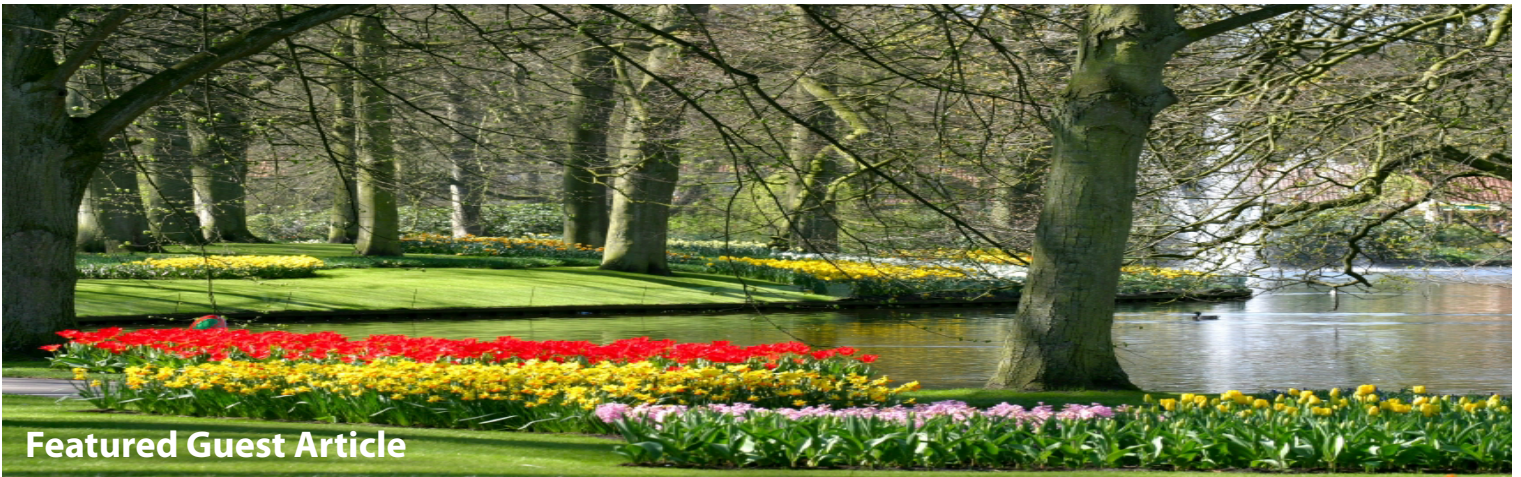


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PRIVATIZATION OF PARKS AND PUBLIC SPACES AS A TOOL TO MITIGATE THE COST OF NEW DEVELOPMENT

by George Roberts - Project Analyst, BRV Corp.; and
by Richard J. Flierl - President, Katalyst, Inc.

As all levels of government in the U.S. continue to struggle financially, and now more than ever, municipalities are closely scrutinizing nearly every new development project that goes through the entitlement process. Simply put, municipalities are unwilling to approve new development projects that result in a fiscal deficit to the municipality. If a municipality finds that a new development project will cause a fiscal deficit on the municipality, the new development project must mitigate the fiscal deficit to become fiscally neutral or positive. Privatization of parks and public spaces is one way that developers are working with municipalities to pay for costs traditionally handled by cities, while creating an amenity for potential tenants and adding value to their assets.

Historically, communities were conceived around public spaces. In medieval Europe they were the place to trade goods and services, in colonial America they were the site of public discourse, and as industry swept American cities they were the place to escape from the soot and smoke that clouded the streets. Today, parks and plazas are places to take a yoga class, enjoy an al fresco meal, watch a simulcast of a local opera, or introduce the family dog to a few new friends. Regardless of their function, then and now, parks and public spaces are often an essential part of our daily lives and should be a consideration in the development of any new community. Unfortunately, municipal parks departments are generally underfunded and understaffed. Getting a municipal parks department to improve the quality of an existing public space, or build a new public space, to better serve a real estate development project is extremely difficult, if not impossible. Even with the promise of financial contributions from a developer to fund public space improvements, city agencies have a difficult time leading public space revitalization projects and building new parks from the ground up.

So how does a real estate developer bring a beautiful and well managed public space to a community in an era where municipalities don't have the time, money, or expertise to do so? To create great parks and public spaces, real estate owners and developers should develop (or redevelop) and manage public spaces themselves, or through a closely-held not-for-profit subsidiary. This method has led to some of the nation's top public spaces.

