SEHDesign|Build, Inc.®

SEH DESIGN|BUILD PUBLIC-PRIVATE PARTNERSHIPS

WHAT IS DESIGN-BUILD?

An innovative way to plan, design and construct buildings and infrastructure using a single source. Today's project demands require efficient designs, better performance, faster delivery and effective contract management. Design-build projects foster improved partnering and collaboration between the owner, design team, contractors and other project stakeholders.

Public-Private Partnerships

Public-Private Partnerships (P3)

Public-private partnerships, or P3s, have been used successfully for decades. However, with recent pressures on federal, state and local agency budgets, many government offices have renewed focus on this innovative procurement method. The reason is clear: A well-designed P3 reduces operating budgets by assigning development, design, construction, operations and finance responsibilities to private companies.

What is a Public-Private Partnership?

A public-private-partnership (P3) is a term used to describe a government-sponsored initiative or project delivery method involving the use of a private company to deliver a public facility. P3s are commonly used to deliver buildings and other infrastructure assets in the municipal, education, transportation, recreation, housing, defense and public healthcare sectors.

The Need for P3

There are usually two fundamental drivers for P3s. The first is that a P3 enables the public sector to harness the expertise and efficiencies of the private sector partner. The second is that a P3 may be structured so that the public does not need to secure financing before making a capital investment and using the public facility. The project financing is done by the private partner and can be structured into a lease or may be deferred. Most often, the ownership of the facility is transferred to the public sector at the end of the contract term.

Advantages

- The risk to develop, design, construct and finance new capital improvements is transferred to the private sector partner
- Provides access to outside capital markets (private) to finance a public facility; this allows for the public funding of other projects and operations
- Saves time in the delivery and reduces the costs of a public facility
- Transfers the initial capital costs to the private sector partner
- Taps unique expertise and resources offered by the private sector partner
- The facility schedule and costs are guaranteed upfront; risk of budget over runs are transferred to the private sector partner
- P3 projects often have less political interference
- The operation and maintenance of the public facility may also be provided by the private sector
- There is budget certainty for the public sector partner

Creative Public-Private Partnerships

A few examples of public-private partnerships across the country highlighting the risk, rewards and opportunities at every level of government.

EDUCATION: LEVERAGING PRIVATE REAL ESTATE FOR PUBLIC SCHOOLS

A collection of P3 examples exist around repurposing existing private real estate for use as public schools, or building new mixed-use construction housing both private businesses as well as public school classrooms. A few national examples can be found on The Heritage Foundation's report "New tax law boosts school construction with Public-Private Partnerships" including:

- 700 students in Mesa, AZ report to class each morning in a former grocery store.
- 1,200 students in Raleigh, NC are repurposing a manufacturing facility as classroom space.
- Two schools in Phoenix, AZ share a 300,000-square-foot venue that once served as a shopping mall.

Beyond repurposing existing real estate, Construction.com details a New York City project where the city leased 1.5 acres of city-owned property to a private firm in exchange for the developer adding space for two public schools in a 12-story building that also houses a Whole Foods store. The project marks the 17th P3 deal that New York's Department of Education has signed to build new public schools by leveraging mixed-use development with private companies.

TRANSPORTATION: OPERATIONS OF PUBLIC ROADS AND HIGHWAYS

In 2006, private companies Cintra Concesiones de Infraestructuras de Transporte and Macquarie Infrastructure Partners were awarded a project to operate a 157-mile stretch of Indiana's public roadways. The partnership of private companies paid the state a one-time fee of $3.8 billion for a 75-year agreement to operate the roadway in exchange for the revenue from the tolls. The project is estimated to save the state of Indiana about $100 million per year in operating costs.

MILITARY HOUSING: SUSTAINABLE DEVELOPMENT FOR MILITARY FAMILIES

Congress established the Military Housing Privatization Initiative (MHPI) in 1996 as a tool to help the military improve the quality of life for its service members by improving the condition of their housing. The MHPI was designed and developed to attract private sector financing, expertise and innovation to provide housing faster and more efficiently than traditional military construction processes would allow. The Office of the Secretary of Defense has delegated the MHPI to the Military Services and each are authorized to enter into agreements with private developers which own, maintain and operate family housing via a 50-year lease.

MHPI addresses two significant problems concerning housing for military service members and their families: (1) the poor condition of DOD owned housing, and (2) a shortage of quality affordable private housing. Under the MHPI authorities, DOD works with the private sector to revitalize our military family housing through a variety of financial tools: direct loans, loan guarantees, equity investments, conveyance or leasing of land and/or housing and other facilities. Military service members receive an allowance and may choose to live in private sector housing or privatized housing.

