

# Public-Private Partnerships: Creating New Opportunities

BY MARK BUCKSHON, CPSM

**T**he most lucrative business opportunities often arise in times of turmoil, uncertainty, and change, where investors and entrepreneurs find new ways to deploy their resources.

Such is the environment for today's A/E/C firms participating in infrastructure development where private money is supplementing or replacing tax funds and borrowing for roads, schools, community facilities, and other services.

Depending on your region, resources, and existing business relationships (and your courage), public-private partnership (P3 or PPP) opportunities are now available to mid-size and regional contractors and architectural and engineering practices—creating new, proactive marketing opportunities. It is an environment where you can propose, introduce, and build public projects instead of waiting with the crowd for authorities to announce RFPs or public solicitations.

But several individuals who have successfully participated in P3 projects say that this is an environment where information is incomplete and not always readily available, and rules and procedures are inconsistent. P3 guidelines and regulations vary on a state-to-state basis and, within states, at local and county levels.

**Laurin McCracken, AIA, FSMPS**, chief marketing officer at Jacobs Carter Burgess in Fort Worth, TX, says he recently participated in a high-level program coordinated by the Urban Land Institute with public officials, financiers, and academic leaders. He noted that, as the program concluded, “One of the professors from Columbia [University] calculated that there is a \$2.74 trillion shortfall in U.S. public infrastructure resources.”

McCracken quoted a representative from Goldman Sachs as saying: “That’s about the amount of money available from the private sector.”

“P3 opportunities are increasingly abundant at local, state, and federal levels in roads and civil projects, public buildings, and site redevelopment.”

However, **Richard Norment**, executive director of the National Council for Public-Private Partnerships (NCPPP), says that while the press and public attention is focusing on multi-billion-dollar road and large-scale infrastructure projects, “that’s not where the real money is—most activity is occurring at smaller, local projects.”



PHOTO: US ARMY

## Herryford Village at Fort Belvoir, VA

Owner: US Army. Developer: Clark Realty Capital, LLC.

Herryford Village is an infill development of 171 single- and multi-family units, along with 14,000 square feet of retail space. The project is part of the Military Housing Privatization Initiative approved by Congress in 1996. The MHPI allows the military to obtain private-sector capital and expertise to develop, manage, and improve military housing. Herryford Village is characterized by generous open spaces, handsome streetscapes, and pedestrian paths. The two- and three-story colonial-style homes offer a minimum of three bedrooms and 1,466 to 2,263 square feet of living space, larger than previous military homes and comparable to local private-sector housing. Extra storage and wide doorways and stairways accommodate military personnel's frequent moves due to reassignment. Herryford Village also offers homes above retail space, the first units of their kind to be built on a military installation. Completed in 2005, Herryford Village has been fully occupied since its opening.



PHOTO: US ARMY



PHOTO: US ARMY

Norment says membership in the NCPPP is growing rapidly, largely fueled by contractors and smaller professional practices joining along with the larger, traditional multinational participants in the marketplace.

P3s are not new, the experts say. They have become one of the primary methods of financing and building public projects in Asia, Europe, and more recently, in Canada. But the P3 concept has been around for more than 200 years in the United States. "The Erie Canal, transcontinental railroads, even the original New York City subways were built with private resources," says Norment.

Until recently, with tax-free local government bonds, most public infrastructure work at the state and local levels has been financed through debentures or taxes, or a combination of both, but it is harder to raise funds in this manner today, even as infrastructure needs are increasing throughout the country.

In the 1980s and 1990s, a scattering of local initiatives began, either to meet specific transportation requirements or to solve the problems of brownfields, derelict industrial or inner-city lands in need of redevelopment but not appealing to the private sector without public participation and support.

The latest trend, however, takes the P3 concept much further—and in some states and regions is opening entirely new markets for astute A/E/C practices and contractors.

Norment says Virginia is leading the way with two pieces of legislation governing infrastructure projects: the Public-Private Transportation Act of 1995 and Public-Private Education Facilities and Infrastructure Act (PPEA) of 2002 (amended in 2006). The latter law is attracting special interest as a model for opportunity within the A/E/C community, opening the door to virtually any kind of project.

