PUBLIC -PRIVATE PARTNERSHIPS AS A DEVELOPMENT TOOL FOR SMART GROWTH

Public-Private Partnerships ("PPPs") provide the public sector with a tool for smart, controlled, and financially rewarding growth and development. Although PPPs have been and continue to be the subject of public debate, PPPs have been the genesis of great success stories such as the Norfolk Marriott Waterside, the Hilton Virginia Beach, Town Center, the Renaissance Portsmouth Hotel, and the Ocean Marine Yacht Center.

Generally, a PPP is described as a contractual agreement between a governmental entity and a for-profit business entity. The PPP Agreement establishes a partnership in which the skills and assets of both the public and private sectors are shared in creation of a project or facility for the use of the community at large. A significant component of a PPP is that the financial risks and rewards of a project are borne by both the public and private sectors.

The public entity and its constituency clearly benefit from the private investment of talent and resources. Additionally, the locality is afforded with the ability to clearly focus and effectively control the creation of projects, which it believes to be in the long-term interests of the community. As such, the locality insures a prudent use of its financial resources for projects it believes bring a higher quality of development with a significant likelihood of success. The private

sector is encouraged to actively participate in large projects which, absent the availability of shared risk and reward, would not get "off the ground." PPPs leverage the strengths and financial power of both parties and, as such, projects can be undertaken, which would not be financially feasible without the combined resources of both private and public entities. Such enhanced projects raise the quality of development in the community and serve as the catalyst for other development. The locality and the community mutually benefit through expansion of the tax base including the creation of additional jobs, revenue, and product.

PPPs provide effective tools for the development of projects, which are not only beneficial to the public and private sectors, but to the community. PPPs are not one size fits all. Various programs provide the potential of ventures and development, including the birth of new major projects; construction of infrastructure within a development; construction of public facilities; and even improved transportation alternatives.

An excellent example of a successful PPP is The Public Private Transportation Act of 1995 ("PPTA"), which serves as the current mechanism for the development of transportation projects such as Route 28 in northern Virginia, the Coalfields Expressway (Bristol, Virginia), and Route 58 (Salem, Virginia). The potential also exists for additional projects, such as the Dulles rail system, the I-81 widening, the expansion of I-95/395 HOT lanes, the Powhite Parkway

Western Extension, and perhaps a third crossing for the Hampton Roads Tunnel.

Tax Increment Financing ("TIF") is another effective PPP tool. A TIF permits taxes within an established TIF generated by the increase in assessed value emanating from new development to be applied to cover the debt service on the infrastructure development costs. The public entity may receive less tax revenue than it would normally receive if the new development was not included in a TIF; however, the locality receives more than it would receive if the development did not occur.

Another vehicle for Virginia localities is a Community Development Authority ("CDA"), which is a governmental body created with regard to a specific delineated district, for the express purpose of financing infrastructure. A CDA has the ability to issue tax-exempt bonds in order to complete infrastructure development. The CDA may then impose special assessments within the earmarked district to repay those bonds. Another feature of a CDA is the ability to provide special assessments, which may be levied in an amount directly related to the relative benefit received by each property owner within the district.

Certainly, the public sector must consider the use of PPPs in a prudent manner. The guiding principles for the public sector in endeavoring to use Public-Private Partnerships should be to provide enhancement of its goals and long-range vision, including but not

limited to, increasing the tax base, the generation of new jobs, a framework for future smart growth, and the ability to augment its public image and/or provide a unique product with branding appeal for the locality.

Bold political leadership, defining a parameter of success, understanding the market, the degree of public sector involvement, the selection of a solid private partner, effective communication with all of the stakeholders, including the members of the community provide the unique opportunity for a high quality project, timely developed using smart growth policies for the benefit of the locality and the residents of the community.

The author gratefully acknowledges the assistance of Charles V. McPhillips, a partner with Kaufman & Canoles, and Douglas L. Smith, Director of Public/Private Development Consulting of Kaufman & Canoles Consulting, LLC.

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