PUBLIC/PRIVATE PARTNERSHIPS

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DELAWARE VALLEY dvrpc REGIONAL PLANNING COMMISSION

This brochure is one in a series of Municipal Implementation Tools (MITs) available to local governments and planning partners to assist in implementing the region's long-range plan, *Connections: The Regional Plan for a Sustainable Future*. Prepared and adopted by the Delaware Valley Regional Planning Commission (DVRPC), the long-range plan provides a sustainable land use and transportation vision for the region's growth and development through the year 2035. *Connections* establishes four key strategies that are essential to realizing a sustainable future:

- Managing growth and protecting natural resources;
- Developing livable communities;
- Building an energy-efficient economy; and
- Establishing a modern multimodal transportation system.

Municipal governments have the primary authority and responsibility to implement these policies. The Municipal Implementation Tool (MIT) series is designed to introduce local officials and citizens to planning techniques that may be useful in their communities. Each MIT covers a different topic and provides an overview of the use of the tool, the benefits, and best practices from within the Greater Philadelphia region.

For additional information about DVRPC and the Connections planning process, please visit www.dvrpc.org/Connections. To learn about and download additional MIT brochures, visit www.dvrpc.org/municipaloutreach.

What are Public/Private Partnerships? (PPPs)

Public/private partnerships (PPPs) are arrangements between government and private-sector entities that provide public infrastructure, community facilities, and other related services. PPPs share the investment, risk, responsibility, and reward between all partners, often making the endeavor a bit more complicated. PPPs should be created when both the public and private sectors have a unique set of characteristics that provide them with a certain advantage in a specific service or project. Successful partnerships will always draw on the strengths of all parties involved.

Before exploring what PPPs can accomplish, it is important to establish the definition of each "group." In the context of economic development and for the purposes of this brochure, "public" refers to resources that have been allocated by an open decision-making process. "Public partner" refers to the local government entity.

"Private" refers to resources that maximize profit and are not allocated by an open decision-making process. Finally, "partnership" refers to a formal or informal arrangement, agreed upon by all parties, that calls for action or collaboration. Partnerships can entail a mix of different kinds of organizations or institutions, but PPPs should always have at least one public and one private entity actively involved in the decision-making process.

Local governments need to rebuild and revitalize older portions of our communities. While this is important to the quality of life, local governments can no longer bear the full burden of paying for infrastructure and facility improvements, whereas private capital can no longer be relied upon to pay for assembling and preparing land for redevelopment.

Public/private partnerships are not the answer to all projects, but they are a solution to be considered.

Water Treatment Facility, City of Camden, New Jersey

Since 1999, United Water (previously US Water) has been involved in a PPP with the City of Camden to operate, maintain, manage, and repair the city's water treatment (eight pumping stations and 28 sewer overflow sites), water distribution, and 150-mile wastewater collection system. Prior to the contract, the city's operating costs exceeded $9 million. But through the partnership, the city is saving over $2 million in system operating costs. United Water has improved water quality for residents because of its regular system-wide flushing program, proper maintenance, and improved operations and management.

As part of the partnership agreement, United Water has updated billing cycles and all revenues benefit residents of the city. Through negotiations, United Water employs existing city utility department workers as well as a "no economic layoff" policy. Also, as part of the partnership agreement, the City of Camden controls water and sewer rates, which have not increased as a result of United Water's contract, and United Water assists the city with system-related capital planning. United Water also supports youth organizations, educates residents about water conservation, and purchases operating supplies from city-based and minority-owned businesses.

www.ncpp.org/cases/camden

To share this burden, creating PPPs can be one solution for project development. With declining levels of public resources and funds, partnerships between public and private partners are becoming increasingly common and vital to the success of many projects.

Public/Private Partnerships and Smart Growth

PPPs can benefit sustainable community development. Local governments can build relationships with for-profit and nonprofit institutions to redevelop neighborhoods, rehabilitate housing, and build more aesthetic neighborhoods. Private partners often are willing to invest in neighborhoods that have a quality of life that shoppers and homebuyers are looking for. By engaging in smart growth and environmentally sensitive principles, it can often attract private and other public partners to make the same investment.

Within the City of Philadelphia, the Pennsylvania Horticultural Society's (PHS's) urban greening program, Philadelphia Green, demonstrates the power of partnerships. Partnering with various Community Development Corporations (CDCs), PHS has been able to incorporate greening and open space planning into its individual redevelopment plans. The Philadelphia Green initiative works on small- and large-scale projects, proving that partnerships can be the catalyst for community involvement and pride.

www.thepennsylvaniahorticulturalsociety.org

When to Consider a Public/Private Partnership?

