

## CONGRESSIONAL ROUNDTABLE HEARING REPORT

**COMMITTEE:** House Committee on Transportation and Infrastructure

**SUBJECT:** Roundtable Policy Discussion on Innovation Approaches to Delivering Public Buildings

**DATE OF ROUNDTABLE:** June 10, 2014

### **Members Present**

Republicans: Committee Vice Chairman Duncan, Congressman Barletta and Congressman Meadows. Chairman Shuster was not present.

Democrats: Congressman DeFazio, Congressman Larsen, Congressman Capuano and Congresswoman Norton.

### **Participants**

- David Winstead, Counsel, Ballard Spahr
- Samara Barend, Senior Vice President, AECOM Capital
- Michael Pikiel, Counsel, Norton Fulbright
- Shar Habibi, Research and Policy Director, Public Interest

### **Overview**

House Committee on Transportation and Infrastructure (TNI) Chairman Bill Shuster and Ranking member Nick Rahall announced the creation of a Special Panel focusing on public-private partnerships (P3's) in January of this year. The panel will help the Committee in its work on the next reauthorization of the surface transportation program (current legislation expires in September). TNI's Vice Chairman John Duncan (R-TN) is the Chair of the Panel, while Rep. Michael Capuano (D-MA) serves as ranking member. The panel (authorized by House rules to serve for six months) has used public roundtables to cover a number of topic including transportation, economic development, water, and maritime infrastructure and equipment. The focus of last Tuesday's roundtable was on the implementation of P3's and coming up with innovative approaches to save public buildings.

Since 2003, the management of federal real estate has been classified as a "high risk" area by the Government Accountability Office (GAO). As a result, the General Services Administration (GSA) started leasing more spaces than it actually owned. This leasing process has been viewed as a major problem by some.

### **Opening Statements**

Congressman John Duncan (R-TN) (chair of the panel), opened the roundtable by announcing the topic up for discussion (P3's), as well as introducing the participants present.

He then asked each of the panelists to give their opening remarks:

**Samara Barend** outlined three goals for the committee to take into consideration:

1. P3's will be critical in addressing the nation's significant buildings

2. What the committee must do for public buildings and what it has done for transportation levels in the investment plan
3. Changing OMB scoring rules in infrastructure

After explaining the meaning and value of P3's, she went on to make a comparison between P3 policies between the U.S. and Canada. She emphasized on how P3's have been implemented with public buildings as a means to delivering infrastructure with efficiency in Canada. Barend used the example of province Alberta undertaking a \$1.2 billion P3 program from 2008 to 2012, constructing nearly 40 schools, all completed in time. Additionally, she mentioned that in the past seven years, the provinces of Ontario and British Columbia have used P3's to build over 28 public building projects worth over \$11 billion, only costing \$2.5 billion to construct. She closed her opening statement by encouraging Congress to create tools in order to effectively operate P3's.

**Michael Pikiel** divulged the work that has been done on bridges that have been built in Chairman Shuster's district. He also highlighted the criticism that P3's have received in past years, including

1. The privatizing of public assets,
2. The long-term nature of contracts
3. The lack of control over public interest, (such as usages, benefits, etc.)

**Shar Habibi** explained that P3's have value, but that there are considerations that need to be met. She said healthy skepticism is needed and that questions must be asked in order to gain a "win, win, win deal", as she so clearly emphasized it. She mentioned that the public deserves quality infrastructure at a fair price, while giving value to taxpayers, and that the value of the money shouldn't be based on assumptions that may or may not exist. In order to solve this problem and to avoid making decisions based on assumptions, Habibi laid down specific recommendations for Congress to consider:

1. Policy makers should ask hard and specific questions
2. Deals must have maximum transparency and public participation
3. Specific expertise and capacity is needed to analyze and oversee P3's
4. Infrastructure will later create high quality jobs and numerous opportunities for the middle class.

**David Winstead** spoke about his experience, mentioning the Long Beach courthouse and infrastructure in Canada as examples, to highlight his point and prove P3's are indeed valuable and necessary. It was disclosed that the Long Beach courthouse is a well maintained building that is well kept.

### **Q & A**

**Congressman Meadows** asked **Winstead** how to best modify CBO scoring to avoid political tools to be used against P3's. Following his question, **Winstead** answered by saying that the building will continue being owed by the public meaning protecting the public interest and won't go to private sector.

**Congressman Barletta** then addressed a question to **Winstead**, asking if he believes it is possible to build a consolidated \$2 million FBI building using a P3 ground lease-back structure under the current budgetary scores, and if partnership with private sectors should happen. Winstead replied saying that

it depends on the complexity of the building; if a building is in need of extra security then the cost will go up and so forth.

**Congresswoman Norton** added that historic buildings demand more attention to detail due to their complexity. Following her comment, **Barend** emphasized that whether it's a historic building or not, maintenance should be an important factor. She mentioned that expertise is needed no matter what, and that buildings shouldn't only be maintained only after they collapse, actions should be taken beforehand.

**Congressman Capuano** presented his disagreement with P3's, saying that money gets tied up in the building projects for years, which he believes is a huge problem. **Barend** replied to his criticism by emphasizing that buildings should be built to last a long time, leaving future generations with less damage to fix, therefore, the cost is understandable.

At the end of the discussion, **Chairman Duncan** quickly wrapped up the roundtable discussion by thanking everyone for their informative participation.