REPUBLIC OF KENYA: MINISTRY OF DEFENCE

PROPOSED KENYA DEFENCE FORCES ACCOMMODATION PPP PROJECT

PRELIMINARY INFORMATION MEMORANDUM

3-18-2021

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1. Introduction

The Ministry of Defence (MoD) is faced with a shortfall of accommodation for the Kenya Defence Forces (KDF). This is particularly the case for the non-commissioned officer (NCOs) cadre of the KDF. The immediate need is estimated at 11,200 residential units. Owing to funding constraints, the MoD intends to resolve the housing challenge partly through the use of the Public Private Partnership (PPP) project delivery model. The PPP legal framework and the MoD as the envisaged Contracting Authority are described in greater detail below.

1.1. The Public Private Partnerships Framework

Kenya enacted the Public Private Partnership (PPP) Act in 2013, followed by the promulgation of PPP regulations in 2014. Section 4 of the PPP Act created a PPP Committee which is responsible for the assessment and approval of PPP projects in Kenya. The PPP Committee comprises of Principal Secretaries of State, Attorney General, 4 persons nominated by the Cabinet Secretary, and a Director. Section 8 of the PPP Act establishes a PPP Unit which is as a Special Purpose Unit within the National Treasury. The PPP Unit serves as a Secretariat and a technical arm of the PPP Committee. The PPP Unit assists the PPP Committee in their decision-making process by providing them critical information and resources, including identification of problems, recommendations on different issues, and ensuring that projects meet affordability, value for money, and risk criteria. Pursuant to the Act, contracting authorities such as the MoD have established PPP nodes to identify, screen and prioritize projects based on guidelines issued by the PPP Committee. The PPP Committee and the PPP Unit are responsible for developing skills for reviewing and evaluating project proposals from public entities, and establishing whether the proposed projects offer Value-for-Money and whether the risk allocation in the project agreements and the other PPP contracts are efficiently/reasonably allocated between the private party and the Contracting Authority.

1.2. The Ministry of Defence

The Ministry of Defence¹ comprises of the Kenya Army, the Kenya Air Force, the Kenya Navy, the Defence Forces Constabulary and the Civilian Staff. The mandate of the Ministry is derived from Article 241: 1 (a), (b) and (c) and the Kenya Defence Forces Act No. 25 of 2012 and its mission is to defend and protect the sovereignty and territorial integrity of the Republic, assist and cooperate with other authorities in situations of emergency or disaster and restore peace in any part of Kenya affected by unrest or instability as assigned.

The Ministry is headed by the Cabinet Secretary who is responsible to the President and Commander-in-Chief on matters of policy. The Cabinet Secretary is appointed by the President and chairs the Defence Council, which is responsible for the overall control and direction of the Kenya Defence Forces. The Chief of the Defence Forces (CDF) is the professional head of the three Kenya Defence Forces Services and the Principal Military Advisor to the Commander-in-Chief. He is also responsible for the control, direction and general superintendence of the Defence Forces. The Principal Secretary is the accounting and authorized officer on financial and administration matters of the Ministry of Defence.

1.3. Transaction Overview

The proposed KDF Accommodation Project is to be undertaken over a number of Phases. Phase I, which is the focus of this Preliminary Information Memorandum (PIM) will encompass the development of a total of 2,340 residential units by the private party for the use of KDF NCOs. The envisaged contractual structure is that of a Build-Lease-Transfer (BLT) Scheme, where the private party will lease the project sites from KDF; develop the residential units and leaseback to MoD the residential units for a specified term for a consideration. Upon expiry of the lease term, the resultant lease payments by the MoD to the private party will cease and

¹ www.mod.go.ke

the lease will terminate. The Project will be developed through a special purpose vehicle incorporated under Kenyan Law (the "SPV").

