



# COLORADO REAL ESTATE JOURNAL

THE COMMUNICATION CHANNEL OF THE COMMERCIAL REAL ESTATE COMMUNITY

JULY 6, 2011 – JULY 19, 2011

## Infrastructure development and related project finance players

Depending on who's talking, infrastructure takes on various meanings, including everything from transportation (highways, roads and bridges, transit and transit-oriented developments, ports, parking structures) and utilities (water, electricity, transmission, telephony, broadband) to tourism projects and "social infrastructure," such as hospitals, schools and other public facilities. Because of the vast scope of this area, and the space limitations with which we are constrained, this article is focused on several significant governmental and quasigovernmental players involved in select transportation and public improvement infrastructure and provides a brief overview of the more commonly utilized vehicles for the development and financing of that infrastructure in Colorado.

■ **Federal Highway Administration.** FHWA administers our interstate highway system, including innovative programs for funding, technical assistance and supervision, from new construction of highways, bridges and tunnels to maintenance and preservation.

■ **Federal Transit Administration.** As authorized by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users of 2005 (SAFETEA-LU), the FTA provides stewardship of combined formula and discretionary programs totaling more than \$10 billion to support a variety of locally planned, constructed, and operated public transportation systems throughout the United States. Transportation systems typically include buses, subways, light rail, commuter rail, streetcars, monorail, passenger ferries, boats, inclined railways or people movers.

■ **Colorado Department of Transportation.** Traditionally, Colorado's principal means of developing basic state highway, road, bridge and tunnel infra-



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structure has been through C D O T ' s Division of A e r o n a u t i c s supports local a i r p o r t s and its T r a n s i t U n i t has assisted with transit projects (see H P T E below r e g a r d i n g recent updates on transit projects). CDOT funding typically sources through federal highway and transportation funding programs, combined with state-level revenues, such as vehicle registration fees.

■ **High Performance Transportation Enterprise.** Recently in Colorado, legislation was passed authorizing the establishment of the High Performance Transportation Enterprise. HPTE was formed to aggressively pursue innovative means of more efficiently financing important surface transportation infrastructure projects that will improve the safety, capacity and accessibility of the surface transportation system; can feasibly be commenced in a reasonable amount of time; will allow more efficient movement of people, goods and information throughout the state; and will accelerate the economic recovery of the state.

■ **Special districts/public finance.** With regard to more local infrastructure, "Title 32" special districts are authorized in Colorado that allow for the issuance of bonds to finance the construction, operation and maintenance of public infrastructure that is necessary to allow for the development of private projects which provide an economic benefit to the community. A typical special district project might include the

construction of the roads, utilities and related public parking structures that provide the underlying framework to support a regional retail shopping center or a master-planned community. The bonds issued to raise the capital to do so are serviced through the pledged revenues generated by the local sales, use or property assessments from the developed project.

■ **Tax increment financing.** TIF has been enabled by state statute and established through local urban renewal authorities whereby appropriate public improvements can be financed through an allocation of the incremental increase in sales or property taxes to be generated by the proposed redevelopment of a blighted area into an approved project within an urban renewal area and pursuant to an urban renewal plan. TIFs were used in the redevelopment of the Denver Dry Goods building and the Tattered Cover buildings in downtown Denver, as well as certain aspects of the redevelopment of the old Stapleton Airport into a master-planned community and the Fitzsimons Hospital campus in Aurora.

In 2009, Colorado passed the Regional Tourism Act, which expanded the use of TIF-styled support to the state level by allocating newly generated state sales tax increment revenues from qualifying regional tourism projects, a significant portion of such sales tax revenues coming from out-of-state tourists. This year, that law was expanded to allow for more projects to be eligible to receive such allocations during the next couple of years. A current example of such state-level TIF support potential, should it qualify for this new program, would be the recently publicized Gaylord Entertainment Co.'s proposed entertainment complex in Aurora.

■ **Public-private partnerships.** A shortage of capital at all levels of government, together with a

desire for a more efficient project delivery system, has resulted in a more recent focus on P3s, imported during recent years from models initially developed in Europe, Australia and Canada. In the infrastructure context, P3s typically involve an agreement between a public-sector authority and a private party (many times a consortium of private interests involved in the particular form of infrastructure) in which the private consortium provides a public service or project and assumes substantial financial, technical and operational risk in the project. In some types of P3s, the cost of using the service is borne exclusively by the users of the service and not by the taxpayer (e.g., tolls). In other types, capital investment is made by the private sector on the strength of a contract with government to provide agreed services and the cost of providing the service is borne wholly or in part by the government (often referred to as "availability payments") tied to performance standards. In Colorado, the most recent example would be the Eagle P3 project, which is a P3 between the Regional Transportation District and a consortium of private players that formed Denver Transit Partners to design, build, finance, operate and maintain certain segments of Denver's FasTracks transit rail system. P3s can be used to develop and operate all forms of infrastructure.

The above listing and very brief overview is only a sampling of the various players involved with the development, and selected sources of public financing, of identified transportation and certain other public improvement infrastructure. Stay tuned as we look further at certain of these forms of infrastructure, how they are authorized, financed and developed, and explore additional forms of infrastructure developments and related project finance methodologies.▲