

# Innovative Finance and Project Delivery

## Policy Brief



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Plan



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## Introduction

Public agencies face a variety of challenges in delivering transportation projects efficiently amid resource constraints and uncertainty. This policy brief examines how alternative delivery and financing strategies can accelerate schedules, mitigate risks, and provide greater value for public investments. It focuses on the considerations specific to Illinois and the CMAP region, including statutory context and examples to date. In doing so, it aims to inform public agencies on how these tools can be used in their own projects.

The first section reviews delivery and financing approaches, covering traditional publicly financed, design-bid-build procurement through the spectrum of alternative delivery and finance approaches. This section covers public-private partnerships, explaining their features, benefits, challenges, and overlap with the continuum of alternative delivery and finance approaches. In addition, the section reviews alternative financing tools, value capture, and other variations of alternative project delivery.

The second section reviews a set of emerging trends and key issues relevant to the alternative financing and delivery landscape in Illinois, as well as considerations that may inform future deployment of these strategies by agencies in the CMAP region and beyond.

Three appendices follow the main body of this document. The first provides historical context and an overview of statutes relating to alternative delivery and finance in Illinois. The second contains a more in-depth discussion of two projects that demonstrate the range of strategies employed by agencies within the state. The third appendix includes a tabular summary of the methods discussed in this brief.

## Alternative Project Delivery and Financing Approaches

Public agencies increasingly seek innovative ways to deliver and finance transportation and infrastructure projects to address increasing capital needs, rising construction costs, and constrained public budgets. Traditionally, public agencies have delivered infrastructure through design-bid-build, with the public sector bearing most risks, and financed projects via pay-as-you-go or government-issued debt, typically municipal bonds. Alternative project delivery and financing approaches can offer new methods for structuring, managing, and funding projects. These approaches often combine traditional public resources with private sector participation. Alternative project delivery and financing models can expedite delivery, improve cost certainty, and allocate project risks to the parties best able to manage them.

Illinois already possesses several statutory tools that enable alternative delivery (discussed below). Examples include design-build and construction manager/general contractor (CMGC) authorities, which allow agencies to integrate design and construction phases or collaborate early with contractors to reduce cost overruns and delays. Other mechanisms, such as public-private partnerships (P3s), value capture, and project

bundling, are also authorized under specific state laws or pilot programs. These frameworks provide flexibility for transportation agencies and local governments to match the right delivery model with the project’s scope, scale, and risk profile.

The selection of a project’s delivery method is closely tied to its financing strategy. A financing approach—such as leveraging future revenue through bonds, loans, or private equity—can shape how risks are distributed between public and private partners, influence project timelines, and determine long-term operations and maintenance responsibilities. By the same token, the chosen delivery method may affect how financing is structured, the timing of expenditures, and the ability to attract private investment.

It is essential to distinguish between funding and financing: funding refers to the revenue sources that pay for a project, while financing determines how those funds are leveraged and structured to support upfront construction costs. This brief focuses on delivery and financing mechanisms, not on the creation of new revenue sources. Alternative revenue mechanisms—such as mileage-based user fees, tolls, or new transportation taxes—are addressed in companion policy briefs developed in support of the Financial Plan process.<sup>1</sup> Instead, this policy brief centers on existing and emerging methods that enable Illinois and its local partners to deliver infrastructure projects more efficiently, manage risks effectively, and maximize the use of available financial tools.

## **Continuum of Project Delivery/Financing Approaches**

Transportation projects can be delivered through a range of approaches that vary in how they allocate responsibility, risk, and financial participation between public and private partners.

As agencies pursue more complex or time-sensitive projects, alternative delivery methods have evolved to integrate phases and private-sector partners earlier in the process. These approaches may also be selected to address limited agency capacity and leverage innovation. Each model can be characterized by the degree to which the private partner assumes roles traditionally held by the public owner, particularly in design, construction, financing, operations, and maintenance. Moving along this continuum, the private sector takes on progressively greater responsibility for project risk, lifecycle performance, and financing.

Illinois law provides opportunities for agencies to leverage a growing suite of these alternative project delivery and financing tools that enable agencies to accelerate project

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<sup>1</sup> Chicago Metropolitan Agency for Planning (CMAP) et al., “Modernizing Illinois Sales Tax – A pathway to a sustainable future.” March 2025, [https://cmap.illinois.gov/wp-content/uploads/dlm\\_uploads/Modernizing-Illinois-Sales-Tax-report.pdf](https://cmap.illinois.gov/wp-content/uploads/dlm_uploads/Modernizing-Illinois-Sales-Tax-report.pdf); CMAP, “Transportation funding strategies: Revenue options for consideration in the Financial Plan for Transportation.” August 2025, <https://cmap.illinois.gov/wp-content/uploads/CMAP-Revenue-Alternatives.pdf>; CMAP, “Tolling and pricing strategies: Revenue options for consideration in the Financial Plan for Transportation.” September 2025, <https://cmap.illinois.gov/wp-content/uploads/CMAP-Tolling-Pricing.pdf>.

completion, attract private investment, and better manage risk compared to traditional design-bid-build procurement and public finance. Through statutes such as the Innovations for Transportation Infrastructure Act and the Public-Private Partnerships for Transportation Act, the Illinois Department of Transportation (IDOT), the Illinois State Toll Highway Authority (Tollway), and other entities may employ methods like design-build, progressive design-build, construction manager/general contractor, and various public-private partnership (P3) models. These mechanisms are highlighted in the examples below and discussed in an appendix, **Context and Statutory History in Illinois**.

*Figure 1. Continuum of Private Participation in the Delivery of New Transportation Infrastructure*

The subsections below provide an overview of each of the approaches on the spectrum illustrated in **Figure 1**. Where relevant, each section includes federal and/or state authorization, pending proposals, and considerations regarding their adoption and implementation. Each section also notes representative projects illustrating how each tool has been applied or proposed for use across the state. A comparative table at the end provides a concise reference of each method, its legal basis, key features, and example applications.

### **Design-Bid-Build (DBB)**

Design-Bid-Build (DBB) is considered the traditional approach for delivery of transportation infrastructure projects. In a DBB approach, the infrastructure owner (e.g., IDOT) hires one team to design the project and then separately solicits bids from contractors to construct it. The design and construction phases are distinct and completed sequentially. This process provides for clarity of roles and responsibilities and ensures costs are fully developed in final design before moving on to construction bidding. However, DBB can

result in longer delivery timelines since design and construction are sequential. It offers limited contractor input during design, which may lead to constructability issues, change orders, or budgetary changes if the products of earlier phases are not aligned with contractor capabilities or expectations.

### *Examples*

This is the most common type of approach in Illinois, representing most projects delivered by IDOT, local governments, and other public agencies.

### **Construction Manager/General Contractor (CMGC)**

Construction Manager/General Contractor (CMGC), also known as Construction Manager at Risk, is a slight variation on the DBB approach. CMGC allows the public owner to retain design responsibility but engages a contractor early to provide input on constructability, schedule, and cost. After design completion, the same contractor executes construction under a negotiated price. This model allows collaboration while maintaining greater public control of design, financing, and ownership.

### *Statutory Authority*

The *Innovations for Transportation Infrastructure Act* (630 ILCS 10/15) authorizes the use of the CMGC approach for both IDOT and the Tollway. It includes some restrictions on the use of the CMGC method, such as additional conditions on projects above specified estimated cost thresholds. Until August 2025, the Act also included a restriction that IDOT could use CMGC on up to two projects per year, although that restriction has since been lifted.<sup>2</sup>

### *Examples*

IDOT is currently deploying the CMGC method for the I-290 Drainage Improvement Project and issued a notice of intent to award a contract to a selected CMGC firm in September 2025.<sup>3</sup> This project is discussed in more detail in **Spotlight on Project Examples in Illinois**.

The Tollway is also developing its CMGC program, though it has yet to deploy it for a project.<sup>4</sup>

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<sup>2</sup> Illinois Public Act 104-0281, <https://www.ilga.gov/ftp/Public%20Acts/104/104-0281.htm>.

<sup>3</sup> Illinois Department of Transportation (IDOT), "Memorandum: Determination on Award Recommendation I-290 Drainage Improvement Project (Contract No. 62W51)." September 12, 2025, <https://webapps1.dot.illinois.gov/WCTB/InnovativeProjectDeliveryProcurementRequest/ViewDocument/69eea2a9-07f5-4f25-8251-bf50db10bd23>.

<sup>4</sup> Illinois Tollway, "Alternative Delivery Program Progress Report to the Illinois General Assembly." June 30, 2025. Accessed October 2025,

## Design-Build (DB)

This method of project delivery combines design and construction under a single contract. The contractor delivers both design and construction services for a fixed or guaranteed maximum price, with the aim of reducing schedule and cost risks through concurrent activities. The public owner funds the project and typically retains operations and maintenance responsibilities.

Proponents of DB and its companion approach, Progressive Design-Build (PDB), which is defined in the following subsection, emphasize time and cost efficiency, particularly for large, complex, or schedule-sensitive projects such as major interchanges or bridge replacements.<sup>5</sup> However, critics may raise concerns about transparency, competition, and accountability, arguing that combining design and construction may reduce the ability to control costs through competitive bidding or to ensure robust small business participation. These concerns can often be mitigated through careful RFP development and scope definition, which help preserve competition and promote equitable participation.

