



LINCOLN INSTITUTE
OF LAND POLICY

Public Private Partnerships

Municipal Fiscal Health Webinar Series
June 2017



Jane Campbell
Director, Washington Office
National Development Council
Washington, DC

Jane Campbell heads The National Development Council's Office of Public Policy and Advocacy where she manages NDC's Public Policy efforts in Washington D.C. In 2001, Campbell served as the first woman Mayor of Cleveland, Ohio, where she attracted nearly \$3 billion worth of investment capital to redevelopment projects around the city. Recently she served as the Staff Director for the United States Senate Small Business and Entrepreneurship Committee, and has spent her career advocating for economic and community development programs.



Mike Bailey

Director, Technology and Information Services
City of Redmond
Redmond, Washington

Mike Bailey has worked in local government finance since 1980 and was the City of Redmond Finance Director from 2008 until 2017. Mike is currently the Technology Services Director at the City of Redmond. He is a former president of the Washington Finance Officers Association and served on the Government Finance Officer Association's Executive Board. He was chair of the GFOA Budget and Management Committee, and is the local government representative to the Streamlined Sales Tax Project. Mike is a CPA and his BA and MBA are from the University of Puget Sound. Mike conducts workshops on local government financial management, budget, and financial leadership and leads council retreats and strategic planning processes.



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Presentation



HOMES
JOBS
COMMUNITY



***Planning and Financing Successful Public –Private
Partnerships: The NDC American Model™***

Public-Private Partnerships



Public
Development

P3 for
Social
Infrastructure

Privatization of
Public Assets

Subsidization of
Private
Development

Private
Development

Current P3 Structures

- **The NDC American Model™**
 - 63-20 Bonds
 - 501 (c)(3) Bonds
- **The International Model**
 - Equity and Taxable Debt

The NDC American Model™

The International Model

Ownership	Through an “on-behalf-of” not-for-profit	Public ownership Private control
Financing	100% tax exempt debt	Equity and taxable debt
Development	Private Build-to-Suit Integrated Delivery Incentives to perform	Private Build-to-Suit Integrated Delivery Incentives to perform
Operations	Private Cost-based & Subject to Performance	Private Availability-based
Maintenance	Privately contracted Dedicated repair and replacement reserve	Privately delivered Funded through long-term public obligations
Occupancy Costs	Lowest in the industry	Generally higher to cover private guarantees
Property Tax	Usually exempt	Usually subject to property tax

Comparison: Taxable and Tax Exempt Financing

Taxable

- Combination of Taxable Debt & Equity
- Required Debt Coverage Ratio - 1.1 or higher
- Two Lenders - Construction then Permanent
- Difficulty with Abatement

Tax-Exempt

- 100% Tax Exempt Debt
- Debt coverage 1.0
- Single loan
- More accepting of Abatement

