

2011 AAPA Port Administration & Legal Issues Seminar

Project Financing Structures

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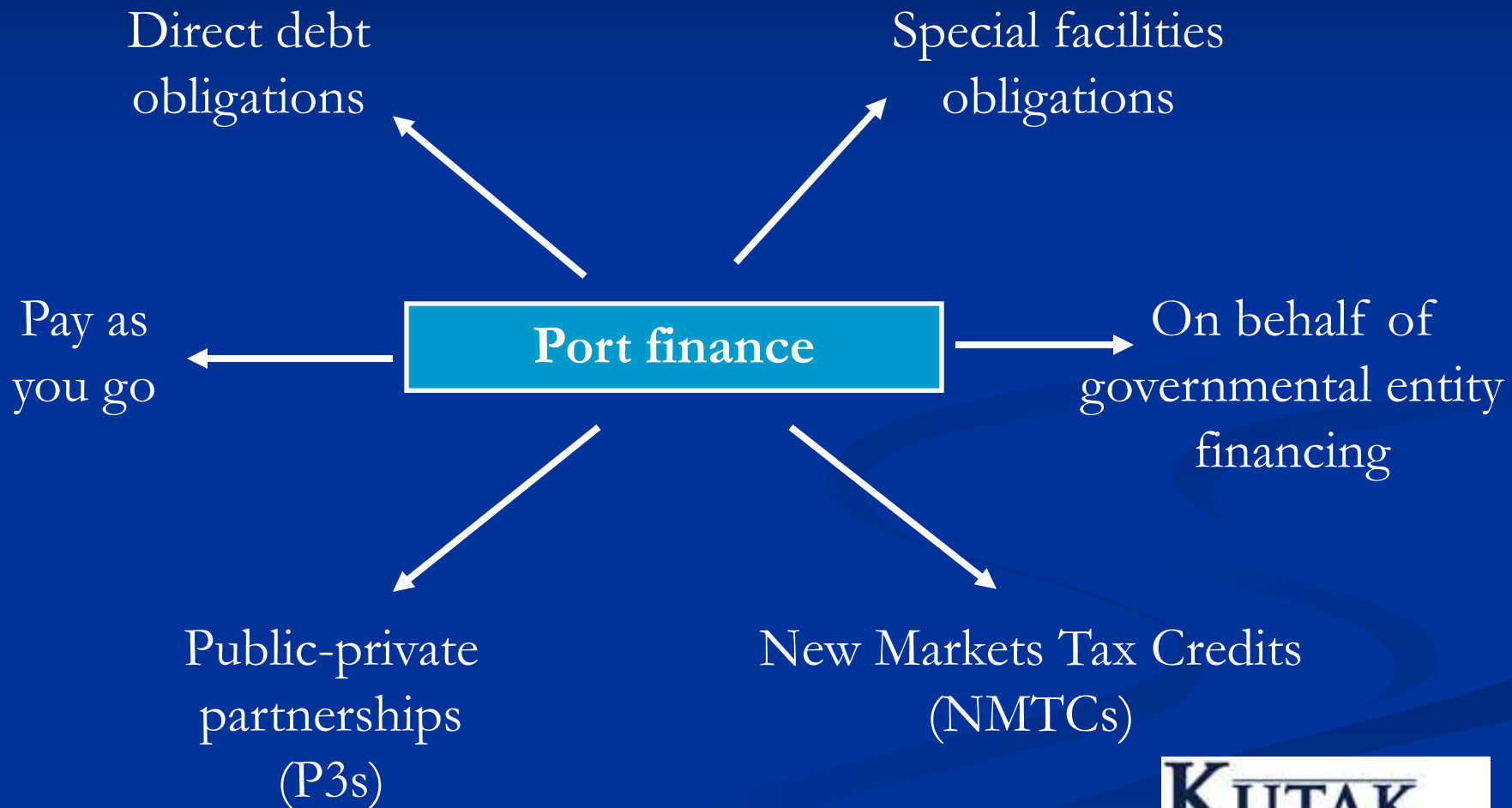
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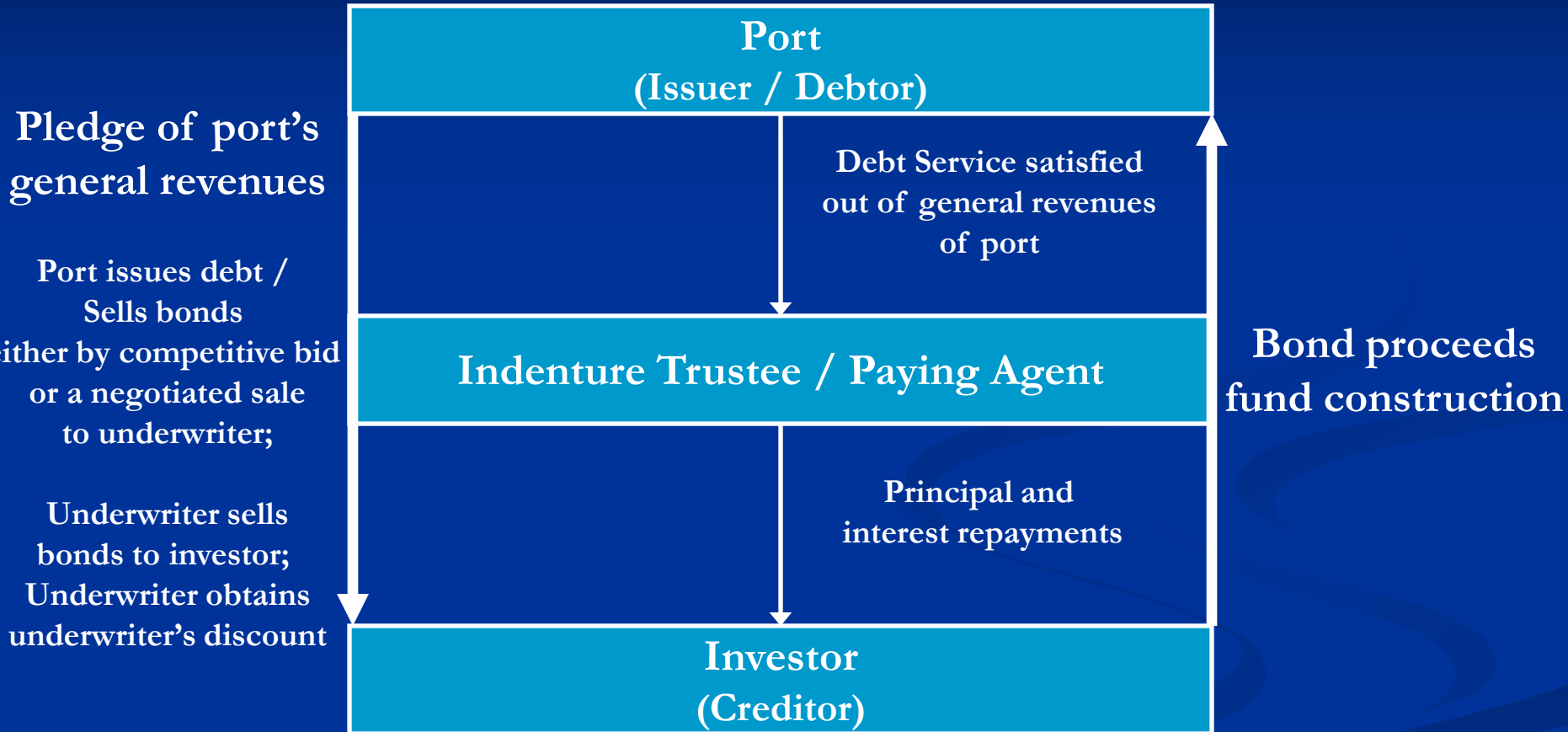
April 13, 2011



