

Infrastructure P3's: A Growing Delivery Model

Port Working Group

Sponsored by: Terminal Railroad Association of St. Louis

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Public-Private Partnerships (P3's)

P3 Defined

- Public-Private Partnership (P3)
 - A long-term contract between a public agency and a private consortium for the latter to design, build, finance, operate and maintain, or some combination thereof, a public facility pursuant to agreed performance standards in exchange for payments over time.



Distinguishing Elements of a P3:

1. Risk Transfer
2. Life-Cycle Delivery System
3. Private Investment Capital

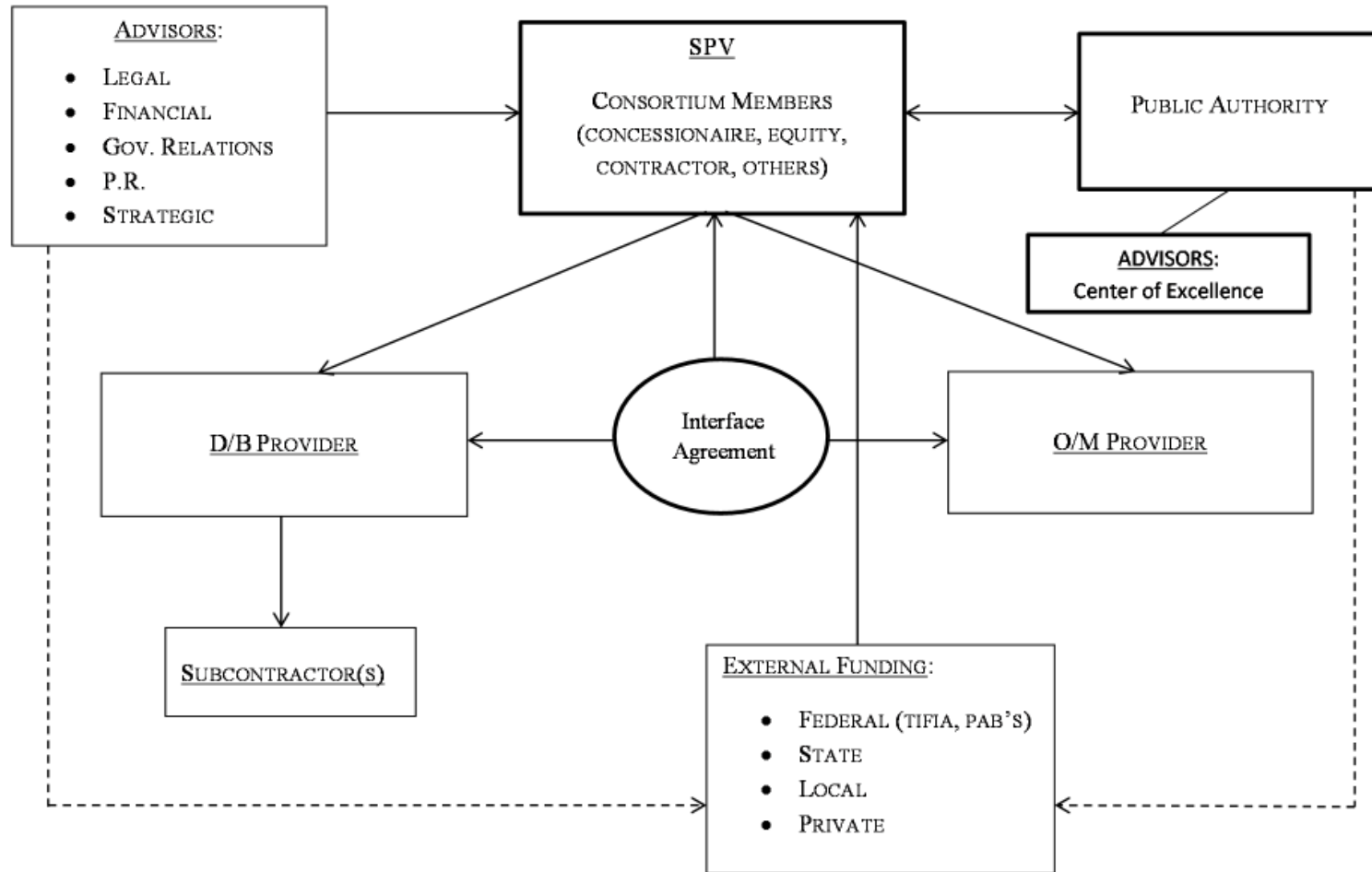


P3 Revenue Alternatives

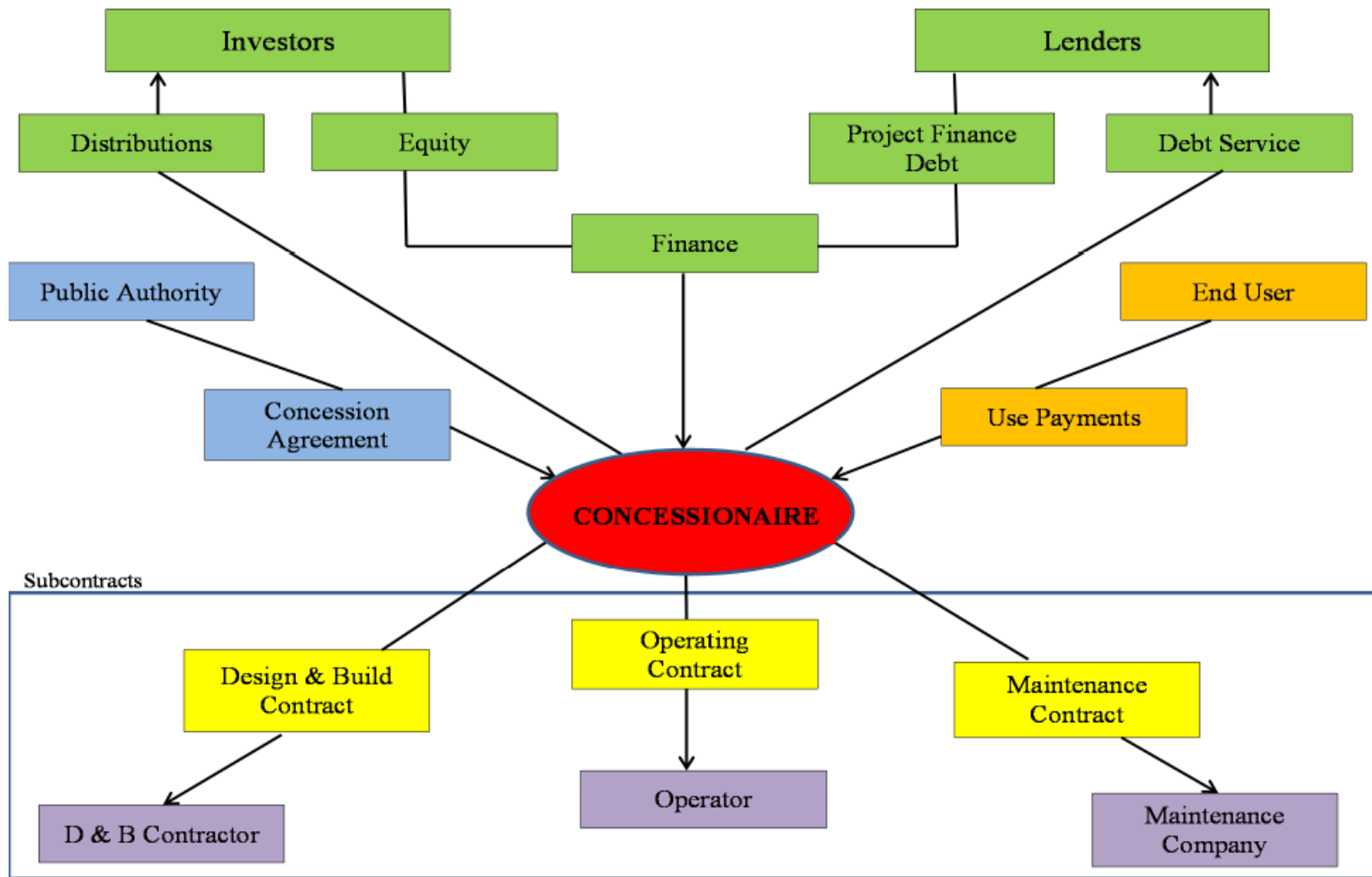
1. Demand - Risk
2. Availability Payments
3. Combinations



P3 – Entity Structure Overview



P3 Concession Structure



The Growing field of Public-Private Partnerships

Some Observations

1. What is a Public Private Partnership

- A “**tool**” not an end in itself – a finance and production/operations vehicle.
- **Risk-transfer arrangement** between the private and public sector regarding the production and operation/maintenance of a public facility in an alternative risk-reward structure.
- P3 involves a **publicly owned facility that is produced and then operated /maintained by the private sector**, in exchange for long-term contract that provides a return through performance-based revenue stream to the private consortium.



The Growing field of Public-Private Partnerships

Some Observations (con' t)

What is a Public Private Partnership (con' t)

➤ **A Private consortium** is usually made up of:

- Equity investor(s)
- Lead concessionaire (developer)
- Design and construction entity
- Operating entity

All are experienced in the product being produced and operated. These parties may be partners at the concession level or under contracts with that concessionaire to produce their specific service or product.



