



Oregon Department of Transportation



# Oregon's Approach to Public Private Partnership Procurements

*Presented to*

*2007 OMFOA/OACTFO  
Annual Spring Conference  
“Protecting Public Assets”  
March 14, 2007*

**James Whitty**  
**Manager of the Office of Innovative  
Partnerships and Alternative Funding**





## Why is Oregon exploring PPPs

- Like many states, Oregon has not increased Gas Taxes since 1993
- During same period Oregon experienced population growth of almost 2% per year, with commensurate increases in 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



## OIPP ENABLING STATUTES – ORS 367.800 TO 367.826

### **The Oregon Innovative Partnerships Program 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 Allows ODOT to Receive Both Solicited and Unsolicited Proposals

- Proposals 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 or Qualifications instead of Lowest Cost Requirement



## PPP Concessions - Benefits to Oregon

- Shifting or Sharing Risk
  - Developmental Capital
  - Construction Costs
  - Revenues
  - Operations
  - Hand Back of Facility
- No Haircut on Tolling Revenues
- Avoiding Politics for Toll Increases
- Expedited project development
- Entrepreneurial approaches to project development



## Putting Private Partner to Work

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

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

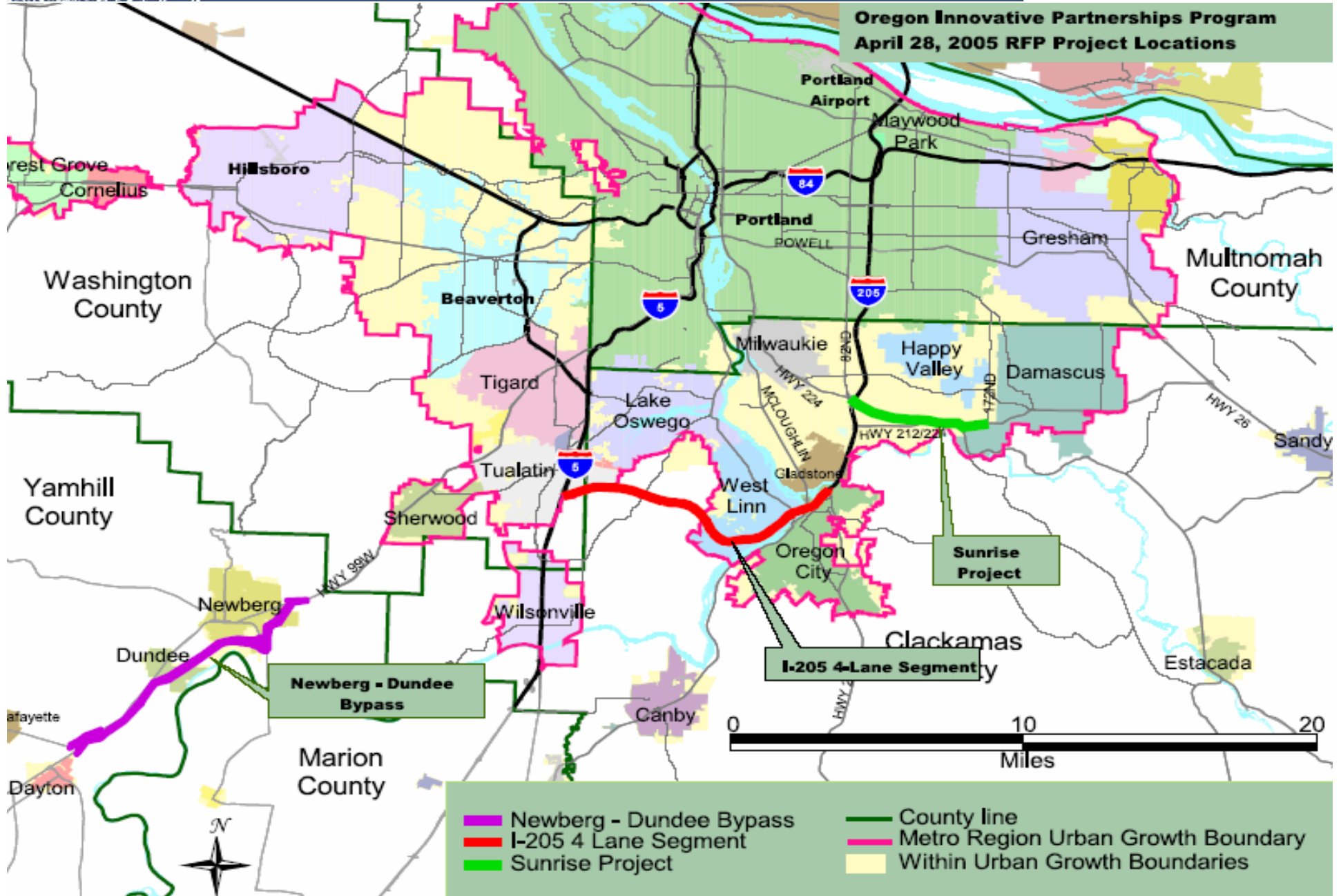
**Newberg-Dundee Improvement Project** - Bypass of congested State Highway 99W in Yamhill County









# Oregon Department of Transportation



Oregon Innovative Partnerships Program  
April 28, 2005 RFP Project Locations



 Newberg - Dundee Bypass	 County line
 I-205 4 Lane Segment	 Metro Region Urban Growth Boundary
 Sunrise Project	 Within Urban Growth Boundaries



- 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.



# Working with Macquarie

## 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



## Where We Are

OTIG/Macquarie presents three reports to Oregon Transportation Commission (Dec. 2006 & Jan. 2007)

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

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

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

(ODOT pauses moving to next milestone until project is incorporated into Regional Transportation Plan)

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

(ODOT seeks politically acceptable solution to funding gap prior to proceeding to next level of development)



## ODOT Hires Concession Finance Advisor

- **Bear, Stearns & Co., Inc.**
  - Analyzes and critiques Macquarie's assumptions and conclusions on Newberg Dundee Project
  - Development of “private sector comparator” and “public sector comparator” to determine whether alternative approaches are advantageous to state
  - 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 earlier
- Use of automated toll collection systems is key to gaining and maintaining public support (people don’t like to wait in lines)



## OIPP Procurement Barriers - Internal

- **Internal Barriers**
  - Traditionalists
  - Fear of Tolling and PPPs
  - Leader Hesitancy
- **Negotiating Internal Barriers**
  - Project selection criteria
  - Project screening process
  - RFP development
  - Involvement of Leadership



## OIPP Procurement Barriers - External

- **External Barriers**
  - Local Government Resistance
  - Public Resistance
  - Political Opposition
- **Negotiating External Barriers**
  - Involvement of Local Leaders
    - Pre-proposal meeting
    - Consultation on proposals
    - Participation in proposer interviews
    - Observation and briefings during PDA Negotiations
    - Participation on Project Working Groups
    - Twice monthly briefings
  - Insertion of Tolling Message Early



Oregon Department of Transportation



*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)**

