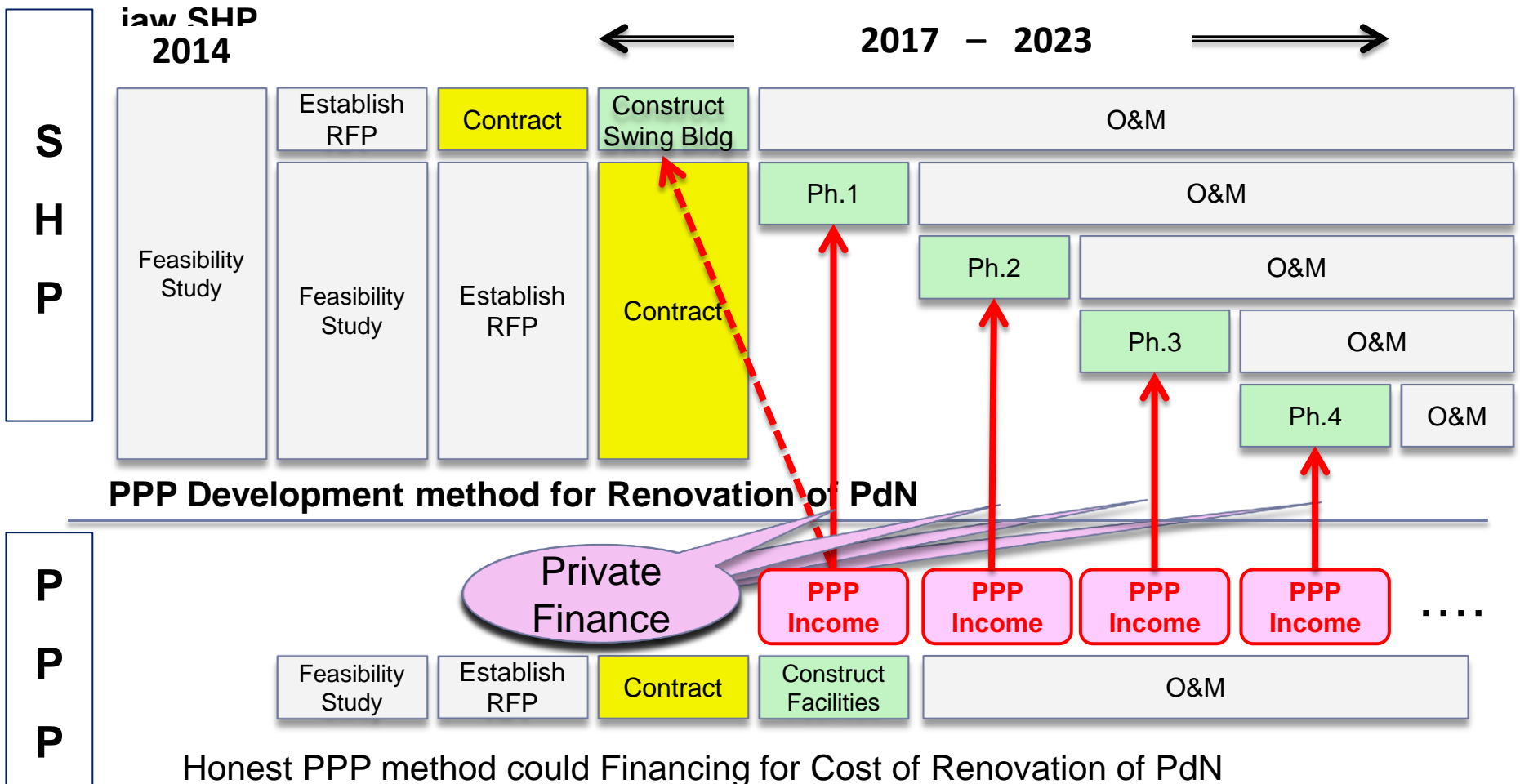
Use of Swing Space



- * Swing building is built to renovate existing buildings for continuous operation of the UN functions.
- * The swing building is planned to be destroyed after the renovation is completed.
- * **Toyo report recommends to design the swing building, which can be used by the UN Member States after the renovation of the all buildings are completed.**

