

**EPISODE 863**

[INTRODUCTION]

**[0:00:00.0] ANNOUNCER** Welcome to the Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

**[0:00:24.4] WS:** This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Dee Brown. Thanks for being on the show Dee.

**[0:00:32.4] DB:** Thank you for having me, I appreciate it.

**[0:00:34.5] WS:** Dee is the president and CEO of the P3 Group Incorporated. The P3 Group specializes in delivering essential government facilities and infrastructure through the creation of public-private partnerships. The P3 group offers a turnkey design build finance solution for government agencies and non-profits.

Dee, thank you again for your time being on the show, give us a little more about the P3 group, what you're focus is, what you all do and let's jump in.

**[0:01:02.8] DB:** Great. The P3 group, as you stated in the introduction, we are real estate development and consulting firm, that specialize exclusively in public, private partnerships. Our typical client is going to be a municipality, country government, college university that has a desire to improve their community, their campus through developing critical infrastructure for the communities. What we do, we come in and we provide a hundred percent design build finance solution because often times, these agencies may not have within their capital budgets, the cash to actually execute on projects.

Many times, they don't want to use the general obligation capacity to do these projects because they don't want to strain on their financial statements. What we do, we're able to come in, structure the projects where they do not place your whole faith and created behind the obligation, we provide 100% of the capital to not only design, engineer the projects but also to construct. To acquire sites that are needed for these projects and we're able to do this in an expedited format.

A typical project that would take a governmental agency 18 months to two years to get under construction, under our integrated project delivery method, we have executed projects and started construction as little as 84 days from the time that we enter into the agreement and that's because we have integrated into our system both architects and engineers, construction managers, we hold all the construction contracts so all of the risk associated with executing a project has been transferred to the private sector.

What we do differently than what a government agency can do, because we have integrations of all of those different expertise here collaborating together, we're able to actually develop a guaranteed maximum price real early in the process, before we start developing construction documents.

We can guarantee that agency or that entity that at the end of the construction process, we're going to deliver this project to you but its guaranteed price and they don't have to worry about the risk of change orders and the things that normally come with executing on government projects under a designed be it build methodology.

**[0:03:32.7] WS:** I would imagine that's very valuable to them to know that price and that this is what it's going to be. I would say, that's pretty important to them most of the time and a few things I wanted to ask you about, I wanted to back up just a little bit but you know, just that you talked about the design build finance. I mean, ultimately you all can bring all those pieces and like you said, get a project completed and probably much faster for our local government or local entity like that as supposed to the normal process they would have to go through.

Maybe you can speak to that. I think, a lot of times, they have to get tons of bids on all kinds of different things versus you know, hiring someone like yourself that can just take care of all that. What does that look like? The difference between those two options that local entities like that would have?

**[0:04:17.4] DB:** Sure, in most states, if a government agency decides to go out on their own and do a design deal build process, oftentimes, they have to have a public referendum. Voting the people, approving the project. Our process does not require a public referendum in almost all cases.

Under the traditional design be it deal method, the local municipality would hire an architect, pay them hundreds of thousands of dollars out of pocket to design the project. Then they will secure funding for the project and once all of that is done then they will go out for bid.

What we see happen oftentimes, especially in communities where they don't have a level of sophistication to manage these projects. Even if some that do, when the builds come in, they're 20, 30% above the budget that was established. The reason that occurs because when the architect is designing the project, there is no feedback from the actual construction community.

You have an estimate or estimated cost on what the project is going to cost but you don't really know. Just that process alone that I describe could take a year and then, if the project comes in above budget, you end up with some plans that you spent hundreds of thousands of dollars on that you can't execute or you find yourself trying to value engineer those plans or you go out and try to raise more capital to fill the gap.

Oftentimes, when we talk to exits that's been through this experience, they take this project – it will take that project two to three years to actually get under construction, using that mythology. When you look at our method, what we provide the complete design build finance, using the integrated project delivery method, then what you get is really a robust system of collaborators all together, working with the governmental agency, to understand what are the needs for the facilities that you're trying to have built.

We actually designed that building from the input that the end user gives us. When we're doing this design, we're pricing it in real time and we're establishing preliminary budgets in real time. What that allow us to do is manage expectations.

We're able to tell the end user, the governmental agency that we're partnering with, in real time that "Hey, here's the preliminary budget for what you're requesting. Is this within an acceptable range?" With that preliminary budget, we've also reviewed their credit and we understand from an interest rate perspective, what's the rate it's going to be for this financing package and we can give them a 30-year, 25-year, 20- year, whatever they want, amortization of what their payments will be so not only are you looking at price, you're looking at all your soft costs and you're looking at your payment and then once that agency says, "This budget is acceptable."

