



**Ohio House Higher Education and Workforce Committee
Testimony of Mark Melson
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Proponent Testimony on House Bill 668

Chairman Duffy, Vice Chair Antini, Ranking Member Ramos and Members of the Committee, thank you for the opportunity to provide testimony in support of House Bill 668.

Star America is a developer and investor in infrastructure projects throughout the United States. We are proud to be partners with ACS and InfraRed on Ohio's Department of Transportation's first Public Private Partnership project, the Southern Ohio Veteran's Memorial Highway.

This \$430 million capital project will reach substantial completion this year on or prior to its scheduled completion date. The bid pricing and financing includes and provides for the design, construction, operations and maintenance of the highway. This includes a fixed price for routine and major maintenance over the thirty-five-year term with performance and handback requirements.

Star America also develops and invests in new public buildings having recently been awarded and closed, alongside Edgemoor Infrastructure and Real Estate, the 230,000 sq. ft., LEED Silver, Howard County Courthouse building in Maryland.

This contract included a component of our pricing which was a fixed price from Johnson Controls for Facilities Management for the full thirty-year term following completion of construction. This price was based on a specific plan (like the plan required under House Bill 668, Section 168.05) which ensured the proper maintenance of the facility throughout the term of the agreement. The Public-Private agreement contained provisions setting forth building performance standards and requirements governing the building's condition at the end of the term guaranteeing that the Courthouse will be returned to Howard County in good condition.

Because these Public Private Partnership agreements provide for long term financing and transfer the risk of maintaining the infrastructure and returning it in good shape at the end of the term to the private partner, these assets will never add to the otherwise growing deferred maintenance and debt loads of states, counties, cities and public educational institutions.

This is critical for Ohio's future since according to a Dayton Daily News article in 2016 ¹ focused on Ohio's public universities, ten of Ohio's fourteen public universities collectively had at that

¹ <https://www.mydaytondailynews.com/news/local/maintenance-costs-build-college-campuses/x5bxi1EkzNIElqdm3VXoO/>



time at least \$2.8 billion in deferred maintenance on existing assets and these universities had seen their debt climb from \$2.8 billion in 2004 to \$6.7 billion in 2014.

Giving state agencies, state colleges and universities, public schools, counties, cities and other public entities in Ohio the ability to utilize, if they so choose, this Public Private Partnership procurement method to meet their needs for new public facilities will allow them to procure the design, building, financing and maintenance of public facilities through a single contract, providing a single source of accountability for all aspects of the project during the term of the agreement. It will allow for the transfer of many risks now held by the public authority to a private sector partner who often is in a better position to manage these risks, while still maintaining public ownership of the asset throughout the term.

Public Private partnerships also allow the private sector to bring innovative solutions to the infrastructure challenges of today. Since these are design build projects each bidder can approach the project differently proposing unique and creative approaches to the building so long as their design allows the building to meet established performance criteria and technical specifications.

This approach and the additional allowance of Alternative Technical Concepts permits bidders to share innovative concepts with the public partner. These ideas may not meet the technical specifications and the process generally allows the client to provide feedback and ultimately determine whether these ideas will be allowed to be incorporated into that team's design. This promotes creativity and often provides the best value for the public authority.

This holistic and comprehensive approach to the procurement of the development of new facilities such as courthouses, government offices, student housing, academic buildings, laboratories and other facilities can allow the public sector to focus on its core mission and strengths while the private partner builds and maintains these important assets returning them in good shape at the end of the term.

Fifteen other states allow for this procurement method to be used for public buildings or "social infrastructure" and Ohio can now utilize Public Private Partnerships for transportation projects such as the one Star America and its partners are close to completing. Allowing this tool to be available for building projects would allow various public entities to study their capital needs and find the projects which they think are right for this alternative procurement process.

Star America strongly supports the passage of House Bill 668. We look forward to having additional opportunities to partner with the State of Ohio as it builds its future.

Thank you.