

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

Course Number WE 203

Wednesday, May 18, 2016

8:30 AM – 5:30 PM

7.5 Learning Units | HSW | RIBA

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

# 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
- **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



# Speakers List

- **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 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 guidance

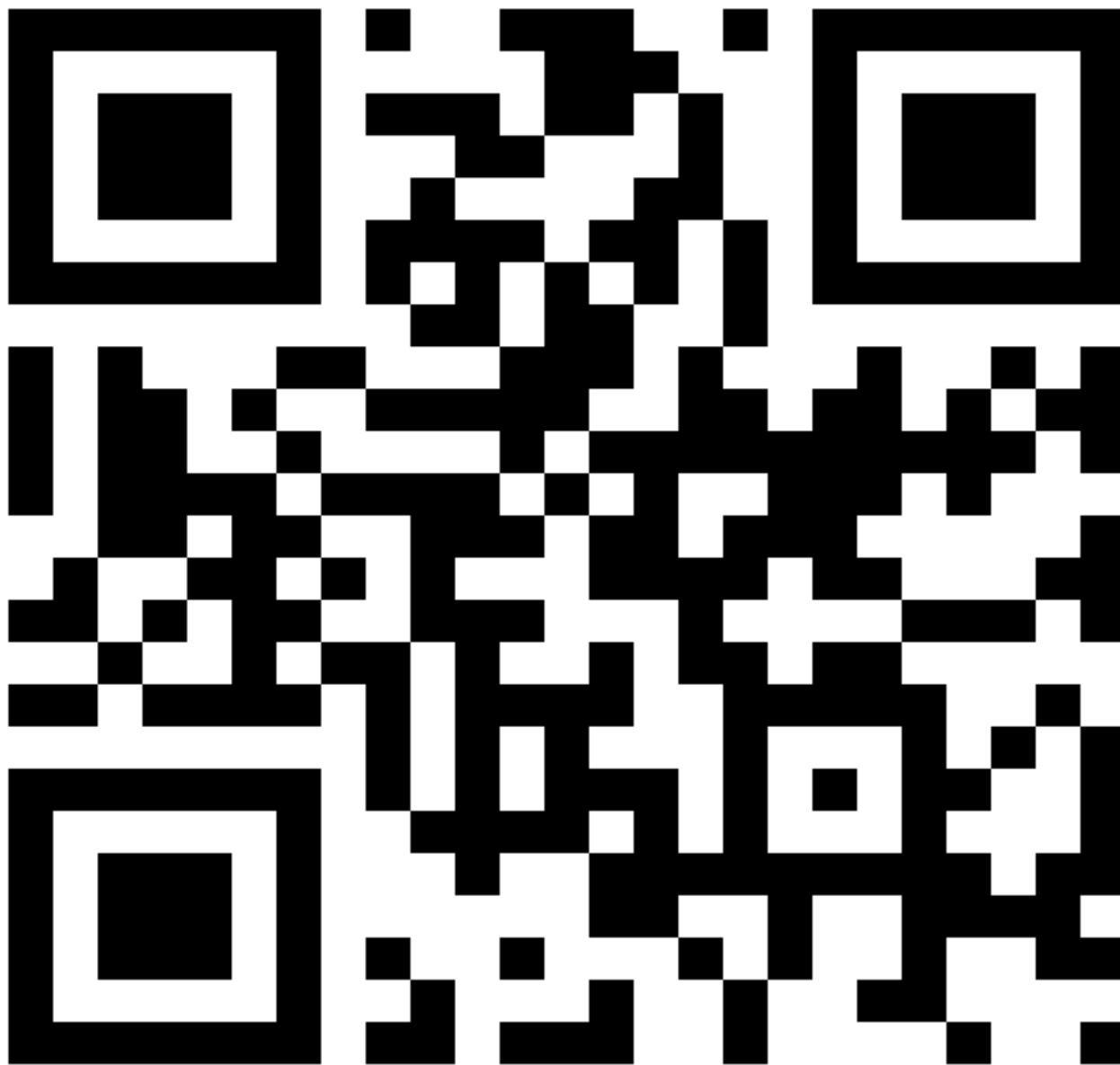
# Take the Poll on your phone!

Please link to Direct Poll now:

<http://etc.ch/huL7>

- Questions will be asked throughout the workshop
- Results will be presented in real time

<http://etc.ch/huL7>

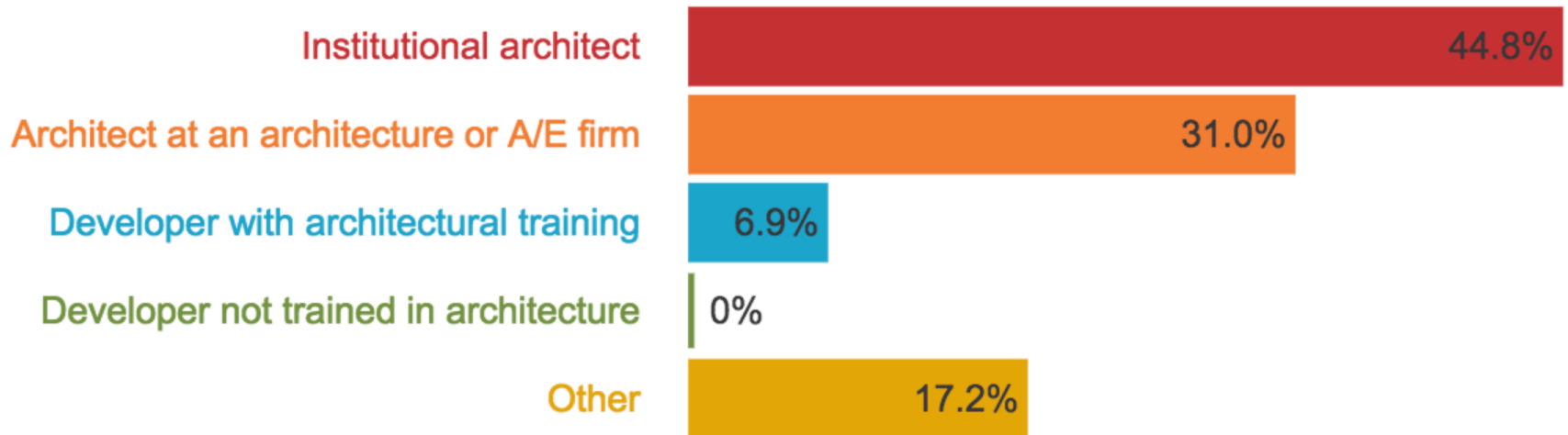


# Introductions

- 1 Introduce yourself
- 2 Tell your neighbors why are you here
- 3 Answer Questions 1 – 4 on the poll

# Direct Poll Results

Who are you?



