



Public Private Partnerships (P3s)

Using P3s in the Stormwater Sector

Overview of P3s

Definition

- “A P3 is a **performance-based contract** between the **public sector** (any level of government) and the **private sector** (usually a consortium of private companies working together) to **arrange financing, delivery, and typically long-term operations and maintenance (O&M)** of public infrastructure.”

Overview of P3s

What IS a P3?

- Integrated services (some or all of DBFOM)
- Private-led – allows for private procurement
- Contractor-led in most instances
- A platform that can facilitate private investment
- Shared risks (risk alignment)
- Often stresses whole lifecycle costs – O&M

Overview of P3s

What ISN'T a P3?

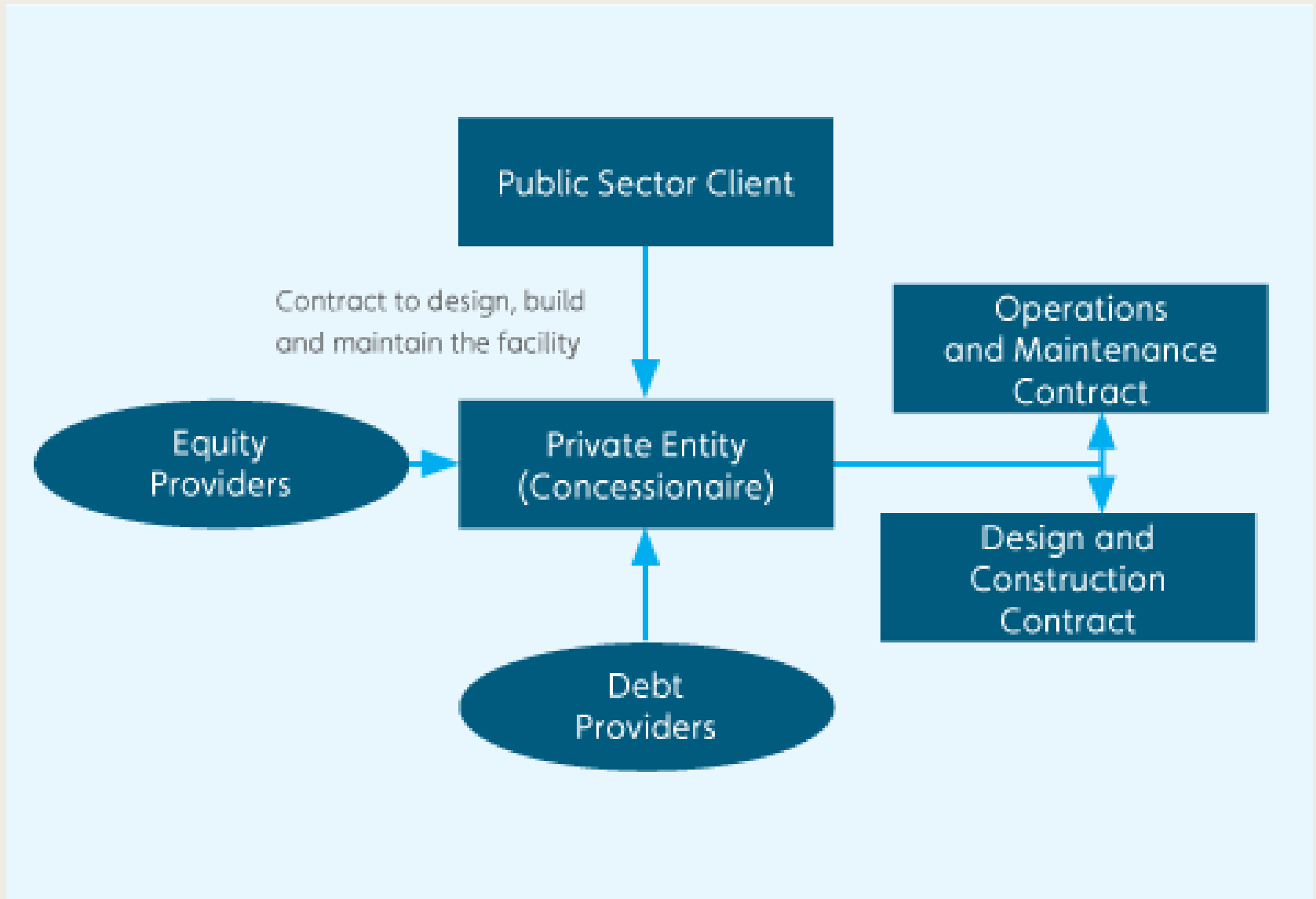
- “Free money”
- All about financing
- Privatization
- A “one-size fits all” approach