Bryant Park in midtown Manhattan is the perfect example of a private effort, led by property owners, to revitalize and manage a public space. In the 1970s and 1980s, Bryant Park was a haven for drug dealers, muggers, and prostitutes. To solve this problem, Daniel Biederman formed a non-profit organization known as the Bryant Park Restoration Corporation ("BPRC"). Along with some support from philanthropic foundations for the initial capital project, the group's operations were funded by a small assessment on abutting property owners. After a difficult process of negotiating a management agreement and lease with the City of New York to transfer the management of the park from the Parks Department, Biederman and BPRC led a re-design and renovation process and reopened the park. From that point forward, the non-profit group was responsible for all sanitation, security, horticulture, and maintenance in the park. The non-profit group also became responsible for generating the revenue needed to finance the park's operations (today, Bryant Park generates over \$10 million in revenue annually with only a small portion coming from property assessments. All revenue goes back into the park's budget for operations).

Biederman and BPRC focused on enforcing the park rules and preventing quality-of-life offenses like playing loud music, spitting, and drinking from open containers to drive out the criminal elements that had once called the park home. The group used a "broken windows" approach to sanitation and maintenance (aspiring to "Disney-esque" standards of cleanliness) to communicate to the public that the space was now being actively looked after. Flowers and trees were elevated to world-class standards by a horticultural team hired away from the mayor's mansion. Critically, the group began filling the park with a thick schedule of regular public programming and events to draw

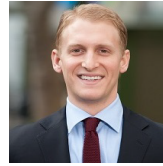
in the nearby office workers and residents. Working with public space expert William “Holly” Whyte, Bryant Park became the first park in the United States to show outdoor movies, offer yoga classes, and have free, high-speed wireless internet - among many other innovations.

After only a few years, the park was being hailed as an international model for the redevelopment and management of parks and public spaces. Biederman and BPRC were given awards by the Urban Land Institute and American Society of Landscape Architects, and the New York Times began calling Bryant Park the “Town Square of Midtown”. While continuing to manage the day-to-day operations of Bryant Park, Biederman and his consulting firm Biederman Redevelopment Ventures (“BRV”) extended the “Bryant Park model” to a wide range of public spaces across the U.S. BRV works with a developer (or, often, a group of property owners) to lead the private redevelopment and management of parks and public spaces. If done correctly, privately led public space redevelopment projects are beneficial to all parties involved. Residents and/or office workers have a great new amenity. Government partners are praised for engaging in an innovative public-private partnership that enriches a community while reducing municipal costs. Developers and property owners are the beneficiaries of, at the very least, loads of public good will and, in all likelihood, a tremendous increase in the value of their real estate.

Independent studies by Ernst and Young and CBRE have shown significant increases in the value of property surrounding Bryant Park as compared to similar properties in the immediate submarket.

Similar increases are becoming evident around Klyde Warren Park in Dallas where BRV has consulted on the development and operation of the park since 2005. Generally, these returns come in exchange for an investment of only a few cents per square foot of real estate owned. Of course, the idea of public spaces creating value for nearby real estate is not an entirely new concept. According to the American Planning Association, Frederick Law Olmsted, the designer behind Central Park, observed a \$209 million dollar increase in the value of property around Central Park during its first 16 years of existence when he completed his study in 1873.

By teaming with developers to privatize the development and operations of parks and public spaces, municipalities can create world-class amenities that would not be possible solely in the hands of the public sector. Meanwhile, municipalities save the money they would have spent building and maintaining the park and collect additional tax revenues from the increased property values and new developments that tend to occur around world-class parks and public spaces.



George Roberts is a Project Analyst at BRV. At BRV, George has worked on activating and redeveloping historic parks, and planning and developing new public spaces. George has advised real estate developers and not-for-profit organizations on the management and programming necessary to create a lively public space and has worked with programming partners to enact programs. He has also worked with clients to develop and implement revenue generation strategies. In addition, George has an active role in the management of Chelsea Improvement Company; a neighborhood improvement company founded and operated by BRV in Manhattan's Southwest Chelsea Neighborhood.



Richard Flierl co-founded Katalyst in 2013, a new design process and planning firm which employs a catalytic engagement with clients, community members, stakeholders, other design professionals and artists in a personal hands-on approach. Richard has over 25 years of experience leading teams, designing and executing public process, design, and planning, assignments both domestically as well as internationally. For more information, he can be reached at (949) 467-9403 or email him at richard.flierl@katalystinc.com.



