

DBFO Case: Kaivomestari



Kaivomestari - the first real estate sector public-private partnership project in Finland.

Project launched in 2001.
Service agreement of 25 years.

Location



**City of Espoo, near the capital
Helsinki**



Site

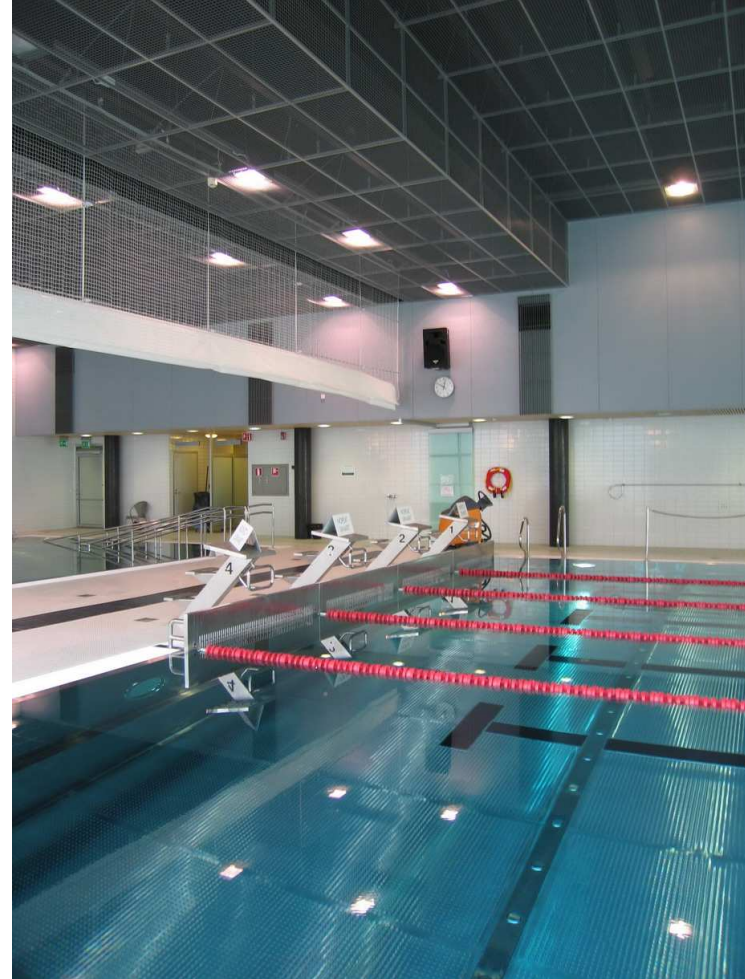


In the 1800 century, there was a public well and "spa" at the site.
The well master (= Kaivomestari) took care of the place.

Site



Site



Public Private Partnership (PPP)

- In the partnership the project company Arandur Oy provides all facilities and services to the city of Espoo
- Espoo uses the facilities during the period prescribed in the service-agreement

Kaivomestari:

Kuninkaantie high school
Keski-Espoo swimming pool
Keski-Espoo Sports center
Kanta-Espoo Physiotherapy unit
Espoo Adult Education Center

