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Cities big and small in need of more P3s

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WASHINGTON — The challenge with public-private partnerships is less about persuading the private sector to invest in infrastructure and more about getting investors to look outside of metro areas for potential projects, according to Stephen Benjamin, president of the U.S. Conference of Mayors.

At the P3 Policy and Delivery Leaders Summit on Tuesday, Benjamin, who is the mayor of Columbia, South Carolina, said P3s already work in metropolitan areas and dialogue needs to be opened with smaller cities.

"We've shown that P3s can work," Benjamin said. "We need to show even more that P3s can work outside of our large urban centers, and I believe that they can."

Mid-size and smaller cities can generate the cash flow needed to support P3s, Benjamin told The Bond Buyer, and there needs to be more "aggressive dialogue" between those cities and private partners.

Mayors can still turn to revenue bonds, he said, but they can find funding in the private sector as well. He said cities can find a private sector partner that can finance, operate and maintain the project, but also understand that the public still owns it.

"I believe that P3s help taxpayers combine the power of the federal government and local governments with the expertise of the private sector partners to make sure high-quality work gets done with less risk," Benjamin said.

Some challenges persist for P3s, and as executive chairman of the Municipal Bonds for America, Benjamin is advocating for preserving tax-exempt bonds and bringing back advance refundings. Benjamin called the 2017 Tax Cut and Jobs Act, which eliminated tax-exempt advance refundings, a mistake.

Democrat Rep. Dutch Ruppersberger of Maryland and Republican Rep. Steve Stivers of Ohio, co-chairs of the Municipal Finance Caucus, are hoping to restore advance refunding with legislation. Benjamin is "cautiously optimistic" that advance refunding will be restored, he said.

Another challenge facing the P3 sector is that of long permitting processes.

The Environmental Protection Agency is looking to improve its permitting process, said Andrew Wheeler, EPA administrator. Currently, the EPA is responsible for issuing less than 5% of permits.

"Infrastructure projects are often critical to environmental protection," Wheeler said. "Delays in permitting mean delays in addressing environmental harm."

Prior to the current administration, the EPA was not tracking some its permitting, Wheeler said, and did not know how long the permitting process took from start to finish.

It is now tracking the process, he said, and can now fix issues on a monthly basis instead of annually. Between June and November 2018, the EPA reduced the backlog of new permit applications older than six months by 34%, he said.

The EPA plans to make permitting decisions in a six-month period, said Wheeler. That would give municipalities and the private sector the certainty needed to invest in infrastructure projects that are good for the environment and economy, he said.

Dialogue between governmental entities is often another challenge for P3 projects.

Communication on the federal level between states and cities needs improvement and they need to work together when explaining their projects and revenues, said Shoshana Lew, the executive director of the Colorado Department of Transportation.

The relationships between states, localities and the federal government could be optimized and could work together to make the case for infrastructure, Lew said.

Scott Smith, CEO of Valley Metro in Phoenix, said he doesn't get any money from the state for public transit and so relies on local revenues and private partners.

As projects costs go up because of tariffs, for example, Smith said problems funding those costs across governmental entities will have to be solved. There are fewer dollars on all levels, but especially on the federal level, he said.

When municipalities look for other funding sources, private partners have money to spend on infrastructure, but the environment for them is "antagonistic," Smith said.

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