



Oregon Department of Transportation



Oregon's Approach to PPPs

Presented to

Associated General Contractors

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Why is Oregon exploring PPPs

- Like many states, Oregon has not increased Gas Taxes in over a decade
- 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 for the future is equally dire



Early Chronology for PPPs in Oregon

- 2001** Legislature directs ODOT to study potential of PPPs for transportation projects
- 2003** Legislature creates Oregon Innovative Partnerships Program (OIPP)
- 2004** OIPP rules developed, office established, experts hired



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.



OIPP Agreements

Under OIPP authority, ODOT may enter into agreements - if approved by Oregon Transportation Commission - relating to transportation projects the subject of which may include, but need not be limited to:

Planning

Development

Reconstruction

Maintenance

Leasing

Acquisition

Design

Replacement

Management

Operation

Financing

Construction

Improvement

Repair

Any Financing Mechanism (franchise & user fees)



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 (“money at risk”)
- 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



Later Chronology for PPPs in Oregon

- 2005**
 - SEP 15 exemptions obtained from FHWA
 - Two stage, triple solicitation procurement
 - Selection of Oregon Transportation Improvement Group (OTIG), a Macquarie-led consortium, as developer
 - Negotiation of Pre-Development Agreements

- 2006** Pre-development work progresses by milestones



Selection of Oregon Transportation Improvement Group for Pre-Development Work

- 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





Key Features of the Pre-Development Agreements

Project Work Plans - OTIG work defined by *Milestones*.

- **Milestone 0 – Scoping Study.** Assesses project feasibility of conceptual engineering, traffic and revenue projections and public acceptance
- **Milestone 1 - Commercial and Financial Feasibility Assessment.** Establishes project commercial and financial viability based on cost and revenue parameters
- **Milestone 2 – Implementation Plan and D/B Procurement Approach.** Development of Implementation Agreement and procurement approach for the Design-Build contractor and project financing elements
- **Milestone 3 – Financial Close.** Negotiation of Implementation Agreement, procurement of Design-Build and Operations procurement and implementing Financing Plan

At end of each milestone, the parties assess benefits of moving forward versus termination of partnership.



Advantages to ODOT of 2006 PDA Approach

Sharing Risk Among the Parties

- Up-front investment of private capital for project development
- Exposure cap on project development costs
- OTIG assumes 100% of risk for project financing and facility operation under multi-decade concession period.

Collaborative Working Groups

- Active interaction between Oregon DOT staff and OTIG professionals
- Greater public acceptance

Off Ramp Opportunities for Exiting Arrangement

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



Procurement Status

Oregon Transportation Improvement Group (OTIG) engages in pre-development work on 3 projects

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

(December 06 - Parties agree to take “off-ramp” – project too short, not enough traffic, too much leakage)

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

(January 2007 – Project on hold until placed in Regional Transportation Plan and further project definition)

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

(January 2007 - ODOT hires concession finance adviser to analyze OTIG’s milestone one data from state’s perspective)



Current Status of OIPP Procurement

- 2007** OTC and ODOT determines best path forward
- Concession Finance Adviser analyzes OTIG data
 - Preparation of Public Comparator



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*Website for
Oregon Innovative
Partnerships Program*

More information available at:

www.oregon.gov/ODOT/HWY/OIPP/innovative.shtml

