



Oregon Department of Transportation



# Oregon's Approach to PPPs

*CONFERENCE ON  
PUBLIC PRIVATE PARTNERSHIPS IN  
TRANSPORTATION INFRASTRUCTURE*

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## Why is Oregon exploring PPPs

- Oregon has not increased Gas Taxes since 1993
- Oregon's license and vehicle registration fees are among the lowest in the nation
- Oregon continues to experience population growth of almost 2% per year, with commensurate increases in the Number of Vehicles and Traffic Congestion
- Costs of constructing new capacity has gone up as much as 300% in the last 15 years
- 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 created Oregon Innovative Partnerships Program (OIPP– ORS 367.800 - .826)
- 2004** – Developed rules, established office, hired experts
- 2005** – Obtained SEP-15 from FHWA, ran first Procurement on 3 projects, selected Oregon Transportation Improvement Group and negotiated PDAs
- 2006** – Pre-development work progressed (Milestones)
- 2007** – Decisions on how 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” in January 2007 – 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 in January 2007 – need to incorporate into Regional Transportation Plan – Fall 2007)

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

(Engaged Bear Stearns to analyze OTIG work and build independent models for comparison purposes (Private/non-concession and Public Comparator)



- 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.
- Identified Tolling as the Primary Source of Project Funding Through Multi-Year Concession



# 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 would assume 100% of risk for project financing and facility operation if projects proceed under a concession model
- 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.

## Collaborative Working Groups

- ODOT and OTIG professionals work side-by-side to explore new ways to fund projects and inject private innovations through collaboration

## “Off Ramps” for Exiting Pre-Development Agreements

- Provides political cover

## 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
- Will also build an alternative private sector model which will show how the project might proceed as a Public-Private Partnership *without* the concession structure



## What We've Learned about Acceptability of Tolls

- Public tends to prefer “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
- Public appears to be willing to pay tolls if they get direct benefits - like getting home a half hour earlier than usual (Oregon has no toll roads currently)
- Must have a credible argument that funding is not available from other sources – public believes there is sufficient revenue if the government would only spend it right
- Use of automated toll collection systems is key to gaining and maintaining public support (people hate 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)**

