

TRANSPORTATION RESEARCH BOARD

Implementing Airport Public-Private Partnerships

September 29, 2021

@NASEMTRB
#TRBWebinar

Learning Objectives

1. Determine if your airport may benefit from considering a P3
2. Prepare for the P3 process



American Association of Airport Executives (AAAE)

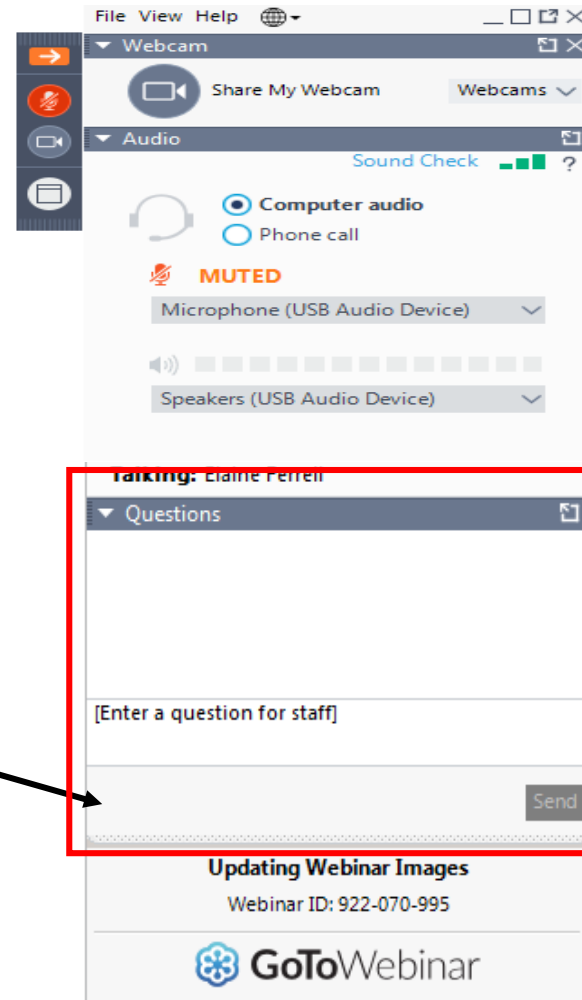
1.0 Continuing Education Units (CEUs) are available to Accredited Airport Executives (A.A.E.)

Report your CEUs: www.aaae.org/ceu



Questions and Answers

- Please type your questions into your webinar control panel
- We will read your questions out loud, and answer as many as time allows



