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Public Private Partnerships in our Economic Recovery

Colorado Municipal League 2021 Virtual Conference



P3POINT[®]

AGENDA

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P3 - What Are We Really Talking About?

Economic Recovery

Leveraging Available Funding

Lessons Learned / Case Studies



PRESENTERS

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VICTORIA TAYLOR
President and CEO

- 20+ years in infrastructure & project finance
- \$30 billion in successful transactions
- Public and private sector advisory



SIMON STACHNIK, P.E., MBA
Director, Asset Delivery - Civil

- 10+ years in Public Private Partnerships
- 20 years in engineering, construction, infrastructure
- Local and Nationwide experience



MICHAEL PALMIERI
President and Founder

- 30+ years in infrastructure finance
- 250+ projects, \$50+ billion
- Fund manager, banker muni and project



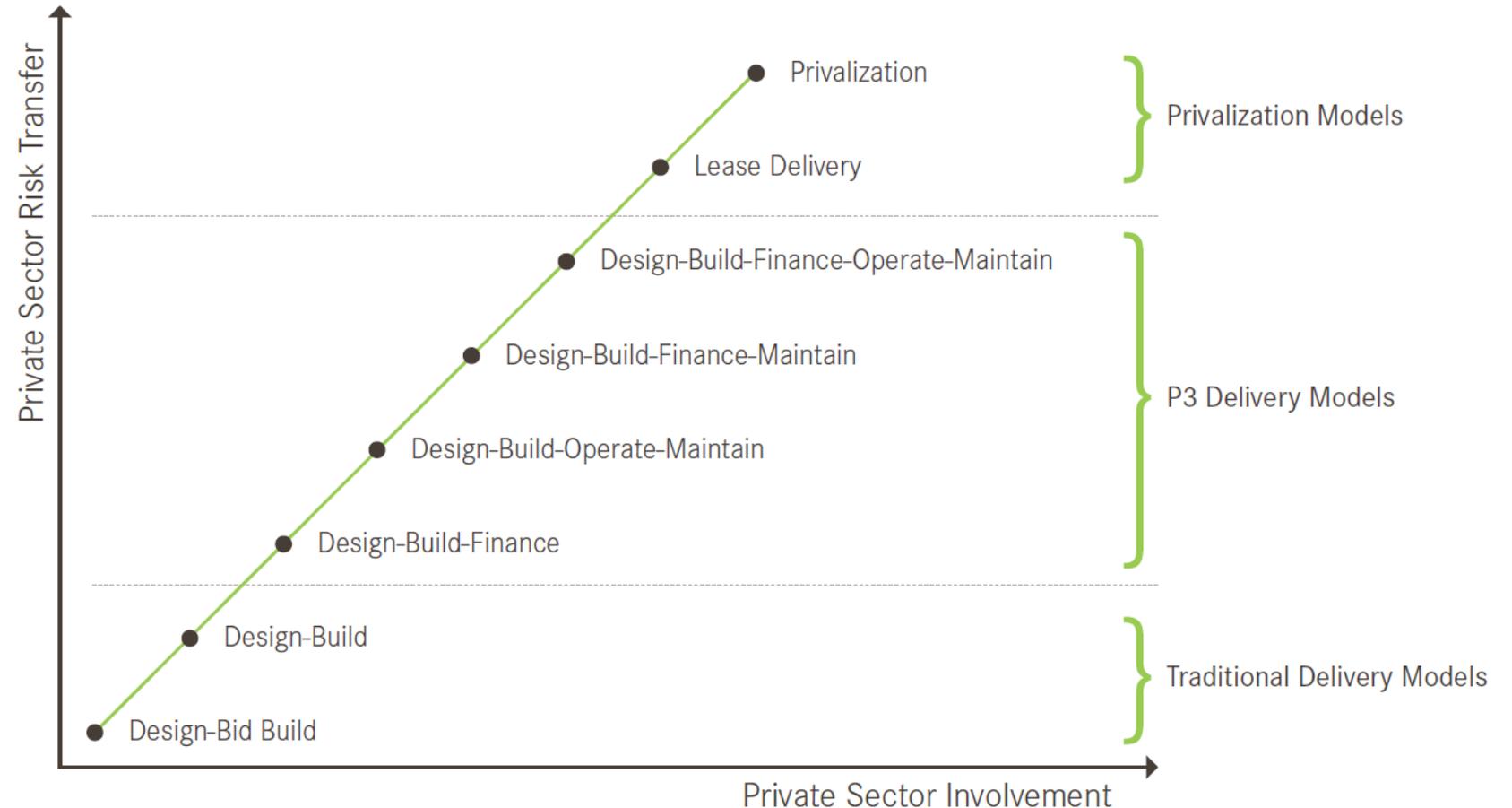
CODI NEWSOM, P.E., LEED® AP
Colorado Region Project Director

