

## Public-Private Partnerships

Presented by:  
Katharine 'Katie' Nees, P.E.  
Jacobs

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## Agenda

- Why the Emergence of Public-Private Partnerships (PPPs)?
- Defining PPPs
- Advantages/Disadvantages of PPPs
- Types of PPPs
- Lessons Learned

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## U.S. Public Private Partnerships

- Growing Infrastructure Needs Nationally at All Levels

Highway, Bridges & Transit Money Needed to MAINTAIN Current Condition	Highway, Bridges & Transit Money Needed to PROVIDE Improvements
\$240 Billion Annually	\$290 Billion Annually

- Concern with Decreasing Buying Power of Traditional Funding Sources
- Recognition that Most Municipalities Must Fund Ways to Supplement Federal and State Funding Solutions

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## PPPs and Tolling

■ Authorized to use PPPs for toll roads or other transportation facilities  
■ Authorized to use PPPs for specific toll road or bridge projects, for a pilot program, or where a project receives specific legislative approval  
■ Authorized to use PPPs for certain transportation projects, but not toll roads

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## Definition of a Public-Private Partnership

- A Public-Private Partnership (PPP) is a Joint Alliance to Optimally Achieve a Common Objective
- Private Developer Assumes Greater Role and Responsibility in Design, Build, Finance, Operation and Maintenance
- Private Developer Partially Responsible for Providing and Mobilizing Funds
- Private Developer Can Obtain Increased Return, Including Profits, But Assumes Greater Risk



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## Advantages of PPPs

- Reduces public spending
- Permits allocation of public funds for other priorities
- Expedites mobilization of financial resources
- Expedites construction
- Incentive to increase capital expenditures early to reduce O&M costs
- Potential cost investment and operational costs efficiencies

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## Disadvantages and Risks of PPPs

- Disadvantages
  - Reduced Public Control
  - IRS Regulation Creates Disincentives for Private Financing
  - Several Proposed Projects Have Not Built or Financed
  - Public Perception
- Risks
  - Selection of Inadequate Partner for Technical Reasons
  - Time and Cost Overruns
  - Insufficient Revenue Collection
  - Inadequate Level of Service
  - Selection of Financially Unstable Private Partner
  - Disincentive to Increase Capital Expenditures Early to Reduce O&M Costs

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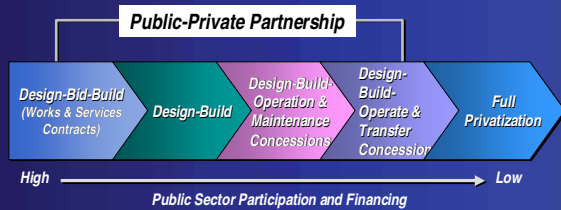
## PPP's Today

- Many agencies are looking at Public-Private Partnerships (P3s) as a strategy to provide new funding for infrastructure
  - Project selection criteria vary
  - Financial viability of projects varies wildly
- Infrastructure
  - Higher Education
  - Prisons/Correctional Institutions
  - Water/Waste Water Facilities
  - Roadways/Highways
  - Transit

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## Range of Options for PPPs



## Types of PPP Project Delivery

PPP Type	Summary
Transit Oriented Development	Private developers, local governments, development agencies, and transit agencies, to enhance land use around transit facilities.
Construction Manager General Contractor (CMGC)	Use of a separate contract for construction manager, the CM becomes a GC when a GMP is reached.
Design-Build (DB)	Combines design and construction into one contract. Shifts risk to the design-builder, not the project sponsor.
Design-Build with a warranty	Design-Builder guarantees to meet material, workmanship and/or performance measures, usually for a 5 to 20 year span.
Design Build Operate Maintain (DBOM)	Contractor is responsible for the design, construction, operation and maintenance for a specified time according to specific performance standards.
Design Build Finance (DBF) or Design Build Finance Operate (DBFO)	Variations of DM and DBOM, except the DBF or DBFO provides some or all of the project financing.

## Types of PPP Project Delivery

PPP Type	Summary
Build Operate Transfer (BOT) or Build Transfer Operate (BTO)	Similar to DBFO except after a specified time, ownership and operation is transferred to the project sponsor. With BTO the project sponsor retains ownership, as well as the operating revenue risk or surplus.
Build-Own-Operate (BOO)	The Contractor is responsible for the design, construction operation and maintenance of the facility.
Joint Development Agreements	Transit Agencies work directly with private developers in planning and executing a specific project for development on, above or adjacent transit agency right-of-way.
Multimodal Partnerships	Combines the development, financing and/or operation of facilities that serve more than one transportation mode (not always PPPs).
Concessions/Long-Term Lease Agreements	Private sector concessionaires lease publicly financed facilities.

