

Editor's Choice North America – Prince George's County Schools

Ila Patel

01/07/2021

Over the last 10 years, while transport projects have continued to be procured in dribs and drabs, social infrastructure deals have begun to emerge slowly as the next hotspots for investment. They include universities (and their utility systems), courthouses, student accommodation and waste.

But there is one sub-sector that has the potential to grow - and that is elementary schools. Numerous US municipal and state budgets are bearing the burden of the global pandemic which is why P3s can provide a solution to repairing and rebuilding aged infrastructure. P3s also provide budget certainty, and with any luck, more and more districts will realise this and consider the benefits to support the education of students while saving millions of dollars.



This story first appeared in the *IJGlobal Magazine* which can be [accessed here...](#)

In 2020, Maryland's Prince George's County became the first district in the US to finance the construction of 5 new middle schools and one K-8 school using the P3 model, despite the negative publicity surrounding another P3 deal in the state which was embroiled in legal troubles. So it came as no surprise when there was public opposition against the schools project and it was deemed too risky and not having the interests of children's education as its priority.

Maryland's controversial Purple Line P3 project saw disputes arise between concessionaires Meridiam and Star America (and at the time construction partner Fluor) and the Maryland Transit Administration (MTA) in 2020 due to an estimated \$800 million in cost overruns and delays in construction. Fluor is no longer part of the concession with a new construction partner currently being sought.

The MTA sought a restraining order as part of a lawsuit filed on 10 August 2020 against the companies in the Circuit Court for Baltimore City. The lawsuit accused Purple Line Transit Partners of breach of contract.

By the end of 2020, an amicable resolution was reached with the State of Maryland agreeing to pay P3 partners Meridiam and Star America \$100 million by 31 December with the remaining amount to be paid this year (2021).

However this litigation process left a bad impression so it came as no surprise when public opposition against the schools project increased with town halls being held in Q3 2020, with complainants raising concerns over the private sector's financial motivation not being in line with that of the populace.

Prince George's County Public Schools (PGCPS) said it had made a robust contract taking all concerns into account and protecting the interest of the public, money and its timeline. The procurer also outlined as to why the P3 method was

more beneficial to the state than a traditional construction method. The deal made it to financial close in December 2020.

The board of education of Prince George's County operates 240 facilities with an annual operating budget of \$2 billion. PGCPs is currently facing acute overcrowding in its schools with a vast majority of the county's school portfolio at or near the end of its useful life-cycle and in need of significant repair and renovation.

The financing comprised \$479 million in senior secured notes issued by borrower Prince George's County Education & Community Partners in a private placement for the project to DBFM 6 new schools. The note purchasers were:

- Banner Life Insurance Company
- Legal and General Assurance Society
- The Canada Life Assurance Company
- The Canada Life Insurance Company of Canada
- Massachusetts Mutual Life Insurance Company
- The Lincoln National Life Insurance Company,
- The Northwestern Mutual Life Insurance Company
- Metropolitan Tower Life Insurance Company
- MetLife Insurance
- MetLife Insurance Company of Korea
- Swiss re Life & Heath America
- Aviva Life & Pensions

MetLife Investment Management (MIM) was the lead investor with a circa \$200 million allocation, representing 42.5% of total debt to be drawn through June 2023.

Deutsche Bank Trust Company Americas acted as collateral agent with National Bank of Canada as account bank.

The equity sponsors on the deal were:

- Fengate (75%)
- Gilbane (25%).

Bob Hunt, managing director, public institutions at JLL, said: "This P3 is so special because it is a major step forward in delivering equal opportunities to the students and families of Prince George's County. Without this agreement in place, it would take more than 15 years for these schools to get funded and built. Of the many learnings uncovered from this year's pandemic, I think we can all agree on the pivotal role our schools and their faculties play in the lives of our children."

Advisers on the deal were:

- JLL
- Winston & Strawn
- Torys
- Altus Group
- Operis Group
- INTECH Risk Management

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.