The Growing field of Public-Private Partnerships

Some Observations (con' t)

What is a Public Private Partnership (con' t)

- **Consortium** will also have **external advisors** including P3 legal counsel, P3 financial advisor(s), accounting/audit features and related strategic advisors.
- P3 provides **private capital & life-cycle production benefits** to the public entity in a time of scarce resources and crumbling infrastructure.
- **P3 projects originated** in Europe, Australia and Canada and, during recent decades, migrated to the United States as the public sector budgets became strained and alternative ways to fund and build public projects were investigated.



The Growing field of Public-Private Partnerships

Some Observations (con' t)

2. Traditionally Infrastructure Focused
3. “Social” Infrastructure Trends
4. The Differences
5. Center of Excellence

See Appendix A for more information.



Some P3 Examples

Reginal Transportation: Denver Eagle P3



Denver Eagle P3

- 36 miles of new electrified (25kV) commuter rail
- 37 major bridge structures
- 16 new stations plus Denver Union Station hub
- Commuter Rail Maintenance Facility
- 66 cars in married pair configuration



Denver Eagle P3

Development of Agreement

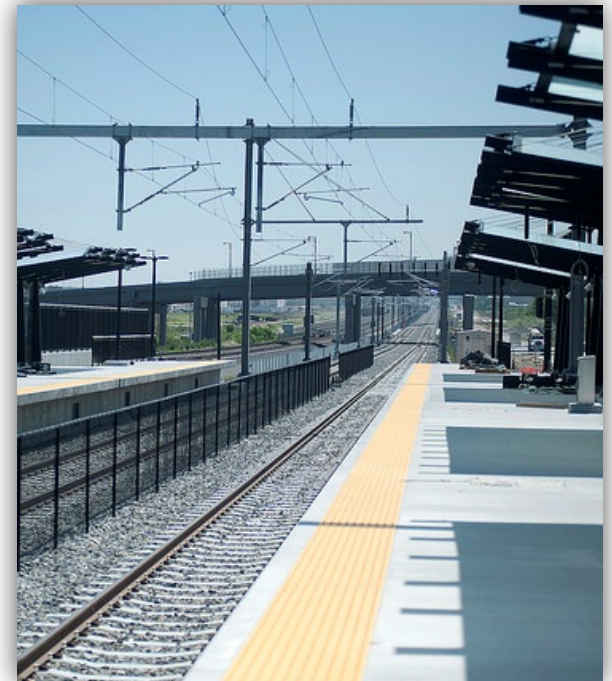
- RTD pursued concept of P3 in 2007
 - In response to financial challenges
- First transit P3 of this magnitude in the U.S.
- RTD retains ownership of assets
- 34-year DBFOM contract
 - 6 years design/build
 - 28 years operate/maintain
- Availability payments for 28 years



Denver Eagle P3

Procurement and Implementation Schedule

- Approximately three years from concept to contract
- Request for Qualifications process – Summer 2008
- Draft Request for Proposals (RFP) – December 2008
- Extensive industry review – Early 2009
- Final RFP – September 2009
- Final Proposals Received – May 2010
- Eagle P3 Team Selection – June 2010
- Financial Close/NTP – August 2010
- Broke ground on Aug. 26, 2010
- FFGA signed – August 2011
- The three lines open April, July and October 2016



Denver Eagle P3

Funding and Financing

- Project Capital Budget – \$ 2.3 billion
- FTA New Starts Full Funding Grant Agreement - \$1.03 billion
- Private Activity Bonds - \$396.1 million
- TIFIA loan - \$280.0 million
- Other federal grants - \$62.1 million
- RTD sales tax revenue - \$114.3 million
- Revenue bond proceeds - \$48.2 million
- Local/CDOT/other contributions - \$40.3 million
- Equity and other sources - \$91.7 million



Denver Eagle P3

Request for Qualifications (RFQ)

- Focused on entities leading the project
 - Developer
 - Equity providers
 - Core contractors
 - Design and construction
 - Rolling stock
 - O&M services
- Experience; financial capacity and capability; management approach

