

Americas P3 Deal of the Year: **Fargo Moorhead**

The Fargo Moorhead flood diversion transaction brought a series of firsts to the US public-private partnership market with a deal that may become a template as climate change increases flooding concerns.

The Red River Valley in the Fargo-Moorhead metropolitan area of North Dakota and Minnesota is vulnerable to flooding in spring and the diversion project originated many years ago as a specially tailored option to combat the problem.

It is part of a larger initiative that is being accomplished through a split delivery, with one segment being delivered through a P3 and the other being done through traditional design-build. The P3 segment was procured by the Metro Flood Diversion Authority of North Dakota, which entered into an approximately 34-year project agreement with Red River Valley Alliance (RRVA), a consortium of Acciona, Shikun & Binui, and North American Construction Group (NACG). The team was selected to

design, build, finance, operate and maintain a storm-water flood diversion channel in exchange for construction milestone payments and availability payments.

The deal was innovative as the first flood protection/resiliency P3 in the US and one of the first globally, and it was also the first project under the United States Army Corps of Engineers P3 pilot programme to reach financial close. In terms of structure, it showed innovation by combining tax-exempt private activity bonds (PABs) with a private placement for long-term debt financing.

Getting the project to financial close was the culmination of many years of effort and required extensive cooperation between two states and several municipalities.

A multi-faceted financing backed the US\$2.75bn project, starting with US\$296m of senior revenue green bonds. A tranche maturing in 2051 was priced to yield 2.98% and a tranche maturing in 2056

was priced at 3.08%. The tax-exempt bonds were issued by the Public Finance Authority of Wisconsin, a conduit that lends the proceeds to RRVA. Underwriters included Citigroup, Morgan Stanley and SMBC. The consortium established a green financing framework, so all financial components of the deal were designated as green. MetLife Investment Management served as sole lender on a US\$198 private placement.

A roughly US\$643m revolving credit led by SMBC, CaixaBank and Korea Development Bank (KDB) and US\$51m of equity rounded out the private finance contribution.

Agentis Capital was financial adviser to RRVA; EY advised the Metro Flood Diversion Authority; Torsys served as sponsor legal counsel, Winston & Strawn served as lender legal counsel; Mazars was model auditor; Altus was independent engineer; Intech was insurance adviser; and Deloitte acted as tax adviser.