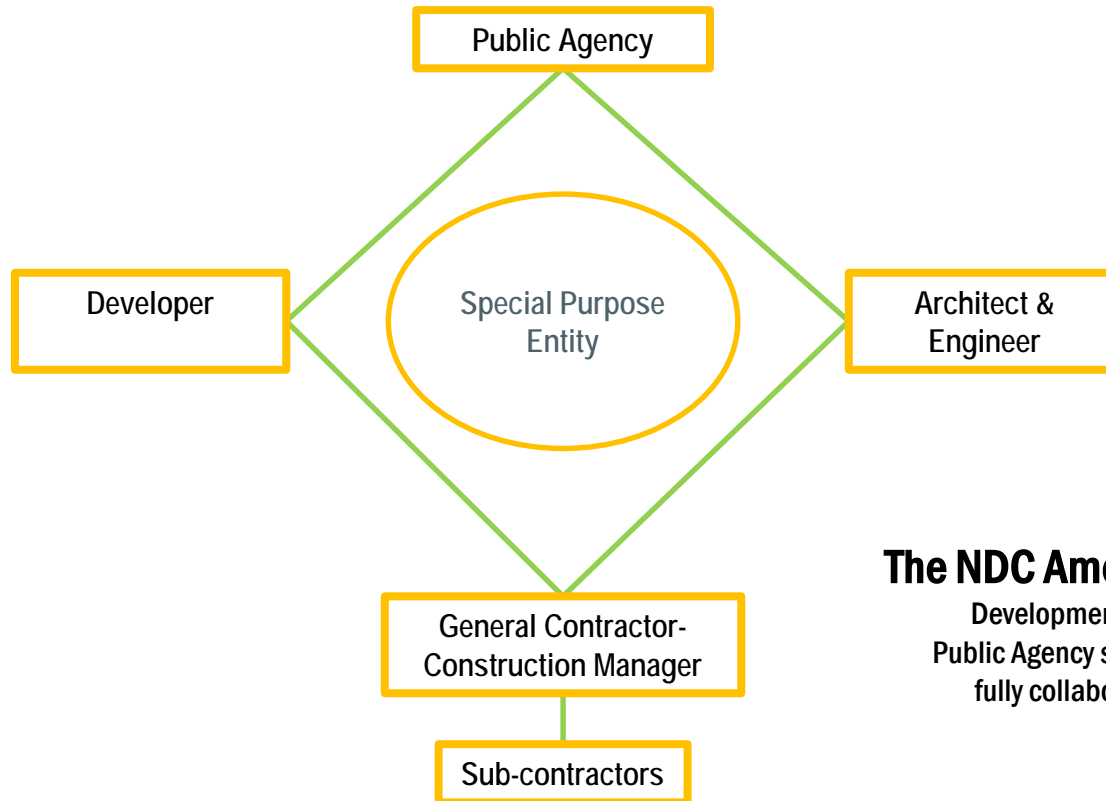
4 Pillars of Value

- Development Expertise
- Financing
- Revenue Stream
- Operations

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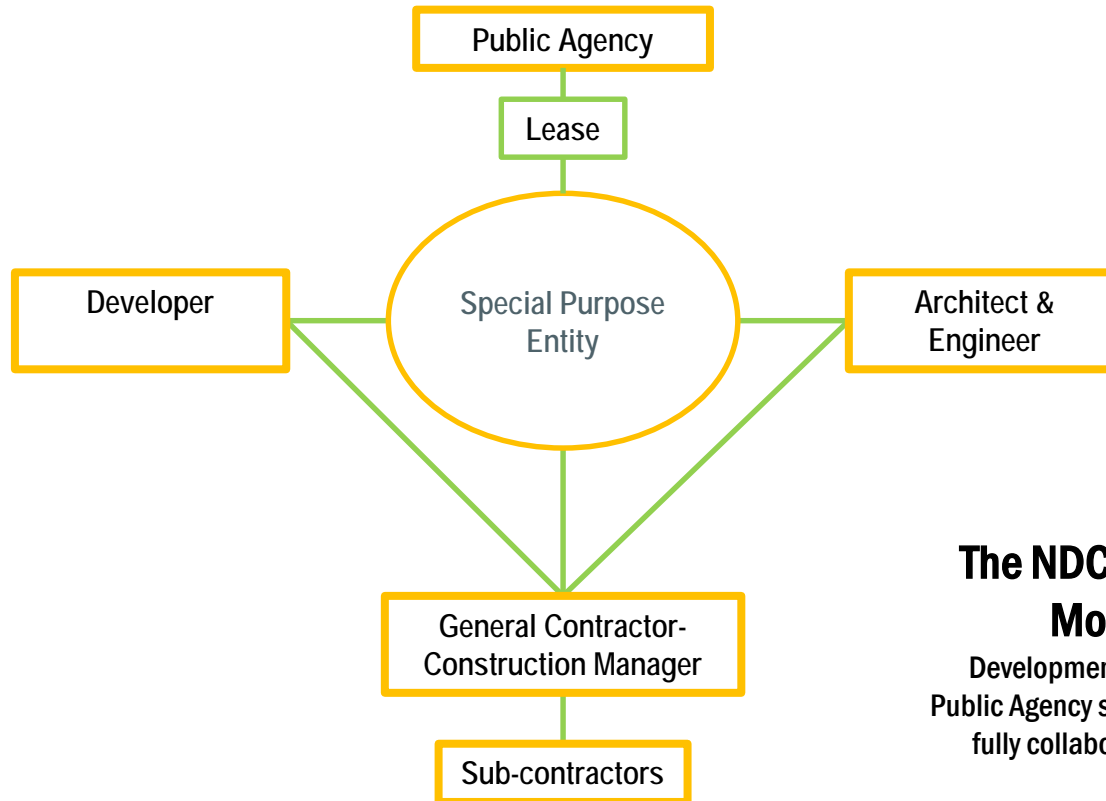
NDC American Model™ (Design Phase)



