Architects, Public Architects, and P3 Development: Innovation, Challenges, Lessons Learned

Course Number WE 203

Wednesday, May 18, 2016

8:30 AM – 5:30 PM

Learning Units [As Published]

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AIA Convention 2016
May 19-21, Philadelphia

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Questions related to specific products and services may be addressed at the conclusion of this presentation.

Acknowledgements/Credits

Autodesk - Phil Bernstein

Design – Build Institute of America

The National Council for Public-Private
   Partnerships

National Science Foundation

Urban Land Institute

Leslie Henslee

Emily Marthinsen

Survey Respondents

Speakers List

- Karen Backus, Co-Founder & Principal, U3 Advisors
- Nicole Ferreira, Vice President - Real Estate Development, New York City Housing Authority
- Robert Harris, Director, Special Venture Acquisition, NAVFAC Headquarters
- Robert Henderson, President, Keating Consulting, LLC
- Bomee Jung, Vice President, Energy and Sustainability, New York City Housing Authority
- Tom Lollini, Senior Associate Vice President, Physical Planning & Development, San Francisco State University
- Terri Matthews, Director, Town + Gown, New York City Department of Design & Construction
- Lee Solomon, Deputy Director, New York City Housing Authority
- Amy Stokes Deputy Director, New York City Housing Authority
- Karina Totah, Senior Advisor to the Chair and Vice President of Strategic Initiatives, New York City Housing Authority
- David Trevino, Senior Program Manager and Architect, City of Dallas; Chair of the Public Architects Advisory Group
- Willis Winters, Director, City of Dallas

Session Organizer and Moderator: Emily Marthinsen – Assistant Vice Chancellor & Campus Architect, AIA, University of California, Berkeley
Moderator: Kacey Clagett, Appleseed Strategy

Course / Learning Objectives

- Upon completion, participants will be able to identify main types of public/private financing and will be able to access tools and resources to evaluate them.

- Upon completion, participants will be able to describe pros and cons of P3 development for diverse building types and sectors and will have made connections to other design professionals from whose P3 experiences they can learn.

- At the end of this workshop, participants will have helped establish criteria for evaluating public/private partnerships and for defining the role of design professionals in these partnerships.

- Upon completion, participants will be have information needed to shape P3 decision-making, engaging both proponents and opponents of proposals in creating the highest quality and best value public realm.

Agenda

- Introductions – Why are you here?
- Why do alternative project delivery methods matter?
- Trends disrupting traditional project delivery
- Lessons learned and where to look for

Take the Poll!

https://www.surveymonkey.com/r/7V2W5RR

Results will be presented during this workshop

Introductions

1. Introduce yourself

2. Tell your neighbors why are you here

3. Answer the first questions on the poll

What is P3?

- Build-Finance (BF)
- Design-Build-Finance (DBF)
- Design-Build-Finance-Maintain (DBFM)
- Design-Build-Finance-Maintain-Operate (DBFMO)

Who's Doing P3?

UI partners with developer to rebuild art museum downtown

Chase Castle and Josh O'Leary, joleary@press-citizen.com   *6:08 p.m. CDT October 22, 2014*

The new University of Iowa Museum of Art will be built on a prime corner in downtown Iowa City through a public-private partnership with H+H Development Group and Mortenson Inc., UI announced Wednesday.

The museum will be constructed at the southeast corner of Burlington and Clinton streets, a site known as Hieronymus Square that has sat empty for years. Various large-scale projects for the site have been put forth over the years, but each were ultimately abandoned.

Buy Photo

(Photo: David Scrivner / Iowa City Press-Citizen)

"This is an open lot that is primed for redevelopment by the local landowner, and sits directly east of the current school of music project," said Rod Lehnertz, UI director of planning, design and construction.

Sean O'Harrow, director of the UI Museum of Art, also praised the future museum's location, citing its nearby highway access, ample parking and public exposure. The location is across the street from the future Voxman Music Building, which is under construction and expected to open in 2016.

"It's one of the few locations that's accessible to both students and the public," O'Harrow said. "There are a lot of locations that can be accessible to students but not the public and vice versa."