Sources of Project Financing



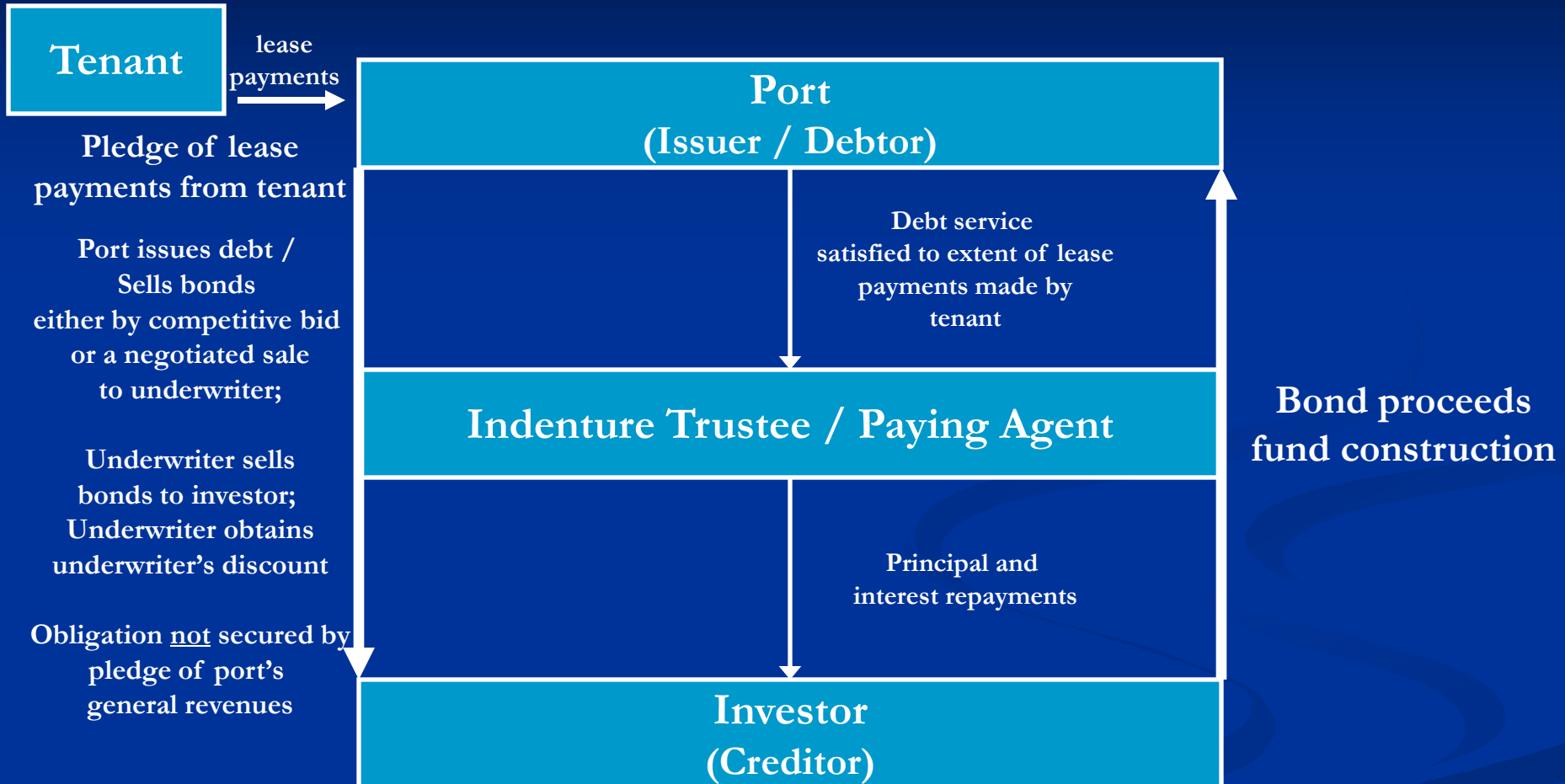
Direct Debt Obligations



Direct Debt Obligations (cont.)

- Port construction financed from revenue bond proceeds
- Bonds secured by the general revenues of the port (senior/subordinate pledge)
- Rate covenant
- Issuance of additional parity bonds and coverage requirement
- Other financial covenants