Swimming hall 5 032 m²
High school and sports center 6 401 m²
OVERALL 11 434 m²

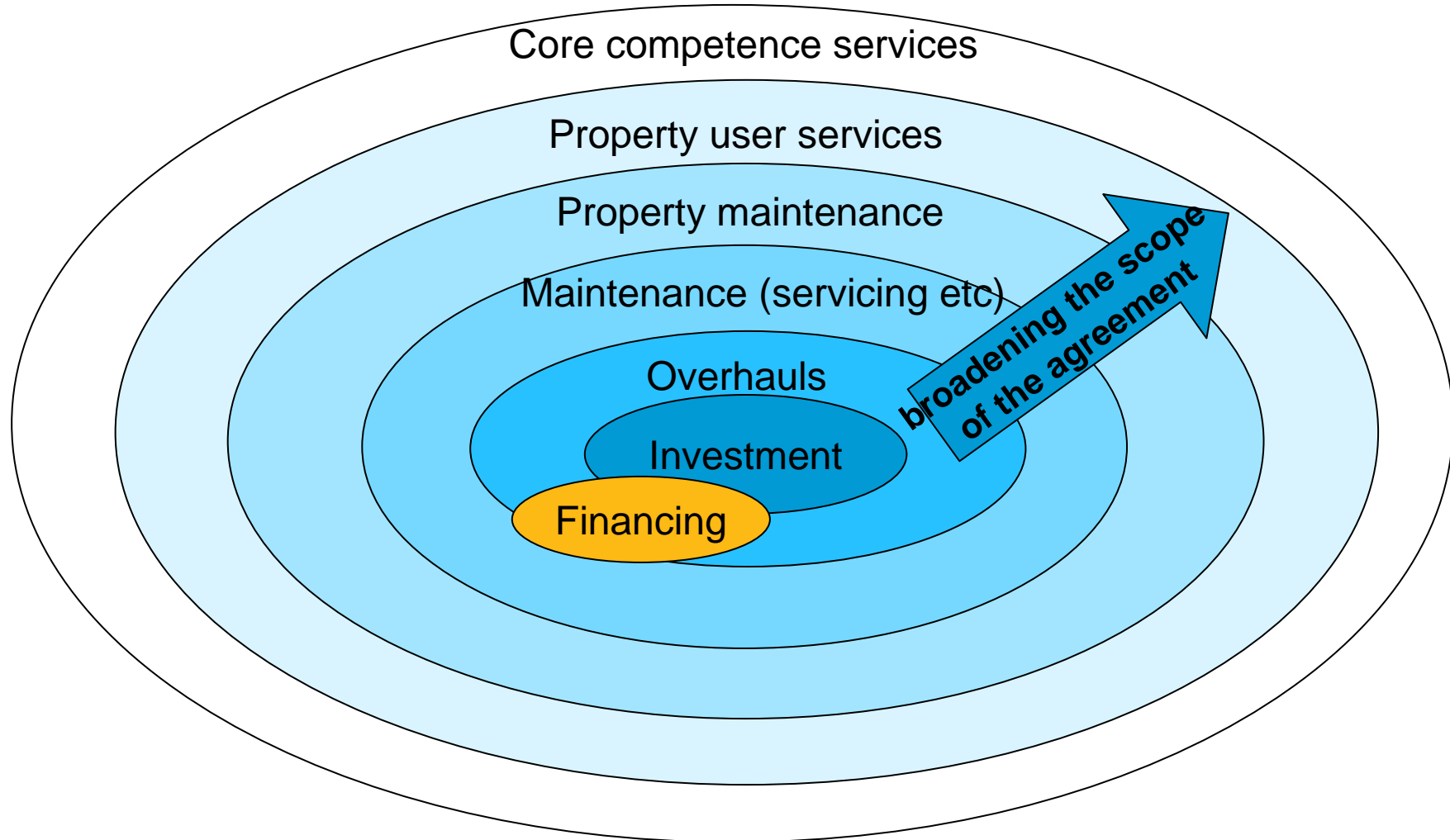
Swimming hall 30 800 m³
High school and sports center 30 250 m³
Hall 6 500 m³
OVERALL 67 550 m³

PRIVATE FINANCE INITIATIVE (PFI)

- Private financing and owning of property
- Arandur has leased the property for 25 years with life cycle responsibility
- Espoo has right to redeem the property after or during the agreement period

