

“Public Private Partnerships: Architects - An Impartial Voice”

Description: After 25 years of seasoning, Public Private Partnerships (P3) are now viewed as a new source of financial energy to build infrastructure and create economic development. The concept behind P3s is to leverage government power and government financial contributions with private capital to create and complete public infrastructure projects.

P3 projects capture the best attributes of the public and private sector to the extent that together they are greater than if either had undertaken a project separately. Differentiation between a P3 project and the prior government procurement system can be summarized as shifting the risk to the private sector at many phases of the project, infusing private capital, and instilling competition at the finance-design construction-operation stage of the project.

The biggest challenge facing P3s however remains the lack of knowledge and confidence in their use by governmental entities. Impartial advisors to a P3 project can greatly help demystify P3s as an applied project delivery system. For years, governmental agencies have heavily relied upon architects to explain all aspects of a construction project from finance, design, to construction. Today, architects knowledgeable in P3s are a natural to provide a means for governmental agencies and banking institutions to gain confidence and trust in the promulgation of P3 projects.

P3 models have often been heralded as cheaper-better-faster. It cannot be overlooked that certain aspects require an understanding for success. First, every project must be examined as legally do-able; total cost must be examined on a lifecycle basis with tax consequences and enhancements driven toward the lowest reasonable amount; and an analysis from what source will the financing be paid. Payment of P3 projects often come from user fees, availability payments, installment payments, energy payments, enhancements, and entrepreneurial activity.

Although several the project terms and conditions relate closely to other design and construction terms, there are some that are unique. For instance, in P3 contracts, one might often find non-compete clauses, most favored nations clauses, shared revenue clauses, availability clauses, de-rating for poor performance, and unique alternative dispute resolution mechanisms including standing neutrals.

The keys for success of a P3 project include a public-sector champion, enabling legislation, the need for professional consultants, assessment and allocation of risk and finance, and an identified revenue stream.

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Time required: 45-60 minutes

AV equipment required: Screen, projector

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