The NDC American Model™

Development Team at risk,
Public Agency stays connected to
fully collaborative process

NDC American Model™ (Delivery Phase)



The NDC American Model™

Development Team at risk,
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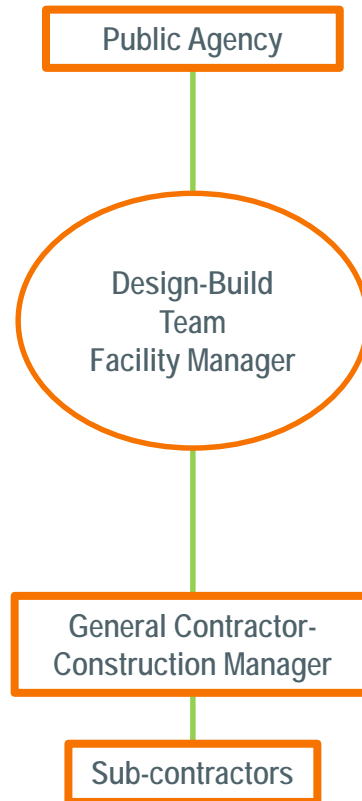
NDC American Model™ (Delivery Phase)



The NDC American Model™

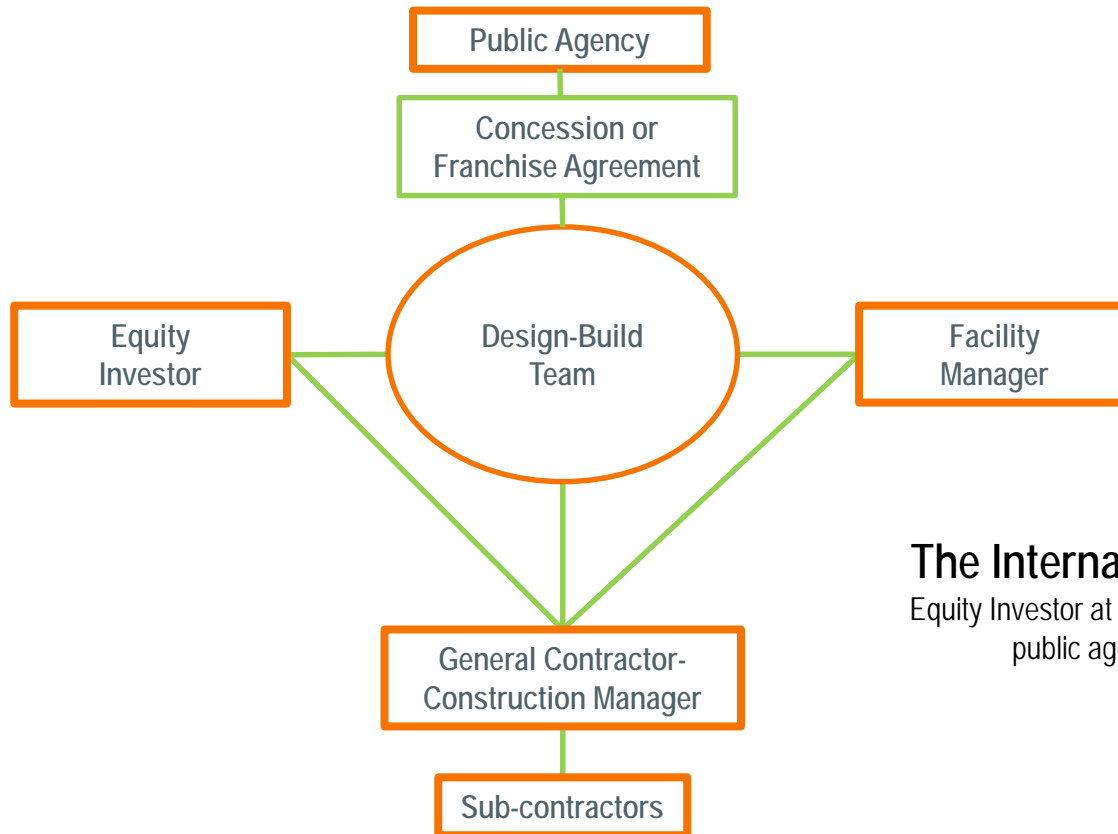
Property Manager handled by a series of 3-5 year management agreements. Capital repairs funded by Repair & Replacement Reserve.