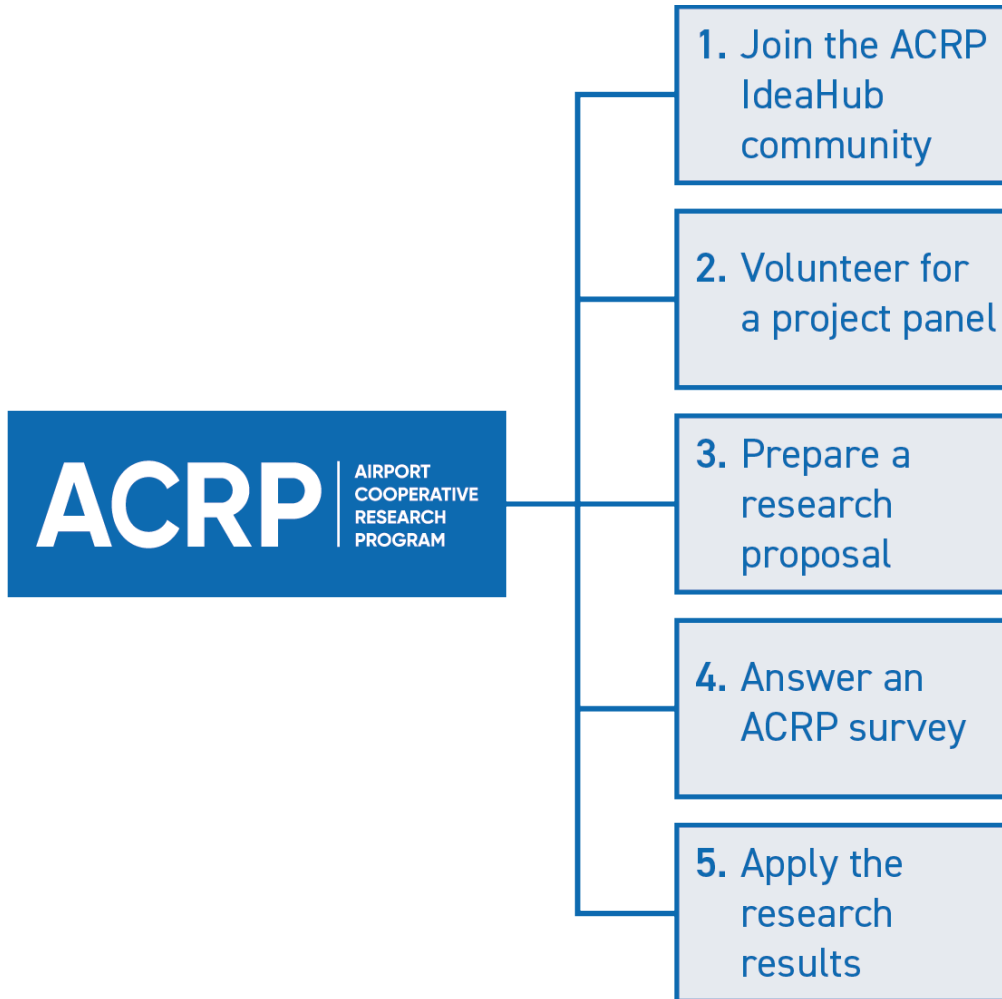
Lynn Hampton

Lynn Hampton Associates

- Lynn Hampton Associates was formed in 2011 after retirement from MWAAs consulting to airports in Ukraine, Abu Dhabi, El Salvador and the US
- Metropolitan Washington Airports Authority, Retired as President and CEO in 2011; was CFO from 1989 to 2010
- I have seen airport privatizations work and not work. This guidance is to help you through the decision making process and to make the right decision for your airport.



Five Ways to Get Involved!



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Research Objectives

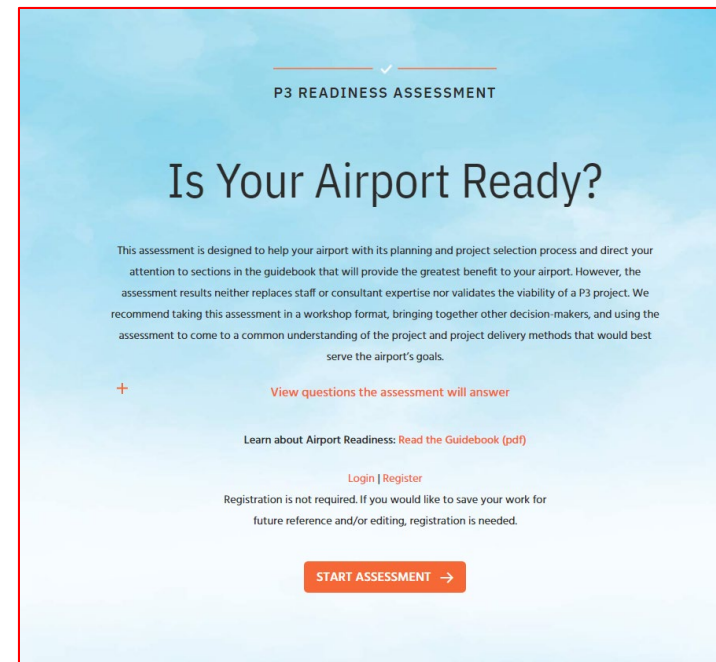
- ✈ Identify lessons learned in U.S. and international airport privatization and P3 models, expanding on ACRP Report 66 (2012)
- ✈ Operationalize information to help airport leaders consider if a P3 is right for them
- ✈ Provide guidance on strategies and capabilities necessary to implement a P3
- ✈ Broaden the airports and projects using P3

Research Products

Guidebook



Interactive Web Tool



Guidebook Table of Contents

Section I: The Context for Airport P3s

- Chapter 1: Understanding the State of Practice
- Chapter 2: Legal and Regulatory Context for Airport P3
- Chapter 3: Case Studies

Section II: Implementing an Airport P3

- Chapter 4: Project Planning
- Chapter 5: Selecting a Project Delivery Method
- Chapter 6: Structuring the Procurement Process
- Chapter 7: Procurement – Advertisement to Shortlist
- Chapter 8: Procurement – Preferred Proponent to Financial Close
- Chapter 9: Contract Management and Oversight
- Chapter 10: P3 Principles for Airport Projects