There were
270 000
visitors in the
swimming
hall in 2009

Lifecycle delivery **What does the agreement contain?**



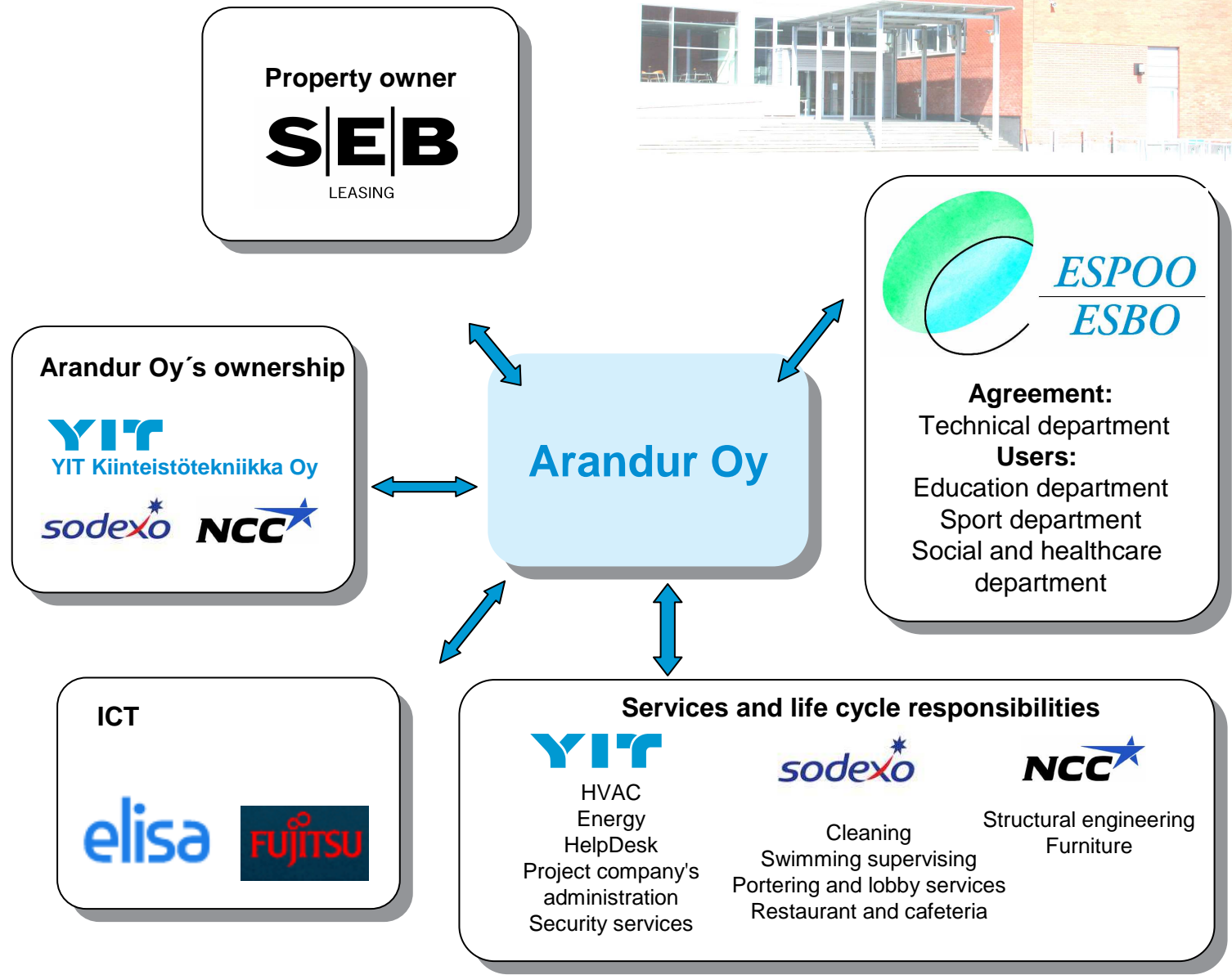
Benefits of the lifecycle model

- A form of implementation in which the implementer's responsibility for the building is broader and continues beyond the traditional warranty period
- It covers the planning and implementation of the building, and the servicing, use, maintenance, energy consumption (water, heating, electricity), renovations and residual value of the building and its equipment
- The lifecycle agreement is used to determine the availability of the premises and the service level of the various functions
- The agreement can also state responsibilities for different types of user service
- Financing is obtained from outside the balance sheet, ie, from an external financier or the lifecycle supplier
- It can also be provided by the client





