The Performance Based Building Coalition

BETTER BUILDINGS FASTER

Our Mission

Facilitate the use of private investment in the construction, renovation, and replacement of our nation's aging and dilapidated public buildings, hospitals, schools, and correctional facilities; thereby improving the quality of life and saving money for taxpayers.

What Is Performance Based Delivery?

In a Performance Based Public-Private Partnership a private partner designs, constructs (or refurbishes), finances and provides facilities management services under a long-term contract typically spanning 25-35 years. The public sector continues to be the owner of the facilities but the integration of all the activities by a single private entity results in greater life-cycle savings and higher performance standards than in traditional public procurements where the activities are distinctly managed by different parties. The public and private sector share the risks and rewards of delivery, enabling them to complete projects faster, within budget, and at enhanced Value for Money to taxpayers.

Why Utilize a Performance Based PPP Approach?

Given the magnitude of the need and constrained budgets, cities, states and the federal government lack the resources, the tax base, and the luxury of time to utilize a traditional construction (design-bid-build) approach (which typically brings significant cost overruns and schedule delays).

PPPs use an efficient allocation of risk to **stretch our tax dollars, create jobs sooner, and do more with less.** According to the Associated General Contractors of America, each billion invested in construction adds about $3.4 billion to GDP, about $1.1 billion to personal earnings and creates or sustains 28,500 jobs.

Over the past 10 years, performance based PPPs have facilitated **$10 billion in innovative transportation projects, creating thousands of US jobs.**

Public buildings, at the federal, state, and local level, could significantly benefit from this PPP approach:

- The California Administrative Office of Courts utilized a PPP to **accelerate the delivery** of the new **$490 million Long Beach Courthouse** by a year and a half and to **save $52 million** in project costs.

- A study of the UK's Building Schools for the Future program determined that new schools procured through a PPP (design-build-finance-maintain) approach, delivered educational outcomes 92% greater than those procured through traditional (design-bid build) delivery.

- Over the past 8 years Canada has used PPPs to deliver 34 operational hospitals and 20 currently under construction. Consequently, the nation has fast tracked the delivery of hospital facilities, improved health care to patients, and significantly reduced costs.

- A recent Reason Foundation study found that modest expansion of California's current use of PPPs in corrections would save state taxpayers nearly $2 billion in inmate housing over the next five years.

- By using a PPP to design, build, finance and maintain 18 schools in Calgary and Edmonton, the Alberta government saved $97 million over 32 years compared to a traditional approach ($634 million instead of $731 million, a 13% savings). It has also delivered the schools two years earlier than it would have with traditional methods.

The Need for PPPs: Public Buildings are in a Historic State of Disrepair

- The **average public school building is at least 40 years old** and the current backlog of maintenance and repair projects is worth $270 - $500 billion. 14 million children attend deteriorating public schools and more than 40% know of children and staff adversely impacted by avoidable indoor pollutants.

- **Hospitals** continue to have problems **accessing capital and 67 percent of hospitals have not started or continued capital projects** put on hold since the economic recession.

- 42 states have significant shortfalls in infrastructure funding for courthouses which have resulted in **facilities that often do not comply with current codes, disability requirements, and often have inadequate security.**

- More than **330 city halls** listed in the National Register of Historic Places are in disrepair. Once cities start cutting back on maintenance and repair, simple problems start to become bigger, harder to fix and much more costly.

What We Need from Congress

Unlike the transportation sector, **there are no special federal financing vehicles for public building construction,** such as TIFIA and Private Activity Bonds (PAB).

- **Private Activity Bonds,** facilitate the use of private investment in infrastructure by lowering the project's overall cost of capital. PAB allocations have facilitated over $10 billion in PPP transportation projects.

- **TIFIA** is an incredibly efficient transportation PPP financing tool, with each dollar of federal funds providing approximately $10 in TIFIA credit assistance, meaning $17 billion in loans through TIFIA, which in turn can leverage $20-$30 billion in transportation public and private investment.

    - To date, the TIFIA program has used $9.2 billion in funding to leverage more than $36.4 billion in private and other capital to help build 27 major transportation projects around the country. **Imagine the positive impact of comparable funds spent in the public buildings sector.**

To build upon the successful use of PPPs in the transportation sector, Congress is urged do the following:

1. **Create a new category of PABs** for public building construction that allows private investment to be combined with tax-exempt financing in a design-build-finance-maintain delivery model.

2. **Create a new subordinate debt financing vehicle called Building Infrastructure Financing & Innovation Act (BIFIA),** modeled after TIFIA, which provides supplemental and subordinate capital to surface transportation projects. The TIFIA program funds up to 49% of project costs in the form of direct loans, loan guarantees, and lines of credit.

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