The International Model (Design Phase)



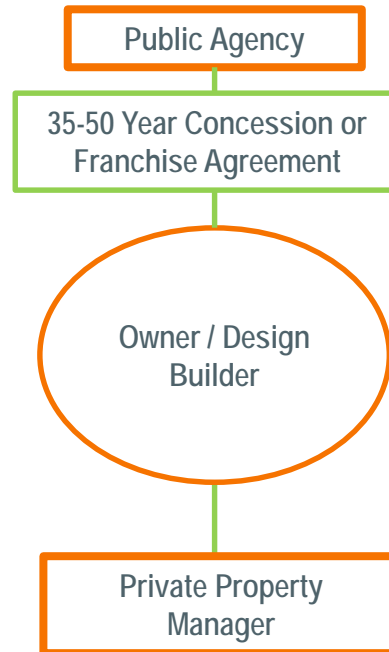
The International Model
Equity Investor at risk. Involvement of
public agency varies

The International Model (Delivery Phase)



The International Model
Equity Investor at risk. Involvement of public agency varies

The International Model (Operations Phase)

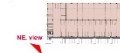


The International Model
Property management handled by a 35-50 year management agreement.
Capital repairs funded by annual payments to property manager sized to cover the costs of repairs, with excess retained by the property management firm.

When to use The NDC American Model™?

- When a public agency views the activity as an essential governmental responsibility
- When operating costs are critical
- When specialized development skills are necessary

Redmond City Hall



Garage Perspective View 1
(SW, looking NE.)



