

What a Successful Public-Private Partnership Looks Like: Florida's I-595 Express Corridor

Rhea F. Law

Chair, Florida Offices | rhea.law@bipc.com | 813.222.1179

Beyond being one of the core tenants of President Trump's infrastructure proposal, public-private partnerships (also known as PPPs or P3s) will likely be a key piece in any future infrastructure bill, regardless of who's pushing it through. As federal, state, and local budgets shrink, and the dire need for infrastructure improvements continues to grow rapidly, P3s are an obvious solution to fill the funding gap.

Unfortunately, public-private partnerships simply haven't been pervasive enough in the U.S. to the point where governments have experience working on P3s. They'll have to spread their view and examine the few successful P3s from around the country and glean what they can from how the relationship was structured and what they did right. One such example is Florida's I-595 Express Corridor Improvements Project.

The Need for a P3

Originally constructed in 1990, Florida's I-595 is the only east-west freeway in Broward County. It connects the eastern Fort Lauderdale-Hollywood International Airport and Fort Lauderdale beaches to I-95, Florida's east-west I-75 and Sawgrass Expressway to the west. When it was finished in 1990, it was built to withstand traffic growth for 20 years. However, 1992's Hurricane Andrew changed all of that. Over the next decade plus, the destruction Andrew left in South Miami caused an influx of residents to move south to north to Broward County, leading to significantly more traffic than was anticipated. The state needed a way to increase roadway capacity on I-595, and by the mid-2000s, the Florida Department of Transportation (FDOT) developed a plan to add a reversible express lane system into the median of I-595 to help ease the congestion during rush hour.

Initially, FDOT sought to improve I-595 using a phased method that allowed the project to be constructed using FDOT's traditional funding mechanisms. The problem with this plan was that improvements wouldn't be fully realized until the last phase was complete — 20 years from the start of construction. Over that long of a timeframe, traffic congestion would only worsen, forcing commuters to endure two more decades of delays and frustration.

The solution? Deliver improvements to I-595 as a P3 project.

Creating Time Efficiencies and Enabling Innovation

Rather than using a traditional phased approach because of the state's funding shortfall, building the I-595 Express Corridor using a P3 enabled construction to be advanced as one major project, thus reducing the often-lengthy waiting time between project phases. Also, as with most P3s, project leaders were incentivized to complete the project faster or else risk delays in when they're reimbursed for the work they did. So, instead of taking 20 years to complete, construction began on the I-595 lanes in February of 2010 and was completed in June of 2014. In the end, this design, build, finance, operate, and maintain (DBFOM) project limited congestion delays as a result of construction and got drivers back to their normal commutes more than four times faster than the phased method.

Additionally, with the lengthy process to complete government projects, it can be difficult to keep up with new innovations in construction methods and materials. Because of the way those plans are approved, year-20 of the project would need to adhere to the same standards as when the project started. That means that projects may actually be using outdated methods and materials. With a 5-year timeline, there is much less concern that new innovations would occur that prevent the project from being a fully state-of-the-art piece of infrastructure.

Choosing the Right Delivery Mechanism

The biggest question many have when it comes to P3s is how exactly the project financing will work. Private companies need to get paid for the work they do somehow, and how that actually happens can very well determine if a project is ultimately successful or not. For a project like Florida's I-595 Express Corridor, one obvious way to fund the project is to have the private entity set toll rates for the freeway and collect the toll revenue. However, this method of funding can raise concerns among commuters since — considering a private entity's main objective is profit — it gives them the right to increase tolls as they see fit.

With that in mind, FDOT decided on an availability payment model — the first such instance of this compensation structure in the U.S. transportation sector at the time. Using this approach, the state makes periodic pre-determined payments to the private entity, on condition that the project meets all of its defined performance specifications. With a tolled project, like the I-595 Express Corridor, the public entity retains the revenues from the tolls as well as the risk that tolling revenue forecasts will not be met. To aid in mitigating that risk, tolls on the I-595 express lanes are based on a system known as congestion pricing, which means the price of tolls can vary depending on traffic volumes.

Today, the I-595 Express Corridor Improvements Project remains Florida's largest transportation project and its first P3. Completed on time and on budget, the project earned a number of awards, including the *American Road and Transportation Builders' Association's* "Project of the Year" and *Project Finance* magazine's "North American Transport Deal of the Year."

While there are numerous considerations to think about when deciding if it makes sense to pursue a P3 for infrastructure projects from both the public and private entity's perspective, almost all successful public-private partnerships have a few key aspects in common — the right project, motivated public entities, qualified private parties, and ideal financing mechanisms.

With these elements in place, as the I-595 express lanes project showed, P3s can be a truly valuable way to rebuild America's infrastructure.

**Learn more about our insights on Trump's Infrastructure Plan
at [BIPC.com](https://www.bipc.com)**