Public Private Partnerships for Social Infrastructure

The Best in Public-Private Partnership

PFG

Public Facilities Group

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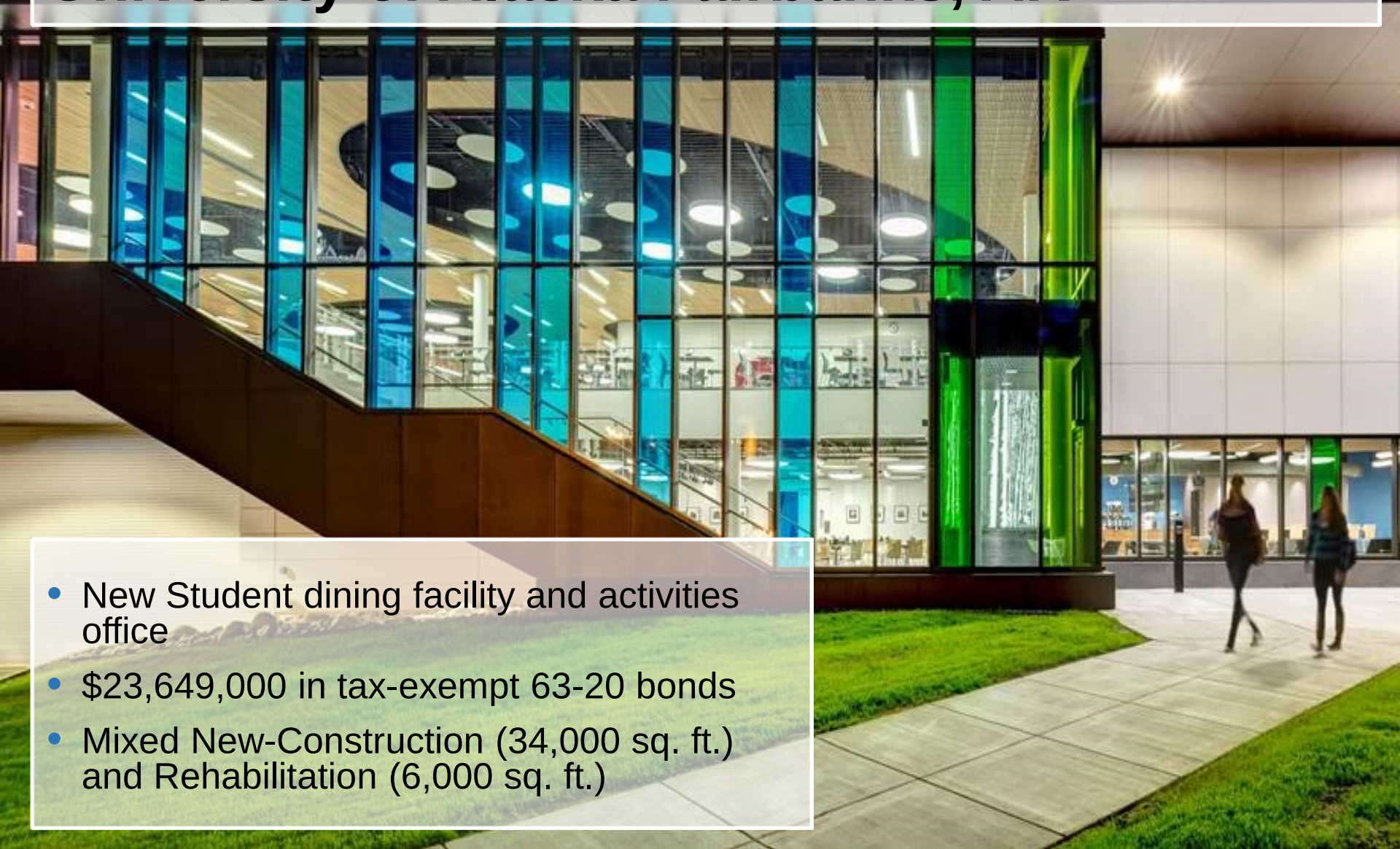
Public Facilities Group