- 20 years in the construction industry
- Program, Project and Construction Management
- \$300M+ delivered in construction value

INFRASTRUCTURE DELIVERY MODELS

Options for Risk Allocation

The term P3 can refer to several delivery models. Therefore, it is important to evaluate delivery models that are most likely to produce an optimal structure when compared to project objectives.



A P3 IS NOT:



PRIVATIZATION – the public sector retains ownership and ultimate control of the public asset



A FUNDING SOLUTION – Government agency gains access to private debt and equity financing which may not be available in regular public procurement, but project must still have a funding source for debt and equity investors



A SHORT TERM PRESCRIPTIVE CONTRACT – the private entity enters into a performance-based contract with financial penalties imposed by the public agency if availability and quality standards are not met



THE RIGHT SOLUTION FOR EVERY PROJECT – A Value-for-Money analysis is performed by experienced legal, technical and financial advisors to determine if a P3 is right for your project

IDENTIFYING A P3

A P3 IS:



A DESIGN AND CONSTRUCTION, FINANCING, OPERATIONS AND MAINTENANCE PARTNERSHIP –

the public sector enters into a long-term contract with the private sector to deliver assets and services for the benefit of the general public



A LIFECYCLE PROCUREMENT APPROACH THAT GUARANTEES PERFORMANCE –

by integrating design, construction, and financing with operations and maintenance, the asset performance is optimized for the long term



A RISK SHARING APPROACH –

the private sector assumes financial, technical and operational risk, while the public sector sets policy and retains ownership