### *Statutory Authority*

In addition to CMGC, the *Innovations for Transportation Infrastructure Act* (630 ILCS 10/1) authorizes the DB approach for both IDOT and the Tollway. It also authorizes the companion Progressive Design-Build (PDB) approach discussed below. Under this Act, IDOT may undertake up to \$500 million in DB/PDB projects annually (recently changed to increase the total allowed contract value from \$400 million during any given Multi-Year Program).<sup>6</sup> The Tollway has parallel authority for its own projects, with a restriction of up to 20 percent of its annual improvement program.<sup>7</sup> For large projects exceeding \$30 million, the statute requires the use of independent construction managers to provide oversight and ensure transparency. Candidate IDOT projects are selected from the MYP based on criteria developed by IDOT's Bureau of Innovative Project Delivery (IPD), which maintains an "Innovative Project Delivery Manual" to guide implementation.<sup>8</sup>

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[https://www.ilga.gov/Documents/Reports/ReportsSubmitted/5959RSGAEmail13055RSGAAttachLT\\_Tollway\\_CR\\_AlternativeDelivery\\_GeneralAssemblyUpdate\\_06302025\\_FINAL%20\(part%201\)%20-%20signed.pdf](https://www.ilga.gov/Documents/Reports/ReportsSubmitted/5959RSGAEmail13055RSGAAttachLT_Tollway_CR_AlternativeDelivery_GeneralAssemblyUpdate_06302025_FINAL%20(part%201)%20-%20signed.pdf)

<sup>5</sup> IDOT, "IDOT IPD Manual and Guidelines." July 2023,

[https://idot.illinois.gov/content/dam/soi/en/web/idot/documents/transportation-system/planning/ipd/idot-ipd-guide\\_V1.1.pdf](https://idot.illinois.gov/content/dam/soi/en/web/idot/documents/transportation-system/planning/ipd/idot-ipd-guide_V1.1.pdf)

<sup>6</sup> Current practice is governed by 630 ILCS 10/15. For more information on earlier restrictions, see: IDOT, "IDOT IPD CMGC/DB/PDB Program Fact Sheet," Accessed October 13, 2025,

<https://idot.illinois.gov/content/dam/soi/en/web/idot/documents/transportation-system/planning/ipd/idot-cmgc-db-factsheet.pdf>

<sup>7</sup> Illinois Tollway, "Alternative Project Delivery Update." August 21, 2025,

[https://agency.illinoistollway.com/documents/20184/1590275/20250821\\_ENg%20Comm%20PPT%20Alternative%20Project%20Delivery.pdf/](https://agency.illinoistollway.com/documents/20184/1590275/20250821_ENg%20Comm%20PPT%20Alternative%20Project%20Delivery.pdf/)

<sup>8</sup> IDOT, "IDOT IPD CMGC/DB/PDB Program Fact Sheet."

Illinois counties and municipalities also have the authority to enter into DB contracts. The *County Design-Build Authorization Act* (55 ILCS 5/5-45) and the *Municipal Design-Build Authorization Act* (65 ILCS 5/11-39.2) provide a structured process through which counties and municipalities can leverage the DB approach, subject to statutory requirements related to the evaluation and selection process.

### Examples

IDOT is planning to use the DB approach on upcoming projects to replace the US 34/IL 23 bridge over Little Indian Creek and the US 52 bridge over the Fox River.<sup>9</sup> The selection of the DB team is expected in late 2025.

Other agencies, such as the Chicago Transit Authority (CTA), have also deployed the DB approach on their projects. Most notably, CTA's ongoing Red Line Extension project leverages the DB method for its \$2.9 billion construction contract with the selected vendor.<sup>10</sup>

### Progressive Design-Build (PDB)

Progressive Design-Build (PDB) is a variation that involves ongoing collaboration to “progress” the design and refine the project scope to meet project objectives with the goal of negotiating a mutually agreeable Guaranteed Maximum Price (GMP) for the design and construction work. The aim of this approach is to facilitate a best-value scope and price for the public, with pricing done when the design is further advanced. At the same time, finalization of pricing at a later project stage is advantageous for the PDB contractor, since risks will be better understood.

### Statutory Authority

The PDB approach is specifically referenced in the *Innovations for Transportation Infrastructure Act* discussed above. However, the county and municipal authorizations noted above do not explicitly discuss or authorize the PDB approach.

### Example

IPD has identified the I-39 bridges over the Kishwaukee River as a candidate project for PDB. The project will remove and replace both bridges with new structures that will include three lanes in each direction as opposed to the current two lanes each way and is currently

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<sup>9</sup> IDOT, “D3 – US - 34 and US 52 Bridge Replacement Project – DB – Industry Forum.” February 24, 2025, <https://idot.illinois.gov/content/dam/soi/en/web/idot/documents/transportation-system/planning/ipd/idot-ipd-us34-us52-bridges-db-industry-forum-summary-20250224-1.pdf>.

<sup>10</sup> CTA, “Promised More Than 50 Years Ago, the Red Line Extension (RLE) Project Moves Closer to Groundbreaking with Award of Construction Contract to Walsh-VINCI Transit Community Partners.” August 14, 2024, <https://www.transitchicago.com/promised-more-than-50-years-ago-the-red-line-extension-rle-project-moves-closer-to-groundbreaking-with-award-of-construction-contract-to-walsh-vinci-transit-community-partners/>.

in pre-procurement.<sup>11</sup> Structural complexity, environmental constraints, and schedule sensitivity are major factors in this project. By using PDB for this project, IDOT aims to improve constructability, reduce risk, and enable early work packages to accelerate delivery.

### **Design–Build–Operate–Maintain (DBOM)**

DBOM extends the DB model by transferring long-term operations and maintenance responsibilities to the private partner. The public agency continues to fund and own the facility but potentially benefits from performance-based operations and lifecycle efficiency.

Supporters of DBOM for project delivery emphasize risk transfer and lifecycle optimization. However, detractors cite complexity and the challenge of ensuring adequate public oversight over long-term operations of public assets, especially since DBOM contracts may extend for decades.

#### *Statutory Authority*

There do not appear to be any standalone authorizations of DBOM under Illinois law. However, the DBOM approach is available for use in some cases under the terms of the *Public-Private Partnerships for Transportation Act* (630 ILCS 5/), hereinafter referred to as the P3s for Transportation Act. Other legislation (discussed below in **Public-Private Partnerships**) may also provide P3 authorizations on a project-by-project basis or for specific categories of governmental agencies.

#### *Examples*

There are no known examples of DBOM in Illinois to date. As with other P3 variations, it could be pursued through the *P3s for Transportation Act* or other project-specific authorizations such as the *Public-Private Agreements for the South Suburban Airport Act* (620 ILCS 75/).

### **Design-Build-Finance (DBF)**

Design-Build-Finance (DBF) builds on DB by including private financing. In a DBF approach, the private entity provides upfront capital, typically repaid by the public agency over time through appropriations or a project-specific revenue stream (e.g., toll revenues). This shifts some financial risk to the private sector and can accelerate project delivery when public funds and public finance are constrained.

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<sup>11</sup> IDOT, “IDOT D2 – I-39 Over Kishwaukee River Bridge Replacement Project – PDB – Industry Forum.” September 22, 2025, <https://idot.illinois.gov/content/dam/soi/en/web/idot/documents/transportation-system/planning/ipd/i-39-industry-forum-20250922.pdf>.

Proponents of this method argue that DBF can accelerate project initiation by shifting upfront financing to private partners, bridging near-term public funding constraints and cash flow gaps for smaller capacity partners before long-term public funding or dedicated revenue streams become available. Critics note that DBF typically does not transfer significant long-term risk and may increase financing costs compared to public finance if not paired with cost savings through private operations or maintenance.

### *Statutory Authority*

As with the DBOM model, DBF is potentially available for some Illinois agencies under both general and project-specific P3 authorizations.

### *Examples*

None (see DBOM).

## **Design–Build–Finance–Operate–Maintain (DBFOM)**

The most comprehensive alternative delivery approach is a package of designing, building, financing, operating, and maintaining. Through the DBFOM approach, the private partner (often a consortium comprising multiple private firms) handles all responsibilities on the facility for a specified term (often 30+ years). The private partner is repaid through either availability payments (which are contractually required performance-based payments from the public agency to the private partner), project-generated revenues (e.g., toll revenue), or some combination. This model allocates substantial lifecycle and financial risk to the private partner while maintaining public ownership of the underlying asset.

Supporters view DBFOM as a way to leverage private capital and expertise to deliver large-scale projects (e.g., with a cost of \$500M or more) sooner, particularly those with user-fee revenue potential. Critics highlight concerns about long-term public control, labor protections, and the complexity of financial risk allocation.<sup>12</sup>

### *Statutory Authority*

As with the DBOM and DBF approaches, DBFOM is potentially available for some Illinois agencies under both general and project-specific P3 authorizations.

### *Example*

The Houbolt Road Bridge Project in Joliet, Illinois is a DBFOM project that delivered a new 1.5-mile extension of Houbolt Road, including a tolled bridge over the Des Plaines River. Under the agreement, CenterPoint Properties Trust and United Bridge Partners financed, designed, and constructed the bridge. This private partner will operate and maintain it for

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<sup>12</sup> FHWA, “New Build Facilities.” Accessed October 2025, [https://www.fhwa.dot.gov/ipd/p3/defined/new\\_build\\_facilities/](https://www.fhwa.dot.gov/ipd/p3/defined/new_build_facilities/).

the duration of the 99-year concession period, while ownership remains with the City of Joliet.<sup>13</sup>

### Operate–Maintain (O&M) or Concession Agreements

In some cases, an existing public asset may be leased to a private operator. The private operator, in exchange for an upfront payment, is responsible for operations, maintenance, and sometimes capital improvements. In return, the private operator receives specific compensation, either through direct payments from the owner (e.g., availability payments) or from an asset-specific revenue stream (e.g., tolls) either in whole or in part. This approach is not shown on the continuum of alternative delivery approaches in **Figure 1** since it refers to agreements related to existing assets.

Supporters cite these agreements as models of risk transfer and private innovation, noting that they can allow public agencies to monetize existing assets and make funds available for other capital investments. However, any sale or lease of an existing asset must be carefully evaluated, as the long-term nature of many of these agreements can constrain future public control over important questions of public policy (e.g., toll rates, the use of public assets).

#### Statutory Authority

The ability to privatize or lease existing assets varies by jurisdiction. The *P3s for Transportation Act* allows for P3s involving existing assets for agencies specified in the statute, which could include some form of concession agreement. Where agencies lack explicit statutory authority to enter into long-term concessions, enabling legislation or amendments to existing statutes would typically be required, often involving legislative approval and, in some cases, public stakeholder engagement. In other cases, agencies may possess the ability to enter into a long-term concession as part of their existing authorities, e.g., the City of Chicago through its home rule power as discussed below.<sup>14</sup>

#### Examples

The City of Chicago has entered into multiple long-term concession agreements. For example, in 2005, Chicago and the Skyway Concession Company signed a 99-year agreement to privatize the existing 7.8-mile toll bridge. Through the arrangement, the concessionaire made a single \$1.83 billion upfront payment to the city. In return, the concessionaire receives all toll revenue and can increase toll rates over time, subject to

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<sup>13</sup> FHWA, “Project Profile: The Houbolt Road Bridge P3 Project, Joliet Illinois.” Accessed October 2025, [https://www.fhwa.dot.gov/ipd/project\\_profiles/il\\_houbolt\\_road\\_bridge\\_p3\\_project.aspx](https://www.fhwa.dot.gov/ipd/project_profiles/il_houbolt_road_bridge_p3_project.aspx)

<sup>14</sup> City of Chicago. “Authorization for Execution of Concession and Lease Agreement for Operation of Chicago Skyway Toll Bridge System.” October 27, 2004, [https://www.chicago.gov/content/dam/city/depts/fin/supp\\_info/AssetLeaseAgreements/Skyway/Skyway\\_Ordinance.pdf](https://www.chicago.gov/content/dam/city/depts/fin/supp_info/AssetLeaseAgreements/Skyway/Skyway_Ordinance.pdf).

specified limits. The concessionaire is responsible for operating expenses and some capital expenses.<sup>15</sup>

Shortly following the privatization of the Chicago Skyway, the City of Chicago entered into a concession agreement to transfer its parking meter system to a private consortium. This transaction generated \$1.16 billion for the city, in return for which the private concessionaire received the rights to parking meter revenue over a 75-year period.<sup>16</sup>

## Public-Private Partnerships

Several of the options on the continuum discussed above, most notably DBFOMs and O&M concession agreements, are also referred to as types of Public-Private Partnerships (P3s).<sup>17</sup> The Federal Highway Administration (FHWA) defines a P3 as a competitively procured, performance-based contract between a public agency and a private entity (often a consortium of design, construction, and finance partners). The private partner delivers specific project outcomes in exchange for the right to receive payments contingent on performance. P3s are generally used for large, complex, or capital-intensive projects when integrating lifecycle considerations—design, construction, financing, operations, and/or maintenance—can provide efficiencies that outweigh the higher costs of private finance.