2. The Project-Phase I

Phase I of the proposed Project entails the design, construction and financing of an estimated 2,340 residential units for the Kenya Defence Forces (KDF) through a Public Private Partnership (PPP) arrangement. The Project will deliver an estimated 104,125sq.m in built-up areas and associated infrastructure as well as amenities across 5 project sites in various parts of the country. The residential units delivered under Phase I will be made available for the use of senior non-commissioned officers (SNCOs) and other non-commissioned officers (NCOs). To that end, the MoD has prepared reference designs, which provide a basis of the Project's scope. A breakdown of the houses in terms of number, type and size is set out in table 1 below:

Table 1:Number, Type and Size of Residential Units

Туре	Νο	Size (Sq.m)
Senior non-commissioned officers married quarters	655	96
Senior non-commissioned officers single quarters	630	15.5
Other non-commissioned officers married quarters	315	60
Other non-commissioned officers single quarters	740	17
Total	2,340	

The share of the development of each site in terms of the built-up area is shown in figure 1 below:



Figure 1:Distribution of Built-up Areas (Sq.m) by Project Site

In terms of project scope, this is described on the basis of project sites below.

2.1. Roysambu Project Site

The Roysambu project site is located approximately 12 Kilometers (Km) from the Nairobi Central Business District (CBD) along the Nairobi-Thika Highway. The land available for development measures up to 15 acres. The project scope for this site is an estimated 42,000 sq.m of built-up area and associated infrastructure. The project is expected to deliver a total of 500 residential units, 350 of which are married quarters for SNCOs while the balance of 150 units will be married quarters for other NCOs.

Other infrastructural requirements at Roysambu include an internal road network and vehicular parking as well as power connection, which may entail installation of a transformer and power reticulation. Sewer

connection from the buildings to the main sewer line and water connection to the main line as well as construction of a water reservoir with a capacity equivalent to 3 days consumption are additional requirements. Fibre optic connectivity, a kindergarten and a children's playground are complementary facilities expected to be integrated into the scheme.

2.2. Kwambuzi-Nanyuki Project Site

This project site is in Laikipia County, an estimated 196Kms away from Nairobi along the A2 highway. The proposed site will be curved out of a parcel of land owned by the MoD that measures an estimated 300 acres. The works on this site will comprise of an estimated 17,714sq.m of built-up area and associated infrastructure. A total of 737 residential units are expected to be constructed on this site. Of these,55 units will be married quarters for SNCOs; 30 units as married quarters for other NCOs; 300 single quarters for SNCOs and 352 units for other single NCOs.

In terms of infrastructure, the proposed site will require internal roads and vehicular parking. In addition, the proposed site will require a transformer and associated power supply reticulation as well as a new sewer line to connect to the existing sewer service. Furthermore, a water pipeline approximately 2km in length will have to be constructed to avail residents with water. The project site has fibre cables running along the main road. Given this proximity, fibre connection to the proposed site may be considered. The proposed site lacks early childhood educational and recreational facilities. As a result, the scheme is expected to integrate a kindergarten and a playground. With regard to fibre cable connectivity, the proposed site doesn't have cable laid in the vicinity. However, connection may be considered.

2.3. Nyali-Mombasa Project Site

The proposed project site measures up to 10 acres of land and is located in Mombasa County, approximately 482 Kms from Nairobi along the A109 highway. This component of the project is expected to make available a total 368 residential units equivalent to a total built-up area of 15,931 sq.m as well as make the necessary infrastructural upgrades to support the residential development. In terms of unit types, 95 units will be married quarters for SNCOs; 55 units will be reserved for other married NCOs; 130 units will be set aside for single SNCOs and 88 units will be dedicated to other single NCOs.

With regard to infrastructure, internal access roads and vehicular parking is expected to be part of the project scope. Other ancillary services expected to be provided included power reticulation to the resdiential units; a biodigester for sewerage treatment; construction of a potable water supply line to the water mains and a water reservoir. A kindergarten and children playground are additional facilities required. The project site has fibre cables running along the main road. Given this proximity, fibre connection to the proposed site may be considered.