Virginia's PPEA allows the private sector to develop unsolicited proposals for P3 initiatives. "Most public agencies are still grappling with their procurement policies as relates to PPEA and how they react," says **Bob Woodruff**, chief operating officer of William H. Gordon Associates, a regional engineering practice based in Chantilly, VA, near Washington, DC. "We are really at our inception," he said. "Our history of winning and completing jobs under this recently revised act is limited, but we see this as an exciting opportunity to be creative and create opportunities in the short term."

Under Virginia's rules, unsolicited proposals, if accepted by public authorities for further consideration, must be advertised publicly and competing proposals are invited. Therefore, says Woodruff, it is important that the proposer have excellent relationships with local authorities—or all the hard work in preparing the original proposal will be lost to a competitor, who may have better relationships with the local authorities.



### Eastern State Hospital's Hancock Geriatric Treatment Center, Williamsburg, VA

Owner: Virginia Department of Mental Health, Mental Retardation & Substance Abuse Services (DMHMRSAS).  
Developer: Gilbane Development Company.

This 150-bed, 115,000-square-foot facility was delivered to the DMHMRSAS utilizing a turnkey development approach under Virginia's Public-Private Education Facilities and Infrastructure Act (PPEA) of 2002. Under this project methodology, Gilbane Development Company was responsible for all aspects of the project, including planning, design, entitlements, approvals, construction, commissioning, and FF&E planning and procurement (including managing the relocation from an existing facility). The design incorporates special considerations for the geriatric patient population. A central core area contains both patient activity/community areas and administrative functions. The four resident wings connected to the core address the wandering tendency of geriatric patients, particularly those with dementia. Wider door widths facilitate the movement of geri chairs, wheelchairs, and hospital beds, and appropriate color schemes and finish palettes were chosen for this patient population.

On the other hand, if relationships are solid and the proposal is worthy, the chances of success are excellent. Obviously, the organizations behind the original proposal have the inside track and credibility to ensure the initiative succeeds.

"The PPEA changes how you think. Instead of being reactionary, now you can look at what public agencies need, do outreach to understand what their perceived priorities are, and look through that information and establish where the opportunities can be found," Woodruff says. "The big advantage of PPEA over standard procurement, instead of being a linear process, allows for a more comprehensive and holistic approach."

Of course, it still costs money to prepare these proposals. Woodruff says that his practice has been involved in have cost between \$15,000 and \$30,000.

While Virginia's law creates clear opportunities for P3 initiatives, the opportunities—and working environment—are far from even across the U.S. Norment says, for example, that Arkansas legislation says all public projects must be owned by the public. (However, he cited the instance of a Barnes & Noble bookstore operating in a university campus building within the state, with a lease-back arrangement.)

The P3 debate has been intense in other states, especially California, where a proposal to open the doors to widespread P3 initiatives failed to pass in the legislature. There are, however, many examples of successful pilot projects and other P3 initiatives in the western states, Norment says.

**Jim Musbach**, managing principal of EPS (Economic & Planning Systems) in Berkeley, CA, recently moderated a program for SMPS San Francisco entitled "Public-Private Partnerships—A Fast Emerging Trend in Getting Projects Built!"

"[The P3 model] is becoming increasingly common for model redevelopment and reuse projects, such as former air force or military bases and ports," Musbach said.

In these projects, "the public agency will typically initiate the plan for the reuse of the site," calling on a whole cadre of consultants, urban designers, engineers, and economists to help them formulate it and then soliciting developers from the private sector to help them execute the plan.

P3 projects can include long-term leases or the sale of the land, Musbach said. "The transaction documents incorporate the aspirations of the community, using the value of publicly-owned real estate to fund parks, open space, job training, and the reuse and redevelopment of obsolete facilities."

This creates plenty of work for professional practitioners and contractors, of course, but again it is helpful for the participants to have a solid network of connections and relationships both with allied professionals/services and the public officials and politicians responsible for approving these projects.