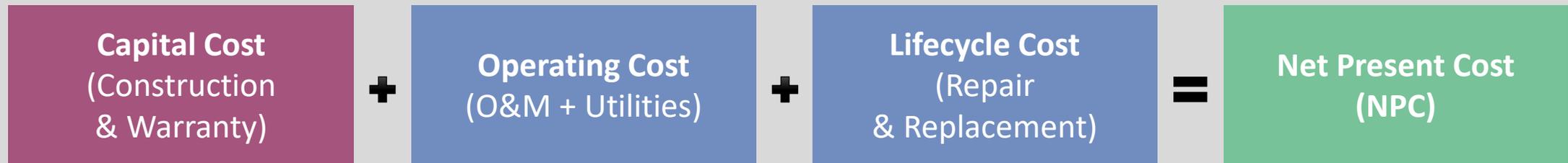


A TRANSPARENT RELATIONSHIP –

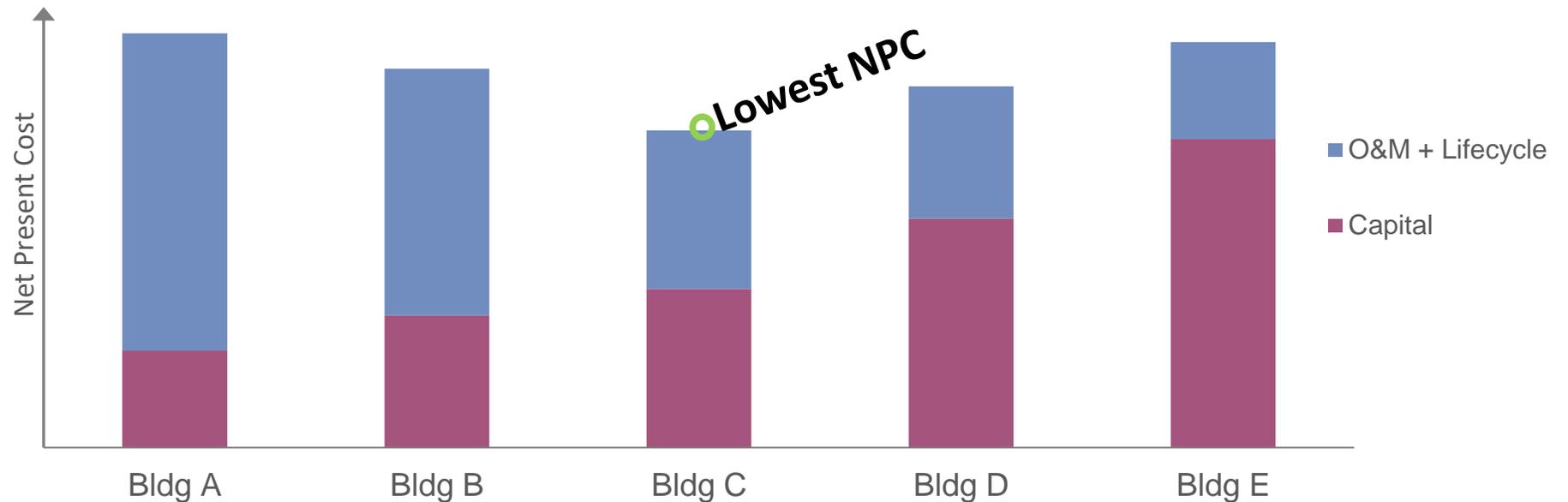
the public stakeholders have full control and can expect to be regularly updated and informed throughout the project

TOTAL LIFE CYCLE COST

A lifecycle plan that examines the three major cost components during the life of a Facility



5 building scenarios that trade off first costs and operating costs



POTENTIAL BENEFITS OF A P3

Jumpstart Economic Growth



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SCHEDULE DISCIPLINE



LONG-TERM BUDGET CERTAINTY



COST SAVINGS



GREATER INNOVATION



LIFE-CYCLE MAINTENANCE



CREDIT CAPACITY



ACCELERATED DELIVERY



PUBLIC OWNERSHIP & CONTROL



EFFECTIVE RISK TRANSFER



JOB CREATION



PAYMENT FOR PERFORMANCE/ACCOUNTABILITY



ECONOMIC DEVELOPMENT

POTENTIAL BENEFITS OF A P3

Scalability

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P3 ASSET APPLICABILITY



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COMMUNITY USE	Parks, open space Civic centers Convention centers	LEISURE & CULTURAL	Sports arenas Museums and exhibit halls Arts & performance spaces
DISPOSAL	Waste treatment Sewage disposal Recycling	MUNICIPAL BUILDINGS	Town halls Administrative buildings Courthouses
EDUCATION	K-12 schools Universities and Colleges Research facilities	SAFETY & SECURITY	Police and fire stations First responders Correctional facilities
HEALTHCARE SENIOR LIVING	Hospitals Medical research Assisted living	TRANSPORTATION	Roads, bridges and tunnels Air and sea ports Rail and transit
HOUSING	Military Workforce Affordable	UTILITIES	Energy generation Water supply Telecommunications

LEVERAGING AVAILABLE FUNDING WITH P3

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- Private-sector capital and expertise can provide up-front financing
- May allow municipalities, counties and agencies to procure a new asset without any bond issuances, tax measures or voter approvals
- Innovative Project Delivery staff assist during the procurement to help Sponsors quickly establish a viable project
- Developers often run a competitive financing process to evaluate bond, bank and tax-exempt solutions
- Life-cycle cost optimization and hand back requirements ensure Sponsors are given a high-quality asset at the end of the term