Source: Iowa City Press-Citizen

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Why Do Alternative Project Delivery Methods Matter?

1. Diminishing owner-sourced funding

2. Privatization pressures/increasing third party funding availability

3. Perceived speed to market and more cost-efficient design

4. Opportunities arising from Revit/BIM

Why are They Happening?

- In FY 2012, 42 states had budget shortfalls totaling $103 billion…to try to close these gaps, 46 states were forced to cut services

- In a 2011 National League of Cities survey, 60 percent of cities said they delayed or canceled capital projects that year due to fiscal conditions

Source: *Testing Tradition: Assessing the Added Value of Public-Private Partnerships,* The National Council for Public-Private Partnerships, 2012

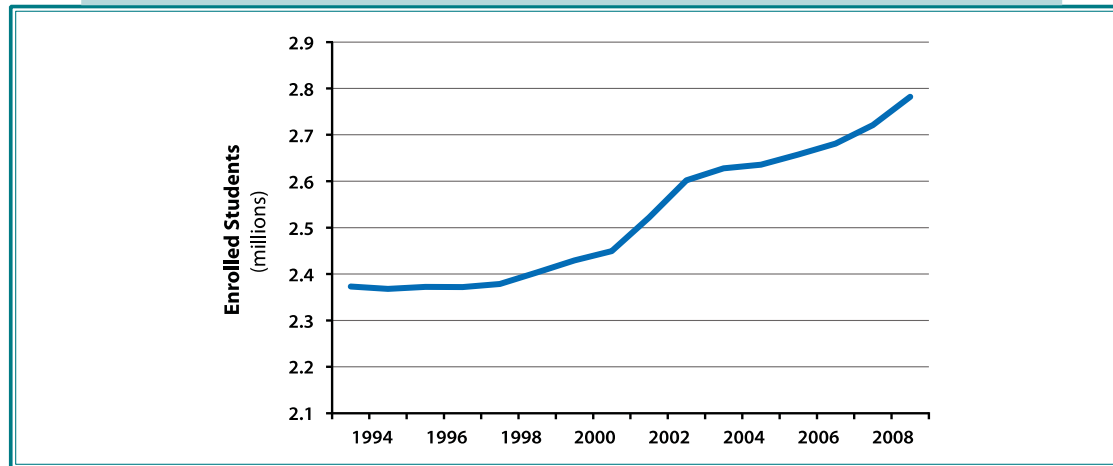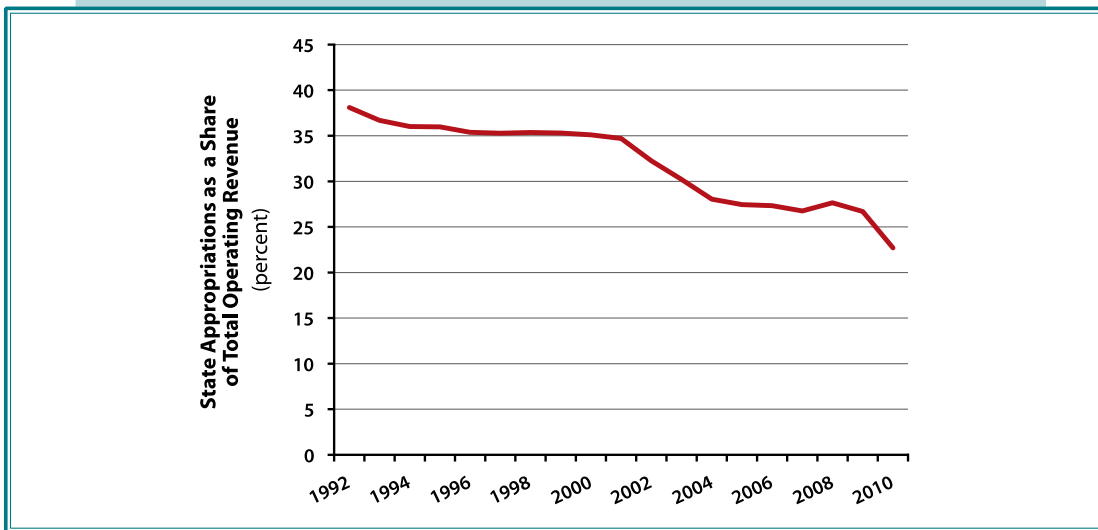**FIGURE 2:** Student Enrollment in Major Public Research Universities, 1994 to 2009