29 votes - 29 participants

Direct  
Poll

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# Direct Poll Results

Have you been involved with a P3 project before?



28 votes - 28 participants

Direct  
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# Direct Poll Results

Do you expect to work on a P3 project in the future?



32 votes - 32 participants

Direct  
Poll

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# Direct Poll Results

If you had a choice, would you do another P3 project?



36 votes - 36 participants

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Poll

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# 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](mailto:joleary@press-citizen.com) 6:08 p.m. CDT October 22, 2014



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

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.

"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  
Opportunities arising from Revit/BIM
- 4 Opportunities arising from Revit/BIM

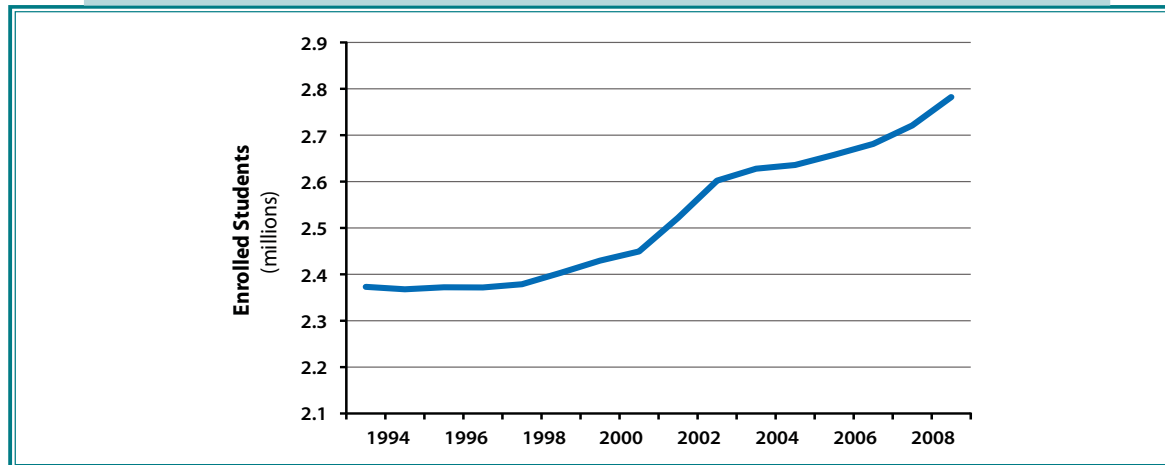
# Trends Disrupting Traditional Project Delivery

- 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

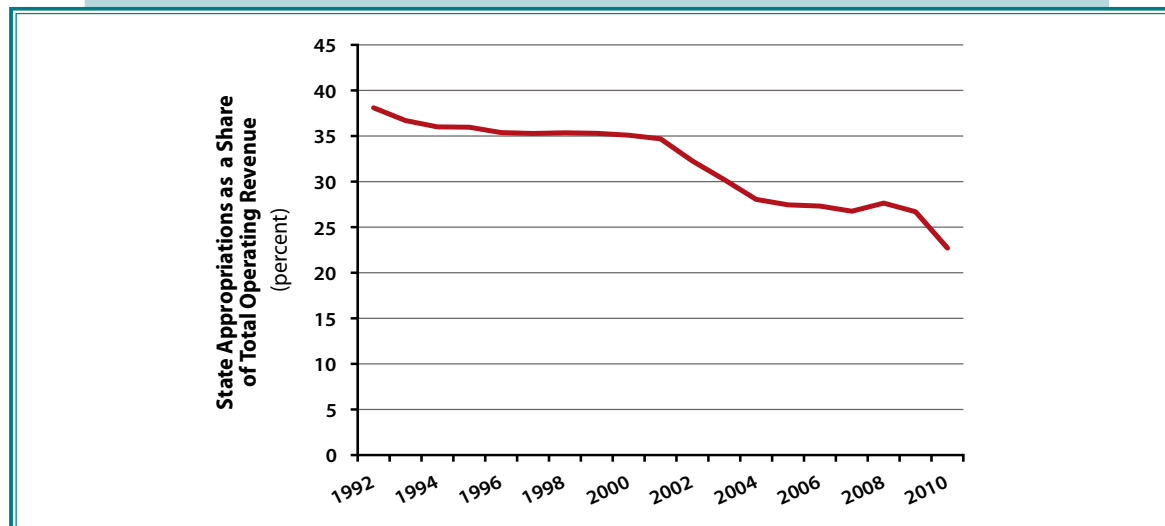
Source: *Testing Tradition: Assessing the Added Value of Public-Private Partnerships*, The National Council for Public-Private Partnerships, 2012

# State Funding Decreases – Higher Ed

**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**



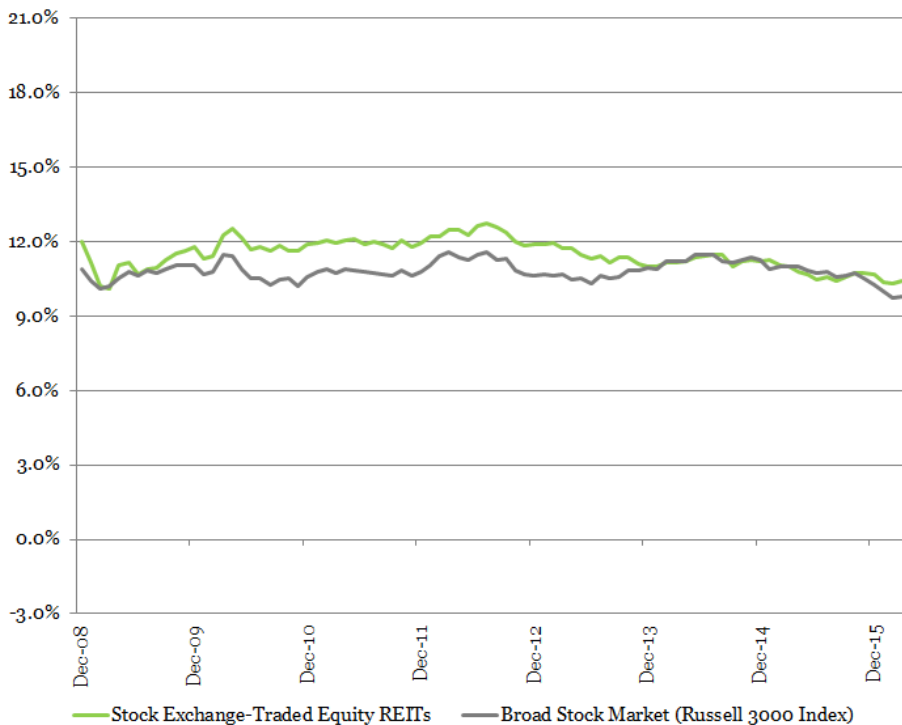
Source: *Diminishing Funding and Rising Expectations: Trends and Challenges for Public Research Universities*, National Science Board, 2012