Denver Eagle P3

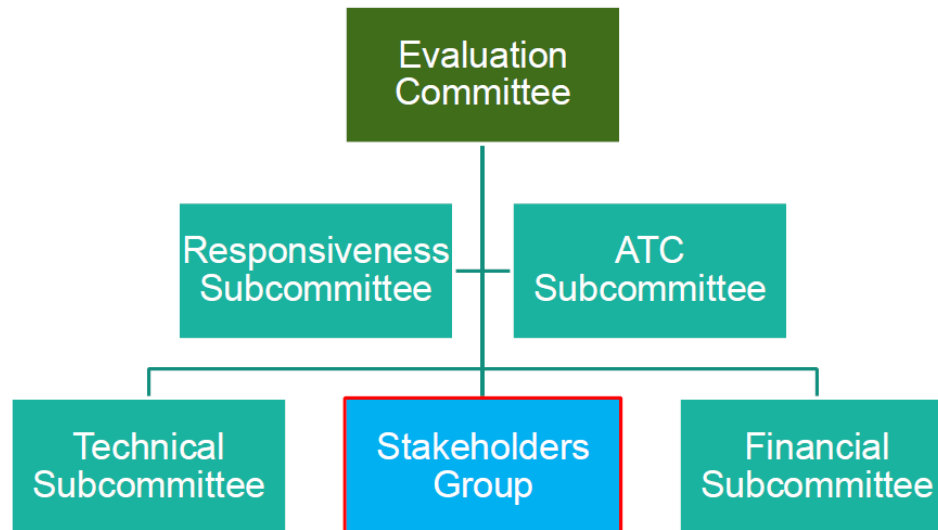
Key P3 contract provisions not in DB

- Lease
- Financing
- Operation and maintenance
- Service payments
- Handover
- Shareholder assignment and security

Denver Eagle P3

Selection Process

- Evaluation procedures and scoring developed ahead of receipt of proposals
- Scoring held confidentially by procurement officer until evaluations completed
- All participants trained prior to start of evaluation process



Airport: Denver International Airport P3



Denver International Airport P3



Denver International Airport P3

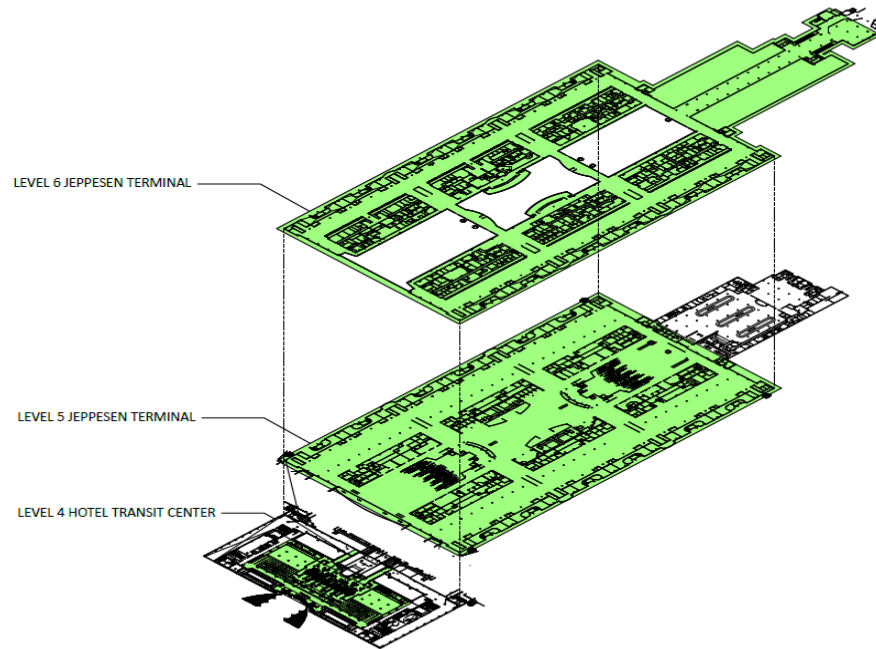
WHAT IS THE GREAT HALL PROJECT?



