

# CREATING VALUE THROUGH COOPERATION

***PUBLIC-PUBLIC PARTNERSHIPS***

***The Other PPP***

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**Guidance for Governing**

***Real Estate Advice, Valuation, Strategies & Solutions***

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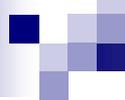
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# WEALTH IN THE PUBLIC SECTOR

## WEALTH CREATION – A COMMON GOAL

- WEALTH OF A NATION = SUM OF THE COLLECTIVE RESOURCES OF COMPONENT REGIONS AND LOCALITIES
  
- NATIONAL, REGIONAL & LOCAL GOVERNMENTS EACH HAVE A VESTED INTEREST IN CREATING WEALTH:
  - LOCAL ECONOMY HEALTHY = REGION HEALTHY
    - REGIONS HEALTHY = NATION STRONG
  
- ECONOMIC DEVELOPMENT IS A GRASS ROOTS PROCESS
  - Each Job created in a town/city add to GDP of Region and Nation
  
  - Economic Development requires support from all levels of government

***WEALTH CREATION  
GUIDING PRINCIPLE FOR ALL DECISIONS***



# HOW TO CREATE & MAXIMIZE WEALTH

- CONTINUALLY MONITOR & MANAGE RESOURCES
- LEVERAGE (USE OTHER PEOPLE'S RESOURCES)  
CONSERVING OWN RESOURCES
- MANAGE RISK –SPREAD, SHARE OR TRANSFER IT  
WHENEVER POSSIBLE
- RAPIDLY RECAPTURE & TURNOVER CAPITAL
- ENHANCE VALUE

# PUBLIC-PUBLIC PARTNERSHIPS

## PUBLIC-PRIVATE PARTNERSHIPS

*Risk sharing contractual relationship between Public & Private Sector entities to use the Private Sector to provide a property associated public outcome (e.g. build/renovate/operate property for public purpose)*

## PUBLIC-PUBLIC PARTNERSHIP

*A cooperative relationship between levels of government that is intended to leverage the resources of each for the mutual benefit of both.*

### LEVELS & UNITS OF GOVERNMENT HAVE DIFFERING:

- ROLES
- RESPONSIBILITIES
- FUNCTIONAL AUTHORITIES
- EXPECTATIONS

**EACH LEVEL OF GOVERNMENT HAS THE ABILITY, INCENTIVE & RESPONSIBILITY TO CREATE PUBLIC WEALTH, LEVERAGE VALUE & FOSTER ECONOMIC DEVELOPMENT**

# THE ESSENTIALS

- KNOW WHAT YOU CONTRIBUTE
- KNOW YOUR ROLE & RESPONSIBILITY
- KNOW WHAT YOU WANT - KNOW WHAT YOU NEED
  - DEFINE SUCCESS
- DEVISE METRICS TO MEASURE SUCCESS
- EXPECT/SEEK REWARDS (BENEFITS) COMMENSURATE WITH
  - CONTRIBUTION
  - BURDENS
  - RISK