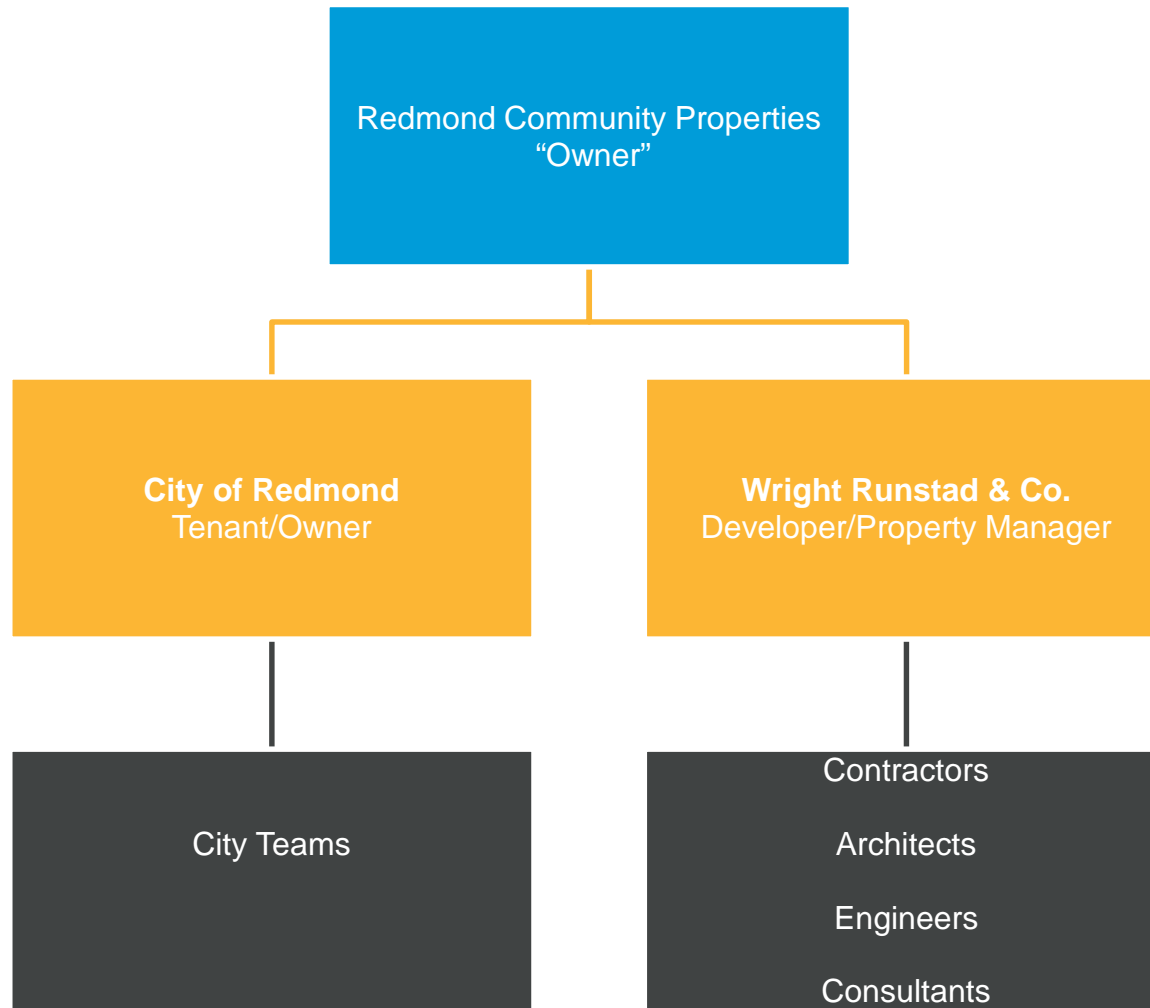
Why a new City Hall?

- Consolidate staff
- Support future growth
- Business case

Project Scope

- 4-story, 100,000 SF, Class A building
- 450-stall parking garage
- Demolish existing City Hall and Tech Center
- Site Improvements
- 260 Staff at move in
- 350 Staff at full occupancy (20 + years)

Project Organization



Sustainable Design

- LEED Silver certification
- Sustainable design elements
- Fundamental design criteria
- Good business practice
- Commissioning

