



Public Private Partnerships

The what, who, how, and why of P3s

*“If you’ve seen one P3,
you’ve seen one P3.”*

“P3s are not free.”

Photo: Sundt was hired to design, finance, build, and operate the new Arizona Game and Fish headquarters



Two Kinds of P3s

Facilities



Residential Housing



Infrastructure/Energy



Land Development

Programming



Clinical Instruction



Academic Collaborations



Mission Delivery



Definition: Facilities P3s

- Leverage the expertise of property developers, especially in local communities.
- An alternative financing vehicle for fixed assets
- Unlock the value and monetize fixed assets; share risk between parties

Examples

- [UC Merced](#), private developer built \$1.2 billion new campus from scratch. UC leases the campus from the investors over 39 years.
- UA, Ambling Companies built [La Aldea](#) residence hall on UA property. Ambling operated facility for one year before it backed out.

Definition: Programming P3s

- Leverage expertise of a 3rd party to enhance mission of the university.
- Mutually beneficial arrangement between two or more parties who contractually agree to work toward the same goals, deadlines, and purpose.
- Newer and novel compared to Facility P3s; shares programmatic and public relation risk between parties

Examples

- UA College of Veterinary Medicine, provide free-facilities to a for-profit clinic to run business in exchange for training students in clinical veterinary education. Avoids UA paying for a teaching hospital.

Benefits

- Can reduce operating costs to the university
- Viewed by ABOR and most trustees as positive
- Collaborate with rather than compete with private industry
- Facility: Can shift capital-intensive debt issuances to the balance sheet of the partner, and off the balance sheet of the university
- Long-term relationship – stability, encourages greater fairness to maintain happy partners

Photo: Private company contracted for 50 years to operate the University of Idaho's campus utility system



Drawbacks

- Can be complicated and too new for small partners to understand or feel comfortable with, especially Programming P3s
- Must document an equal and fair exchange (Gift Clause, Arizona Constitution)
- Unless you use an RFP-style process, P3s can be perceived as favoring a partner
- Long-term relationship – partners can change; predict the terms for decades into the future (re-pricing every 10 years, add inflation adjustments, etc.)
- Problems blow back on university but the university manages only via a contract

What's NOT a P3

Research Agreements

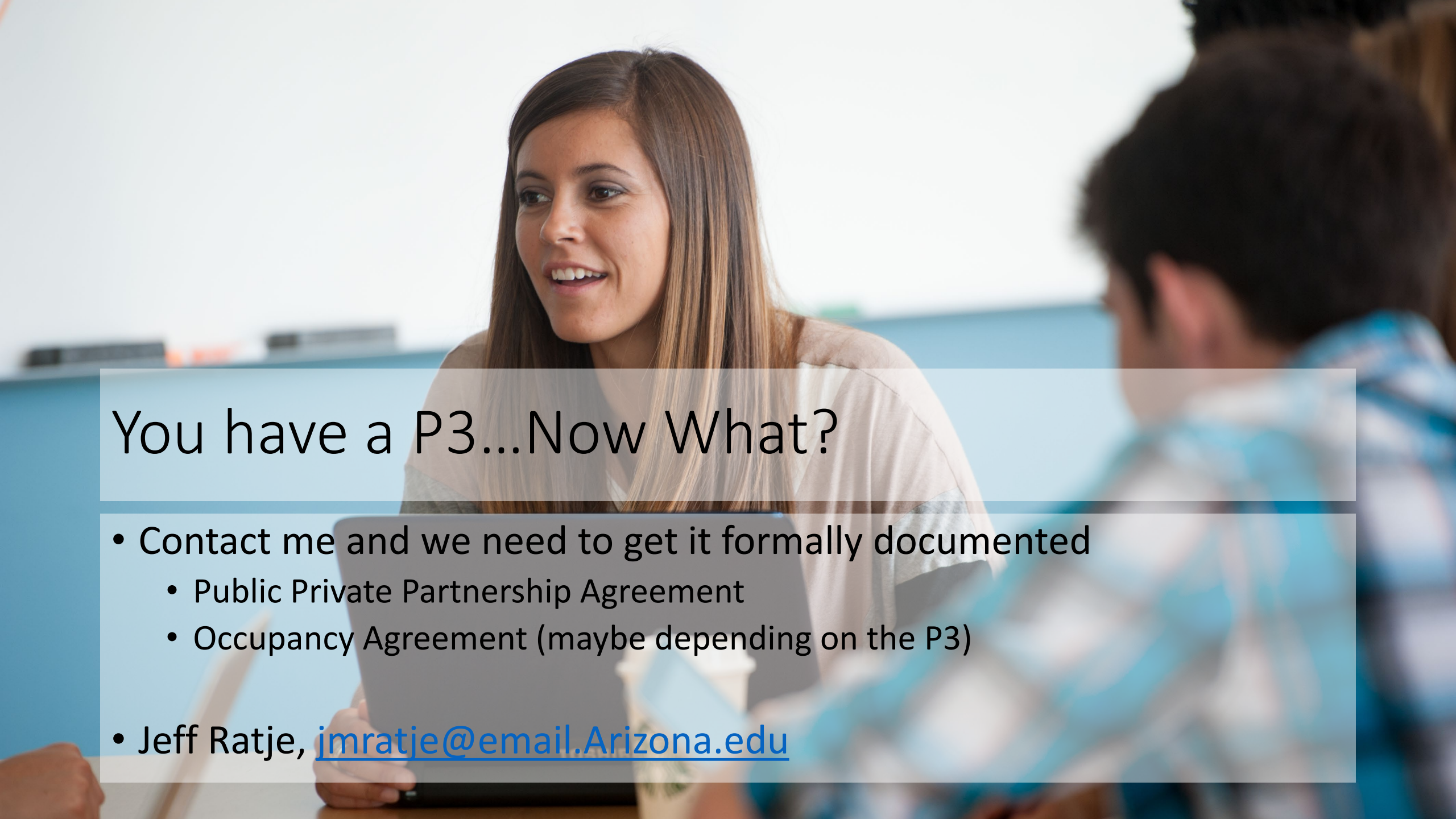
- Sponsored research grant or contract
- Faculty member collaborating with Raytheon on research agreement

Purchasing Agreements

- Purchasing the services of a vendor
- Outsourcing critical services of the university or unit to a 3rd party (UA outsourcing parking services to a 3rd party) – this is a services contract

Real Estate and Student Agreements

- Lease or rent of additional space
- Student internship experiences



You have a P3...Now What?

- Contact me and we need to get it formally documented
 - Public Private Partnership Agreement
 - Occupancy Agreement (maybe depending on the P3)
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