We go into design development documents and that when we get to 100% design development documents, our team can actually deliver a guaranteed maximum price at the end of 100% design development documents. We can post a security bond at that point and guarantee that we're going to build that building for their price, before we start developing construction documents.

All of the risk to deliver that project has been lifted from the public sector and now transfer it to our team because we have guaranteed that price and they have approved this. Not only do they know the price, they know what their annual or semi-annual payments are going to be.

They know what we predict the interest rate to be based on the profile of that particular municipality or governmental entity. We deliver often times, under that budget and under that interest rate that we've predicted. What happens is, it creates a really a win/win/win scenario for the municipality because what I'm describing to you in terms of our process, we have a maximum of 120-day timeline that we execute in.

The last few projects that we've closed under this method, we have closed in 84 days, 117 days, we're still coming in under that 120 days and we're talking about from the time of conceptually, we want to enter to an agreement with you all — to putting shovels in the dirt.

**[0:08:55.1] WS:** Wow, that's fast, that's incredible. Much faster than most government entities would expect, right? They wouldn't expect anything like that to happen that fast. I'm interested to getting the structure of your all's process or of the deal and you all said, I assume if you're raising the funds to make this happen initially —

Investors that are investing with you all — what is this just a structure that deal look like, how is that handed over to that government entity and what your involvement then?

**[0:09:26.0] DB:** Sure, our typical structure involves a tax event leased purchase agreement. We establish a special purpose entity. The government agency is the lessee in the transaction. Our special purpose entity is the lessor.

We structure that transaction, essentially as either a bond offering or a private placing. We don't have individual investors, we focus on creating tax exempt transactions so when we structure that transaction, we're selling it into the tax-exempt bond markets. Our buyers of these leases are institutional investors that are looking to put tax exempt bonds on their books who are looking to invest in projects for CRA credits or who just simply like the security of municipal type debts because they are very low risk and guaranteed rate of return on the investment.

**[0:10:25.6] WS:** Okay. No, that's awesome and tell me about, are you all mostly — or it would be — the way you would make money would be like fees on these things to completing the project or maybe by certain timeline?

**[0:10:38.3] DB:** Sure, we charge a developer fee or handling the transaction. We don't mark up the least payments, we don't markup any other cost. We just get a fixed developer fee and once we turn the transaction over to the bond trustee, that trustee actually serves as a landlord for the duration of the financing.

Since it's a tax exempt lease purchase agreement, at the end of the financing term, the city or county or agency could purchase the asset for one dollar. What happens is, it functions just like the mortgage would function, you have an amortization schedule, you have a fixed interest rate, you can see what your payment is at any — your pay office at any time during the course of the financing.

It functions just like a mortgage, you could pay it off early. Often times, there's prepayment penalty during the early parts of the financing which is typical for taxes and transactions but you always are able to exit the transaction and pay off the debt early. We could structure the transaction based around the goals that that particular agency may have in terms of financing.

Just to give you a quick example, we close the transaction a month or so ago where the eight – there's a new casino opening up in the community and the county that is anticipating this large influx of additional cash flow from the tax revenue.

Even though we were doing a 30-year financing, their internal plan is to retire the debt within 10 years. What we did when we got them a blended rate of 2.4%, mood is rated the transaction as an A2 because we did not require a full place of credit on the transaction. However, during the first 10 years, the interest rate is 1.83%.

If they were to meet their goal and pay the debt off within the first 10 years and they would accomplish it by paying off the loan bonds first. In other words, when they're getting ready to make a prepayment, it's going to year's 20 to 30, first and then as they continue to pay and pay-off years, 11 through 19 and then at the end of the 10 years, they're out of the prepayment penalty. They can pay the balance off and they exit the transaction with 1.83% interest.

**[0:12:57.7] WS:** That's nearly free money right there.

**[0:13:00.2] DB:** Doing it with free money. They did not pay us their full faith in credit behind the transaction, they did not have to have a public referendum in order to execute the project.

**[0:13:09.6] WS:** Speak to just the normal types of projects that you're completing and maybe the types of communities as well that are going to benefit the most from your services.

**[0:13:19.2] DB:** Sure, tier two, tier three-type annuities are the ones that are actually benefit the most, again, all of the P3 developers are chasing the mega projects, right? The hundred million, 200-million-dollar projects.

Our projects typically fall between 10 and 50 million dollars, it's a typical project size and we're doing projects like corner's offices, health units, court houses, fire departments, police departments, public safety complexes — these are projects that are essential to the vitality of the communities. The reason that this process helped the tier two and tier three cities more than it does the larger cities is because, those cities do not have the resources to have on their payroll the expertise to actually execute these projects.

What I found in smaller communities, they'll put out a contract on the under designed deal and sometimes, not even have liquidated damages incorporated into the contract and then they wonder why it takes the contractor so long to finish the project. Well, there's no enforcement mechanism within that contract.