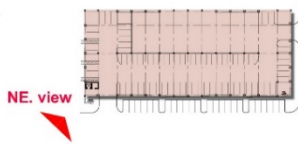
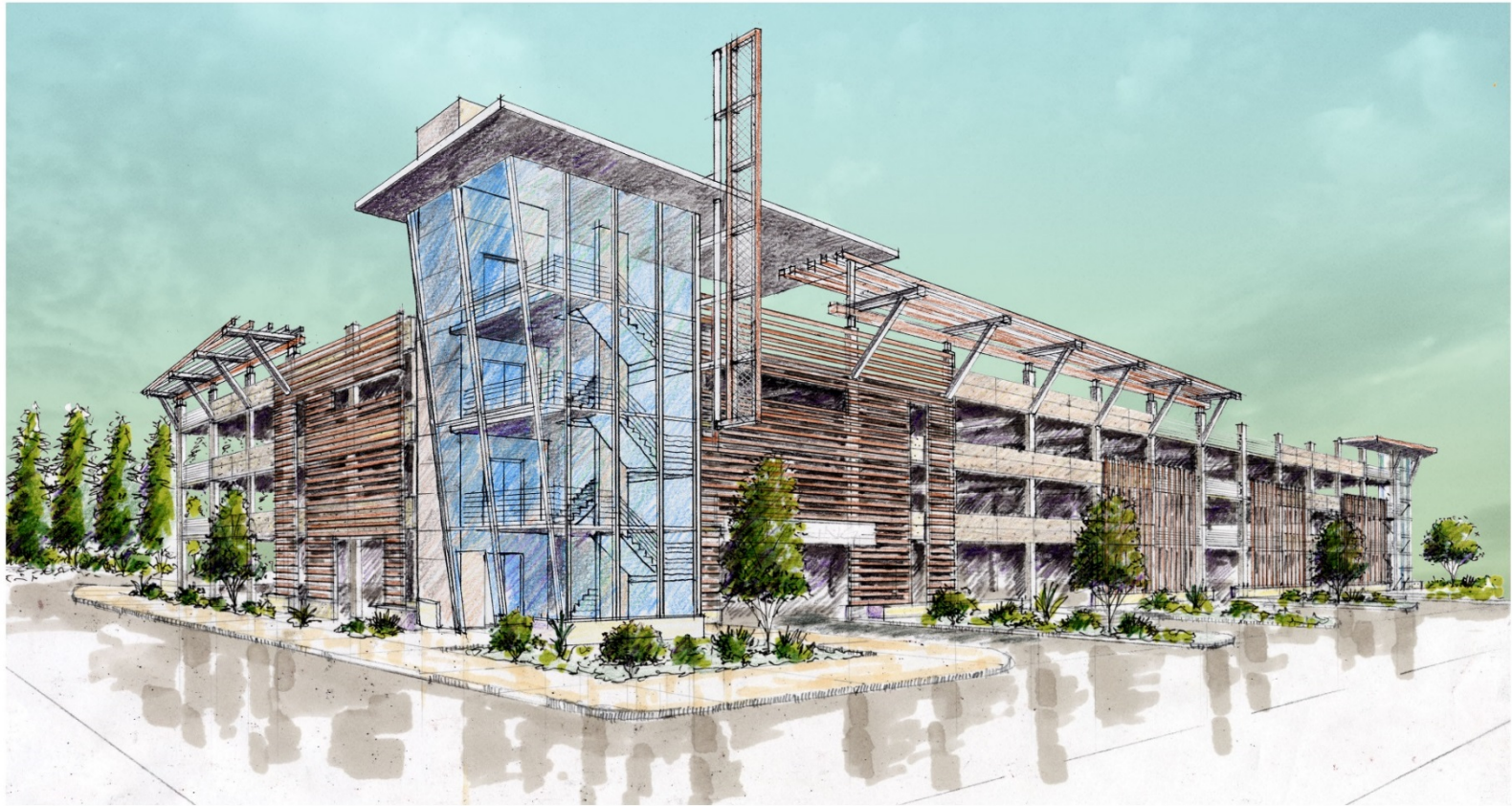
Overview: Park Master Plan



City Hall Site



Parking Garage



Garage Perspective View 1
(SW. looking NE.)

Project Schedule

- RFP **3/2003**
- Select Development Team **5/2003**
- Select Architect **9/2003**
- Entitlements **12/2003**
- Lease **2/2004**
- Financing **3/2004**
- Begin Construction **9/2004**
- Complete CH **12/2005**
- Complete project **3/2006**

Financial Summary

February 2004

- City leased land to Redmond Community Partners (RCP) with a lease back arrangement for the completed project. Original par amount \$39m.
- RCP financed the project through lease revenue bonds (63-20) on behalf of the City
- Project included 100,000 Class A space city hall (LEED Silver), 450 stall parking garage, site improvements
- Redmond employees moved into the completed project in 2006
- City made lease payments providing for debt service, building M&O.

