

Design Build in Indiana "What Is Legal...And What Is Not"

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March 26, 2003

Definitions

- Privatization
- Public Private Partnerships
- Design Build
- BOT—Build Operate Transfer

Potential Benefits of Design Build

- Improved timing—accelerated construction schedule
- Eliminates one of 2 "Bidding" Processes
- Allows For Construction to begin prior to completion of all design work
- Starting to be used in many places

Legal Bases for Design Build

- Home Rule
- Redevelopment Statutes
- Indiana Code 5-23—Public Private Partnerships

Financial Considerations

- Financing costs
 - Capitalized interest
 - Bond issuance costs
 - Interest rates
- Project costs
 - Design
 - Construction

Financing Costs

- Capitalized interest allowance may be less with a private project.
- Bond issuance costs ("financing costs") may be less with a private project.
- Interest costs will likely be more with a private project.
- Taxable vs. Tax exempt interest rates.

Construction Costs

- Private construction projects may be less costly than public projects.
 - No requirement to use prevailing wages.
 - Contracts may be negotiated.
 - Contingency allowance may be budgeted at a lower amount for a private project.

Illustration of Financing Comparisons

	Public Project	Private Project
Construction	\$1,000,000	\$900,000
Financing costs	75,000	40,000
Capitalized interest	65,000	40,000
Total costs	\$1,140,000	\$ 980,000

Illustration of Financing Comparisons (Cont'd)

	Public Project	Private Project
Project Costs	\$1,140,000	\$ 980,000
Interest Rate	5.50%	8.00%
Years to Maturity	15	15
Annual Payments	\$114,000	\$114,000

Summary

- Compare both construction and financing costs.
- Consider competitive proposals for design build projects.
- Consider the financial ability of the private company.
- Determine legal basis for project

The Future

- If Design Build is to be widely used, it will likely require a change in law or a sufficient number of projects to develop design build as an accepted practice.
- Who will be the proponents of DB?

Design Build in Indiana

"What is legal...and what is not?"

- Your guess is as good as mine