

NAVIGATING OPPORTUNITIES

BUSINESS INFORMATION FOR CONSTRUCTION PROFESSIONALS

HOW WE WILL BUILD NEW YORK

PUBLIC-PRIVATE PARTNERSHIPS & LESSONS LEARNED

- Thought Leaders Share P3 Strategies
- Interview: Seth Pinsky, President, NYC Economic Development Corporation
- Industry Leaders Weigh in on Creative Strategies to Build New York



A CALL TO ACTION TO NEW YORK'S CONSTRUCTION INDUSTRY

Public-Private Partnerships Provide New Opportunities



Michael S. Zetlin, Esq.
 Founding Partner,
 Zetlin & De Chiara, LLP
 Guest Editor

Unprecedented times call for unprecedented measures, and a financial crisis is an opportunity for innovative thinkers to come to the forefront and share their visions. How do we move things forward? How can we get back to work and come back better and stronger? What opportunities have arisen out of our financial predicament? Public-Private Partnerships could be a positive starting point in answering each of the foregoing questions.

The term "Public-Private Partnership" (P3) broadly describes an arrangement between a public agency or government, and private business—often a consortium of entities come together to form a Special Purpose Vehicle (SPV)—whereby the skills and assets (financial or otherwise) of the participants are utilized to develop a public service or project, and the participants share in both the rewards and risks. P3s have been used to launch toll road and bridge projects across the country, since the fees collected provide long-term revenue to the project participants. Recently, P3s have expanded to include other infrastructure, entertainment, corporate and educational projects. As long as there are risks and revenue, there is potential for P3s to revitalize public projects that might otherwise be dormant.

The advantages of P3s are numerous. It goes without saying that government resources have been stretched to the limit, particularly at the state and local levels; P3s reduce the public capital investment usually required to get these projects underway. Moreover, the development risk of such projects, typically the sole province of the government or public authority, is shared by multiple parties (as are the rewards of a successful project). Private businesses often bring to such projects efficiencies and schedules that are incumbent upon profit-making enterprises. Finally, and in many ways most important, a successfully completed project or service benefits the public-at-large.

P3s are a powerful tool but they have come under fire from politicians who equate their structure with "selling off" or otherwise ceding control of government assets to

private companies. However, unlike true privatization, the government retains ownership and control of the project or service and the private company is essentially an investor, paid back by the project's revenue.

Well-structured P3 agreements contemplate appropriate allocations of risk and reward between public and private entities, management of both the construction process and the completed project or service, and termination provisions in the event the partnership is simply not working or not meeting expected goals. By definition, P3s blur the line between public and private interests. Their success rests with leaders in both the public and private sectors who are versatile enough to calculate and satisfy each side of the equation.

WE NEED TO GET UP TO SPEED

P3s are nothing new in the international market, but the U.S. lags behind other developed countries in their utilization. In the U.S., New York trails behind California, New Jersey and Virginia, lacking the legislation and political support to make these partnerships possible.

But there is hope. National agencies are working around constraints to make these partnerships possible and preferable. Industry leaders are also striving to make P3s a viable option. P3s are products of innovation, and it will take the courage and support of City and State politicians and agencies to enable them to stimulate the construction industry, infrastructure and other public projects in New York and throughout the U.S.

This supplement to New York Construction features an interview with Seth Pinsky, President of the New York City Economic Development Corporation, who presents an integrated Public-Private Partnership business model that consistently produces results.

Advancing the P3 model, the pages that follow introduce several industry leaders and their creative thinking regarding Public-Private Partnerships and other innovative building models that will enhance **How We Will Build New York**.

Enjoy the read! ■



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