

Tips for Hospitality Developers to Consider Before Delving into the World of Public-Private Partnerships



By: Lawrence Bartelemucci

One need look no further than news stories detailing the country's deteriorating infrastructure and lack of funding for necessary upgrades and repairs to understand the government's increasing reliance on public-private partnerships (P3s). Addressing the growing imbalance between necessary infrastructure improvement and insufficient funding has caused many governmental entities to court private businesses to help fill the void.

As local governments compete with each other for tourism dollars and look to revitalize fatigued districts, improve infrastructure, and compete with neighbouring cities, hospitality has become a P3 focal point. This provides hospitality developers with a unique opportunity.

For the Developer, a Potential Boon

Hospitality P3s — hotels, convention centers, and other mixed-use developments — offer several advantages over traditional development structures. Public property in desirable locations otherwise inaccessible for development becomes available. Developers can obtain access to government properties without incurring upfront acquisition costs, particularly if structured as a long-term lease. P3 developers frequently receive tax breaks, deferments, incentives, and the ability to earmark or control their tax or tax-equivalent payments for specific public improvements benefitting their own projects.

But before delving into the P3 world, developers should consider a number of preliminary issues:

Team Assembly: Assembling a strong and experienced team should be every developer's first step. P3 due diligence is often more demanding and arduous than private development, if simply because there are more constituents to satisfy. A good P3 team has all of its bases covered, starting with legal, zoning, governmental liaison, and community outreach. The developer's financing team must be engaged early, as economic feasibility is the driving force of all development — P3 or otherwise. The design and construction teams should play an early and coordinated role to ensure a design that meets

the project's goals and can be constructed within budget. Experience in P3 projects and willingness to coordinate is a must for all team members.

Public Outreach: Perception becomes reality, and so it is important for the developer to get its message to the public before third parties shape the narrative for them. Community response is unpredictable, even for projects with the most community-minded of goals. The earlier a developer can partner with the public — agency and community — the better chance of leveraging that support into a successful project. Early engagement is also important to determine and negotiate required community benefits (affordable housing, local hiring, etc.) and incorporate them into the development plan. Controlling this process and making sure the necessary constituents were given a voice will almost always pay dividends later on.

Patience: The P3 public approval process can be longer and more gruelling than private projects, as multiple, often conflicting, jurisdictions must be satisfied. Developers must prepare themselves and their partners for the long haul. This includes producing and communicating realistic schedules for financing and development (including government approvals), so that expectations are pragmatic and managed.

Set Clear Goals: P3 projects must achieve both the government and private parties' political and economic goals. But success will be difficult unless both partners clearly and explicitly establish and communicate to the other their respective goals. Just as important, they must each make sure they understand, accept, and respect their partner's goals. This will ensure that everyone's goals are both practical and aligned with the project's economic feasibility. The parties need to stick with those goals, while at the same time...

Be Flexible: P3 developers must be flexible. Even the most thorough planning cannot anticipate every hurdle on a project's path. Successful P3 developers are those who are most creative and adaptable, often in response to changing community objections or requests, and frequently to help its government partner achieve its goals.

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