Public Private Partnerships

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Public Private Partnerships (P3s)

P3 Definitions

USDOT – Public Private Partnerships (P3s) are contractual agreements formed between a public agency and a private sector entity that allow for greater private sector participation in the delivery and financing of transportation projects.

Wide variety of projects can be referred to as P3s
- Design/Build projects to near century long leases of existing facilities like the Chicago Skyway and Indiana Toll Road

Projects most commonly referred to as P3s in the US today involve a new procurement method whereby a private entity designs, builds, finances, operates and sometimes maintains a transportation facility for a long period of time (i.e. large scale procurement P3s)
Public Private Partnerships (P3s)

- P3s are being used around the country and world to advance transportation improvements.

Recent U.S. Examples

- I-495 Capital Beltway, VA - $1B Toll Concession (80 yr.)
- I-595 HOT Lane Project, FL - $1.7B Avail. Pmt. (35 yr.)
- Port of Miami Tunnel, FL $760M Avail Pmt. (30 yr.)
- N. Tarrant Expressway, TX $2B Toll Concession (52 yr.)
- I-635 LBJ Expressway, TX $2.7B Toll Concession (52 yr.)
- Eagle P3 Commuter Rail, CO $1.6B Avail. Pmt. (27 yr.)
- Presido Pkwy., CA $456M Avail. Pmt. (30 yr.)

*Avail. Pmt. = Availability Payment
Public Private Partnerships (P3s)

- Minnesota’s history with large scale procurement P3s
  - 1993 Toll Facility/P3 enabling legislation
  - 1995 TranSmart P3 Toll initiative
    - Hwy.212 toll road P3 project – Municipality vetoed project (by one vote)

- Other projects that have been referred to as P3s
  - 1998 Connecting MN Fiber Optic project
  - Transportation Economic Development (TED) projects (ex. TH 169/Bren Rd. Interchange in Minnetonka)
  - Research & Development Partnerships (ex. MN Guidestar and TERRA pavement research boards)
Mn/DOT’s recent exploration of large scale procurement P3s

Origin: Innovative Finance Program
- New revenue/funding sources
- New debt financing techniques
- New financial partnering and procurement approaches

Key Recent P3 Activities
- P3 Project Screening Study
- St. Croix River Crossing Innovative Finance Study
- Advancing Public Interest in P3s Research Project

Key Current P3 Activities
- P3 Task Force
- Truck Haven & Truck Parking P3 Research Project
- P3 “Value for Money” Study
Public Private Partnerships (P3s) – Key Recent Activities

§ P3 Project Screening Study

Purpose
- Identify the best project candidates with potential to benefit from P3 procurement approaches (DBFO and DBFOM)
- Identify the next steps for considering such approaches

39 Projects Screened

Screening Process
Public Private Partnerships (P3s) – Key Recent Activities

P3 Project Screening Study

Best shorter-term project candidates:
- St. Croix Bridge
- I-35W (Mpls-Blaine) MnPASS lane and I-94 (Mpls-St. Paul) MnPASS lane combined project
- I-94/I-494 (I-394-Monticello) MnPASS lane and TH 610 final phase combined project
- Pavement Preservation Program
- Rest Area Project

Best longer-term project candidates:
- Lowry Hill Tunnel
- Future Ch. 152-like Bridge Program

Other notable projects – individual bridges, intercity passenger rail
Public Private Partnerships (P3s) – Key Recent Activities

St. Croix River Crossing Innovative Finance Study

Purpose – To study the feasibility of tolling, P3 and value capture options for the St. Croix Bridge

Key Findings

- Tolling could pay for nearly half the bridge’s capital costs and all of its ongoing operations and maintenance, but is only feasible if specific federal and state (MN and WI) authorizing legislation is adopted

- P3 approaches for financing and delivering the bridge may be feasible if more in-depth analysis determined the potential for a better return on investment than a traditional approach and sufficient state (MN and WI) authorizing legislation is adopted

- Value capture approaches are more feasible in WI than MN because of the greater potential for increased property values on the WI side of the river

Advancing Public Interest in P3s Research Project

Provides P3 taxonomy and ways to optimize public benefit
Public Private Partnerships (P3s) – Key Current Activities

§ P3 Task Force
  - App. 20 members, meeting May-Dec. 2011
  - Purpose
    - To learn about stakeholders’ knowledge, needs, concerns, expectations and preferences for utilizing P3 approaches in MN
    - To assist in providing alternative strategies for utilizing P3 approaches and for making P3 policy decisions

§ Truck Haven & Truck Parking P3 Research Project
  - Currently analyzing P3 business models to help address truck parking and rest area needs – final report due June 2011

§ P3 “Value for Money” Study
  - Currently seeking funding to 1) develop a “Value for Money” analytical tool to help evaluate whether a P3 approach provides a better return on investment than a traditional approach and 2) test the tool on 1-2 projects
Public Private Partnerships (P3s)

Key Future P3 Activities

- Project Selection & Business Case development
  - Value for Money
  - Industry/Market Outreach
  - Stakeholder Outreach
- Institutional/Organizational Development & Structuring
- Project Development & Public Outreach
- Legislation
- Project Procurement
  - RFQ/RFP
  - Proposal evaluation & selection
  - Contract development and execution
- Contract Management
Public Private Partnerships (P3s)

Potential for P3s in MN

- For large scale procurement P3s
  - There is potential for some projects and such approaches should be considered where in-depth analysis demonstrates a strong potential for a better return on investment than a traditional approach.

- For smaller scale strategic partnering projects
  - There is tremendous potential for partnering opportunities with private entities interested in contributing money or other resources to projects, providing debt financing options for projects, and sharing risks and rewards in new ways on projects.
  - Examples: Transportation Economic Development Program, Alternative Financing Legislative Authority, Parking Facilities (e.g. NICE Ride), Value Capture Opportunities.
Thank You

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