## Innovative Financing Options

<b>Federal Funding/ Financing Assistance</b>	<ul style="list-style-type: none"> <li>Transportation Infrastructure Financing &amp; Innovation Act (TIFIA) Credit and Loans</li> <li>Section 129 Loans</li> <li>Federal-Aid Programs/Pilot Projects/Tolling and Pricing Opportunities</li> </ul>
<b>State Funding/ Financing Assistance</b>	<ul style="list-style-type: none"> <li>Grant Anticipation Revenue Vehicles (GARVEEs)</li> <li>State Infrastructure Banks (SIBs)</li> <li>Shadow or Pass-Through Tolling</li> <li>Flexible Match</li> <li>Tax Exempt Toll Revenue Bonds</li> <li>Toll Credits</li> </ul>
<b>Local Funding/ Financing Assistance</b>	<ul style="list-style-type: none"> <li>General Obligation Bonds (GO)</li> <li>ROW Donations/Utilities</li> <li>Impact Fees</li> <li>Special Districts</li> </ul>

## Funding New Programs- Lessons Learned

- Many sources of funding are utilized to make a project feasible
- Few projects are 100% feasible
- Project scale and size may change
- Federal funding/financing add time and cost
- Stand alone projects are the most difficult to finance
- Essential that the initial project is successful
- Greatest challenge is start-up funding and/or green field projects

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## What's New in the U.S. and Potential Markets

### Sustainable Development/Transit Oriented Corridors

- Cannot draw private sector interest based on transit fare revenues alone
- Design-Build (DB) and Design-Build-Operate-Maintain (DBOM) delivery approaches are becoming more common
- More far-reaching would be to include "availability" or "shadow fare" or "cross subsidizing" payments



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## Corridor Development – Lessons Learned

- Utilize a master developer approach vs. piecemeal project approach
- Align public and private sector stakeholder interests
- Acquire land with the end in mind
- Assemble and control land sooner rather than later to avoid speculation driving up prices
- Optimize efficiency in the land plan through shared facilities

*Development increases ridership and transit drives real-estate demand*

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## Results from Well Defined Partnerships

- Increase ridership
- Increase fair box recovery therefore decreasing operations and maintenance subsidy
- Station area development integrated with private development can decrease platform maintenance and security
- Potential shared parking benefits/revenue
- Enhance environmental and socially sustainability
- Increased tax revenue directly associated with the transit infrastructure expenditure
- Revitalization

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## Slide 14

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- s1** Slide 15 and 16 convey the same information, but I think slide 16 is more current.  
sannicolascp, 10/24/2008

## Bottom Line on PPPs

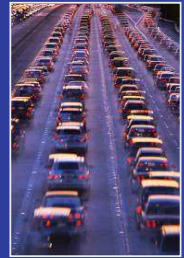
- Private Sector Can Expedite Development
- Private Sector Can Reduce Investment and Operational Costs
- Private Infrastructure is a “Business”
- Economic Development Potential can be Significant
- Lower Demand Facilities May Require More Public Financing Until Financially Viable
- Public Sector Can Assume Some Sort of Guarantee, Regardless of Contract Type

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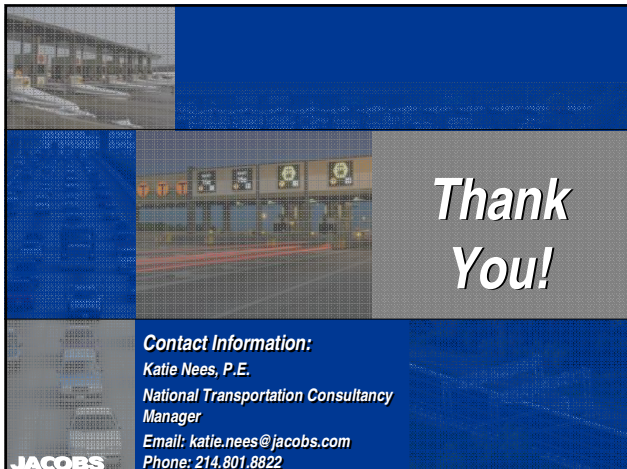
## Bottom Line

- PPPs Can Help Meet Our Infrastructure Delivery and Funding Challenges
- Movement Into the U.S. of International Concession Companies is Changing the Complexion of PPPs
- PPPs Will Continue to Evolve Based on Public Policy



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**Thank You!**

**Contact Information:**  
Katie Nees, P.E.  
National Transportation Consultancy  
Manager  
Email: [katie.nees@jacobs.com](mailto:katie.nees@jacobs.com)  
Phone: 214.801.8822

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