# THE SITUATION IN SERBIA AN ADVERSARIAL ENVIRONMENT

## ■ MILITARY

- FUND REFORMS (HOUSING FOR PERSONNEL & RETIREES) FROM PROCEEDS OF SURPLUS PROPERTY SALES
- GOAL: **MAXIMIZE** PRICE

## ■ MUNICIPALITIES

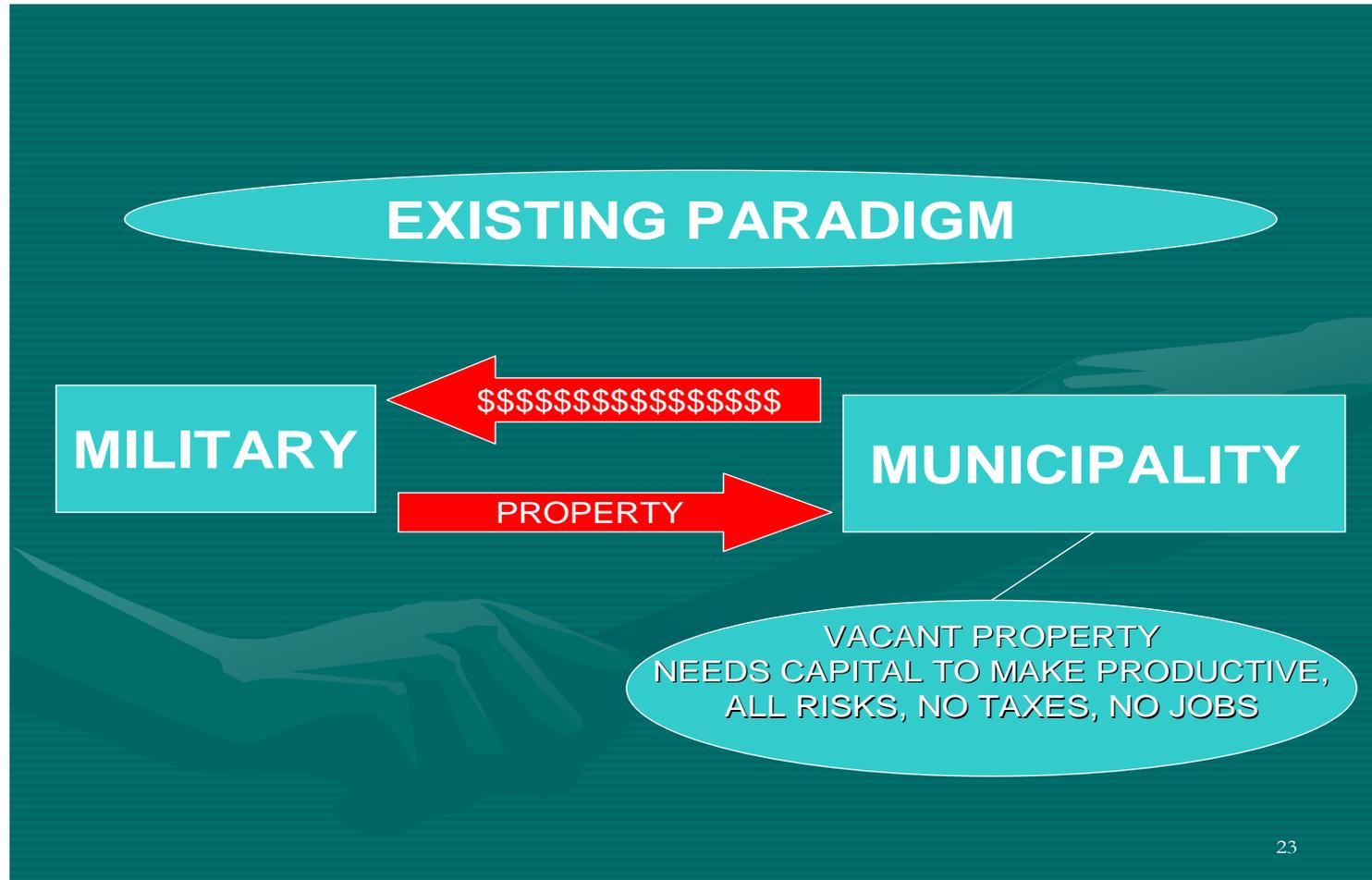
- PRE-EMPTIVE RIGHT TO ACQUIRE AT A NEGOTIATED PRICE FOR PUBLIC USE OR ECONOMIC DEVELOPMENT
- GOAL: **MINIMIZE** PRICE

**VIRTUAL ADVERSARIES IN ZERO SUM GAME**

# THE RESULT IMPASSE

- **DESPITE:**
  - High Unemployment (2010 - 19%; 30% in Provincial cities)
  - Critical Need for Economic Growth After Years of U.N. Sanctions
  
- **PALPABLE MUTUAL MISTRUST & FRUSTRATION BETWEEN MILITARY & MUNICIPALITIES**
  - Relations Strained
  - Communication ineffective
  - No Meeting of the Minds on Value
  - Transactions Languishing & Stalled

# SERBIA EXISTING PARADIGM





# **SOLUTION**

## **ALLIES NOT ADVERSARIES**

- **REPOSITION MOD & MUNICIPALITIES AS ALLIES PURSUING COMMON GOALS/OBJECTIVES**
  - Military controlled large strategic properties in key locations vital to local economic development
  - Municipalities had leverage - ability to enhance or diminish value through permitting, zoning & land use controls & offsite improvements
  - Create wealth for Serbia through cooperation to attract international investment