Local governments should consider PPPs when the following circumstances exist:

- The service or project cannot be provided without the financial resources or expertise of the private sector;
- A qualified private partner will increase the quality of service;
- Assistance from the private sector will lead to the implementation of the project sooner;
- There is support within the community to involve a private partner;
- There are no regulatory exclusions involving a private partner; and
- There are increased opportunities for additional economic development and growth.

Manor House, Whitpain Township, PA

Manor House Historic Property, Whitpain Township, Pennsylvania

Whitpain Township purchased Prophecy Park and the Manor House in 1999 for $8.7 million to ensure its historical character and open space. The Manor House is approximately 100 years old and in need of significant improvements, which would cost taxpayers. Whitpain Township is paying $900,000 per year through 2017 on debt service and pays $60,000 per year for maintenance on the Manor House. In addition, it is estimated that the Manor House will need almost $500,000 in capital improvements.

In 2010, the township pursued the recommendations of the Prophecy Park Master Plan, which included investigating cooperative agreements with agencies and public and private entities to develop, maintain, and improve Prophecy Creek Park and the Manor House to help with maintenance costs. In partnership, the township leased the Manor House to an outside company that would make all capital improvements and the township maintained ownership.

After releasing a Request for Proposals (RFP), the township interviewed two private catering companies that proposed using the Manor House for weddings and private events. Whitpain Township chose Robert Fair Caterers. Through the partnership agreement, Robert Fair Caterers will make $1.5 million in improvements to the Manor House and surrounding property over the next five years. Additional revenue from the agreement will provide for future open space purchases in the Township.

www.whitpaintownship.net

10 Types of Public/Private Partnerships (PPPs)

Type	What is it?	When is it Used?	Advantages	Disadvantages
Operations Maintenance	The public partner contracts with a private partner to operate and maintain a publicly owned facility.	Water and wastewater treatment plants, solid waste removal, parking and landscape maintenance, recreational facilities, or sewer systems.	Service improvements; cost savings; and contract flexibility.	Collective agreements may not permit outsourcing; and reduced owner control.
Design/Build	The public partner contracts with a private partner to design and build a facility. Once built, the local government establishes ownership and becomes responsible for daily operations.	Public infrastructure building projects, such as highways, roads, water and wastewater treatment plants, arenas, recreational facilities, and other government facilities.	Access to private sector experience; innovative ideas; and flexibility in procurement.	Reduced owner control; complex award process; and increased costs for certain design features.
Turnkey Operation	The local government provides the financing for the project, but a private partner provides the design, construction, and operation of the facility for a period of time. The local government maintains ownership of the facility.	Infrastructure facilities and local government buildings.	Construction risk on private sector; increased efficiency; and ability to expedite construction.	Complex award process; increased cost for design changes; and financing risk incurred by public partner.
Wrap Around	A private partner finances and constructs an addition to an existing public facility. The private partner may then operate it until they recover their investment plus a reasonable return on the investment.	Public infrastructure building projects, such as toll roads, water and wastewater treatment plants, arenas, recreational facilities, and other government facilities.	No capital required from the public sector; financing risks on private sector; and flexibility in procurement.	Future facility upgrades not included; expensive alterations; and complex award process.
Lease Purchase	The public partner contracts with a private partner to design, finance, and build a public building. The private partner leases the facility to the local government for a period of time where ownership lies with the local entity.	Capital assets, such as buildings, vehicle fleets, wastewater treatment plants, and computer equipment.	Opportunity for innovation; lease payments are less than debt load; and improved service to residents.	Reduced control over service or infrastructure by public partner.

