

# Managing Public-Private Partnerships in New York

A Practical Guide and Process Map  
for Project Managers



## Message from Joan McDonald, Senior Vice President

EDC is proud to be the primary not-for-profit agency in New York City tasked with catalyzing economic growth and revitalization under contract to the city government. After 15 successful years, we possess a wealth of institutional knowledge related to managing public-private partnerships (P3). We could benefit, however, by having a standardized roadmap for how to effectively approach each project with the right questions in mind. This guidance booklet, prepared in partnership with HDR, Inc. and graduate students from the School of International and Public Affairs at Columbia University, presents experience-tested standards and a process map for managing our P3 projects. Employing case studies from past EDC projects and others from elsewhere in the United States, this document and map have been developed as a means to distill this knowledge into a useful framework that can be adapted for any P3 project. While by its very nature it is only a starting point for the planning and management of any project, our hope is that it will be a useful tool for program managers at all levels of EDC. I believe tools such as this can inspire the type of diligence and responsibility to the public on which our professional reputation and ongoing success depends.

## The Need For Public-Private Partnerships

The Economic Development Corporation (EDC) serves as the catalyst for economic growth in New York City by encouraging and facilitating investment that attracts, maintains and sustains new jobs, higher incomes and broader social benefits. More specifically, EDC finances real estate development to expand or relocate businesses, supports transportation and infrastructure development projects, and initiates neighborhood and community redevelopment in each of the five boroughs. Many projects require resources and expertise that exceed available city and state government capacities so public-private partnerships (P3's) are an important alternative. Indeed, partnerships with the private sector are among the most viable solutions for sustainable job creation and future economic growth.

EDC has a long history facilitating such development in the city, and its involvement in projects ranges from full ownership to partial sponsor depending on the nature of the project. Increasingly, complex P3's are becoming one of its most important forms of shared economic development. As opposed to privatization or outsourcing, a P3 arrangement allows EDC to intermingle public and private assets while maintaining oversight of the project's inception, implementation, and development. The responsibilities attendant to this role demand an active institutional memory and informed project management tools that leverage EDC's past experience.

One of EDC's major roles is to facilitate the use of public incentives to spur projects with public benefit that may have been otherwise unattractive to a private developer. As a quasi-public agency, however, EDC is responsible for assessing, analyzing and advocating for the public benefit. At the same time, EDC is uniquely positioned to collaborate with a diverse group of specialists and experts in private sector development in order to share best practices and ensure the success of future P3 projects. P3 projects across a range of sectors have brought considerable benefits to New York City, and this type of development is central to the mission of EDC.



## Challenges facing Public-Private Partnerships

Since EDC-sponsored P3 projects take many forms – from waterfront revitalization to the development of commercial office space to sector-based initiatives such as the new bioscience campus at East River Science Park – the nature and complexity of each project can vary significantly. Some of the variables which present challenges and obstacles for a project manager are the project's size and scope, the diversity and number of relevant players and stakeholders, and the project's time horizon.

Sequencing and coordination are critical. From the onset a project manager must identify and organize relevant stakeholders, acknowledging their different needs and resources, and comparative strengths and weaknesses. In order to realize goals that are truly shared by both public and private stakeholders, these groups must be informed and involved throughout the project in a carefully ordered and politically cognizant manner.



**FARLEY-MOYNIHAN STATION,  
NEW YORK, NY**

Opposite Pennsylvania Station in Manhattan, the James A. Farley Post Office building will be linked to the station, forming one of the world's largest transportation hubs by 2009. With over \$500 million in public costs and \$1 billion in private investments, managing this project effectively has required careful research, planning, and consensus-building.

Physical design constraints, post 9/11 security issues, and wavering stakeholder support led to unforeseen costs and project delays. To revive the project, managers at EDC and the Empire State Development Corporation re-engineered the project plan to address these challenges and ensure supportable uses and new commitment from partners.

Ensuring this political support and proper compliance with local review processes such as ULURP and CEQR, requires that partners be brought to the table early and often, and public opinion solicited through both outreach and public hearings and effective media use. Project managers must work to maintain the original intent of the project as perceived by all parties and not simply the sponsors.

