

FAQ 9 Public/Private Partnerships :

Could a public/private partnership enhance this project?

The original [request for proposals](#) for this project included a goal to “Identify opportunities for private development or public/private partnerships. Mixed-use development is encouraged.” Public/private partnerships can offer a collaborative approach for municipal buildings where the City and a private entity could share in the risks, rewards, and responsibilities for delivering a project or service. Through the course of the Community Campus Committee discussions, the Committee has de-emphasized this goal for the primary reasons:

1. City Needs – Due to the space needs of the three function areas of the City and the scope of the Community Campus Plan, which has been underway for 6 years, the Committee determined there was a need to prioritize the City functions in this plan. The goal was that once the City’s needs were met, there may be land/buildings remaining that could involve a public/private partnership (for example, if there is a building remaining, the City may wish to lease it to private entities).
2. Financing – Federal law restricts the use of tax-exempt general obligation financing for projects with a private component or benefit. When issuing tax-exempt debt, the City must make assurances that none of the funds will be used for a project in which a private entity has additional rights or benefits beyond those of the general public. Inclusion of space that would be leased or sold to a private business or individual would likely require the City to issue taxable general obligation debt for the project at a higher interest rate, increasing the overall cost.
3. Operating Constraints - A developer has approached the City about building a redevelopment project that could include space for the City to lease or own (as a condominium portion of the building). Due to state-imposed levy limits, leasing space would be challenging for the City to accommodate in its operating budget. Generally, it is advantageous to finance capital projects through borrowing, as debt service is excluded from the levy limit. Additionally, due to the availability of low tax-exempt interest rates, it is typically better financially to purchase rather than lease long-term capital assets. The City may wish to pursue owning a portion of a new condo building, but this would result in reduced control over the project moving forward (see Commercial Real Estate FAQ for more information).

At the Council’s direction, City staff could work with them to develop feasible options for a public/private partnership.