- Nationally recognized not-for-profit
- Maximizes public benefit when using P3
- Access to Tax-Exempt financing
- Issues Private Tax-Exempt bonds
  - 63-20 Lease Revenue Bonds
  - 501 (c)(3) Lease Revenue Bonds
- Owns the project on behalf of Public Entity until debt is retired
- Transfers project at no additional cost to public agency

UAF Woods Center Food Services

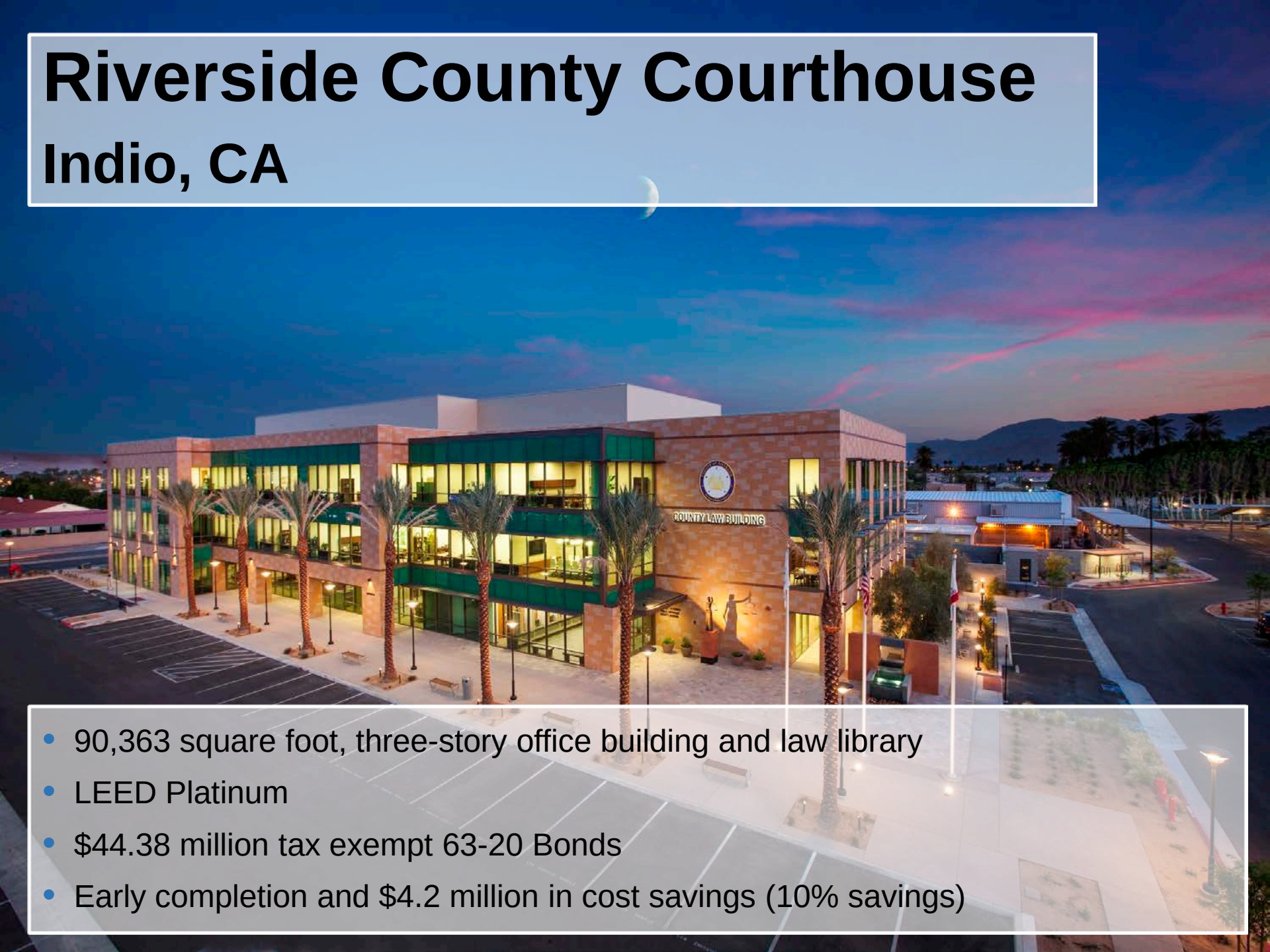
University of Alaska Fairbanks, AK



- New Student dining facility and activities office
- $23,649,000 in tax-exempt 63-20 bonds
- Mixed New-Construction (34,000 sq. ft.) and Rehabilitation (6,000 sq. ft.)

