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Public Land as Infrastructure Capital: How Local Governments and Private Companies Can Unlock P3 Development

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Cities and counties across Florida face a familiar challenge: infrastructure needs continue to grow faster than the public resources available to address them. Transportation systems need to expand. Water, sewer and stormwater networks require major investment. Roads, bridges and sidewalks need extensive repairs. New growth continues to place pressure on the existing aging infrastructure.

At the same time, however, many local governments control one of the most valuable inputs in any real estate or infrastructure project: land. After spending much of my career managing large government organizations and overseeing major capital programs, I have come to believe that local governments should think more strategically about the role their real estate portfolios can play in infrastructure development. Publicly owned land should not be viewed only as a place for government facilities or as surplus property to be sold. In the right circumstances, it can serve as a form of infrastructure capital and create opportunities in which the interests of government and private-sector partners converge. Public-private partnerships, or P3's, provide such a structure for doing so.

Land Can Be Part of the Capital Stack

The conventional approach to an infrastructure project often starts with a financing question: Where will government find the money? It is true that governments can usually obtain financing on better terms than the private sector, but this usually requires issuing bonds backed by ad valorem taxes on real and personal property. Tax increases to pay for bonds, however, usually require approval by referendum, and that is never a sure thing. That is where public lands can provide a more politically acceptable approach. Municipalities and counties frequently own strategically located government campuses, surface parking lots, transit-adjacent parcels, rights-of-way, utility properties and aging public facilities. Some of those assets may have substantially greater development potential than their current use suggests. Through a P3, governments may be able to retain ownership while contributing the use or development potential of a property through a long-term ground lease, easement, air rights, development rights or another transaction structure.

For the private sector, that can create access to development opportunities that otherwise may not be available. For government, it can create a pathway to deliver

infrastructure without relying exclusively on traditional public funding. A real estate developer may bring equity, financing expertise, entitlement experience and the ability to create complementary private uses. An infrastructure company may contribute design, construction, technology, operations or long-term maintenance capabilities. Government contributes an asset that can materially affect project economics: control of the site. When properly structured, each party brings something the other needs.

The most compelling P3 opportunities often arise when public infrastructure and private development can be considered together rather than as separate projects. A new government facility, transit station, parking structure or utility improvement may occupy only a portion of a publicly owned site. The remaining property, density or air rights may support office, residential, hospitality, retail or other private development. That private component can improve the economics of the overall transaction. At the same time, proximity to new public infrastructure can make the private development more attractive. This is where the interests of government and developers can truly align.

A perfect example of this is transit-oriented development (TOD) along transit corridors and especially proximate to stations or hubs. The developer can contribute to new or improved transit amenities, while also introducing a mixed-use development that provides amenities to the residents and neighbors, increased ridership for public transit, and the lease payments and additional tax dollars from increased real estate values will provide significant revenue to subsidize the operations of the transit system. I worked on many of these projects in my role as the Chief Operating Officer of Miami-Dade County. We also used these projects to incentivize developers to include affordable/attainable housing in these TOD's. Multiple public benefits are obtained for the community with little or no capital investment by the local government.

Infrastructure, Real Estate and Finance Belong in the Same Conversation

During my time as City Manager of Miami Beach and later in my COO role at Miami-Dade County, I saw firsthand the scale of the capital decisions local governments must make. Those included major investments in water and sewer systems, stormwater infrastructure, transportation, Miami International Airport and the Miami Beach Convention Center.

Projects of that magnitude reinforce an important lesson: infrastructure planning, real estate strategy, financing and procurement should not be treated as separate exercises. That is equally true for private partners evaluating a public-sector opportunity. A developer must understand not simply the value of the land, but also the government's objectives, procurement requirements, entitlement constraints, infrastructure obligations and long-term control of the property. An infrastructure company must evaluate construction and operating risk, financing, performance standards and the allocation of responsibility over what may be a decades-long agreement.

The strongest P3s recognize those considerations at the outset and structure the transaction around the comparative strengths of each party, recognizing that each party's interests are not necessarily in conflict. Long-term ground leases, for example, can allow governments to retain the underlying property while giving a developer the control necessary to finance a project. Private development can generate recurring revenue for the public owner while creating a viable return for investors. Integrated design and construction can reduce coordination risk, while long-term operating agreements can create incentives to consider lifecycle costs rather than simply initial construction expense.

The objective should be a structure in which both sides have a clear economic reason for the project to succeed, not to mention the public benefits delivered thereby.

This was the case in Miami Beach when we decided that we needed a modern and significantly larger convention center. Expert meeting planners advised that such a center must have a hotel of at least 800 rooms connected directly to the center in order to attract the biggest and best conventions and shows. We reached out to the private sector through a competitive process for a company that would construct (at their cost), operate and maintain the new hotel. In exchange, we would lease them a large parking lot on the south side of the convention center where they could build their hotel. That hotel will be opening next year.

Local governments own significant real estate portfolios, but those portfolios are not always evaluated through the same strategic lens that private owners apply to their assets. That represents an opportunity: Governments can inventory their holdings, identify underutilized properties, evaluate development potential and determine where infrastructure priorities intersect with private-sector demand. Developers and infrastructure companies can likewise look beyond conventional procurement opportunities and identify where their capital and expertise could unlock greater value from publicly controlled sites.

One example of this is Miami-Dade County's initiative in the last couple of years to identify publicly owned parcels that could be used to develop affordable housing. The biggest challenge to affordability is the price of the land, particularly here in Miami. By identifying county-owned land that is well suited for residential development and making it available, the developers could build projects at a cost structure that enabled them to provide affordable housing while still making money on the project, without any financial investment by the local government. A perfect example of a win-win.

Not every parcel will support a P3, and not every infrastructure need requires private participation. But where the ingredients align, public land can be transformed from an idle asset into a commercially dynamic, long-term investment benefiting diverse stakeholders across the public-private spectrum.

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