

Perspective—An Owner’s Viewpoint

Virginia’s Public-Private Partnership Program is Open for Business



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The Commonwealth of Virginia was founded in the seventeenth century as a risky, but ultimately highly successful business venture. Today, Virginia continues to focus on creating an inviting business environment that promotes competition, encourages private investment, and invites the private sector to identify and develop innovative solutions to enhance its infrastructure.

As with any successful business venture, Virginia must remain focused and diligent about creating an attractive business environment. Virginia must continue searching for solutions to attract private investment. A significant aspect of that effort is maintaining a transportation network that allows for efficient freight movement, access to its ports, and interstate movement of goods and services.

Since Virginia’s enabling legislation for public-private partnerships (P3) was enacted by its General Assembly in 1995, Virginia has advanced nearly \$5.0 billion worth of P3 for transportation infrastructure either constructed, under construction, or under agreement.

Reinventing the P3 Program

In 2010, the governor initiated a full assessment of Virginia’s P3 program in an effort to reinvigorate the development and completion of P3 projects. The results of the assessment were as follows:

- The program was limited in focus to development of highways.
- Ownership rested with multiple staff.
- The program was reactive and was constrained by a lack of funding for project development.

Construction of Pocahontas Parkway.

All photos: Virginia Department of Transportation.

In response to the assessment, the Secretary of Transportation, in December 2010, introduced a manual titled, *Public-Private Transportation Act Implementation Manual and Guidelines*. The manual provides a project delivery framework for the development and implementation of both solicited and unsolicited P3 projects that proactively identifies, develops, and delivers the Commonwealth’s priority transportation projects in a consistent, transparent, timely, and cost-effective manner. The result of this action means Virginia’s approach to its P3 program is now a program-based perspective rather than a project-by-project response. Key to the program-based approach is development of a multimodal pipeline of candidate P3 projects.

In addition to the process reviews and improvements in the manual, an Office of Transportation Public Private Partnerships (OTP3) was created to focus specific financial and human resources on the identification, development, and delivery of P3s across all modes of transportation, including

rail, transit, marine, aviation, and roadway projects. In 2011, the director of OTP3 was charged with creating an environment that encourages private investment and proactively identifies, assesses, and delivers the Commonwealth’s priority transportation projects. Furthermore, the internal structure of the OTP3 utilizes resources with diverse backgrounds in finance, law, project development, engineering, and operations along with legal, financial, risk, and business consultants that augment the internal staffing resources.

Learning from the Past

Virginia’s leaders have taken tangible steps forward to implement a P3 program that has learned from its past experiences. In addition to the creation of the OTP3 and the restructuring of the manual, Virginia has learned from its experience in the areas of risk assessment and project development.

Risk analysis and management is an essential part of the development of any project, whether it is procured following





I-495 Capital Beltway Express Lanes connection to I-395.

a more traditional delivery method, design-bid-build or design-build, or as a P3. The assessment of risk, especially on a complex transportation project, must be conducted throughout the life of a project to assist in determining if the continued development of the project brings a value to the owner or the private sector investor. For Virginia's transportation agencies, the OTP3 has developed a guidance document that can be utilized to increase the effectiveness of risk analysis and management. It is available at www.vappta.org/publications.asp. The document includes processes that facilitate the agency's:

- identification and understanding of a project's risks,
- identification strategies to mitigate the likelihood of and impact of risk elements,
- allocation of risk to the party best able to manage the impact, and
- preparation of an adequate contingency to cover both known and unknown risks.

Lessons in project development have also been implemented including completion of value for money analysis guidance and increasing the transparency of the program. When the OTP3 opened in December 2010, its first objective was the creation of a website (www.vappta.org/) that provides accurate and updated information on each of the stages of project development and on documents created to assess, develop, and execute comprehensive agreements for P3 projects. The website provided

background in the structure of the office, information about projects at all levels of development, documentation developed for use by the OTP3 and Virginia's transportation agencies, and the latest news about existing and potential P3 projects. Additionally, the OTP3 codified a *Value for Money* guidance document. This will be used by the OTP3, in coordination with the transportation agency, several times throughout the project development process to assess whether the current structure of the project and the bid that has been presented by the private sector bring value to Virginia. It will also allow the OTP3 to assess and recommend a development structure, such as a tolled concession, availability payment, or a more traditional structure, which delivers the optimal structure of net life-cycle cost, quality development, and value for the investment provided by the Commonwealth.

Looking to the Future

The development and sustainability of an adequate infrastructure network has become increasingly more expensive, making innovative financing and delivery methods a critical tool to maintaining the health of Virginia's economy. In 2011, the governor introduced legislation that provided the largest investment in transportation in Virginia in more than a generation—over \$4 billion additional funding for infrastructure improvement projects. Moreover, a Virginia Transportation Infrastructure Bank (VTIB) was created to provide another innovative financing tool for construction

and capital maintenance for Virginia's transportation infrastructure needs. Funding capitalized within the VTIB will provide low interest loans with maturity dates of 20 to 30 years. These funds will be made available to government entities, railroads, transit companies, and private sector companies for the initiation and development of critical transportation projects.

In this era of fiscal responsibility, the P3 delivery method offers an important tool for development, construction, and operations of transportation infrastructure by leveraging investments and partnering with the private sector. In other words, Virginia and its P3 Program are open for business.



Metrorail construction at Tysons Corner, Va.



I-495 Capital Beltway Express Lanes construction.