



Public Private Partnerships – P3, PPP – Emerging as Key Infrastructure Financing Model



KATIE KRAMER,
DIRECTOR, EDUCATION
& PROGRAMS
kkramer@cdfa.net

As the fiscal challenges of state and local government have increased, the Public-Private Partnership model has been emerging nationwide. Adapted from existing models in Europe and Canada, Public Private Partnerships (P3 or PPP) are an approach

to building infrastructure through private operations, and these models have been in the news and on the forefront of the public finance industry for the past year.

According to Brian Walsh from Ballard Spahr, P3s are, in their basic form, a contractual relationship between a public agency (federal, state, or local) and a private sector entity (private equity investment group or consortium of private equity group and industry-specific operator). In the U.S., P3s are most commonly used in support of large-scale transportation projects, but they are increasingly being used for social infrastructure, such as schools, jails, water facilities, parking structures, etc.

The critical element of the P3 model is that the public partner is able to develop infrastructure for long term planning while placing the burden of delivery and maintenance in the private sector. This risk-sharing approach provides a level of comfort and protection for the public sector while providing a financial opportunity for the private sector to develop revenue-generating assets. In the end, P3s offer a way to protect the public's best interest at the lowest project cost by allocating risk to the parties best able to manage and mitigate these developments.

If you read CDFA's headlines regularly, you have seen that Standard & Poor's just issued the first-ever P3 rating and

that many state DOTs oppose P3 limits. Over thirty states have passed specific P3 legislation to allow for their state development finance agencies to enter into partnerships on infrastructure, energy, and economic development. The City of Chicago has long used such models for parking and transportation and is exploring a P3 trust for infrastructure and energy efficiency. Virginia has been very active in 2012, pursuing P3s for large toll road and tunnel projects. Nearly every lawmaker in the country is looking into this concept, including the federal government.

As more states, municipalities, universities, and companies face tough budget decisions, P3 models are being used to provide creative solutions to finance vital development projects, including real estate developments, schools, parking garages, public transit, affordable housing, water facilities, and more. For example, the State of Ohio is privatizing rest stops to generate capital and catalyze development, and Morris County, NJ is creatively working with developers to form P3s for solar installations on schools. As this trend continues to grow, CDFA has dedicated new resources to fully capturing the potential of the new P3 financing trend.

CDFA is offering the new Intro Public-Private Partnership (P3) Finance Course at the 2013 CDFA National Development

Finance Summit to examine this emerging development finance model with a focus on how development finance agencies can adopt P3 principles to address a variety of projects. This course will cover basic P3 concepts, key players involved in transactions, asset valuation, contract negotiation, risk assessment, revenue stream development, and feasibility analysis. In addition, several P3 projects from across the country will be presented, and P3 experts will analyze the successful elements in each deal. During the Intro P3 Finance Course, industry experts will discuss the common characteristics and drivers of P3 financings throughout the country and explain the various structures of these deals.



Stern Brothers & Co.
Investment Banking Since 1917

underwriting • private placement • financial advisory
debt capacity & analysis • remarketing services

**CAPABILITIES
INCLUDE
PROFICIENCY
in these areas**

- » Higher Education
- » Health Care
- » Affordable Housing
- » Infrastructure
- » Renewable Energy
- » Economic Development

Atlanta • Chicago • Cleveland • Denver • Detroit
Houston • Kansas City • Los Angeles • Reno • St. Louis
San Francisco • Seattle • Tampa

Certified Woman Owned Business Enterprise
Top 20 Woman Owned Businesses, Kansas City Journal
Top 10, US Municipal Book Runner Minority Owned Firm, Thompson Reuters

