



City of Del Mar Staff Report



TO: Honorable Mayor and City Council Members

FROM: Kathleen A. Garcia, Planning and Community Development Director
Via Scott W. Huth, City Manager

DATE: May 19, 2014

SUBJECT: Overview of Public Private Partnerships

REQUESTED ACTION/RECOMMENDATION:

Staff requests that the City Council review and receive the overview of Public Private Partnerships.

DISCUSSION/ANALYSIS:

On February 18, 2014, the City Council requested that the economic consultant, Keyser Marston Associates (KMA), prepare an overview of Public Private Partnerships, commonly known as P3. P3 is a partnership between public agencies and private companies to finance, design, develop, and/or operate a public facility. KMA has provided this overview of P3 types as an outline of potential partnership methods that the City may or may not wish to consider for City Hall/Town Hall development (Attachment A).

There are many types of P3 and the most relevant to the needs of Del Mar include:

1. Design-Build, where a private partner provides both the design and construction of a project to the public agency. Design-Build would require a City charter amendment, which would require voter approval. The Vista Civic Center is an example of a design-build Public Private Partnership.
2. Developer Finance, where a private party finances the construction of public facilities in exchange for an opportunity to develop other uses at the site. The Smart Corner in downtown San Diego is an example of a developer-financed mixed-use public building.
3. Lease/Purchase, where a private party finances and builds a new facility, then leases it to the public agency. At the end of the lease, the public agency owns the facility or purchases it at the cost of any unpaid balance in the lease. The proposal by Gerdling Edlen (2008) to construct a Civic Center for the City of San Diego was an example of this type of partnership. (Ultimately, the San Diego City Council voted not to proceed with this project.)
4. Tax-Exempt Lease, where a public agency finances the public facility with borrowed funds and the asset is transferred to the public agency. The portion of

City Council Action:

the lease payment used to pay interest is tax-exempt, as was used by the County of San Diego as discussed below.

5. Turnkey, where the public agency contracts with a private developer to design and build a complete facility for a fixed price, and potentially for the developer to utilize private financing and facility operations. The County of San Diego utilized a combination of Turnkey, Tax Exempt Lease and selling surplus land to finance their recently constructed County Operations Center. The County sold surplus land to help offset development costs.
6. Lease or Sell Surplus Land, where the public agency leases or sells surplus land to either other agencies or private partners. The San Marcos Civic Center is an example of this method, where the City leases out floors in the building to other agencies and ground leases parcels to commercial and office buildings.

Summary: As discussions of the City Hall and Town Hall development progress, any one of these options or a combination of these options may be appropriate for further consideration.

ATTACHMENTS:

Attachment A – Keyser Marston Associates: Public Private Partnerships

City of Del Mar

Public Private Partnerships (P3s)

Preliminary Evaluation Of Potential Financial Structures

Paul C. Marra, Managing Principal
Keyser Marston Associate, Inc.

May 19, 2014

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What is a P3?

Partnership of public agency and private company(ies) to finance, design, develop, and/or operate a public facility

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Types of P3s

Design-Build

- Private partner provides both the design and construction of project to public agency

Source: National Council for Public-Private Partnerships

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Types of P3s

Developer Finance

- Private party finances the construction of public facility in exchange for opportunity to develop residential and/or commercial uses at the site

Source: National Council for Public-Private Partnerships

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Types of P3s

Lease/Purchase

- Private party finances and builds new facility, then leases it to public agency
- At end of lease term, public agency owns facility or purchases it at cost of any unpaid balance in lease

Source: National Council for Public-Private Partnerships

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Types of P3s

Tax-Exempt Lease

- Public agency finances public facilities by borrowing funds
- Asset is transferred to public agency either at beginning or end of lease term
- Portion of lease payment used to pay interest is tax-exempt

Source: National Council for Public-Private Partnerships

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Types of P3s

Turnkey

- Public agency contracts with private developer to design and build a complete facility in accordance with specified criteria
- Developer commits to build facility for fixed price and absorb construction cost risk
- Developer may also finance and operate facility

Source: National Council for Public-Private Partnerships

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Types of P3s

Lease or Sell Surplus Land

- Public agency leases or sells surplus land for private development and uses proceeds to offset costs of public facility

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Local Examples of P3s

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Design-Build

Vista Civic Center

- 100,000 SF Civic Center and Community Room
- Guaranteed maximum price of \$51.5M, or \$515/SF
- Constructed on-time and under budget



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Developer Finance

Smart Corner Downtown San Diego

- 5-story building with 93,000-SF office for San Diego Housing Commission and 25,000 SF retail
- Adjacent 19-story, 301-unit condominium tower
- Shared parking garage (subterranean)
- City contributed land, Developer built all structures and sold office building to Housing Commission
- Housing Commission and condominium HOA jointly operate garage



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Lease/Purchase

Civic Center Downtown San Diego

- Multi-phase development (proposed 2008 and ultimately did not move forward)
- Proposed 34-story city hall with 831,000 SF office for City employees, 175,000 other office space, 19,000 SF retail
- Second and third phases would provide ground floor retail, residential, office, and a fire station
- Developer finance and construct all structures and lease to City



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Turnkey
Tax-Exempt Lease
Sell Surplus Land

San Diego County Operations Center



- Multi-phased project
- Six (6) 4-story buildings @ 150,000 SF office each and 15,000 SF conference center and cafeteria
- County sold surplus land on separate site to help offset development costs

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Lease Surplus Land

San Marcos Civic Center



- Mixed-use Town Center with City Hall, library, office, and retail uses
- Four-story, 150,000-SF building
- City leases out floors in the building to IRS, school district, etc.
- City ground leases parcels to shopping center and office buildings

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