# Increasing Third Party Funding Availability

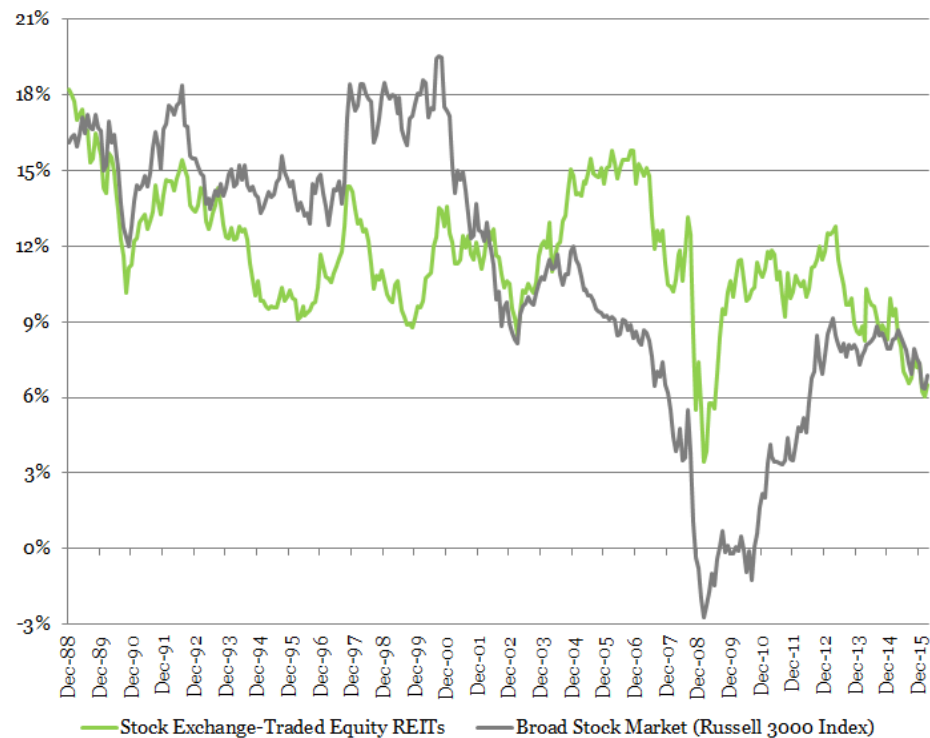
## Comparing Average REIT Returns and Stocks over Long Periods

Source: NAREIT [www.reit.com](http://www.reit.com)

Average Annualized Total Returns over Rolling 30-Year Periods



Average Annualized Total Returns over Rolling 10-Year Periods



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# 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

Type	Investment Amount
Research Buildings – <i>Alexandria RE</i>	\$10.9 billion
Student Housing – <i>ACC and EdR</i>	\$8.45 billion
Correctional Facilities - <i>CCA</i>	\$3.573 billion
Government Buildings - <i>Easterly and Government Properties</i>	\$2.795 billion
Infrastructure - <i>Hannon Armstrong Sustainable Infrastructure Capital</i>	\$754,590,000
Also in Healthcare	
FTSE-NAREIT – All REITs	\$984 billion

Source: NAREIT

<https://www.reit.com/investing/investor-resources/reit-directories/reits-by-ticker-symbol> and company websites

# Five Recently Formed ULI P3 Product Councils

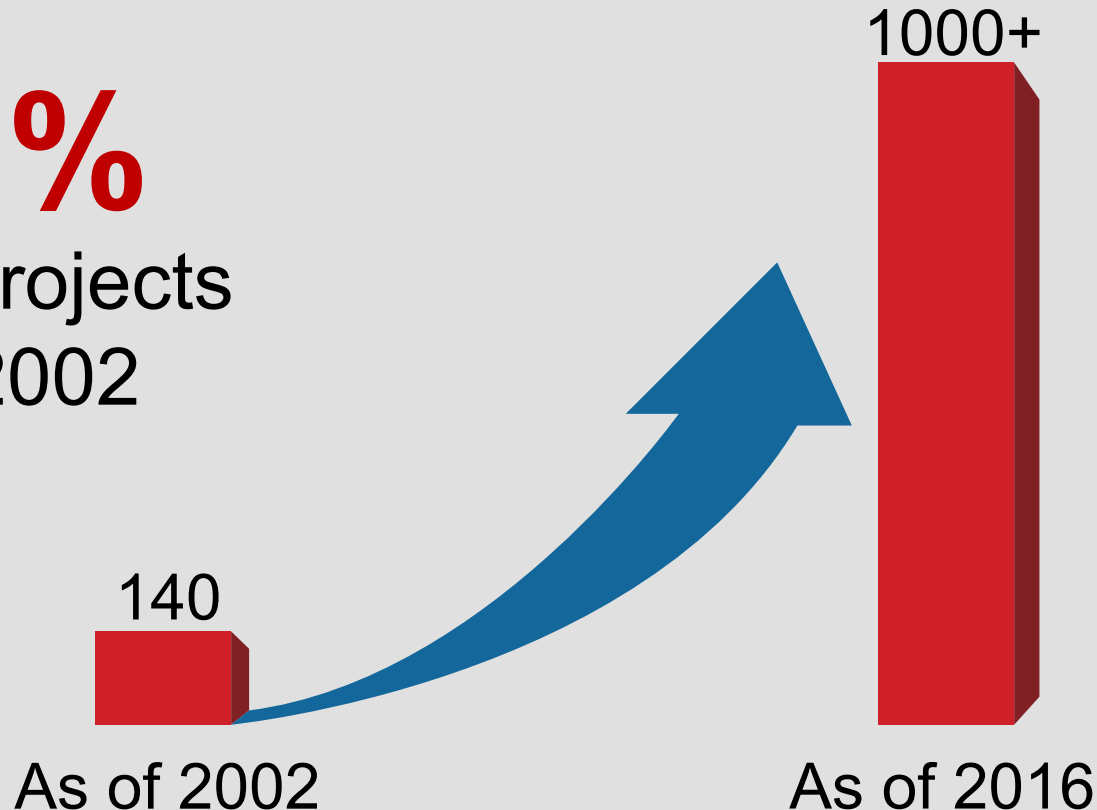
- Public Development and Infrastructure Council
- Public/Private Partnership Council (Two)
- Student Housing Council
- University Development & Innovation Council

