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Wednesday, September 10, 2014 | as of 3:48 PM ET

## Florida: \$70M Savings on I-4 P3 Financing

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SEP 10, 2014 1:04pm ET

BRADENTON, Fla. - Florida's largest public-private partnership project got better interest rates than expected on loans that provide key financing for the country's largest greenfield P3.

The Sunshine state saw nearly \$70 million in net present value savings on the massive Interstate 4 project due to the low interest rate environment, Florida Department of Transportation officials said Tuesday.

When the concession contract closed on Sept. 4, a \$949 million low-interest federal loan and a \$486 million loan underwritten by six international banks offered lower interest rates than projected just five months earlier in the bid submitted by I-4 Mobility Partners, whose equity partners are Skanska Infrastructure Development Inc. and John Laing Investments Ltd.

The 40-year concession contract and the loans closed on Sept. 4. Construction will cost \$2.3 billion and take up to six years.

The P3, being constructed by a consortium called I-4 Mobility Partners, was conceived to move the project up on the state's construction list by 20 years and provide traffic relief to central Florida - one of the state's most congested areas.

The lower financing costs achieved last week will have the largest effect on the availability payments for operations and maintenance to be made over 34 years after the project opens to traffic, official said.

The federal financing - the largest-ever awarded by the Transportation Infrastructure Finance and Innovation Act program - consisted of a \$127.3 million short-term loan due in 2023 that earned an interest rate of 2.32%, and an \$822.2 million long-term loan due in 2052 with a rate of 3.17%.

In I-4 Mobility's winning bid, which FDOT selected as the best value proposal, the consortium projected that the TIFIA loans would earn interest rates of 2.35% and 3.79%, respectively. The bidding group also planned on a \$488.9 million senior bank loan with a negotiated interest rate of 4.04% when financing documents were submitted in April.

At closing, the commercial bank loan totaled \$486 million with a 3.85% interest rate, according to an FDOT fact sheet obtained by The Bond Buyer.

Skanska and Laing also planned to split the cost of a \$105.5 million equity contribution.

At closing, the equity amount totaled \$104 million with a 12% internal rate of return, the [fact sheet](#) says.

I-4 Mobility had also proposed receiving annual payments of \$80.7 million over 34 years for availability payments.

Those annual payments dropped to \$75 million a year after the P3 contract reached financial and commercial closing last week, FDOT said Tuesday. The payments are subject to adjustments for performance standards that require keeping the facility open and maintained for travelers.

"As a public private partnership, the I-4 Ultimate project will save hardworking taxpayers' dollars while delivering the project nearly two decades sooner than could otherwise be expected," said U.S. Rep. Daniel Webster, R-Winter Garden. "It will provide critical infrastructure that will enable us to continue to expand our business development, cultivate growth, and create jobs."

When completed, the project will relieve congestion in one of the country's most heavily traveled areas, U.S. Transportation Secretary Foxx said at a Build America Infrastructure Investment Summit in Washington Tuesday.

"We've been able to move this project from the financing drawing board to breaking ground in near record time because of the department's early involvement," Foxx said. "The I-4 Ultimate is the sort of highway improvement America's drivers need, and it underscores the importance of passing the President's Grow America Act to make more investments to modernize our aging roads to keep up with future demands."

President Obama's proposed four-year, \$302 billion Grow America Act transportation program would allocate \$199 billion to highways and \$72 billion for transit.

The act would also allow states to toll existing lanes on interstate highways if the revenue is dedicated to system maintenance.

Tolls had already been approved for Interstate 4 to plan for critical congestion relief on a portion of the 54-year-old corridor linking Tampa on the west coast to Daytona Beach on east coast.

The interstate travels through Orlando and past some of the most popular travel destinations, including Walt Disney World, Universal Orlando Resort, and SeaWorld. Those destinations and growth in resident and visitor populations have contributed to increased regional traffic congestion.

The 21-mile-long project benefited from FDOT's engagement with the Federal Highway Administration in its new, streamlined P3 process that includes a standard term sheet, Foxx said.

That U.S. Department of Transportation's Build America Transportation Investment Center is a one-stop shop launched in July for state and local governments, public and private developers, and investors seeking to use innovative financing strategies for transportation infrastructure projects.

USDOT engaged Florida early in the project development process to provide certainty to potential private bidders that the federal government "would be a significant partner in the I-4 Ultimate project," officials said.

"This is the first project under Moving Ahead for Progress in the 21st Century to complete the new model specifically tailored for public-private partnerships to involve the TIFIA loan office with a public sponsor very early in the process," according to a U.S. DOT news release.

The process enabled the TIFIA loan to close just four months after I-4 Mobility Partners was awarded the concession.

The loan also allowed FDOT to save tens of millions of dollars in availability payments over the course of the concession, federal officials said.

"Without a loan like this, Orlando's I-4 would have continued to age requiring even more costly fixes in the years ahead, creating additional traffic delays without any hope of congestion relief," said acting Federal Highway Administrator Gregory Nadeau.

Construction on the I-4 Ultimate will start early next year.

It will add four variable-rate, tolled express lanes while maintaining free general use lanes. The project also involves rebuilding or new construction of 15 interchanges and 124 bridges.

Toll collections from the express lanes are expected to begin in 2021. FDOT will collect the tolls, and those revenues will go toward availability payments.

FDOT will use state and federal funds to pay for the project, which includes a \$10 million contribution from Florida's Turnpike Enterprise and a \$230 million contribution from the Central Florida Expressway Authority, formerly known as the Orlando-Orange County Expressway Authority.

"This is a monumental milestone for one of the most congested corridors of the state, which draws millions of tourists and is an important mid-point in Florida for commerce and commuters," FDOT Secretary Ananth Prasad said Tuesday. "The project gives us the opportunity to show how a successful public-private partnership works, through construction and beyond, benefitting those who count on great infrastructure."



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