



Oregon Department of Transportation



# Oregon's Approach to PPPs

*NCPPP PARTNERSHIPS for TRANSPORTATION  
WORKSHOP*

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*Marriott Country Club Plaza  
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**Art James**  
**Oregon Office of Innovative Partnerships**





## 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 have population growth of around 2% per year
- ODOT has identified more than \$10 billion in unmet modernization needs
- Oregon *does not have the resources to fund large projects* – and the future looks 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

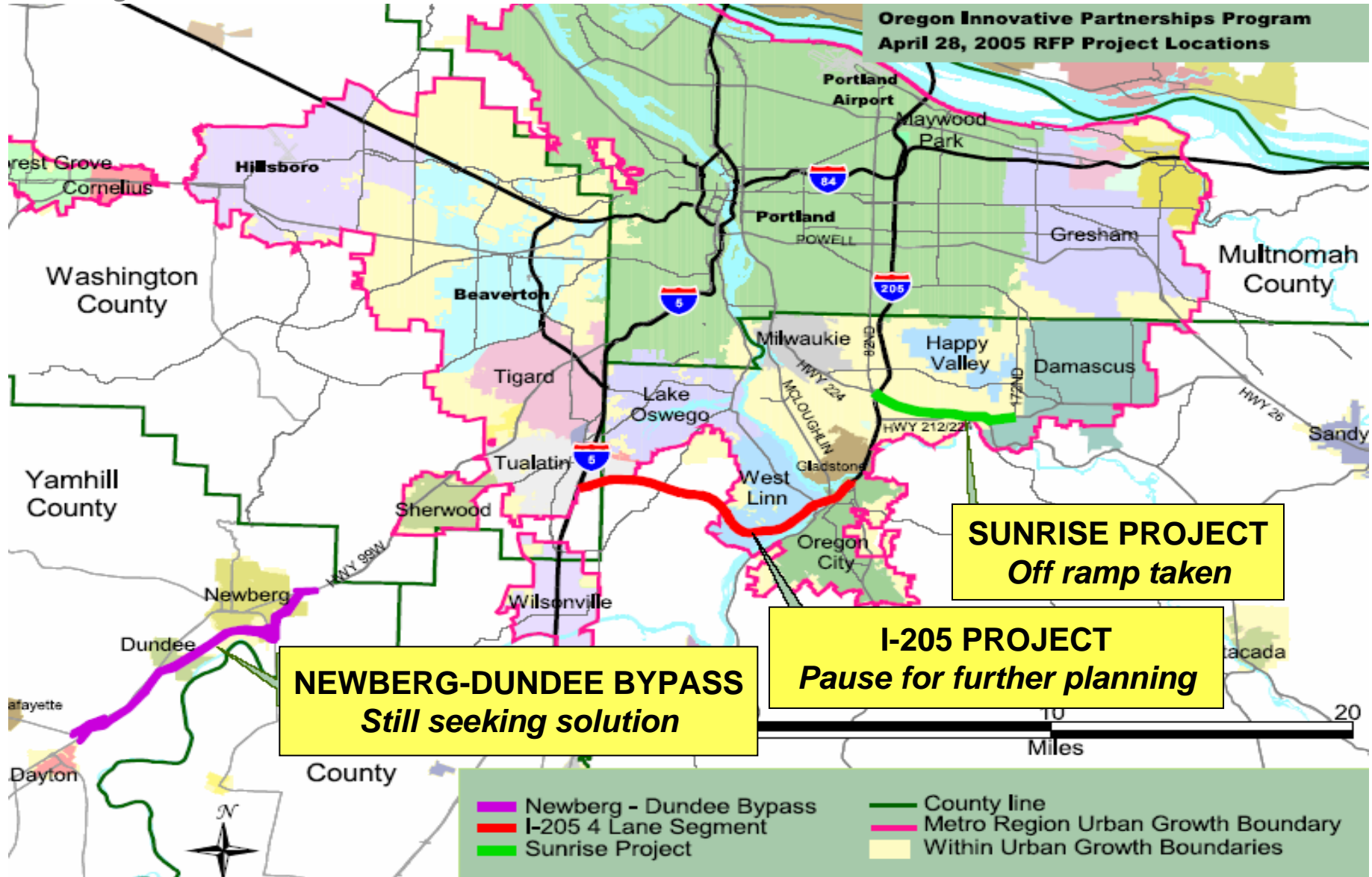
(ODOT delays moving to Milestone One in January 2007 – need to incorporate into Regional Transportation Plan – Fall 2007)

**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)



## Project Status





- 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 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

## **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
- Allows exploration of less obvious project candidates



## ODOT Hires Concession Finance Advisor

- Bear, Stearns & Co., Inc. analyzing Macquarie's funding approach and conclusions
- Developing a “public sector comparator” to determine if the State would be better off doing the project ourselves
- Also build an alternative private sector model to show how the project might proceed as a PPP without the long-term concession structure
- Objective is to use every tool available to solve these transportation problems
- ***Find the best path forward***



## 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)



# OIPP Challenges

- **Internal Barriers**

- Traditionalists resisting new way of doing business
- Fear of Tolling and mistrust of PPPs
- Leader Hesitancy

- **External Barriers**

- Local Governments are all over the place
- Skepticism regarding Lack of Available Funding
- Public Resistance to New User Fees
- Political Opposition – No Toll Roads in Oregon since Wagons carried the Early Settlers – And Some People are *Still Mad* about that!



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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)**