Special Facilities Obligations

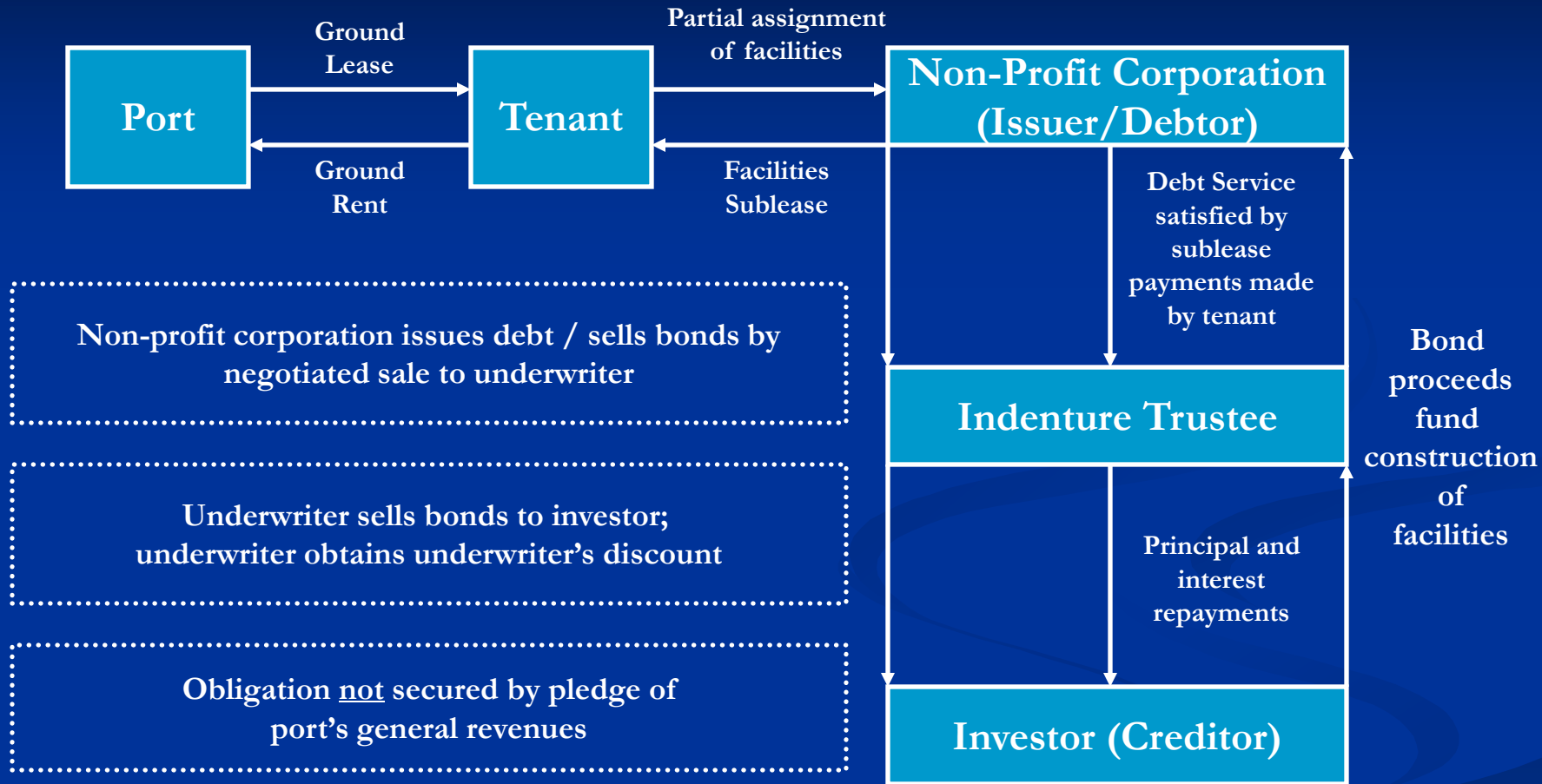


Special Facilities Obligations

(cont.)

- Enabling legislation and bond indentures/resolutions must permit carve-out of special facility revenue
- Bonds are payable solely from the lease payments paid by the tenant under the lease
- Limited obligations of the port
- Financial statement treatment
- Impact on additional bonds test and rate covenant for general revenue bonds

