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## **Public-Private Partnerships: More Useful Than You Thought**

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**Public-Private Partnerships:  
More Useful Than You Thought<sup>1</sup>**  
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**I. Introduction.**

**a. What are public-private partnerships?**

Public-private partnerships take a variety of forms and there is no standard structure or legal framework for a public-partnership. At its simplest level, a public-private partnership may be a grant from a governmental entity to a nonprofit. For example, the United States Department of Housing and Urban Development may offer CDBG (Community Development Block Grant) award to a nonprofit so the nonprofit can conduct job training programs at one of the local public housing communities. At this simple level, the public-private partnership is the grant agreement between HUD and the nonprofit. The amount involved in a simple public-private partnership may be as low as \$5,000.

At their most complex level, public-private partnerships involve multiple parties with the same objective for the community, but with different reasons for pursuing the

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<sup>1</sup> The information contained in this outline is presented for educational purposes only and is not intended to be and should not be relied upon as legal advice. This outline is an overview of the many practical and legal issues involved in structuring public-private partnerships.

objective. For instance, a community revitalization project may involve an affordable housing development, a new school, a mixed-use and mixed-income development. These revitalization projects are complex public-private partnerships that may feature low-income housing tax credits, tax-increment reinvestment zones (TIRZ), payments in lieu of taxes (PILOTs), tax abatements, new market tax credits, and social impact bonds. The participants may include the local housing authority, grocery owners, private developers, the local city community development department, the State's general land office and HUD. Instead of a single grant agreement, as in a simple public-private partnership, complex public-private partnerships involve multiple legal documents. There is no standard set of legal documents because there is no standard public-private partnership transaction. However, most complex public-private partnerships involve the creation of a new legal entity such as a limited liability company or limited liability partnership.

**b. Who are the partners?**

- i. The public partner may be a city's housing and community development department, a state's disaster relief agency, and/or a federal agency. Typically, the public partner controls, or at least influences, the economics because it is the entity that will provide the funding, such as a grant or some tax credit. The public partner imposes compliance requirements on the public-private partnership such as reporting and audit obligations. Because public-private partnerships are used to address societal issues such as health care, education or affordable housing, the government's role is critical to public-partnerships.
- ii. The private partner usually is the nonprofit in the simple public-private partnership. However, in complex public-private partnerships, there may be multiple private partners including developers, banks, investors, private foundations, bond holders (if tax-exempt financing is used), and others.

**c. Why enter into them?**

Public-private partnerships offer nonprofits, as well as private investors, an additional investment or equity source. The public partner often gives grant funds or tax credits to a public-private partnership. These public funds made be leveraged with the private dollars brought to the transaction by the nonprofit or private developers. In addition to the financial advantages in securing public funds, a public-private partnership offers a nonprofit a way to secure community involvement and support for its mission. Moreover, if the local community supports a project, it is more likely that the project will receive regulatory and political approval.

**d. How do you learn of these opportunities?**

The fastest way to learn of government grants is to sign up for alerts with the governmental agency that generally oversees your nonprofit's sector. For example, if you are a federally qualified health care provider, you should sign up for alerts from the Centers for Medicare and Medicaid Services, as well as the Texas Department of State Health Services. If you are community development corporation, then you should sign up for alerts from HUD, Texas Department of Housing Development and Community Affairs, and Texas General Land Office.

If your nonprofit is looking for more than a grant, then the best way to learn of public-private partnership opportunities is to be involved with the local trade association for your nonprofit's sector. For instance, an affordable housing corporation may want to become a member in the local chapter of the National Association of Housing and Redevelopment Officials and/or the Texas Affiliation of Affordable Housing Providers. You probably should attend these organization's national conferences, as well as the Neighborhoods USA Conference. By becoming an active member, you will learn who the players are in your sector. It is through these connections that you will be exposed to industry leaders and government officials who can help your nonprofit identify when a public-private partnership would further its goals.

**II. Examples of Public-Private Partnerships from the Public Perspective**

**a. Simple Partnership – Contract between the City of Houston (the “City”) and SEARCH Homeless Services for Case Management Services**

- i. Origination: One of the mayor's primary goals during her term was to reduce homelessness in Houston. The city's leaders knew that to accomplish this goal, the City would need a tool to identify, track and assist Houston's homeless population. In this situation, it was the public partner, *i.e.*, the City that identified the need for case management of Houston's homeless population.
  - City Housing and Community Development Department (HCDD) issued an RFP (Request for Proposal) for homeless services.
  - SEARCH Homeless Services is one of the providers selected in a competitive RFP process.
- ii. Economic Structure.
  - The City receives State of Texas Homeless Housing Services Program funds.
  - The City used the funds to award a \$550,000 grant to SEARCH via a contract that reimburses for the services that SEARCH will provide.
  - SEARCH provides the services and invoices the City monthly.
  - The City reimburses SEARCH for funds expended.

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