*Source: Urban Land Institute ([www.uli.org](http://www.uli.org))*

# Completed Transportation Design-Build Projects

**600%**

More Projects  
Since 2002



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

# Comparison of Project Delivery Methods

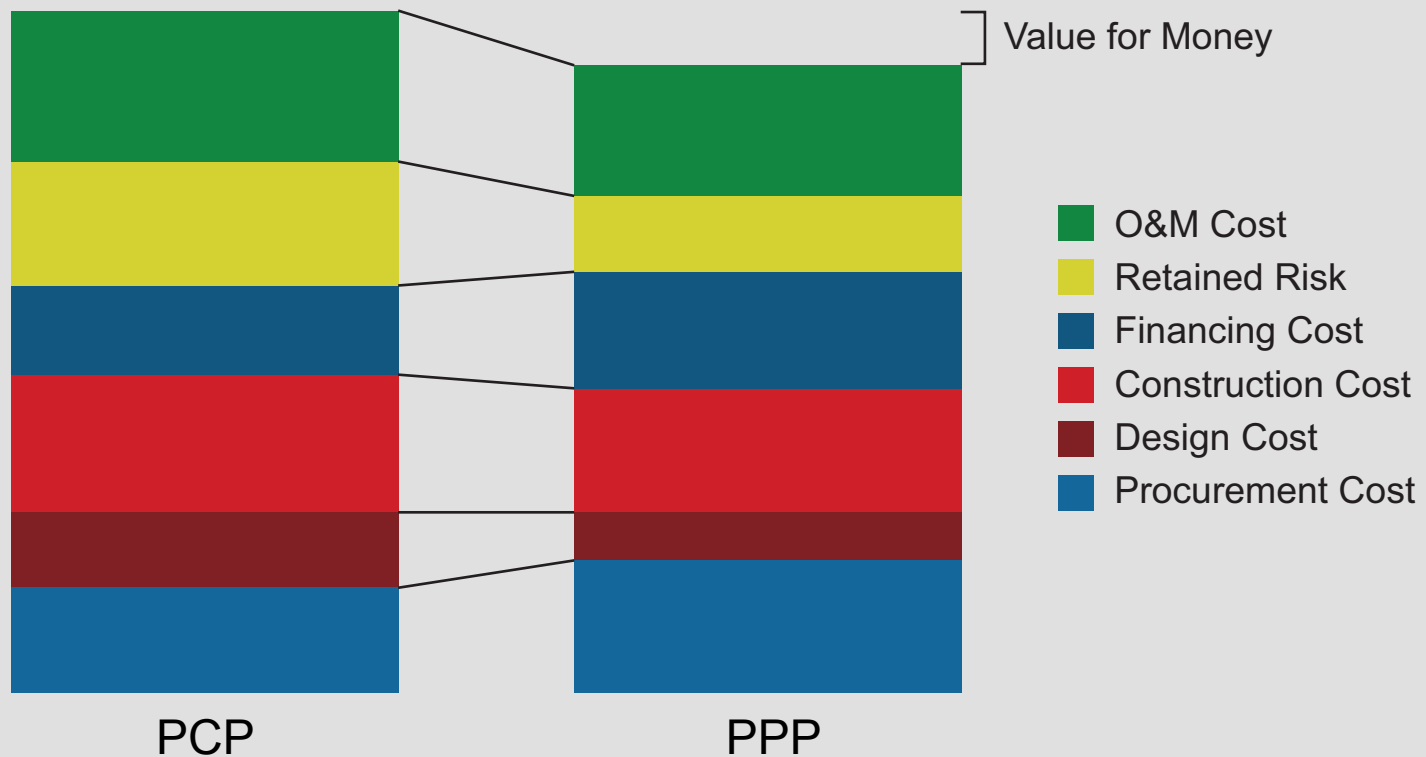
Metric	Design-Build vs. Design-Bid-Build	Design-Build vs. CM@R
Unit Cost	6.1% lower	4.5% lower
Construction Speed	12% faster	7% faster
Delivery Speed	33.5% faster	23.5% faster
Cost Growth	5.2% less	12.6% less
Schedule Growth	11.4% less	2.2% less

351 Projects ■ Varied Types ■ 5,000 to 2.5M

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

# Perceived Speed to Market + More Cost-Efficient Design

## Public Sector Cost of Project Delivery



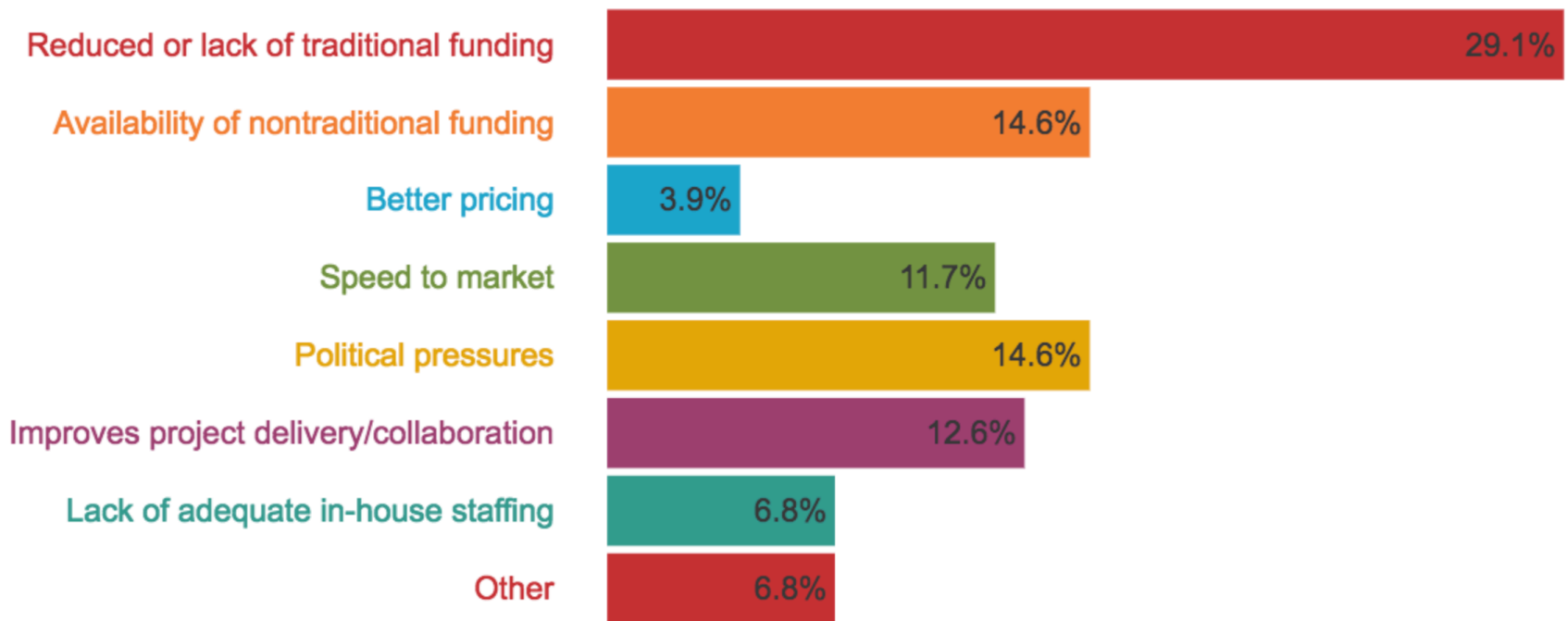
Source: *Testing Tradition: Assessing the Added Value of Public-Private Partnerships*, The National Council for Public-Private Partnerships, 2012

