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**Joint Venture, Trinity Infrastructure,
Fulfills Mandate on LBJ Express Project**

Public-Private Partnerships

Are Launching a New Trillion-Dollar Marketplace in Texas

There is a growing trend emerging in Texas and across the nation – a trend that will create thousands of new government contracting opportunities. The trend toward public-private partnerships (P3s) is also creating a new trillion-dollar marketplace – one that should definitely not be overlooked by construction firms.

Public-private partnerships have been successful for decades in Canada, the Philippines, India and throughout Europe. But, P3s were not as common in the United States until the nation began to recover from the recent Great Recession. Now, as governmental budgets continue to tighten and public debt nears an upper-limit threshold, elected officials are beginning to find P3 options extremely attractive. The reality is that most governmental entities no longer have the funding required for large public projects no matter how critical the need. In a true public-private partnership, the private-sector partner contributes much of the capital required for such projects.

While private capital is an essential component of a P3, a new source of funding is not the only benefit. For instance, in a P3, most – if not all – of the project risk is transferred to the private partner, but control and ownership remain with the public entity. Critically needed projects can be launched immediately, creating jobs and economic vitality in a region. Transparency is a vital component

and benchmarks are built into each P3 engagement contract so both public officials and taxpayers can watch the progress. Public-private partnerships also allow the delivery of mandated services more efficiently and at less cost.

Though some remain wary of public-private collaboration, such partnerships are not new. In fact, public-private partnerships helped build America. The earliest major roads in the 18th century were private toll roads. Most of the nation's urban water supplies were built by privately owned firms, and America expanded west through partnerships between private railroad companies and the federal government. Many more recent large public projects could easily fall into the P3 category in spite of the fact that they were not given that name. One good example of a highly successful recent P3 project is Cowboys Stadium in Arlington, home of the National Football League's Dallas Cowboys.

While transportation projects, such as toll roads, bridges and rail projects, dominated the earliest P3-designated projects, times are changing. Today, P3 agreements are used for the construction of academic facilities, residential housing, research labs and student centers on university campuses. Community colleges are partnering with private contractors to build new campuses surrounded by retail centers and service providers. Public schools are using P3s for the renovation

of existing buildings and construction of new facilities. Cities are launching construction projects related to parking facilities, health care clinics and water treatment plants with the help of private sector funding. All P3 projects are built on some type of funding model that allows private contractors a way to recoup their initial investments. One repayment model is based on fees charged for the use of the facility. Other P3 projects have payback plans that include long-term leases or concessions.

Texas is among 3 dozen states that have passed legislation encouraging the use of public-private partnership agreements. Florida recently expanded its P3 law to include more than the usual transportation, housing, water and municipal infrastructure projects. The Sunshine State now encourages public entities to consider P3 agreements for almost any type of facility or project that serves a public purpose.

In Texas, the state's population is exploding, causing a strain on highway infrastructure, bridges, ports, public hospitals, schools and water resources. Prior to the recent regular session of the 83rd Texas Legislature, officials of the Texas Department of Transportation told lawmakers they needed an additional \$4 billion per year to keep pace with road maintenance and expansion. The state cannot come up with that kind of money, so P3s will continue to be used for large transportation projects. Water needs could easily require billions in the next few years just to provide the scarce resource to existing residents. Community colleges need to expand so they can continue to meet the needs of their ever-increasing student populations. Unless public funding becomes available again sometime very soon, public-private partnerships will continue to be an attractive option.

- State Highway 130, segments 5-6 outside of Austin, is the first private toll road facility in Texas. The state signed a 50 year contract with a private company to design, build, finance, operate and manage the road. Toll revenues will be shared.
- Alamo Colleges in San Antonio recently completed a \$30 million student housing construction project, which was a public-private partnership. The project had multiple facets and there were numerous contracting opportunities. For instance, the Tobin Lofts complex included not only apartments but also a 1,000 space parking garage and a 14,000 square foot retail center.
- The City of Fort Worth may soon begin partnering with a private-sector firm to provide water and wastewater services. The council was interested enough to ask potential partners to respond to a Request for Information (RFI) about how each might help the city optimize services and reduce costs. If this project moves forward as planned, there will likely be diverse construction opportunities in the future.

To ensure the continued success of P3s in Texas, it is imperative that taxpayers, stakeholders and the media understand – and perhaps more importantly – trust, the concept of public-private partnerships. Communication, support and involvement in educating the public about the concept are all high-priority tasks. Discussions related to the need for P3s and the resulting economic stimulus, by way of new jobs created, will be another critical component of future acceptance and success. Some of this responsibility should fall on Texans in the construction industry.

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So just how are public-private partnerships being used in the construction industry in Texas?

- The LBJ Express project, featured in the cover story of this month's *Texas Contractor*, is a comprehensive P3 along IH-635 and IH-35E in Dallas. The project, which involves numerous private firms, will provide traffic congestion relief and accommodate future population growth. The total cost of the LBJ Express project, including maintenance and operations, is \$2.7 billion, with construction alone estimated at \$2.1 billion. The project will create upwards of 2,000 jobs.
- The city of McAllen recently released a request for proposal (RFP) for a private company to design, develop, construct and operate a new 1,000 bed detention facility for prisoners. The project will result in a multi-million-dollar contract for a construction firm. It will also create numerous jobs in south Texas and stimulate the local economy.



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