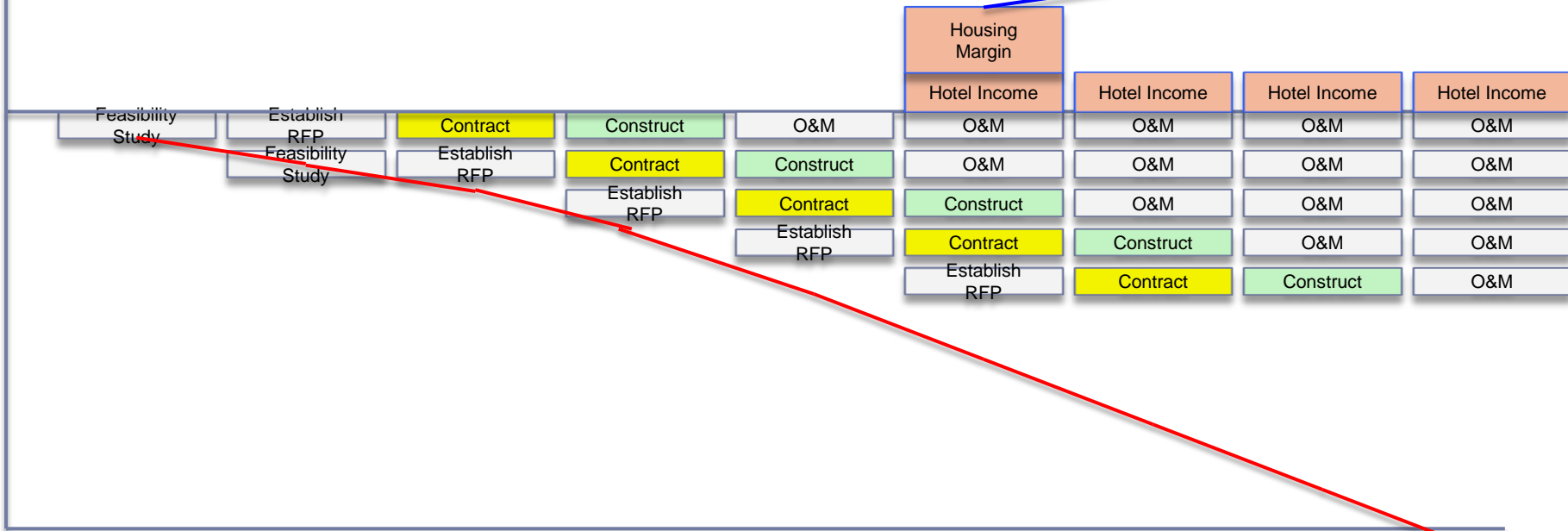
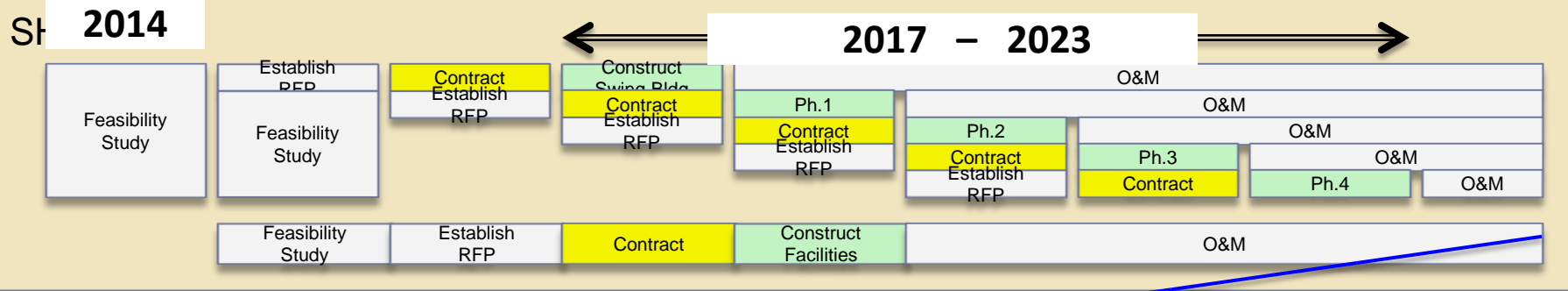
Timeline of Renovation PdN

Renovation of PdN in UNOG #1:Build swing bldg #2:Ph1 #3:Ph2 #4:Ph3 #5:Ph4



Finance Timetable of Renovation PdN

Renovation of PdN in UNOG #1:Build swing bldg #2:Ph1 #3:Ph2 #4:Ph3 #5:Ph4 iaw



Summary Conclusions for PdN Study

- 1 The unique features of the Geneva real estate conditions allow certain developments at the UN properties
- 2 Use of under-utilized UN properties can generate revenues, which can be used to pay toward the renovations of the Palais des Nations
- 3 Swing building should be used by the UN Member States after the renovation of the all buildings are completed.
- 4 There is minimum risk and big upside in taking the next step – a comprehensive feasibility study for UN and MS
- 5 There has been no UN and MS fund spent thus far on developing these ideas and approaches



Thank you

Sam Tabuchi

kstabuchi@toyo.jp

Professor, PPP Graduate School of Economics at Toyo University

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Vice-Chairperson of UNECE Team of Specialists on PPP



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