Just not having the skillset and the savviness to understand how to execute these projects and be successful can save the communities tens of thousands of dollars. Not just in time, not just in reduced cost of materials but also in not having the value engineer a project, not having to go out and raise additional capital because it came in above budget.

**[0:14:58.4] WS:** Awesome, well speak to — I know I mean all you do, you're working with government entities just day in and day out. I know there is a lot of developers and even people who are just doing value add projects that are listening that have to better understand how to work with government entities or in agencies and people that have influence in the government and the local communities where they're buying properties or developing.

Can you speak to just some tips on bettering that relationship to further that? Obviously the common goal of bettering that community and how you all have built those relationships.

**[0:15:34.6] DB:** Yes, so we've built our relationship by focusing on building the community. One of the things that we always say is that we don't just build buildings, we build communities and when we say that, we mean that when we go into a community to execute a project, we're looking to hire local sub-contractors and vendors and trades to execute the work. I mean that is a corporate philosophy, a corporate mission.

This is not a situation where under a traditional procurement the agency has a DBE or small business requirement that they're mandating on you. Our mandate on our self is much more aggressive. When we go into these communities, we're trying to hit 85% local participation if not 100%. The last project we started, we had 90% local participation and so what that does, it leaves the actual dollars from that project within that local community.

The economy is still there when those dollars are in those communities, stay in those communities, they turn over six and seven times. What we try to educate the municipalities on is that it really doesn't matter who the general contractor is. What matters is are they going to hire local sub-contractors. Are they going to buy materials locally? Are they going to look for local suppliers and vendors and services, service providers as part of executing the project?

The way that we've built those relationships with government agencies is that we're actually telling them that our goal is more aggressive than your goal and our goal is more transparent because under a traditional design being built methodology, obviously you really can't see if that contractor has really made a different effort. You know they can provide documentation but it is not a transparent process. Our process is transparent because when we hold a sub-contractor there in the local community, the government is our partner.

There at the contract, the sub-contractor appear with them, so we can't manipulate who attended and who didn't attend and so there's a list that's generated of who attended. Then we're collaborating with our public partner to say, "Okay, who on this list have you had good experiences with or better yet, who have you had bad experiences with?" They're helping us get the list and so as we go through the process of selecting sub-contractors and selecting service providers as part of this integrative project delivery method, they're at the table with us and they're key to make up these decisions.

What that does, it builds goodwill, it builds trust within the community and it's a transparent process. We know that –

**[0:18:31.1] WS:** Yeah, them knowing that you're wanting to work with locals, I mean that has to be so beneficial or I would imagine, when they start to realize that that's your goal is leaving that

money there working with local people there. That's got to be so beneficial but what's the risk working solely with government agencies or entities like you do?

**[0:18:52.7] DB:** The risk, you know I don't really see it as a risk. I actually see it more as a more security because in the process, because when you're working with private entities, the structure typically is not there to an oversight is not there that you typically have within a governmental agency. Once a board votes to move forward on a project and the government asked you for those documents, you can pretty much rely on what they're saying to be solid.

I don't really see a higher risk profile in what we do I see a lower risk profile in actually executing these projects for the government versus in the private sector.

**[0:19:37.7] WS:** How are you increasing deal flow when you're object is really work with these government entities? Obviously it is different than a lot of people that are listening but how do you do that? How do you get your name out there to these agent – or governments that need your help?

**[0:19:50.2] DB:** Yeah, and that is an interesting question. We have about a dozen business development professionals that work for us. I like to say that we're in the relationship business, so all of our business development professionals have relationship with governmental entities and agencies within their local market and so they identify needs and we typically do a full-blown presentation to those agencies not to sell our services but to educate them on at least an option that's available to help them realize that they can get projects delivered quickly and efficiently.

What we found is that when these agencies realize that this service is actually available, we've seen politicians, mayors, and council people that had goals in terms of capital projects during their terms in office and a lot of times, they plan these projects out over two or three times. They go, "Okay, if I get one done this year, maybe in four years I can get another one done," and what they're doing is they're rolling out three and four projects at one time with us because they are realizing that all we have to do is budget for payments.

We don't have to have this large pile of money sitting in account to execute because just really the architecture and engineering fees on these transactions can be of millions of dollars depending on the size of the transaction and so they don't have necessarily the cash there to just pay these fees and then try to go to market to get financing. What they have realized is that if we can budget affordable annual or semi-annual payments, we can get multiple projects done and we'll be under construction in under four months and it is good for the community.

It is good for their administration and it is a good story for us to tell on the business side to help I guess further our relationship with other municipalities that are thinking about doing these types of projects creating those success stories.

**[0:22:00.5] WS:** Dee, do you have any daily habits that you are disciplined about that have helped you achieve success?

