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Public-Private Deals Benefit Everybody

By LEE KANON ALPERT

MORE and more private businesses and public entities are getting together. While critics say the public sector should not engage in business ventures, it is the only way many large cities like Los Angeles will continue to maintain their infrastructure, grow, and in some cases, survive.

Let's face it, Los Angeles is decaying. It owns a multitude of unsafe housing and commercial buildings that are draining city resources, but lacks the funds or the expertise to improve them. It is exactly these properties that can benefit from public-private partnering. Conversely, private business has the expertise, but in many instances, does not have the land, buildings or funds to successfully renovate properties into functional and usable assets.

A number of recent deals indicate that the line between public and private industry is finally fading. A prime example is the new downtown Los Angeles sports and entertainment center.

The developers, Majestic Realty Co., did not have the land for the center. What Majestic did have was the talent and experience to create a financially sound, beautifully designed complex. The city of Los Angeles did not have the knowledge, the business expertise or the funds to build the center, but it had the land available.

The deal struck last year between Majestic and the city has resulted in a sports and entertainment complex that is revitalizing the downtown area by drawing hundreds of thousands of visitors for sporting and entertainment events, and creating hundreds of new jobs. Income (everything from ticket sales to concessions) that was finding its way into the coffers of the city of Inglewood now is shared by Majestic and the City of Los Angeles. The complex is making money for the developers and the city, and is fast becoming a

boon to the downtown economy and the city's tax base.

Another recent example of a positive public-private venture involved Hughes Aircraft, Coast Federal Bank, Shamrock Holdings and Regent Properties Inc. The parties were brought together by Mayor Richard Riordan, Deputy Mayor Rocky Delgadillo, the Los Angeles Business Team and the Valley Job Recovery Corp., a non-profit corporation.

In the initial phase of the transaction, a deal was struck involving the acquisition of the old Hughes site in West Hills by Coast. For its efforts, Valley Job Recovery, which is committed to bringing new businesses and jobs to the San Fernando Valley received a "purchase option" from Coast for a 29-plus-acre parcel on the site.

The second phase of the purchase occurred when Valley Job Recovery found a buyer to purchase the option by way of a partnership formed by Regent and Shamrock.

The newly formed partnership is now completing commercial buildings on the property that have created new jobs in a part of the Valley that has not yet fully recovered from the devastating Northridge earthquake and the diminished defense industry.

So why aren't developers knocking down City Hall's doors with proposed projects for run-down city-owned sites? The answer is simple. The clash of cultures between public entities and private businesses can still be overwhelming. Many private businesses are not used to having their sensitive negotiations thrust in the public spotlight. Instead of negotiating a deal in relative anonymity, the process is played out in public hearings, town hall meetings, city council sessions and, often, in the media. The proceedings drag on in a seemingly interminable manner.



Staples: Came together through a partnership between Majestic and the city.

An underlying mistrust continues to grow between government and private industry. The sometimes adversarial relationship between government and private industry is based on their two very separate worlds. Government officials, for the most part, have little business experience (the notable exception, of course, is Riordan and his business team), while business leaders have even less government experience. Business focuses on the bottom line while government focuses on services.

To be successful, both sides must work as a team and understand the other's perspective. Government must become a bit like business and business must become a bit like government. When they do, partnering will flourish.

Business must learn to patiently work with each branch of city government, understand their individual agendas and missions and realize that the wheels of government turn slowly.

Cities also need to take steps to ensure that they don't create bureaucratic roadblocks that will discourage businesses from proposing deals and make proactive efforts to help projects through the governmental bureaucratic system. They also must make sure they don't abuse the trust of their constituents by misusing public funds and lands.

As the needs of our city's population increase, so will the costs of city services. If Los Angeles wishes to see its communities prosper and services to its residents improve, or even remain at a status quo level, it must increase the number of development projects it undertakes with the private sector. There are plenty of opportunities available. Rundown city-owned buildings and unproductive land, now eyesores, can be economic opportunities in the hands of farsighted businesses and city officials.

The walls between the public and private sectors are coming down. Poor economic conditions in the early 1990s prompted the need for this new form of partnering. Let's hope, now that the economy is reportedly on its way back and prospering, private-public partnering will become the norm.



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