

DEAL ANALYSIS: Goethals Bridge PPP

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- The first true availability PPP in the north-eastern US.
- Repayments come from Port Authority's consolidated debt reserve fund.
- Marks the return of wrapped debt on US transport PPPs.

The Goethals Bridge replacement PPP resembles an availability payment-based deal, but has some important structural differences. The grantor is the Port Authority of New York and New Jersey, which the two states established to operate ports, airports and crossings, and owns the World Trade Center site in Lower Manhattan.

On Goethals the Port Authority will make five milestone payments to project company NYNJ Link, the first of them when the project's design-build contractor completes 70% of construction. After construction is completed, the grantor will make monthly payments that it describes as interest and principal but are essentially availability payments, and which will increase 1.5% annually, as well as monthly maintenance payments.

Those payments will come primarily from Port Authority's consolidated bond reserve fund. This fund, while well-rated, also is the source of repayments on other Port Authority debt, including for the World Trade Center. Under the payment waterfall, the authority's gross operating revenues first pay operational costs, then debt service, and then flow into the consolidated bond revenue fund. This fund is also subordinate to Port Authority's consolidated revenue bonds and deposits to reserves, according to Fitch.

NYNJ Links sponsors, Macquarie and Kiewit, closed the \$935 million debt financing for Goethals on 8 November 2013. The debt comprises \$460.9 million in tax-exempt private activity bonds (PABs) and a \$471 million federal TIFIA loan. Bank of America Merrill Lynch was lead left on the PABs, alongside Barclays and BMO. Fitch and Standard & Poors (S&P) rated the bonds BBB-. Fitch projects an average debt service coverage ratio of 1.28x and a minimum of 1.15x.

The 10 tranches of Series 2013 bonds mature between 2025 and 2052, and coupons of between 5.0% and 5.625%, though they priced to yield between 4.440% and 5.850%. The New Jersey Economic Development Authority was the conduit issuer of the PABs, of which almost \$102 million features a wrap from Assured Guaranty. S&P rated the insured bonds AA-.

NYNJ Link, in its bid for Goethals, did not propose using the bond wrap in its bid. But appetite exists for covered tranches, and Assured has been scouring the US market for transport deals. It recently participated in the financing for a car rental facility in Chicago, but last provided a wrap on a transport PPP in August 2009, when it insured some of toll revenue bonds that the Triangle Expressway in North Carolina.

Macquarie Infrastructure and Real Assets contributed 90% of NYNJ Links \$106.8 million equity component, or \$96.1 million, with Kiewit Development meeting the balance. The construction contractor is a venture of Kiewit Infrastructure (70%), Weeks Marine (15%) and Massman Construction (15%). Kiewit also is providing a parent-level guarantee to

NYNJ Partnership Link
STATUS
Closed 8 November 2013
DESCRIPTION
Bridge between New York and New Jersey
SPONSORS
Macquarie (90%) and Kiewit (10%)
GRANTOR
The Port Authority of New York and New Jersey
UNDERWRITERS
Bank of America Merrill Lynch (lead left), Barclays, BMO
INSURANCE PROVIDER
Assured Guaranty
GRANTOR LEGAL ADVISER
Allen & Overy
UNDERWRITER LEGAL ADVISER
Nixon Peabody
LENDER TECHNICAL ADVISER
Arup

mitigate construction risk, with a 45% liability cap, 9.2% in liquidated damages and a 4% letter of credit.

Earlier this year, the Port Authority awarded NYNJ Link the 40-year design-build-finance-maintain concession. Construction is expected to begin in December, with substantial completion targeted for late 2017. The bridge has been designed to accommodate transit infrastructure, should this be included at a later date. The Port Authority will continue to operate the bridge, and will manage toll collection.

The Goethals replacement a cable-stayed bridge linking Staten Island, New York, with Elizabeth, New Jersey is the first true PPP in the north-east US. Privately developed infrastructure has decades-old precedents in New York, but the state has not permitted concessions.

The state of New York and the New York State Thruway Authority considered a PPP for the replacement of the Tappan Zee Bridge, which crosses the Hudson River to link Westchester and Rockland counties, but ultimately settled on a design-build contract. Andrew Cuomo, New Yorks governor, has suggested that the new Tappan Zee may ultimately be a candidate for a long-term concession.

The Port Authority, however, has used public-private structures to procure new terminal capacity and other infrastructure at JFK airport, and is using a concession to rehabilitate the central terminal of LaGuardia Airport. In July, the Port Authority announced four finalists for that design-build-finance-operate-maintain contract.

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