

2 February 2024

The Honorable Ben Barnes
Chair of the Appropriations Committee
Room 121
House Office Building
Annapolis, Maryland 21401

Re: Letter of Concern for HB 0515
Workgroup to study the Fiscal and Operational Viability of Public-Private Partnerships for Calvert County Public Schools

Dear Chairman Barnes and members of the Appropriations:

On behalf of AIA Maryland and the nearly 2,000 Architects we represent, we wish to express our concern with exploring Public Private Partnerships for School Construction in Calvert County Maryland. Generally, the interest for a P3 is to deliver a project, or multiple projects very quickly and to aim to push some of the risk to the development entity. While we recognize that a workgroup is not necessarily a directive to proceed, we wish to express our concerns with this type of school project delivery.

In the 2022 Legislative session SB0916/HB0739 established a work group to study this same subject for Charles County, a jurisdiction with 39 schools compared to Calvert County's 25 schools. In short, the recommendations of this first study for both renovation and new construction are that they do not make sense because they require multiple projects to achieve value and it requires prototype school design requiring adequate land and similarity of site conditions and orientation to prototype projects. I can't speak to the needs of Calvert County, but I would suggest that if the needs for multiple and prototype projects do not exist, then a work group to do a similar study for a smaller jurisdiction may not be warranted.

In general, we would like to express grave concern that the Prince Georges County model may be considered the go-to consideration for jurisdictions looking to build schools. We would suggest that following the dollar trail does little to help Maryland businesses, the risks of investment in pursuing a project are too high and the history of many jurisdictions being dissatisfied with the results is a serious concern. There are 6 new schools in the state that may tempt leaders to suggest that we follow their model, but we ask that you pause a moment to evaluate the investment, give the models a while to operate and perform and take a close look at the needs of our communities before supporting a move to go ahead with more projects that follow the P-3 model of school procurement.

If you look at the business base of the lead companies engaged in the P3 school projects completed in Prince Georges County, you may conclude that the funds used for the project do little to benefit the Maryland economy. Fengate Asset Management, that provided the financing for the first phase is based in Toronto Canada. The design and construction teams of the lead Construction and design firms are based in Edmonton Canada and Rhode Island respectively. While both the design and construction firms have small, local offices, the scale of a six-school project is not one that can be readily addressed in a branch office of a national and international company. This means that the bulk of Maryland taxpayer dollars that are funding

the project costs for design and construction management are largely leaving Maryland. At a \$1.23 billion dollar estimated budget, \$15 Million paid annually by PGPCS and \$15 Million paid annually by PG county over the next 30 years, those services are certainly not insignificant.

The cost of pursuing a P3 project is an enormous risk, for example, one of our members, a Maryland design firm considered pursuing the first phase design contract for the Prince Georges County P-3 projects in partnership with the leading construction firm, and they opted not to, recognizing that nearly 1 million dollars of up-front design work was required for the submission package and that design work was fully at risk. The cost of pursuing P-3 projects is a very high risk venture that can only be taken by very high volume practices, which often leads to out-of-state entities being contracted for services as it has been done. Whether it be counsel, financial advising, design, engineering or construction, P-3 entities are complex, and they require significant commitment to up-front costs to pursue. The small local offices of the selected design and construction firms result in a small volume of work associated with those projects to go into the local economy, with the bulk occurring in larger corporate offices. We hope that you too believe it is important for publicly funded projects in Maryland to aim to provide opportunities for Maryland based businesses.

P3 approach to school construction has been tested in numerous jurisdictions, including the UK, Canada and Australia, but virtually all that have begun P-3 school construction programs, have reverted back to their prior means of building and managing schools, often citing poor management, little to no cost savings and community discontent. Some of the issues cited in Canadian P3 school projects include the following complaints.

- P3 schools aren't built to last, but to function for the duration of their lease, typically 30 years.
- Occupants have less control over their environment, they are only adjustable by the building owner within the terms of the lease.
- Maintenance teams are 3rd party entities that often have a slower response time than full-time maintenance staff. Developers are paid based on when the buildings are used, so using the gym for a community event or such is a leasing agreement that needs to be worked out by the developer.
- Typically, developers name their price on buying buildings back after the initial leasing period, so costs may be higher and the planned obsolescence of the original build may raise overall maintenance costs.

We appreciate your focus on efficient use of tax dollars for the design and construction of schools. We believe the talent and skills to design, construct and operate those school projects to meet the specific needs of the communities can be best met locally. We hope you will consider our input as you consider this legislation and think as to which path will build stronger communities in our home state of Maryland.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Parts', with a long horizontal line extending to the right.

Chris Parts, AIA
Director, Past President, AIA Maryland

cc:
Budget and Tax Committee

Attached: 2022 Charles County P3 work group report referenced.