<http://etc.ch/huL7>



# Direct Poll Results

What is driving your interest in P3's? (Answer all that apply.)



103 votes - 43 participants

Direct  
Poll

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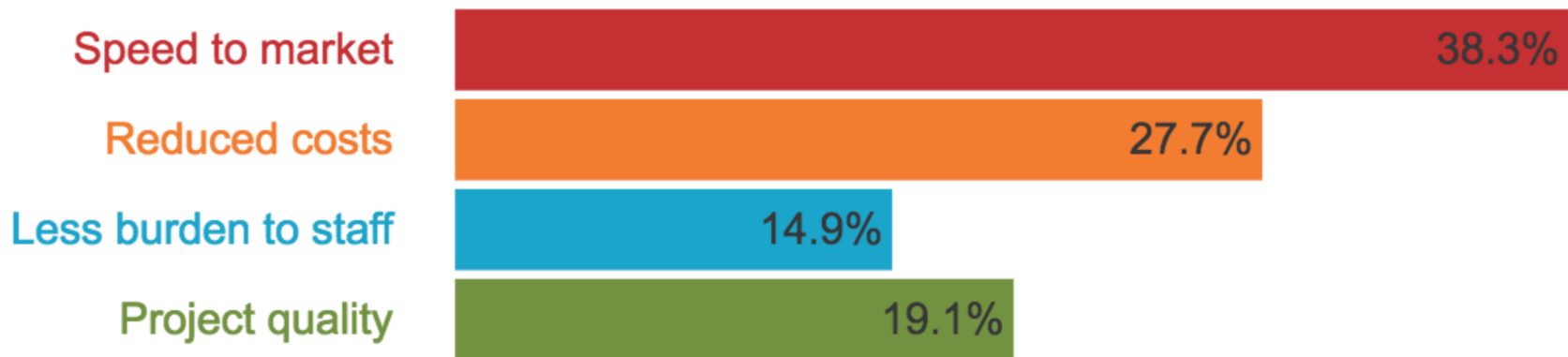


# Direct Poll Results

## What has worked best with P3 projects?

What has worked best with P3 projects? (Answer all that apply.)

<http://etc.ch/huL7>



47 votes - 34 participants

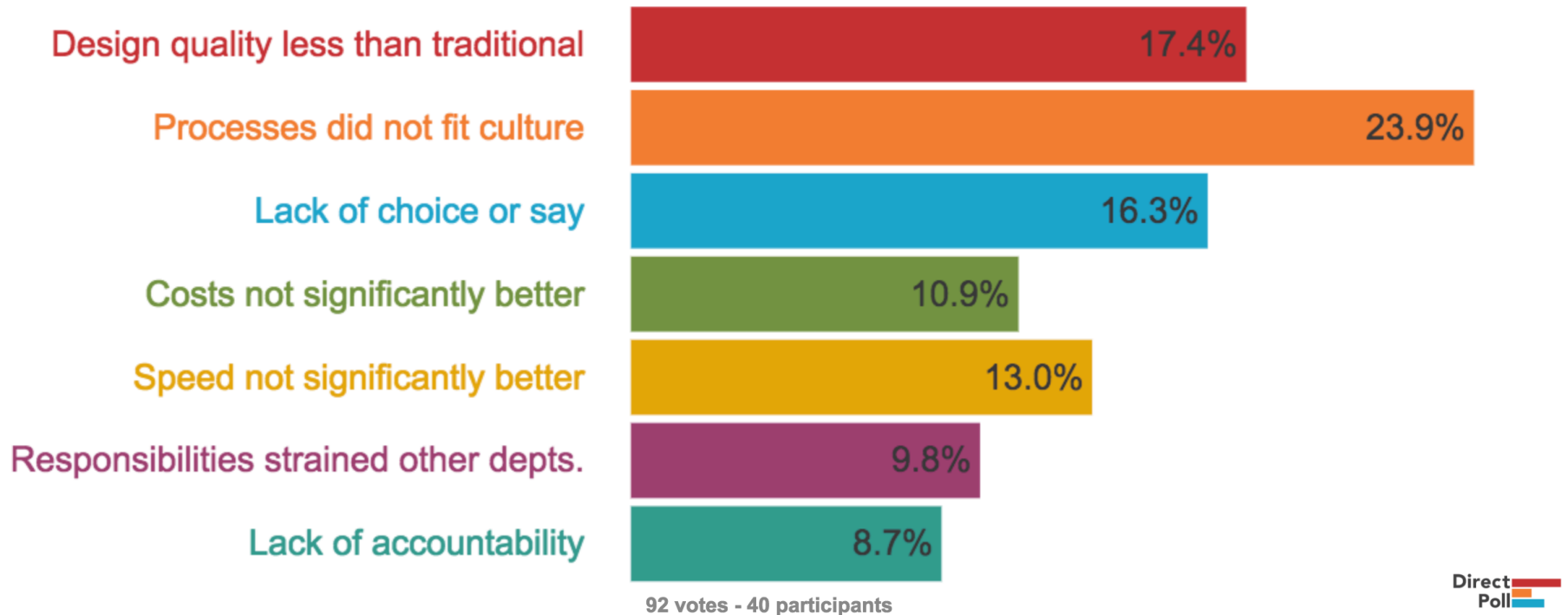
Direct  
Poll

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# Direct Poll Results

What has not worked well with P3 projects compared to traditional methods? (Answer all that apply.)



