



Has the Game Changed? The Future of Public-Private Partnerships

Presented by

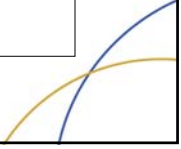


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ULI Sacramento in association with
APA California Chapter - Sacramento Valley

October 30, 2009



The New Economic Reality

Public-Private Partnerships (PPP) must Face the New Economic Reality

- Slow Economic Recovery
- Housing Bubble Burst Returning Home Ownership to a Traditional Income – Price Relationship
- Limited Financing Available for Development Projects

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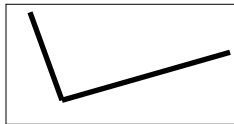


The Recovery Reality

Factors Contributing to Slow Recovery:

- Overall economic issues
 - Slow job growth
 - Slow income growth
- State and local government budget shortfalls limiting regional economic and employment-related growth.

• Expect a



Not a



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The Recovery Reality

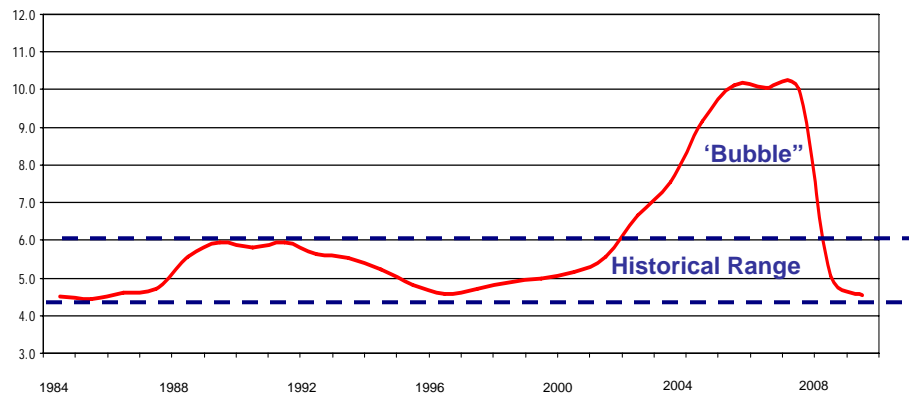
Housing Prices Will Not Get Back to the Peak Levels of 2005/2006:

- Issues specific to the real estate industry
 - Restructuring of home financing industry
 - Overly restrictive credit standards
- Magnitude of 2000-2005 home price appreciation not sustainable in the long run. Future appreciation at the same scale is not likely to occur.
- Feasibility will be based on historical relationships between housing prices and income levels & traditional mortgage financing.

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Ratio of Average New Home Price to Median Income: California



Source: The Gregory Group, EPS, US Census, Census 2000, American Community Survey, Estimates by The Gregory Group (Income 1999, 2001 and 2008).

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Financing Reality

- Developers will not be able to advance-fund infrastructure to the same extent as past years because of:
 - Slower absorption of residential units and lower home prices.
 - Increased regulation and lending requirements of the private debt and equity markets.
 - More highly-regulated public debt market for land-secured financing.

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The New Regulatory Reality

New Laws and Regulations Require Substantial Increase in Infill and Compact Development

- Blueprint and related efforts
- AB 32
- SB 375
- Associated Air Quality Management District Regulations

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Barriers Exist to Infill Development

Many development projects will require PPPs to successfully develop

Barriers will need to be overcome to deliver compact and infill housing and commercial development

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Specific Barriers to Infill

- High Vertical Costs
- High Land Costs
- Obsolete, Deficient, or Inadequate Infrastructure
- Lack of Master Developer or Phasing
- Lack of Infill Development Industry
- Political or Community Opposition
- Competitive Schools

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Most Important Benefit of PPPs

The Win/Win:

Achieving projects that could not be delivered by either the public sector or the private sector by acting alone.

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Strategies to Facilitate PPPs

Several Strategies can be used to successfully develop PPPs and encourage and implement infill development.

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Strategies to Facilitate PPPs

- City Act As Master Developer
 - City takes the role similar to that of the master developer in green field development
 - Reduce the development application process
 - Reduce planning, policy, and funding uncertainty

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Strategies to Facilitate PPPs

- **Conduct Master EIR for Targeted Infill Areas**
 - Reduce length of time and developer costs associated with approvals
- **Update Zoning Codes**
 - Use form-based codes
 - Relax requirements such as parking standards, setback, and traffic

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Strategies to Facilitate PPPs

- **Use Public Facilities Financing Strategies**
 - Establish the policy framework to finance, specify, or acquire required backbone improvements for targeted infill areas
- **Finance and Construct Required Infrastructure**
 - Secure funding sources and construct backbone infrastructure and public facilities

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Presentations Available

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Resource Center on ULI Sacramento's Website:

ulisacramento.org/downloads1.html

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