Denver International Airport P3

PROJECT ENVELOPE

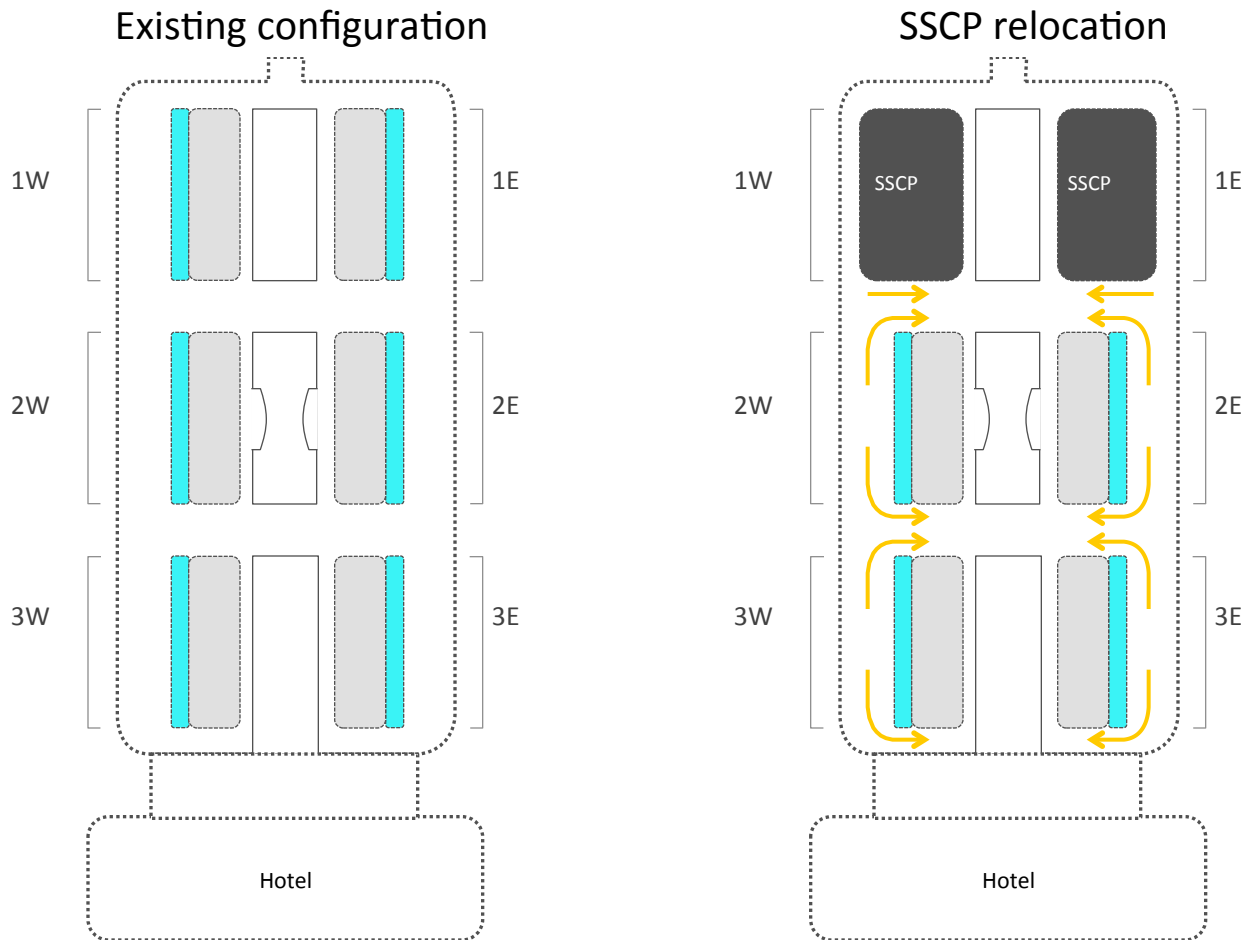
The envelope for the Great Hall base project consists of the level 5 and level 6 floor plates of the terminal building, extending to the curbs at the east and west, with an option to activate the new level 4 security area of the HTC.



PROJECT ENVELOPE AXONOMETRIC

Denver International Airport P3

SSCP RELOCATION



Denver International Airport P3

GREAT HALL PROCUREMENT APPROACH

- 1) Industry Forum as RFI
- 2) Determination of a Two-part selection (RFQ/RFP)
- 3) RFQ to shortlist
- 4) Bring on special consultants
 - Financial Advisors
 - Special counsel
 - P3 Development Advisors
- 5) Interactive Sessions to allow the Industry to inform our development
- 6) Develop RFP documents
 - 1) Development Criteria
 - 2) Program on the fly
 - 3) Set financial parameters

Procurement model anticipates a Design Build Finance Operate Maintain (DBFOM) response from Proposers

Denver International Airport P3

GREAT HALL CONTRACT APPROACH

Predevelopment Agreement:

1) Public Private Partnership P3 – contract

- Predevelopment agreement (6 to 8 months)
- At risk
- 30% design
- Business strategy
- Financing options
- M/WBE Goals - 0 goals because work is at risk