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# New Advances in BIM and Digital Fabrication = Speed to Market



Autodesk BUILD Space, Boston







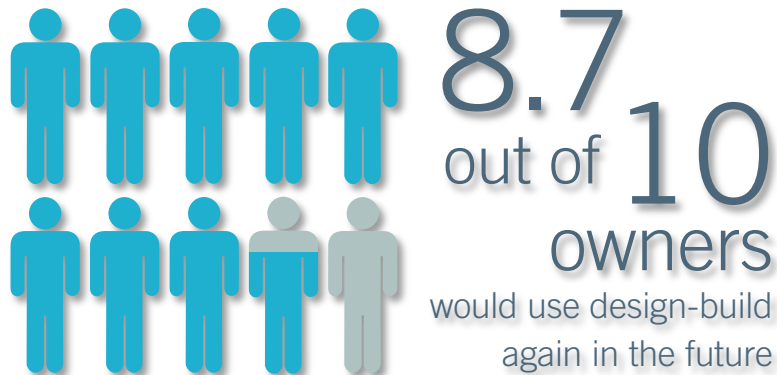
**“In the near future, we’ll be using real estate like a utility.”**

*– Adam Glaser, AIA, Benjamin’s Desk*  
First Republic Bank, WeWork, San Francisco

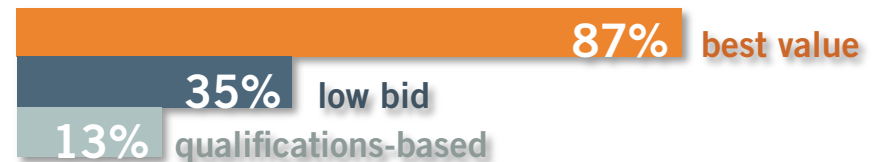
# Departments of Transportation

## State DOTs Like Design-Build

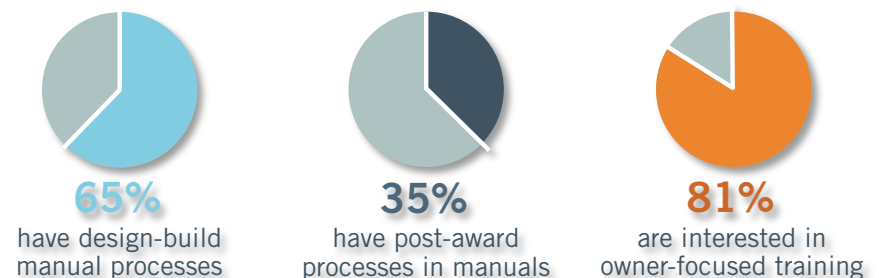
Of respondents, 87% have design-build authority and 62% have a centralized design-build office with dedicated staff for design-build.



