

# Public Agency P3 Preparedness

Public-Private Partnership Conf. & Expo (P3C)  
February 27, 2017

PRESENTED BY

Korin Crawford

John Finke

Tina Iftiger

Seth Merewitz



# Goals for Session

- Share Best Practices and Lessons Learned
- War Stories, but not Case Studies
- Time for Audience Engagement
- During the “Dating and Pre-Wedding” Phases

# Life-Cycle of a P3

- “I’m single, and...” Problem Identification
- Let’s Date Analyze Options
- “I like YOU!” Partner Selection/ Diligence
- Wedding Planning Business Plan
- Pre-Nuptial Agmt. Transactional Documents
- Wedding Day Project Approval
- Buying a House Financial Close
- Living Together Implementation/ Issues
- Kids Expect Challenges

# Introduction of Speakers

- **Korin Crawford** Executive Advisor, Office of the City Administrative Officer  
City of Los Angeles
- **John Finke** President, Public Facilities Group
- **Tina Iftiger** Vice President of Economic Dev.  
Reno-Tahoe Airport Authority
- **Seth Merewitz** Partner, Best Best & Krieger

# List of Topics To Be Discussed

1. Need to Clearly Define Project
2. Various P3 Structures
3. Procurement/ Negotiation Process
4. Importance of Political Will
5. Public Expectations/ Perception
6. Partnership with Private Sector
7. Nightmares and Happy Endings

# Public Agency Unique Challenges

## 1. Seek Stakeholder Alignment

- City
- County
- Regional Planning
- Federal/ State
- Tenants/ Users
- Community/ Neighbors
- Stakeholders

# Public Agency Unique Challenges

## 2. Beware the Silos/ Need for Project Manager

- Contracting, Procurement, and Finance Often Isolated in autonomous departments
- Make Cross-Departmental Consensus a Priority
  - Establish a project lead with Executive backing
  - Establish the primacy of timely response
- Maintain open lines of communications

# Clearly Define Project

## 3. Exploration of Deal Structures

- Explore New Structures
  - Direct investments from the source; and
  - More adaptable long-term O&M / facilities maintenance
  
- Discuss and Structure Project in Terms of 4 Phases:
  - Development (procurement and permitting through construction)
  - Modifying O&M: Ironing out the kinks to stabilized operations
  - Steady State O&M: Stabilized Operations
  - Handback



# Clearly Define Project

## 4. Confront the 4P's First Before the P3:

- Problem      Needs of the Community?
- Project      Solution to the Problem?
- Priorities      Clear Vision and Goals?
- Politics      Political Environment?

# Various P3 Structures

## 5. What do we mean when we say P3?

- Favor an Expansive View of “P3”
  - P3 means different things to different audiences
- Current Definition Serves the Private Sector
  - How about customizing communication to the public sector?
- Service-Based P3’s
  - e.g. electric vehicle car sharing service
- Real estate P3s, asset monetizations, etc.
- Seek Partnerships
  - To test and pilot structures
  - For a range of project agreements

# Various P3 Structures

## 6. Appreciate Risk Allocation

		Design-Bid-Build (DBB)	Design-Build (DB)	Design-Build-Operate (DBO)	Design-Build-Finance- O&M (DBFOM)
<b>Design/ Build</b>	Initial Capital Cost	Public	Private	Private	Private
	Schedule/Completion	Public	Private	Private	Private
	Warranties	Public	Private	Private	Private
<b>Asset Mgt</b>	Performance	Public	Public	Private	Private
	Capital Replacements	Public	Public	Private	Private
	Power/Energy Performance	Public	Public	Private	Private
	Operation & Maintenance	Public	Public	Private	Private
<b>Finance</b>	Equity Risk	Public	Public	Public	Private
	Interest Rate Risk	Public	Public	Public	Private
	Future Cap Ex Funding	Public	Public	Public	Private

# Various P3 Structures

## 7. We build Communities (and infrastructure!)

- Some cities don't get to build a single-purpose asset, like a bridge.
- We build communities.
- Investments in our public assets will have a strong economic and community development component:
  - temporary and permanent job creation
  - community benefits, positive fiscal impacts, etc.

# Procurement/ Negotiation Process

## 8. Agency Internal Issues

- Internal Department Roles & Objectives
- Internal Staff
  - Not all Aligned
  - Concerned with Change
- Legal v. Business Perspective
- Risk Tolerance Levels
- Developer Legacy Issues

# Procurement/ Negotiation Process

## 9. Lead Time Can Be Substantial

- Thorough preparation saves time
  
- Time is Money!
  
- Before the RFQ/RFP
  - Do the political work before issuing an RFQ/RFP
    - e.g. Why will City Hall be owned by a Developer?
  - Departmental consensus must be owned not dictated

# Procurement/Negotiation Process

## 10. Reducing Time of Negotiation through RFP

- Include Clear Expectations and Information
  - Include all known variables (also unknown info.)
- Include all Relevant Information Needed
  - Reduce Due Diligence by Responder
  - Lots of Preparation by Staff to answer expected questions
- Include Form Agreements
  - Request Any proposed modifications to the Form Agreement in the RFP Responses

# Political Will is Critical

## 11. Beware of Outside Intervention

- Political Pressure from Governor
  
- Adverse Public Reception
  - Pierce County Administration Building
    - Ill-informed citizen mounted a rental property owner backed referendum forcing a vote and stopped the project



# Public Expectations/ Perception

## 12. Differences Between Real Estate and Infrastructure Projects

- Investor Risk Tolerance
  - Market Risk vs. Essential Service
  - Variables vs. Identified Revenue Stream
- Tenant Attraction
  - Critical vs. N/A
- Community Engagement/ Public Relations
  - Private vs. Public Project

# Public Expectations/ Perception

## 13. Lifecycle Costing

Cost of Money  
+  
Development Costs  
+  
Operations and Maintenance  
+  
Repositioning/ Change of Use

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Lifecycle Costs  
(It is all Four)

# Partnership with Private Sector

## 14. Partnership and Alliance Building

- Public sector leaders have direct experience with
  - revenue volatility and budget trade-offs in a down economy;
  - unintended consequences as part of long-term agreements
  - an increasingly volatility economy and world
- Both sides should truly appreciate the level of trust inherent in a long-term (~20 to 30 years) project agreement
- The “third P” in PPPs often gets overlooked or underemphasized
- Renew the Covenant

# Partnership with Private Sector

## 15. Agencies need to Think like a Developer

- Concern for Time, Certainty and Stability
- Reliability of Revenue Source
- Political Will/Politics (at all levels)
- Risk Mitigation
- Clear Approval Process
- No Surprises
- Stay Flexible

# Nightmares and Happy Endings

## Break-Up...

- Performance Milestones
- More Financially Rewarding Projects
- Difference in Risk Tolerance

# Nightmares and Happy Endings

## Romance Rekindled...

- Focus on Business Realignment
- Remove Toxic People from Negotiations
- Focus on Big Picture Goals
- Remove Emotions
- Focused on Rebuilding Trust
- Focused on Accountability

# Nightmares and Happy Endings

## Lessons Learned:

- Required understanding all stakeholder interests and perspectives
- Required private sector real estate development business model/financing understanding
- Required patience, persistence and will to achieve goal
- Required private sector to understand and adhere to public sector processes and requirements

# Audience Participation Questions & Answers



# Thank you for Attending!