P3s do not constitute full privatization since ownership of the underlying asset remains with the public sector and the private partner is compensated based on performance, either through user revenues or periodic payments from the public agency. According to FHWA and the Build America Bureau,<sup>18</sup> the goal of a P3 is to allocate project risks and responsibilities to the party best able to manage them while ensuring long-term value for money.

Key features include:

- *Performance-based contracts:* Payments are tied to service availability or quality rather than simply project completion.
- *Long-term horizon:* Agreements typically range from 20 to 50 years, and sometimes longer, encouraging lifecycle cost optimization.

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<sup>15</sup> FHWA, “Infrastructure case study: Chicago Skyway bridge.” Accessed October 2025, [https://www.fhwa.dot.gov/ipd/value\\_capture/case\\_studies/chicago\\_skyway\\_bridge.aspx](https://www.fhwa.dot.gov/ipd/value_capture/case_studies/chicago_skyway_bridge.aspx).

<sup>16</sup> Metropolitan Planning Council (MPC), “Innovative Infrastructure Delivery: Chicago Parking Meter Analysis.” Accessed October 2025, <https://metroplanning.org/projects/innovative-infrastructure-delivery-chicago-parking-meter-analysis/>.

<sup>17</sup> The term “P3” could on rare occasions be used to discuss variants such as DBOM or DBF. It almost never refers to CMGC or DB/PDB.

<sup>18</sup> USDOT Build America Bureau (BAB), “Public-Private Partnerships (P3).” Last modified October 1, 2025, <https://www.transportation.gov/buildamerica/p3>.

- *Risk transfer*: Construction, cost overrun, and operational risks are partially or wholly transferred to the private sector.
- *Value-for-Money (VfM) analysis*: Prior to proceeding with a P3, a quantitative and qualitative VfM assessment determines whether a P3 offers better value than conventional delivery.

### **P3 Risk Allocation and Management**

FHWA's *Risk Assessment for Public-Private Partnerships: A Primer*<sup>19</sup> emphasizes that P3s do not eliminate public-sector risk. Instead, P3s redistribute those risks. Construction risk (including cost overruns and schedule delays) is often transferred to the private consortium, while regulatory and demand risks typically remain with the public agency. Effective P3s achieve "optimal risk transfer," meaning risks are assigned to the party best positioned to mitigate them at the lowest cost. Tools such as probabilistic risk modeling, sensitivity analysis, and lifecycle cost estimation are used to inform procurement strategy.

### **Benefits and Challenges of P3**

The 2019 FHWA guide and World Bank's PPP Reference Guide 3.0<sup>20</sup> identify the potential benefits of P3s as:

- *Acceleration of project delivery* through private financing and integrated management.
- *Lifecycle cost savings* from optimized maintenance and performance incentives.
- *Improved innovation and project management efficiency* due to private-sector competition.
- *Enhanced predictability in budgeting* through fixed-price, performance-based contracts.

Challenges include:

- *Complexity and transaction costs*: P3s require specialized legal, financial, and technical expertise to structure and negotiate.
- *Revenue uncertainty*: Demand-risk projects, particularly toll facilities, may face insufficient revenues (relative to forecasts) or general revenue volatility. Depending on the structure of the P3, the sharing of risk, and the reason for any under-performance, this could require additional contributions from private and/or public partners.

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<sup>19</sup> FHWA, "Risk Assessment for Public-Private Partnerships: A Primer." January 2014, [https://www.fhwa.dot.gov/ipd/p3/toolkit/publications/primers/risk\\_assessment/ch\\_1.aspx](https://www.fhwa.dot.gov/ipd/p3/toolkit/publications/primers/risk_assessment/ch_1.aspx)

<sup>20</sup> World Bank, "PPP Reference Guide 3.0." April 27, 2017, <https://ppp.worldbank.org/library/ppp-reference-guide-3-0-full-version>

- *Public perception:* Misgivings about private sector involvement can generate political resistance.
- *Financing cost differentials:* Private capital typically carries higher rates than tax-exempt municipal debt, which can offset some efficiency gains and potentially make the project more expensive than if financed solely through public sources.
- *Institutional readiness:* Public agencies must have sufficient capacity to oversee contract compliance, enforce performance standards, and the ability to address public concerns.
- *Market interest:* Successful use of alternative delivery and P3 models depends on strong market interest, which requires a pool of qualified firms, available financing, and confidence in the state’s regulatory framework.

### Private Equity as a Component of P3s

Private equity can play a critical role in closing large upfront funding gaps—often exceeding \$1 billion—for major transportation projects that cannot be fully financed through traditional public borrowing alone. By investing money at the outset, private partners enable construction to proceed without waiting for long-term public funding streams to materialize. In a project’s overall plan of finance, private equity typically complements other funding sources such as tax-exempt bonds, federal loans (discussed below), and public grants, forming part of a broader public-private partnership structure. While private investors require a higher return on their equity than what public agencies would pay on tax-exempt debt, they also assume a proportional share of project risk—including potential loss of investment—if anticipated revenues such as tolls, availability payments, or other user fees fail to meet projections.

### Statutory Authority

As discussed above, the *P3s for Transportation Act* provides an overarching framework for P3s for a subset of agencies in Illinois, including IDOT, the Tollway, and the five largest counties by population. This statute allows these agencies to enter into agreements with private entities for the design, development, financing, construction, operation, and maintenance of transportation facilities. In essence, this law allows the full range of alternative delivery models previously described *if* they are contracted and delivered as a P3. However, all P3 projects require specific and individual Illinois General Assembly (ILGA) approval prior to procurement.<sup>21</sup> Recent amendments to the *P3s for Transportation Act* also allow for unsolicited proposals and extend applicability to additional governmental entities, expanding the scope for future partnerships.

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<sup>21</sup> 630 ILCS 5/.

Several project-specific authorizations for P3s also exist, including for the ongoing effort to develop a new South Suburban Airport<sup>22</sup> and the previously planned Illiana Expressway.

Some other categories of P3 authority exist but are potentially more restricted in their application. For example, entities constructing a new toll bridge under the terms of the *Toll Bridge Act* (605 ILCS 115) may be able to leverage the included authorities to engage a private concessionaire for the construction and long-term operations and maintenance of the facility, depending on the status of the various parties to the agreement.<sup>23</sup> As discussed above, some home rule entities may also be able to enter into P3 arrangements related to existing assets; however, the number of potential applications is likely limited due to the typical requirement that the asset produce a revenue stream.<sup>24</sup>

### Examples in Illinois

Illinois has had relatively limited experience with P3s. The projects listed in the discussion above represent the bulk of examples to date. In addition to those examples, such as the Houbolt Road Bridge and the Chicago Skyway concession, others that are relevant for consideration include:

- A potential P3 to develop managed lanes on I-55; while the ILGA has adopted a resolution supporting the project under the terms of the *P3s for Transportation Act*, there has been no subsequent procurement for a private partner.<sup>25</sup>
- A proposal to lease the City of Chicago's Midway Airport, which advanced through procurement but was halted in the aftermath of the 2008 financial crisis.<sup>26</sup>

There are several possible reasons for the limited use of these tools in Illinois. While state law allows for the use of P3s on some projects, those authorizations are relatively recent and comparatively limited in scope. The earliest authorizations were for individual projects, such as the Illiana Expressway, and were thus subject to the success or failure of those projects for other reasons. The current framework under the *P3s for Transportation Act* is broader and dates from 2011. However, it has also seen limited use among the subset of agencies within the state to which it applies (IDOT, the Illinois Tollway, and as of

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<sup>22</sup> South Suburban Airport, "Project Delivery." Accessed August 2025, <https://www.southsuburbanairport.com/P3/Index.htm>.

<sup>23</sup> Alex Ortiz, Shaw Local, "Pritzker signs law allowing Will County more control over tollways." June 30, 2020, <https://www.shawlocal.com/2020/06/29/pritzker-signs-law-allowing-will-county-more-control-over-tollways/a170dy6/>.

<sup>24</sup> Shaw Local, "Pritzker signs law allowing Will County more control over tollways." June 30, 2020, <https://www.shawlocal.com/2020/06/29/pritzker-signs-law-allowing-will-county-more-control-over-tollways/a170dy6/>.

<sup>25</sup> Illinois General Assembly, "House Joint Resolution 23." May 2023, <https://www.ilga.gov/documents/legislation/103/HJR/10300HJ0023.htm>.

<sup>26</sup> Hal Dardick, Jeff Coen, and John Byrne, Chicago Tribune, "Emanuel Halts Midway Privatization Bidding." Last modified May 15, 2019, <https://www.chicagotribune.com/2013/09/06/emanuel-halts-midway-privatization-bidding-3/>.

more recently, large counties). The project-specific legislative authorization that the law requires may have posed a particular hurdle, with the required approvals extending overall project development timelines and potentially dampening private partner interest. The state's roadway network is also already mature and built-out, meaning that the likeliest revenue stream for many potential P3s (i.e., tolls on existing capacity to fund their reconstruction) would require yet additional state and/or federal authorizations.

As discussed above, home-rule entities, such as the City of Chicago, had the ability to enter into P3s even prior to the adoption of the P3s for Transportation Act. However, the experiences of the City of Chicago with P3s, especially related to the long-term lease of the parking meter system, have widely been perceived as negative.<sup>27</sup> This perception may have limited interest from both the City of Chicago and other public agencies in pursuing other P3s, even ones that are structured in a more advantageous form.