Best Practice Icons



Legal, policy, and regulatory considerations



Stakeholder considerations



Issues that present challenges or obstacles



Best practice

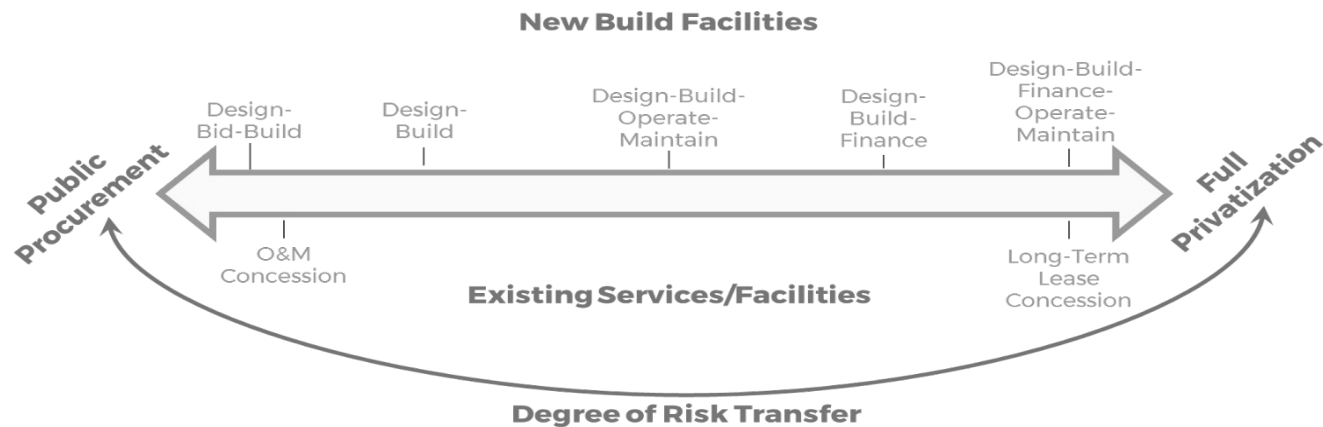
Poll Question

What is a P3?

- a) Selling and airport or facility?*
- b) Hiring a parking or janitorial operator?*
- c) Leasing airport property for a cargo development?*
- d) Developing a project with private funds?*

What is a public-private partnership (P3)?

- ✈ A range of delivery methods outside of the traditional design-bid-build method for contracting
- ✈ Includes privatization (asset monetization or recycling)
- ✈ Research focuses on P3 with operational and/or financing risk held by private party



Case Studies

		2017 EPAX (millions)	Primary Purpose	P3 Delivery Model ¹	Transaction Size ²	Current Status
1	Austin South Terminal	6.8	New Facility	DBFOM	\$10M	In Operation
2	Denver Great Hall	29.8	Renovation	DBFOM/ Availability Payment	\$650M	Terminated
3	Everett Paine Field	N/A	New Facility	DBFOM	\$40M	Under Construction
4	Gary Airport	N/A	Development	Private Operation	\$170M	In Operation
5	LaGuardia Terminal B	14.6	Renovation	DBFOM	\$4B	Under Construction
6	LAX Automated People Mover	41.2	New Facility	DBFOM/ Availability Payment	\$2B	Under Construction
7	San Juan Privatization	4.2	Monetization	APPP	\$620M	In Operation
8	Stewart Int'l. Privatization	0.2	Monetization	APPP	\$35M ³	Lease Sold ⁴

¹The following abbreviations are used: DBF (Design Building Finance), DBFOM (Design Building Finance Operate Maintain), AIPP (Airport Investment Partnership Program)

² Transaction size is capital value of project at time of project's current status

³ \$35 million in lease payments + 5% of gross income on 10th anniversary and \$10 million CAPEX

⁴ Lease sold to PANYNJ in 2007 for \$78.5M

Summary of Findings

- ✈ P3 can occur at any airport – but complexity of process must match the size
- ✈ It's almost never about the money
- ✈ It's always about risk....and politics
- ✈ Requires honest self assessment by the airport owner
- ✈ Stakeholder support is critical
- ✈ P3 is a tool in the project delivery toolkit
- ✈ Works best when:
 - ✈ Non-core activity
 - ✈ Room for technical innovation
 - ✈ Risks are clearly understood
- ✈ **No shortcuts!!**

*Or lack of
opposition*

P3 Principles



P3 Principles: Project Elements and Market Conditions

- ✈ Politics and economics greatly impact P3 delivery
- ✈ P3 usually works best for large, complex projects but can also be applicable to smaller airports
- ✈ The value to private sector developers is highly dependent on market conditions at the time the transactions occur
- ✈ P3 delivery can drive competition and innovation by private parties.