**Public-private partnership** describes a government service or private business venture funded and operated through a partnership of government and one or more private-sector companies. These schemes are sometimes referred to as *P3* or *PPP*.

Typically, a private-sector consortium forms a special company called a *special-purpose vehicle* (SPV) to develop, build, maintain, and operate the asset for the contracted period. In cases where the government has invested in the project, it is typically (but not always) allotted an equity share in the SPV. In the infrastructure sector, complex arrangements and contracts that guarantee and secure the cash flows make PPP projects prime candidates for project financing. A typical PPP example would be a hospital building financed and constructed by a private developer and then leased to the hospital authority. The private developer then acts as landlord, providing house-keeping and other non-medical services while the hospital itself provides medical services.

Source: Wikipedia, the free encyclopedia



RENDERING: JMWA ARCHITECTS

### The Department of Homeland Security United States Citizenship and Immigration Services Miami District Office, Miami, FL

Developer: South Florida Federal Partners, LLC.  
Designer: JMWA Architects. Builder: Moss Construction.

All five new United States Citizenship and Immigration Services (USCIS) facilities in South Florida facilities are being constructed to meet Silver Certification for Leadership in Energy and Environmental Design (LEED) criteria. Each building has energy-saving features including extensive perimeter windows with overhanging sunshade devices and screening panels to prevent excessive solar gain. The five buildings will be constructed of pre-cast concrete panels and glass. The 73,880-square-foot Miami District Office will be completed in October 2008.

Not surprisingly, many infrastructure P3 projects are truly long-term in nature. If you have the good fortune or resourcefulness to get involved in the early stages, you may reap the rewards of years, even decades, of opportunity and business development backlog.

Consider, for example, Houston's Grand Parkway loop road, suggested as a topic for this story by **Ellen Moore, CPSM**, of Aker Solutions in Houston.

**David Gornet**, executive director of the Grand Parkway Association, says work started on State Highway 99 when landowners and developers, pressured by the city to set land aside for the project, agreed to donate their land to facilitate the project. They saw the possibility for increased land values through the highway construction and supported the association's formation in the 1980s.

The now partially-constructed highway runs through several county and local jurisdictions, each with its different needs. In changing political and economic circumstances, the private donation of land is being supplemented by other resources, including tolls.

"Trying to work with all the local government entities, local citizens groups, to identify the route and preserve it through the federal review and approval process is not an easy task," says Gornet. "It can take anywhere from 10 to 15 years to get approval on some of these projects. In the meantime, you've got to keep landowners agreeable to setting the corridors aside and be aware of changing political leadership—keeping them in the loop so they stay supportive of the project."

Of course, he added, the engineering and design consultants accumulate billable hours through the entire process.

### Some PPP Tips

If you are interested in exploring public-private partnership marketing opportunities, the first thing you should do is look within your existing relationships, both in business and with local government authorities, says Richard Norment, executive director of the National Council for Public-Private Partnerships. Rules vary depending on local, state, and federal jurisdiction, so there is no central repository for information and resources on PPP opportunities.

Some observations:

- By the time P3 projects are advertised publicly, the project may be 'wired' in favor of the initial proponent. Virginia, for example, requires unsolicited P3 proposals to be posted publicly to seek competing bids. But are your chances realistic to succeed in winning these publicly advertised projects if you don't already have good relationships with the local governing authorities?
- Membership and participation in organizations such as the National Council for Public-Private Partnerships may be helpful. You can visit the NCPPP Web site at <http://www.ncppp.org> for more information.
- P3 is not just large infrastructure projects built by huge multinational firms. Depending on where you are based, you may find local opportunities within your scope of expertise. P3 provides the opportunity to create your own market (giving you a real entrepreneurial challenge).
- You will achieve better results by collaborating with agencies where you already have existing healthy relationships.
- Opportunities can arise on extremely short notice. Consider how JWMA Architects in Boca Raton, FL, ultimately won commissions for five federal buildings because they responded in a timely (and effective) manner to an original proposal opportunity with just a two-week deadline.
- At the SMPS chapter level, consider putting together a local program on P3 like the one conducted recently by SMPS San Francisco. You can pull together local experts and insights of immediate relevance to your business and community.