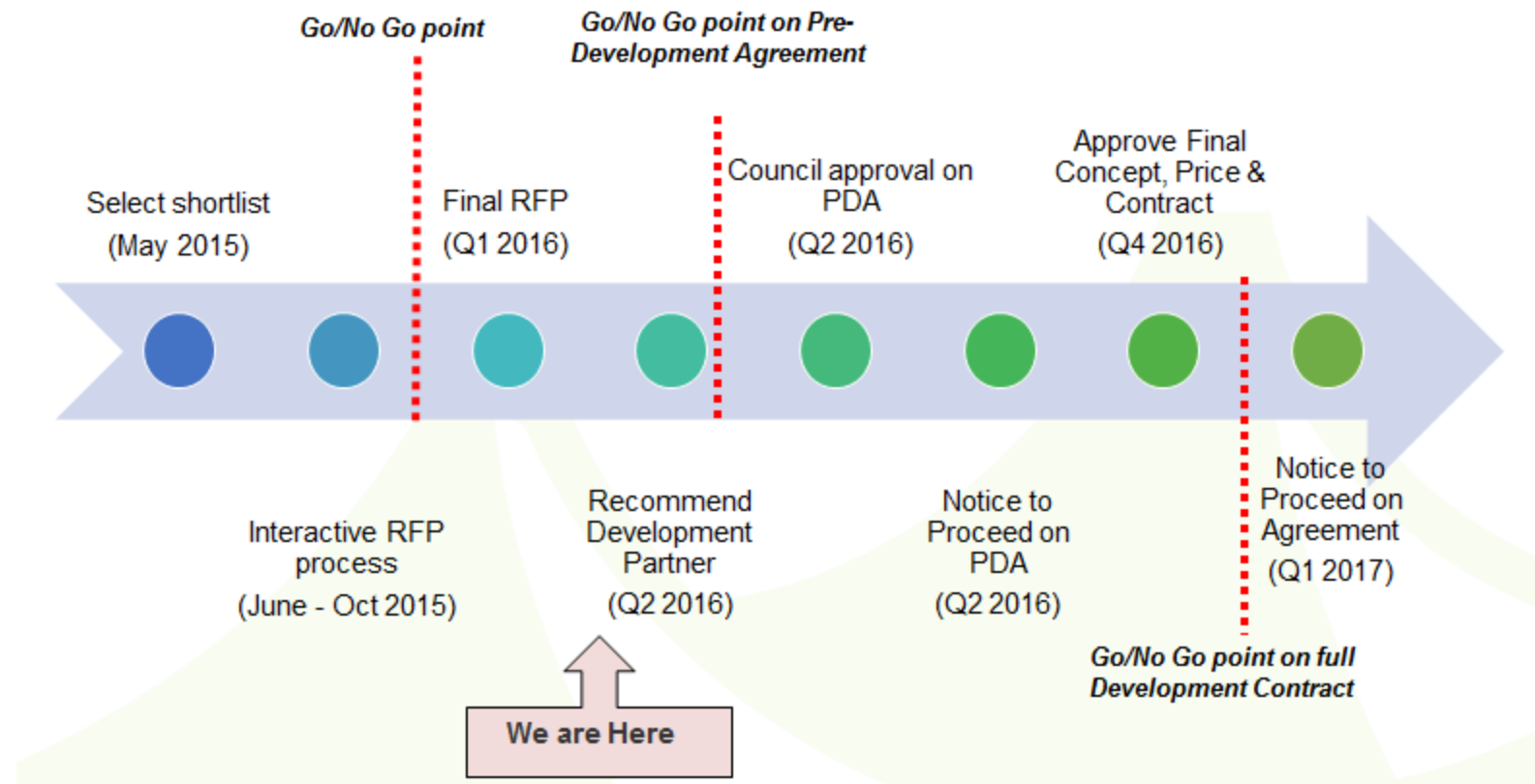
Successful completion of Predevelopment achieves opportunity to execute the Development Agreement

1) Implementation Contract

- Construction
- Sub-contracting
- Operations and maintenance
- M/WBE Goals - Goals committee date TBD Q1 2016