P3 PROJECT SELECTION

- Good projects make good P3s
- Core infrastructure, it serves a purpose to the public every day (Municipal, Transportation, Transit, Education, Health, Communication, Utilities)
- Local laws and regulations allow P3s
- Large Capex, commonly \$100M+ to multi-billion
- Asset performance matters during operations (i.e., buildings are reliable temperatures, trains are on time)
- The asset generates revenue for the Sponsor or Developer and the Sponsor has good credit and the ability to repay the Developer
- May or may not have Private Development associated with the core infrastructure



PROCUREMENT LESSONS LEARNED



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Know what you want

- Establish clear goals and success criteria
- What is the funding source?
- Develop a strong program with clear output specifications
- What do you want the partner to do?
- What risk will you assume?
- Benchmark costs and establish targets
- Evaluate Financing strategies

Get the right advisors

- Capital formation strategies and analysis
- Legal and legislative
- Public procurement process expertise
- Real Estate and Development Advisory, as required*
- Design and construction oversight*
- Communication and public outreach*

** Can be engaged by private sector on behalf of project*

Have a clearly defined process

- Transaction structure including financing considerations
- Attainable schedule and milestones identified
- Clear goals, expectations & evaluation criteria
- Clearly defined design review process
- Clearly defined performance specifications
- Construction oversight
- Ensure transparency and accountability in process
- Communication plan for internal and external stakeholders

ENSURING COMPETITION

Stakeholder Meetings
Industry Conferences
RFIs
One-On-Ones
Community Meetings
Continuous Communication
Community Days
Project Champion

How do you become attractive to the private sector? How do you share your story and attract competition?

One of the key drivers for the successful development of a P3 project is a well-defined, properly structured procurement process that encourages private sector companies to bring forward their best people and ideas.



CASE STUDIES

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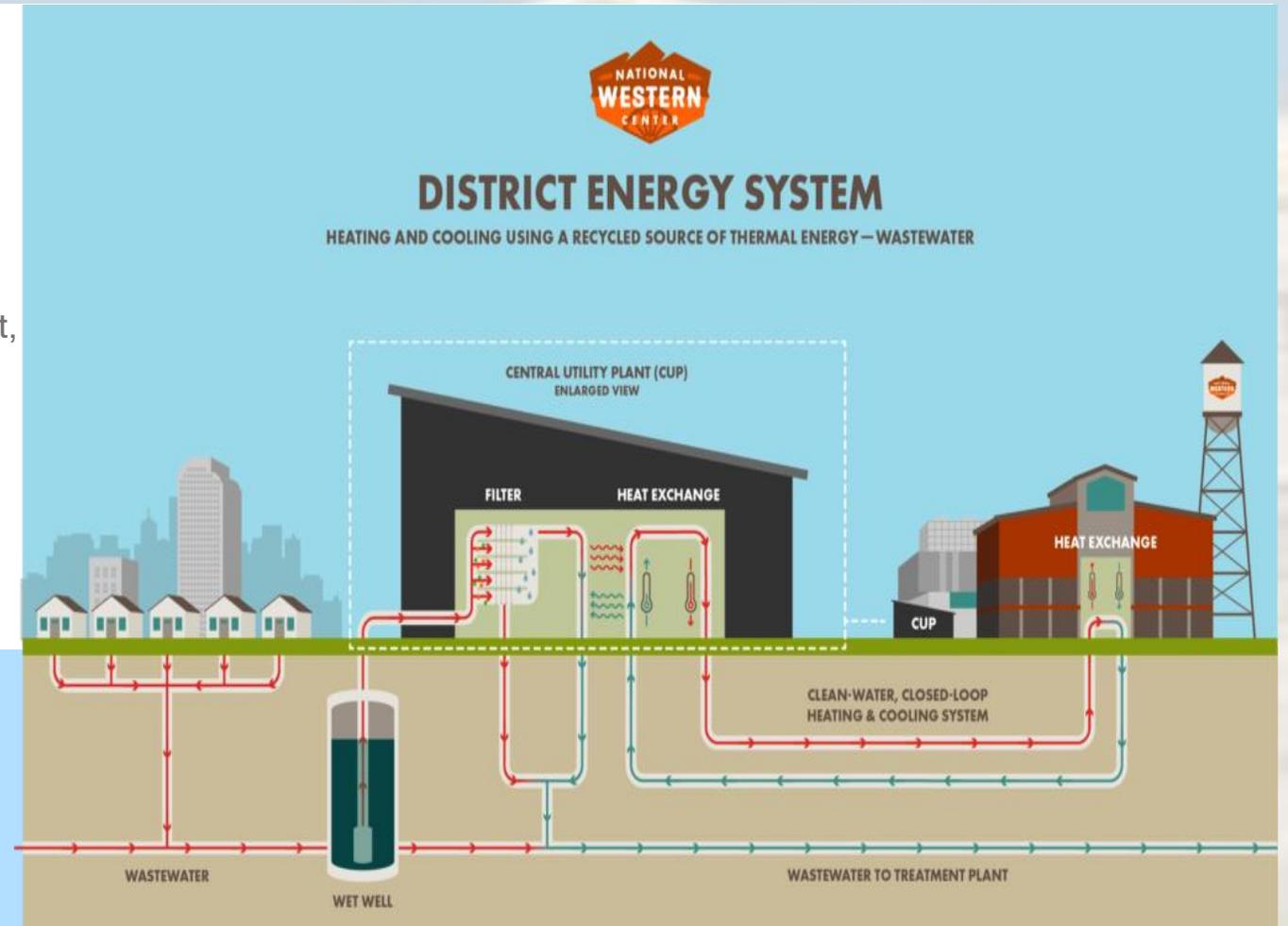
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National Western Center District Energy Project