### Virginia Center for Behavioral Rehabilitation, Burkeville, VA

Owner: Virginia Department of Mental Health, Mental Retardation & Substance Abuse Services.  
Developer: Gilbane Development Company.

Gilbane Development Company and architect Davis Carter Scott completed a feasibility study in 2002 for locating and implementing a treatment program for the civil commitment and rehabilitation of sexually violent predators. This was a unique assignment in that there are few facilities of this type which can be cited as precedent, even at a national level. Gilbane Development Company delivered the new Virginia Center for Behavioral Rehabilitation (VCBR)—a 300-bed, 175,000 square-foot facility on a 27-acre site—to the DMHMR-SAS under a turnkey development approach. In addition to living areas, the project includes administrative offices, activity/education areas (including a gymnasium), and a medical suite. A kitchen/warehouse building includes a cook/chill/retherm kitchen to support not only the 300 residents at VCBR but also the residents at the adjacent Piedmont Geriatric Hospital. The project was among the first to be delivered under Virginia's Public-Private Education Facilities and Infrastructure Act of 2002.

Meanwhile, Laurin McCracken at Jacobs Carter Burgess says that, to capture P3 opportunities, you need to “align yourself with the money,” and this money is often foreign based. Because P3 has been more widely practiced internationally than in the U.S., it is helpful to work with international developers and P3 managers. “Obviously, one of the reasons to do that is those folks have more marketing dollars than we have. We just want to be part of the team. We are bringing opportunities as we find them; it’s a great two-way street.”

Notably, P3 opportunities often arise spontaneously with your existing business relationships. **Diane Valentini**, director of marketing and business development at JMWA Architects in Boca Raton, FL, explained that it wasn’t so much her marketing work but her practice’s successful business relationships that led to JMWA designing five U.S. Citizenship and Immigration Services (CIS) building projects in South Florida under Federal P3 guidelines.

JMWA principal and project architect **James Williams** says the U.S. General Services Administration (GSA) posted a Solicitation for Offers for the new buildings, with points awarded for price, location of the site, quality of working relationships among the project proponents, and (most importantly) the actual building design. He said one of his clients, a local developer, had an unused site in the declining Florida real estate market. A Washington, DC-based developer, knowing about the GSA proposal, saw the site and encouraged JMWA’s client to submit a proposal.


“We had just two weeks to meet the deadline,” he said. “The developer asked if we would prepare our design proposal at cost, which was reasonable to us...we aren’t interested in working with people who expect us to do the design work for free in hopes of winning the job but accepted that we wouldn’t make a profit on the initial design if it failed to go further.”

When CIS officials saw the design, “they loved it” so much that they encouraged the developer to scout out the other sites in South Florida to build similar buildings. In the end, JMWA designed five LEED Silver-certified buildings in less than two years.

In such an initiative, the developer owns the properties, but CIS has entered into long-term leases, making it easy to finance and profitably manage the new buildings. CIS, in turn, has modern immigration and citizenship facilities, with adequate parking, convenient locations, and an appealing “branded” environment for new immigrants.

Indeed, P3 opportunities are increasingly abundant at local, state, and federal levels in roads and civil projects, public buildings, and site redevelopment. Two things are clear: This isn’t a one-size-fits-all model—the rules vary, and the opportunities and limitations depend on where you are. But underlying most P3 marketing success stories are a combination of willingness to explore and implement the new business model and the quality and durability of existing relationships.

“You have to have a team built on complete trust,” says Bob Woodruff at WGHA in Virginia. “These teams aren’t necessarily easy to find. You need to be able to work through the different scenarios and have confidence in your partners on all sides.”

The results, he says, are rewarding and profitable opportunities if you are willing to get started and follow through on the initiatives. 

### About the Author



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