Denver International Airport P3

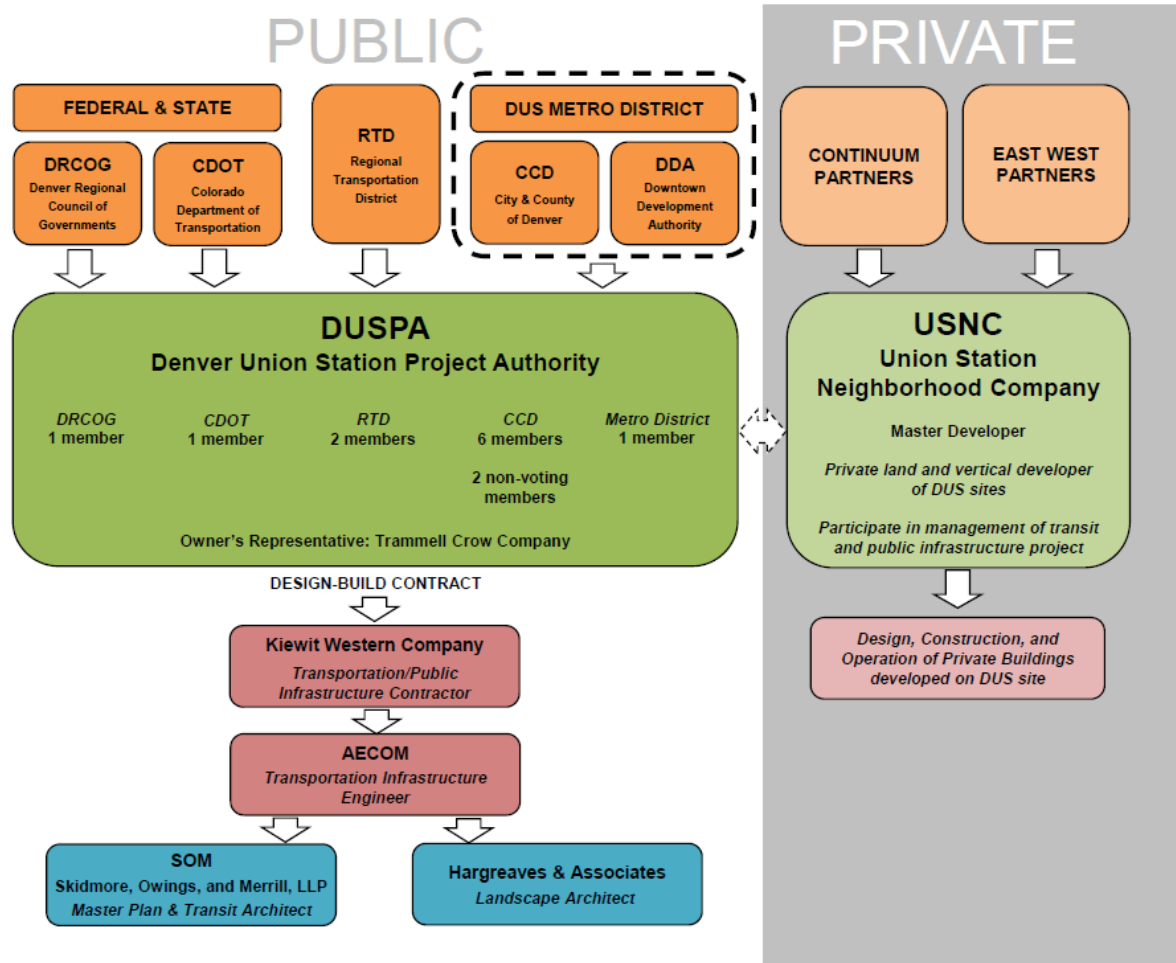
PROCUREMENT SCHEDULE



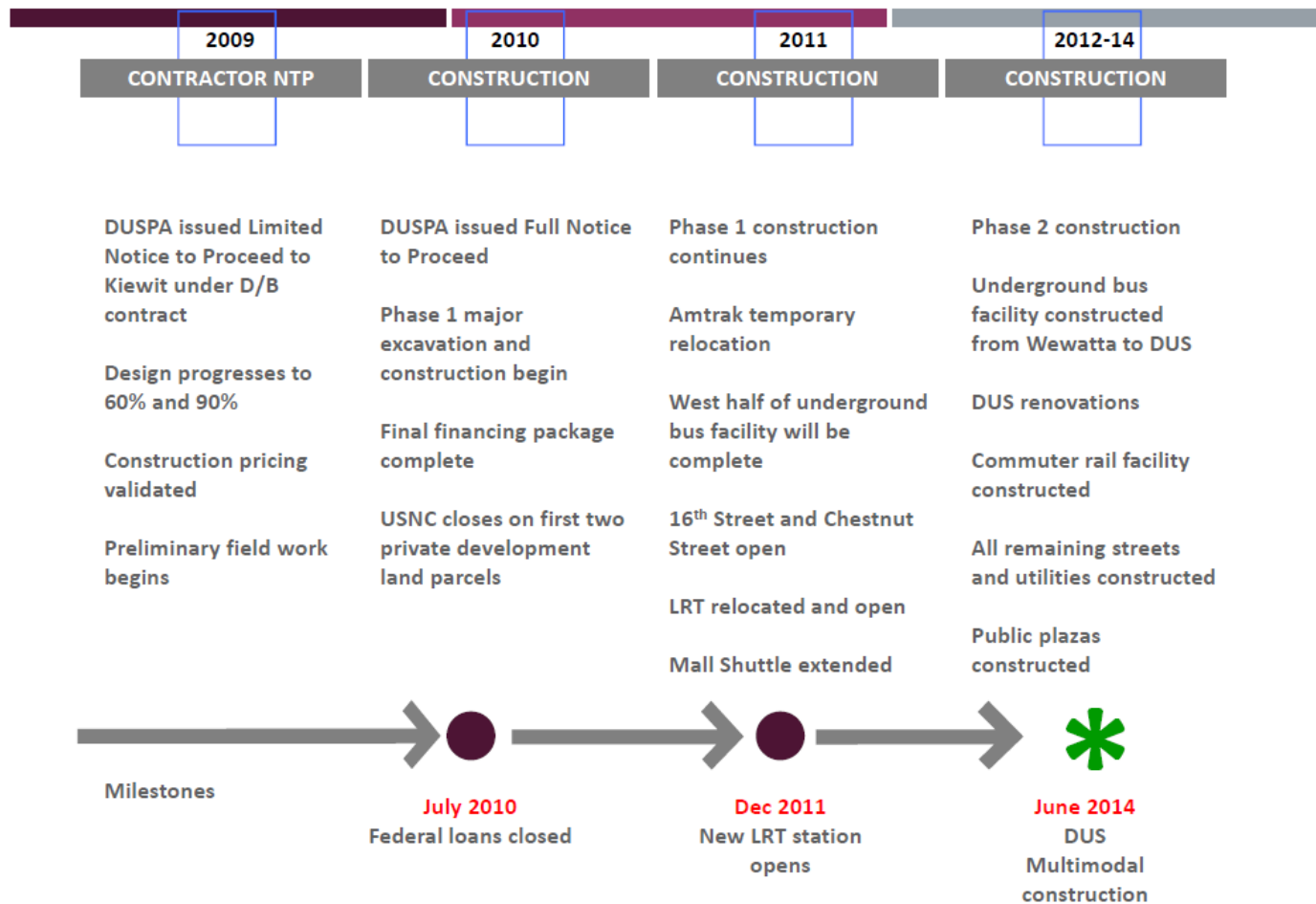
Mixed-Use Vertical: Denver's Union Station P3