2.4. Lanet Project Site

The project site is located an estimated 140.5Kms from Nairobi and in close proximity to Nakuru, off the A8 highway. The land available for development measures up to 21 acres. This component of the project is expected to be comprised of married quarters exclusively, which are estimated at a total of 125 units and 10,800 sq.m in built-up area as well as the requisite infrastructure and amenities to service the residential development, which include an internal road network and vehicular parking as well as power connection and power reticulation. Sewer connection from the buildings to the main sewer line and water connection to the main line are additional requirements. Fibre optic connectivity, a kindergarten and a children's playground are complementary facilities expected to be integrated into the scheme

2.5. Gilgil Kenyatta Barracks Project Site

The proposed project site is located in Gilgil town between and Naivasha and Nakuru, off the A8 highway. The project site will be curved out of a KDF parcel of land measuring up to 200 acres. The development is expected to deliver an estimated 610 residential units and a total-built-up area of 17,500 sq.m. Of the 610 residential units, 75 units will be married quarters for SNCOs and 35 units will provide accommodation to married NCOs. The balance of 500 units will be allocated to single SNCOs and NCOs in the ratio of 40% and 60%, respectively. The project scope is also expected to meet the infrastructural requirements at the site. These include an internal road network and vehicular parking as well as power connection and power reticulation. Sewer connection from the buildings to the main sewer line and water connection to the main line are additional requirements. Fibre optic connectivity is an additional complementary infrastructure expected to be integrated into the scheme.

2.6. Ancillary Infrastructure and Environmental Sustainability

Although the project scope description outline in 1.1 to 1.5 above broadly define the infrastructural requirements at the various project site, shortlisted bidders will be invited to make more detailed proposals relating to the infrastructural elements of the development scheme, following site visits that will be arranged before they submit their responses to the Request for Proposals (RFP), as is set out in greater detail under the section on Market Testing and Shortlisting Process in 4 below. Besides infrastructure, the development scheme is expected to integrate sustainability features. To that end, bidding consortia will be expected to make proposals in their design scheme relating energy and water saving initiatives.

2.7. Outline Specifications and Layouts

The typical layouts for the 4 types of housing units are at **Annex A** of this PIM. In summary, the unit reserved for married senior non-commissioned officers measures up to 96 sq.m and is expected to include 2No. of bedrooms (BR), a lounge, kitchen, dining area and a shared bathroom. In addition, the configuration of this unit type is of 2 adjoining units with a shared lobby area. The general arrangement of the units for single senior non-commissioned officers is that of a block containing 12No. of ensuite BRs, a shared entrance lobby, an access hallway, a concierge station and a store. As for single non-commissioned officers at the rank of corporal and below, the layout provides for 16No. BR with shared ablution blocks, an access hallway, shared storage and a common room. Lastly, for married non-commissioned officers at the rank of corporal and below, their residential units are arranged in the form of 2No. of semi-detached houses each comprised of 2No. of BR;2No. of bathrooms; a kitchen, a lounge and laundry.

With regard to specifications, the key considerations relating to specifications are tabulated below:

No	Construction Element	Design/Specification Considerations
1	Substructure	 Bulk excavation to remove black cotton soil commencing from existing ground level not exceeding 1500mm deep Provisions for planking and strutting to excavations and for keeping bottoms free from fallen materials Mass concrete class 15(1:3:6): 50 mm thick blinding under strip foundations and column bases Vibrated reinforced insitu concrete class 20/20; with minimum cube crushing strength of 20N/mm2 at 28 days; in strip footing; ground beams; substructural columns and 100mm thick ground floor slab Mesh fabric reinforcement to B.S. 4483 High tensile steel reinforcements bar in structural concrete work including cutting, bending, hoisting, tying wire, spacing blocks and supporting all in position as required

