

Howard County Courthouse P3 – Maryland, US

Ila Patel

08/11/2018

It is almost unheard of in the US for a P3 project to go from procurement to financial close in just under a year. However, this is exactly what happened with the \$150 million Howard County Circuit Courthouse P3 in Maryland, which reached financial close in October (2018), setting a precedent for how infrastructure projects should be procured in North America.

The new circuit courthouse will be a 230,000 square feet facility equipped with additional courtrooms and space for jury and staff. It also involves a parking facility with 600 spaces, scalable up to 1,100.

It will replace the Thomas Dorsey Building, which has stood on the site for 174 years. Its demolition is planned for June/July 2019, with construction of the new building commencing the following month. Howard County expects the new courthouse to be in use in summer 2021.

Design features include:

- a four-story atrium
- a large entryway that will provide safety screening for those entering the courthouse
- separate hallways and elevators for prisoners to enhance public safety
- office space
- a courtroom for a sixth judge
- a larger and more comfortable jury assembly area
- a 691-space parking garage adjacent to the courthouse

The new courthouse will be durable with high-quality systems to ensure its useful life extends well beyond the 30-year contract.

Procurement

The project was approved by the Howard County Council in March 2017 with a request for expressions of interest issued in September. This saw nine teams submitting [qualification statements](#):

- Corporate Office Properties Trust and Costello Construction of Maryland
- Edgemoor and Star America Infrastructure Partners
- Franklin L Haney Jr
- Howard County Judicial Partners – Meridiam
- Howard County Justice Partners – EllisDon Capital and Grunley Development
- Howard County Justice Partners – Forum Equity Partners

- Mascaro Construction Company
- Old Line Judicial Partners
- Plenary Justice Howard County

At the time, the county already had an advisory team in place comprising:

- IMG Rebel – financial
- Hawkins Delafield & Wood – legal
- a JV of Arcadis and Ricci Greene Architects / Grimm + Parker – technical
- Chartwell Enterprises and subcontractors (including Cushman & Wakefield and Jones Lang LaSalle Securities)
- Fentress

Following the initial submissions, three teams were selected in [December](#) by Howard County to progress to the next phase of the bidding process, they were:

- Edgemoor-Star America Judicial Partners with HOK and Clark
- Howard County Justice Partners – Forum Equity with Hensel Phelps and Fentress
- Howard Judicial Partners – Skanska Infrastructure with Fengate and Heery

The Edgemoor-Star America Judicial Partners consortium was selected as preferred bidder in [June \(2018\)](#).

Consortium members and their roles comprised:

- Edgemoor Infrastructure and Real Estate – co-developer/equity
- Star America Fund GP – co-developer/equity
- HOK – architect
- Clark Construction Group – design-build contractor
- Harkins Builders – associate design-build contractor
- Johnson Controls – operator

According to a statement issued by Howard County executive Allan Kittleman, the team was selected because it: “provided an elegant and well thought out site plan that incorporated an iconic and aspirational design with an honorable and stately building. Their design for our future courthouse will prove to be an architectural landmark that expresses the values and traditions of Howard County’s justice system.”

Advisers to the consortium were:

- Project Finance Advisory – financial
- Bracewell – legal
- Mazars Global Infrastructure – model auditor
- Willis Towers Watson – insurance adviser

The project reached commercial and financial close in [October](#). The period of construction will run from June 2019 through to June 2021.

Financing

The financing package was provided by three banks and one institutional investor:

- CIBC Capital
- ING Capital
- SMBC
- MetLife Investment Management – note purchaser

Advisers to the lenders were:

- Thompson Coburn – legal counsel
- Turner & Townsend – technical

The county will provide \$75 million financed by general obligation bonds to the project company when the new courthouse is ready for occupancy. The county will also provide an annual service payment of around \$10 million beginning in fiscal year 2022, with annual adjustments for inflation thereafter.

The market speaks...

Brian Dugan, managing director at Edgemoor Infrastructure & Real Estate, said: “Howard County set the benchmark for how a P3 project should be determined and procured. It ran a very efficient process that allowed it to stick to an aggressive schedule, which saw the deal go from RFP to financial close in the span of 10-11 months. Enabling this compact timeline was the County's organization prior to issuing the RFQ. A year before the RFQ was issued, it brought on advisers that helped analyze a variety of project delivery models including DBB, DBOM and DBFOM, before settling on a bit of a hybrid DBFOM. It also obtained key preliminary approvals from Council pre-RFQ.”

The county liked the idea of a hybrid DBFOM model where the private developer finances the entire capital budget but the county takes out a portion of that private financing at occupancy with a large milestone payment, in this case \$75 million. Dugan adds: “This enabled the county to lower the interest costs for the project while still realizing the long-term risk transfer to the private sector that attracted it to the performance-based availability-payment DBFOM structure. Additionally, the county also set an affordability limit which helped direct the shortlisted teams and assured a cost-effective financing structure to meet the limit.”

Mark Miller, administrator, office of public information at Howard County said: “We could no longer adequately provide for the county’s judicial needs with the current facility so we are looking forward to moving ahead with this exciting project. The existing courthouse is 175 years old – safety, security and access to justice are paramount, all of which will be greatly improved in the new courthouse. Relocating the courthouse also creates an exciting opportunity for the existing, historic building to be an integral part of Historic Ellicott City's future.”

Thank you for printing this article from IJGlobal.

As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.

If you have been given this article by a subscriber, you can contact us through www.ijglobal.com/sign-in, or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.