# **APTA Emerging Leaders Program**

# A Look at Public-Private Partnerships (P3)

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# **Public-Private Partnerships (P3)**

#### What it is:

- A Project delivery structure
- Long term contractual arrangement public entity partners with private entity who builds and operates the infrastructure project
- Public entity retains ownership of all assets
- A financing and procurement tool

#### What it is not:

- Not a source of funding
- Not a solution to all infrastructure needs
- There are barriers to implementation
- A transfer or risk or rewards they are shared



# P3's as a project delivery method

## **Benefits of P3's**

- Specialized expertise
- Innovative design and construction techniques
- Construction, financial, and operational risk sharing
- Federal government financial participation
- Accelerates project delivery

### **Limitations of P3's**

- Increased financing costs
- Complexity of financing
- May limit public entity's flexibility
- Complex procurement process



# **P3 Roles and Responsibilities**



### **Public Partner**

- Overall policies and control
- Environmental process and clearance
- Stakeholders and political support
- Funding sources

### **Private Partner**

- Financing
- Design and Construction
- Operation, maintenance, and management

## **Understanding Public and Private Interests with P3's**

#### **Public Partner**

Projects: Address transportation needs & improve infrastructure
Stakeholders: Seek to address concerns of various parties
Process: Apply and comply with standard operating procedures
Transparency: Seeks to share information to ensure public participation and accountability

#### **Private Partner**

**Deals:** Seeks the process in terms of negotiated transactions **Stockholders:** Seeks to generate dividends for its investors **Profits:** Interested in a competitive return on investment **Confidentiality**: Protect in intellectual property



# P3 Case Studies: Denver & Los Angeles

RTD EAGLE P3 LA Metro Sepulveda Pass



## **RTD FasTracks**

- Voter approved in 2004
- Largest transit expansion program in nation
- 122 miles of light rail and commuter rail
- 18 miles of BRT
- 57 new transit stations
- 31 new Park-n-Rides (21,000 parking spaces)
- Connects suburb to suburb bus service
- \$5.5 billion invested or committed across the region
- Creation of 15,000 direct, full-time jobs since 2005

## **FasTracks EAGLE P3 Project**



- University of Colorado A Line 22.8 mile commuter rail corridor between Union Station and Denver International Airport
- G Line 11.2 mile commuter rail corridor between Union Station and Ward Road in Wheat Ridge
- **B Line** 6.2 mile commuter rail corridor between Union Station and Westminster
- Commuter Rail Maintenance Facility (CRMF) – will serve the four FasTracks commuter rail corridors

## EAGLE P3 – First Steps

• In 2007, RTD accepted to the Public-Private Partnership Pilot Program (Penta-P)

• Accelerated review process

• Reduced oversight during project development

- In 2009, RTD issued final RFP to pre-qualified entities
- In 2010, RTD entered into a concession agreement with Denver Transit Partners (DTP)



## **EAGLE P3 - Structure and Financing**

- Concession Agreement with DTP
  - 0 Design
  - 0 Build
  - Finance
  - o Operate
  - 0 Maintain
  - o 34 Year Agreement
    - Includes 5 year design/ build
    - 29 year maintain and operate
- RTD Sets and Retains Fares
- RTD owns assets
- RTD pays traction power and security costs

## • Financing

- Total Asset Value \$2.3 billion
  - \$1.1 billion in federal funds
  - \$450 million in private financing
  - \$460 million in local funds
  - \$280 million Transportation Infrastructure Finance Innovation Act (TIFIA) loan



## **EAGLE P3 - Structure and Financing**

#### **2011 - 2017 Construction RTD Sources DTP Sources** Uses Sales Tax Bonds Mobilization and Design **TIFIA** Loan Construction Payments from RTD **Construction** Costs Full Funding Grant Agreement (FFGA) **Financing Costs** Sales and Use Taxes (Pay Go) **DTP** Overhead Private Acitivity Bonds (PABS) Interest Payments on Private Activity Bonds (PABS) **DTP Equity Commitment** Rolling Stock

#### **2016 - 2044 Operations**



## **EAGLE P3 – Risk Sharing**

## RTD

- ROW acquisition
- Unidentified environmental conditions
- Unidentified utilities
- Public perception/acceptance
- Ridership

## DTP

- Cost overruns
- FRA approvals
- 3<sup>rd</sup> Party claims
- Failure to meet performance standards
- Operation and Maintenance costs
- Condition of system at end of concession period



# Sepulveda Pass Transit Corridor

- 3rd most congested highway segment in the U.S.
  - 400,000 vehicles per day (2010)
  - 500,000 vehicles per day (2030)
- Severe transit limitations
  - Metro Rapid Bus travel times:
    - AM Southbound 65 mins to go 12 miles (11 mph)
    - PM Northbound 74 mins to go 12 miles (9.7 mph)
- Peak demand between US 101 and I-10
  - 55% are through trip
- I-405 HOV Lane & Widening Project completed in 2014 did little to improve traffic flow



# **Sepulveda Pass Transit Corridor**

- Potential rail and toll highway connection between SFV, Westside LA, and LAX
- Project Concepts:
  - Express Lanes with BRT (included in all concepts)
  - Toll Highway Tunnel with BRT
  - Fixed Guideway Rail Tunnel
  - Fixed Guideway Rail and Toll Highway Tunnel
- Measure M (passed 2016) has allocated funding for this project



# **Sepulveda Pass Transit Corridor**

- Measure M divides the project up into three phases over 40 years
- Phase 1: I-405 Express Lanes
  - Opening date: 2026-2028
  - Funding: \$260 million
- Phase 2: 12-mile high-capacity transit project between MOL & MPL
  - Opening date: 2033-35
  - Funding: \$5.65 billion
- Phase 3: 10-mile high-capacity transit project between MPL & LAX
  - o Opening Date: 2057-2059
  - Funding: \$3.86 billion



# **Sepulveda Pass Transit Corridor**

- The cost of the project could range between \$10-\$30 billion
- Demographics and travel demand point to travelers willing and able to pay substantial tolls and/or premium transit fares.
- Early traffic, ridership, and revenue forecasts show potential annual revenue from tolls and transit fares at \$500-\$800 million annually, with about 65%+ coming from tolls.
- This revenue could be leveraged to build and operate the project as a P3
- To date LA Metro has received 3 unsolicited proposals