Overview of P3s

Characteristics

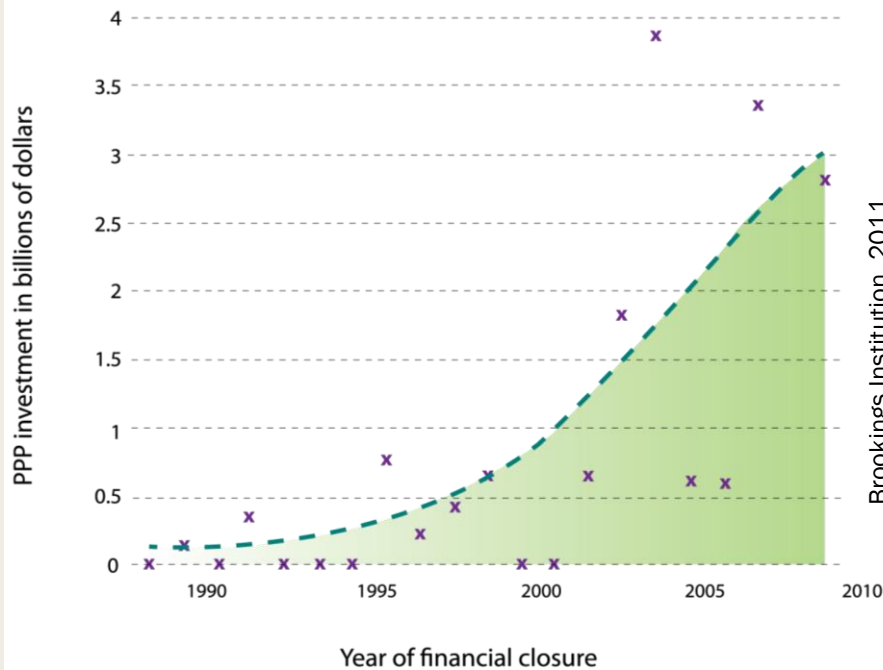
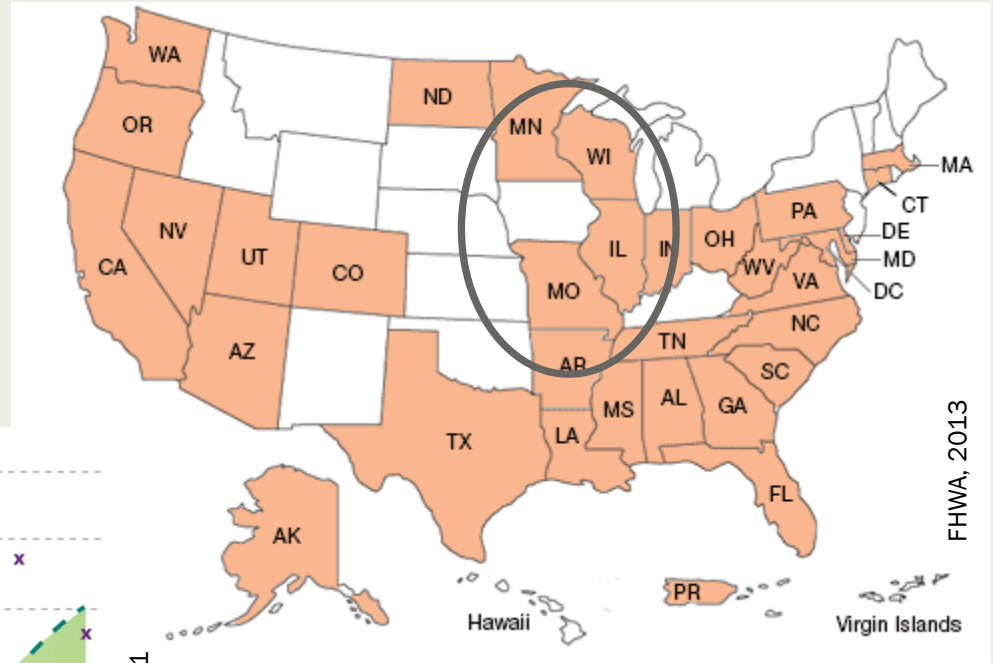
- Focus on transportation, historically
- Can vary in scale/nature (DB vs. DBFOM)
- Transfers risk to private sector
- Concession length of 15-50 years
- Revenue generation can vary
 - *Availability Payment vs. Demand-Risk*

P3 Model - General



Status of P3s in the U.S.