Type	What is it?	When is it used?	Advantages	Disadvantages
Temporary Privatization	Ownership of a public facility is transferred to a private partner who expands the facility. The facility is then operated by the private partner for a temporary period of time.	Public infrastructure building projects, such as highways, roads, water and wastewater treatment plants, arenas, recreational facilities, and other government facilities.	Reduced operational costs; more efficient construction process; and risk lies with private sector.	Private sector sets user fees; displacement of local government employees; and labor issues.
Build-Transfer-Operate	The public partner contracts with a private partner to finance and build a public facility. Once completed, the private partner transfers ownership to the public partner and then leases the facility back to the private partner.	Public infrastructure building projects, such as highways, road, water and wastewater treatment plants, arenas, recreational facilities, and other government facilities.	Public partner obtains costs savings; maintains authority over service and fees; and can terminate agreements.	Difficulty in replacing private partner if bankruptcy or default on loans occurs.
Build-Own-Operate-Transfer	The private partner obtains exclusivity to finance, build, operate, maintain, manage, and collect user fees for a period of time. In the end, the public partner receives title rights.	Public infrastructure building projects, such as highways, roads, water and wastewater treatment plants, arenas, recreational facilities, and other government facilities.	Start-up risks on private partner; risk is shared; and efficient construction process.	Private sector determines user fees; no public control over initial operations.
Build-Own-Operate	The public partner transfers ownership of an existing facility or contracts with a private partner to build, own, or operate a new facility; financing is provided by the private partner.	Public infrastructure building projects, such as highways, road, water and wastewater treatment plants, arenas, recreational facilities, and other government facilities.	Private sector operates the service; no financing by public partner; and long-term entitlement is incentive for private partner to invest.	No public control of service fees; private pricing control; and good or service is subject to tax regulations.
Lease/Buy-Develop - Operate	The private partner leases or buys a facility from the public partner, expands it, then operates the facility under contract by the public partner.	Public infrastructure building projects, such as highways, roads, water and wastewater treatment plants, arenas, recreational facilities, and other government facilities.	Financial risk on private sector; procurement flexibility; and improved service for residents.	Difficulty in replacing private partner if default on loans occurs.

Where have Public/Private Partnerships been used?

- Transportation
  Hudson-Bergen Light Rail Extension, Hudson and Bergen counties, NJ
  www.fhwa.dot.gov/ipd/project_profiles/nj_hudson_bergen.htm

- Water/Wastewater Plants
  Wastewater Treatment Plan, Downingtown, PA
  www.severntrentservices.com/enews/vol21/pa_wastewater.aspx

- Economic Development
  Parkside Business and Community in Partnership, Camden, NJ
  www.pbcip.org

- Utilities
  Water Pollution Control Plant, Philadelphia, PA
  www.ameresco.com/press/ameresco-and-philadelphia-water-department-announce-northeast-water-pollution-control-plant

- Schools
  Transformation Schools, City of Camden, NJ
  www.state.nj.us/education

- Energy Efficiency
  Greater Philadelphia Innovation Cluster
  www.gpichub.org

- Sport Arenas
  PPL Park, City of Chester, PA
  www.philadelphiaunion.com/ppl-park

- Historic Properties
  30th Street Post Office, Philadelphia, PA
  www.brandywinerealty.com

30th Street Post Office, Philadelphia, PA

Benefits and Risks of Public/Private Partnerships

A PPP may not be the best option for every public service or project. Local governments should investigate all positive and negative outcomes when considering this type of arrangement.

Potential Benefits

Cost Savings

By developing a PPP, local governments may save on the costs of construction of capital projects, as well as the operation and maintenance of facilities. Overall costs for professional services can also be reduced for inspections and contract management activities. Local governments can realize cost savings with the operation and maintenance of facilities by utilizing economies of scale, technology, flexible procurements, and reducing overhead costs.

Shared Risk

By entering into a PPP, local governments share the risks with a private partner. Risks can include additional money needed because of cost overruns, inability to meet project milestones, and difficulty meeting environmental or regulatory obligations.

Improved Level of Service

PPPs can utilize innovative techniques in how service can be provided. Services can be provided on economies of scale, often reducing associated costs.

Efficient Implementation

Implementation activities can be combined into various activities, such as design and construction (design-build contracts), often making the preliminary design process shorter. Capital projects are often built quicker when several parties are willing to work toward the same goal.

Economic Benefit

Local government involvement in PPPs can help to stimulate the private sector, thus contributing to additional economic growth and employment. By committing to the partnership, the private sector will realize that there is an equal commitment from the community, thus making the decision to invest easier.

Potential Risks

Loss of Control

Public/private partnerships involve significantly more risk on the part of the private sector. Often, this leads to concerns over control of the delivery of services. It is important that the local government clearly communicate at the beginning of the partnership so that control of each task is clearly defined.

Political Risks

PPPs are new for many local governments. There may be constituents who do not understand the nature of the relationship or the reason for such a partnership. Therefore, local governments who wish to reduce any political backlash should enter into well-understood partnership contracts.

Unreliable Services

Private partners can often be prone to labor disputes and financial problems that prevent them from honoring commitments. PPP agreements should anticipate such issues and make sure measures are in place.

Inability to Benefit from Competition

Local governments may not be able to benefit from PPPs if there are a limited number of PPPs with specific expertise.

Bias in the Selection Process

As with conventional forms of services, there is always risk that the local government may be accused of bias in the selection process. This often is the case with PPPs given that the lowest bid may not always win the contract, particularly if the local government partner has established other criteria for their potential partner. Policies and procedures should be clearly defined when dealing with potential private partners to ensure transparency of the selection process.

