Public-Private Partnerships
For Federal Facility Projects
National Academy of Sciences
September 7, 2007
Rick Norment
NCPPP Executive Director
What is NCPPP?

β Membership
  – Public and Private

β Partnerships range from:
  – Outsourcing
  – Public-Private Partnerships
  – Privatization

β OUR FOCUS = Public-Private Partnerships
  – “Joint Ventures”
  – “Collaborative Enterprise”

β NOT “Privatization”
  – Difference = The level of public control & oversight
Facing New Challenges & Opportunities

PUBLIC SECTOR
- Aging Infrastructure
- Shrinking Budgets
- Constituent Demands
- Exercising Authority
- BRAC

PRIVATE SECTOR
- Economic Development
- Private sector resources
- Underutilized Assets

PPP = An Answer, not the answer
What is a PPP?

A Public-Private Partnership is a **contractual agreement** between a **public agency** (federal, state or local) and a **private sector entity**. Through this agreement, the **skills and assets** of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, **each party shares in the risks and rewards** potential in the delivery of the service and/or facility.

source:  www.ncppp.org
Sectors Where PPPs Have Been Used

- Transportation
- Water/Wastewater
- Urban Development
  - Government facilities federal/state/local
- Utilities
- Financial Management
Advantages of PPPs

Maximizes the use of each sector’s strength
Reduces development risk
Reduces public capital investment
Improves efficiencies/quicker completion
Improves environmental compliance
Improves service to the community
Improves cost-effectiveness
Shares resources
Shares/allocates risks
Generates mutual rewards
Mobilizes excess or underutilized assets
Private Sector Strengths

The Result of Market Competition

- Management Efficiency
- Newer Technologies
- Workplace Efficiencies
- Cash Flow Management
- Personnel Development
- Shared Resources (Money?)
Public Sector Strengths

- Legal Authority
- Protection of Procurement Policies
- Broad prospective/balance the competing goals to meet public needs
- Personnel – dedicated but constrained
- Capital resources
Successful Partnerships

The Secret is to Balance the Strengths of Both Sectors
Trends

Some surprises

#3 Water/Wastewater – already 15% of all urban water systems
Trends

Some surprises

#3 Water/Wastewater – already 15% of all urban water systems
#2 Transportation – Gets all the press because of the enormous price tags (some $B)
Trends

Some surprises

#3 Water/Wastewater – already 15% of all urban water systems
#2 Transportation – Gets all the press because of the enormous price tags (some $B)
#1 Urban Development – actually the largest sector by number of projects by total dollars mobilized
Applying These To Federal Facilities

Related federal programs

- Enhanced Use Leasing (EUL)
  - Limited authority for use, but . . . .
  - Applies to BRAC and some facilities upgrades/expansion

- Energy Savings Performance Contracts (ESPCs)

- A-76 Competitive Sourcing
  - Can apply to facilities management
Lessons Learned

Common to all sectors of PPPs

• Before the RFP
  • Set clear objectives
  • Evaluate the true market potential
  • Understand the value of underutilized assets
• Stakeholder communications – before, during and after
• Understand the needs of the private sector
  • This is not philanthropy – it’s a business deal
  • Understand their time limitations
  • Understand the language differences
Case Studies at  www.ncppp.org

- Transportation
- Water/Wastewater
- Financial Management
- Urban / Economic Development
- Public Safety
- Social Programs
- Education
Case Study
Water System

TAMPA BAY DESALINATION

- Public initiative
- The project size and technology too risky for public procurement
- Private Activity Bonds – public authorized private tax-exempt debt (no public risk)
- Risk led to several bankruptcies, but public retained ownership (financial loses absorbed by the private sector)
- Expected to be fully operational in early 2008
Case Study Transportation

WASHINGTON DC METRO STATION

- An “in fill” station in an economically depressed area
- Public and private initiatives
- Cost: $90 million
- Local Developer provide 30% through a dedicated tax district and land for station
- Economic Impact: 600% increase in property values in 3 years
Case Study
Public Facilities

JAMES OYSTER MULTILINGUAL SCHOOL

- Condemned property of the DC Government
- Citizens initiative to save the school
- 1.5 acres used by private sector to build a 221 unit full-market apartment building, with a 35 year ground lease
- PILOT equals $35 million for payments of municipal bonds for construction of a new school (i.e. no cost to the taxpayers)
- Provided the model for the Virginia Public-Private Education Act (has resulted in over 30 schools and numerous additional municipal buildings in the state)
Case Study
Economic Development

RALEIGH, N.C.

- Public initiative
- Substantial planning pre-RFP evaluation process
- $150 M project
- Mixed use with an urban culture district
- City provided covenants for the property
- Totally financed by the developer
The Process  
(particularly for economic development projects)

**Public sector steps before the RFP**
- General concept design, but not design specific
- Evaluation of the value of publicly held lands
- Evaluation of market potential, including tax revenues to be generated
- RFQ to select a design and construction team
- RFP to the select group developed by the RFQ
- Private pre-RFP costs can be significant, but projects have a higher probability of success (because of the pre RFP process)
Six Keys to Successful PPPs

- Statutory and Political Environment
- Organized Structure
- Detailed Business Plan
- Guaranteed Revenue Stream
- Stakeholder Support
- Pick Your Partner Carefully
Managing for Success

The Most Critical is Component One:

Strong LEADERSHIP makes all the other factors come together
Relevant Upcoming NCPPP Meetings

- September 14 – Partnerships for Energy (in Washington, DC)
- November 1-2 – NCPPP Annual Meeting (in Houston, Texas)
- December 7 – PPPs for Federal Properties (in Washington, DC)

Information and registration materials available at www.ncppp.org
Need Help?

www.ncppp.org
Case Studies, Fundamentals of Partnerships, Issue Papers, Publications, Resources

1660 L Street, NW
Suite 510
Washington, DC 20036
202-467-6800
rnorment@ncppp.org