- Owner: National Western Center, City of Denver
- 40-year concession contract, DBFOM, Availability Payments start when service begins to first building, ramps up
- \$40 million sewer heat recovery project initially supplies seven entertainment complex buildings over 865,000 sqft, and eventually supplying 90% of NWC's heating and cooling for the 250-acre NWC campus
- When complete, the 3.8 MW system will be the largest sewer-heat recovery system in North America
- Financial Close: July 2020

Project Development and Procurement Schedule:

- Technical and Commercial Feasibility Analysis: 2016-17
- Transaction Launch (RFI): October 2017
- RFQ Shortlisted 4 Bidders: July 2018
- RFP Preferred Bidder Selection for PDA: October 2018
- Financial Close (Covid delayed): July 2020



South Norfolk Jordan Toll Bridge

Original Bridge owned by the City of Chesapeake, VA

- Tolled lift bridge built in 1928; operated continuously to 2008, raised and stopped traffic 12X/day
- Critical transportation link across the Elizabeth River, heavy commuter traffic to and from the Norfolk Naval Shipyard
- Deteriorated over time until closed in 2008; structurally deficient and functionally obsolete (rated 4 out of 100 points by Federal Highway Administration)
- No Federal or State funds available for replacement

New Jordan Bridge

- United Bridge Partners purchased the bridge, initiated construction in 2010
- Built in <2 years for \$143million; public works estimate was 3 years and \$300 million
- Bridge open for traffic in 2012
- UBP owns, operates and maintains the bridge with traffic at 3x historic levels
- UBP sets tolls within contractual limits, has KPIs, can lose asset



Long Beach Civic Center



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- Agency: The City of Long Beach and The Port of Long Beach
- Development of a new City Hall, Port Headquarters, library, revitalized park and civic plaza with parking. Complementary private development also included.
- Delivered as a PDA with negotiations resulting in a DBFOM for City Assets and DBF for Port assets.
 - Selected on basis of qualifications, design concepts, financing concepts and commitment to undertake the project within maximum affordability limits.
 - Later negotiation of actual price, committed financing and final design concepts.
- 40-year term