Table 2: Outline Specifications

No	Construction Element	Design/Specification Considerations
		 Hand dressed natural stone walling bedded in cement and sand mortar (1:3) with minimum stone crushing strength of 7N/mm2and reinforced with hoop iron gauge 500 in every alternative course. 25 mm thick cement and sand (1:4) rendering: on concrete or stonework: wood float: to plinths externally
2	Superstructure	 Sawn timber formwork to sides and soffits beams; columns; vertical sides; soffits of suspended slab; soffits of suspended roof slab; landings; slopping soffits of staircase; risers and edges of stairs and edges of suspended slabs steel bar in structural concrete work including all cutting, bending, hoisting, tying wire, spacing blocks and supporting all in position as necessary Vibrated reinforced insitu concrete class 20/20; with minimum cube crushing strength of 20N/mm2 at 28 days in150 mm thick suspended slabs; 150 mm thick suspended landing; 150 mm thick suspended roof slab; beams; columns and steps and waist
3	Walls	 Machine dressed natural stone walling bedded in cement and sand mortar (1:3) with minimum stone crushing strength of7N/mm2 and reinforced with hoop iron gauge 500 in every alternative course for external walls Machine dressed natural stone walling bedded in cement and sand mortar (1:3) with minimum stone crushing strength of7N/mm2 and reinforced with hoop iron gauge 500 in every alternative course for internal walls Bituminous hessian base to BS 743 type A: or other equal approved damp-proof course: in cement/ sand (1:3) mortar
4	Roof Slab (where applicable)	 Vandex waterproofing or other equal and approved to vertical and/ or horizontal surfaces crystalline(capillary) water proofing system prepared and applied by an approved specialist all in accordance with the manufacturers instruction catalogue including provision of a written ten-year anti leak guarantee Screed: cement and sand (1:4) on concrete: wood floated finished Approved concrete interlocking tiles; laid to fall in flat roof in accordance with manufacturers printed instructions Rain water goods
5	Roof	 Roof Truss: Light gauge steel system assembled insitu including all its members and formation accessories and consumables. Roof Cover: Stone coated roof covering with matching ridge / hip caps and valley sheets. Rain Water Goods: Pre-painted G.I / Aluzinic gutters and downpipes complete with outlets and support brackets. Mild Steel (MS) or timber board for fascia.
6	Doors & Windows	 Mild steel medium duty casement windows: custom made in 250x 300 mm panels or equal approved: including 5 x 20 mm mild steel flat burglar-proofing bar to match casement panels; sections patterns to architects detail and approval: approved ironmongery: (glass m.s); one coat pre-fabrication and anti-rust primer 4mm thick clear glass and glazing to metal with and including putty glazing compound undercoat and three finishing coats gloss oil paint to metal surfaces 50 mm thick single leaf flush door: Semi-Solid core; mahogany veneer facing to both sides: softwood lipped edges Wrot mahogany prime grade, 'mahogany' stained mild steel casement doors with heavy duty 16mm gauge metal plates pressed; complete with glass, three lever locks,

No	Construction Element	Design/Specification Considerations
		handles, hinges and all other fixing accessories, steel sections, frame, mullion and stiles
7	Finishes	 Screed: cement and sand (1:4) on concrete Non- slip ceramic floor tiles; to regular pattern; bedding and jointing in cement mortar (1:4) grouting joints with proprietary grouting laid on cement and sand backing Plaster: 12 mm cement/lime putty/sand: steel trowelled: on masonry or concrete: to walls and concrete surfaces Backing: 10 mm cement/sand (1:4): on masonry or concrete: wood float finished to walls to receive ceramic tiles Three coats of crown solo silk vinyl emulsion paint or other equal approved on steel trowelled plaster to walls and concrete surfaces internally External cement and sand (1:3) render: steel trowelled: on masonry or concrete to walls and concrete surfaces

The above outline specifications are only indicative. In that regard, bidders will be invited to offer alternative approaches provided they render Value-for-Money (VfM) and optimize the scheme by way of number of residential units that are eventually delivered by the proposed Project.

2.8. Project Delivery Schedule

The construction of the Project's housing is expected to be completed across the 5 sites in a period not exceeding 24 months. To that end, the Contracting Authority (CA) will be carefully assessing the deliverability of individual proposals put forward by the bidders under the RFP process to assess contractor capacity and reasonableness of project delivery schedules.

