

# Practical Considerations when Implementing P3s as Instruments of Public Policy

## *Notes from the Field*

**Adam Giuliano**

Partner, Kaplan Kirsch and Rockwell LLP



# What We Mean by P3

**“There is no single, internationally accepted definition of Public-Private Partnership”**

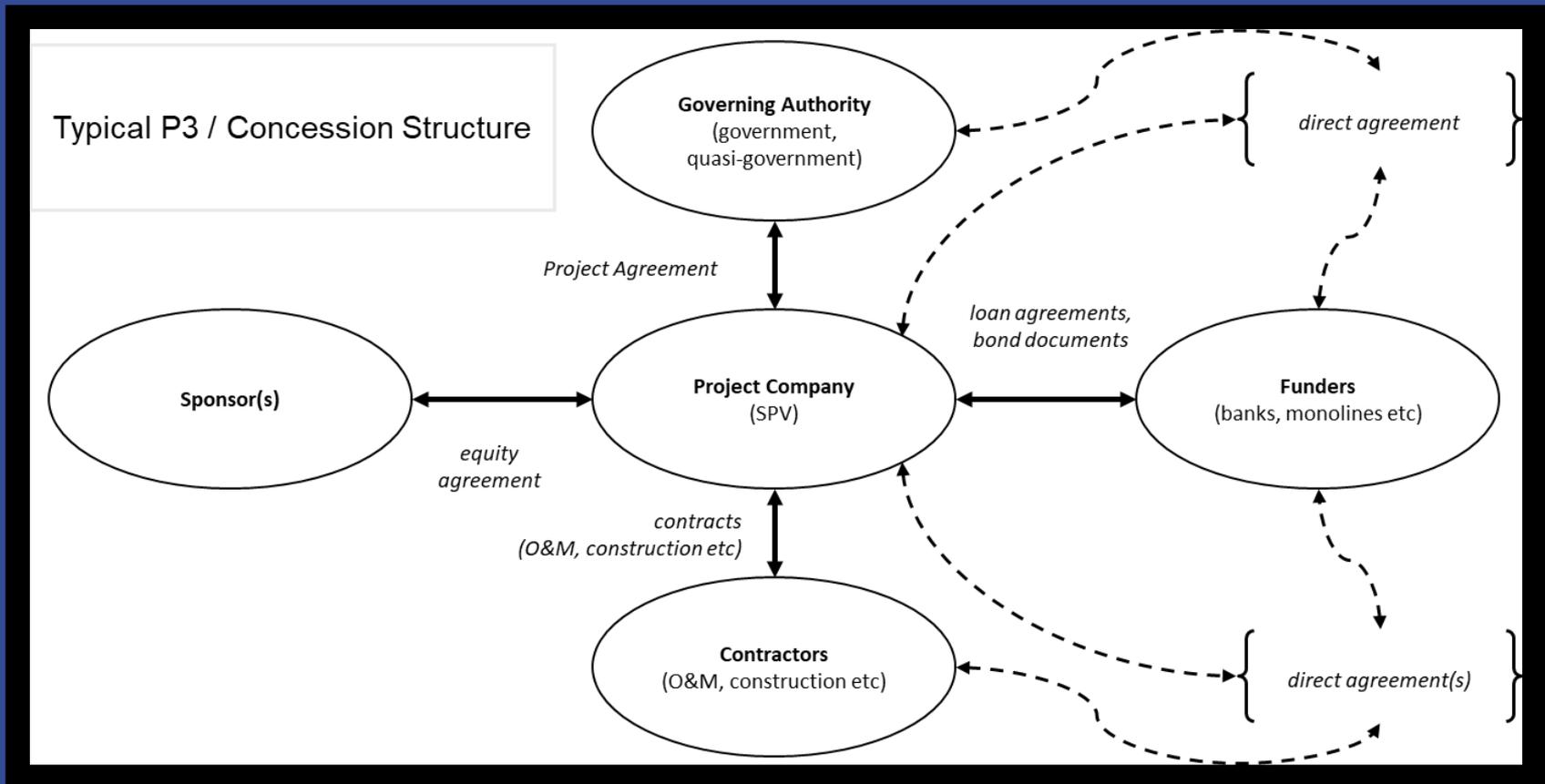
- World Bank PPP Knowledge Lab

**Within the US “the definition of a P3 varies and can encompass a broad range of approaches”**

- DBIA Public-Private Partnerships: A Design-Build Done Right Primer

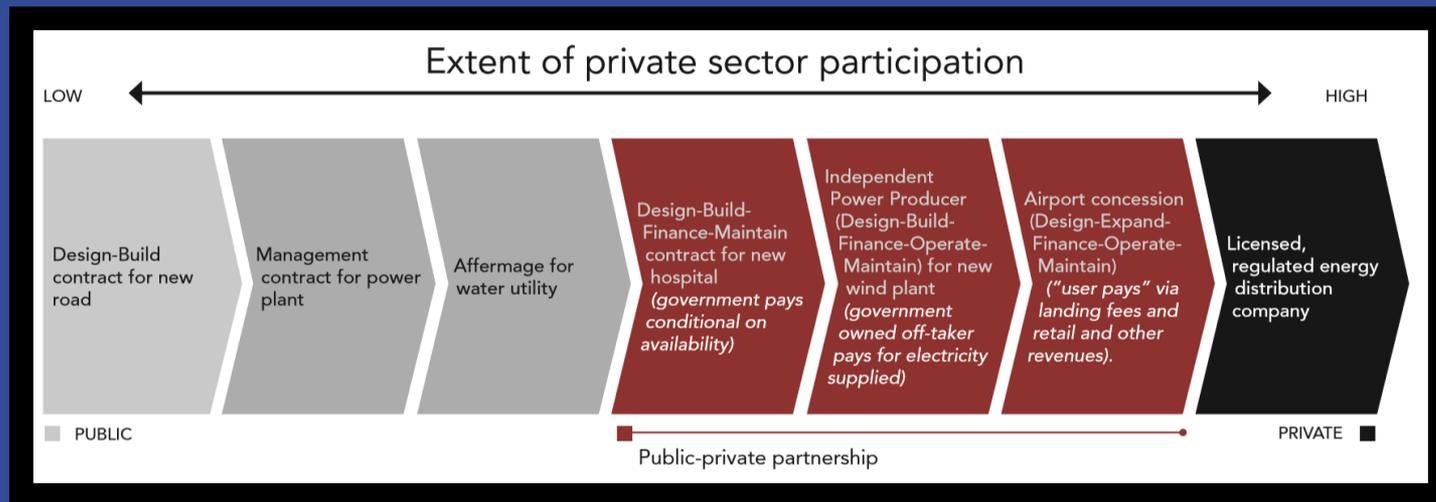


# What We Mean by P3 (cont'd)



# What We Mean by P3 (cont'd)

P3s exist on a continuum:



No one definition – but...

- Typically defined on a relative basis – therefore can differ by state, facility type, etc.
- Private counterparty wears multiple “hats”
- Typically involves private investment, finance or equity exposure

# Pairing Public Policy Goals with P3 Challenges & Opportunities

Consider common scenarios in which a transit agency might pursue a P3 model to achieve certain public policy goals:

- TOD / joint development projects
- Airport connectors
- Projects where innovation (technical, business model etc.) is crucial

Learned experience from the broader P3 market can inform how these types of projects can be structured to reduce risk from known challenges, while increasing the likelihood of positive outcomes



# Pairing Public Policy Goals with P3 Challenges & Opportunities (cont'd)

**Sample Objective:** Use P3 to deliver a station and surrounding district redevelopment project to foster (re)development around transit assets, generate value either for transit agency and/or to surrounding community

## Practical Considerations:

- TOD vs. Joint Development concepts – local view, FTA view, and private sector / P3 industry view