Private Financing:

For City Facilities:

\$239 million taxable private placement
\$21 million in equity

For Port Facilities:

\$213 million credit facility
No equity

Public Funding:

Port to issue tax-exempt bonds
to take out the private
construction financing



State Street Redevelopment

Hard Bid Availability Payment P3



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- Designed to help reduce the use of State Street as the primary road leading to downtown West Lafayette and through Purdue University. The overall design re-purposes the corridor with a focus on pedestrians, businesses, and campus needs.
- Surrounding streets were rebuilt to absorb higher traffic volume and ease navigation.
- Availability Payment to Developer beginning at Substantial Completion.
- Reached Substantial Completion in November 2018 - one month early and on-budget
- Plenary maintains the 3 primary east-west roads for 22 years and the City maintains the remaining roads.



Private Financing:

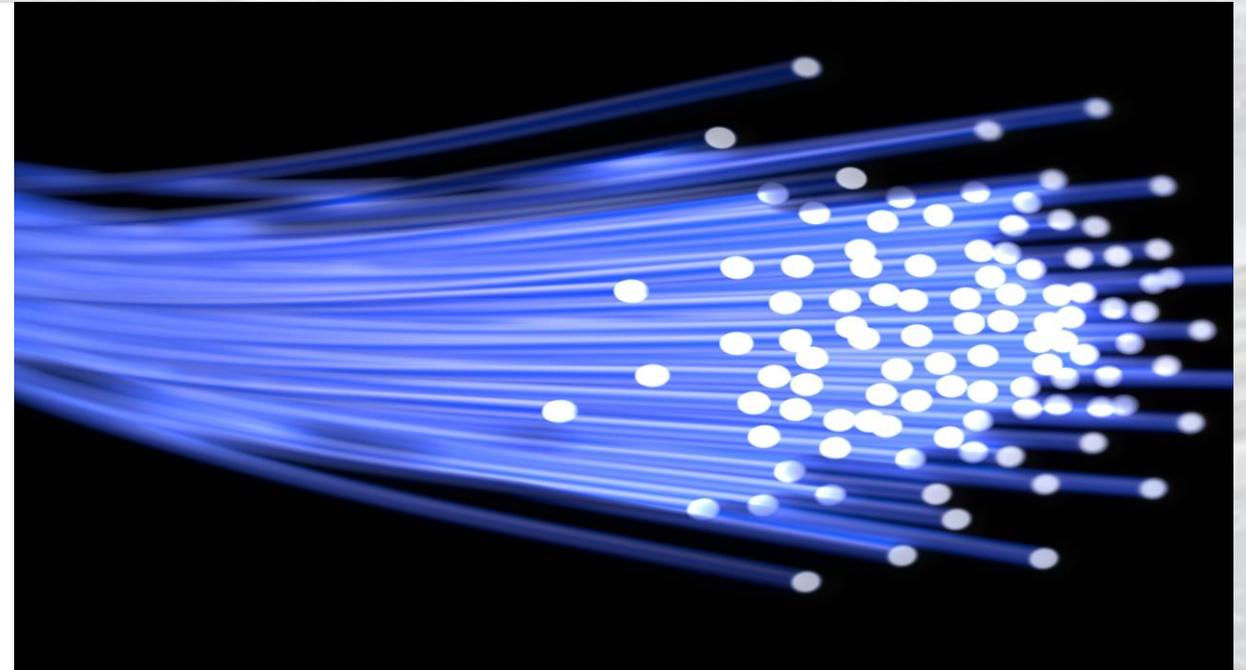
- First US Availability Payment P3 to reach Financial Close where the bid included a privately-placed bond with fixed credit spreads.
- \$72.5 million value

Public Funding:

- City contributes funds from an existing TIF district and a new, second TIF district located on Purdue-related property

