



Public-Private Partnerships For Federal Facility Projects

National Academy of Sciences
September 7, 2007

Rick Norment
NCPMP Executive Director





What is NCPPPP?

§ Membership

- Public and Private

§ Partnerships range from:

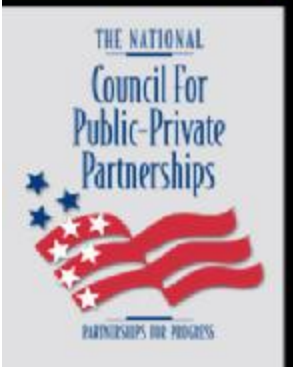
- Outsourcing
- Public-Private Partnerships
- Privatization

§ OUR FOCUS = Public-Private Partnerships

- “Joint Ventures”
- “Collaborative Enterprise”

§ **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

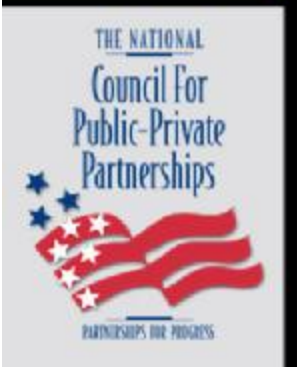
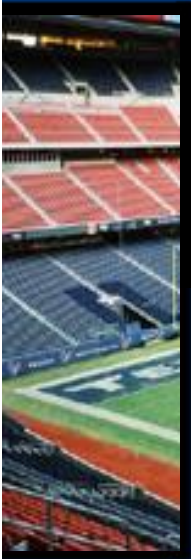
PPPs = An Answer, not the answer

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

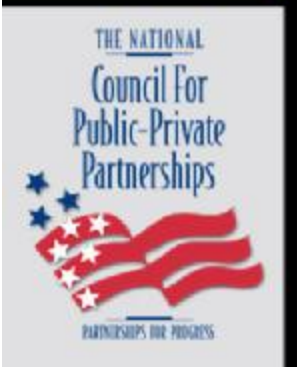
Mobilizes excess or underutilized assets



Private Sector Strengths

The Result of Market Competition

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

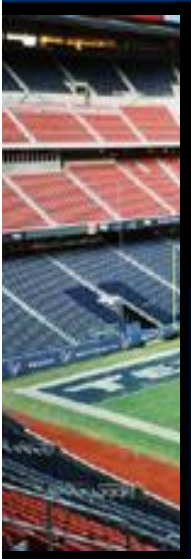


Public Sector Strengths

- § 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.ncpppp.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 losses 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)

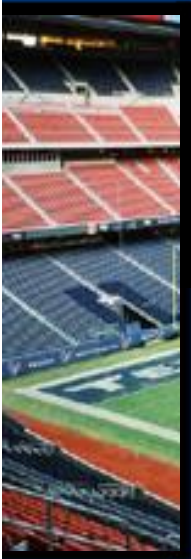


Case Study

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.ncpppp.org

Case Studies, Fundamentals of
Partnerships, Issue Papers,
Publications, Resources



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