Relations





Turnover



Property owner
SEB
 LEASING

Rent ~ 2 M€/a

Arandur Oy's turnover about 5 M€

Arandur Oy

Subcontracts overall ~ 3 M€

elisa **FUJITSU**

IT- services

sodexo

Customer services
 School meals

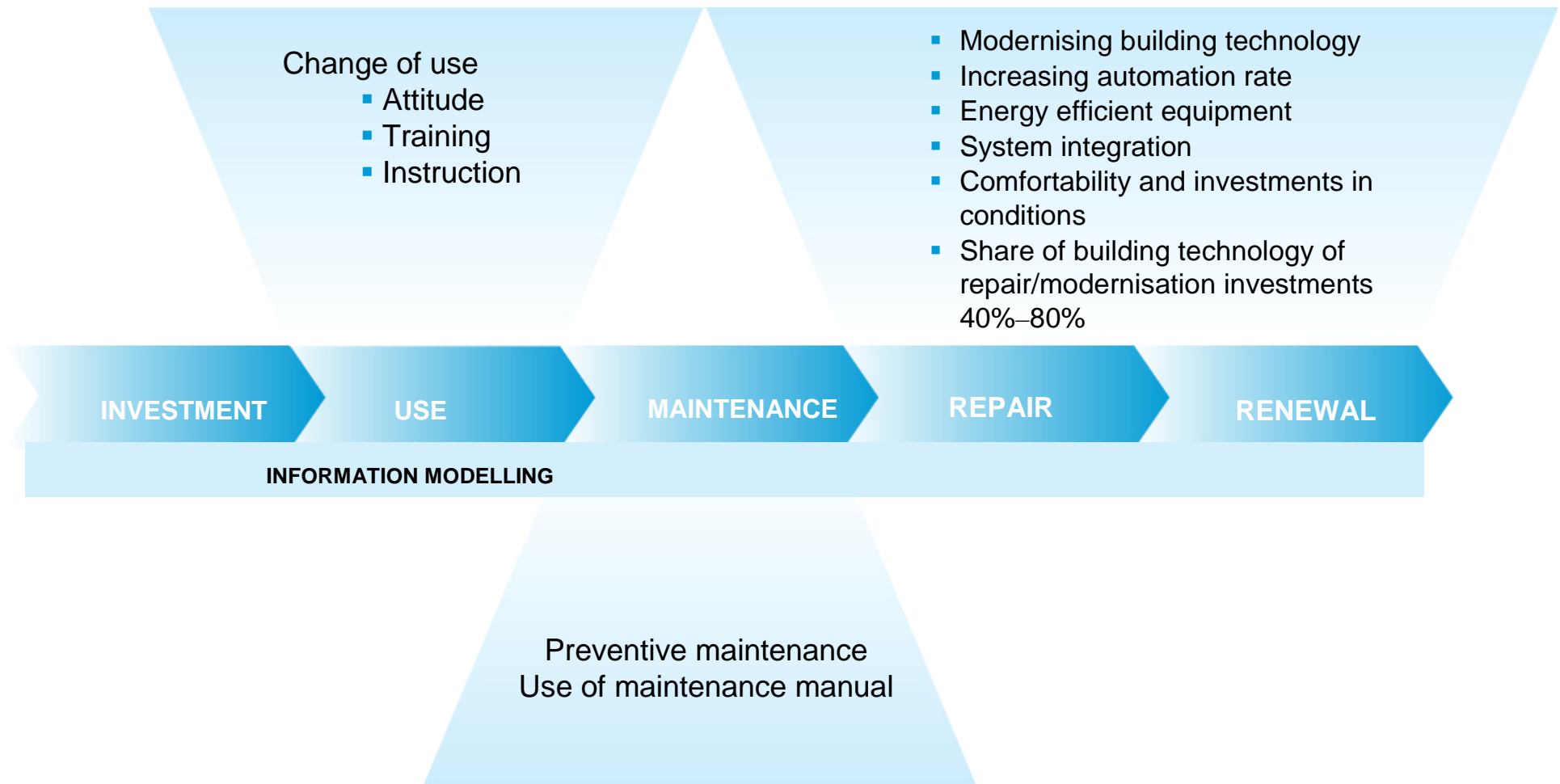
YIT
 HVAC
 Energy
 HelpDesk

NCC

Structural engineering
 Furniture

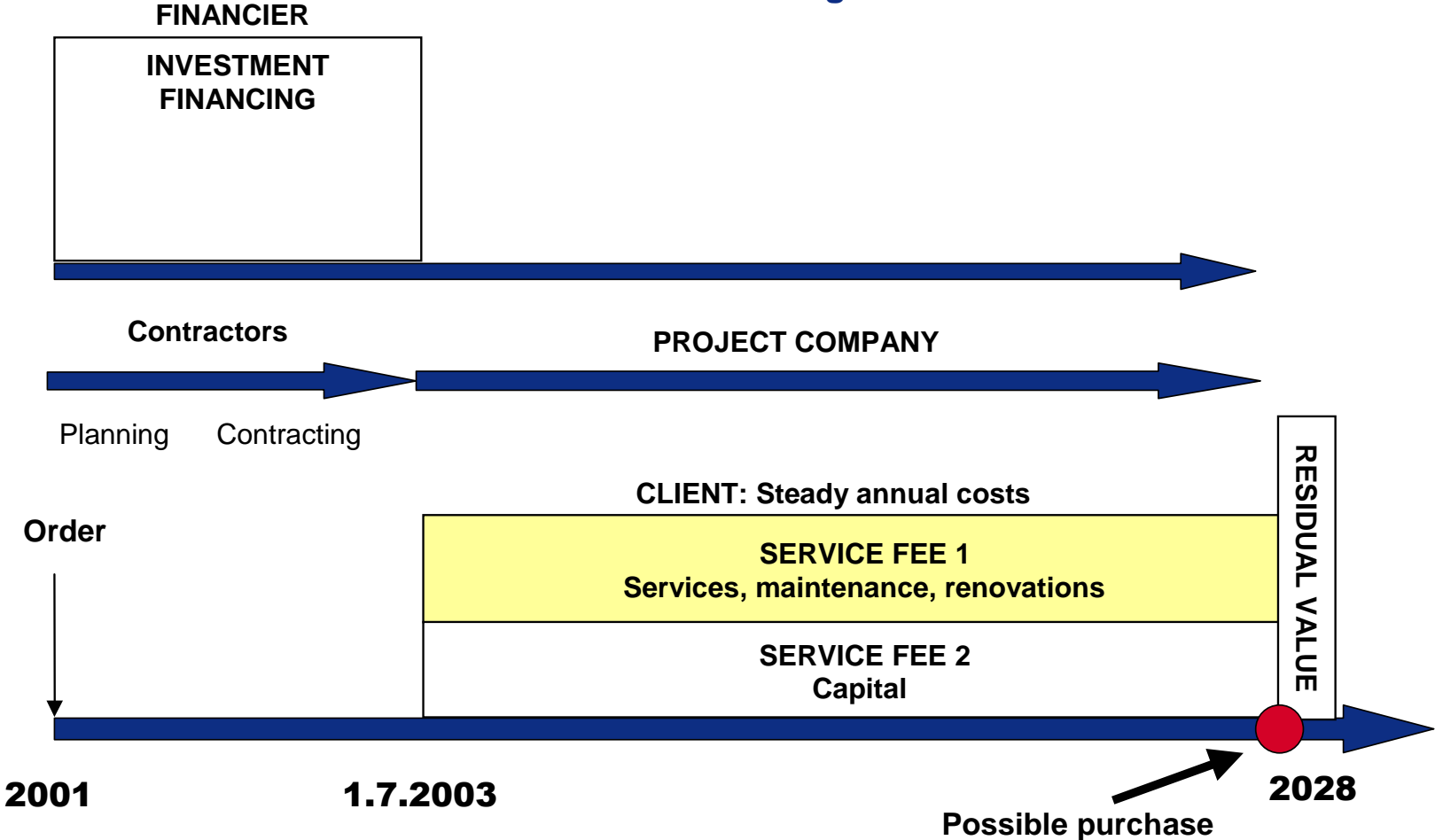
sodexo **NCC** **YIT**

Lifecycle package



Kaivomestari project

Private financing and service fee structure



KAIVOMESTARI

Life cycle responsibilities

1. Property maintenance

- The property shall be in operational use whole time
- The property's use value shall hold 25 years
- Target is, the condition of the property shall be excellent (**as new**) after 25 years

2. Property up-keeping, care and energy consumption

- Subcontractors assume the expenses for the service period for fixed prices
- Maintenance deficiencies are paid as repair costs and penalty payments

3. Real estate and user services

- Subcontractors are responsible to service production
- Possibility to organize services in an efficient way

Incomplete or insufficient services in eg. cleaning, outdoor area maintenance, lightning, school meals, heating, fault corrections etc. will decrease the monthly service fee

Arandur Oy's
additional sales
were ~59 000 €
in 2009





Experiences from Kaivomestari



How Espoo benefits from this project

- The annual cost is about the same for Espoo (VAT, state subsidy). No in-depth calculations have been done however. Master's thesis in 2006 suggested that total cost might be a little bit higher, depending on how the economy develops.
- No need to invest in construction
- No need to save money for renovations, care-taking, repairs or up-keeping
- No long term planning needed
- No cost over-runs
- The city can concentrate on running and developing other functions

Other benefits:

- Property and services are continuously in a excellent state and inadequate services are not charged
- No renovation debt for the property after 25 years contract period (2028)
- Direct environmental benefits compared to traditional model not studied

Pool capacity overall 872 m³

Experiences from Kaivomestari

Needs and future of life cycle models

According to Espoo's city director Marketta Kokkonen the communal task is to provide services to residents, such as education and health care. Real state ownership, maintenance and production of user services is not a municipal task nor considered core-business.

For service companies the development and enhancement of new operation models is important to the development of productivity.



150 places
in the auditory

KAIVOMESTARI

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