



# Public Private Partnerships

New procurement models to benefit New Jersey's local governments, school districts, public authorities, and institutions of higher education

By Seth Miller Gabriel, Director of Strategic Initiatives and Programs, Association for the Improvement of American Infrastructure

The public-private partnership (P3) market is expanding as State and Local governments are embracing the value-for-money aspect that the P3 model can bring to needed infrastructure improvements. An excerpt from a recent report from The Brattle Group's, *The Rising Tide of Next Generation U.S. P3s—and How to Sustain It*, shares a similar sentiment: "Infrastructure public-private partnership (P3) activity in the U.S. has taken off since 2015. Today more than 30 states are procuring at least one project as a P3 and over 200 projects are in the pipeline—well above prior levels of activity. P3 projects in the pipeline today are also much more diverse in asset class than the classic toll road P3. Road projects are now the minority, with social infrastructure accounting for 24% of the total, followed by broadband and water."

Additionally, Brattle Group shared: "Social Infrastructure P3s have increased from less than five projects from 2006-2014, to 30 during the 2015-17 timeframe." The report also notes, "New sectors include prisons, student housing, street lighting, and government buildings." For industry interested in the airport sector, the report cites that airport P3s now exceed \$51.7 billion in the United States alone.

In August 2018, New Jersey's Public Private Partnership statute (P.L. 2018, c. 90) was enacted. This created a platform of opportunity for New Jersey. The new legislation, which takes effect February 10, will enable the use of alternative project delivery methods, including P3s to meet the infrastructure needs in the Garden State.

Government agencies will be able to utilize innovative procurement options to deliver on their capital plans and develop infrastructure to benefit their communities, promoting economic development and empowerment to cities and townships.

## So, what is a P3?

A P3 is a contractual agreement between a public entity and a private entity that allows for greater private sector participation in the delivery and financing of a project. There are roles for the private sector in solving extraordinary public challenges, through innovation, resource commitments, and risk sharing

with the procurement agency. P3s represent an additional procurement option for the development and delivery of public projects. Through performance-based, outcome-focused solutions, P3s work to operate and maintain infrastructure more efficiently.

As public officials try to figure out how to deliver and properly maintain infrastructure, many are turning to alternative delivery and looking to partner with the private sector to invest in their communities. When leveraging private investment into public infrastructure, there is an opportunity to deliver greater value to the taxpayers.

Increasingly across the United States, P3s are being utilized by counties, municipalities, school districts, and other specialized public authorities. The model can be used for a variety of infrastructure types, including educational facilities, municipal buildings, or highway projects.

At their core, public-private partnerships are simply a better execution of basic design, construction, financing, operations, and maintenance functions of any good infrastructure project. These elements—all in one contract—allow for several benefits:

- **Better public control.** The public agency is entering into one long-term contract with a private sector partner to deliver assets and services for the benefit of the public.

- **Better risk management.**

P3s are a risk-sharing approach to public infrastructure between the public and private partners.

- **Better lifecycle planning.**

P3s are a lifecycle procurement approach that guarantees performance by integrating design, construction, and financing with operations and maintenance, the asset performance is optimized for the long term.

- **Better public involvement.**

P3s represent a transparent relationship in which the public stakeholders hold full control of the project and can expect to be regularly updated and informed throughout the life of the project.

### Best value and performance

The focus of a P3 is on best value and performance, and governments across the United States are turning to P3s as one way of addressing their infrastructure challenges. New Jersey could lead the way in this growing field, especially

“**New Jersey could lead the way in this growing field, especially in the social infrastructure and higher education spaces.**”

in the social infrastructure and higher education spaces. New Jersey must find better ways to do more with less and be willing to make the needed investment to repair and expand the Garden State’s infrastructure systems.

Public-private partnerships offer a solution. In times when public budgets are constrained, P3s offer governments a way to transfer appropriate risks to the private sector, help ensure infrastructure projects are built on time and on budget, and better maintain public facilities over many decades. 📌

## What is AIAI?

The Association for the Improvement of American Infrastructure (AIAI), is a non-profit organization formed to help shape the direction of the national Public Private Partnership marketplace. AIAI serves as a national proponent to facilitate education and legislation through targeted advocacy.

AIAI maintains that effective and well-planned education can provide civic leaders with the knowledge they need to make informed decisions about the benefits of public private partnerships.

AIAI’s P3Direct program provides education and resources to public sector representatives seeking a greater understanding of P3s, as well as best practices, to bring value to taxpayers and deliver on their infrastructure needs.

@ For more information, visit <https://aiai-infra.info>

# KNOW

## achievement happens when we work together.

Fighting the good fight. Making a difference every day. It’s what we believe in, and why we’re proud to support the New Jersey League of Municipalities.

Frank Fuzo (908-806-5748)  
Mary Lou Unangst (908-479-1879)  
Government Banking (877-861-6649)

 **PNC BANK**  
for the achiever in you®

©2017 The PNC Financial Services Group, Inc. All rights reserved. PNC Bank, National Association. Member FDIC