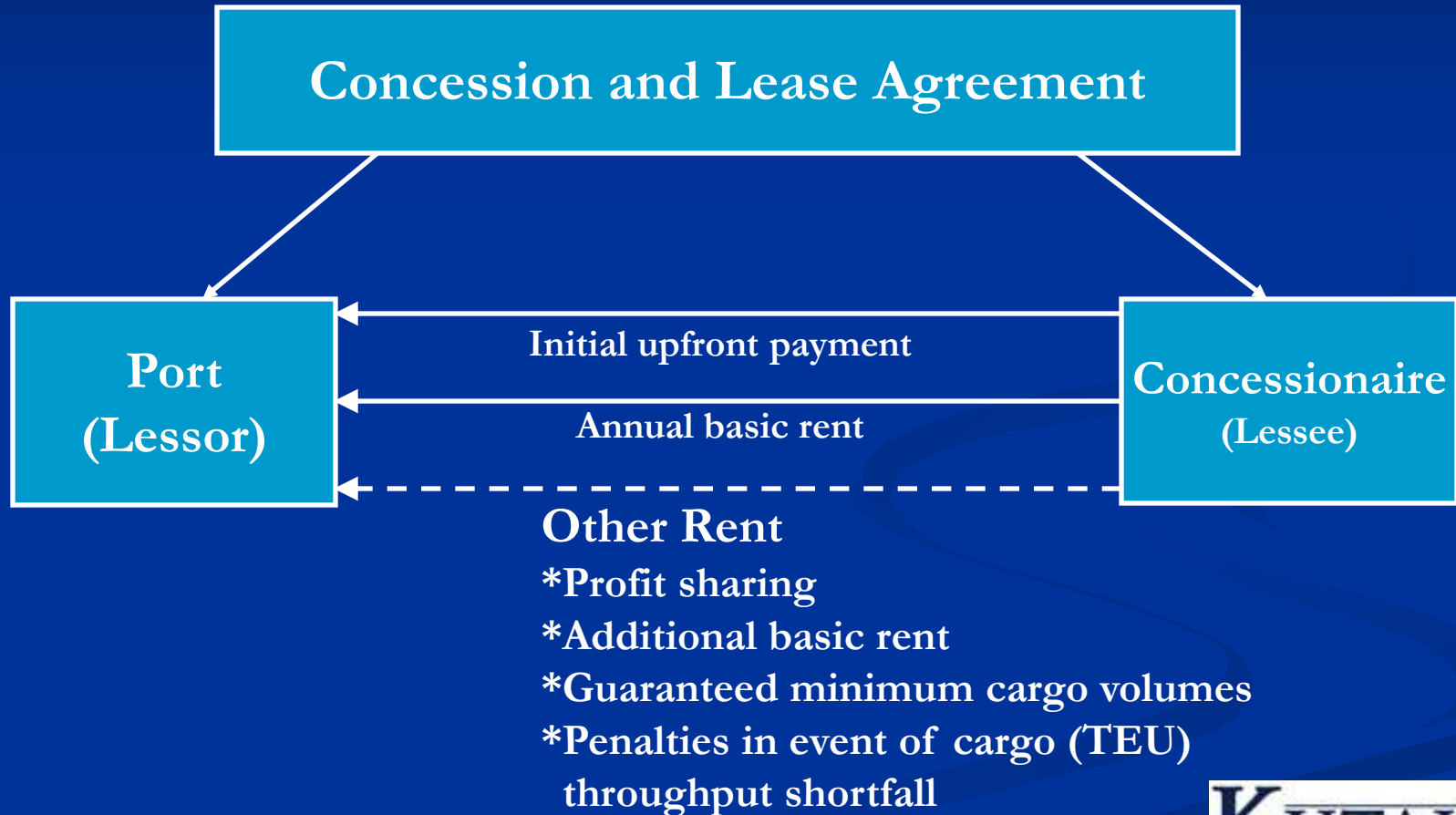
On Behalf Of Governmental Entity Financing



On Behalf Of Governmental Entity Financing (cont.)

- Circumvents limitations on issuance of special facility obligations
- Bonds are payable from the tenant sublease payments
- Leasehold mortgage on facilities
- Not an obligation of the port
- Financial statement treatment
- No impact on additional bonds test and rate covenant for general revenue bonds

Public-Private Partnerships (P3s)



Public-Private Partnerships (P3s) (cont.)