Comparing Alternatives

The following is a comparative matrix for a "University Facility" explaining the risk, opportunities for innovation and financial impact of Design-Bid-Build, Design-Build, Construction Management at Risk, Public-Private Partnership Design-Build with Lease, and Public-Private Partnership Design-Build with Lease that includes Operation and Maintenance:

	Option 1	Option 2	Option 3	Option 4	Option 5
	Design, Bid, Build	**Design Build**	**CM at Risk**	**P3 - DB Lease/leaseback**	**P3- DBFOM**
Risk	High University retains all the risk for design, construction, operations and maintenance.	High University retains all the risk for design, construction, operations and maintenance.	Medium University retains all the risk for design and operations. Developer retains cost and schedule risk for construction.	Med-Low University retains all the risk for design and operations. Developer retains construction cost and schedule risk. No payment until delivered.	Low Developer retains risk for cost, schedule of design, construction, operations and maintenance. Payment deductions for non-performance.
Innovation Opportunity	Low Developer delivers exactly what the University specifies. No leveraging of trades.	Medium Opportunity for innovation between design and builder.	Medium Opportunity for innovation between design and builder.	Medium Opportunity for innovation between design and builder.	High Opportunity for innovation between design, builder and operator.
Financial Impact	Financing is on the books and impacts bonding capacity.	Financing is on the books and impacts bonding capacity.	Financing is on the books and impacts bonding capacity.	Lease structure does not require debt insurance. Can be off balance sheet.	Financing can be structured in a variety of ways, but does create long-term financial obligation.
Best used when	University knows exactly what it wants, has funding capacity. Is not in a hurry and has resources to oversee every step.	University knows exactly what it wants, has funding capacity. Speed is important and has some resources to oversee every step.	University knows exactly what it wants, has funding capacity. Speed is important and wants to transfer cost and schedule risk.	University knows exactly what it wants, needs alternative financing, and wants to transfer cost and schedule risk.	University wants to lower life cycle costs, transfer cost, schedule, construction and construction and design risk. Can also provide alternative financing.

Project Delivery Solutions That Work

Each alternative project delivery approach is tailored to meet your specific delivery requirements, goals, objectives and project constraints.

SEH Design|Build understands that a successful project occurs only when there is cooperation, mutual accountability and alignment of the shared interests of all project stakeholders.

SEH Design|Build's planners, engineers, architects and construction managers work together to achieve a comprehensive project delivery process. We are truly a single source solution for all your project needs. Learn more about how we're Building a Better World for All of Us® on the SEH Design|Build website.

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Clients

- Municipalities
- Counties
- Federal Agencies
- Regional Agencies
- State Agencies
- Developers
- Commercial/Industrial
- Food and Beverage
- Manufacturing
- Mining
- Oil and Gas
- Public Utilities

Markets

- Buildings
- Energy
- Environmental
- Infrastructure
- Transportation
- Wastewater
- Water

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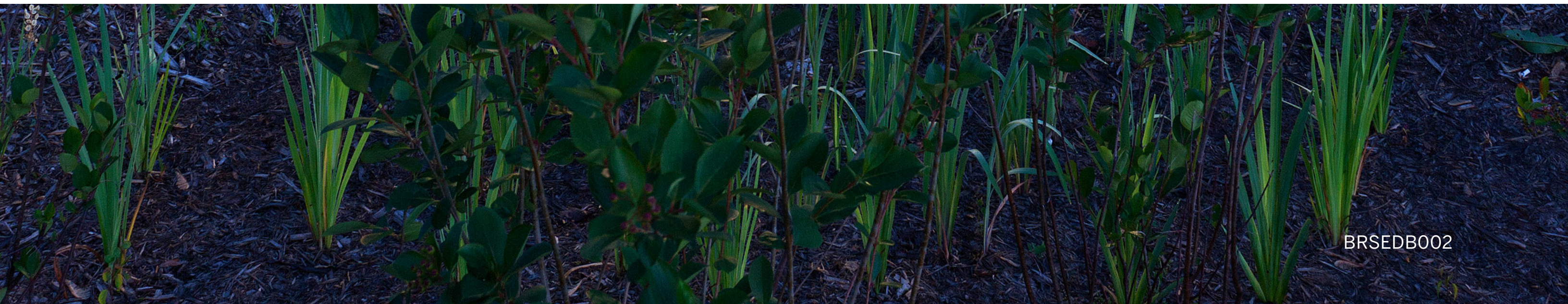
Printed on Forest Stewardship Council (FSC) certified stock containing post-consumer recycled content.



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