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Public-Private Partnerships

*Pennsylvania House of Representatives
Transportation Committee*

*Public Hearing Testimony
Monday, August 18, 2008*

Presented By: Robert A. Ardolino

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Speaker Bio:

Robert A. Ardolino, President/CEO of Urban Innovations, Inc., Pittsburgh, PA, has over 25 years experience in Construction and Development Financing. Urban Innovations is a nationally recognized firm that specializes in Transit-Oriented Development Projects (TODs) and Public-Private Partnership Projects (P-3s). Mr. Ardolino, along with key staff members, developed a process to implement TODs and P-3s, in conjunction with transit financing and private ownership. Urban Innovations has successfully identified, financed and executed such development projects throughout the country. Mr. Ardolino also co-authored a TOD policy for the Southwestern Regional Planning Commission in Pittsburgh, PA.

Mr. Ardolino has a civil engineering degree and is a 1983 graduate of Point Park University in Pittsburgh, PA. In 1984 he started his own company, Ardolino Industries. Working together with the Urban Redevelopment Authority of Pittsburgh, he established himself as a leader in government financing and specializing in public and senior housing. For his efforts he was recognized by his peers in Pittsburgh as Entrepreneur of the Year in 1988.

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Introduction:

Good Morning, Chairman Markosek and distinguished members of the Transportation Committee:

My name is Robert Ardolino. I am the President/CEO of Urban Innovations, based in Pittsburgh, PA. Urban Innovations is a nationally recognized firm that has developed Transit Oriented Development projects, also known as TODs, and Public-Private Partnership projects, also known as P-3s, throughout the country.

Today I would like to speak, not only in support of pending P-3 legislation contained in House Bill 555 and Senate Bill 1158, but to also give the Committee action items needed to be addressed prior to the passing of such legislation. Such action items are:

- Ability of local jurisdictions to approve P-3 projects.
- Early engagement of the Federal Transit Administration (FTA) & Federal Highway Administration (FHWA) – support & assistance through Regional Office.
- Identification of potential project(s) that meet the criteria of P-3 guidelines.
- Establishment of necessary funding mechanisms (public & private) that are “good fits” for P-3s.
- Involvement of Metropolitan/Regional Planning Organizations (MPOs/RPOs) in the planning process.
- Placement of P-3 projects on the Transportation Improvement Plan/State Transportation Improvement Plan (TIP/STIP).

“A Developing Crisis”

For decades, the automobile has been the force behind real estate development decisions in America. As a result, open space and greenfields have been consumed by an ever-expanding suburbia of large yards, wide roads, and massive parking lots. During this same period, mass transit has been de-emphasized and, unlike many parts of the world, passenger train service has all but disappeared. Now, the nation has been forced to re-evaluate its development policies as a result of rising energy costs, deteriorating downtowns, and over-crowded freeways. Due to these troubling conditions, States are developing programs to rectify these problems. One such approach that many States have already approved by enabling Legislation is Public-Private Partnership program guidelines.

WHO Needs this Legislation?

Private Developers – Municipalities – Transit Agencies – all are cash-strapped. We have experienced this first-hand with budget deficit gaps at Pittsburgh's Port Authority and Philadelphia's SEPTA. As the growth in traditional transportation revenue sources continues to decline and operating deficits continue to increase, transportation agencies are more often looking for new sources of revenue to leverage funding and to improve project feasibility and cost-effectiveness. One of the most successful methods employed by other infrastructure sectors is the use of P-3s. This success has led transportation agencies to pursue opportunities for applying various types of P-3s to deliver major capital projects. There is ample evidence across the United States that the private sector is interested in increasing its participation in transportation infrastructure projects, including a number of recent transit capital projects structured as P-3s.

WHAT Are the Benefits?

There are significant benefits for all participants through P-3 projects such as:

- Time savings;
- Cost savings & new revenue streams;
- Risk reduction;
- More innovative & better quality projects.

In addition to cutting costs and raising new revenue, P-3s can significantly reduce the time it takes to complete a capital project; can help the public sector allocate risks to the private sector that the private sector is better able to manage; and can improve the quality of the public's infrastructure.

WHEN to Implement?

The time is "NOW". Business-as-usual no longer works. Albert Einstein summarized it best when he stated:

"The problems we have created cannot be solved with the same thinking that created them."

WHY Pennsylvanians?