3. Proposed Contractual Structure

The Project will be implemented under build, lease, transfer (BLT) arrangement as provided for by the Public Private Partnerships (PPP) Act,2013. The Project will be awarded to a consortium or a single entity on a competitive tender basis to design, finance, construct and lease the Project for a period spanning 15 years from the date of the Project Agreement. From a contractual point of view, it is envisaged that a typical project finance structure where a special purpose vehicle (ProjectCo) is the single point of accountability in respect of the design, construction and financing of the Project assets will be adopted in line with the PPP Act. The Contracting Authority (CA) and primary counterparty to the ProjectCo is expected to be the Ministry of Defence (MoD).

The CA will enter into the Project Agreement with the Preferred Bidder. This agreement will set out the obligations of the Developer to design, finance and construct Phase I of the Project as well as those of the CA vis-à-vis the ProjectCo. The figure 2 below shows the contractual structure and principal finance and project documents which are envisaged to be concluded before construction of the Project housing gets underway:

Figure 2:Outline Contractual Structure



The ProjectCo will be expected to enter into the Project Agreement (PA) with the MoD pursuant to which ProjectCo will finance, design and construct the Project Accommodation across all the 5 sites. MoD, in the Project Agreement, will grant the ProjectCo a licence for access to the sites for the purposes of carrying out

the ProjectCo's obligations under the Project Agreement. The ProjectCo will then enter into a design and build sub-contract with the Construction Contractor under which the Construction Contractor will carry out the building works required of the ProjectCo under the Project Agreement, which will principally comprise the design, construction and commissioning of the residential accommodation for KDF. Unlike most Project Agreements under PPP arrangements, facilities management services such as estates maintenance, planned and reactive maintenance, help desk, life cycle replacement, grounds maintenance, pest control and cleaning services are not expected to be part of the scope of the Project Agreement. In that regard, the CA will make separate arrangements for the maintenance of the public realm within the project sites. In addition, the MoD, the lenders and the ProjectCo will enter into a direct agreement relating to, among other things, rights of step-in and step-out of the Project Agreement in default situations, which might otherwise cause termination of the Project Agreement. The MoD will make quarterly lease payments to the ProjectCo, provided the Project delivers the Project Accommodation in line with the requirements as will be set out in the Project Agreement.

With respect to the ProjectCo's construction obligations, ProjectCo will be obliged to construct the residential units in accordance with specified outputs, mainly a functional description of the Project accommodation as required by the CA and condensed into a preliminary design. The ProjectCo will be solely responsible for ensuring that the units when built, conform to these requirements. This will enable the CA to have a clear idea of how the ProjectCo will satisfy the core requirements. As part of this process and to satisfy the CA that the ProjectCo will meet the core requirements, the ProjectCo will be required to submit detailed design documentation for approval by the CA prior to commencing construction works. In addition, the ProjectCo will be expected to conform to good engineering practices in carrying out its construction and comply with a construction timetable.

4. The Financing Plan

Shortlisted bidders will be invited to propose a financing plan for the delivery of Phase I of the proposed Project. In formulating their financing plans, the principal considerations should be to optimize the project cost and cost of funds so as to deliver the desired number of residential units to specification whilst remaining within the Contracting Authority's predefined financing headroom.

4.1. Contracting Authority Financing Headroom

The Contracting Authority intends to fund a portion of the project costs as a capital contribution over the envisaged 2-year development period. To that end, the CA intends to make an amount of up to KES1,000million available to the ProjectCo over the construction duration. For the purposes of the bid, this money should be assumed to be available for utilization on a quarterly basis and not exceeding KES125million and drawdown in arrears. Post-construction, the CA will pay quarterly in arrears the ProjectCo an all-in lease payment of KES125million for the subsequent 52 quarters. The expectation is that this quarterly payment will be the principal source of revenue for ProjectCo over the term of the Project Agreement.