## **Alternative Financing Tools and Methods**

Aside from private finance as part of alternative delivery (including P3s), transportation agencies can employ a range of financing tools to expand their capacity to deliver projects beyond what traditional pay-as-you-go or traditional tax-exempt debt models allow. These methods and tools blend public credit assistance, private capital, and long-term repayment strategies to make large-scale projects financially more feasible.

Key programs and methods include federal credit programs and tax-exempt bond mechanisms. Federal loan programs for infrastructure projects include Transportation Infrastructure Finance and Innovation Act (TIFIA) and Railroad Rehabilitation and Improvement Financing (RRIF). A third federal credit tool is Private Activity Bonds, which are a form of tax-exempt bonds that can complement private equity invested as discussed above. Some states also maintain their own infrastructure loan programs, usually in the form of State Infrastructure Banks (SIBs).

### **Transportation Infrastructure Finance and Innovation Act (TIFIA)**

The TIFIA program provides direct loans, loan guarantees, and lines of credit for infrastructure projects of national or regional significance. TIFIA loans are subordinate—with payment starting once more senior (and usually private) debt has been fully repaid—and non-recourse, which limits the amount a lender can recover from the borrower in the event of default or bankruptcy. Because the federal government takes on higher-risk elements of a financing package with these attributes, this leaves more attractive investment opportunities available to entice private sector lenders. TIFIA also offers flexible repayment terms and interest rates tied to the federal State and Local Government Series (SLGS) rate – often below market rates. TIFIA can cover up to 49 percent of eligible

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<sup>27</sup> Patty Wetli and Paul Caine, WTTW, “WTTW News Explains: What Happened With Chicago’s Parking Meter Deal?” July 27, 2023, <https://news.wttw.com/2023/07/27/wttw-news-explains-what-happened-chicago-s-parking-meter-deal>.

project costs and is repaid from dedicated revenue sources such as tolls, fares, or lease payments. These favorable terms lower borrowing costs, attract private investment into the overall project funding scheme, and close funding gaps.<sup>28</sup> They are especially attractive in periods when interest rates are elevated, such as today.

Supporters highlight TIFIA's ability to lower borrowing costs and leverage non-federal investment, including private loans and equity. Critics of TIFIA note the administrative complexity and long lead times associated with federal credit review, as well as the difficulty in obtaining federal approval for novel funding streams such as a TIF to secure a TIFIA loan. It is important to note that the TIFIA program was recently adjusted to increase the allowed share of project costs that a TIFIA loan could cover. The new 49 percent figure is increased from a previous cap of 33 percent for many projects.<sup>29</sup>

### *Statutory Authority*

TIFIA is authorized under 23 U.S.C. § 601–609 and is available to eligible Illinois projects.

Illinois agencies, including IDOT, CTA, and local governments, may access the TIFIA program for low-interest federal loans, loan guarantees, or lines of credit for major transportation projects.

### *Examples*

The CTA 95th Street Terminal Improvement Project was supported by a \$79 million TIFIA loan secured by farebox revenues, which provided low-interest, long-term federal financing with flexible repayment terms. This allowed CTA to advance a \$240 million modernization of one of its busiest transit hubs without waiting for full upfront funding. The loan is being repaid over time using dedicated revenues, while the project delivered a new South Terminal, expanded North Terminal, improved bus bays, and enhanced accessibility.<sup>30</sup>

The Chicago Riverwalk expansion from State Street to Lake Street was also supported by a \$98.7 million TIFIA loan. The loan is being repaid over 35 years using revenue generated

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<sup>28</sup> Build America Bureau (BAB), "TIFIA Credit Program Overview." Last modified July 14, 2025, <https://www.transportation.gov/buildamerica/financing/tifia/tifia-credit-program-overview>.

<sup>29</sup> USDOT, "U.S. Transportation Secretary Sean P. Duffy Removes Financing Policy Roadblock to Get America Building Again." July 7, 2025, <https://www.transportation.gov/briefing-room/us-transportation-secretary-sean-p-duffy-removes-financing-policy-roadblock-get-0>.

<sup>30</sup> BAB, "CTA 95th Street Terminal Improvement." U.S. Department of Transportation. Accessed October 17, 2025, <https://www.transportation.gov/buildamerica/projects/cta-95th-street-terminal-improvement>

from vendor contracts and concessions on the Riverwalk, such as tour boat fees and retail leases.<sup>31</sup>

### **Railroad Rehabilitation and Improvement Financing (RRIF)**

RRIF provides direct federal loans and loan guarantees for railroad infrastructure, available to both public and private entities. Like TIFIA, RRIF loans offer flexible repayment terms and low interest rates equal to the government’s cost of borrowing. They can cover up to 100% of project costs and are often used to acquire, improve, or refinance rail equipment and facilities. The program’s \$35 billion allocation,<sup>32</sup> with a portion reserved for small freight railroads, makes it a critical financing tool for multimodal and freight-related projects.

Supporters emphasize RRIF’s role in supporting freight mobility and rail modernization. However, critics cite limited uptake due to procedural burdens and collateral requirements.

#### *Statutory Authority*

Federal law, 45 U.S.C. §821; administered by USDOT Build America Bureau

Illinois railroads and public entities may apply to finance track upgrades, intermodal connections, or station improvements.

#### *Examples*

Metra is considering using a \$230 million RRIF loan to replace or rehabilitate aging bridges on its commuter rail network where 50% of bridges are over 100 years old. The loan would use RRIF’s favorable terms to allow Metra to address urgent infrastructure needs without issuing revenue bonds which reduces borrowing costs and accelerating delivery. Repayment would come from existing operating revenues, primarily fares and regional sales taxes.<sup>33</sup>

### **Private Activity Bonds (PABs)**

PABs are tax-exempt bonds issued by a public conduit issuer on behalf of a private developer to finance qualified transportation facilities (e.g., highways, bridges, transit, and intermodal projects). PABs allow private sponsors to access the tax-exempt market while keeping repayment non-recourse to the public issuer; debt service is typically secured by

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<sup>31</sup> FHWA Center for Innovative Finance Support, “Project Profile: Riverwalk Expansion/Wacker Drive Reconstruction Project.” Accessed August 2025, [https://www.fhwa.dot.gov/ipd/project\\_profiles/il\\_riverwalk.aspx](https://www.fhwa.dot.gov/ipd/project_profiles/il_riverwalk.aspx).

<sup>32</sup> BAB, “Railroad Rehabilitation and Improvement Financing (RRIF).” Last modified July 15, 2025, <https://www.transportation.gov/buildamerica/financing/rrif>.

<sup>33</sup> Metra, “Metra to explore financing to fix bridges.” January 22, 2025, <https://metra.com/newsroom/metra-to-explore-financing-to-fix-bridges>

project revenues (such as tolls, lease, or availability payments). Eligibility generally requires a federal nexus and use for new capital projects rather than assets already in revenue operation. When paired with federal credit (e.g., a TIFIA loan) and other debt, PABs can materially lower a project's weighted average cost of capital and broaden investor participation, improving feasibility without shifting asset ownership away from the public sector.

Advocates cite PABs as a low-cost financing tool for P3s. Critics argue that benefits accrue primarily to private investors and have the effect of reducing federal tax revenues.

#### *Statutory Authority:*

PABs are authorized by 26 U.S.C. §142(m) for highway and freight projects.

#### *Example*

A notable project in Illinois that has issued Private Activity Bonds (PABs) is the CenterPoint Intermodal Center in Joliet.<sup>34</sup> The Illinois Finance Authority served as the conduit issuer for multiple PAB tranches (subsets of bonds issued with different maturity dates and rates of return), including \$150 million in 2010 and \$75 million in 2012.<sup>35</sup> These tax-exempt bonds financed land acquisition, construction, and equipment for rail-to-truck and truck-to-rail transfer facilities, reducing the cost of capital for a project with an estimated total investment of \$1.26 billion.

#### **State Infrastructure Banks (SIBs)**

State Infrastructure Banks are revolving funds capitalized with a combination of federal contributions (transferred from a state's specific modal accounts) and state sources (e.g., MFT revenue or general fund). They provide loans or credit enhancements to eligible transportation projects, allowing states to recycle repayments into future investments. SIBs can offer flexible terms, low-interest rates, and expedited financing for smaller or regionally significant projects that might not meet TIFIA's eligibility thresholds. Illinois maintains authority to establish and operate a SIB under federal law. Expanding SIB utilization could offer Illinois more flexibility in financing local and multimodal projects that fall below the scale of national programs.

Supporters see SIBs as flexible tools to bridge funding shortfalls. However, critics note limited scale and inconsistent funding history (e.g., lack of state and federal funds to capitalize the bank).

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<sup>34</sup> BAB, "Private Activity Bond Allocations." Last modified August 18, 2025, <https://www.transportation.gov/buildamerica/financing/private-activity-bonds-pabs/private-activity-bonds-allocations>.

<sup>35</sup> FHWA, "Project Profile: CenterPoint Intermodal Center – Joliet." Accessed October 17, 2025, [https://www.fhwa.dot.gov/ipd/project\\_profiles/il\\_centerpoint.aspx](https://www.fhwa.dot.gov/ipd/project_profiles/il_centerpoint.aspx).

## Statutory Authority

SIBs are authorized for creation under 23 U.S.C 610. However, Illinois has not yet created a SIB under the terms of that authorization.

## Examples

While Illinois has not yet capitalized a SIB for transportation, a successful example of public revolving loan fund is the Illinois State Revolving Fund (SRF), which similarly provides low-interest loans for specific public works projects and energy infrastructure.<sup>36</sup> The City of Chicago also previously created a somewhat similar entity, the Chicago Infrastructure Trust, which aimed to leverage private funding to support investments across a range of public infrastructure assets.<sup>37</sup>

Other states, such as Texas<sup>38</sup> and Florida,<sup>39</sup> have successfully used SIBs to accelerate local road, bridge, and transit projects by offering below-market loans and faster approvals compared to federal programs.

If implemented for transportation, an Illinois SIB could support local governments and transit agencies in addressing funding gaps for first- and last-mile connections, safety improvements, and multimodal enhancements, while creating a sustainable funding cycle through loan repayments.<sup>40</sup> In addition to traditional capitalization methods, there may also be opportunities to leverage Illinois's existing Transportation Development Credits (also referred to as toll credits) as a funding match through the August Redistribution process.<sup>41</sup> These credits are earned when a state uses locally collected toll revenue to improve the national highway system, which otherwise would have required federal support. The credits can be applied in lieu of a local match for some categories of federal funding (although they are not offset by increased federal funding). Due to extensive

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<sup>36</sup> Illinois Environmental Protection Agency, "Wastewater/Stormwater and Drinking Water Loan program." Accessed October 2025, <https://epa.illinois.gov/topics/grants-loans.html>.