Riverside County Courthouse

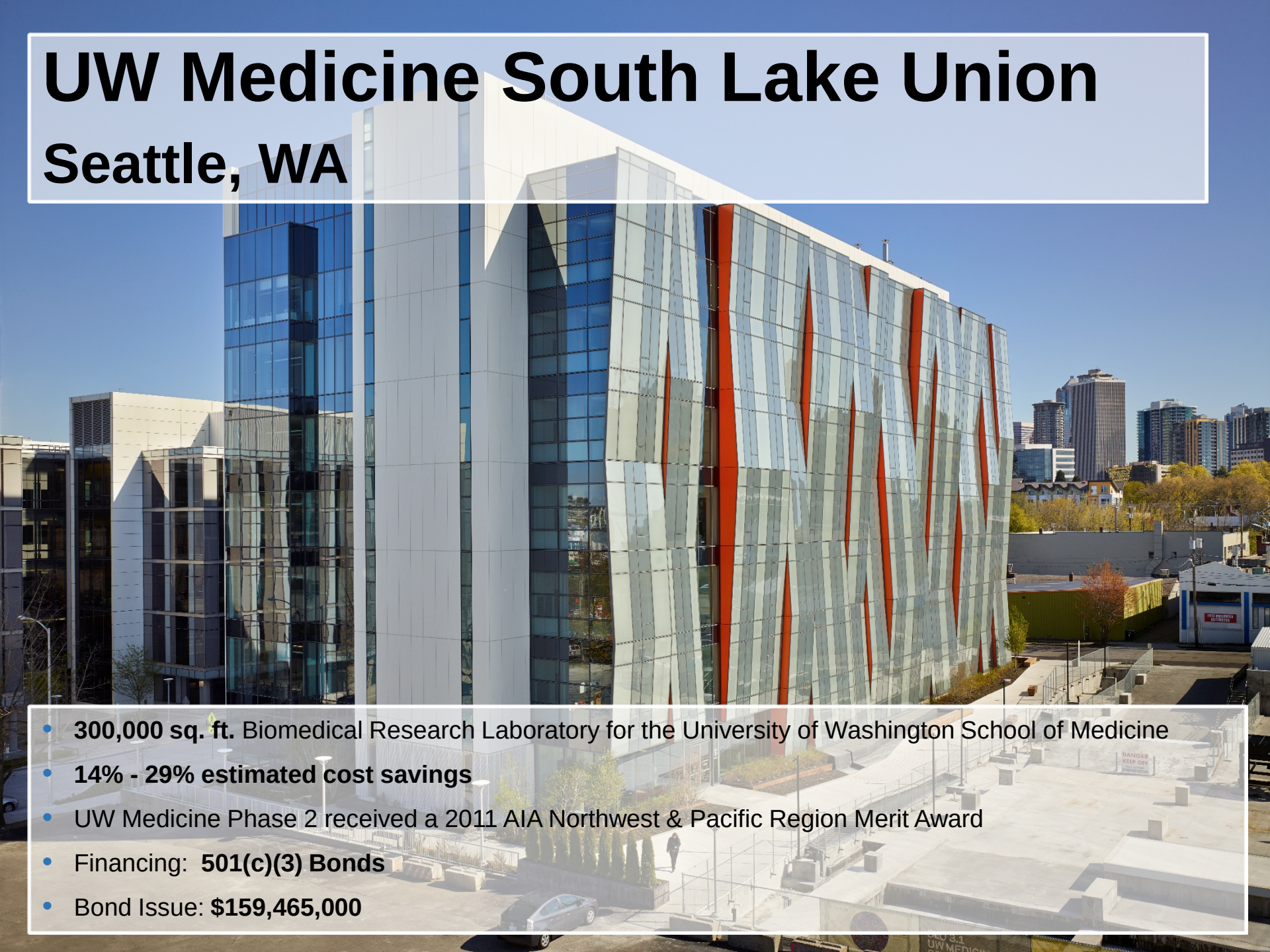
Indio, CA



- 90,363 square foot, three-story office building and law library
- LEED Platinum
- $44.38 million tax exempt 63-20 Bonds
- Early completion and $4.2 million in cost savings (10% savings)

UW Medicine South Lake Union

Seattle, WA



- **300,000 sq. ft.** Biomedical Research Laboratory for the University of Washington School of Medicine
- **14% - 29% estimated cost savings**
- UW Medicine Phase 2 received a 2011 AIA Northwest & Pacific Region Merit Award
- Financing: **501(c)(3) Bonds**
- Bond Issue: **$159,465,000**

Key Considerations for Public-Private Partnerships in Social Infrastructure

- There is no Capital Availability Gap for Social Infrastructure!
- The issue, to the extent it exists, is a Revenue Availability or Allocation issue
- P3 for Social Infrastructure builds, leases and then transfers projects to governmental tenants **who pay rent to cover all costs.**
- To be successful P3 for Social Infrastructure must:

  Deliver lower costs, higher quality and greater efficiency.

Comparing P3 Models

Method	Design	Construction	Finance	Operations & Maintenance	Service Delivery Standards