FIGURE 6: State Appropriations as a Percentage of Public Research Universities Total Operating Revenue, 1992 to 2010
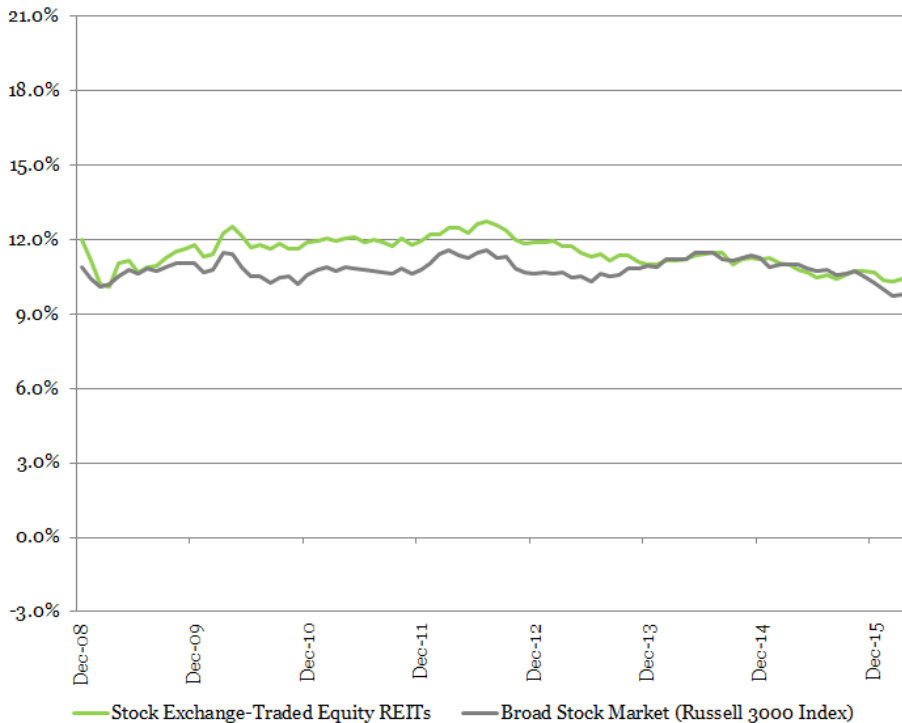

State Funding Decreases - Higher Ed
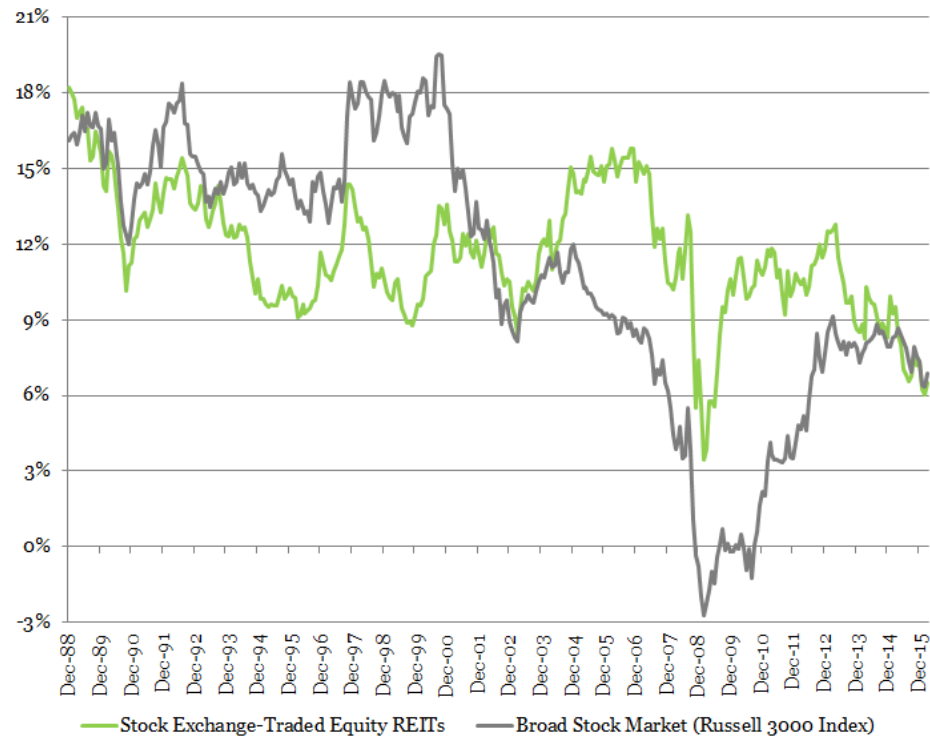
Increasing Third Party Funding Availability

