

# Spreading Risk and Reward

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WITH FUNDING SOURCES fewer and farther between nowadays, developers and investors are embracing public/private partnerships (PPPs) with more openness than ever before—casting an even wider net. A 360-degree public/private partnership approach is expanding the partnership circle to consider almost every possible constituent to a proposed project, sometimes comprising five, ten, or more participants. In taking this holistic view, project sponsors seek companion parties to leverage every square foot and developable capacity, every drop of water and chunk of land, and every aspect that might offer a shared objective—and bring with it shared funding or other benefits. Notably, these partnerships can also turn adversaries into supporters when there is a park, bike-path easement, water treatment function, theater, or other community component.

“A 360-degree approach makes eminent sense because there are more participants, which spreads risk and cost,” says Richard Norment, executive director of the Arlington, Virginia-based National Council on Public Private Partnerships. “But there are also huge incentives for

public sector entities because study after study confirms that private sector involvement saves 15 to 20 percent on cost and [allows] projects [to be completed] sometimes years faster. That speed provides an important value-for-money benefit getting services in place and in use.”

Norment points to the San Francisco Presidio as an example, years in the making and still creating new PPP opportunities. The former military base on the San Francisco side of the Golden Gate Bridge was turned over to the Presidio Trust, a nongovernmental organization. The organization is preserving large swaths of the 75,000-acre (27,400-ha) parklike property, redeveloping some of the 700-plus existing buildings, and allowing for-profit development along previously developed areas, including the headquarters of digital-arts innovator LucasArts. The Presidio was formed and continues operating thanks to literally dozens of public and private entities. For instance, some \$34 million in toxic cleanup was funded entirely by the private sector, and today only 18 percent of the Presidio's operations are funded by the public sector. The most recent project is the Presidio

Landmark Apartments, a Forest City Residential development that began leasing in June after conversion from a historic hospital structure.

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It is a challenging environment. PPP joint ventures have slowed dramatically due to tight budgets and lower tax revenue, says Mitch Roschelle, head of PricewaterhouseCoopers' U.S. real estate practice.

“Some projects are going forward, such as mixed-use properties or sports stadiums in cities that have the financial strength to arrange municipal bonds or tax-increment funding,” he says. “And there are some federal stimulus dollars trickling down to local projects too, but most of that funding has gone into shoring up state governments, entitlement programs, and the home-mortgage industry.”

In Tulsa, both private sector support and stimulus funding from the American Recovery and Reinvestment Act (ARRA) are making their way into local development. Oklahoma's second-largest municipality is under construction on a near-doubling of its parks and green-space system through several urban streetscapes and pedestrian corridors. While the city is furnishing critical support with planning and entitlements, the private sector has stepped up to provide land acquisition, funding, development, and design leadership. The locally based George Kaiser Family Foundation, for example, provided financing for the Cesar Pelli-designed BOK Arena in downtown and formed part of a public/private Stadium

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TULSA RIVER PARKS

Trust for the newly constructed ONEOK Field ballpark designed by Populous. Near the ballpark, a new five-acre (2-ha) urban park and streetscape designed by SWA will be implemented by the Kaiser Foundation with an ARRA grant for a geothermal wellfield under the park to provide heating and cooling for the surrounding Brady Arts District. Within the River Parks system, the Tulsa-based QuikTrip Corporation led a group of private sponsors for construction of a new \$2.8 million water playground, while the Kaiser Foundation has provided more than \$13 million toward the renovation of trails and parks along the city's Arkansas River waterfront.

Only half of the planned \$787 billion in ARRA stimulus funds has been awarded, and while much of the remainder is committed, much is still available through a variety of avenues that share objectives with public/private initiatives. One creative avenue for tapping federal funds is transportation related. According to the newsletter *New Urban News*, the U.S. Department of Transportation's \$1.5 billion in stimulus allocations is to include streetcars, pedestrian/bicycle paths, multimodal transit centers, and transformation of automobile-oriented arterials into "complete streets" with green components—opportunities for multiuse partnering with other public/private needs.

The potential participants are limited only by the project's vision. The 360-PPPs could include transit agencies, schools, parking authorities, water/wastewater/parks departments, power agencies, port authorities, and quasi-government entities. Funding can often be augmented by nonprofit and community groups, such as philanthropists, land preservation trusts, garden groups, and even duck hunters committed to creating bird habitats.

Projects that take a 360-PPP approach can find many shared benefits and shared funding vehi-



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cles, such as the following:

Water- and storm-conveyance systems that typically use underground pipes and concrete-lined canal solutions are developed as natural streambeds that create flourishing creeks and ecosystems for public enjoyment. In Houston, for instance, community support provided funding for the transformative Buffalo Bayou Promenade, a 360-PPP innovation and winner of a ULI Award of Distinction. The once trash-strewn eyesore now attracts thousands of park-going Houstonians annually while providing flood control, park space, and an amenity for property owners. Adjacent buildings, which for decades had turned their backs to Buffalo Bayou, are now clearing away view corridors, adding entry points to access the park, and benefiting from stronger market demand and higher property values.

The Promenade, which is now being extended upstream, included over two dozen participants, including property owners, public agencies, and nonprofit organizations. Among the lead agencies were the Harris County Flood Control District, the Texas Department of Transportation, the city of Houston, and Houston Parks and Recreation. Funders and supporters included the Brown Foundation Inc., Houston Endowment Inc., the Wortham Foundation

Inc., and the Margaret and James A. Elkins, Jr., Foundation. The Buffalo Bayou Partnership, a volunteer nonprofit group, provided the driving force and rallying point that attracted broad-based support.

Small slices of property on landscape infrastructure systems with roads, utility corridors, and government-owned land can be reoriented into pedestrian trails, edge parks, and green space that benefit adjacent commercial and residential developments. The Hollywood Freeway Cap Park, moving closer to construction, is intended to cover several below-grade sections of the roadway to create new parks and green space. Also in Los Angeles, a Green Streets project completed in 2007 along Oros Street in Elysian Fields was the first implementation of a long-term plan to turn streets into green corridors.

Joint partnering that does not create funding can still enhance a project's entitlements and eventual leasing revenue. The nearly complete nine-square-block, \$350 million Jack London Square expansion in Oakland, California, by local firm Ellis Partners includes a ground-lease component from the Port of Oakland but no other public sector funding. However, it has taken a creative, aggressive approach to community partnerships from inception, includ-

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ing partnering with and contributing to the East Bay Foundation and Inner City Advisors, incubating dozens of startups and young retailers.

Prime-location, high-identity projects can cast the widest net of all, such as the "Fair of the Future" proposal recently approved by local officials in Vallejo, California. The public/private approach will be used to redevelop the 149-acre (60-ha) Solano County Fairgrounds located at a freeway crossroads into an entertainment-oriented, mixed-use development centered on a restored and daylighted creek that will serve as an amenity, natural resource corridor, and water-quality treatment for the site. Polluted stormwater from the fairgrounds, horse stables, and street runoff has had a detrimental impact on nearby Lake Chabot, a water storage reservoir, and the natural water-polishing designed into the creek system will play a functional cleanup role and also provide a green-space amenity. Its PPP participants range from private sector landowners and development interests to city and county local government, to environmental, neighborhood, and grants groups.

Public/private partnerships in real estate that take a 360-degree view at their earliest stages can find broader support, from funding and approvals to construction and operation. And by incorporating a wider array of community needs, these multiparty, multisolution approaches can create lasting value. **UL**

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