MEMORANDUM

SUBJECT: Public-Private Partnerships White Paper

DATE: September 14, 2020

TO: Planning Commission Working Group

FROM: Thomas Wysong, Senior Planner
       Terry Costello, Deputy Zoning Administrator/Senior Planner
       Office of Economic Development

SUBJECT: Engage 2045 Comprehensive Plan Update-Economic Development Chapter, Public Private Partnerships Briefing Paper

Introduction

At the May 6, 2020 meeting, the Planning Commission Working Group (PCWG) raised public-private partnerships for economic development as a point of interest. In particular, the following questions were raised for future discussion:

- Could the County take a broader or more proactive approach on potential projects that might have substantial public benefit (such as revitalization of Toano) that might be on properties other than those that are on County land?
- Should there be weighting and scoring criteria - much like we use for CIP - to identify projects or geographic areas that could benefit the project and the County in such a partnership?
- If so, should the Office of Economic Development (OED) spearhead an effort to assist the developer and bring economic resources and potential investors to the table?
- What are best practices in other jurisdictions in Virginia or nationally where this concept works?
- What does the research indicate are the best practices regarding these partnerships? What examples show these practices being instituted?

The intent of this paper is to provide information on how James City County approaches economic development public-private partnerships, as well as how this approach compares to other localities within the Commonwealth. This information is intended to provide context for the PCWG to discuss the questions listed above.

Overview

In the adopted 2035 Strategic Plan, one of the County’s seven goals is to diversify and expand the local economy. A public-private partnership is one of the tools utilized by the County to accomplish this goal. A public-private partnership is a contractual relationship in which the public and private sector agree to share the risks and rewards associated with a public asset. The Urban Land Institute in their report *Successful Public/Private Partnerships from Principles to Practices* (2016) identifies three types of PPPs:

1. PPPs that facilitate development of a real estate asset or community area;

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2. PPPs that provide critical infrastructure; and
3. PPPs that monetize public assets for public benefit.

In James City County, these partnerships have granted the County the ability to diversify economic development opportunities by combining County resources with private investments. James City County typically employs a more traditional, low-risk approach to public private partnerships, in which a publicly owned parcel is made available for private commercial development. All current partnerships within the County are related to tourism and recreation. These partnerships have allowed the County to maximize investment on existing land that previously had low returns on investment.

Benefits and Limitations of Public-Private Partnerships

There are a number of benefits typically associated with public-private partnerships. These benefits include the transference of project risk to private partners, greater price and schedule certainty, more innovative design and construction techniques, the freeing up of public funds for other purposes, quicker access to financing for projects, and project debt being kept off government books. Public-private partnerships are also limited in certain regards. Common limitations associated with these partnerships include increased financing costs, the greater possibility for unforeseen challenges, limited flexibility for the involved municipality, new risks from complex procurement processes, and a lack of qualified bidders.

Existing Best Practice #1: Public Ownership of Land With Privately-Owned Facility

This is the only partnership model that the County has used to date. In this model, the County owns the underlying property, and allows a private operator to construct or operate a facility on the land. This model reduces risk because the ownership of the property remains within the County. Furthermore, the County retains the investment if the partnership were to dissolve. Current examples of this model of public private partnership within James City County are as follows:

- Billsburg Brewery at the James City County Marina
- WISC at the Warhill Sports Complex
- Go Ape at Freedom Park

The Return on Investment (ROI) for these facilities can be quantified in terms of the income they produce and more generally, their contribution to the business friendly climate of James City County. The Billsburg Brewery provides lease payments to the County in exchange for its operating space, while a certain percentage of sales are contributed to the County from the Go Ape facility. Since the County maintains ownership of the property in these instances (with the firm responsible for development), the County’s risk level is low. Having established partnerships such as these also benefits the County in a general sense. The County establishing itself as a faithful public sector partner provides credibility for developers. Furthermore, private sector investors can be better-capitalized and complete projects in a timelier manner.

