

Public-Private Partnerships

The role of public entities

Alan Mueller

The logo for Marsh Darcy Partners is displayed within a white rectangular box. The word "marshdarcy" is written in a lowercase, sans-serif font, with "marsh" in grey and "darcy" in green. Below it, the word "PARTNERS" is written in a smaller, all-caps, grey sans-serif font.

marshdarcy
PARTNERS

Presentation Overview



Development Variables

**Location/
Seller/
Pricing**

Market/Buyers



Financing

Regulations

Site Constraints

Why are Developers in a Hurry?

- Markets are constantly changing
- Hard to predict consumer preferences 12-18 months in advance
- No perfect crystal balls
- Many factors can upset markets in the time it takes to put a project together
- Time really is money
 - Interest cost
 - Internal rate of return (IRR)

Developer's need for "speed to market" conflicts with government's need for analysis and protection of the public interest

Implementation Tools – Public's Role

Developer wants to

- Minimize uncertainty
- Enhance revenues
- Reduce/Avoid costs

Public Role

- Relaxed Codes
 - Reduce developer costs in exchange for something the public entity wants
- Financial Participation
 - Payments to developer enhance cash flow
 - Reimbursements
 - Incentive payments
- Infrastructure
 - Construction by public
 - Reduces developer's outlay

Code Flexibility & Agreements

- Planned Development Zoning
- Development agreements to lock in current codes
- Focus on the greater good
 - Does the project fulfill the goals of your comprehensive plan?
 - Does the project build desired infrastructure
 - Does the project bring desired businesses or sales tax
 - Does the project create critical mass?
 - Does the project consolidate fragmented land?
 - Are your costs of service are covered?

Reduce Uncertainty

Financial Participation

Reimbursement-Driven

- MUDs
- MMDs
- TIRZs
- Examples
 - Reimbursement for eligible public infrastructure

Performance-Driven

- 4A & 4B
- Chapter 380
- Examples
 - Sales tax rebates
 - Payments based on achievement of milestones

Public Sector assists with a need...“Buys” a better product....Enhances revenues to improve IRR

Infrastructure

- Public Sector funded infrastructure
 - Utility extensions
 - Road improvements
 - In-Kind labor and equipment
 - Re-development challenges – “level the playing field”
- Interlocal agreements
 - County road improvements
 - Drainage district in-kind labor and equipment
 - Facilitate third-party permits/approvals
- Grants/Loans
 - Water Development Board
 - EDA grants
 - TPWD parks and recreation grants

Reduce developer's infrastructure costs

Public Sector's Role – Questions to Ask

- What do you want?
- What can you afford?
- Can you find partners?
- How can you reduce the risk for the developer?
- How can you reduce or avoid costs for the developer?
- How can you eliminate variables and enhance predictability?
- How can you expedite the project?

Summary

- Real estate development is complex and non-linear
- Public Sector's Role
 - Reduce risk
 - Reduce uncertainty
 - Speed to market
- Public Sector should:
 - Implement its plans
 - Retain costs of service
 - Achieve its goals

Focus on the big picture Strike a “win-win” deal and get out of the way

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