Asia-Pacific PPP Deal of the Year 2013: Darling Harbour Live

14/03/2014

The A$1.58 billion ($1.42 billion) Sydney International Convention Centres financing marries two recent trends in Australian PPP. It transfers increased operating risk to the private sector but includes increased financial support from government to reduce the projects debt costs.

The project entails building new entertainment facilities on a 20-hectare site at Darling Harbour in Sydney, New South Wales. The project includes the development of a new convention centre capable of holding four events, of up to 8,000, 2,500, 1,000 and 750 delegates, at once. It will replace the existing Sydney Entertainment facility, which is being demolished.

The project is part of a much larger urban renewal scheme, which includes a number of ancillary commercial ventures that are in the hands of private developers, such as a hotel complex next to the convention centre, 1400 residential apartments, accommodation for 1,000 students, 7,000m2 of retail space, and 15,000m2 of community space.

The grantors, Infrastructure NSW and the Sydney Harbour Foreshore Authority, launched the PPP on 30 September 20111 and pulled in bids from three consortiums. They were:

- Darling Harbour Live (Capella Capital, Lend Lease Infrastructure Investments, Host-Plus, AEG Odgen, and Spotless Services)
- VeNu SW (Plenary Group, Brookfield Multiplex, Francis-Jones Morehen Thorp, and Sydney Place Management, which is a joint venture between Plenary Group and Hilton Worldwide)
- Key Partners (Laing ORourke, John Laing, Macquarie, GL Events, and Honeywell)

The grantors cut the consortium led by Laing and Macquarie, named Darling Harbour Live as preferred bidder on 11 December 2012, and then signed the concession on 22 March 2013.

On 5 December 2013, the sponsors closed the financing, which comprised a single A$1.33 billion 7-year term loan and roughly A$250 million in equity. The lenders were CBA (A$207.94 million), CIBC (A$166.36 million), Crédit Agricole (A$166.36 million), DBS (A$124.77 million), HSBC (A$124.77 million), NAB (A$207.94 million), UOB (A$166.36 million) and Westpac (A$207.94 million).

The sponsors had to refresh commitments with lenders because of the lag between signing and financial close. Some of the delay was down to the fact that lenders had few opportunities to influence the projects contractual structure during bidding. The government had also not obtained planning approval before launching the tender and then had to allow time for appeals from third parties.

Stella SICEEP Finance Pty Ltd

STATUS

Commercial close 22 March 2013,

financial close 5 December 2013

SIZE

A$1.58 billion

DESCRIPTION

Financing for a new convention centre to replace the existing Sydney Entertainment Centre

GRANTOR

Infrastructure NSW, Sydney Harbour Foreshore Authority

SPONSORS

Darling Harbour Live (Capella Capital on behalf of Lend Lease (50%) and Host-Plus (50%))

MANDATED LEAD ARRANGERS

CBA (facility agent), CIBC, Credit Agricole, DBS, HSBC, NAB, UOB, Westpac

GRANTORS FINANCIAL ADVISER

KPMG

GRANTORS LEGAL ADVISER

Clayton Utz

SPONSORS LEGAL ADVISER

Herbert Smith Freehills

LENDERS LEGAL ADVISER

Gilbert + Tobin

GRANTORS TECHNICAL ADVISER

MBM Pvt Ltd

SPONSORS TECHNICAL ADVISER

Mott MacDonald

When the government issued the tender it left design mostly to the private sector. New South Wales asked the project company to retain some demand risk, rather than let it rely solely on availability payments. The project company has in turn passed on most of this demand risk to operator AEG Odgen.

But the real novelty in the concession is the inclusion of a conditional debt pay-down provision, under which the sponsor is entitled to a lump sum two years after the start of operations. The payment is equivalent to 80% of senior debt, and is subject to the project meeting specified performance standards.

MODEL AUDITOR

BDO

EPC CONTRACTOR

Lend Lease

FM CONTRACTOR

Spotless Services

OPERATOR

AEG Ogden

The New South Wales Treasury developed the structure as a means of harnessing the expertise of lenders during construction, but at the same time minimising their involvement and therefore lowering debt costs during operations. That it also removes some refinancing risk is, in the states thinking, an ancillary benefit. The state government plans to implement the structure on several upcoming projects, including the North West Rail Link deal.