One of the most critical challenges is to execute a competitive and transparent procurement. Private competition in the procurement process minimizes the risk to EDC while maximizing the returns on the project. However, a major challenge can arise in procurement as the EDC must develop relationships with private partners leading up to this stage, but it must eventually form only one partnership. EDC must comply with ULURP and other local processes, and therefore must carefully manage relationships and expectations throughout the P3 process.

Ultimately, EDC project managers and senior staff must provide the leadership necessary to keep all stakeholders working towards the realization of shared goals, while understanding and managing many challenges along the way.

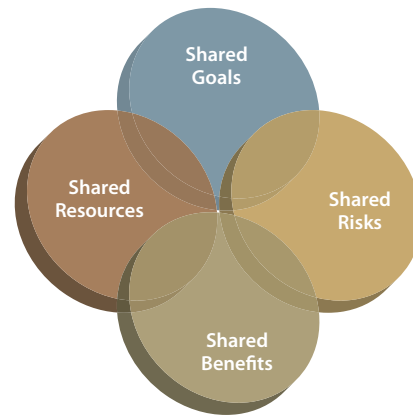
## Importance of Effective Program Management

An essential feature of leadership is effective management, and public sector managers face unique responsibilities and constraints. While private projects succeed and fail on a regular basis, the public trust bestowed upon elected officials and the agencies under their management results in more intense scrutiny of government-sponsored projects.



For a P3 project manager, public and media expectations, legal challenges and changing market conditions all need to be properly managed. This requires an ability to evaluate and mitigate risk, compare alternative approaches or projects, control costs, adapt to changes rapidly, communicate with all stakeholders (including taxpayers) and ensure the compliance of the project and the activity of all of its partners to applicable laws, contract provisions and regulations. Project managers must delegate effectively, understand the perspectives of others, and to apply best practices in data management and decision modeling to dynamic and evolving projects.

Project managers at EDC must manage many individual tasks at once while keeping sight of the big picture. They are the center of a network of professionals who must be strategically deployed, informed, and negotiated with at various points in the development process. As stewards of the public interest and custodians of the project's goals, Project Managers must also deliver projects at the lowest cost, of the highest quality, and of the most lasting value to the City of New York. EDC's success in achieving these aims has a lasting effect on our reputation and our ability to garner financial, political, and private partner support for future endeavors.



## Shared Goals, Risks, Resources & Benefits

Although every public-private partnership that EDC undertakes is unique, the keys to each P3 are *shared goals, resources, risks, and benefits*. Once all parties agree to the goals of the project, each must consider its level of participation in each phase, costs associated with this position, and the suitable level of control and responsibility. This is a negotiated process which evolves until the project reaches procurement and a contract is awarded and signed.

Both EDC and its private partners will incur a certain level of risk and this should be allocated to each based on its ability to manage or mitigate it. Private partners are usually willing to shoulder additional risk for an increased share in benefits.

EDC can offer specific incentives such as land, expedited permitting and licensing procedures, tax incentives and a seed budget for project development. In exchange, private partners can provide specific expertise, capital and technology. This mix must be based on a calculated allocation of returns to each partner. Tools such as a risk matrix or cost-benefit analytical software can be used to quantify risk and return.

The key to risk allocation and management is to balance each type of risk with appropriate reward and constantly revisit and update the matrix as the P3 process moves forward. This can only be achieved by engaging the partners and building consensus.



## Setting a Framework

Our P3 PM<sup>SM</sup> framework has six distinct phases:

Genesis	<b>Genesis:</b> What need in the community drives this project? Is a P3 most appropriate?
Feasibility	<b>Feasibility:</b> Is a P3 financially and practically feasible?
Plan & Test	<b>Plan and Test:</b> Has this project been tested for potential "fatal flaws"? Have market conditions and stakeholder impact been fully considered?
Procure	<b>Procure:</b> What is the best method to choose the best-value private partners? Have relevant statutory constraints been considered?
Implement	<b>Implement:</b> What is the best delivery method for the project? How should the project be financed, designed, built, operated and maintained?
Operations	<b>Operations:</b> How well is the operation running? Has the private sector partner fulfilled its obligations, or do any changes need to be negotiated?



42ND STREET,  
NEW YORK, NY

Times Square, New York's historic theater district, had become a drain on New York City's resources as crime and blight spread throughout the area through the 1980's. Today the area bustles with 5000 new theater seats and dozens of commercial outlets and businesses, generating \$4.2 billion in economic activity for NYC and the State of New York.

