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## Public-private partnerships

Alternative  
procurement tool  
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# Public-private partnerships: Virginia's alternative procurement tool

*How Winchester saved time and money on a new parking garage*

**A**CROSS VIRGINIA, local governments are being challenged to operate more efficiently and cost-effectively. Public needs are rising, while local revenues continue to slide or remain stagnant. Powerful economic and social forces are influencing the way business is done, and as a result, procurement practices have evolved to reflect new economic realities.

Gov. Tim Kaine encourages the private sector and local governments to think strategically about how they can serve citizens better. Public-private partnerships (PPP) are one way in which private sector expertise can be brought to bear on public projects. PPP is simply an additional tool in the procurement toolbox; it is not a panacea for local governments. However, it is increasingly clear that given the right qualifying project and an experienced, committed partner – PPP can yield compelling results.

## What is a public-private partnership (PPP)?

In 2002, Virginia formally enacted the Public-Private Education Facilities and Infrastructure Act (PPEA.) The statute creates a way for the public and private sector to work together as partners to meet the needs of both parties. Technically, the act grants responsible public entities the authority to create public-private partnerships for the development of needed projects. The public entity must determine that private involvement may provide the project to the public in a timely or cost-effective fashion. For qualifying projects, PPEA allows private entities to “acquire, design, construct, improve, renovate, expand, equip, maintain or operate” public facilities.

Interestingly, Virginia is one of just a handful of states that offer public-private partnership model procedures.

By **KATHY MOORE**

This non-traditional procurement method has multiple names: PPEA, PPP and P3 are most common.

## How does it work?

The advantages of the public-private partnership arrangement over traditional procurement methods are that PPEA provides more financing flexibility, project costs may be lower, projects may be faster to implement, and PPEA's design/build option may offer a more collaborative process.

Essentially, the private sector can submit unsolicited proposals to any agency, institution, or locality in the Commonwealth. Prior to soliciting or accepting an unsolicited PPEA proposal, the public reviewing agency must adopt local policy guidelines. It is up to the public entity to determine if there is a demonstrated need for the project, whether the public-private partnership offers an effective way to put the project in place, and whether to reject the proposal or accept it for further review and consideration. To reduce frivolous unsolicited proposals, the public agency charges a hefty review fee (a minimum of \$5,000 up

to a maximum of \$50,000.)

Proposers follow a two-step process. In the initial phase, called the Conceptual Phase, the public entity reviews proposals for:

- Qualifications and experience;
- project characteristics;
- project financing;
- anticipated public support or opposition;
- project benefit and compatibility;
- any additional relevant information.

If a proposal is approved for further consideration, the public entity

requests the proposer to provide a more detailed proposal, called the Detailed Phase. The same six categories are reviewed but in much greater detail, in order to select one or more proposers to move up to a Comprehensive Agreement.

## George Washington Autopark project team

The City of Winchester's Parking Authority partnered with Shockey-WPA, LLC, whose member company is Howard Shockey & Sons, Inc., one of Virginia's largest and oldest building contractors. Shockey specializes in construction management, preconstruction services, design build, public-private partnerships, and general contracting. Other team members included Shockey Precast, Design Concepts, Inc. and Blue Ridge Design.

## Which projects qualify?

Most types of public ventures can qualify. The statute states that “any facility or land improvement that meets a public purpose and is developed or operated by or for any public entity.” The majority of Virginia's PPEA projects fall into the following categories:

- Education facilities (public school and higher education);

- infrastructure improvements;
- public safety buildings;
- utility, telecommunications, and information technology;
- recreational facilities.

It's important to keep in mind that there must be a genuine need for the project. The public body must determine that this method is "likely to be advantageous" because of the "probable scope, complexity or urgency of the project" or "risk sharing, added value, an increase in funding or economic benefit from the project that would not otherwise be available."

### Win-win relationship

The public and private sectors were quick to recognize the win-win potential of a PPP project. The statute provides mutual benefits for all parties. Not only does it streamline procurement (by removing the lengthy public bidding process,) but public facilities can often be designed, developed and placed in service more

efficiently – much as they would be in the private sector.

It comes as no surprise that communities around the state are turning to public-private partnerships to help address their local infrastructure needs. Here is Winchester's story.

### Case study: Winchester's new parking garage

The 530-space George Washington Autopark is a fully automated parking deck located in the newly revitalized Kent corridor area. It is the city's fourth parking garage, and its first to be built using the PPEA process.

The Winchester Parking Authority recently completed this seven-story parking structure through a public-private partnership or PPEA agreement with Shockey-WPA, LLC (whose member company is Howard Shockey & Sons, Inc. one of the state's oldest and largest general contractors.)

### Background and timeline

Shockey submitted an unsolicited PPEA proposal to Winchester's Parking Authority to build a parking deck in 2005. In 2007, the parking authority selected Howard Shockey & Sons to enter into a Comprehensive Agreement for design/build services. In 2008, construction began.

