



Oregon Department of Transportation



# Oregon's Approach to PPPs

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## Why is Oregon exploring PPPs

- Like many states, Oregon has not increased Gas Taxes since 1993
- During the same period Oregon experienced population growth of almost 2% per year, with commensurate increases in the Number of Vehicles and Traffic Congestion
- Also, costs of constructing any major new capacity to alleviate this congestion has gone up as much as 300% in some categories
- Simply put, Oregon *does not have the resources to fund very large projects* – and the revenue picture in the future is equally dire



## Chronology of PPPs in Oregon

- 2001** – Legislature directs ODOT to study potential for PPPs in Transportation
- 2003** – Legislature creates Oregon Innovative Partnerships Program (OIPP)
- 2004** – Developed rules, established office, hired experts
- 2005** – Obtained SEP-15 from FHWA, ran first Procurement on 3 projects, selected OTIG and negotiated PDAs
- 2006** – Pre-development work progressed (Milestones)
- 2007** – Decisions on how best to proceed ???



## ENABLING STATUTES – ORS 367.800 TO 367.826

### **The OIPP law defines:**

“Transportation project” as “any proposed or existing undertaking that facilitates any mode of transportation in this state.”

Very broad legal authority could apply to Roads, Bridges, Rail, Ports, Ancillary Facilities, Telecommunications, etc.



## Allows ODOT to Receive Both Solicited and Unsolicited Proposals

- Proposals can be initiated by Private Firms and/or Units of Government
- Allows Procurements outside the normal processes of Oregon procurement law
- Allows Entry of Private Partners at the Earliest Conceptual Stages of the Project
- Projects Can be Selected by Best Value instead of Lowest Cost Requirement



## What Oregon Seeks via Public Private Ventures

- Augment traditional state funding resources
- Access to development capital (“skin-in-the-game”)
- Financial expertise on project financing options
- Expedited project development
- Entrepreneurial approaches to project development
- Public/Private Partnerships are Governed by *Negotiated Agreements* allowing greater flexibility in tailoring the approach to the project



## Where We Are

ODOT signed Pre-Development Agreements with the Oregon Transportation Improvement Group (OTIG), a Macquarie-led consortium for pre-development work on 3 projects

**The Sunrise Project** - New limited-access 4-lane facility

(Parties agree to take an “off-ramp” 1/07 – too short, not enough traffic, too much leakage)

**South I-205 Corridor Improvements** - Possible tolled expressway in SE Portland

(ODOT delays moving to Milestone One 1/07 – need to incorporate into Regional Transportation Plan)

**Newberg-Dundee Improvement Project** - Bypass of congested State Highway 99W in Yamhill County

(Parties are deliberating next steps including limited Milestone Two development work to find a funding solution)

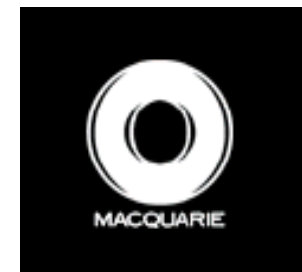


- The Macquarie Infrastructure Group leads the consortium OTIG, with Hatch Mott MacDonald (HMM) acting as lead engineering consulting firm
- Other members of the consortium include firms with expertise in Traffic & Revenue (SDG), Public Relations (FWA), Legal, etc.



## Recent North American Experience of Macquarie Infrastructure Group

- **Indiana Toll Road**, 2006 - \$3.85 billion
- **Sea-to-Sky**, Vancouver, Canada - 2005 - \$462M, Public-Private Partnership
- **Dulles Greenway**, Virginia - 2005 - \$617M – Financing, Operations and Maintenance
- **Chicago Skyway** - 2004 - \$1,850M - O&M
- **SR 125**, San Diego - 2003 - \$773M Financing, Developer, Operations & Maintenance
- **407 ETR** (Electronic Toll Road), Toronto – 2002 - \$393M Financing





# A Unique Opportunity for Oregon

## Sharing Risk Among the Parties

- OTIG advancing up-front private capital for project development
- ODOT has limited reimbursement cap on project development costs
- OTIG assumes 100% of risk for project financing and facility operation under multi-decade concession

## Collaborative Working Groups

- ODOT and OTIG professionals work side-by-side to explore new ways to fund projects for which traditional highway funding sources are insufficient
- Hopefully garner greater public acceptance through collaboration

## Off Ramp Opportunities for Exiting Arrangement

- Provides political cover
- Allows exploration of less obvious project candidates

## Financial Strength

- ODOT attracted financially strong private partner successful in public-private partnerships around the world



## ODOT Hires Concession Finance Advisor

- Bear, Stearns & Co., Inc. will analyze Macquarie's assumptions and conclusions
- Will develop a "public sector comparator" to determine if the State would be better off doing the project ourselves
- In a concession model, the State owns the road but grants the private sector a "franchise"-like agreement to operate it until they recoup their investment plus a reasonable return.



## Public Acceptability of Tolls

- People tend to prefer the concept of “user fees” (tolls), which are paid only when they use a facility, as opposed to “general” taxes when they don’t know where the money goes
- The public is willing to pay tolls for direct benefits they receive - like getting home to their family a half hour earlier
- Use of automated toll collection systems is key to gaining and maintaining public support (people don’t like to wait in lines)



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*Website for  
Oregon Innovative  
Partnerships Program*

More information available at:

**[www.oregon.gov/ODOT/HWY/OIPP/innovative.shtml](http://www.oregon.gov/ODOT/HWY/OIPP/innovative.shtml)**