Denver's Union Station P3



Denver's Union Station P3



Denver's Union Station P3

- **Federal and State Grants**

- \$50M FHWA (CDOT)
- \$28.6M ARRA Funds (DRCOG and RTD)
- \$9.6M FTA
- \$2.5M TIP
- \$18.6m Senate Bill 1 (CO)

- **Property Sales Proceeds**

- \$1.5M North Wing Parcel
- \$1.5M South Wing Parcel
- \$3M Triangle Parcel
- \$10M A Block Parcel
- \$10M B Block Parcel
- \$11.436 Market Street Station

Denver's Union Station P3

■ **Conclusion**

- The Denver Union Station transportation project was successfully completed in April of 2014.
- The project was delivered on time and on budget.
- The first commuter rail line, the University of Colorado A-Line from Denver Union Station to Denver International Airport, opened in April of this year, also delivered on time and on budget.
- Denver Union Station has become the multi-modal transportation hub for the region.

P3 Procurement Process – One Model

P3 Procurement Process – One Model

1. Explore and Measure the Options
 - A. What are your goals and what are the risks?
 - B. Is there a business case for the project?
 - C. Is there private market interest?
 - i. Unsolicited proposal
 - ii. Industry forum (followed by one-on one meetings)
 - iii. Request for Interest



P3 Procurement – One Model

Explore and Measure the Options (con' t)

- D. Preliminary “value for money” analysis:
 - i. Compare P3 alternatives against each other and against
 - ii. Public finance option
- E. Decision point: P3 identified as preferred option**
- F. Determine advisory service requirements
- G. Develop project schedule
- H. Develop project charter/message



P3 Procurement – One Model

2. Project Definition

- A. Develop indicative project agreement/term sheet
 - I. Risk transfer
 - II. Revenue transfer
 - III. Performance requirements/guarantees
- B. Develop competitive process documents
- C. Update “value for money” analysis



P3 Procurement – One Model

3. Competitive Process

A. Request for Qualifications

- i. Project goals; indicative agreement/term sheet
- ii. Select short-list (3-4?)

B. Request for Proposals from short-list

- i. Start with preliminary RFP
- ii. Engage in collaborative dialogue with bidders



P3 Procurement – One Model

4. Implementation

- A. Refine indicative agreement accordingly
- B. Receive and evaluate proposals; select preferred proposer
 - i. Revise “value for money” with selected proposal information
 - ii. **Decision point: Go or no-go**
 - iii. Finalize agreement and plans with Preferred Proposer
 - iv. Commercial Close
 - v. Financial Close
 - vi. Commence project
 - vii. Deliver product/Hand-off to Operator



GETTING STARTED...

CENTERS OF EXCELLENCE (COE)

- Formed to create an “even playing field” between the public and private sectors when pursuing and negotiating a P3 structure and terms.
- Normally a separate non-profit or possibly a division of government (usually state government) to bring expertise to the table who have the public entity’s interests in mind and provide expertise at how a P3 can be structured with the private entity to best represent the public entity’s interests.
- Best way to begin ...is to begin. Possibly forming or contracting with a COE



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