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Public Private Partnerships: Why Equity?

By **Cassia Sookhoo**

Colleges and universities nationwide are rethinking the delivery of strategic investments. The movement away from traditional financing and design-bid-build transactions is indicative of creative delivery methods involving public-private partnerships (P3s), which take many forms.



A number of these P3s are equity deals—deals in which a developer designs, builds, finances, operates, and maintains (DBFOM), ultimately owning the improvement or asset funded utilizing their own equity—leaving higher ed professionals curious why a school would opt for an equity deal given associations with a higher cost of capital and potential loss control.

In short, equity deals can provide a variety of features and benefits, including:

- A high-quality, attractive product that preserves a school's capital and debt capacity for mission-critical purposes
- A solution for unique target populations on campus that don't fall under the "traditional residential life experience" umbrella (e.g., upper-division students, graduate students, faculty and staff)
- A way to supplement the development continuum (i.e., with a more mature type of product)
- A product that can be of high quality, but because of economies of scale, can be delivered in a cheaper way
- A way to monetize what is often a campus edge property
- An opportunity to add product without upfront institutional capital and corporate debt

This is not to say that the potential loss of control isn't a factor with equity deals, simply that there are reasons certain schools in certain situations are attracted to this option. Also, because P3s are by nature multifaceted transactions, "loss of control" challenges of an equity deal can sometimes become favorable outcomes to protect the institution's financial, operational, budgetary, political, and reputational risks.

What does mitigating for the potential loss of control and for reputation concerns entail? Well, there are two types of "loss of control" that schools are generally concerned about with equity deals: design control and O&M control (operations and maintenance). To mitigate for the loss of design control...

Read the full article [here](#). The article interviews three professionals from the industry:

- EdR – Julie Skolnicki, Senior Vice President for University Partnerships
- ACC – Jamie Wilhelm, Executive Vice President of Public-Private Transactions
- Harrison Street – Michael Leonczyk, Vice President, Infrastructure Acquisitions Lead

What Has B&D Been Up To Recently?

It's been a season of thought leadership in the Higher Ed P3 space! We've been hard at work compiling data for this year's expanded "State of the Industry" report. The 2017 report focused on student housing. The 2018 report will *additionally* explore asset classes such as hotels, research and innovation centers, medical facilities, and more. The report is due out in early 2019, but [our interim presentation \(data through August 2018\) is currently available](#).



To read more about the Higher Ed P3 space, check out these recently published pieces on the Higher Ed P3 Resource Center:

- Tonya Neumeier, Vice President of University and Client Relations at COCM, [Managing P3s \(Part 2\)](#)
- Gary Stewart, Assistant Vice President at Cornell University, [Business and engagement for the common good](#)
- Sean Studzinski, National Principal for Residence Life, Stantec; Arturo Vasquez, San Francisco Design Principal, of Stantec, [How can P3s ease the student housing challenge in tight markets?](#)
- New infographic on [six challenges to consider when thinking of pursuing a P3](#)
- New article on [what opportunity zones are and how schools can benefit](#)

Our own Brad Noyes was also quoted in *Student Housing Business* talking about P3s, in the article, ["On-Campus Development: The story on-campus continues to be growth in P3 development..."](#)

We also presented at the P3 Higher Education Summit, with Brad Noyes and Jeff Turner discussing the "State of the Higher Education P3 Market: 2018 Update," Brad Noyes co-presenting "Politics in P3s—and How They Impact Risk Assessment," and Carrie Rollman and Kim Wright hosting roundtable discussions on "Creating a P3 to Fit Your Needs by Managing Institutional Priorities and Risks."

With all this activity in the P3 space, we were honored to yet again be named by P3 Bulletin as a Technical Advisor of the Year finalist. And a **huge** congratulations to the University of South Florida on winning [Best Education project](#) for [The Village](#). Serving as the advisor on this project was incredibly exciting, and we know it will continue transforming campus for years to come, alongside inspiring the higher education space.

B&D has three quarterly newsletters (Higher Education, K-12, and Venues). [Learn more.](#)

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