Pennsylvania Turnpike Commission Fiber Hard Bid Revenue Risk P3

- 220-mile fiber optic network under construction by others on behalf of the Pennsylvania Turnpike Commission to connect the Commission's administration offices, maintenance buildings, tolling systems, and intelligent transportation systems
- Middle-mile asset
- Financial close-January 2021; Currently in construction by others
- Plenary will operate, maintain, and commercialize the additional fiber capacity and develop additional network infrastructure for 25 years, with renewal options
- Revenue sharing provisions between Plenary and PTC on the commercial revenue generated



Private Financing:

- Financing the commercial network laterals
- \$50 million value

Public Funding:

- Design and construction funded by PTC

Howard County Circuit Courthouse, MD

- Owner: Howard County
- 33-year Availability Payment based Design, Construction Finance Operate Maintain concession project
- 230,000 SF LEED Silver Courthouse & Office Space
- Construction cost: \$139 million
- Financial Close: November 2018
- First East Coast P3 courthouse project

Solicitation Process:

- 9 teams responded to Expression of Interest (EOI). Three companies shortlisted and received RFP.
- 11 months from EOI issuance to winner selection



Project Schedule:

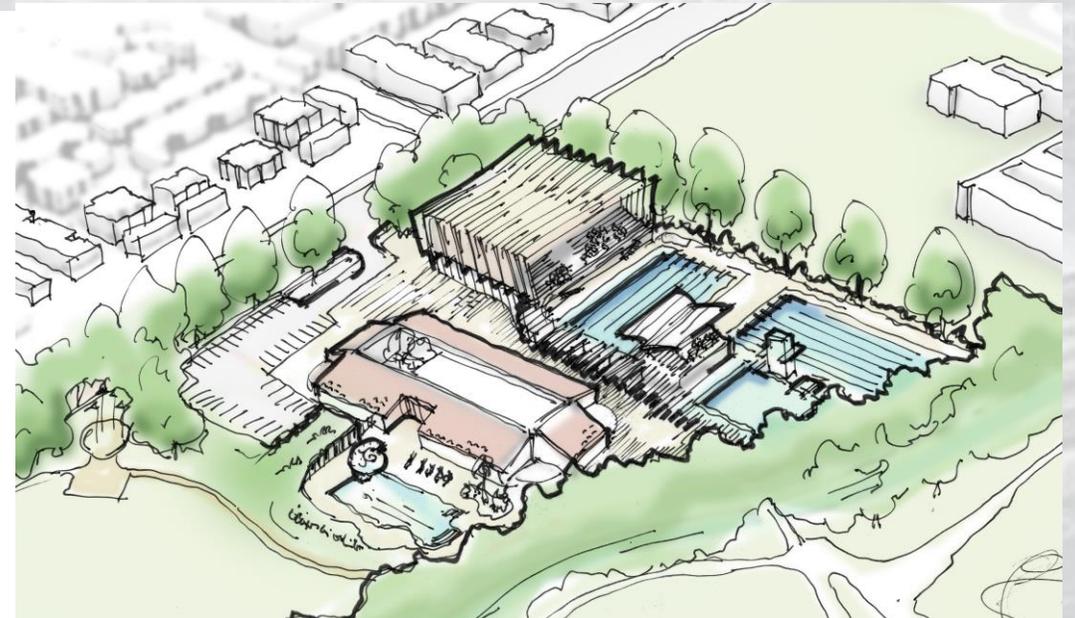
- Expression of Interest: July 2017
- Proposals Received: May 2018
- Preferred Proponent Selection: June 2018
- Estimated Construction Completion: Summer 2021

Santa Clara International Swim Center

- Owner: City of Santa Clara
- Community Recreation Center, Aquatic Training and Competition Facilities, International Swimming Hall of Fame
- 171,000 SF facility
- Construction cost: c.\$150 million

PFAL Work:

- Feasibility/Affordability analysis
- Funding analysis
- Value for Money analysis
- Community outreach
- Market sounding



Project Objectives:

Provide a creative, appealing, efficient, sustainably modern, appropriately sized, purpose-built, community-oriented facility that positively integrates within the surrounding community context, captures the civic and historical pride and enhances Central Park