<sup>37</sup> City of Chicago, "Mayor Emanuel Announces Chicago Infrastructure Trust to Invest in Transformative Projects." March 1, 2012, [https://www.chicago.gov/city/en/depts/mayor/press\\_room/press\\_releases/2012/march\\_2012/mayor\\_emanuel\\_announceschicagoinfrastructuretrusttoinvestintrans.html](https://www.chicago.gov/city/en/depts/mayor/press_room/press_releases/2012/march_2012/mayor_emanuel_announceschicagoinfrastructuretrusttoinvestintrans.html).

<sup>38</sup> Texas Department of Transportation, "State Infrastructure Bank (SIB) - Transportation Loan Program." Accessed October 2025, <https://www.txdot.gov/business/grants-and-funding/state-infrastructure-bank.html>.

<sup>39</sup> FHWA, "Florida State Infrastructure Bank." Accessed October 17, 2025, [https://www.fhwa.dot.gov/ipd/finance/innovation\\_profiles/pdfs/Florida\\_State\\_Infrastructure\\_Bank.pdf](https://www.fhwa.dot.gov/ipd/finance/innovation_profiles/pdfs/Florida_State_Infrastructure_Bank.pdf).

<sup>40</sup> FHWA, "State Infrastructure Banks (SIBs)." Accessed October 2025, [https://www.fhwa.dot.gov/ipd/finance/tools\\_programs/federal\\_credit\\_assistance/sibs/](https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_credit_assistance/sibs/).

<sup>41</sup> FHWA, "Memorandum: Use of August Redistribution to Capitalize State Infrastructure Banks." July 7, 2023, [https://www.fhwa.dot.gov/ipd/pdfs/finance/SIB\\_August\\_Redistribution\\_Guidance\\_Memorandum.pdf](https://www.fhwa.dot.gov/ipd/pdfs/finance/SIB_August_Redistribution_Guidance_Memorandum.pdf).

investments in the Illinois Tollway system, Illinois has one of the highest Toll Credit balances available of any state: over \$2.7 billion as of FY23.<sup>42</sup>

## Value Capture

In addition to the financing strategies noted above, public agencies use a variety of complementary strategies that can enhance project feasibility by capturing value from public assets. These *value capture* tools recover a portion of the increased land value generated by public investment in transportation infrastructure.

The most common value capture approach in Illinois is Tax Increment Financing (TIF, described below), which dedicates a portion of future property tax growth within a defined district to repay infrastructure-related debt. Other mechanisms include joint development arrangements in which a public agency partners with a private developer(s) to co-invest in facilities near stations, interchanges, or major corridors. Value capture can provide stable, localized funding sources that align long-term development benefits with infrastructure costs.

### Tax Increment Financing (TIF)

TIF is a value capture mechanism that allows local governments to reinvest future tax revenue increases generated by new development back into the area where that growth occurs. When a TIF district is established, the current assessed value of property within its boundaries is recorded as the base value. As public and private investments spur redevelopment and property values rise, the resulting increase in property tax revenue—known as the tax increment—is set aside rather than being deposited into the general fund. These incremental revenues are then used to finance infrastructure, public improvements, or development incentives within the district.

By pledging the anticipated future tax increments to repay bonds or loans, TIF enables jurisdictions to leverage upfront financing for projects that catalyze further private investment and economic activity. In this way, TIF can align the cost of public improvements with the benefits of increased property values, creating a self-sustaining funding cycle for local revitalization.

Advocates view TIF as a self-financing revitalization tool. However, critics note that due to the structure of the increment, TIFs may also capture incremental property tax revenue that is not attributable to any TIF-funded improvements. As a result, they may divert property tax revenues away from other taxing districts that would otherwise have received it (e.g., school districts, local governments). There are also significant concerns regarding the transparency and accountability of investment decisions made using TIF funds.

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<sup>42</sup> FHWA, “Ending Toll Credits Balance by State - Federal FY 21 – 23.” Accessed November 2025, [https://www.fhwa.dot.gov/IPD/finance/tools\\_programs/federal\\_aid/matching\\_strategies/TCEndBal\\_FY21\\_23.pdf](https://www.fhwa.dot.gov/IPD/finance/tools_programs/federal_aid/matching_strategies/TCEndBal_FY21_23.pdf).

### *Statutory Authority*

TIFs are authorized under the *Tax Increment Allocation Redevelopment Act* (65 ILCS 5/11-74.4-1 et seq.). The statute allows for TIFs to be created in areas that meet certain criteria as a “blighted area.” The maximum initial duration for a TIF is 23 years, though this term can be extended with ILGA approval.

### *Examples*

TIFs are used extensively in northeastern Illinois, including for transit and other infrastructure improvements. For example, the infill Morgan Station on the CTA Pink and Green Lines received \$30 million in TIF funding as part of its overall \$38 million project cost.<sup>43</sup>

### **Transit Tax Increment Financing (Transit TIFs)**

While traditional TIFs can and often do support transit investment, the scale of those investments is constrained by the size and longevity of the TIF district, as well as the potential use of TIF revenues to support a range of eligible expenses. In response to these considerations, Illinois lawmakers have allowed for a limited number of dedicated transit TIF districts in support of specified transit facilities.<sup>44</sup> Currently, Transit TIFs are authorized for three CTA programs (Red Line Extension, Red Purple Modernization, and Blue Line Modernization and Extension) and the Chicago Union Station Master Plan.

Unlike traditional TIFs, the Transit TIFs can only be established within a half-mile radius of a transit facility. They can also last for a longer period than traditional TIFs, potentially up to 35 years. Transit TIFs in some municipalities (most notably the City of Chicago) also have special revenue distribution rules so that school districts (i.e., Chicago Public Schools) are not affected by the creation of the Transit TIF district and continue to receive their full share of future property tax revenues.

### *Statutory Authority*

Transit TIFs are authorized under 65 ILCS 5/11-74.4-3.3 for the four projects noted above. Additional projects would require an amendment to existing law.

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<sup>43</sup> City of Chicago, “Morgan Street CTA Station.” Accessed October 2025, [https://www.chicago.gov/city/en/depts/dcd/supp\\_info/morgan-street-cta-station.html](https://www.chicago.gov/city/en/depts/dcd/supp_info/morgan-street-cta-station.html).

<sup>44</sup> Transit is defined as “any one or more of the following transportation services provided to passengers: inter-city passenger rail service; commuter rail service; and urban mass transit rail service, whether elevated, underground, or running at grade, and whether provided through rolling stock generally referred to as heavy rail or light rail.” A transit facility is defined as “an existing or proposed transit passenger station, an existing or proposed transit maintenance, storage or service facility, or an existing or proposed right of way for use in providing transit services.”

## Examples

Two Transit TIFs have been created in Illinois, both by the City of Chicago. The City of Chicago designated the Red and Purple Modernization Transit TIF in 2016, with an anticipated value of \$625 million in support of Phase One of the Red and Purple Modernization Program.<sup>45</sup> The City of Chicago subsequently designated the Red Line Extension Transit TIF in 2022, with an anticipated value of \$959 million.<sup>46</sup>

## Ground and Airspace Leasing (Joint Development, Caps, and Lots)

Public agencies may generate revenue or direct investment through the lease or development of surplus land, air rights, or rights-of-way. “Caps” refer to decked structures built over existing transportation corridors—such as freeways or rail lines—to create usable space above the right-of-way for parks, plazas, or other types of development (possibly structured as a P3). “Lots” refer to surface or below-grade parcels adjacent to or within public rights-of-way that can be developed to generate income or enhance the function of the transportation system. These types of arrangements can yield recurring revenue from lease income, enhance multimodal connectivity, or create new public amenities while maintaining public ownership of the underlying property.

## Statutory Authority

Some forms of joint development may be allowed under existing statutory authorities, e.g., those that relate to the sale and lease of real property. Additionally, the recently passed Northern Illinois Transit Authority Act explicitly allows transit agencies to pursue joint development opportunities.<sup>47</sup>

## Examples

While there are limited examples of transportation agencies in Illinois acting as joint developers, there is a stronger legacy of development projects that leverage air rights atop transportation assets (albeit as mostly private ventures, with relatively little public sector involvement). For example, in 1929, the Daily News Building (now Riverside Plaza) was built on air rights over Chicago Union Station’s northern tracks. The United States Post Office (now the Old Post Office) followed in 1932. Buildings such as the Merchandise Mart and Prudential Building are built over tracks owned by other railroads around the Loop.<sup>48</sup> More recently, Amtrak engaged with a master developer in 2017 with the possibility of

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<sup>45</sup> City of Chicago, “Red and Purple Modernization Phase One Project Redevelopment Project Area.” Revised November 28, 2016, [https://www.chicago.gov/content/dam/city/depts/dcd/tif/RPM\\_RDP.pdf](https://www.chicago.gov/content/dam/city/depts/dcd/tif/RPM_RDP.pdf).

<sup>46</sup> City of Chicago, “Red Line Extension Redevelopment Project Area.” Revised December 6, 2022, [https://www.chicago.gov/content/dam/city/depts/dcd/tif/T\\_186\\_RedLineExtensionRDP.pdf](https://www.chicago.gov/content/dam/city/depts/dcd/tif/T_186_RedLineExtensionRDP.pdf).

<sup>47</sup> Illinois General Assembly (ILGA), “SB 2111.” October 31, 2025, <https://www.ilga.gov/legislation/BillStatus?GAID=18&DocNum=2111&DocTypeID=SB&LegId=161644&SessionID=114>.

<sup>48</sup> Society of Architectural Historians, “Union Station.” Accessed August 2025, <https://sah-archipedia.org/buildings/IL-01-031-0090>.

developing remaining air rights at and around Chicago Union Station and helping to fund infrastructure improvements at the Station.<sup>49</sup> This effort ultimately resulted in the construction of a new office tower on Amtrak-owned land adjacent to Union Station.

## Other Variations of Alternative Project Delivery

### Public-Public Partnerships

Most transportation infrastructure projects involve multiple public agencies, whether related to permitting, right-of-way acquisition, intersection points of two adjacent systems, or other collaborative efforts. In some cases, however, these interactions may rise to a level that is sometimes referred to as a public-*public* partnership. For example, in some states, such as Texas,<sup>50</sup> there are arrangements where one public-sector tolling agency provides toll collection and/or account management services on behalf of another public agency. There are also examples of strong public-public collaboration in Illinois, including the partnership between IDOT and the Illinois Tollway through which the Elgin-O’Hare Expressway was transferred from IDOT to the Tollway for expansion and conversion into the IL 390 tolled corridor.<sup>51</sup>

Like other public-public collaborations, these arrangements are usually formalized through intergovernmental agreements (IGAs) or memoranda of understanding (MOUs).