The Times Square Redevelopment project is a testament to the importance of identifying and focusing on major milestones. The project ran over 20 years, and involved complex legal, financial, and design parameters. Despite management turnovers, the objectives of the project did not change. Project goals were clear from the beginning, giving new managers the guidance necessary to maintain the original vision.

## Establishing Major Milestones

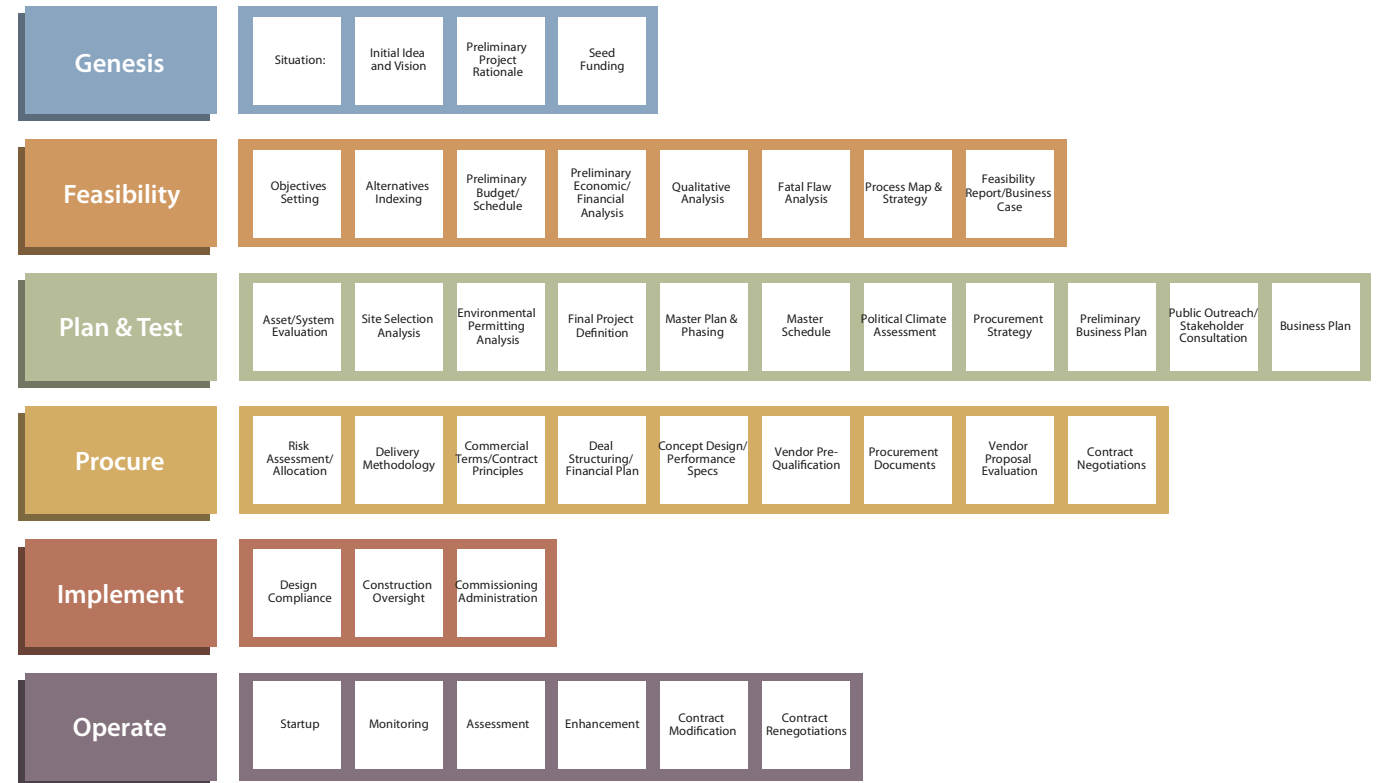
Given the complexity of P3 projects, the effort required to appropriately divide risks and responsibilities, and the many players needed to successfully complete a partnership in New York City, the P3 development process must be carefully mapped.

As outlined in this booklet, a well-designed process map should identify major benchmarks to measure performance throughout the P3 process. The framework illustrated through this booklet identifies six key phases – Genesis, Feasibility, Plan & Test, Procure, Implement and Operate. This framework has been developed and tested by P3 practitioners and is consistent with EDC's own experiences on numerous projects as illustrated in the sidebars.