Principles of Successful Public/Private Partnerships (PPPs)

According to the Urban Land Institute, 10 principles are important for successful PPPs:

1. Be Prepared

Entering into a partnership agreement requires preparation from both parties. Local governments should ensure that goals and resources for the project have been established. Local governments should assess their own capabilities. Is it appropriate for local government representatives to be part of the partnership? Or should this agreement be handled through a redevelopment agency or quasi-governmental agency? It is important that the appropriate staff represent the public interest. It is incumbent upon the local government to establish a vision for the project through a consensus-building process. Lastly, the local government should make sure that building codes and regulations support the vision and goals of the project.

Private partners need to prepare for a more transparent process than normal, such as is required with open competition through bidding. The private partner should meet with investors to determine if the project is feasible and provide an assessment of resources that will be needed to complete the project. If the private partner decides that the project is worthy and the commitment of the local partner is worth the investment, he/she should assemble a team with the correct amount of experience and expertise.

2. Create a Vision

A well-thought out vision provides the framework for the project’s goals and objectives. The vision should be created through a consensus-building process and include all stakeholders who will be impacted.

The Greater Philadelphia Innovation Cluster (GPIC) received over $129 million to retrofit building environments using an integrated systems approach. The GPIC is located at the Philadelphia Navy Yard.

Public hearings, charrettes, visioning exercises, and other innovative tools should be used to reach a wide audience and get the message out. It is then important for the public and private partners to analyze the final vision to make sure that the goals are obtainable given market conditions.

3. Understand your Partners and Stakeholders

PPPs may involve players in addition to a local government and private partner. Also included could be nonprofit organizations, for-profit organizations, and stakeholders. Each sector plays an important role, and it is important to understand what role each partner will play. Local government should understand that the private sector needs to make a profit, while the private partner should understand that government cannot always move as quickly while serving constituents and the public.

4. Outline Risks and Rewards

All players in the partnership share in the risks and rewards created by the individual project. Page 13 provides a chart that outlines the risks and rewards for local governments and private partners.

5. Establish a Clear Decision-Making Process

After a private partner has been selected, each partner must define the process by which decisions will be made, implemented, and then reassessed. A plan should be created that outlines action steps throughout the process, particularly for implementation, deal terms, financing, planning and design, and the environmental review process. Milestones and deadlines should also be clearly delineated.

6. Continue Due Diligence

All partners need to understand that they will have to invest a significant amount of time, energy, and resources through each step of the process. A continued understanding of the issues–technical, social, and financial–is imperative. The development process can be complicated, so it is important that each partner continue to share information and share it early.

7. Sustain Leadership

In order for a project to continue, leadership needs to be sustained. Successful projects often have the same leaders in place from start to finish. Strong leaders can keep all parties involved. Unfortunately, political leaders can have a short term (often two years), causing successors to undo what has been started. Projects should not be handed off; however, if there is a change in leadership, new leadership should be provided for the public and private partner.

Risks		Rewards	
Public	**Private**	**Public**	**Private**
Conflict of Interest	No profit	Increased tax base	Sustaining organization
Misuse of public funds	Time-consuming process	Public infrastructure	Profit
Land use conflicts	No long-term value	Increased revenues	Value creation
Eminent domain	Change in key leadership	Promote city image	Enhanced reputation
Private partners fail to perform	Loss of equity	Job creation/retention	New market niches
Public opposition	Liability Impacts	Enhanced quality of life	Enhanced quality of life

Source: Urban Land Institute

8. Communicate, Communicate, Communicate

Communication is essential to the PPP for several reasons, including efficiency and a more open decision-making process. The partnership should also ensure that the goals and vision are communicated to stakeholders and other impacted constituents in a clear, consistent voice. A designated spokesperson from the public and private side can help deliver the message and demonstrate support for each other.

9. Establish a Deal Structure

Making sure that both parties are satisfied with the partnership is an important step in the process. It is accepted that the private partner will receive a higher portion of financial return (taking more significant financial risk) and the public partner will receive improved public infrastructure, increased property and tax base, and a higher quality of life for residents. Both parties should spend time reviewing the terms of the deal and, when possible, build in expected outcomes. Allowing enough time for negotiations and documentation will also ensure efficiency throughout the project.

10. Build Trust

Given the complexity of the PPP process, trust is required between all players to enable shared decision-making and risk taking. Trust is built by openly communicating with each other and keeping a high degree of transparency.

How to Implement a Public/Private Partnership?

Once a local government decides that a PPP is ideal for their project, it is important to prepare. Below are six important steps.