### Project Bundling

Project bundling is a procurement and delivery strategy that consolidates multiple similar projects under a single contract or financing package. According to FHWA, bundling allows agencies to achieve economies of scale, streamline environmental and design processes, and reduce administrative costs. It is particularly effective for asset classes such as bridges, culverts, or pavement rehabilitation where repetitive design and construction activities can be standardized. FHWA’s Project Bundling Guidebook<sup>52</sup> highlights benefits such as improved project scheduling, enhanced innovation, and greater market interest from contractors and financiers. States such as Pennsylvania and Ohio have successfully implemented bridge bundling programs that replaced hundreds of small structures under

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<sup>49</sup> Office of the Mayor, City of Chicago, and Amtrak, “Amtrak and Mayor Emanuel Announce Selection of Master Developer for Chicago Union Station.” 2017, <https://www.chicago.gov/content/dam/city/depts/mayor/Press%20Room/Press%20Releases/2017/May/ChicagoUnionStation.pdf>.

<sup>50</sup> Texas Department of Transportation, “TxDOT teams up with HCTRA to enhance toll operations.” November 8, 2024, <https://www.txdot.gov/about/newsroom/statewide/2024/txdot-teams-up-with-hctra-to-enhance-toll-operations.html>.

<sup>51</sup> FHWA, “Elgin O’Hare West Bypass Project.” Accessed October 2025, [https://www.environment.fhwa.dot.gov/pubs\\_resources\\_tools/publications/case\\_studies/NEPA\\_Tolling\\_Elgin\\_Ohare\\_West\\_Bypass\\_IL.pdf](https://www.environment.fhwa.dot.gov/pubs_resources_tools/publications/case_studies/NEPA_Tolling_Elgin_Ohare_West_Bypass_IL.pdf).

<sup>52</sup> FHWA, “Bridge Bundling Guidebook: An Efficient and Effective Method for Maintaining and Improving Bridge Assets.” Accessed: October 8, 2025, [https://www.fhwa.dot.gov/ipd/pdfs/alternative\\_project\\_delivery/bridge\\_bundling\\_guidebook\\_070219.pdf](https://www.fhwa.dot.gov/ipd/pdfs/alternative_project_delivery/bridge_bundling_guidebook_070219.pdf).

unified P3 or design–build–finance contracts, demonstrating significant savings in both cost and time.<sup>53</sup>

Supporters emphasize efficiency, such as streamlined change management processes, reduced administrative burden, and improved consistency in delivery. Critics warn that bundling can limit small contractor participation and local competition. Bundling also may not account for unique characteristics and needs of the affected project area.

### *Statutory Authority*

Bundling does not appear to require specific statutory authority unless explicitly prohibited. IDOT appears to be leveraging its administrative authority under the Bureau of Innovative Project Delivery.

### *Examples*

IDOT conducted a Bridge Bundling Feasibility Analysis in 2022.<sup>54</sup> Since then, IDOT has packaged 57 structures into 14 bundles separated by district, primarily outside of northeastern Illinois. The program targets bridges and culverts in poor condition that share common design characteristics. This allows IDOT to complete more projects in less time at lower costs (up to 14 percent) enabled by economies of scale and streamlined procurement.<sup>55</sup> However, such an approach does not necessarily eliminate all obstacles, as the complexity of environmental or historic review can increase when projects are combined in this manner.

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<sup>53</sup> FHWA, “Bundled Facilities Overview.” Accessed October 2025, [https://www.fhwa.dot.gov/ipd/alternative\\_project\\_delivery/defined/bundled\\_facilities/](https://www.fhwa.dot.gov/ipd/alternative_project_delivery/defined/bundled_facilities/).

<sup>54</sup> IDOT, “IDOT Bridge Bundling Feasibility Analysis.” Accessed August 2025, [https://idot.illinois.gov/content/dam/soi/en/web/idot/documents/transportation-system/planning/ipd/idot-bb\\_factsheet\\_aug05.pdf](https://idot.illinois.gov/content/dam/soi/en/web/idot/documents/transportation-system/planning/ipd/idot-bb_factsheet_aug05.pdf).

<sup>55</sup> IDOT, “Bridge Bundling and Building DBE Awareness.” May 1, 2022, [https://idot.illinois.gov/content/dam/soi/en/web/idot/documents/transportation-system/planning/ipd/20220501\\_bridgebundling\\_tctr\\_presentation.pdf](https://idot.illinois.gov/content/dam/soi/en/web/idot/documents/transportation-system/planning/ipd/20220501_bridgebundling_tctr_presentation.pdf).

## Emerging Trends, Key Issues, and Conclusions

While Illinois has made progress on advancing alternative financing and delivery strategies in recent years, the state remains relatively early in its adoption of most of the strategies discussed in this policy brief. Illinois has taken meaningful—yet cautious—steps toward expanding its capacity to use alternative delivery (Design-Build, Progressive Design-Build, and Construction Manager/General Contractor) and alternative financing methods (especially P3s). While some other states have more mature programs and larger project pipelines, Illinois has begun building a foundation of experience and institutional knowledge that can improve speed, cost-effectiveness, and value in delivering critical infrastructure projects.

### Emerging Trends and Key Issues

Like other states, Illinois continues to confront challenges in the timing and expense of delivering public infrastructure projects. Challenges include:

- Construction costs have increased significantly, especially since the COVID-19 pandemic.
- Many projects face schedule concerns, which further exacerbate cost challenges due to escalating costs and inflation.
- Increased interest rates have raised the cost of financing for public-sector debt overall, including funds used to support transportation capital investments.
- Overall system investment needs, even just to maintain the existing system, often outpace the amount of available transportation system resources, even after accounting for the increased funds from recent state and federal legislation (Rebuild Illinois and the Infrastructure Investment and Jobs Act).

In response to these pressures, and others, public agencies in Illinois and elsewhere have looked to the alternative funding and delivery mechanisms discussed in this policy brief as potential opportunities to accelerate project schedules and better manage costs, as well as allow public agencies to deliver projects that might otherwise remain unbuilt for years or even decades.

Illinois lawmakers have recognized project delivery as an ongoing challenge. The state's Blue-Ribbon Commission on Transportation Infrastructure Funding and Policy has developed recommendations to the legislature on how to “expedite project approval and completion” and to “consider alternative solutions employed by other states.”<sup>56</sup> The

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<sup>56</sup> IDOT, “Blue-Ribbon Commission on Transportation Infrastructure Funding and Policy.” Accessed October 2025, <https://idot.illinois.gov/transportation-system/transportation-management/planning/blue-ribbon-commission-on-transportation-infrastructure-funding-.html>.

Commission’s recommendations include implementing active program management practices, delegating authority from IDOT to local agencies, and enhancing transparency and partnerships with industry partners. More detail on these recommendations and others will be included in the upcoming final report of the Commission, anticipated in 2026.<sup>57</sup>

The Blue Ribbon Commission also noted the importance of public sector capacity to oversee and deliver projects, including those leveraging alternative delivery and financing mechanisms. The Commission’s recommendations include increasing IDOT headcount in targeted areas to ensure that IDOT can deliver large-scale projects and programs efficiently and effectively. When combined with other recommendations related to industry partnerships, this could strengthen IDOT’s ability to scope, procure, and contract with the public and private partners required to advance the multibillion dollar program of investments overseen by IDOT. While the details may vary by agency, similar principles of ensuring adequate public sector capacity and expertise will be important for effective project delivery across agencies in Illinois.

Recent legislative actions enabling DB and CMGC projects represent a turning point for Illinois. IDOT and the Illinois Tollway are beginning to test these methods on selected projects, including the I-290 Drainage Improvements CMGC Project and several initial DB procurements.<sup>58</sup> These early efforts reflect a national trend toward project delivery models that bring design, construction, and risk-management partners together earlier in project development.

At the same time, the state’s experience with large concession-style P3s in the 2000s—such as the Chicago Skyway and Chicago Parking Meter long-term leases—continues to shape a cautious, incremental approach toward private participation in public infrastructure, particularly P3s with user fee-backed private financing. In part as a result, Illinois’s enabling legislation remains relatively restrictive. For example, under current law, IDOT may only undertake \$500 million in DB projects annually. This limitation is designed to manage early start-up risk but may now constrain opportunities to use DB where it could add clear value. As IDOT completes its initial DB projects and demonstrates strong cost and schedule performance, lawmakers could consider removing or relaxing this cap to enable a larger and more diverse DB portfolio. Other agencies in the state have also made only limited use of their existing alternative delivery authorities. Like IDOT, their experiences with any initial projects could provide a basis for future reforms or augmentation of their ability to deploy these delivery models.

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<sup>57</sup> Blue Ribbon Commission on Transportation Infrastructure Funding and Policy, “Commission Meeting: October 21, 2025.” October 21, 2025, <https://idot.illinois.gov/content/dam/soi/en/web/idot/documents/transportation-system/planning/blue-ribbon-commission/10-21-25-brc-meeting.pdf>.

<sup>58</sup> IDOT, “IPD Projects.”

It is also notable that Illinois's P3 authority requires legislative approval for each individual project, effectively adding a political checkpoint before procurement can begin. This safeguard reflects lessons from past asset-monetization transactions, which generated public skepticism about the long-term value of privatization. Illinois, more akin to the State of Washington's approach,<sup>59</sup> has chosen a more measured path—allowing the use of P3s only when public benefits and protections are clearly demonstrated. Nevertheless, this step can deter market interest in P3 participation given the added risk of subjecting individual projects for approval through the political process. By contrast, states such as Virginia<sup>60</sup> have sustained P3 and alternative project delivery programs by establishing dedicated offices, standardizing project review procedures, and sustaining strong public communication efforts.

## Conclusions and Outlook

Illinois's gradual but deliberate expansion of alternative delivery and financing tools represents an evolution in how the state's public agencies can deliver complex projects. The Design-Build, Progressive Design-Build, and CMGC approaches hold promise to improve coordination (thereby reducing change orders) and accelerating project timelines. The success of these early pilot projects will be crucial to building long-term confidence among lawmakers, industry, and the public.

At the same time, maintaining statutory authority for P3s—even under tight oversight—provides an essential option for situations where private participation or financing can fill major upfront funding gaps. Examples such as the Houbolt Road Bridge demonstrate that well-structured, limited-scope P3s can succeed when aligned with public goals and robust oversight.

