

North American Project Bond and Overall North American Deal of the Year 2013: East End Crossing

14/03/2014

The \$1.1 billion Ohio River Bridges East End Crossing project is Indiana's first ever greenfield PPP and its financing included the largest ever private activity bond (PAB) issue for a US PPP.

The sponsors of the WVB East End Partners consortium are VINCI Concessions, Walsh Group and Bilfinger. Under the concession contract, WVB will design, build, finance, operate and maintain the East End Crossing under a 39-year concession, which includes a 3.5-year construction period.

The Ohio River Bridges East End Crossing includes a new 750m cable-stayed bridge facility across the Ohio River, connecting Clark county, Indiana, and Jefferson county, Kentucky, about 13km east of Louisville.

The financing had to take account of the bi-state nature of construction. Indiana and Kentucky agreed that each state would handle separate crossings of the Ohio river, to make the procurement more simple. But construction of each span takes place in both states. Kentucky is procuring its span using a design-build arrangement.

The other part of the Ohio River Bridges project is the new Downtown River Bridge that expands the capacity of I-65 into central Louisville, and the reconstruction of the Kennedy Interchange between I-65, I-64, and I-71.

The debt financing consists of a \$676.8 million tax-exempt PABs issue, which breaks down into \$482.3 million of long-term PABs and \$194.5 million of milestone PABs with shorter maturities. The sponsors will contribute \$78 million to the project, but the deal is notable for not including a TIFIA loan from the US Department of Transportation. TIFIA debt has been a feature of the vast majority of greenfield US PPPs to date, because it provides a subordinate (in debt service terms) layer of capital to PPP sponsors.

The PABs were issued through the Indiana Finance Authority (IFA) on 28 March 2013 and were the first US PPP PABs to be rated BBB flat by two rating agencies (Fitch and S&P). The bond issue attracted about 60 investors that approved the credit and about 50 investors bought in.

The shorter PABs will be repaid with milestone payments from the IFA. These milestone payments extend beyond the construction period and made the use of shorter-term bonds, rather than bank debt, attractive.

WVB East End Partners

STATUS

Closed 28 March, 2013

SIZE

\$1.17 billion

DESCRIPTION

39-year PPP concession for 750m cable-stayed bridge across the Ohio river between Clark county, Indiana and Jefferson county, Kentucky

GRANTORS

Indiana Finance Authority; Indiana Department of Transportation

SPONSORS

Walsh; VINCI, Bilfinger

DEBT

\$676.8 million private activity bond issue

EQUITY

\$78 million

BOND ARRANGERS

Bank of America Merrill Lynch (senior manager), JP Morgan, Goldman Sachs, RBC

FINANCIAL ADVISER TO

SPONSORS

Scotiabank

ADMINISTRATIVE AGENT

Deutsche Bank

LEGAL ADVISERS TO

SPONSORS

Mayer Brown; Bingham Greenebaum Doll

LEGAL ADVISER TO

UNDERWRITERS

Latham & Watkins

LEGAL ADVISER TO ISSUER

The state will also make conventional availability payments to the project company. While the bridge is likely to be tolled, the toll revenues are not pledged to bondholders. The milestone PABs share security over the collateral with the long-term PABs, even though their only source of repayment is milestone payments.

The IFA also offered the sponsors an interest rate risk sharing mechanism, whereby the grantor would assume 90% of the variation in the credit spread over bidders assumptions, with the private concessionaire absorbing 10% of the variation.

Indiana believes that a PPP has allowed it to realise construction cost savings of nearly \$225 million, or 22% less than its original engineering and construction cost estimates.

The projects construction challenges include risks related to climate and seasonability, which will have a bearing on how and when the concessionaire can build the bridge. WVB began construction on the East End Crossing last year. The cable-stayed bridge will complete an interstate loop around Louisville, Kentucky by connecting the Gene Snyder Freeway in Kentucky to the Lee Hamilton Highway in Clark county, Indiana. Walsh will also build the Downtown River bridge under a design-build contract.

The East End Crossings PAB issue could serve as a template for other US PPP concessions, including Florida DOTs I-4 Ultimate project, which also features large milestone payments.

Ice Miller; Nossaman
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