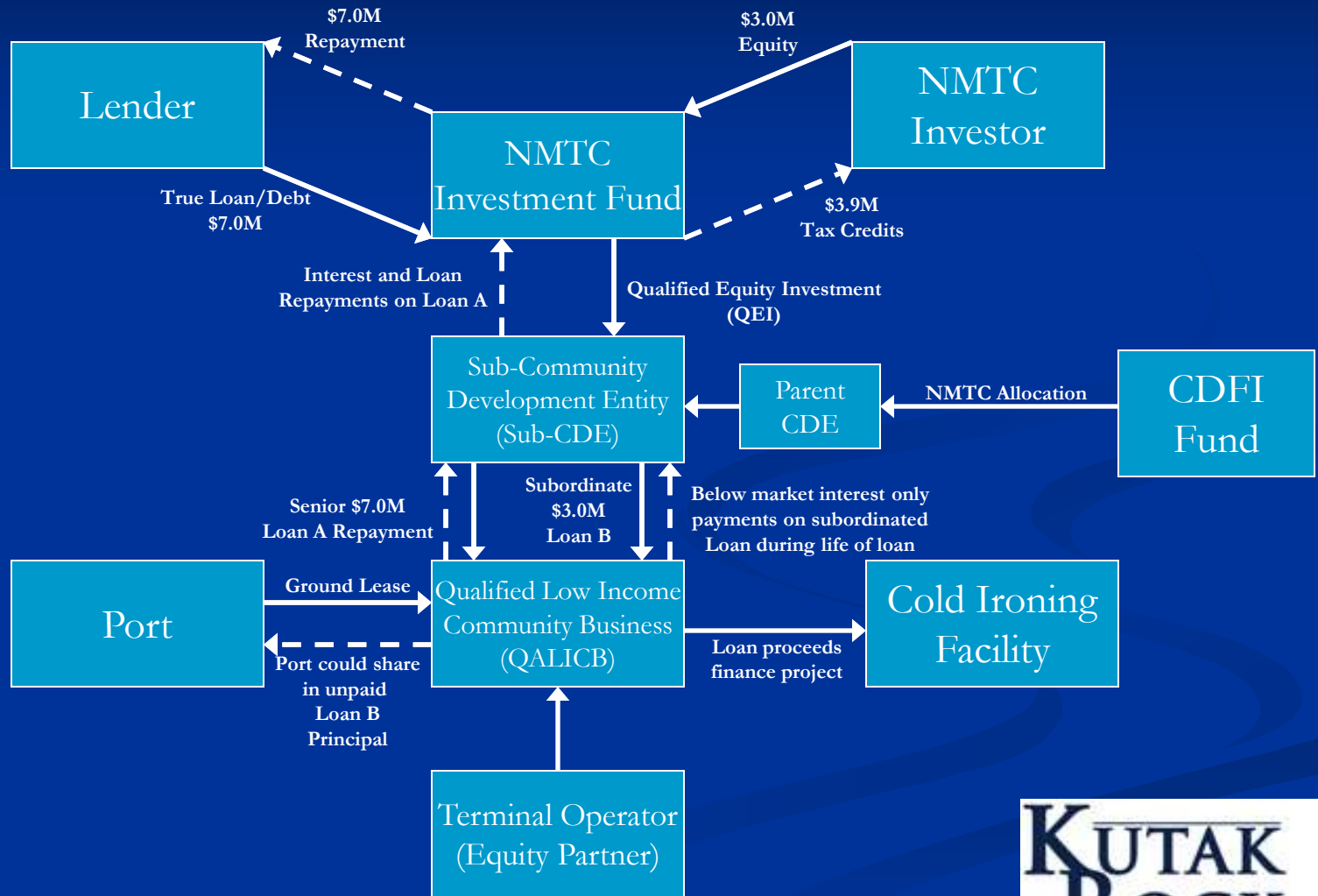
■ Port privatization

- Longer term lease to encourage private party capital investment
- Raises capital which enable ports to reinvest in supporting infrastructure
- Portion of upfront payment used for other port development projects
- Concession agreement encourages optimal development and usage of terminal areas

Public-Private Partnerships (P3s) (cont.)

- Additional considerations
 - Shifting of responsibilities to private sector—
Maintenance & repair responsibilities transferred from port (Lessor) to concessionaire (Lessee)
 - Concessionaire subject to environmental regulations
 - Retirement of previously issued debt obligations
 - Competitive bid/proposal process (unsolicited proposals)
 - Port continues to have an active relationship with Lessee and the financed facility

New Markets Tax Credits (NMTCs)



New Markets Tax Credits (NMTCs) (cont.)

- Provides the investor with a federal tax credit of 39% of the Qualified Equity Investment (QEI) (i.e. \$10,000,000) taken over seven years for investment in a community development project in a low-income community
 - 5% tax credit in each of the first three years
 - 6% tax credit for each of the subsequent four years
- The Community Development Entity (CDE) provides the connection between the investor seeking to take advantage of the NMTC and a project in a low-income community that benefits from below market financing