Overall, Illinois is at an inflection point: many of the state's public agencies have the legal and institutional tools to employ alternative project delivery techniques, but their longer-term acceptance will depend on the performance of this first generation of projects. The coming years will test whether public agencies in Illinois can successfully navigate the inherent tradeoffs of alternative delivery and institutionalize these methods as reliable tools to enhance project value and efficiency.

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<sup>59</sup> State of Washington Legislature, "Joint Transportation Committee P3 Work Group Draft Legislation Framework." June 2024, <https://leg.wa.gov/media/z1ebfcvr/p3-final-report-combo.pdf>.

<sup>60</sup> Virginia Department of Transportation. Virginia Public-Private Partnerships. <https://idot.illinois.gov/transportation-system/transportation-management/planning/innovative-project-delivery/ipd-projects.html>.

## Appendix A: Context and Statutory History in Illinois

Illinois's approach to alternative financing and project delivery for transportation infrastructure has evolved over time.

One category of early initiatives was one-off projects focused on monetizing existing public assets. For example, leasebacks of CTA assets such as the Green Line freed up capital for transit improvements by leveraging available tax benefits;<sup>61</sup> the 2005 Chicago Skyway lease, a 99-year concession for the toll bridge on Chicago's south side, generated \$1.83 billion for the city;<sup>62</sup> and the 2009 Chicago parking meter concession resulted in a long-term lease of the city's meter system to a private consortium, generating approximately \$1.16 billion for the city.<sup>63</sup>

Some agencies in Illinois, especially the City of Chicago and its sister agencies, have also leveraged innovative financing strategies in the development of new projects, such as TIFIA loans and Transit TIFs. For example, CTA has used both of these innovative mechanisms across multiple projects, deploying one or the other on projects such as the 95<sup>th</sup> Street/Dan Ryan Red Line Terminal reconstruction in 2014 and the ongoing Red Purple Modernization.<sup>64</sup> TIFIA has also been leveraged for projects overseen by other agencies, including the extension of the O'Hare Airport Transit System in 2013.<sup>65</sup>

Historically, Illinois had fewer experiences with public-private partnerships and other alternative delivery methods for new projects. The state began to shift that posture with project-specific authorizations, such as in support of the Illiana Expressway project in the early 2010s. The Illiana Expressway proposal was facilitated by the *Public Private Agreements for the Illiana Expressway Act* (605 ILCS 130) in 2010, which allowed IDOT to enter into public-private agreements for the new highway connecting Illinois and Indiana. While the project was suspended, this represented an evolution at the state level in the approach to authorizing a public-private partnership for a new transportation system asset, rather than just the monetization of an existing asset (such as the Chicago Skyway).

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<sup>61</sup> Chicago Transit Authority (CTA), "CTA generates additional \$200,000 in revenue with latest bus lease agreement." September 24, 2003, <https://www.transitchicago.com/cta-generates-additional-200000-in-revenue-with-latest-bus-lease-agreement/>.

<sup>62</sup> FHWA, "Infrastructure case study: Chicago Skyway bridge." Accessed October 2025, [https://www.fhwa.dot.gov/ipd/value\\_capture/case\\_studies/chicago\\_skyway\\_bridge.aspx](https://www.fhwa.dot.gov/ipd/value_capture/case_studies/chicago_skyway_bridge.aspx).

<sup>63</sup> Metropolitan Planning Council (MPC), "Innovative Infrastructure Delivery: Chicago Parking Meter Analysis." Accessed October 2025, <https://metroplanning.org/projects/innovative-infrastructure-delivery-chicago-parking-meter-analysis/>.

<sup>64</sup> FHWA, "Transportation Infrastructure Finance and Innovation Act (TIFIA)." Accessed October 2025, [https://www.fhwa.dot.gov/ipd/finance/tools\\_programs/federal\\_credit\\_assistance/tifia/](https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_credit_assistance/tifia/).

<sup>65</sup> FHWA, "Project Profile: Chicago O'Hare International Airport Consolidated Rental Car Facility and Airport Transit System Extension." Accessed October 2025, [https://www.fhwa.dot.gov/ipd/project\\_profiles/il\\_ohare.aspx](https://www.fhwa.dot.gov/ipd/project_profiles/il_ohare.aspx).

Shortly afterward, the legislature passed in 2013 another project-specific authorization in support of the planned South Suburban Airport. The *Public-Private Agreements for the South Suburban Airport Act* (620 ILCS 75) provided a structure for a proposed airport near Peotone, authorizing IDOT-private sector partnerships.

Amid these project-specific authorizations, the *Public-Private Partnerships for Transportation Act* (P3s for Transportation Act, 630 ILCS 5), passed in 2011, established a more comprehensive framework for IDOT and the Tollway to pursue P3 agreements for transportation facilities. The legislation authorized IDOT and the Tollway to enter into long-term agreements with private entities for the development, financing, construction, operation, and maintenance of transportation infrastructure projects, including highways, bridges, and other facilities. Among other restrictions, any projects pursued under this framework would require prior authorization from the Illinois General Assembly (ILGA). While some restrictions in the law have subsequently been loosened (discussed below), this requirement for project-specific approval remains in force.

In recent years, Illinois has made significant extensions to its framework for alternative delivery, including methods that span the continuum discussed above. For example, the *Innovations for Transportation Infrastructure Act* (630 ILCS 10) in 2022 authorized Design-Build (DB), Progressive Design-Build (PDB), and Construction Manager/General Contractor (CMGC) approaches for both IDOT and the Illinois Tollway. This legislation imposed restrictions on the total value of DB and PDB projects that can be advanced for both agencies. It also limited the number of CMGC projects to a maximum of two per year for IDOT, a restriction that was relaxed in a subsequent amendment to the Act.

Illinois lawmakers expanded the applicability of the *P3s for Transportation Act* in 2023 (P.A. 103-0570). The updated law, which remains in effect, broadens eligibility for P3s to include Illinois's five largest counties by population. It also allows private entities to submit unsolicited proposals and creates a process by which those unsolicited proposals must be considered. As noted above, however, any projects under this statute, including those identified through unsolicited proposals, must still receive authorization from the ILGA prior to procurement.

Illinois lawmakers have also expanded the ability of other agencies, such as counties and municipalities, to pursue alternative delivery methods through other means beyond the *P3s for Transportation Act*. For example, the *County Design-Build Authorization Act* (55 ILCS 5/5-45), which came into effect in 2023, allows counties to enter into Design-Build contracts. The similar *Municipal Design-Build Authorization Act* (65 ILCS 5/11-39.2) came into effect in 2024. Legislative amendments have also supported individual projects, such as revisions to the *Toll Bridge Act* (605 ILCS 115) that enabled the \$190 million Houbolt Road Bridge P3.

## Appendix B: Spotlight on Project Examples in Illinois

### I-290 Drainage Improvement (CMGC)



Figure 2: I-290 Pump Station Construction<sup>66</sup>

#### Project Sponsor

Illinois Department of Transportation

#### Estimated Project Cost

\$250 - \$300 million

#### Delivery and Finance Methods

- Delivery: Construction Manager/General Contractor (CMGC)
- Funding/Finance: Conventional (state funding provided through appropriations)

#### Project Overview

The I-290 Drainage Improvement Project is one of several coordinated projects advancing the larger I-290 Corridor Improvement Program. This project begins from the Des Plaines River (west terminus) to just east of the Austin Boulevard (east terminus) along I-290. Its purpose is to correct long-standing flooding and drainage deficiencies along this below-grade interstate section, which currently relies on a 50-year-old mainline drainage system.

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<sup>66</sup> IDOT, “Look Out Below! “I-290 Pump Station Takes Shape.” May 19, 2022, <https://idot.illinois.gov/news/rrfbs--helping-pedestrians-cross-streets-safely-111.html>.

Partially because of the existing drainage system, the corridor is subject to frequent flooding, deteriorating infrastructure, and limited roadway capacity.

The proposed improvements include a new 3.3-mile supplemental trunk sewer installed at depths of 10 to 65 feet. Two underground water detention vaults will provide additional stormwater storage. The new system will connect to existing facilities, enhancing performance and preparing the corridor for future I-290 reconstruction.

This is a highly complex urban drainage project, located in a constrained corridor beneath and adjacent to active interstate lanes, heavy rail and freight rail lines (CTA and CSX, respectively) and aging utilities. Construction will require advanced tunneling techniques—potentially a mix of tunnel boring machines, microtunneling, and cut-and-cover—all executed within tight right-of-way limits and significant traffic restrictions. The corridor also contains multiple bridge crossings, challenging soil conditions, and critical coordination with future mainline improvements.

To address these challenges, IDOT selected the Construction Manager/General Contractor (CMGC) delivery method under its recent Innovative Project Delivery authority. CMGC allows IDOT to bring a qualified contractor on board during the pre-construction phase to collaborate with design, engineering, and an Independent Cost Estimator. The early partnering enables real-time constructability reviews, risk identification, and mitigation, value engineering, and accurate cost and schedule forecasting before design is completed. Once design reaches an agreed-upon milestone, IDOT and the CMGC will negotiate a Guaranteed Maximum Price (GMP) for construction. This price is reviewed and validated by the Independent Cost Estimator to ensure competitive pricing and transparency. If negotiations are successful, IDOT will proceed with the same contractor to construction; otherwise, the project must revert to traditional bidding.<sup>67</sup>

## Status

In procurement.<sup>68</sup>

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<sup>67</sup>IDOT, “D1 – I-290 Drainage Improvements – CMGC – Industry Forum.” December 9, 2024, <https://idot.illinois.gov/content/dam/soi/en/web/idot/documents/transportation-system/planning/ipd/i-290-drainageproject-cmgc-industryforumsummary-20241209.pdf>.

<sup>68</sup>IDOT, “IPD Projects.” Accessed October 2025, <https://idot.illinois.gov/transportation-system/transportation-management/planning/innovative-project-delivery/ipd-projects.html>.

## Houbolt Road Bridge (DBFOM)



Figure 3: Houbolt Road Bridge Construction<sup>69</sup>

### Project Sponsors and Stakeholders

CenterPoint Properties Trust; State of Illinois/IDOT; Will County; City of Joliet

### Estimated Project Cost

\$190 million

### Delivery and Finance Methods

- Delivery: Design-Build-Finance-Operate-Maintain, upon approval of City of Joliet council<sup>70</sup>
- Funding/Finance: Equity investors (\$150 - \$170 million) covering the toll bridge construction and operation; State funding (\$21 million) for approach and interchange improvements

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<sup>69</sup> Times Weekly Staff, The Times Weekly, “Houbolt Road Extension project opens new bridge to traffic.” April 26, 2023, <https://thetimesweekly.com/2023/04/houbolt-road-extension-project-opens-new-bridge-to-traffic/>.