Design Bid Build (DBB)	Public	Private	Public	Public	Public
Design Build (DB)	Private	Private	Public	Public	Public
Design Build Finance (DBF- Exempt)	Public/ Private	Private	Private - Exempt	Public or Private	Public
Design Build Finance Operate Maintain (DBFOM-Exempt)	Public / Private	Private	Private - Exempt	Public or Private	Public
Design Build Finance Operate Maintain (DBFOM-Av Payment)	Private	Private	Private	Private	Public/ Private

Use of Private Development

- Properly Incentivized Developers Work Efficiently – Time is Money!
- They Know How to Control Costs
- They bring In-House Experience
- They Rely Less on Consultants

Approaches to Financing

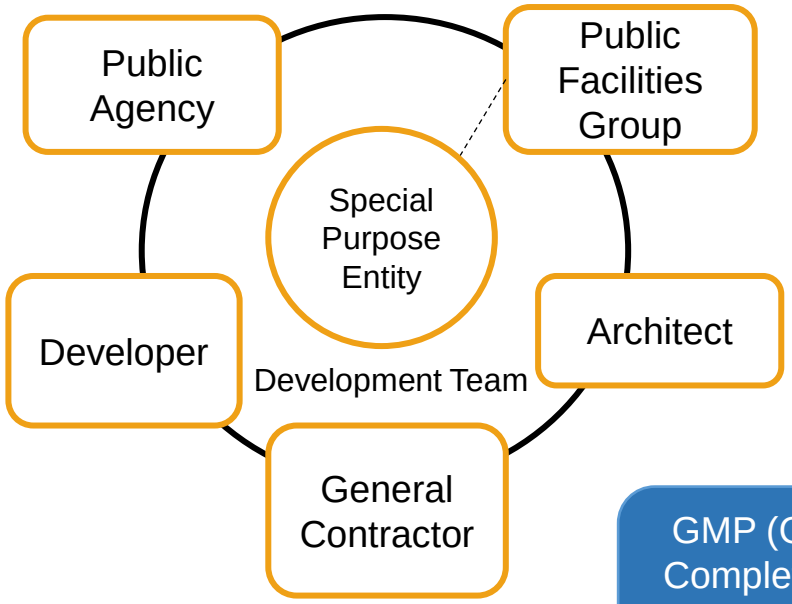
Tax-Exempt Financing - New American Approach	Taxable Financing – Availability Payment Approach
100% Tax Exempt Debt	Combination of Taxable Debt and Equity
Required Debt Coverage Ratio is 1.0	Required Debt Coverage Ratio is 1.1 or higher
A Single Loan	Two Loans – A Construction Loan and then a Permanent Loan
More accepting of Subject to Appropriation and Abatement language	Difficulty with Subject to Appropriation and Abatement language

