***Stimulating Real Estate Development through Public-Private Partnerships:***

***Assessing the perceived opportunities and challenges.***

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**Summary**

Public-private partnerships to encourage real estate development have been praised as a means of addressing many complex social problems such as affordable housing, urban renewal, and transit-oriented development. But such partnerships involve trust and negotiation of both private and public sector parties and the merits of these approaches have often be called into question by those who are concerned about limited citizen involvement, high transaction costs and disparities that exist in negotiating power. These concerns threaten to undermine the legitimacy of public-private partnerships and limit their use.

**Introduction**

Public-private partnerships are entered into by governments interested in utilizing their financial resources and regulatory powers in order to encourage private real estate development in a targeted geographic area. Entering into such collaborative relationships between government and the private sector are often viewed as solutions to solving complex social problems such as urban renewal and transit oriented developments. However, the benefits of these proposals have also been called into question by those who fear that public involvement will not be sufficient or that significant transaction costs such as negotiating exist. To look further into this concern that threatens to undermine the legitimacy of such partnerships, we examine attitudes of both public and private sector planners in a nationwide survey.

To date, planners’ attitudes about public-private partnerships in real estate collaboration have yet to be explored. In this paper, we systematically examine these attitudes that we believe are critical to the success of such ventures. Data was collected from over 1400 American Planning Association members who responded through an internet survey in the summer of 2009. A series of empirical models then estimates the extent to which planners attitudes are influenced the sector they work in, their age, education, race, gender, and political ideology.

The aim of the study is to examine the following research questions:

1. How does the sector of employment affect planners’ attitudes about public private-partnerships in real estate development to the extent professionals working for private firms are influenced by market forces to a greater degree than those working in government?

2. How do personal characteristics of planners such as age, race, gender, political ideology affect planners’ attitudes about public-private partnership in real estate development?

Table 1 *Descriptive Statistics*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | Mean | Standard  Deviation | Minimum | Maximum |
| Liberal | .41 | .49 | 0 | 1 |
| Moderate | .47 | .50 | 0 | 1 |
| Age | 3.5 | 3.5 | 1 | 6 |
| Education | 3.7 | 3.7 | 1 | 4 |
| Male | .60 | .57 | 0 | 1 |
| Caucasian | .91 | .91 | 0 | 1 |
| Public Sector | .73 | .73 | 0 | 1 |
| H1: Government Should Seek Out PPPs | 3.1 | .74 | 1 | 4 |
| H2: Government Should Seek Public Input | 3.3 | .73 | 1 | 4 |
| H3: Monitoring Costs are Problematic | 2.5 | .75 | 1 | 4 |
| H4: Negotiating Costs are Problematic | 2.5 | .74 | 1 | 4 |
| H5: PPPs Benefit Disadvantaged Groups | 2.4 | .74 | 1 | 4 |
| H6: PPPs Encourage Diversity | 2.5 | .75 | 1 | 4 |

**Results**

Table 1 illustrates the average response for each statement on a scale of 1-4, where “1” is strongly disagree, a “2” is somewhat disagree, a “3” indicates somewhat agree and a “4” means the respondent strongly agrees. Table2 demonstrates the frequency distributions for the responses for each of the six statements.

Table 2 *Frequency Distributions for the Responses to All Six Statements***[[1]](#footnote-1)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Response | H1 | H2 | H3 | H4 | H5 | H6 |
| Strongly Disagree | 41  (3%) | 20  (2%) | 94  (7%) | 107  (8%) | 148  (11%) | 126  (9%) |
| Somewhat disagree | 208 (15%) | 181 (13%) | 601  (42%) | 628  (45%) | 622  (45%) | 579  (42%) |
| Somewhat agree | 732 (52%) | 589 (42%) | 557  (40%) | 527  (39) | 532  (39%) | 575  (42%) |
| Strongly agree | 414 (30%) | 605  (43%) | 125 (9%) | 106  (8%) | 67  (5%) | 91  (7%) |

*Collaboration*

When we asked both public and private sector planners if “Local government should actively seek out opportunities to collaborate with real estate developers,” we find that about eighty-two percent of those surveyed agreed with this statement (See table2). We also find that public sector, moderate and liberal, and female planners are more likely to “strongly agree” with this statement than “somewhat agree” than their counterparts. The finding about sector is of interest because it demonstrates that the private sector is more tolerant of risk and motivated by market forces to a greater degree than those who work for government.

*Accountability*

In order to better understand attitudes about the perceived need to involve the general public in public-private partnerships, planners we asked if the agreed with the following statement: “Successful public-private partnerships require substantial input from the general public.” While the majority of planner agreed (85 percent) with this statement, we found that only if the planner identified with being a “liberal” or “moderate” were they even more likely to strongly agree with this statement (See table 2).

*Transaction Costs*

Planners were asked if they agreed about how transaction costs affected the adoption of public-private partnerships using two statements: “The cost of monitoring the activities of developers discourages local government from participating in public-private partnerships” and “The cost of negotiating contracts discourages local governments from participating in public private partnerships.” Planners were much more split about whether they agreed or disagreed with these statements. For monitoring and negotiating costs, only about half of the planners surveyed agreed that they discouraged public-private partnerships (See table 2). Older more educated planners were more likely to *disagree* that monitoring and negotiating costs were problematic. In other words, they did not believe that the transaction costs associated with monitoring and negotiating public-private partnerships were impediments in the process.

*Social Equity*

Finally we asked planners about the use of public-private partnerships to benefit the economic disadvantaged and to encourage socio-economic diversity. Again, planners overall were split about whether they agreed or disagreed with this statement (See table 2). Moderate, younger and Caucasian planners were less skeptical about public private partnerships benefitting disadvantaged groups and encourage diversity

**Conclusions**

This piece demonstrates the importance of understanding individual values in order to help improve overall trust and collaboration in both sectors. Overall, this study finds that Planners’ were uniformly in favor of local governments seeking out PPPs and involving the general public in their formation. However, planners varied greatly in their attitudes about barriers/benefits of such partnerships depending on professional/personal attributes (ideology, race, gender, age). Public sector planners are less supportive of these efforts on the part of governments to actively pursue these relationships. The results of the empirical analysis suggest diversity in the planning profession is one means of ensuring citizen preferences are taken into account when public-private partnerships are formed because attitudinal differences appear to exist across planners with diverse demographic characteristics. The potential impact of diversity in the planning profession must, however, be evaluated in conjunction with attitudes about the appropriate role of government in real estate development projects.

1. Results rounded to the nearest full digit, entire sample. [↑](#footnote-ref-1)