4.2. ProjectCo Financing

The ProjectCo will be responsible for arranging the balance of funds required for the construction of the Project, excluding the KES1,000million to be provided by the CA. It is expected that these funds will consist of a combination of equity and commercial debt obtained from commercial banks. The ProjectCo will be required to provide equity in the form of either direct cash investment and/ or subordinated debt in its financing plan. The amount of equity that is to be used for the construction of the Project is to be determined and optimized as part of each Bidder's bidding strategy. The Bidders are expected to secure commercial bank debt for the benefit of the Project. Such forms of debt may include export credit agency (ECA) supported debt or indeed ECA direct lending. It is up to the bidders to propose a credible financing plan that maximizes the number of residential units that the Project can deliver within the forecasted cashflows from the CA as described in 3.1 above. Furthermore, it is for the bidders to optimize the project cost so that the forecasted ProjectCo cashflows as described in 3.1 can support the resultant debt service obligations and equity returns.

4.3. EPC Contract

This Preliminary Information Memorandum has not put forward an estimate of the construction cost or indeed the Project's cost. However, it is understood that the EPC contract will be a major cost element and, therefore, a key parameter to the bankability of the proposed Project. It will be up to the bidders to propose the number of residential units that the project cashflows can support within the constraints of the output specifications described between 1.1 and 1.7 above. It is against this background that the CA will look favorably to bidders or bidding consortiums that incorporate established alternative building technologies and EPC contractors with proven experience in the use of these technologies so as to optimize the number of residential units.

5. Market-testing and Shortlisting Process

5.1. Procurement Roadmap and Qualifications

The Ministry of Defence (MoD) is keen to establish a level of interest for this investment and development opportunity. The indicative target timetable for the whole process is tabulated below:

Table 3:Indicative Target Timetable

Date	Activity
18 th March,2021	Issuance of Request for Qualification (RFQ)
13 th April, 2021	Pre-bid meeting/investor Conference
27 th April,2021	Return of RFQ bids
4 th May,2021	Evaluation of RFQ bids
18 th May,2021	Notification/Publication of Shortlisted Bidders
2 nd June,2021	Issuance of Request for Proposals (RFP)
2 nd August,2021	Return of RFP bids
12 th August,2021	Evaluation of RFP bids
16 th August,2021	Appointment of Preferred Bidder
16 th September,2021	Conclusion of Contract Negotiations
1 st October,2021	Signing of contracts

For the first stage of the process, the MoD will formally issue a Request for Qualifications (RFQ). The RFQ, will among other things, require written responses from interested parties setting out the following information:

- i. Succinct details of your company/organization including the last three years' audited accounts;
- ii. If there is more than one party within an organization/consortium, details of all the parties within the organization/consortium should be set out together with the structure of the consortium and the parties' track record, if any, of working together and
- iii. Your investment, management and development experience, with a particular emphasis on residential experience

In the context of market-testing, the purpose of this PIM (which expression includes the appendices) is to apprise the recipient about the proposed Project and to solicit feedback that could potentially improve the structuring of the Project. It is not intended to form the basis of any investment decision or any decision to enter into a concession agreement in respect of the Project. It, therefore, does not constitute an offer or invitation to enter into a concession contract and is not a request for qualification.



SCALE 1:50

<u>SIMPLIFIED ACCOMMODATION - PARTITIONED LAYOUT</u> **OPTION 02 - LADIES ACCOMMODATION BLOCK**





LADIES ACCOMMODATION L[--]01 GROUND FLOOR PLAN Scale 1: 200.

Ground Floor area - 300.0 sqm. CAPACITY- 64 PAX.

<u>SIMPLIFIED ACCOMMODATION - PARTITIONED LAYOUT</u> OPTION 02 - GENTS ACCOMMODATION BLOCK



GENTS ACCOMMODATION L[--]01 GROUND FLOOR PLAN

Scale 1: 200. Ground Floor area - 225.0 sqm. CAPACITY- 64 PAX.





MEN ABLUTION BLOCK L[--]01 GROUND FLOOR PLAN Scale 1: 200. Ground Floor area - 105.0 sqm.



TYPICAL SNCOs ACCOMMODATION FLOOR PLAN PLINTH AREA: 650.0 SQM

SCALE 1:100

ORSMARRIED QUARTERS-GILGIL



ORSMARRIED QUARTERS-GILGIL