Approaches to Management

New American Approach	Availability Payment Approach
Privately contracted Operations and Maintenance	Privately contracted Operations and Maintenance
Competitively Bid on 3 -5 year term	Negotiated Long term Operation and Maintenance Agreement (30 to 50 years)
Cost based on service level set by Tenant	Cost negotiated up front to cover full availability of facility for term with deducts for lack of availability of facility components
Allows Exempt Financing	Requires Taxable Financing

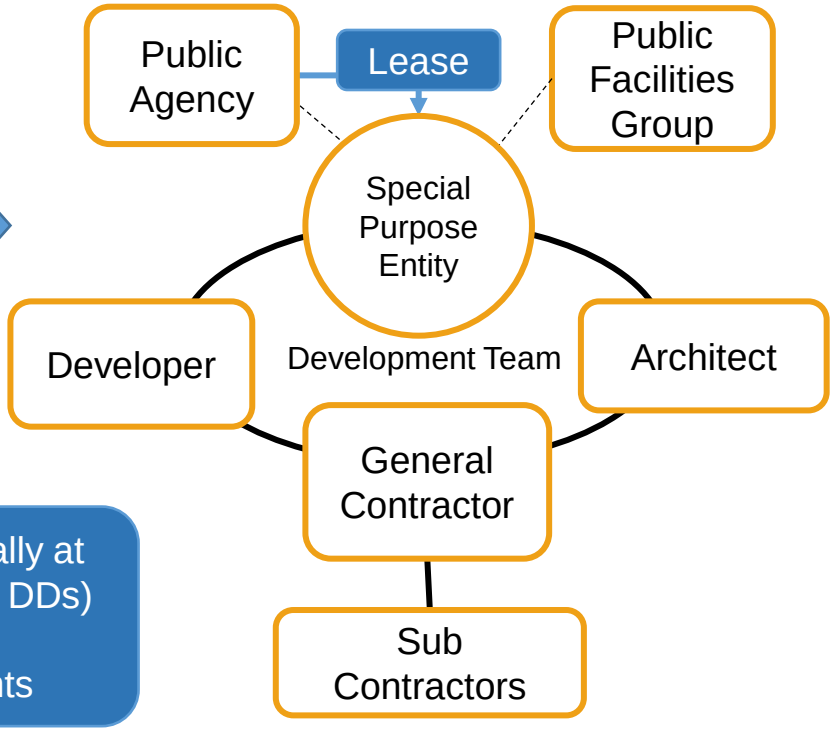
Development Process: New American Approach