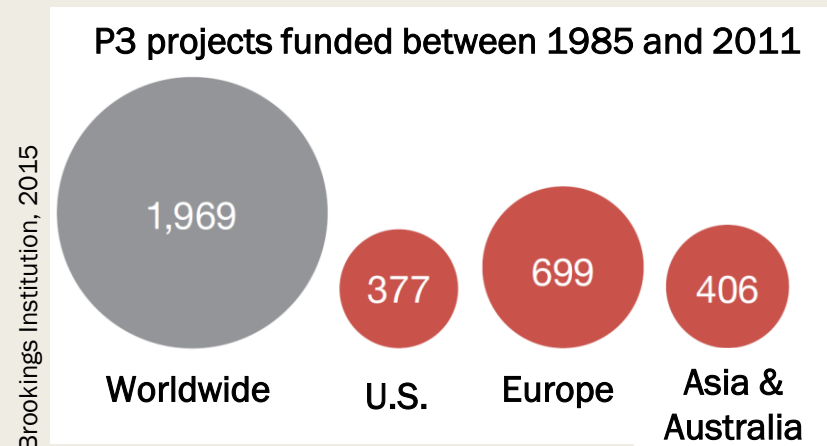
Growth of P3s in U.S.



Status of P3s in U.S.

Where does U.S. stand?

- U.S. has 10x GDP of Canada, yet we do about the same amount of P3 projects
 - *U.S. market could be ~\$80B (currently ~\$8B)*
- Lag behind other countries as well
- Municipal bond market is one reason (not only)
- History not on our side...



P3 Types

Traditional

vs.

**Community-Based P3
(CBP3)**

Overview of Community-Based Public-Private Partnerships (CBP3s) Approach

EPA Region 3 is a leader in this area



CBP3 Approach



What IS a CBP3?

- A new project delivery model based upon the traditional P3 approach
- An approach that:
 - Seeks to ***drive down costs*** of “green stormwater infrastructure” (GSI) ***implementation and maintenance***
 - ***Accelerate the pace of implementation***
 - Provide potential for ***high-value investments*** (as opposed to the cheapest/least-cost option)

CBP3 Approach



What IS a CBP3?

- Based upon a true **long-term partnership** between public and private parties
- An arrangement that stresses **community/social** and environmental **benefits**
- A way to bring **value** to a community while addressing **regulatory obligations**

Origin of CBP3 Model



Military Housing

- Shortage of housing units / poor quality
- Resident Community Initiative (RCI) started in mid 1990s to address issues
- Private developers and DOD worked together
- Leveraging of stipends for low-cost private investment
- Mission-driven purpose

CBP3 Approach



Elements

➤ Use of Private Procurement

- *Private procurement enhances competition, increases pace, identifies high-value products/services*

➤ Payment of Service Based on Incentives

- *Fixed-fee structure - motivations driven by incentivized targets aligned with community/social benefits rather than rules*

➤ Alternative Project Delivery

- *Integrated services reduces costs and increases product performance*

CBP3 Approach



Elements

- ▶ Performance-Based Contracting
 - ▶ *'Availability Payment' model ensures that BMP performance is delivered*

- ▶ Large-Scale Investments
 - ▶ *Large-scale investments drives high-volume purchasing that gains economies of scale as well as leverage to drive down costs with manufacturers and service providers*

CBP3 Approach



Elements

➤ Focus on O&M

- *Requirement for long-term performance ensures that O&M is provided beyond the current paradigm*

