Think Small

**MAKING PUBLIC-PRIVATE PARTNERSHIPS WORK FOR EVERYONE**

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Often, public private partnerships are synonymous with mega-projects. Toll roads. Massive courthouses. Water projects serving millions. The kind of projects that would bring about envy in a New Deal bureaucrat.

Yet as the use of public-private partnerships increases across the U.S., opportunities are emerging for developing smaller projects using this tool. Unlike other countries where infrastructure decisions are driven by national priorities, we have fifty state governments and over 3,500 local governments, each of which plays a role in developing needed infrastructure. Because our government is closer to the people who benefit from, and pay for, that infrastructure, public private partnerships offer an alternative way to allow governing bodies to quickly meet citizen demands.

In order to make public-private partnerships work on a smaller scale, however, several obstacles need to be overcome. First and foremost, the process must move quickly. Multi-year review and procurement processes are the enemy of smaller P3 deals. This is not to say that the process should be void of the accountability and transparency essential to a vigorous public-private partnership program, but these smaller projects can achieve significant benefits from accelerated review. Having already appropriated funds for the project also saves time.

Next, transaction costs need to be minimized. Is a six-hundred page contract with 17 exhibits necessary for a $25-million project? One way to reduce transaction costs is through developing template agreements for smaller projects that are made available to proposers at the beginning of the procurement process. Establishing alternative forms of project surety and security can also help.

Finally, the governing body needs to take an active role in educating the public about the costs and benefits of a proposed project. This does not mean that government endorses one team or surrenders the right to terminate a project if the numbers don’t work. But it does mean that there should be an active effort to engage constituents in understanding the importance of the project and the benefits of the procurement process.

With those principles in place, there are several examples of smaller project types that are ripe for public private partnerships. These include:

- **Outsourced maintenance and operations**— Often seen as the pioneer of public-private partnerships, particularly given the early leadership by Virginia and Florida with their transportation infrastructure, state and local public works agencies can use public-private partnerships to enhance performance, improve reliability, and reduce costs. This approach includes not only asset management contracts, but also bundled project approaches such as the proposed Pennsylvania deficient bridges effort where efficiencies can be achieved by advancing dozens, if not hundreds, of similar projects at once.

- **Unlocking the value of land**— Local and state governments have significant real estate holdings that are often underutilized.
Particularly in areas with increasing density, these real estate holdings can be leveraged to replace aging libraries, public safety facilities, and provide parking while at the same time generating increased tax revenues from multi-use projects. Developers are also often willing to donate private land if it speeds the delivery of needed infrastructure.

- **Regulatory compliance**— Some infrastructure projects are driven not just by need, but by mandate. Either development is occurring, or more commonly, new rules and regulations are requiring system upgrades that need to be accomplished quickly or else governments face stiff penalties. The public-private partnership approach can help bring about innovation to meet these challenges without the need for the permanent staff augmentation by the owner.

While there are these public-private partnership opportunities available for smaller projects, even after overcoming some of the obstacles outlined, resistance persists. Small local contractors sometimes fear that moving the delivery model to P3 will only encourage larger competitors to take on smaller jobs. In addition, smaller projects often impact smaller, but still vocal, constituencies, so a public outreach and education effort needs to be just as carefully planned and executed as some larger projects. ■