## Selection Processes Owners Use



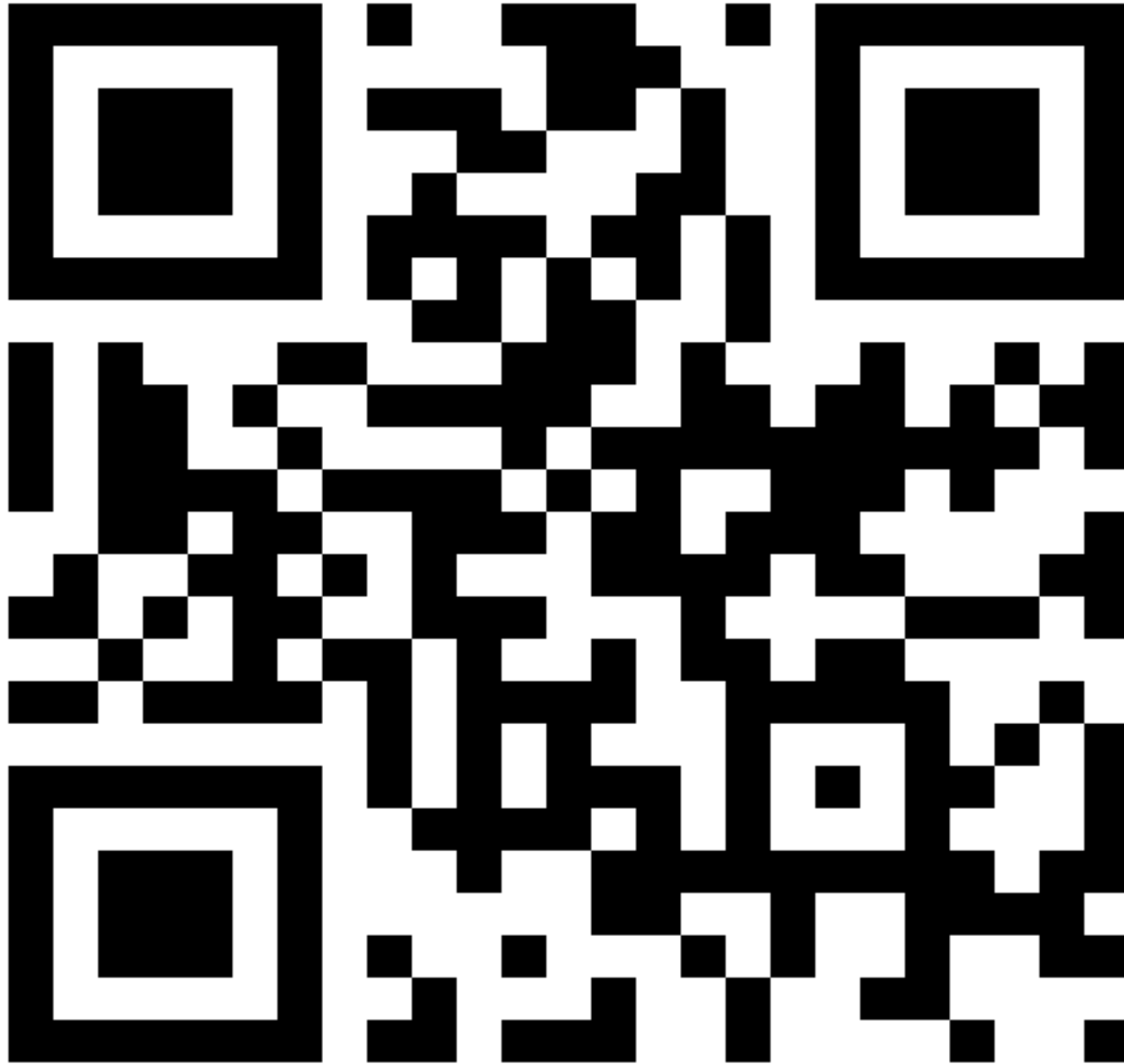
## About Owners



# Potential Disruptions and Benefits

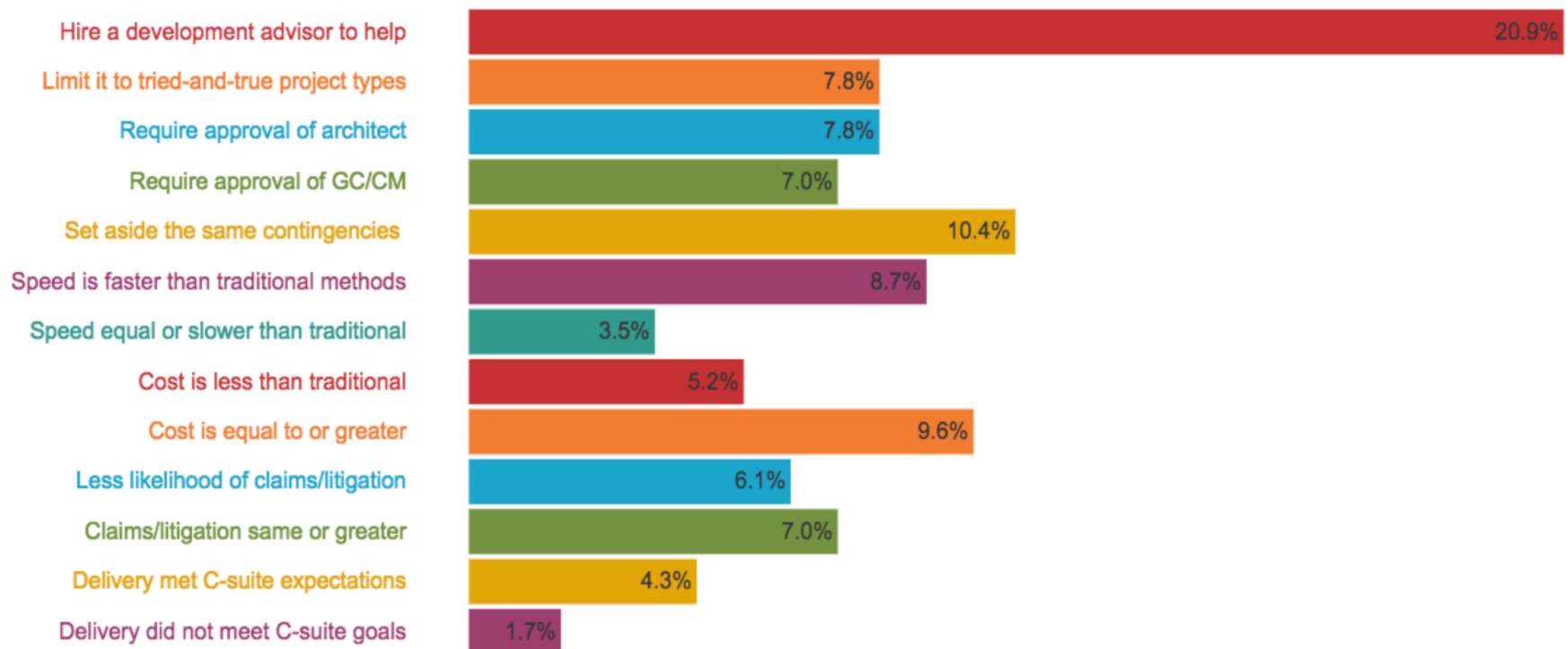
- 1 What will be customary architectural services?
- 2 How will relationships between owner, architect and builder be affected? (BIM, legal structures, incentives, extended post-construction relationships?)
- 3 How do we ensure accountability?
- 4 What will be the effect on institutional planning, design and facilities management groups?

<http://etc.ch/huL7>



# Direct Poll Results

What are the most important lessons you have learned about P3? (Answer all that apply.)





# ASK DURING WORKSHOP

## Lessons Learned

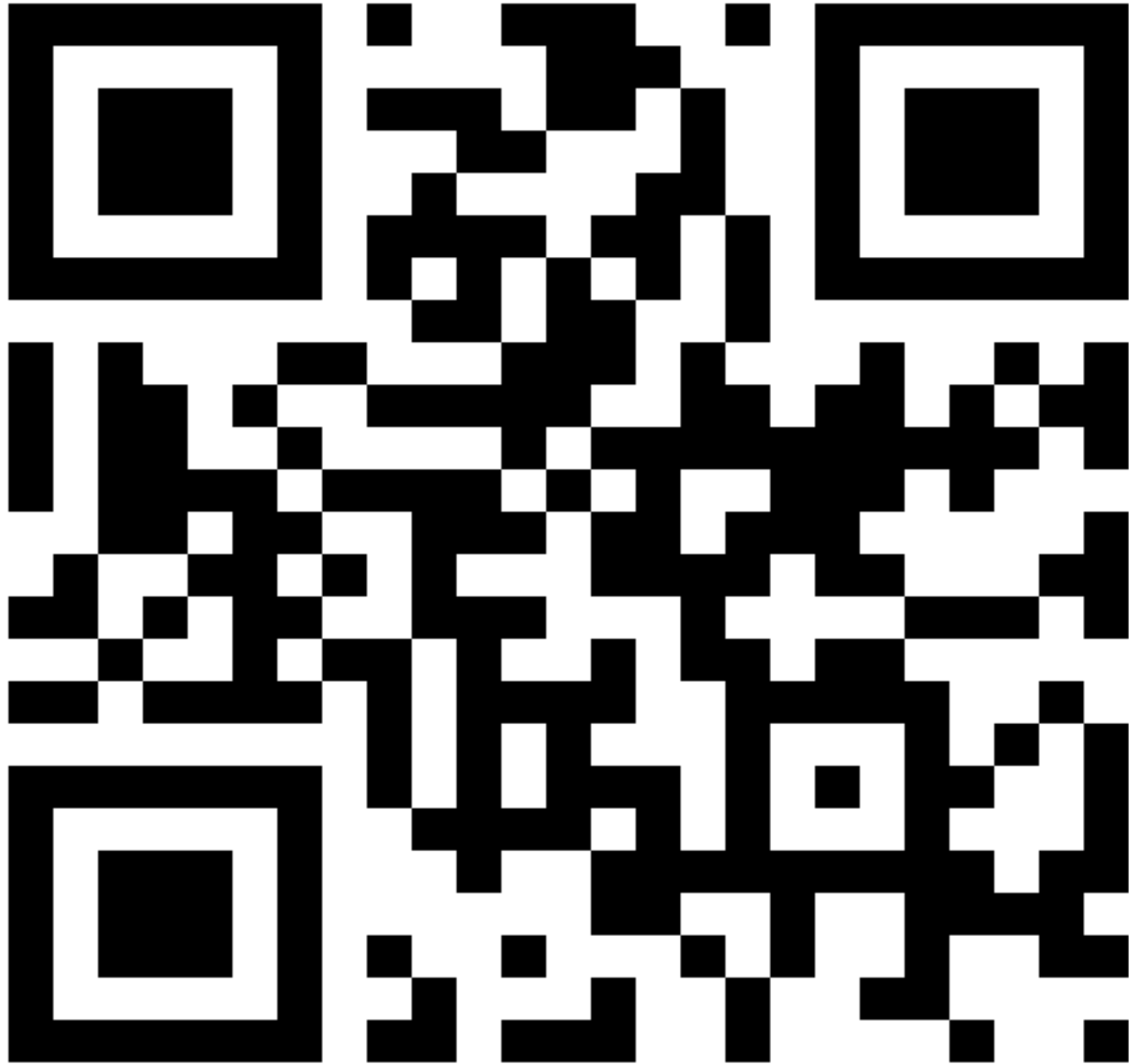
- 1 Biggest Benefits
- 2 Most Common Mistakes