Comparing Average REIT Returns and Stocks over Long Periods
Source: NAREIT www.reit.com

Average Annualized Total Returns over Rolling 30-Year Periods

— Stock Exchange-Traded Equity REITs   — Broad Stock Market (Russell 3000 Index)

Average Annualized Total Returns over Rolling 10-Year Periods

— Stock Exchange-Traded Equity REITs   — Broad Stock Market (Russell 3000 Index)

Publicly Traded Funding for Real Estate Investment – March 2016

- FTSE NAREIT All REITs Equity Market Capitalization = $984 billion

- 220 REITs in the FTSE NAREIT All REITs Index

- 194 REITs Trade on the New York Stock Exchange = $931 billion

- **Does Not Include Private Equity**

Source: NAREIT (https://www.reit.com)

Public REITs and REOCs Expressly Investing in Institutional

- **Research buildings** - Alexandria RE   **$10.9 billion**
- **Student housing** - ACC and EdR   **$8.54 billion**
- **Correctional facilities** - CCA   **$3.573 billion**
- **Government buildings**   **$2.795 billion**
  Easterly and Government Properties
- **Infrastructure**   **$754,590,000**
  Hannon Armstrong Sustainable Infrastructure Capital
- Also in **Healthcare**
- FTSE NAREIT – All REITs   **$984 billion**

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Five Recently Formed ULI P3 Product Councils

- Public Development and Infrastructure Council
- Public/Private Partnership Council (Two)
- Student Housing Council
- University Development & Innovation Council

Source: Urban Land Institute (www.uli.org)

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Completed Transportation Design-Build Projects

600%
More Projects
Since 2002

1,000+

140

as of
2002

as of
2016

Source: *Design-Build Today: A Survey of State DOTs,* Design-Build Institute of America, 2016

351 Projects • Varied Types • 5,000 – 2.5M SF

COMPARISON OF PROJECT DELIVERY METHODS

METRIC	DESIGN-BUILD VS. DESIGN-BID-BUILD	DESIGN-BUILD vs. CM@R
UNIT COST	6.1% lower	4.5% lower
CONSTRUCTION SPEED	12% faster	7% faster
DELIVERY SPEED	33.5% faster	23.5% faster
COST GROWTH	5.2% less	12.6% less
SCHEDULE GROWTH	11.4% less	2.2% less

