

Appendix: Types of Public/Private Partnerships

Build/Operate/Transfer (BOT) or Build/Transfer/Operate (BTO)

The private partner builds a facility to the specifications agreed to by the public agency, operates the facility for a specified time period under a contract or franchise agreement with the agency, and then transfers the facility to the agency at the end of the specified period of time.

Build-Own-Operate (BOO)

The contractor constructs and operates a facility without transferring ownership to the public sector. Legal title to the facility remains in the private sector, and there is no obligation for the public sector to purchase the facility or take title.

Buy-Build-Operate (BBO)

A BBO is a form of asset sale that includes a rehabilitation or expansion of an existing facility. The government sells the asset to the private sector entity, which then makes the improvements necessary to operate the facility in a profitable manner.

Contract Services

A public partner contracts with a private partner to provide and/or maintain a specific service. Under the private operation and maintenance option, the public partner retains ownership and overall management of the public facility or system.

Design-Build (DB)

A DB is when the private partner provides both design and construction of a project to the public agency. The public sector partner owns the assets and has the responsibility for the operation and maintenance.

Design-Build-Maintain (DBM)

A DBM is similar to a DB except the maintenance of the facility for some period of time becomes the responsibility of the private sector partner. The public sector partner owns and operates the assets.

Design-Build-Operate (DBO)

A single contract is awarded for the design, construction, and operation of a capital improvement. Title to the facility remains with the public sector unless the project is a design/build/operate/transfer or design/build/own/operate project.

Developer Finance

The private party finances the construction or expansion of a public facility in exchange for the right to build residential housing, commercial stores, and/or industrial facilities at the site. The private developer contributes capital and may operate the facility under the oversight of the government. The developer gains the right to use the facility and may receive future income from user fees.

Lease/Develop/Operate (LDO) or Build/Develop/Operate (BDO)

Under these partnerships arrangements, the private party leases or buys an existing facility from a public agency; invests its own capital to renovate, modernize, and/or expand the facility; and then operates it under a contract with the public agency.

Lease/Purchase

A lease/purchase is an installment-purchase contract. Under this model, the private sector finances and builds a new facility, which it then leases to a public agency. The public agency makes scheduled lease payments to the private party. The public agency accrues equity in the facility with each payment. At the end of the lease term, the public agency owns the facility or purchases it at the cost of any remaining unpaid balance in the lease.

Sale/Leaseback

This is a financial arrangement in which the owner of a facility sells it to another entity, and subsequently leases it back from the new owner. Both public and private entities may enter into a sale/leaseback arrangements for a variety of reasons.

Tax-Exempt Lease

A public partner finances capital assets or facilities by borrowing funds from a private investor or financial institution. The private partner generally acquires title to the asset, but then transfers it to the public partner either at the beginning or end of the lease term.

Turnkey

A public agency contracts with a private investor/vendor to design and build a complete facility in accordance with specified performance standards and criteria agreed to between the agency and the vendor. The private developer commits to build the facility for a fixed price and absorbs the construction risk of meeting that price commitment.

Source: Types of Public-Private Partnerships. The National Council for Public-Private Partnerships. Available online at: <http://ncppp.org/howpart/ppptypes.shtml>.