- Sources of funding (incl. FTA grants, TIFIA/RRIF), and challenges for debt / equity financing
- Revenue generation opportunities and risks
- Counterparty selection challenges
- Take-down schedules, option rights and development delays
- Community responsiveness and design
- Prioritization of transit / integration vs. prioritization of development

# Pairing Public Policy Goals with P3 Challenges & Opportunities (cont'd)

**Sample Objective:** Use P3 to deliver a new airport connector project to promote connectivity

## Practical Considerations:

- FAA compliance issues (revenue diversion, ACDBE and treatment as a concession, PFCs, etc) in the P3 context
- Pairing FTA grants with FAA requirements
- Relationship of procuring agency and airport
- Special challenges for maximizing P3 “value for money” and “lifecycle cost” optimization in a consumer oriented service / facility
- Allocation of airport-related risks during construction and operations
- Stand alone vs. integrated connector systems
- Funding plan challenges



# Pairing Public Policy Goals with P3 Challenges & Opportunities (cont'd)

**Sample Objective:** Use P3 to harness innovation (technology, business models etc.)

## Practical Considerations:

- Competing different types of innovative technology, solutions etc. in a public procurement
- Predevelopment agreements vs. standard RFPs
- Appropriate level of public oversight over private, and possibly proprietary, delivery models
- Assessing technical and financial capacity of a non-traditional counterparty, developing customized security packages
- Governmental approval, obsolescence, and compatibility issues
- Negotiating and contracting with non-conventional counterparties