Biederman Redevelopment Ventures Corporation is the private consulting firm of Daniel A. Biederman, co-founder of the Bryant Park Corporation and 34th Street Partnership, and creator of the largest complex of private urban redevelopment projects in the United States.

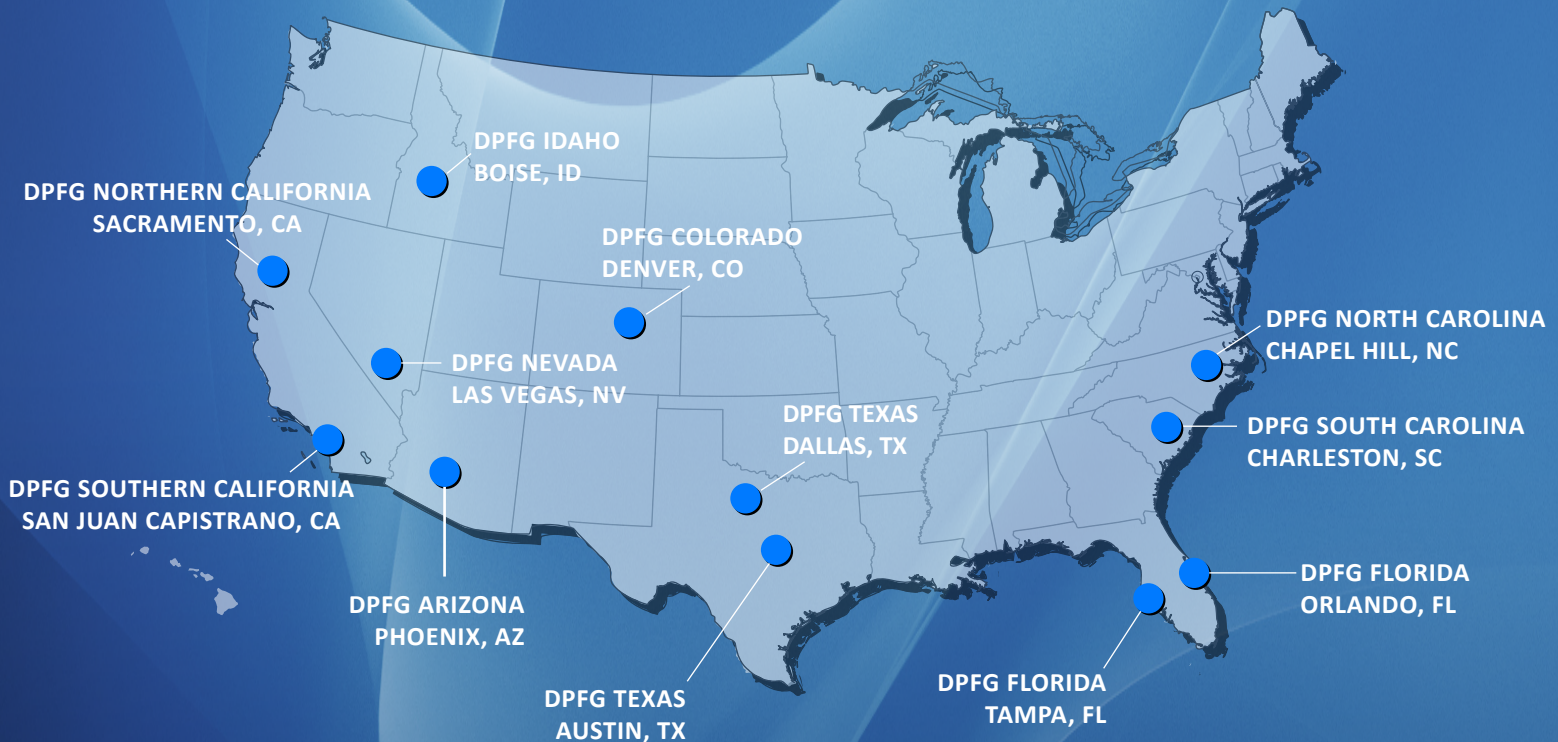
Biederman Redevelopment Ventures (BRV) brings his over twenty-five years experience in the art and science of placemaking and downtown management to public space projects and neighborhood redevelopments across the world.

BRV specializes in:

- Creating and revitalizing urban parks and plazas, from conceptual planning all the way through operations
- Creating and doctoring business improvement districts
- Innovative streetscape and capital improvement programs
- Self-financing downtown and neighborhood redevelopment programs
- Turning public space into a profit center for mixed-use developments

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