Trends and Directions in Transportation PPPs

NCSL Legislative Summit 2009  
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Agenda

• Brief Introduction of MLA and our P3 Group
• Survey of P3 Sectors
• P3 Trends
• How States Are Approaching Transportation P3s Now:
  • California
  • New York
• Council of Project Finance Advisors Working Group
International Firm-- First, Oldest in Government Contracts
Aerospace, Defense, Construction, Project Finance
450 Attorneys and Government Affairs Professionals

MLA Global Infrastructure and P3 Group
Chaired by Frank Rapoport, over 30 attorneys and professionals
Strategic Advisors: Governor Howard Dean, Mayor Stephen Goldsmith

Recent P3 Experience
Testimonies: Colorado Joint Transportation Committee (Jan 09) and New York State Asset Management Commission (Nov 08)
Informal discussions with lawmakers in California and Nevada
Largest P3 Deal – Balfour Beatty, Newtown Square, PA
### Sectors Using PPP

<table>
<thead>
<tr>
<th>Traffic</th>
<th>Administration</th>
<th>Education</th>
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<tbody>
<tr>
<td>• Roads</td>
<td>• Town halls</td>
<td>• Kindergartens</td>
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<tr>
<td>• Airport</td>
<td>• Fiscal authorities</td>
<td>• Schools</td>
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<td>• Rail</td>
<td>• Court houses</td>
<td>• Universities</td>
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<tr>
<th>Utilities</th>
<th>Health/Seniority</th>
<th>Security</th>
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<tr>
<td>• Geothermal Energy</td>
<td>• Hospitals</td>
<td>• Police buildings</td>
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<td>• Power Stations</td>
<td>• Senior living</td>
<td>• Correctional facilities</td>
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<td>• Water Supply</td>
<td>• Sanatoria etc.</td>
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<th>Disposal</th>
<th>Leisure/Culture</th>
<th>Miscellaneous</th>
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<tr>
<td>• Sewage Plants</td>
<td>• Sports facilities</td>
<td>• Fire stations</td>
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<tr>
<td>• Waste Disposal</td>
<td>• Museums</td>
<td>• Exhibit Centers</td>
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<td>• Theatres etc.</td>
<td>• Water</td>
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Why P3?

Not THE Solution, but ONE Solution:

ASCE Infrastructure Report Card 2009, need $2.2 trillion in next 5 years ($190 billion funding shortfall for transit)

Expand/Enhance Capacity – HOT lanes, port and harbor redevelopment/expansion, high-speed rail

Less focus on cost savings, more on financial tool for cash-strapped public budgets:

- Using the “Traditional” (DBB) Delivery Method
- For every One $1 spent on Design
- Ten $10 is spent on Construction, and
- At Least One Hundred ($100) is spent on O&M, Repairs, and Refurbishment

Over the typical life cycle of an infrastructure facility.
P3 Trends

States Rapidly Passing/Considering P3 Laws
- California – Feb 09
- Alabama – Feb 09
- Arizona – July 09
- New York – SAM Commission
- Massachusetts
- Pennsylvania

Mayors, Local Officials using Home Rule Authority
- Water
- Utilities
- Energy
- Local transit

US Government Signaling Need for States/Munis on P3
- No more stimulus hand out
- National infrastructure bank
- DOT Discretionary Fund $1.5B (FR Vol. 74, No94 5/18/2009)

Vast Amounts of Private Capital Available for P3
- Private Equity
- Pension Funds (Pensions and Investments survey reported that 17 of the 200 largest pension funds had defined allocations for infrastructure investment).
- Shift from Wall Street to Labor Investing in Infrastructure
California

- Allows regional transportation agencies and Caltrans (the State Department of Transportation) to enter into an **unlimited number of PPP projects**.

- Provides broad authority for PPP arrangements with respect to a range of transportation projects.

- Establishes the **Public Infrastructure Advisory Commission** to advise the Department of Transportation and regional transportation agencies in developing transportation projects through performance-based infrastructure partnerships.

- Authorizes the contracting entity or lessee (i.e., the private concessionaire) to impose tolls and user fees for use of a facility construction by it.

- The law provides for additional **transparency** with respect to tolls. Proposed increases in rates *not otherwise established or identified in the lease agreement* shall be first approved by the department or regional transportation agency, after at least one public hearing.
State Asset Maximization Commission

Transportation

- a bridge improvement program to replace, rehabilitate and maintain New York’s bridges using P3s;
- a P3 for the construction of Buffalo Harbor Bridge’
- Tappan Zee Bridge/I-287 Corridor project (estimated project costs US $16bn);
- creation of a partnership between the New York State Department of Transportation (NYSDOT), private railroad companies, and investors to advance the development of high-speed rail passenger services on up to three designated corridors within the state (estimated project cost to be decided);
- partnering with a private sector entity for the maintenance, repair, and operation of the Gowanus Expressway (I-278);
- encourage the Metropolitan Transit Authority (MTA) to use P3s for Transit-Oriented Development.
• **Pension Funds**
  
  – Infrastructure investors are also discussed in the report, highlighting pension and retirement funds’ increasing validation and enthusiasm for infrastructure assets. The SAM report says that in a recent Pensions and Investments survey, it was reported that 17 of the 200 largest pension funds had defined allocations for infrastructure investment.
• Led by former Vermont Governor Howard Dean and former Indianapolis Mayor Stephen Goldsmith

• Advocate for a P3 center of excellence and best practices (within fed gov’t or org funded by gov’t), that would raise the awareness for various P3 business models

• Working group members from a variety of industries: transportation, finance, energy, water/wastewater, education, environment, utilities, real estate, information technology and health care

• Inaugural meeting in September

• Congressional outreach in the fall/winter
Questions?

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