Design and Predevelopment

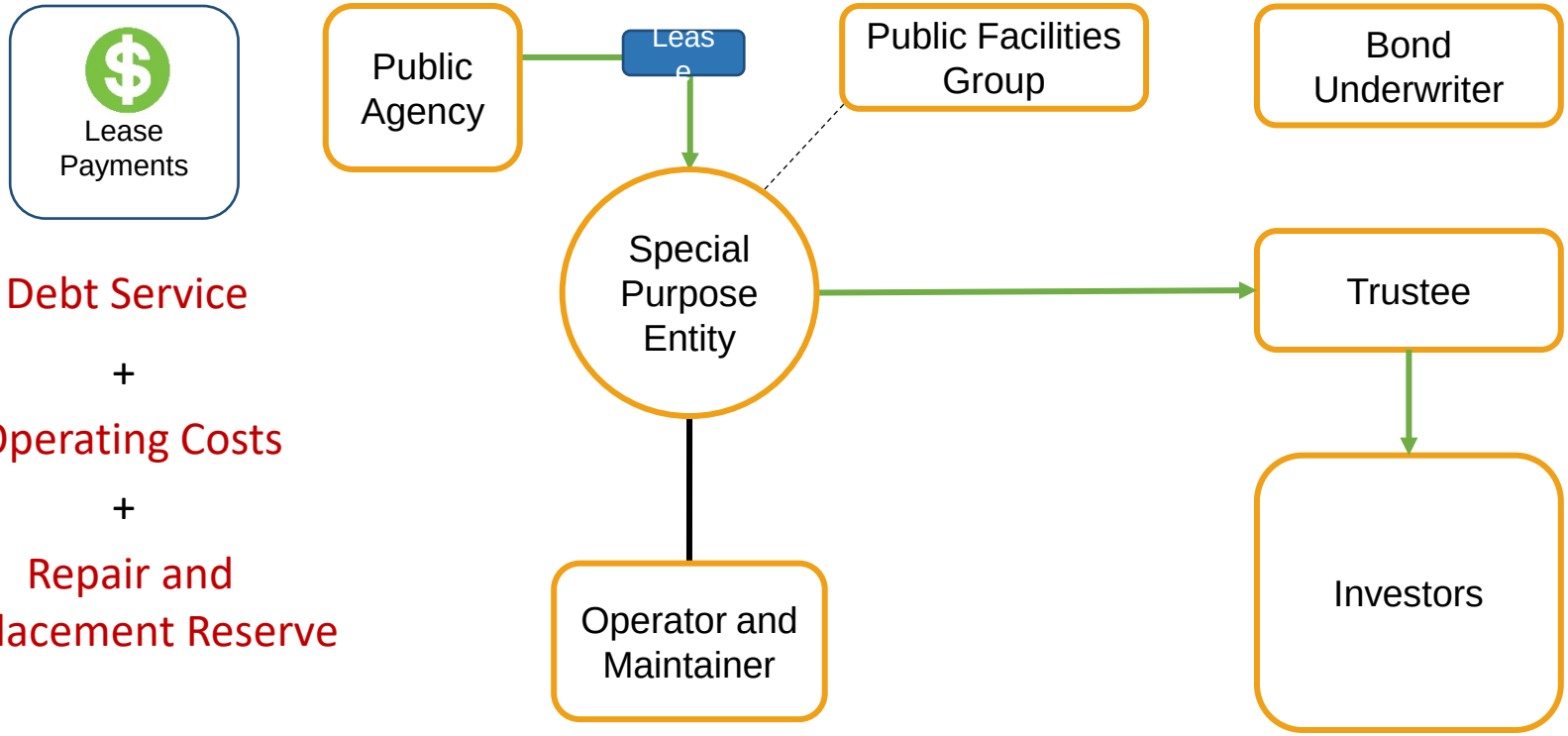


GMP (Generally at Completion of DDs)
Lease
Entitlements

Construction



Operations and Maintenance: New American Approach



Debt Service

+

Operating Costs

+

Repair and Replacement Reserve

Intelligent Lifecycle Costing

Lowest Cost of Money

+

Greatest Development Efficiency

+

Most Efficient Operations

+

Active Maintenance

Intelligent Lifecycle Cost