P3 Principles: Stakeholder Engagement

- ✈ Stakeholders must be engaged and educated about P3 in every stage of project development
- ✈ Political leaders and project champions are critical to spur a project onward
- ✈ A politicized procurement process can be difficult to overcome
- ✈ Educating decision-makers and the public about P3 is essential for success



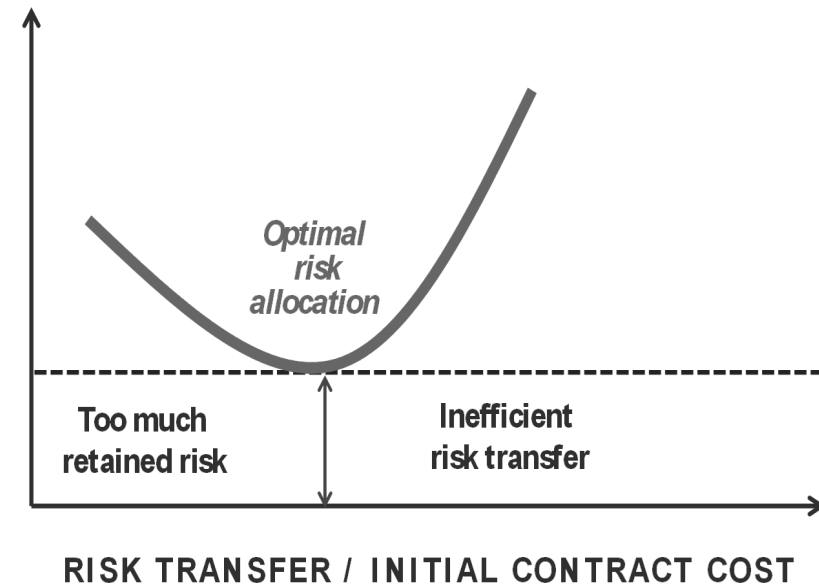
P3 Principles: Procurement Mechanics

- ✈ The P3 procurement process is far more complex than traditional delivery
 - Requires greater internal resources
 - More expensive for owner and bidders
- ✈ The procurement process is governed by regulations and policy unique to an airport's operating context.
 - Airports requiring more interaction with decision-makers and the public require more open procurement processes
 - Smaller airports or those with greater enterprise-level decision-making capability may be best suited for private negotiations

P3 Principles: Risk Allocation

- ✈ Risk allocation is revealed when you overlay the project elements over market conditions
- ✈ P3 is about transferring the right risk, not the most risk
- ✈ Proponents will price risk into bids
- ✈ Some risk, such as interfaces with other agencies, are often best retained by the owner
- ✈ Costs are minimized by allocating risks to the party in the best position to control and manage them at the lowest cost

ALL-IN COSTS



P3 Readiness Assessment Tool

<https://www.acrp-p3readiness.org>



Poll Question

Are you currently considering or an active part of an aviation public-private partnership?

- a) Yes, active in procuring/developing a P3*
- b) Yes, active in operating a P3*
- c) No, but I'm thinking about it*
- d) No, and I don't have a project in mind*

Online, Interactive Tool

Owner Characteristics

- Are there clear goals and objectives for the project?
- Is expertise, funding, and staff available to meet the anticipated rigorous nature of the alternative delivery planning, selection and feasibility process?

Project Screening

- Does the project scope align with the potential value a private developer can bring to delivering the project?

Legal and Policy

- What is the regulatory environment for the owner and what procurement processes and contract formats are allowable?

Risk

- How does the owner intend to retain, transfer, or share in key risks and what is the owner's assessment of interface risk with key stakeholders?

P3 Readiness Self-Assessment

Your Self-Assessment Results

Readiness Level: 1 2 3 4 5 6

← Review Your Responses

Download Your Report

Based on your answers to the self-assessment questions, areas for improved proficiency are listed below.

Assessment	Area for Improved Proficiency	Guidance Report
	Knowledge of Project Objectives and Goals ?	+
	Awareness of Institutional Readiness ?	+
✓	Awareness of Project Readiness ?	+
✓	Awareness of the Policy and Regulatory Framework ?	+
✓	Ready for P3 ?	+
✓	On the Path for Federal Aviation Administration (FAA) Airport Investment Partnership Program (AIPP) ?	+

What readiness level 1 means for your project

Not Ready for P3

- + Project Goals & Objectives
- + Transfer of Finance and/or Operations Risk
- + Scope Elements for P3

Your results indicate that your airport may not be ready for P3 and need to explore how alternative project delivery may serve your project and airport's needs. The following links will help get you started.