63-20 Bonds

Revenue Ruling 63-20 allows a not-for-profit corporation to issue debt to finance a facility for tax exempt purposes, provided:

- A local governmental entity endorses the financing
- The facility will be occupied by a governmental or tax exempt entity
- The facility reverts to the ownership of the endorsing local governmental entity at the retirement of the debt

Life in the New Building

- Building Management
- Security and Access
- Parking
- Reception
- Conference Rooms (36)
- Café/Lunchroom
- Fitness Center
- Storage
- Document/Records Management

Life in the New Building

July 2013

- Council directed staff to refinance the 63-20 lease with LTGO debt
- Sale date in August - \$33m, 20 bonds
- This achieved a 4.2% debt service savings (NPV \$1.6m) as well as transferred ownership of the project from RCP to the City
- City then contracted with original developer to continue to provide maintenance / upkeep of the building.

When to use The International Model?

- When a public agency no longer needs to maintain a role in the financed activity
- When cost of financing is NOT a key concern
- When the Activity does not qualify for Exempt Debt or when the Activity can be funded with Qualified Private Activity Bonds.

Best Practices in Public Procurement

- **Public Agency decides to use an alternative development process**
- **RFP for the Not-for-Profit (if NDC American Model™)**
- **RFQ**
 - Team Members
 - Experience on Similar Projects
 - References

Best Practices in Public Procurement

- **RFP Development Team**
 - **Issued to only 3 or 4 teams**
- **Five Questions**
 - **Identify the Team Members, Their time commitments & experience on similar projects.**
 - **What ideas does the Team have to create public value?**
 - **Will they accept the terms of the supplied pre-development agreement and the development agreement?**
 - **With an assumed per Square Foot hard cost, bid all soft costs.**
 - **Confidentially provide financial information and litigation history**
- **No Architectural Renderings**

Best Practices in Public Procurement

- **Interview the Teams**
- **Interview other Public Agencies**
- **Visit the projects**
- **Conduct separate interviews for each team member**
- **Examine the financial information and litigation record in the Team Offices**

Contact

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Questions



Riverside County Law Building

An NDC Public-Private Partnership Project

Indio, California



Chinook Building

An NDC Public-Private Partnership Project

Seattle, Washington



Kings Theater

An NDC Public-Private Partnership Project

Brooklyn, New York



Hartford Classical Magnet School

An NDC Public-Private Partnership Project

Hartford, Connecticut



Yonkers Public Library
An NDC Public-Private Partnership Project

Yonkers, New York



Center for Urban Waters
An NDC Public-Private Partnership Project

Tacoma, Washington



Cayuga Green Parking Garage

An NDC Public-Private Partnership Project

Ithaca, New York



Monroe County Community College

An NDC Public-Private Partnership Project

Rochester, New York



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Resources

National Development Council Resources <https://ndconline.org/public-private-partnerships/>



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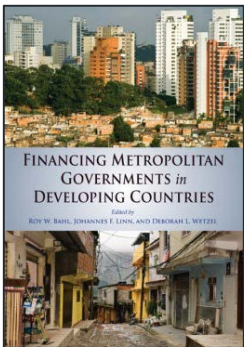
The American Model™ for Public-Private Partnerships

NDC's American Model™ of P3 works on behalf of a government or non-profit entity to deliver privately designed, built, financed, operated and maintained facilities. Our process ensures the best possible building for the least cost and burden to the governmental or non-profit entity. Our emphasis is always on the "Public" in Public-Private Partnerships and we work to reduce and guarantee cost without reducing the quality of the building and without compromising the long and short term public or non-profit interest.

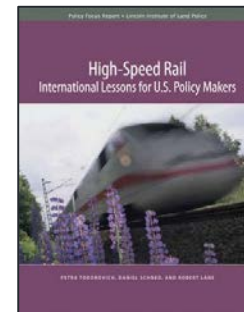
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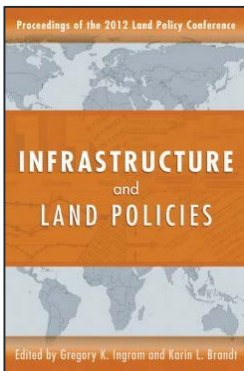
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Financing Metropolitan
Governments in Developing
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High-Speed Rail:
International Lessons for
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Thank you

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