



## Harbouring ambition

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*Oregon's track record with regard to P3s may be less than impressive, but current efforts and initiatives indicate a promising future. Kalliope Gourtis reports.*

The state of Oregon may not have much to show when asked for evidence of a long and varied history in embracing public-private partnerships (PPP; P3), but things may be changing as a number of initiatives have been launched with the purpose of finding innovative ways to fund infrastructure projects that could result in increasing momentum for P3s in the future.

The most recent PPP in Oregon was realised in 2010 when the Port of Portland leased its sole container terminal facility to International Container Terminal Services (ICTSI), a Philippines-based port operator, for a 25-year term.

“The agreement included an upfront payment from ICTSI of \$8 million, annual payments of \$4.5 million escalated for inflation, as well as revenue-sharing payments depending on traffic at the port,” Joe Seliga, a partner at law firm Mayer Brown who advised the Port of Portland on the transaction, explains.

While both parties have obligations with respect to capital maintenance during the 25-year period, an

obligation for expansion is not part of the deal.

The Port of Portland had more ambitious plans for its container terminal but they fell through since a 50-year concession it was on the verge of completing, again with ICTSI, coincided with the onset of the Global Financial Crisis in 2008.

Another notable transaction was completed nearly a decade earlier when Bechtel Enterprises, the financing and development arm of the engineering/construction firm, collaborated with the Port of Portland, the Tri-County Metropolitan Transportation District (Tri-Met), the City of Portland and the Portland Development Commission to create a financing plan for the Airport MAX project.

Airport MAX is a 5.5-mile extension of Portland's extensive light rail network, connecting the city of Portland to Portland International Airport (PDX). Under the terms of the agreement, Bechtel contributed \$28 million of the \$125 million overall cost in exchange for the right to develop 120 acres of land near the airport, known as Cascade Station.

Bechtel Infrastructure began construction in June 1999, completing the project two and a half years later. Unfortunately, the line opened on September 10, 2001, one day before the terrorist attacks of September 11.

Consequently many retailers that had planned to establish a presence there backed out, resulting in lower than projected ridership. The situation eventually improved with the arrival of major retailers, such as IKEA, Best Buy and Staples to the multi-use complex, thus helping boost ridership numbers.

Despite the unfortunate timing, Airport MAX is deemed a successful project. So much so that the Metropolitan Planning Council of Chicago, which focuses on development in the Midwest region, featured Airport MAX on its website as part of its Value Capture Case Studies series, showcasing innovative methods other cities and regions in the US use to fund transportation projects.

Columbia River Crossing on the other hand, which would replace an existing drawbridge, was a project that never really got off the ground. As its name implies, it crosses the Columbia River connecting Portland with Vancouver in Washington. Because of the geography it was being considered as a bi-state project, estimated to cost \$2.8 billion.

"I had been hopeful that the two states would consider a P3 because that type of approach could be very beneficial in terms of being able to finance the project and complete it," Seliga says.

Instead, the project has been cancelled altogether following Washington's withdrawal from the project last year and the Oregon state legislature failing to take action earlier this year. As a result, the Oregon Department of Transportation (ODOT) announced the official – although perhaps not permanent – closing of the project in March.

"We have the fiduciary responsibility to close out the project in a systematic, retrievable manner in order to adequately preserve a decade of research, environmental reviews, community involvement, and detailed engineering work for potential future use," ODOT director Matthew Garrett said in a statement dated March 7.

Asked why P3s haven't been more popular in the state, Seliga replies: "I think it's a matter of finding the right project to utilise the P3 model. There's certainly an openness to doing it."

## A NEW CHAPTER

Indeed, that is what the state is in the process of doing through a number of initiatives.

In November 2012, Governor John Kitzhaber, who had been an avid supporter of the Columbia River Crossing, issued Executive Order 12-17.

"The executive order covers a lot of things, including a directive to pursue the highest value and most effective method for delivering public infrastructure in the state, including with the appropriate use of private capital," Karen Williams explains.

In addition to serving as an advisor to Treasurer Ted Wheeler and the Governor's office, Williams is also staff director of the Public Infrastructure Commission, where part of her responsibilities include identifying candidate projects and assisting the Commission through the screening and evaluation process.

The Public Infrastructure Commission is a 12-member group, comprising experts in construction, finance and PPPs, as well as representatives of state and local agencies. The governor appoints six members, while the other six are appointed by the President of the Senate and the Speaker of the House of Representatives by mutual agreement. Those appointed by the legislators include one member from the Senate and one member from the House but they cannot belong to the same party.

Established under House Bill 4111, which was passed in February, the Commission is tasked with finding ways to close the funding gap for public infrastructure projects; researching and assessing a range of innovative financing methods; identifying barriers to innovative financing; and presenting its recommendations to the state legislature by November 21.

"We have one project now that is in the business case analysis process, and that is the Multnomah Courthouse," Williams says.

## A HELPING HAND

Oregon is reviewing the project, estimated to cost \$200 million, in collaboration with Partnerships BC, a Canadian government agency that is responsible for the planning, delivery and oversight of major infrastructure projects in British Columbia.

"[Partnerships BC] are strategic partners for the state, assisting us in developing design-build-finance-maintain programmes as well as other methods of public-private partnerships," Williams explains.

Oregon and Partnerships BC also work together within the context of the West Coast Infrastructure Exchange (WCX), a partnership that was launched in 2012 by the states of California, Oregon, Washington and British Columbia.

The projects Oregon is considering as candidates for innovative financing span the infrastructure spectrum and include schools, government buildings, water/wastewater projects as well as energy infrastructure.

“Each project is at a slightly different phase of pre-development,” Williams says. For example, a decision on the Multnomah Courthouse is expected by the end of the year, while other projects will be progressing through the business case analysis process in the next 12 to 18 months.

Through these initiatives, Oregon aims to ensure that capital is allocated wisely. For some projects, the effective use of private capital will deliver better results, according to Williams.

“So while working in collaboration with the West Coast Exchange and by bringing expertise into the state what we’re trying to do is identify the best possible projects for that approach but also applying rigorous discipline to ensure that if we use private capital we do so in a way that is effective for everyone involved.”

“We think that’s really important to building trust and good relationships with private investors demonstrating that we have effective public policy and well-established skills in the state to make sure that when people come here we’re not wasting their time,” she concludes.