"We were certainly interested when we received Shockey's proposal," said Jim Deskins, Winchester's director of economic redevelopment. "With a traditional procurement process, there is an upfront design cost. For us to go out and hire a team, it can really get time consuming and costly."

Deskins recalled that prior to receipt of Shockey's unsolicited proposal, Winchester had authorized a \$9 million bond issue to pay for a future parking structure, with the goal of providing at least 450 additional parking spaces. "We planned to



**The 530-space, fully automated George Washington Autopark deck in Winchester was built using a public-private partnership. Photo by Eric Taylor Photography.**

budget \$9 million, but there are so many variables with the traditional procurement method, that we don't know what the final price would have been," Deskins said.

With the PPEA, Shockey offered a guaranteed price with no possibility of change orders. Unlike with a traditional design-bid-build, the city could take advantage of a design/build arrangement. The design/build process is inherently efficient as it reduces the delivery schedule by overlapping the design phase and construction phase. It also fosters a more collaborative process; contractor Howard Shockey & Sons could offer insight into innovative construction techniques very early on. Ned Cleland, president of Blue Ridge Design (the structural engineer on the project) recalled, "There was a lot of interaction between the city, the stakeholders and the building team. As partners, we all understood project goals and objectives and we pledged to deliver the best result for the best value."

Was it a success? The numbers speak for themselves. By using a PPEA agreement instead of a traditional procurement method, Winchester was able to put the project on a fast track, build more spaces, and reduce costs. Although \$9 million had been budgeted, Shockey delivered the project for just \$7.68 million, with 80 extra parking spaces.



**Use of a PPEA agreement put the project on a fast track and saved the city money.**

### Project statistics

The 530-space garage has five main parking levels, with additional parking on the basement and roof level. It is located on city-owned land between the Frederick County Office Building and the recently rehabilitated George Washington Hotel. At least 90 spaces are reserved for county government employees, who walk across a sky bridge from the fourth level of the parking deck to the county government building.

Approximately 20 spaces are reserved for The George Washington Hotel. The remainder of the space is for daily users.

The garage is fully automated with two pay stations, and there is no attendant. The city hopes to recoup the construction cost of the garage over the next 30 years, using revenue produced by the garage itself. The building also provides 1,000 square feet of office space on street level for three city departments: the Old Town Development Board, the Parking

Authority and the Office of Economic Redevelopment.

### PPP encourages innovative construction techniques

"We were always looking for creative solutions," said Jeff Boehm, vice president of Howard Shockey & Sons, Inc. "Our design and construction team worked collaboratively with the city to deliver a great value. We all recognized this was a pivotal project, one that could serve as a further catalyst for the area's revitalization."

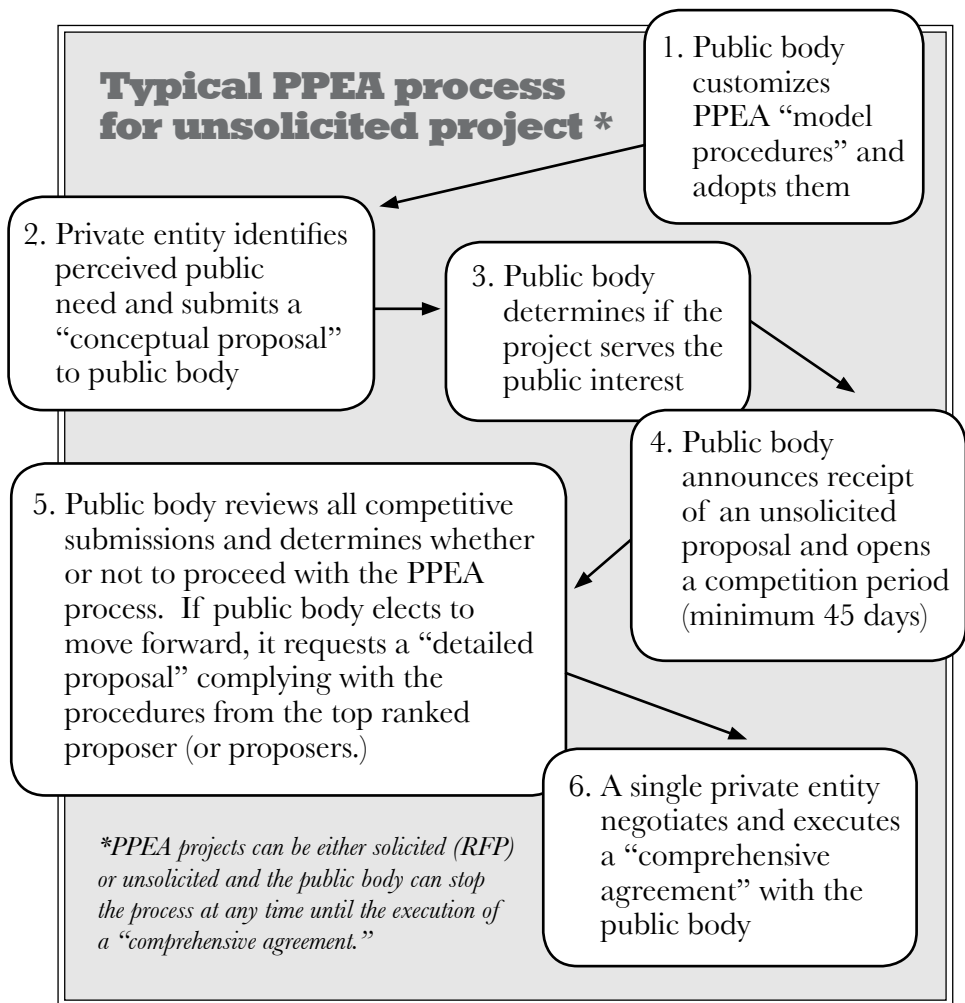
The PPP arrangement allowed Shockey to come to the table as a partner rather than as a bidder (when it is usually too late to recommend improvements.)