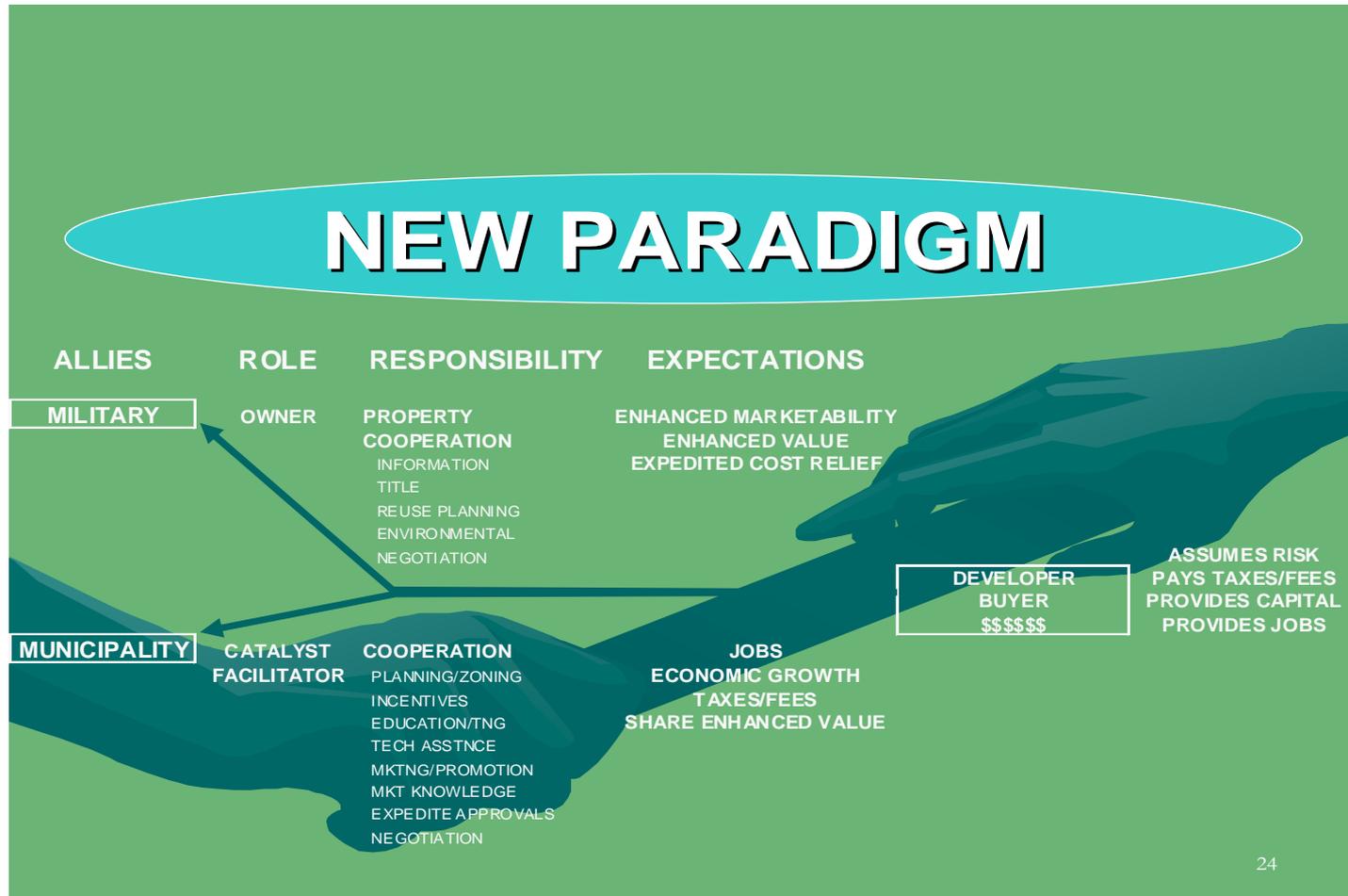


# **SOLUTION**

## **ALLIES NOT ADVERSARIES**

- **COOPERATE TO ENHANCE VALUE & ATTRACT PRIVATE INVESTMENT**
  - Re-Define Relationship, Roles, & Responsibilities
  - Link success & performance measures of each to the other
  - Build trust & confidence in a Process rather than individuals or organizations
  - Confidence begins with VALUE, whether contributed or created that is
    - Measured Uniformly
    - Determined Accurately
    - Distributed Equitably

# SERBIA – NEW PARADIGM



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# LOCAL GOVERNMENT ACTION AFFECTS VALUE EXPEDITED PERMITTING – TIME IS MONEY!

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
OUT OF POCKET EXPENDITURES	-\$100,000	-\$100,000	-\$500,000	0	0
REVENUES	0	0	0	\$750,000	\$900,000
<b>VALUE</b>	<b>\$520,000</b>				

## ELIMINATE 1 YEAR UP FRONT CARRYING COSTS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4
OUT OF POCKET EXPENDITURES	-\$100,000	-\$500,000	0	0
REVENUES	0	0	\$750,000	\$900,000
<b>VALUE</b>	<b>\$675,000</b>			
<b>VALUE INCREASE</b>	<b>29%</b>			