Following these phases in the appropriate order will help the project managers ensure that projects are being designed and planned well and are staying on-track throughout the project cycle. To assist the project manager, each phase is further divided into concrete tasks and milestones, such as those outlined in the detailed map on the opposite page.

Every P3 project that EDC undertakes is unique, and milestones will vary from project to project, but the basic framework and process of benchmarking milestones is crucial to a successful project.

## Process Milestones Breakdown





#### METROTECH, BROOKLYN, NY

Bold vision lies at the heart of MetroTech, a 4.7 mil. sq. foot academic, commercial, and high-tech office complex in downtown Brooklyn. MetroTech has catalyzed economic growth in the surrounding areas and changed the face of Brooklyn.

Originally conceived as a large back-office computing facility in the early 1980's, the project had to be adapted for new uses as technology made such facilities unnecessary. Thus the project highlights the importance of customizing project objectives to match the demands for use which may change based on market conditions. For projects with long time-horizons such as this, it is as important to be flexible to meet the needs of a changing mix of project players and uses over time.

## Participation of Project Players

Either as a project's owner or sponsor, EDC is responsible for identifying and coordinating a diverse group of stakeholders and project team members. For each project this group is unique so it is important that the program manager take time to consider who needs to be involved, how they will be involved and when this will take place.

Stakeholders, broadly speaking, are interest groups whose relationship to a given project is generally defined by an economic or political motive, and in New York City, these groups are especially well-mobilized and resourced. Projects in NYC, must address the interests and concerns of city agencies as well as state and federal agencies; interest groups such as historical, environmental and other public interest organizations; developers and their teams; and also the public and community at large. If each stakeholder is not properly consulted and informed of the project as it evolves, any one can potentially derail its development. Likewise they are also essential participants for a successful outcome.

The project team, by contrast, consists of politically neutral professionals with technical expertise. This team should include experts in risk management, contingency planning, market forecasting, outreach and public relations, economic and financial analysis, contracting and the law, procurement and project monitoring and evaluation. Each role must be explicitly defined by the program management, and mapped along with the project's milestones. Successful projects have qualified experts whose role is well-defined and limited to their respective expertise.

With a carefully prepared process map, EDC project managers can define the specific tasks needed to achieve each milestone, identifying precisely what the project team needs to accomplish at each point and how to manage stakeholder involvement. Given the complexity of most P3 projects, the process map is an essential management tool that will help ensure a successful outcome.



## Customization to Match Objectives

Although the P3 phases and major milestones outlined in this booklet apply to the majority of public-private partnerships that EDC engages in, many projects require adjustments and additional milestones that address project-specific needs. For these projects to succeed, partners must clearly identify and understand all objectives specific to the project, and work together to integrate these unique needs.

In some cases, the uses for the proposed site may change based on market conditions. Economic factors can make a once-feasible design impractical, especially where projects extend over long periods of time. In such cases, project managers must be cognizant of the changing conditions, revisit old analyses and question previous assumptions. In the end, it is the manager's responsibility to ensure that the project is meeting its stated objectives efficiently, effectively and accountably.

Despite their complexity, successful P3's can provide high-value benefits to the public. However, effective managers must employ a methodical strategy such as that described here and tools such as the following process map to succeed with a P3.

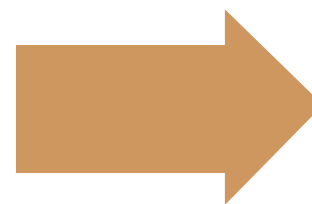


Message From Mayor Bloomberg:

“New York City has historically been a place where entrepreneurs have come to start their businesses and established companies from around the world have come to tap into the City’s unmatched potential and resources.

This administration affirms its commitment to the business community by promoting business-friendly initiatives to encourage job growth, expansion and re-development.

I invite you to take advantage of the many services NYCEDC can provide to support the growth of your business in New York City.”



## EDC Mission

New York City Economic Development Corporation’s mission is to encourage economic growth in each of the five boroughs of New York City by strengthening the city’s competitive position and facilitating investments that build capacity, generate prosperity and catalyze the economic vibrancy of city life as a whole.



Joan McDonald, NYCEDC, John Williams, HDR, Inc., and students from Columbia University's School of International and Public Affairs (SIPA) who collaborated on the making of this booklet.

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