

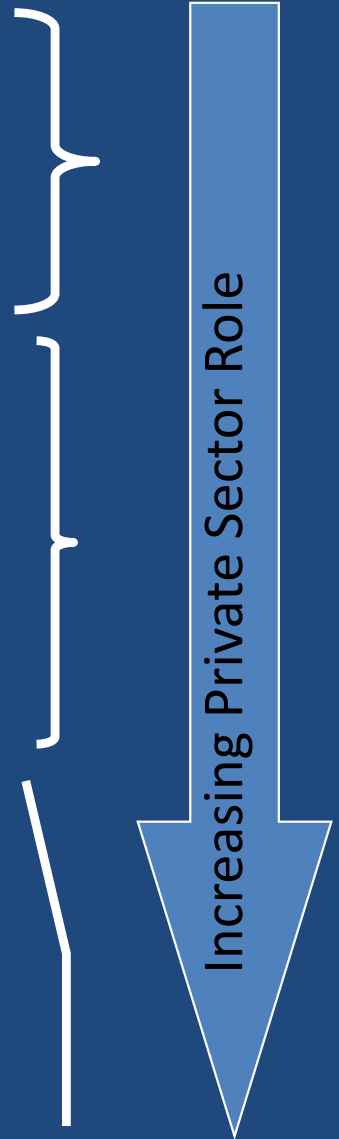
Overview of Project Delivery Options

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Project Delivery Approaches

- Design-Bid-Build (DBB), In-House Operate/Maintain
- Design-Build (DB), In-House Operate/Maintain
- Design-Build-Finance, In-House Operate/Maintain
- Design-Build-Operate-Maintain (DBOM), In-House Finance-Tolls
- Design-Build-Finance-Operate-Maintain (DBFOM), Availability Payment – In-House Tolls
- Concession (Design-Build-Finance-Operate-Maintain-Tolls)
- Long-Term Asset Lease/Sale



Traditional Project Delivery

- **Design-Bid-Build – In-House Operate/Maintain**
 - Owner design to 100%, then bids and contractor builds bridge, Owner operates/maintains/sets tolls
 - Generally slowest delivery
 - Any changes in construction beyond 100% plans must be paid by Owner – increases bid cost
 - Warranty on bridge work is generally short (no more than 3 to 5 years)
 - Owner responsible for finance

Traditional Project Delivery

- Design-Build – In-House Operate/Maintain
 - Owner design bridge to 10% to 40%, then best value proposal selected to design-build bridge, Owner operates/maintains/sets tolls
 - Speeds up delivery of design-build
 - Can be “fixed price proposal” with contractor responsible for changes not requested by Owner
 - Warranty on bridge work is generally short (no more than 3 to 5 years)
 - Can add “Finance” component by contractor

What are the Benefits of Traditional Delivery?

- Owner manages all key elements of process
- Owner manages bridge and toll rates
- Design-Bid-Build maximizes competition for Design and Construction
- If Design-Build – speeds up process, solid competition
- Cost of borrowing may be less expensive

Characteristics of a P3

- Project Champion
- Longer-Term Agreements
- Private sector funding (equity and debt)
- Private sector operates multiple major project elements (design-build, plus operate-maintain, etc.)
- Sharing of risk between private sector and public owner

“Types” of P3s

- Lease of Existing Asset
 - Asset Owner leases the facility such as toll bridge for extended term for payment/assumption of required improvements from private entity
- Availability Payment
 - Private entity provides Design-Build-Finance-Operate-Maintain (DBFOM) of bridge and receives periodic payment from Owner for availability of facility for use
- Revenue Risk
 - Private entity provides DBFOM of bridge and assumes risk of toll revenue stream for payment

P3 Project Delivery

- Design-Build-Operate-Maintain
 - Owner designs bridge to 10% to 40%, then best value proposal selected to design-build and operate-maintain bridge, Owner manages tolls
 - Speeds up project delivery
 - Can be “fixed price proposal” with contractor responsible for changes not requested by Owner
 - Warranty on bridge work is for the term of the Project Agreement
 - Owner responsible for finance and manages tolls

P3 Project Delivery

- **Design-Build-Finance-Operate-Maintain**
 - Owner design bridge to 10% to 40%, then best value proposal selected to design-build-finance-operate-maintain bridge, Owner manages tolls
 - Speeds up project delivery
 - Can be “fixed price proposal” with developer responsible for changes not requested by Owner
 - Warranty on bridge work is for the term of the Project Agreement
 - Availability Payment to developer for use of bridge

P3 Project Delivery

- Concession (Design-Build-Finance-Operate-Maintain-Tolls)
 - Owner design bridge to 10% to 40%, then best value proposal selected to design-build-finance-bridge-operates-maintains-manage tolls for bridge
 - Speeds up project delivery and max risk shift
 - Can be “fixed price proposal” developer responsible for changes not requested by Owner
 - Warranty on bridge work and developer takes risk of toll revenues for the term of the Concession

Sharing of Risk

- The sharing of risk is a key benefit of P3s.
- The key is to balance the risk to the partner that can best manage/mitigate the risk.
 - Environmental Clearances – public
 - Right-of-Way – generally public, but can be private
 - Design/Construction – private
 - Permits – generally shared, but project specific
 - Operations/Maintenance – private or public, depending on the goals of the project

What are the Benefits of P3?

- Accelerate High Profile Projects
- Economic Stimulus/Jobs
- Private Sector Expertise
- Use “Others” Money
- Promote Innovation in Project Development and Delivery – Profit Motive

Questions