Essential Information For Downtown Revitalization
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Perspectives

Renewing downtowns through alternative methods of financing

By David Crane

Cities and counties around the country are going through major redevelopment and revitalization of their downtown cores. They are increasing housing options, encouraging development, rehabilitating buildings, building mass transit—doing everything necessary to encourage their residents to live, work and play downtown.

This revitalization is key to boosting local economies. It creates jobs, expands the tax base and improves the quality of life for residents.

Typically, infrastructure improvements are financed with current revenues, general obligation bonds or local sales taxes.

However, as no doubt the readers of this publication know all too well, there never seems to be enough money in government budgets, or a strong enough appetite from taxpayers, to finance the myriad public works projects that are so necessary to improving and developing downtowns and providing the best service to downtown businesses, property owners, employees, visitors, and residents.

That's why, in his State of the State address this month, Governor Arnold Schwarzenegger laid out a plan to broaden California's approach to the way we build and pay for vital public infrastructure.

Under this plan, the Governor encourages greater use and adoption of alternative procurement options, such as performance-based infrastructure development, a form of public-private partnership (see box below).

We can only prosper and grow if we put in place the modern, efficient, and affordable infrastructure we all need to succeed. And performance-based infrastructure is

Performance-based infrastructure: A new name for a sound approach to downtown development

Performance-based infrastructure is a form of public-private partnership that combines the strengths of the public and private sectors through contractual arrangements in which government and private companies assume shared responsibilities for the delivery of public infrastructure services.

These partnerships produce results by combining the advantages of the private sector — dynamism, access to finance, knowledge of technologies, management efficiency and entrepreneurial spirit — with the social responsibility, environmental awareness, local knowledge, safety requirements, and job generation concerns of the public sector.

Performance-based infrastructure is not privatization, in which an existing public service or facility is transferred entirely to the private sector. It is instead a way of introducing private management into public service as a method of lowering costs, improving service, increasing efficiency, speeding delivery, and lowering risk.

Source: Office of the Governor, California.

a powerful catalyst that, where applicable, can deliver, operate and maintain infrastructure faster, better, cheaper, and with less risk.

In creating these infrastructure-building opportunities, projects will be undertaken only if they improve the delivery of public services, and only if a strong business case can be made to show how they will benefit taxpayers, constituents, and workers.

All stakeholders, both the public and private sectors, must be held accountable for delivery the project. And projects will be subject to review by a qualified third party.

Finally, the process must be fair, efficient and transparent, with requests for qualifications, proposal requests, final contracts, and value-for-money reports posted online for the public to see.

This is not a new idea. Since as early as the 1990s, governments in Canada, the U.K., France and Australia, have been using alternative finance and procurement models to build and renew their infrastructure with great success.

For example, Infrastructure Ontario is a crown corporation operated by a private board of directors but with the Ontario government as the single shareholder, and dedicated to the renewal of public infrastructure.

Since its creation in 2005, over 45 major infrastructure projects have been created under the performance-based infrastructure model, which it calls Alternative Financing and Procurement. Over 100,000 jobs are expected to be generated by those projects, and thus far more than two dozen projects, worth more than $5 billion, have been brought to market. One example is a modern and green-design, 350,000 square-foot courthouse being built in downtown Oshawa (pop. 141,600), which will consolidate Superior Court and Ontario Court justice services currently delivered from eight locations across the region.

And under Partnerships British Columbia, an independent oversight organization owned by the provincial government, they have boosted infrastructure financing approximately 20 percent since 2002 with an overall project savings of 6.5 percent. Successful projects include a water treatment plant at an environmentally-challenged mine, a highway improvement project, and a 12-mile rail rapid transit line that will connect downtown Richmond (pop. 174,500), downtown Vancouver (pop. 578,000), and Vancouver International Airport. This transportation corridor is one of the busiest in Greater Vancouver and home to one-third of the region's jobs and 20 percent of its population. These kinds of projects are exactly what Governor Schwarzenegger wants for California, and what downtowns throughout the country, small and large, need — public infrastructure that is delivered better, faster and cheaper, while also improving our environment and quality of life.

I would encourage governments of all levels to explore these alternative procurement methods to building and renewing their public infrastructure.

Under these methods, we can lower construction costs, as well as reduce the operation and maintenance costs over a project's entire lifecycle — a financing plan even the tightest city budget can afford.

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