This model of public-private partnership is employed in other localities within the Peninsula. A prominent example is the Boo Williams Sports Complex in Hampton, which has been in operation since 2007. This facility was developed by private investors on land owned by the Economic Development Authority of Hampton. The original cost of the facility was $11 million, with an agreement for the investors to own the facility for 10 years. In 2017, the City of Hampton purchased the facility for its assessed value of $9.2 million and had to designate additional funding for improvements.

There are also variations of public-private partnerships that expand beyond the scope of the format utilized in James City County. Elsewhere in the Peninsula, the City Center in Newport News created a 54-acre high-density mixed-use development in the center of the city. This development, completed in 2009, had a $425 million total project investment at 10-year build out that included $184 million of private investment as of 2007. The City of Newport News owned the land for this development.
Reston Station in Fairfax County is an example of a transit-oriented development (TOD) that resulted from a more intricate partnership. In this instance, Fairfax County collaborated with a private developer, Comstock, for the development of the Wiehle Avenue Metro Station parking garage to support the Silver Line portion of the rail to Dulles Airport. The plan was approved in 2018, and construction has begun for Phase I of the project. In exchange for developing the garage (and financing a portion of it), Comstock received the right to build mixed-use development above the garage facility, with an annual rent payment to the County for the space.

**Existing Best Practice #2: Infrastructure Upgrades or Extensions**

In addition to the low risk model of the public-private partnership utilized by James City County, the County seeks to support economic development through upgrades and extension of infrastructure in areas linked to economic and community development projects. The County has also undertaken projects that benefit an area which is not linked to a specific development, but which may provide progress for future development in that area. Roadways and transportation infrastructure are common examples of improvements that help spur economic and community development, as well as projects supporting workforce and affordable housing. Three prime examples of this approach are the planned improvement of infrastructure within Toano, the redevelopment of the Forest Heights neighborhood, and the development of Ironbound Square.

The County has applied for and received funding from the Virginia Department of Transportation’s (VDOT) revenue sharing program for improvements along Route 60 (Richmond Road) within Toano. The proposed project includes the new construction of bike/ped accommodations and ADA upgrades, as well as the construction of a storm drain system and other improvements to address safety hazards and drainage deficiencies. The County secured $739,117 of funding from VDOT for this project.

In 2011, the Board of Supervisors initiated the rezoning and redevelopment of the Forest Heights area with the Office of Housing and Community Development (OHCD) leading public outreach and the effort to secure necessary funding. OHCD succeeded in obtaining federal funding through the Community Block Development Grant program offered by the Department of Housing and Urban Development (HUD). The Planning Division succeeding in obtaining state funding for 50% of the street improvements through the Virginia Department of Transportation revenue sharing program.

As a result of these grants (and programmed funding from James City County), the County succeeded in improving the Forest Heights neighborhood in a number of ways. Specifically, the County coordinated infrastructure improvements, including addressing previously uncontrolled and untreated drainage and stormwater; upgrading water and sewer mains; realigning, widening, and paving Forest Heights Road and Neighbors Drive; implementing safety improvements to Richmond Road; adding open space and pedestrian amenities; and providing streetlights and street trees. The proposed project also included the rehabilitation of homes (including energy audits and energy efficiency improvements), the construction of new affordable housing, and the demolition of vacant, dilapidated dwellings. The county has collaborated with Habitat for Humanity Peninsula & Greater Williamsburg chapter in this effort. Habitat for Humanity has constructed nine of the housing units located within this neighborhood and has proven essential in the process due to their ability to raise capital and mobilize volunteers.

The redevelopment of Ironbound Square is another example of the County facilitating infrastructure development for economic and community development. This project was designed to assist households with housing rehabilitation, replacement, or relocation, to coordinate the demolition of dilapidated, substandard structures, and to upgrade the neighborhood park. With regard to financing, Neighborhood Development (formerly known as OHCD) secured $1,384,000 in Community Development Block Grants (CDBG), as well as approximately $3 million in private, local, state and other federal funds. To date, 27
houses have been rehabilitated, 24 blighted structures have been demolished, a 67-unit senior housing apartment complex is fully occupied, and 16 new or replacement homes are complete, with each of the new homes to be EarthCraft certified. OHCD partnered with Bay Aging, an Area Agency on Aging (AAA), to secure funding for the senior complex. Bay Aging is a non-profit that possesses the financing expertise necessary to procure funding and establish the management entity that continues to manage the property.