**[0:22:06.0] DB:** Yeah, I think absolutely. One of the things I do pretty much every morning, I normally get up around 4:30 in the morning and during that time, I am going to respond to emails, there are always tasks that need to be done that you just can't get in during the day because you're so busy and so what I found is between 4:30 and 7 AM, I can get a lot of things accomplished because no one is calling my phone. No one is pulling on me on different directions.

Getting up early in the morning, I already have my task identified for that timeframe that I am going to tackle. It increases productivity and also it gives me an opportunity to listen to the news, understand what is going on with world events. Because often times you are listening to the news and there are things that are going on that directly impact your business and I will give you a perfect example. The last cares about stimulus package that passed.

I was watching the news and it says there is \$1.3 - 1.4 billion within the package for HBCU used to retire debt that they incur for student housing and other facilities. Well from a business perspective, that's good information for me because now, as they kind of roll out of debt, we can come in and offer them a solution to get for example student housing where they don't have to take on any debt. We issue the debt through our non-profit organization.

We share the revenue with the university and we'll build it on their campus and near their campus and they are out of no money upfront. They have zero risk within the transaction. Now, you're able to build your campus and increase your revenue and really go away from that risk profile that existed many years ago.

**[0:23:59.4] WS:** What's the number one thing that's contributed to your success?

**[0:24:02.9] DB:** I think consistency and dedication to the highest ethical practices. I think getting up every day, understanding what the goal is, doing it consistently even when things aren't always at their best is definitely a key but also I think operating with the highest ethical standards and I tell my team all the time it's not really about, "Hey, can we do something? Is it legal to do things?" It is about making sure that we operate in a manner that does not give the appearance of anything inappropriate, right?

Even if it is right, it's the right thing, you know, it's okay to do it. I think those two things have helped build our brand and when we go into communities and we work with government officials and they see our dedication, they see our commitment, they understand that when they reach out to us, they are going to get a response in a timely manner. You are not going to reach out for days and days trying to get someone to call you back.

Understand that, as the CEO of this company, that I have to make sure that I have responsibilities delegated appropriately so that I can give attention to the client as if we're asking one project regardless of how many we may have under development.

**[0:25:23.2] WS:** Well, I can appreciate that just your standards of not operating in the grey, right? We talked to so many attorneys about you know, just ensuring that we are operating as legal as possible, right? They say, "Oh this is great it might go" well, then let's back up, right? You know, let us not go into that area. I don't want any question or anyone else to look at anything that we're operating in a grey area, is it not okay for me anyway. I appreciate you sharing that Dee. How do you like to give back?

**[0:25:51.6] DB:** We have a non-profit arm, Brown Foundation Community Development Corporation and, through that organization, we have given out tens of thousands if not hundreds

of thousands of dollars in scholarships to students that have demonstrated a financial need. We've operated for about five years a college retention program with the university and this college of HBCU college in Mississippi, Oklahoma Community College.

Where we actually identify students debt were in danger of being kicked out of school because they had balances from previous terms and they did not get those balances paid, they would not be able to stay enrolled and so through that retention program, we helped a number of students remain in college and complete their education by paying those balances and we've given scholarships for leadership and things of that nature.

During the Christmas holidays, we did a project in Mississippi, where we took the 40 single mothers and we allowed them to go to Walmart and go shopping for Christmas items for their kids, with the two of them we gave them each one a \$250 gift card to do Christmas shopping and so those are the types of things that we like to do but with the really heavy emphasis on education and making sure that kids from how at risk communities are able to complete their education.

**[0:27:24.2] WS:** Awesome. Well Dee, it's been a pleasure to get to meet you and just hear about your business of development and really it is a different than a lot we hear off, you know working strictly with government entities and helping them and securing this path of a successful build but really, you all taking over and then controlling that design build finance portion. They don't have to worry about that but giving them the security of knowing what it's going to cost or less, right?

I love that model and I appreciate you elaborating on the community, types of communities and who you help types of builds that you all are doing and even to waking up early, planning your morning, the success with it that consistency, I couldn't agree more. Those small consistent steps forwards make such a big jump as oppose to trying to make one big leap, right? Grateful for you sharing that and how you give back. How can the listeners get in touch with you and learn more about you?

**[0:28:15.1] DB:** Sure, so our website is [www.thep3groupinc.com](http://www.thep3groupinc.com) and our phone number is 800-896-5502 and we're available 24 hours a day and we'd be happy to help anyone that need our services.

**[0:28:33.3] WS:** Awesome Dee, that's a wrap. Thank you very much.

**[0:28:36.3] DB:** Thank you Whitney, I appreciate the opportunity.

[END OF INTERVIEW]

**[0:28:38.2] WS:** Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

**[0:29:19.3] ANNOUNCER:** Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at [www.LifeBridgeCapital.com](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

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