French Ministry of Defense headquarters
new Parisian implementation
on the site of « Balard » :
the PPP choice

UNECE/UNOG Special Session on Public-Private Partnerships (PPP)
6 december 2012

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The project "Balard" consists in bringing together defense headquarters and central services of the Ministry of Defense (MinDef), hitherto dispersed over a dozen sites on a single site, south west of Paris. This site, which already hosts several departments of the Ministry, is owned by the State. It covers an area of 16.5 hectares and includes buildings to be restored (some of which are classified as architectural heritage) as well as building to be erected after demolition of old buildings.
The site must accommodate:
- 9,300 military and civilian personnel
- In 145,000 m² of new buildings
- And 135,000 m² of renovated buildings (useful surfaces).

The project includes, in addition to services offices, the command center staffs and numerous meeting rooms and auditoriums, numerous services including:
- 2 catering centers which provide a total of 7000 meals per day;
- A center hosting 900 rooms;
- 3 cradles cribs 60 each;
- A fitness center and a swimming pool open to neighbouring residents...
French Ministry of Defense Implementation on the parisian site of « Balard »

- Part of the site, which is not essential to the needs of the Department (the "west horn", an area of 3 hectares) will host a private real estate development operation, integrated in the public-private partnership contract:

  90 000 m² of offices will welcome 4000 employees.
French Ministry of Defense
Implementation on the parisian site of « Balard »
the objectives

- Improving the functioning of the Ministry and armed forces general headquarters;

- Cost savings management by reducing the number of sites (sites transfer allowing sales of excess real estate) and dispersion of staff;

- Reducing staffing needs due to the outsourcing of certain functions.
The project takes the form of a "partnership contract" governed by the law ("ordonnance") of 17 June 2004.

This type of contract is the equivalent of a DBFOM contract; investment and provision of operations and maintenance are paid by the State to the private partner in the form of annual fees. At the end of the contract, all property is owned by the State.

The choice was made to give a large extension to the contents of the contract, in the limits of what the law allows.
The tender has focused on:
- The design, construction, financing, work on new buildings as well as buildings to be renovated;
- The design and implementation of the computer system;
- The maintenance and upkeep of the buildings and the computer system;
- The running of usual services (cleaning, security ...)
- The specific services described above (restaurant, nursery, swimming pool ...)
All over a period of 27 years.

The expected benefits of the use of the partnership agreement are:
- The optimization of the overall cost of the transaction;
- Meeting costs and deadlines targets;
- Quality of service linked to performance targets quantified, controlled and sanctioned.
The project was first subjected to a "preliminary assessment" designed to justify the use of this type of contract, an exception to the ordinary rules of French public contracts, and to assess the economic value of the use this procedure.

The full cost of operation over 30 years has been estimated and compared to the cost of the project traditionally managed and of traditional contracts split over the same period. This estimate included a valuation of the risks associated with each of the schemes examined. It has demonstrated the relevance of using the Partnership Contract and has been validated by the MAPPP February 13, 2009.
The procedure

- The tender was launched on 4 June 2009.

- The private partner was selected after a "competitive dialogue", the first phase focused on the choice of an architectural project.

- The architectural competition. Particular attention was paid to the architectural quality of the project, including energy performance (target: 80% of energy needs covered by renewable energy produced on site). To ensure this goal, each of the three competitors preselected had to present to a commission specially created for the occasion three different architectural projects, among which only one per competitor was selected in December 2009 to participate in subsequent phases of the dialogue.
The project involved the big names of national and international architecture:

- **Bouygues** (final winner of the competition): the project presented by Nicolas Michelin was selected for the main building and the one presented by Jean-Michel Wilmotte for office buildings of the "west horn."
- **Eiffage**: the project agency Foster and Partners was selected for all buildings
- **Vinci**: Dominique Perrault has been selected for its entire project.
The procedure

- Competitive dialogue continued until January 2011. The "final offers" were presented by the candidates on 11 January 2011.
- The Bouygues group was declared "best bidder" February 17, 2011. The contract was awarded in May 2011.

Proceedings thus lasted about 2 years. It is remarkable that procedural delays have been perfectly maintained, since the "preliminary assessment" was considering signing the contract on 1 May 2011. This is explained by the gathering of a "project team" very competent and directly under the authority of the Minister.
The main features of the contract:

Contract holder:

- Building Bouygues Ile de France (buildings)
- Thales (Information Systems)
- Sodexo (services, restaurants)
- Dalkia (energy maintenance and operation)
- Exprimm (a subsidiary of Bouygues) (operation and maintenance of buildings)
- FIDEPFP and SEIEF (private equity)
- Caisse des Dépôts et Consignations (public financial partner)

The presence of the CDC in the capital of the project company has been imposed by the State to maintain a blocking minority (1/3) in the public SPV, due to the particular nature of the project (to safeguard the interests of National Defence).
The main features of the contract:

- **Duration:**
  Three years and four months for completion of the buildings (phased delivery until 2016)
  26 and a half years of operation.
  60 years lease for the construction of the "west horn."

- **CAPEX:**
  1016 million excluding VAT (including buildings: € 630 millions; computer: € 130 millions)
  for 308,000 m2 GFA or € 3,300 / m2
The main features of the contract:

Financing:

- Equity: €78.5 million or 7.7% of the total amount;
- Advances on rental payments (budget): €11.3 million or 1.1%;
- Commercial bank loan – benefiting of a state guarantee (only after delivery): €660 million or 65% (maturity 25 years);
- Commercial bank loan - Project risk: €46.5 millions or 4.6% (7.3 years maturity);
- Recipes from the "west horn": €220 million or 21.7%

This last item represents the present value, injected "up front" in the financing plan, of building leases for a term of 60 years, granted to build 90,000 m2 of offices (the land remaining state owned). This arrangement is more financially attractive than disposal (valued at €195 million by the services of the State).

Interest rates - including swap margin (paying fixed rates was a requirement) stood at 5.07% and 5.22%.
The main features of the contract:

Amount of the annual rental (2014 to 2041): 130 m € (2010 value).

This value, consistent with the preliminary assessment, is composed of 65% yearly cost of maintaining and exploitation charge and 35% investment repayment (capital and interest).
Conclusion

In conclusion, it is believed that the use of the partnership contract, especially because of the compliance with predicted cost and timeframe, which has been demonstrated by the feedback from other contracts, allows an optimization of the overall cost of the operation while the performance oriented contract terms ensure the quality of maintenance and operation over the long period.
Thank you for your attention
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