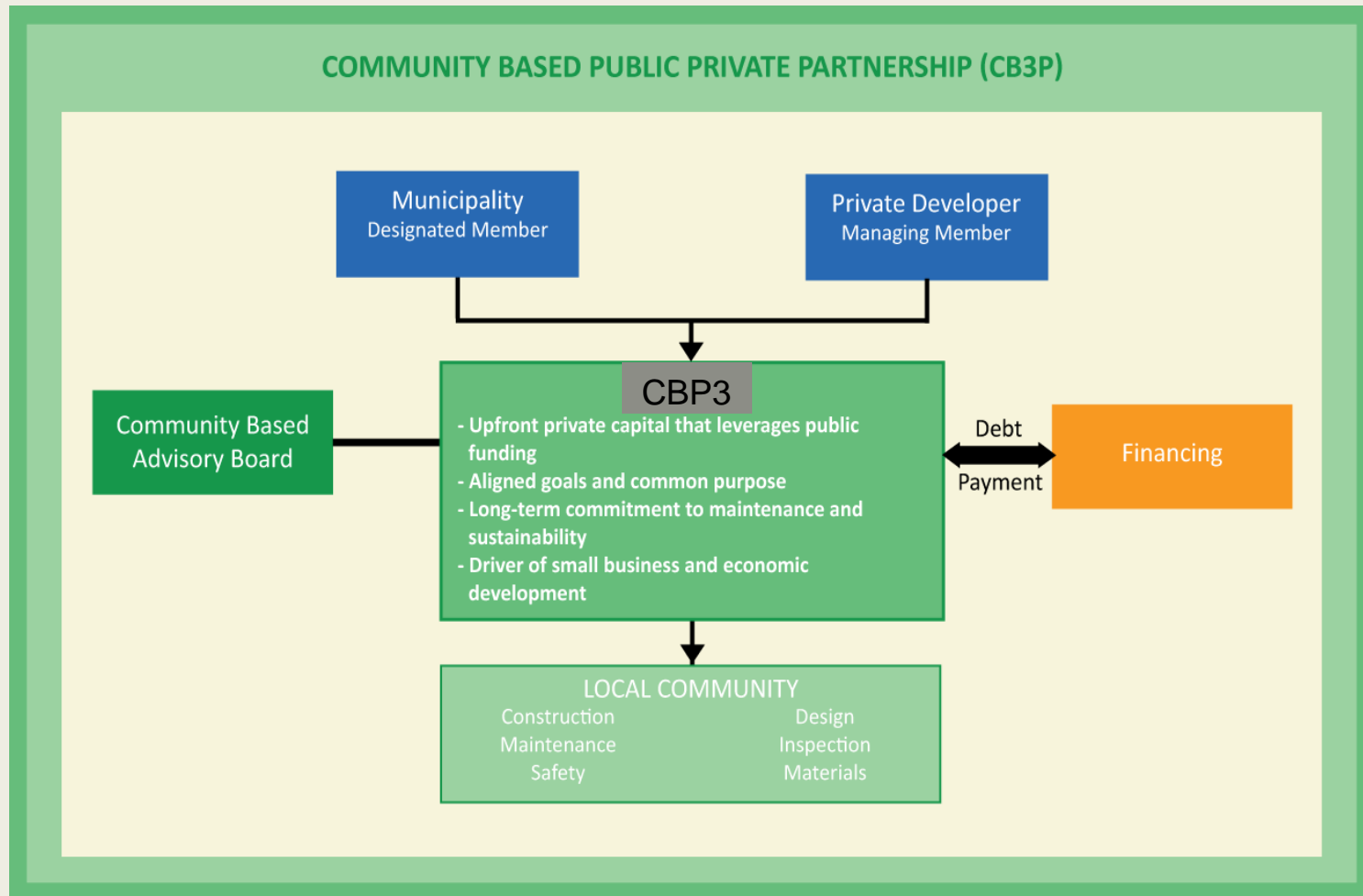
➤ Funding/Financing

- *Flexibility to leverage revenue streams for low-interest private sector financing coupled with other low-cost public funding sources (SRF, municipal bonds, etc.) can expand investment capital potential at relatively low costs*

➤ Commitment to Community

- *Looks beyond regulatory needs, can be tailored to meet other needs – economic development, public health/well-being, sustainability goals/efforts, enhancements in property values...*

CBP3 Model - General



What are the benefits of a CBP3?

- Reduced costs through economies of scale
- Procurement streamlining
- Incentives to drive efficiencies (performance-based)
- Enhanced technology innovation
- Can capitalize on market forces
- Can work within varying financing options
- Risk transfer to private sector

The CBP3 approach can shorten timelines for green infrastructure implementation and can reduce costs by as much as

40%

compared to traditional green infrastructure delivery methods.

Conventional wisdom is

\$150K

per impervious acre retrofitted, but costs for CBP3 can be less than or equal to

\$80K

per impervious acre retrofitted.



ADDITIONAL CBP3 BENEFITS



Equitable work and jobs for communities & local businesses

Optimization of market-based tools, like credits and rebates



Want to learn more about the CBP3 approach?



CBP3 Community Self-Help Guide

- Led by EPA Region 3
- Provides overview of P3 purpose, structure, aspects
- Gives history of P3s in the U.S.
- Compares traditional P3 vs. CBP3
- Review of policy and statutory environment for P3s
- Provides drivers for large-scale investment
- Lists various scenarios throughout Region 3
- Downloadable PDF





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