"PPEA gave us the flexibility to better meet Winchester's needs through frank discussion of innovative construction solutions," Boehm said.

For example, Howard Shockey utilized a precast construction technique to embed the façade. Concrete was poured into a fiberglass form liner that was already lined with thin set bricks. In this way, the cladding for the façade went up as the precast panels were erected. Two colors of precast were used to respond to Winchester's architectural context; a buff color mimics mortar bonds between bricks, and on the lower floors a limestone color was used to produce the appearance of a stone faced foundation. This approach provided a cost effective way for the

### Examples of recent PPP projects around the state

- City of Winchester – new parking deck
- City of Fredericksburg – wastewater treatment facility improvements
- Town of Christiansburg – new aquatic center
- City of Manassas Park – new parks and recreation facility
- City of Richmond – Richmond Performing Arts Center
- City of Roanoke – new police academy
- City of Chesapeake – new community services board building
- City of Falls Church Public Schools – new middle school



garage’s exterior appearance to echo the architectural aesthetic of Winchester’s historic district. “Preserving and extending the integrity of the historic downtown district had been a goal since day one,” Boehm said.

A second innovative construction process involved the placement of carbon fiber directly into the precast decking units. Just as carbon fiber is used to lighten aircraft frames, it was used to lighten the concrete frame of the parking deck. Because the carbon fiber is relatively flexible, it was placed in the concrete by machine, saving labor cost and effort.

Over time, Winchester’s garage should require less maintenance than other parking garages because Shockey made sure the floor of the parking deck is composed of parts that do not rust. While the bulk of the reinforcing is made up of carbon fiber, any metal not fully embedded in the concrete is stainless steel. Both the carbon fiber and the stainless steel are non-corrosive, thus eliminating what is

often a parking garage owner’s biggest maintenance headache – problems relating to corrosion.

“Backing up to a macro level, Winchester’s new garage does something even more significant,” Cleland said. “It doesn’t look like a conventional parking structure filled with horizontal beams and vertical columns. Instead, this parking deck was designed to look like an old industrial building, with walls and punched openings for windows.” Via the partnership between the city and the design/build team, project members worked together to achieve this effect. “We were all in together; our motivation wasn’t to provide the lowest bid – our motivation was to deliver the best project possible for the best value. And that’s what we did,” Cleland said.

**Lessons learned: Pick your partner carefully**

If a locality elects to move forward with a PPP project, it’s important to remember that it is entering a

long-term relationship. It is critical to select a partner wisely. The public entity must verify the proposer’s experience, longevity and financial capacity. A reviewing agency must be very comfortable with the proposer’s reputation for product and delivery.

As for his partner of choice, Jim Deskins knew exactly what he was getting. “Shockey has been in business since 1896, they have a great reputation, and they are very familiar with PPEA projects,” he said. The Shockey Companies’ long track record with parking garage construction (they’ve been involved in more than 100 parking facilities) also helped.


“I think it boils down to experience, good communication and trust,” said Deskins when asked about choosing a partner.

**Conclusion**

By adopting PPEA legislation at the local level (as the Winchester Parking Authority did back in 2003) communities can proactively take a step towards expanding their procurement toolkit.

“Via our partnership with Howard Shockey & Sons, Winchester was able to accomplish more than if we were acting alone,” Deskins said. “Not only did we get our fourth downtown garage built ahead of schedule, we also realized valuable cost savings.”

The PPEA legislation is still fairly new. There is no formal tracking system, though experts suggest that upwards of 100 projects across the state have already been financed using PPEA or PPP model guidelines. While the trend towards public-private partnerships seems to be getting hotter, it is still not a good fit for every project. “PPEA is not *the* answer, but *an* answer,” said some of the people most familiar with the process.

It’s probably a safe bet, given the success of recent PPP projects such as Winchester’s new garage, that Virginia may be heading toward a new era of public-private cooperative agreements. 

**About the author**

*Kathy Moore writes about economic development, design and revitalization in Virginia’s historic communities.*