Examples in other localities include the extension of Hogan Drive in the City of Newport News for Tech Center Research Park, which relieved traffic congestion on existing roadways. Broadly speaking, the Commonwealth of Virginia utilizes public-private partnerships for construction and maintenance of transportation improvements including bridges and roadways.

**Existing Best Practice #3: Small Area Planning**

Small area planning is another way (albeit a less direct one) in which the County can partner with private entities to support economic development. Although the County’s typical role is reviewing submitted plans for an area, the County has taken more of a partnership role with certain projects in the past. A prime example in the County’s history is its role in the design competition and initial master planning effort for New Town, in which the County partnered with The Endowment Association of the College of William & Mary and C.C. Casey Limited Company to shepherd the plan for the Courthouse and the creation of the New Town master plan. Another example is the planning and grant effort for beautification in the Jamestown Road Corridor in preparation for 2007 (which was the 400th anniversary of Jamestown).

**Existing Best Practice #4: Supporting Local Efforts to Leverage State Programs and Federal Funding**

The County is committing to facilitating and supporting local efforts to leverage state programs and federal funding for community development. In particular, this commitment can be seen in the County’s efforts regarding workforce and affordable housing development, as well as historic preservation.

As detailed above, the County has sought and obtained Community Development Block Grants (CDBG) and VDOT revenue sharing funds to redevelop the Forest Heights neighborhood and Ironbound Square. Furthermore, in recent years, the Virginia Department of Housing and Community Development (DHCD) awarded James City County $350,000 towards the rehabilitation of up to 10 homes through the Rural Homeowner Rehabilitation Grant, which provides funding to assist with the rehabilitation of homes owned by low-income residents.

DHCD has also awarded the County a $1.0 million Community Development Block Grant (CDBG). In tandem with with a local contribution, the grant will permit the County to undertake a two-year, Scattered Site Housing Rehabilitation project throughout the County, which is expected to benefit 32 persons in 16 households, all of whom are low- and moderate-income. As indicated by the name, the project area for this funding is the County in its entirety, meaning it is not limited to any specific area or neighborhood.

Continuing these and other similar efforts is a priority for the County. At its June 23, 2020 work session, the Board of Supervisors endorsed the concept of staff working with local, non-profit agencies seeking State and Federal funding programs (e.g., CDBG, Low Income Tax Credit) to assist in the creation of affordable and workforce housing.

With regards to historic preservation in the County, the County has supported the Toano Historical Society in its pursuits to preserve and improve the Toano area. In the fall of 2005, the Board of Supervisors created and allocated funding for the Toano Community Character Area Study Steering Committee to conduct a comprehensive study of the area and develop a set of design guidelines for future development. After five
meetings, this Committee unanimously adopted a set of guidelines, which were unanimously recommended for approval by the Planning Commission and endorsed by the Board of Supervisors. Continuing this trend of support, the Board of Supervisors passed a resolution of support for the Toano Historic Society’s application for Toano to become a Main Street Affiliate in recent years. The Board also passed a resolution of support for historic Toano being designated as a historic district, which was recognized by the Virginia Department of Historic Resources in 2018. These two designations can potentially support additional resources for property owners in Toano.

Questions for PCWG

Staff seeks the guidance of the Planning Commission Working Group on next steps for this issue.

1. Is it the PCWG’s guidance that additional information on this topic be included in the Economic Development section?
2. Is it the PCWG’s guidance that any specific actions on this topic be included in the Economic Development Chapter GSAs? ED 1.4 addresses public/private partnerships, but there is a GSA in the Land Use section that supports these partnerships (GSA LU 4.5.1) that could be connected to the GSA’s in the Economic Development section. Would the PCWG be interested in relating the two within this section?
3. Is it the PCWG’s guidance that any language encouraging further study of this topic be included in the Economic Development Chapter GSAs?
4. Is there additional information that would be key to your ability to provide guidance on this issue?