# LOCAL GOVERNMENT ACTION AFFECTS VALUE

## ZONING CHANGE

		APARTMENTS				MIXED USE			
	Units					Units			
Apartments	77	\$5.60	650	\$280,280		62	\$5.60	650	\$225,680
Office				\$0		5000	\$17.00		\$85,000
Retail				\$0		5000	\$20.00		\$100,000
Gross Income				\$280,280					\$410,680
Expenses	50%			\$140,140		50%			\$205,340
Net Income				\$140,140					\$205,340
Capitalization Yield		10.00%		\$1,401,400		10.00%			\$2,053,400
Renovation Costs		\$15.00		\$750,000		\$15.00			\$750,000
Profit		10.00%		\$140,140		10.00%			\$205,340
Residual Value				<b>\$511,260</b>					<b>\$1,098,060</b>
Increment in Value from Zoning				<b>\$586,800</b>					
Size	50,000								
Apt Size	650								
Rent	\$5.60								
Expense	50%								
Cap	10.00%								



## **MIZOD ZONING AN EQUITABLE SHARING OF BENEFITS & BURDENS**

- **Designed to forestall market forces undermining port interests**
- **Mixed residential and commercial use yields greater benefits to the City in certain redeveloping communities than the maritime uses MIZOD zoning intended to protect.**
  - **Ad Valorem Tax**
  - **Income Tax – Place of Residence rather than work**
- **Competition between land use – conflict local & regional interests**
- **Needed - equitable formula for sharing Port's economic rewards to adequately compensate the City for the burdens assumed and benefits foregone**

# MEASURING VALUE AS OPPORTUNITY COST

## PER ACRE COMPARISON OF LAND USES

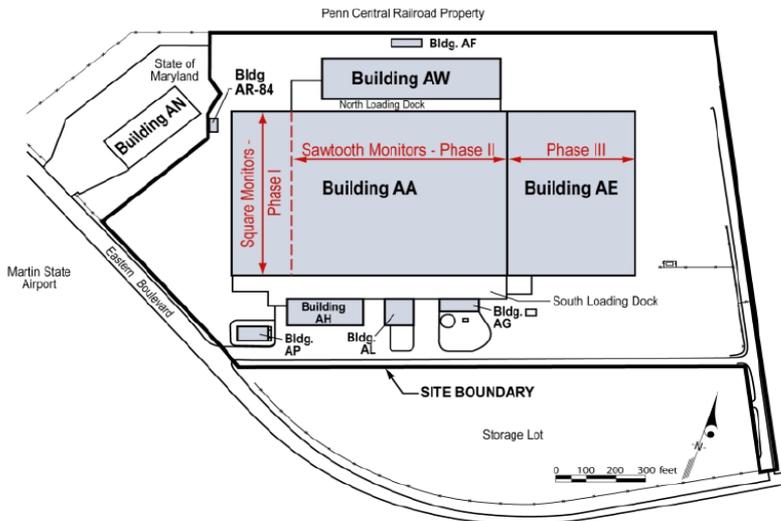
<b>LAND USE</b>	<b>Total* Jobs per Acre</b>	<b>Total* Output per Acre</b>	<b>Total* City Taxes Per Acre</b>
Manufacturing/Food Processing	49.8	\$15,678,512	\$68,288
Port Freight Services	1.6	\$147,597	\$9,777
Port Composite	8.7	\$911,716	\$32,187
Retail/Office	162.9	\$22,904,787	\$316,721
Residential	23.1	\$2,803,626	\$498,828

*\*Total is the sum of Direct, Indirect and Induced sources from Economic Analysis presented in Report*

# MIDDLE RIVER STATION AERIAL MAP



# MIDDLE RIVER STATION



Building AA - Phases I and II



Building AE Upper Level - Phase III



Building AA - Phase II



Building AE Lower Level - Phase III



# A FORMULA FOR SUCCESS

- CONSULTATION
- COORINATION
- COMMUNICATION
- CREATIVITY
- COMMON SENSE
- COMMUNITY NEEDS
- COOPERATION

# LINKS

- *“Charting The Future of Baltimore’s Industrial Waterfront”,  
Abell Foundation Report*

[http://www.abell.org/sites/default/files/publications/CD\\_BaltWaterfront\\_0109.pdf](http://www.abell.org/sites/default/files/publications/CD_BaltWaterfront_0109.pdf)

[http://www.abell.org/sites/default/files/publications/Appendix\\_BaltWater\\_0109.pdf](http://www.abell.org/sites/default/files/publications/Appendix_BaltWater_0109.pdf)

- *“Adversaries to Allies – Creating Wealth for the Republic of Serbia  
From Surplus Military Properties”, Real Estate Issues*

[http://www.cre.org/publications/38\\_3.pdf](http://www.cre.org/publications/38_3.pdf)

- CRE CONSULTING CORPS  
[http://www.cre.org/counseling\\_corps/index.cfm](http://www.cre.org/counseling_corps/index.cfm)

# THANK YOU



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