- + Relevant Sections of the Guidebook (links)
- + Relevant Case Studies and Vignettes (links)
- + Relevant External Resources

Download Your Report

Online, Interactive Tool

on: Guidance for Airport Decision-Makers

1 2 3 4 5

Project Overview Project Owner Resources Project Screening Legal and Policy Risk

Next Step → Submit

Project Owner Overview

Which best describes your role at the airport:

Please select

What is the project name? ?

What is the estimated construction cost?

\$

What type of project is under consideration for alternative project delivery? (choose all that apply)

- New development
- Reconstruction
- Lease of new or existing asset

What is the status of the project? (choose one)

- Concept development ?
- Preliminary planning and environmental analysis ?



How do I use the tool?

- ✈ Does not take the place of formal screening or feasibility analyses
- ✈ **Use this tool to engage your colleagues on a potential project**
 - ✈ Workshop and complete as a group, then discuss where your airport needs to spend resources and energy in order to better define the project
 - ✈ Ask individuals to complete separately, discuss results, and build consensus
 - ✈ Your own individual research before sketching out a plan to collaborate with others

What do I get out of this tool?

- ✈ Identifies areas that require guidance
 - Building internal capacity and support
 - Assessing Project feasibility
 - Understanding the Policy and Regulatory Framework
 - Effective Procurement Strategies
 - Embarking on the AIPP path
- ✈ Points to useful case studies and vignettes
- ✈ Identifies chapters to read first
- ✈ Provides links to external resources

Questions & Discussion



<https://www.nap.edu/catalog/26179/evaluating-and-implementing-airport-privatization-and-public-private-partnerships>

Today's Panelists



Moderator: Lynn Hampton,
Lynn Hampton Associates



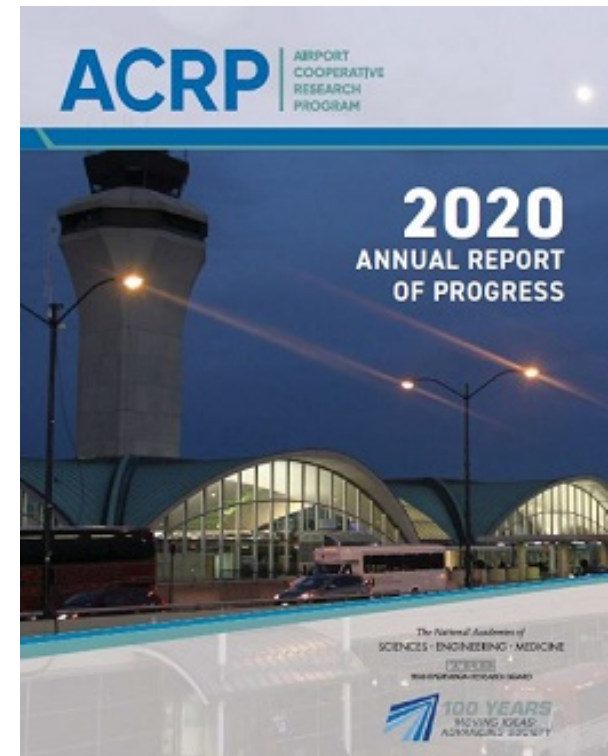
Cait Ghoshal,
*Aegis Project
Controls*



Louis Wolinetz,
*WSP Advisory
Services*

ACRP is an Industry-Driven Program

- Managed by TRB and sponsored by the Federal Aviation Administration (FAA).
- Seeks out the latest issues facing the airport industry.
- Conducts research to find solutions.
- Publishes and disseminates research results through free publications and webinars.



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Visit ACRP's Impacts on Practice webpage to submit leads on how ACRP's research is being applied at any airport.

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Other ACRP Research on Today's Topic

Research Report 66: *Considering and Evaluating Airport Privatization*

Research Report 121: *Innovative Revenue Strategies—An Airport Guide*

Research Report 176: *Generating Revenue from Commercial Development On or Adjacent to Airports*

Research Report 216: *Guidebook for Assessing Collaborative Planning Efforts Among Airport and Public Planning Agencies*

Synthesis 94: *Attracting Investment at General Aviation Airports Through Public-Private Partnerships*

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October 18, 2021

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