HOW SMALL TOWNS CAN RIDE THE PUBLIC-PRIVATE PARTNERSHIP WAVE

FORBES.COM PUBLISHES ARTICLE BY FORBES REAL ESTATE COUNCIL MEMBER DEE BROWN, PRESIDENT & CEO OF THE P3 GROUP, INC.

MEMPHIS, TN, USA, January 2, 2021 /EINPresswire.com/ -- Dee Brown, President & CEO of The P3 Group, Inc. is a member of Forbes Real Estate Council. Forbes.com published Dee Brown's article titled "HOW SMALL TOWNS CAN RIDE THE PUBLIC-PRIVATE PARTNERSHIP WAVE," on December 28, 2020. You can read the article below or at Forbes.com on the url below.

> At The P3 Group we don't build buildings, we build communities. The P3 Group is the largest African American real estate developer in the USA that focuses exclusively on public-private partnerships."
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> *Dee Brown, President & CEO*

https://www.forbes.com/sites/forbesrealestatecouncil/2021/12/29/how-small-towns-can-ride-the-public-private-partnership-wave/?utm_content=150278274&utm_medium=social&utm_source=linkedin&hss_channel=lcp-16236987&sh=5b30b3593746

Public-private partnerships offer a unique opportunity to redevelop and revitalize smaller communities around the country. A public-private partnership, also known as a P3 or PPP, is an agreement between a private company and a public body that allows for the public sector to transfer certain risks and responsibilities to the private sector. P3s, when structured properly, can provide an opportunity for small communities to develop new facilities and infrastructure, which can be a catalyst for community redevelopment. Two popular P3 delivery methods are known as a design-build-finance (DBF) and design-build-finance-operate-maintain (DBFOM). These delivery methods can be used to relieve significant burdens and risks from the public sector.

Urban communities have gotten a lot of attention in recent years for improving assets using public-private partnerships. The lack of public funding and the abundance of private capital has made P3 a popular tool for delivering public facilities and infrastructure. However, smaller underserved communities also have significant needs for improved facilities and infrastructure. The needs of smaller communities are much more pressing than those of sprawling urban centers.

Complicating the issue is the fact that many smaller communities often have not constructed new facilities or infrastructure in decades. A well-structured P3 shifts risk from the public sector to the private sector while focusing on allowing the construction activity to be executed by local contractors, subcontractors and vendors. A well-structured P3 also allows municipalities to incorporate small and minority-owned business participation requirements that can be managed in a more transparent manner. The use of national resources partnered with the local workforce creates an inherent best value proposition for the community. When the construction dollars stay within the local community, these dollars can turn over six to seven times, creating a significant impact on the bottom line for the community.

Smaller communities typically do not have the technical resources and expertise to deliver capital projects efficiently. Also, the traditional design-bid-build methodology has proven to be a time-consuming and often more costly method of delivering public projects, especially in smaller communities. The lack of sophisticated construction management experience and the lack of integration between the design, construction and finance often results in projects that are over budget and of inferior quality. However, these communities still have a substantial need for new infrastructure, public safety facilities, courthouses, healthcare facilities, parks, museums and much more. The ability to make needed improvements to public facilities and infrastructure results in a better quality of life for the citizens and increased revenues for the public agency.

A well-structured P3 should accomplish a number of important things for smaller communities. In addition to gaining technical expertise, these communities should be able to take advantage of tax-exempt financing as well as no upfront costs for attorney fees, program managers, site acquisition, architectural design, engineering, etc. The private sector is well suited and well-capitalized to carry these upfront expenses, which can be as much as 18%-20% of the total project cost.

P3s also allow the private sector the ability to structure financing for essential facilities and infrastructure in a manner that does not require a pledge of full faith and credit from the public entity. When a public entity does not pledge its full faith and credit, in most states, this eliminates the requirement of a bond referendum and also does not impact the general obligation capacity of the community.

A tax-exempt lease purchase agreement is a common structure used to deliver P3 projects quickly and efficiently and is a perfect structure for small communities. Under a tax-exempt lease purchase agreement, the private sector establishes a special purpose entity to hold the asset. At the end of the lease purchase term, which can be up to 30 years, the government purchases the asset for $1.

Using a tax-exempt lease purchase agreement to fund a P3 project ensures that the private developer is working for a fixed fee and that the community is able to fund the project with the lowest cost of capital. Under this structure, essential facilities and infrastructure can typically be financed with semi-annual payments that are subject to annual appropriations and the availability of funds. Tax-exempt financing also offers long-term fixed rates, which are a much more attractive proposition than commercial bank financing.

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