We as Pennsylvanians need this Legislation. House Bill 555 and Senate Bill 1158 are not about political gain – it is about the common good. This issue affects both parties equally. We are a Nation facing critical infrastructure, congestion and fuel dependencies. P-3 Legislation engages the private sector and assists the public sector with much needed funding. Traveling throughout the country, we encounter many different scenarios that involve transit opportunities and highway congestion. There is no one-size-fits-all for P-3s. If we pull our resources and we implement innovative financing that is available, we as a State and a Nation can solve this crisis.

Conclusion:

The Commonwealth of Pennsylvania stands to benefit from the advantages that P-3s can bring to their communities and represents an important means to sustain quality of life and foster economic growth. The potential exists to reduce costs, accelerate delivery, and improve the quality of projects and services with P-3 legislation. Numerous U.S. States and one U.S. territory have enacted statutes that enable the use of various P-3 approaches for the development of transportation infrastructure and their experience has indicated that specific state legislation can minimize the risks of litigation and delay, and promises a bright future for business growth and improved quality of life for residents.

Your consideration of this matter is appreciated and I thank you for allowing me the opportunity to testify before the Transportation Committee. I would welcome the opportunity to assist you with this important work and look forward to your questions.



Public Private Partnership Process

August 18, 2008

P-3 Overview

- Public-private partnerships (P-3s) are contractual agreements, formed between a public agency and private sector entity that allow for greater private sector participation in the delivery of projects.
- Expanding the private sector role allows public agencies to tap into private technical, management and financial resources to obtain objectives.
- P-3s contemplate a single private entity being responsible and financially liable for performing all or a significant number of functions in connection with a project.
- Private partner can expand its business opportunities in return for assuming the new or expanded responsibilities and risks. In doing so, the project sponsor relaxes its control of the procurement, and the private partner receives the opportunity to earn a financial return commensurate with the risks it has assumed.

P-3 Purposes

Some of the primary reasons for public agencies to enter into public-private partnerships include:

- Accelerating the implementation of high priority projects by packaging and procuring services in new ways;
- Turning to the private sector to provide specialized management capacity for large and complex programs;
- Enabling the delivery of new technology developed by private entities;
- Drawing on private sector expertise in accessing and organizing the widest range of private sector financial resources;
- Encouraging private entrepreneurial development, ownership, and operation of highways and/or related assets; and
- Allowing for the reduction in the size of the public agency and the substitution of private sector resources and personnel.

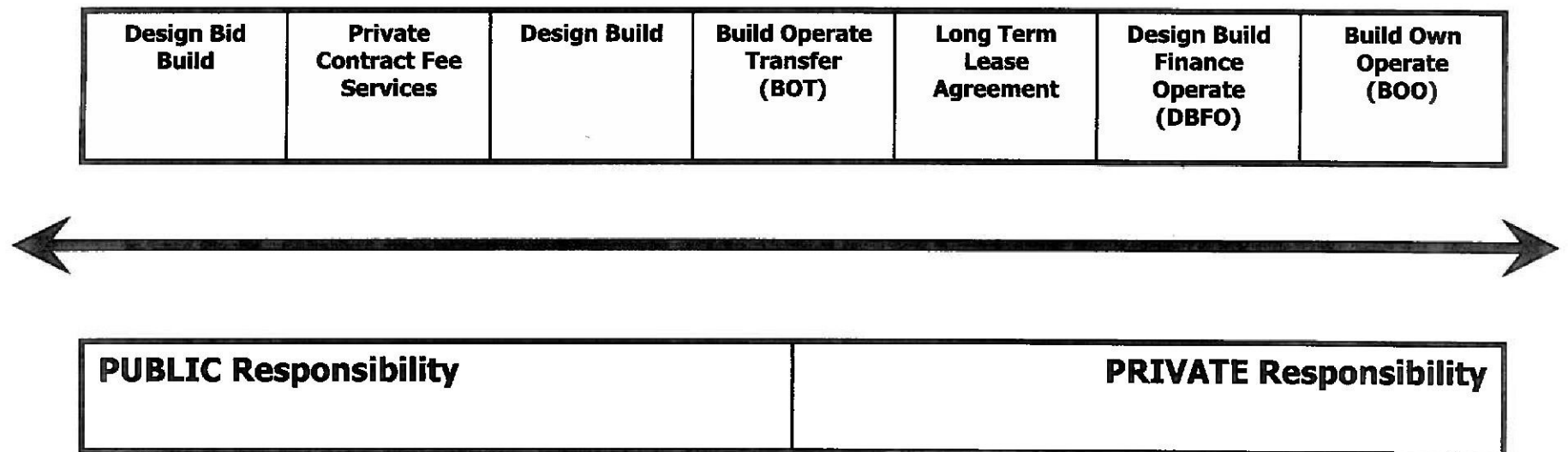
Actions Needed for Successful P-3s

Some of the actions needed in order to successfully begin the planning process for public-private partnerships include:

- Ability of local jurisdictions to approve P-3 projects
- Early engagement of the Federal Transit Administration (FTA) & Federal Highway Administration (FHWA) – support & assistance through Regional Office
- Identification of potential project(s) that meet the criteria of P-3 guidelines
- Establishment of necessary funding mechanisms (public & private) that are “good fits” for P-3s
- Involvement of Metropolitan/Regional Planning Organizations (MPOs/RPOs) in the planning process
- Placement of P-3 projects on the Transportation Improvement Plan/State Transportation Improvement Plan (TIP/STIP)

Recognizing Different Delivery Systems

- The diagram below depicts how the range of responsibilities shifts from the public sector to the private sector with different P-3 options



Different Motivations – Same Goal

PUBLIC SECTOR

- Economic recovery
- Job creation
- Tax base
- Participation by minority-owned business
- Environmental protection
- Open space
- Historical / Cultural resource preservation
- Long-term quality of life
- Community support and acceptance

PRIVATE SECTOR

- Return on investment
- Identifying new investment opportunities
- Improving infrastructure
- Minimizing risks
- Enhancing marketability

Potential Funding Sources

FTA GRANT FUNDING:

- Request for Proposed Project to be included in the Transportation Improvement Plan (TIP) & State Plan (STIP)
- Review Federal Transportation Grant programs that are “good fits” for P-3s
- Federal Funding Sources:
 - 5303, 5304, 5305 – (planning & research) must be a metropolitan planning organization or state DOT to apply, funds used to make transportation investment decisions
 - 5309 bus & bus-related facilities – (capital investment funds) must be a public body to apply for these funds, discretionary
 - 5309, new starts, small starts – (capital investment funds) must be a public body to apply for these funds, used to acquire new fixed guideway systems or extensions systems or extensions to existing fixed guideway systems

STATE GRANT FUNDING:

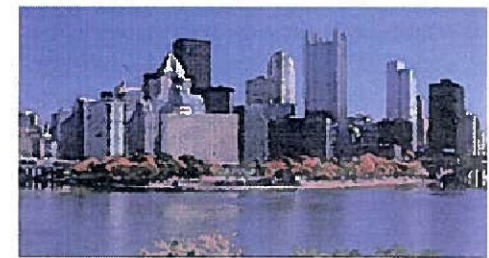
- State Funding Sources:
 - 6320 Bond Financing
 - DCED
 - TIFIA Financing
 - Homeland Security
 - Certificates of Participation (COPS)
 - Private Equity Reimbursement Eligibility
 - New Market Tax Credits
 - Historical Tax Credits
 - TRID Program

ADDITIONAL GRANT FUNDING:

- Other Federal Sources:
 - 5320 – alternative transportation in parks & public lands, funds used to enhance the protection of national parks and federal lands
 - 5339-alternatives analysis funds assist in financing the evaluation of modal & multi-modal alternatives and general alignment options for identified projects
 - Flexible funding for highway & transit, which include STP (capital improvements & planning), CMAQ (promote congestion mitigation and air quality improvement, and NHS (facilities for parking a, bike/pedestrian connections) funds through the FHWA and Urban Formula Funds through the FTA. Once funds are granted to a certain agency, they are flexed to the FTA under one of the following programs: 5307, 5310, 5311

Examples of P-3s

- City of Long Beach, CA / Save the Queen, LLC - *Transit Station Development, Mixed-Use Commercial, Retail, Tourism surrounding the Queen Mary Site*
- Town of Snowmass Village, CO - *Retail District Constructed Above Transit Center*
- Allegheny County Rail Corridor – 22 mile rail project – Greensburg to Pittsburgh, PA (currently being studied)





Thank you!