Source: Design-Build Institute of America / Construction Industry Institute

Perceived Speed to Market +
More Cost-Efficient Design

Figure 1: Public sector cost of project delivery[33]
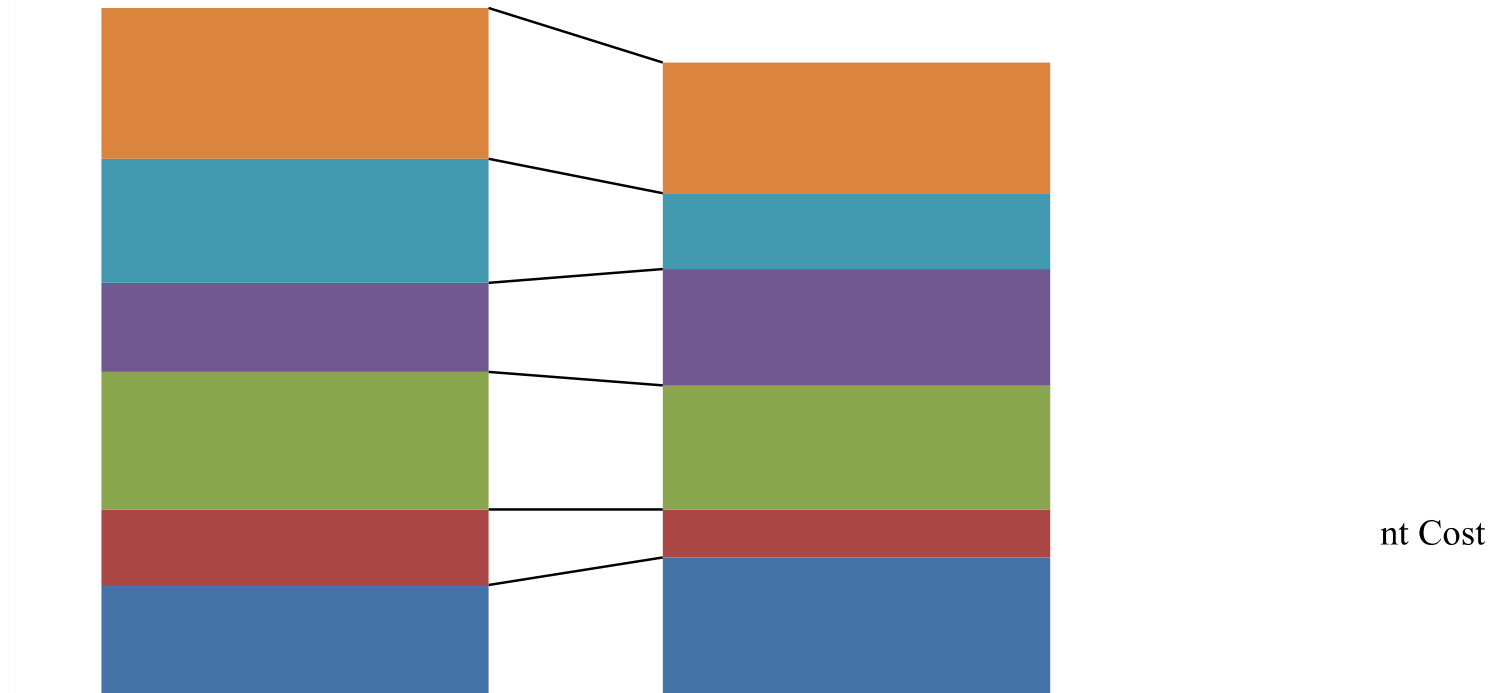
nt Cost

New Advances in BIM and Digital Fabrication = Speed to Market

Autodesk BUILD - Boston

Potential Disruptions and Benefits

1. What will be customary architectural services?

2. How will relationships between owner, architect and builder be affected? (BIM, legal structures, incentives, extended post-construction relationships)

3. How do we ensure accountability?

4. What will be the effect on institutional planning, design and facilities management groups?
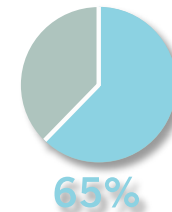
State DOTs Like Design-Build

Of respondents, 87% have design-build authority and 62% have a centralized design-build office with dedicated staff for design-build.

8.7 out of 10 owners would use design-build again in the future

Selection Processes Owners Use

best value

low bid

13% qualifications based

About Owners

65% have design-build manual processes

35% have post-award processes in manuals

81% are interested in owner-focused training

Source: *Design-Build Today: A Survey of State DOTs,* Design-Build Institute of America, 2016

Lessons Learned

1. Biggest Benefits
2. Most Common Mistakes

Finding Guidance

3. Available Sources
2. Questions to Ask

(Show poll results)

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