<sup>70</sup> FHWA, “Project Profile: The Houbolt Road Bridge P3 Project, Joliet, Illinois.” Accessed October 2025, [https://www.fhwa.dot.gov/ipd/project\\_profiles/il\\_houbolt\\_road\\_bridge\\_p3\\_project.aspx](https://www.fhwa.dot.gov/ipd/project_profiles/il_houbolt_road_bridge_p3_project.aspx).

## **Project Overview**

The Houbolt Road Bridge Project in Joliet represents one of Illinois's first modern public-private partnerships, leveraging a long-term Design-Build-Finance-Operate-Maintain (DBFOM) concession. The project created a new, privately financed toll bridge and approach road connecting I-80 to the CenterPoint Intermodal Center (CIC)—one of the nation's largest inland ports and freight distribution hubs. The bridge provides a critical second access route to the intermodal complex, relieving congestion, improving safety, and reducing truck traffic through local neighborhoods and city streets.

Before the bridge, heavy truck volumes accessing the CIC were funneled through arterials and the I-55 interchange, resulting in severe congestion, pavement wear, and safety concerns. The Houbolt Road Bridge project extends the road south across the Des Plaines River to link directly to the CIC, providing a shorter route for freight movement.

The project included construction of approximately 1.5 miles of new roadway and a 0.4-mile, four-lane bridge over the river, along with associated interchange improvements at I-80. Financially, the project needed a structure that could provide significant upfront private capital to fund construction while insulating the State of Illinois and other public partners from direct toll revenue risk.

Under the DBFOM concession, the private joint venture partners are responsible for designing, building, financing, operating, and maintaining the bridge over a 99-year lease term. The City of Joliet retains ownership of the bridge, while private partners recoup their investment through toll revenue collected from heavy trucks and other users. This approach enabled the project to advance without additional state funding, leveraging private equity and debt to cover nearly all construction and lifecycle costs.

During the design-build phase, the private developer assumed performance risk for schedule, cost, and construction quality. Once the bridge opened to traffic in 2023, the project transitioned to the operate-and-maintain phase, where the concessionaire is responsible for long-term upkeep to ensure performance standards are met through the lease period.

The Houbolt Road Bridge project showcases how a well-structured DBFOM P3, plus state-level assistance and collaboration, can deliver important freight infrastructure with only limited public funding. This alternative delivery method and financing structure provides the region and state with a self-financing asset that boosts economic value (freight mobility), demonstrating the value of selective and carefully structured long-term concessions.

## **Status**

Construction is complete, with the toll bridge in operation as a 99-year concession.

## Appendix C: Summary of Methods

Table 1: Continuum of Project Delivery/Financing Approaches

Method	Citation / Authority	Enables Private Financing?	Scope / Authorization	Arguments For	Arguments Against	Example Projects
<b>Design-Build (DB) / Progressive DB / Construction Manager General Contractor (CMGC)</b>	<i>Innovations for Transportation Infrastructure Act</i> ; <sup>71</sup> <i>County Design-Build Authorization Act</i> ; <sup>72</sup> <i>Municipal Design-Build Authorization Act</i> . <sup>73</sup>	No.	IDOT may use DB/PDB on up to \$500M annually and Tollway up to 20% of program.	Faster delivery; early collaboration; reduced change orders; innovation.	Limited competition; transparency concerns; small business participation issues.	US 34/IL 23 and US 52 bridge replacements (DB); I-39 bridge replacements (PDB candidate); I-290 drainage project (CMGC).
<b>Design-Build-Operate-Maintain (DBOM)</b>	None specific to DBOM; may develop under <i>Public-Private Partnerships for Transportation Act (P3s for Transportation Act)</i> <sup>74</sup> or project-specific authorizations, e.g., <i>Public-Private Agreements for the South Suburban Airport Act (SSA Act)</i> <sup>75</sup> and <i>Public Private Agreements for the Illiana Expressway Act (Illiana Act)</i> . <sup>76</sup>	No.	One entity designs, builds, operates, and maintains for fixed term; legislative approval required under <i>P3s for Transportation Act</i> .	Lifecycle efficiency; performance alignment.	Long-term oversight challenges.	No current examples.

<sup>71</sup> 630 ILCS 10/15

<sup>72</sup> 55 ILCS 5/5-45

<sup>73</sup> 65 ILCS 5/11-39.2

<sup>74</sup> 630 ILCS 5

<sup>75</sup> 620 ILCS 75

<sup>76</sup> 605 ILCS 130

Method	Citation / Authority	Enables Private Financing?	Scope / Authorization	Arguments For	Arguments Against	Example Projects
<b>Design-Build-Finance (DBF)</b>	None specific to DBF; may develop under <i>P3s for Transportation Act</i> or project-specific authorizations, e.g., <i>SSA Act</i> or <i>Illiana Act</i> .	Yes.	Private consortium designs, builds, and finances interim costs; repayment via public funds; legislative approval required under <i>P3s for Transportation Act</i> .	Bridges funding gaps; faster starts; limited risk transfer.	Higher financing costs; complex repayment terms.	No current examples.
<b>Design-Build-Finance-Operate-Maintain (DBFOM)</b>	None specific to DBFOM; may develop under <i>P3s for Transportation Act</i> or project-specific authorizations, e.g., <i>SSA Act</i> or <i>Illiana Act</i> ; some bridge P3s may be allowed by leveraging the <i>Toll Bridge Act</i> . <sup>77</sup>	Yes.	Private consortium designs, builds, finances, operates, and maintains; legislative approval required under <i>P3s for Transportation Act</i> .	Mobilizes private capital; lifecycle accountability.	Control & risk complexity.	Houbolt Road Bridge.
<b>Operate-Maintain / Concession</b>	<i>P3s for Transportation Act</i> ; home rule authority. <sup>78</sup>	Yes.	Private partner operates/maintains existing public facility under long-term agreement.	Transfers O&M risk; innovation in management.	Toll policy equity; loss of public control.	Chicago Skyway.

<sup>77</sup> 605 ILCS 115

<sup>78</sup> Ill. Const. Art. VII, § 6

Table 2: Public-Private Partnerships

Method	Citation / Authority	Scope / Authorization	Arguments For	Arguments Against	Example Projects
<b>Public-Private Partnerships (P3s)</b>	<i>P3s for Transportation Act</i> or project-specific authorizations, e.g., <i>SSA Act</i> and <i>Illiana Act</i> .	Enables IDOT, Tollway, and large counties to enter P3 agreements for design, finance, construction, operations, and/or maintenance through one or more of the P3 mechanisms reviewed above (e.g., DBFOM).	Private capital & expertise; accelerated delivery; risk transfer.	Legislative approval barriers; labor/control issues.	Houbolt Road Bridge project; South Suburban Airport (P3 proposed).

Table 3: Alternative Financing Tools and Methods

Method	Citation / Authority	Scope / Authorization	Arguments For	Arguments Against	Example Projects
<b>TIFIA Loans</b>	23 U.S.C. §§ 601–609	Federal credit assistance for transport projects.	Low-interest financing; leverages local funds.	Complex federal processes; cap in percentage of project cost eligible for TIFIA.	Chicago Riverwalk Expansion; CTA 95 <sup>th</sup> Street Terminal Improvement Project.
<b>RRIF Loans</b>	45 U.S.C. § 821	Federal rail loan program for freight / passenger rail.	Supports rail rehabilitation & equipment investment.	Procedural / collateral barriers.	Metra Bridge Rehabilitation/ Replacement (RRIF proposed).
<b>Private Activity Bonds (PABs)</b>	26 U.S.C. § 142(m)	Tax-exempt bonds for eligible transport P3s.	Lower capital costs; private investment incentive.	Federal tax impact; benefits private entities.	CenterPoint Intermodal Center.
<b>State Infrastructure Bank (SIB)</b>	23 U.S.C. § 610; not yet created in Illinois.	Revolving loan fund for state/local projects.	Flexible financing; gap coverage.	Limited capitalization.	No SIB in Illinois.

Table 4: Value Capture

Method	Citation / Authority	Scope / Authorization	Arguments For	Arguments Against	Example Projects
<b>Tax Increment Financing (TIF)</b>	<i>Tax Increment Allocation Redevelopment Act.</i> <sup>79</sup>	Captures property-tax increment for infrastructure; requires municipal approval.	Self-financing revitalization; leverage growth.	Revenue diversion; oversight issues.	CTA Green/Pink Line Morgan Station.
<b>Transit TIF</b>	<i>Tax Increment Allocation Redevelopment Act.</i> <sup>80</sup>	Dedicates incremental equalized assessed value near transit to fund transit capital investments for specified projects; requires municipal approval.	Dedicated funding source.	Narrow base; forecast uncertainty and complexity in financing.	CTA Red-Purple Modernization project.
<b>Ground / Airspace Leases &amp; Joint Development</b>	Various statutory and/or home rule authorities may be relevant depending on agency and desired action, e.g., IDOT, <sup>81</sup> Tollway, <sup>82</sup> counties, <sup>83</sup> and municipalities. <sup>84</sup> Recently passed legislation (SB 2111) would expand the ability for transit agencies to develop and monetize assets adjacent to transit.	Leverage the value created by transportation system investments through leases or developments (either alone or in partnership) in proximity to those assets; depending on project specifics, may require approval by ordinance and/or compliance with federal requirements.	Unlocks land value; encourages private investment.	Complex valuation.	Riverside Plaza and Old Post Office (both private ventures); Amtrak development near Union Station.

<sup>79</sup> 65 ILCS 5/11-74.4-1 et seq.

<sup>80</sup> 65 ILCS 5/11-74.4-3.3

<sup>81</sup> 20 ILCS 2705/2705-555

<sup>82</sup> 605 ILCS 10/8

<sup>83</sup> 55 ILCS 5/5-1005

<sup>84</sup> 65 ILCS 5/11-76-1

Table 5: Other Variations of Alternative Project Delivery

Method	Citation / Authority	Scope / Authorization	Arguments For	Arguments Against	Example Projects
<b>Public-Public Partnerships</b>	Typically formalized by project-specific IGA or MOU.	Arrangement with enhanced coordination/cooperation between multiple public agencies.	Resource-sharing; accountability kept in public sector.	Limitations of public funding/financing still applicable.	Elgin-O’Hare Expressway transfer from IDOT to Illinois Tollway.
<b>Project Bundling</b>	IDOT IPD Bureau (administrative authority).	Combine similar projects under one procurement.	Economies of scale; efficiency.	May limit small contractors.	IDOT Bridge Bundling Pilot.