Chose the Project Team

The project team will be responsible for the partnership from the planning stage through the Request for Proposal phase and implementation. The team should include local government staff with an interest and understanding of the partnership's process. All project team members should be able to devote enough time to ensure a timely delivery, as well as have a mix of expertise to help guide the project.

Develop the Scope of Work

The project team should clearly define the scope of work and what skills it is looking for from private partner. It is important to understand the objectives to be achieved with the partnership. When developing the scope of work, the project team should consider the following: Can the private sector bring innovative ideas during the design process? Can the private partners secure services for construction quickly? Which partner can secure the financing? Do the benefits of public ownership outweigh the benefits of private ownership? Who is in the best position to operate the service or facility?

Establish the Selection Criteria

Selection criteria are important when releasing a Request for Proposal (RFP) or Request for Qualifications (RFQ). The project team should engage in an open selection process to gauge the experience, technical capabilities, and implementation approach of prospective partners. The project team should clearly outline the selection criteria in the RFP/RFQ.

The Power of Partnerships conference featured a panel with Barry Seymour, Executive Director, DVRPC; Shawn Garvin, Regional Administrator, EPA Region 3; Jane C.W. Vincent, Regional Administrator, U.S. Department of Housing and Urban Development Region 3; and Brigid Hynes-Cherin, Acting Administrator of USDOT's Federal Transit Administration, Region 3.

Develop a Schedule

The project and schedule of deliverables should be established before a RFP/RFQ is released. Important milestones should be highlighted, such as the process and dates for choosing the private partnership, contract negotiations, and project commencement and implementation.

Consider the Public Outreach Strategy

The project team should prepare a communication and media strategy that involves all stakeholders and members of the public. The strategy should ensure communication at all stages of the project and include various methods of communication, such as print, newspaper,

What is DVRPC doing to promote partnerships?

In a time of declining funding resources, creative partnerships between government, the private sector, nonprofits, and philanthropic organizations can offer solutions to address growing needs, such as infrastructure, redevelopment, public amenities, and human services. To acknowledge the unique partnerships that are underway in our region, DVRPC hosted a regional conference in November 2011.

Breaking Ground: The Power of Partnerships examined creative partnerships from in and around Philadelphia that are making a difference in today's tough economic climate. A morning panel highlighted the new partnership between three federal departments: the U.S. Department of Housing and Urban Development, the U.S. Department of Environmental Protection, and the U.S. Department of Transportation.

For more information, visit, www.dvrpc.org/breaking ground.

social media, public workshops, internet, and surveys. All stakeholders should be involved in the process as soon as possible.

Obtain all Regulatory Approvals

Most approval processes will rest with the local government. The project team should ensure that the goals and objectives of the project are allowed within the zoning and building codes of the community. The land where the project is to occur should also be owned by the local government. The regulatory approval process can be time consuming, so it is often best to begin this process early.

Resources

The National Council for Public/Private Partnerships

Founded in 1985, the National Council for Public/Private Partnerships is a nonprofit forum highlighting the brightest ideas in the partnership arena. Its public and private sector members have experience in a variety of PPP arrangements.

www.ncppp.org

U.S. Department of Transportation, Federal Highway Administration, Office of Innovative Program Delivery

The Federal Highway Administration encourages PPPs for transportation improvements. The Office of Innovative Program Delivery provides information and expertise in the use of different PPP approaches and technical assistance in using tools.

www.fhwa.dot.gov/ipd/p3/index.htm

Government Services Partnership Institute (GSPI)

The Government Services Partnership Institute (GSPI) was founded to serve government and private industry stakeholders as the premier connection point for the exchange of PPP information, ideas, and best practices.

www.govpartnership.com

Public/Private Partnership Council of New Jersey

Through the New Jersey Alliance for Action, the Public/Private Partnership Council acts as a catalyst to encourage partnerships within New Jersey. Membership in the council can expand business opportunities for your community and business leaders in New Jersey.

www.pppofnj.net/index.html

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The Delaware Valley Regional Planning Commission is dedicated to uniting the region's elected officials, planning professionals and the public with a common vision of making a great region even greater. Shaping the way we live, work and play, DVRPC builds consensus on improving transportation, promoting smart growth, protecting the environment and enhancing the economy. We serve a diverse region of nine counties: Bucks, Chester, Delaware, Montgomery, and Philadelphia in Pennsylvania; and Burlington, Camden, Gloucester, and Mercer in New Jersey. DVRPC is the federally designated Metropolitan Planning Organization for the Greater Philadelphia Region – leading the way to a better future.

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