

THE BOND BUYER

Study says new PABs for public buildings would add \$8B in economic growth 1st year

By

Brian Tumulty

Published

October 30 2017, 6:00am EDT

WASHINGTON -- Congressional passage of a bill that would allow private activity bonds to be used for public-private partnerships to finance public buildings would provide an economic boost of more than \$8 billion in the first year, reports a study by the Beacon Hill Institute.

The Beacon Hill Institute, a free-market think tank based in Boston, analyzed the potential benefits of the Public Building Renewal Act, bipartisan bills (H.R. 960 in the House, S. 326 in the Senate) that the lead House sponsor will propose including in tax reform legislation.

Rep. Mike Kelly, R-Pa., who introduced the bill Feb. 7, plans to propose adding the Public Building Renewal Act to tax reform legislation when the House Ways and Means Committee votes on it in early November, his spokesman Tom Qualtere said Friday.

The bill would allow the issuance of up to \$5 billion in new PABs for constructing government-owned buildings such as elementary and secondary schools, facilities used for educational purposes by state colleges and public libraries.

Kelly has 16 Republicans and 11 Democrats who are cosponsors in the House.

An identical version of the bill in the Senate has eight Republican and three Democratic sponsors.

The lead Senate sponsor is Sen. Dean Heller, R-Nev., who offered his bill at the same time and is a member of the Senate Finance Committee which will also vote on the details of tax reform.

The Kelly-Heller Public Building Renewal Act amends the Internal Revenue Code by expanding the definition of "exempt facility bond" to include bonds used for qualified government buildings.

Exempt facility bonds already are tax-exempt private activity bonds used for airports, highways, mass commuting facilities, sewage plants and other public purposes that may have some small private involvement.

The Beacon Hill study looked at 13 major public-private partnerships in the United States that have been undertaken using the existing laws ranging from the Port of Miami Tunnel in Florida to the Presidio Parkway connecting the Golden Gate Bridge to the city of San Francisco.

Also on that list: the Denver FasTracks commuter rail and bus project and the new Goethels Bridge connecting New Jersey and the New York City borough of Staten Island.

“We estimate that, on average, P3s save 24.6% in project costs (design, construction, operation and maintenance),” the report said.

The Council of Development Finance Agencies, which annually tracks the issuance of PABs, supports the proposed legislation as a way of encouraging more cost-saving P3s.

“States and municipalities need more help if they're going to rebuild their aging infrastructure, and passing legislation that encourages private investment in public facilities would go a long way toward solving that problem,” said Tim Fisher, legislative and federal affairs coordinator for the Council of Development Finance Agencies.

Beacon Hill said that passage of the proposed legislation “could provide a critical financing tool to speed the recovery effort” from the recent hurricanes that struck Texas, Florida and the U.S. Caribbean.

“According to the Houston Independent School District, 22 of its 245 schools had extensive damage that will keep them closed for months and about 53 have “major” damage,” , the think tank said.

Puerto Rico and the U.S. Virgin Islands sustained massive damage from Hurricane Maria that will require extensive rebuilding.

Beacon Hill estimated that the use of if P3s were used to finance 20% of all applicable state and local government buildings over time, this would result in \$2.796 billion in building construction.