

# Potential Public Private Partnership

A Public Private Partnership (P3) between Hamilton County (County) and Cincinnati Museum Center (CMC) a (Private-sector Partner) is a cost effective and efficient way in which the proceeds of a limited 5-year one-quarter of one percent sales tax could assure the complete restoration of Union Terminal and remove risks and liabilities from Hamilton County. Under such, CMC the private-sector partner would become responsible for the following tasks: design, build, finance, operate, and maintain Union Terminal and it is a mechanism to limit Hamilton County's financial risk for such a large project.

## **Public Private Partnership structure:**

- The County would contract with a Private-sector Partner through a formal development agreement to fully restore Union Terminal and provide all the financing required.
- The County remains ultimately responsible for the delivery of goods or services. It is the public sector that sets the goals and the desired outcomes of the P3 project. The role of the private sector is to meet the quantity and quality requirements set by the public sector for the Union Terminal infrastructure.
- P3s have several features distinct from those of the conventional process that drive the benefits we observe. One of them is the sharing of risk (and reward) between the partners. Every infrastructure project has an assortment of risks but, in the conventional process, all of these risks are back-stopped by the public sector and, ultimately, by taxpayers. In a P3, the private-sector partner assumes far more risk and this encourages improved performance. For example, if the risks of construction delays are assigned to the private partner, then the private partner has a stronger incentive to finish the project on time. If not, it loses out on some profit.
- Another key feature of P3s is the assignment of tasks. A private sector partner is given responsibility for multiple tasks—design, build, finance, operate, and maintain—that stretch over a project's life cycle. Bundling these tasks gives the private partner the incentive to design the infrastructure in a manner that would generate cost savings in both the building and operation/maintenance phases of the project.
- Uniquely, P3 projects can include private financing for up-front capital costs. In such cases, the private-sector partner has its own money at risk, which further motivates positive performance. Private financiers provide additional oversight to ensure the private partner delivers.
- Capital projects can be delivered faster by making use of the private partner's increased flexibility and access to resources.
- P3s can enhance creativity and innovation during project development by engaging the private sector to evaluate the impact that design decisions have on the cost to operate and maintain the facility.
- P3s maintain public accountability and transparency. Regular disclosures and reports will be provided to maintain the standards of public accountability and transparency.
- P3s improve cost-effectiveness by taking advantage of private sector innovation, experience and flexibility. P3s often deliver building services more cost-effectively than traditional approaches.
- P3s allows both the public and private sectors to focus on what they do best. The private sector takes responsibility for functions such as operating and maintaining buildings, while the government can focus on its priority – serving the community.
- Other P3 features drive benefits including competition for public infrastructure projects and efficiency gains from greater use of the private sector's expertise, particularly in the realm of project management and execution. Together these features strengthen the incentives in the infrastructure delivery process and can lead to major benefits to taxpayers.

- Examples of P3s.

*JFK AirTrain, New York – \$1.9 billion total cost*

AirTrain JFK is an 8.1-mile rail system in New York City that connects John F. Kennedy International Airport (JFK) to the city's subway, commuter trains and airport parking lots.

*The Chicago Skyway - Chicago \$1.83 billion*

This P3 project was a 7.8-mile elevated toll road connecting I-94 (Dan Ryan Expressway) in Chicago to I-90 (Indiana Toll Road) at the Indiana border. The facility includes a 3.5-mile elevated mainline structure crossing the Calumet River.

*E-470 Toll Road Colorado -\$722 million total cost*

The first segment of the Project (approximately 5 miles) opened to traffic in June 1991 and later two additional segments of the project were built totaling 28.5 miles of highway.

**A Union Terminal Public Private Partnership structure:**

- The operational and project execution risk is transferred totally to the Public-sector Partner, Cincinnati Museum Center, leaving the public component in a win-win situation.
- The Private-sector Partner would be contractually obligated to complete the full scope of the restoration project as it has been defined in the Master Plan on file with Hamilton County.
- At the end of detailed design, the Private-sector Partner would present to the County the completed documents for review assuring that contract scope of work outlined is inclusive of the Master Plan scope.
- The Private-sector Partner would manage the project in accordance with all state and county applicable laws and inclusion policies.
- The Private-sector Partner would have sole responsibility for funding any cost overruns, covering any sales tax shortfalls, procuring tax credits, \$7.5 million of private sector contributions and fund all costs associated with the full restoration of Union Terminal.
- This structure would likely cost much less in interest and debt issuance costs than a traditional structure.
- If the financing required the pledging of additional assets to satisfy the lenders or “backstop” the project contract, the Private-sector Partner would be responsible for all risk created by such a pledge.
- The Private-sector Partner would also assume responsibility for future upkeep and maintenance of Union Terminal assessing fees to users which are dedicated to the ongoing building maintenance. Said fees would be priced at the sole discretion of the Private-sector Partner with consideration given to the building needs as well the market dynamics of price, attendance and market elasticity.
- In consideration of the above, the elimination of any risk or liability to Hamilton County, the assurance the full scope of the restoration of Union Terminal would occur, and to enable the Private-sector Partner to secure the required financing, Hamilton County would contractually award the full proceeds of the limited 5-year one-quarter of one percent sales tax to the Private-sector Partner. These funds would be restricted for the exclusive benefit of Union Terminal and could not, directly or indirectly in any manner whatsoever, benefit any other project.