Clean Water Campus by City of Los Angeles

- Owner: City of Los Angeles
- Exclusive Negotiating Agreement
- 163,000 sq ft new facility that includes office space and testing labs
- Project cost TBD

PFAL Work:

- Feasibility/Affordability analysis
- Value for Money analysis
- Advisor coordination
- Unsolicited proposal evaluation
- Develop documentation



Project Objectives:

Provide a creative, appealing, efficient, sustainable, modern, appropriately sized, purpose-built facility at a site owned by the City to serve as a catalyst for area-wide redevelopment



QUESTIONS

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1. Where do I start?

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Before initiating a P3 procurement, the owner should have clear project goals and the organizational capabilities to deliver the project. Key issues to consider are:

P3 AUTHORITY

Confirm legal authority to conduct P3 procurement and structural requirements

PROJECT SCOPE

Develop a clear scope that identifies objectives in order to achieve long term goals

P3 CHAMPION

Select an internal owner P3 champion who will coordinate all relevant owner stakeholders to take the project forward

SPECIALIST ADVISORS

Review existing skillsets. Create a dedicated internal project management team that will stay with the project over the entire procurement, design and construction. Supplement internal skills with specialist financial, legal and technical advice

Additional considerations:

PROJECT BUDGET

Establish the affordability envelope and definition of value for the project. Determine whether it is realistic

SCHEDULE REQUIREMENTS

Identify any NTP or completion requirements, or other schedule considerations

ENGAGE STAKEHOLDERS

Identify and engage stakeholders
(agencies/municipalities, governmental officials, community leaders)

RISK ALLOCATION STRATEGY

Prepare a list of project risks including likelihood and impact. Determine which should be appropriately outsourced in the project

WHAT IS THE PROCESS?

Is it a good project?

Good projects make good P3 projects

The P3 procurement process cannot save a bad project idea!



CRITERIA FOR VIABLE PROJECTS

LEGISLATION

The owner has the appropriate legislative authority in place to undertake a P3 arrangement

PROJECT SIZE

In general, projects with construction costs less than \$200 million are not the best candidates for P3 arrangements with financing

PROJECT COMPLEXITY

In general, projects with higher technical complexity offer relatively higher opportunity for private sector innovation and integration of design, construction, financing, operations and maintenance

PROJECT DURATION/ ASSET'S LIFE

Generally speaking, the value added through a P3 arrangement increases with the potential duration of the P3 arrangement

PERFORMANCE CHARACTERISTICS

P3 arrangements are structured primarily around performance based contracts. It is important for owners to evaluate whether it is feasible to clearly define meaningful performance standards for the project

Miami Dade County Courthouse

Hard Bid Availability Payment P3

- First social infrastructure P3 in Florida, replacing a 100-year-old structurally deficient facility
- Value for money analysis compared P3 vs DB + O&M.
- Financial close-January 2020; Currently in construction
- 23 story, 46 finished courtrooms, 4 shelled courtrooms for future expansion, 58-stall parking garage
- Commitment to use 20% local Small Business Enterprises in design, construction, and operations
- Availability Payment to Developer beginning at Substantial Completion.
- Plenary maintains the facility for 30 years

Private Financing:

- Private placement taxable debt
- \$333 million value

Public funding:

- County repays Plenary using general budget funds



Sonoma County Government Center

- Owner: Sonoma County
- New Government Center
- c. 600,000 sq ft facility with parking
- Planned DBFOM

PFAL Work:

- Goals & Objectives
- Validate Program
- Site Analysis
- Financial & Procurement Analysis
- Recommendation to Board of Supervisors



Project Objectives:

- Avoid cost escalation and stem continued expenditures in failing building systems.
- Improve access for constituents seeking services.
- Create a well-defined business-case that demonstrates the value and long-term benefit to County taxpayers.
- Design for flexibility for future uses and potential expansion needs
- Ensure fiscally responsible design and construction of new facilities with life cycle costs in mind.