*(Show Poll Results)*

## Finding Guidance

- 1 Available Sources
- 2 Questions to Ask

<http://etc.ch/huL7>



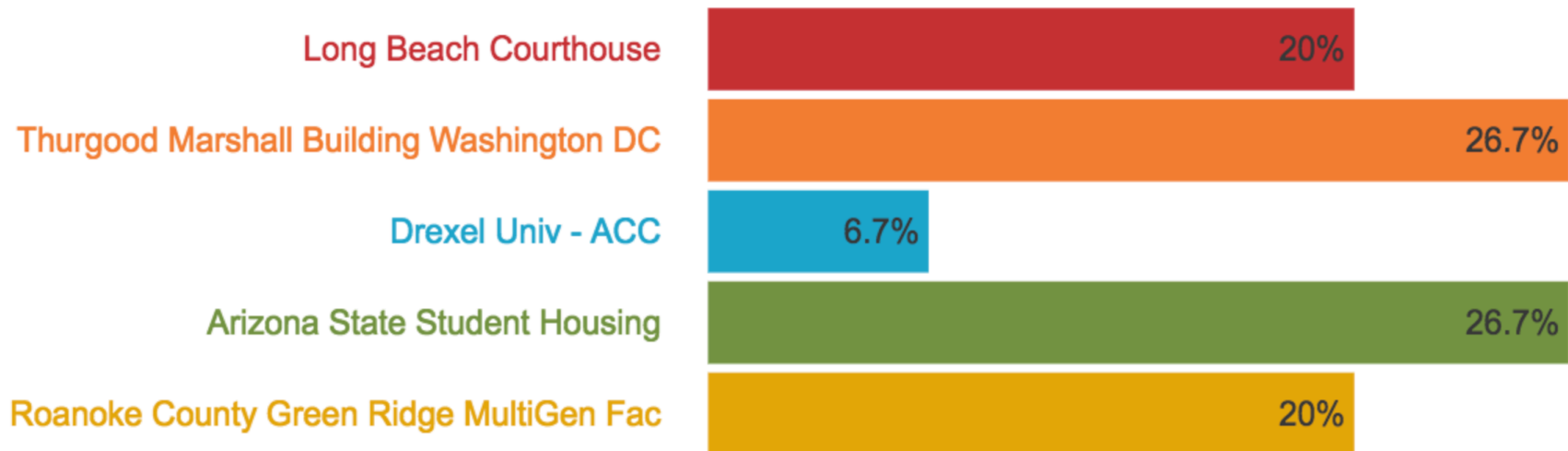
# Direct Poll Results – Afternoon Workshop

From a design firm's perspective, what challenges do they face?



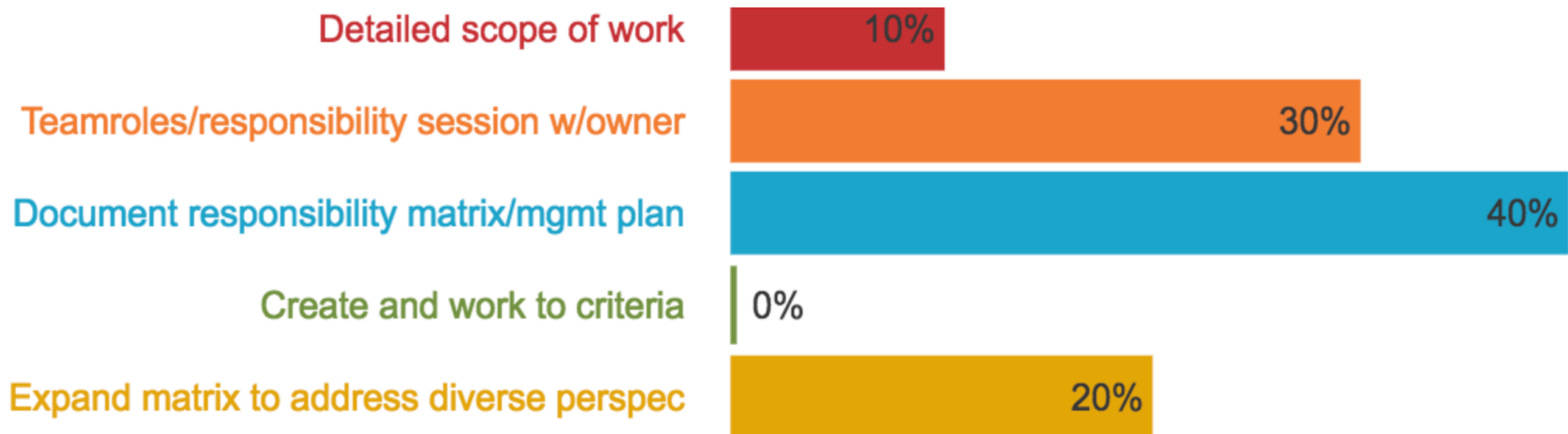
# Direct Poll Results – Afternoon Workshop

Who should you be looking at for precedents?



# Direct Poll Results – Afternoon Workshop

How do you figure out roles and responsibilities with so many different agencies and players?



# Acknowledgements/Credits

Phil Bernstein, Auto Desk ■ Adam Glaser, Benjamin's Desk  
Design-Build Institute of America

The National Council for Public-Private Partnerships

National Science Foundation ■ Urban Land Institute

Leslie Henslee and Ava Bravata Keating, Appleseed

Joe King, Booth Hanson ■ Emily Marthinsen

Survey Respondents

# Contact Information

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