

# The Hancock administration is going ahead with an office to streamline contracts with private companies for public infrastructure

By Esteban L. Hernandez

The Hancock administration is moving forward with [its bid](#) to streamline huge contracts with private companies to deliver massive public infrastructure projects. You might know these agreements as public-private partnerships. Government types call them P3s.

Mayor Michael Hancock plans to centralize the P3 process in the newly created Performance Based Infrastructure Office (cute, right?). His 2019 budget makes room for two full-time employees, who aren't hired yet, to run the office. Assuming the City Council approves the budget, it will kick into gear sometime next year.

When governments want to build big things but lack the public resources to do it, they're increasingly turning to the private sector for help. They might design, build, operate and maintain the facility, depending on the agreement. Companies don't help out of the good of their hearts — they do it for profit. They get paid for the work, plus interest if they provide financing up front, or revenue yielded from the project.

Mayor Michael Hancock takes a sledge hammer to the old International Paper building. Groundbreaking for the National Western Center in Elyria Swansea, Nov. 3, 2017. (Kevin J. Beaty/Denverite)

For example, Denver International Airport's "Great Hall" renovation will [earn a private consortium \\$1.8 billion](#) over 34 years for a \$650 million to \$770 million project. Great Hall Partners will have control of concessions in the main terminal and collect some of their revenue, while the city would make payments to the developer out of its share of vendor proceeds.

The new Denver Performing Arts Center and parts of the National Western Center complex could be in line for P3s as well.

Private partnerships are often costlier than borrowing money with Denver's AAA bond rating. But in return, P3s transfer risk to the private sector, said Emily Hauber, a senior policy advisor to Hancock. Companies often become responsible for operation and maintenance — and cost overruns. (Try telling that to RTD, whose private partner, Denver Transit Partners, [is suing the transit agency](#) and claims it's not responsible.) Plus the city gets public amenities sooner rather than later.

"One of the things that was really important to the mayor is to ensure that any project that's delivered in this way meets the unique needs of Denver and is inclusive and equitable," Hauber said. "So we have developed provisions and screening criteria to ensure that we are only looking at projects and procuring them that drives that kind of value for our residents."

## The mayor's office claims the office will make the P3 process more transparent.

Mayoral reps originally pitched the PBI Office as an administrative arm that would have council

members examine a framework deal *before* negotiations and procurement. [The City Council was uncomfortable with that setup](#), so the mayor's office reworked the proposal to send contracts back to council for final approval.

That's better, Councilman Rafael Espinoza said, but he's against the office. Streamlining P3 contracts will indirectly raise the cost of living by putting taxpayers on the hook decades later, he said, while casting a shadow over public amenities.

"We are now adding a profit component to public infrastructure," Espinoza said. "As much as people think the private sector can deliver things cheaper, no, they first feed themselves. We as elected officials don't get to operate behind the shroud of a private corporation, but as soon as we offload infrastructure to a private company, they do, because they're not beholden to us. They're beholden to shareholders."

Before negotiating a contract, the PBI Office will analyze whether a P3 is a better value for our money than, say, bonds. That analysis — which will be public — is international best practice, said Shahrzad Habibi, research and policy director for In the Public Interest, a watchdog group that focuses on how public funding is used.

But these projections can also be dangerous if they become gospel, especially if certain assumptions and data go into them. Habibi pointed to a water treatment plant in Miami that was in line for a P3, until officials redid the analysis and realized it wasn't a good deal for taxpayers.

"You don't just want it to become a tool to push the P3," Habibi said. "You really want to have some real analysis of it and, if it's not accurate, be able to deal with it. I would want to see the actual analysis to be able to understand what the assumptions are, because you are projecting 30, 40, 50 years into the future and you want to make sure that the assumptions are reasonable and not tilted in one way or another."

The administration will show its math on a website dedicated to P3s, Hauber said. The website will complement neighborhood meetings, open houses, town halls and other "engagement tools" like online commenting, Hauber said, "to ensure we are providing ample opportunity for public input."

Another way to make the office objective, Habibi said, is to staff it with people from outside "the P3 industry."

## **A more expensive city is one reason to oppose P3s, according to Espinoza.**

He looks decades down the road and sees taxpayers paying off interest still, siphoning income needed for day-to-day things.

"We can enter into a whole bunch of contracts right now, but when they all come due, if the economy isn't where it is today, we'll be stuck between a rock and a hard place," he said. "Why obligate ourselves that way?"

One way to look at it in terms of potentially bad deals is through the lens of RTD's A and G lines, which were designed and built and are operated by Denver Transit Partners. The transit agency and its partner are now suing each other over project overruns from faulty gates. If RTD loses, it could be forced to spend tens of millions more than it planned to, which might get passed onto residents via fares or service cuts.

## **Right now, hires don't have to be local and wages don't have to rise beyond current Denver law.**

City Council members had floated the idea of P3 contracts coming with the caveat that companies make local hires. Higher wages, too, would sweeten the deal for city residents who might pay more than the sticker price for infrastructure through P3s.

Both of those perks can be written into contracts, but neither will be required outright.

Denver will be one of a few places in America with a centralized P3 office. Washington, D.C. and Virginia have done similar things, but overall this concept is relatively new. The administration consulted with Habibi on best practices after City Council balked last year, resulting in an office that could create a new standard if done right.

“You just want to make sure that the process is really, really transparent, there’s lots of public participation, and that you’re really trying to maintain the independence of the office, that they’re really trying to do what’s in the best interest of the city and the residents, and not just facilitating P3s for the sake of P3s,” Habibi said.