Public Works Financing

Published monthly since 1988
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Reprinted from February 2008

Texas SH 130 Toll Road First PPP in Texas

Financial close is set for early March on a 40-mile stretch of segments 5 and 6 of SH 130, the Central Texas Turnpike, south of Austin under a concession awarded almost two years ago to Cintra and Zachry American Infrastructure.

Financing for the $1.3-billion project involves about $680 million in senior bank debt, a federal TIFIA loan of $430 million and equity of up to $261 million. A consortium of five European banks, led by Banco Santander of Spain, is to provide the senior bank debt. The others are Banco Espirito Santo and Caixa–Banco de Investimento of Portugal, Caja de Ahorros y Monte de Piedad de Madrid of Spain, and Belgium-based Fortis Bank. Delays in financing were caused mainly by environmental permitting requirements.

This is the first toll road to be developed as a concession in Texas, and Cintra's first greenfield project in the U.S. It is also the first private financing of a totally new piece of highway to be built under a concession since 2003 when Macquarie financed the SR 125 project in California.

No state money is involved in the SH 130 project. TexDOT is to receive a $25-million concession fee and revenue sharing with an estimated present value of $245 million. The SH 130 Concession Company will design, build, finance and operate the highway and collect tolls for 50 years (PWF 6/06, p. 5).

In 2002, public finance bankers RBC Dain Raucher and Goldman Sachs, working for TexDOT on the Central Texas Turnpike, could not find a way to finance the low-traffic segments 5 and 6 using a municipal finance model. The funding gap was more than $600 million, according to one of TexDOT's advisors on the project.

The concession company is 65% owned by Spanish toll road developer Cintra Concessiones de Infraestructuras de Transporte. Hastings Funds Management and Zachry American Infrastructure together hold the other 35%. Zachry American Infrastructure is the general partner of ZTR 56, the investment vehicle for the Zachry-Hastings partnership.

Utilities Trust of Australia (UTA), along with other Hastings funds, acquired a "substantial position" in the SH 130 project in March 2007, according to the UTA annual report. This is the first investment in U.S. infrastructure for the Australian infrastructure fund, which has more than $4 billion in funds under management.

Construction on segments 5 and 6 of SH 130 could begin in late 2008, with an opening possible in 2011. It is intended to relieve congestion on Interstate 35 between Austin and San Antonio. According to the project web site, design and construction will be by Ferrovial/Zachry Constructors 56 LLC, a consortium of managing partner Ferrovial Agromán (the construction arm of Cintra's parent Ferrovial) and Zachry Construction Corp. In 2005 Ferrovial purchased Webber Group, a leading Texas construction firm and a producer of recycled aggregate.

Financial advisors for Texas are KPMG and Goldman Sachs, and the state's legal advisor is Nossaman Guthner Knox & Elliott. The law firm of Bracewell & Giuliani is providing legal advice for the private side.

Financial Close

The financial close in March 2008 involved a $430-million TIFIA loan at 4.46% plus 30-year senior bank debt of $685 million arranged by Santander as administrative agent, with Fortis as documentation agent, and Banco Espirito Santo, CaixaBI and Caja Madrid. A $35-million liquidity facility is available for a 10-year period, and also has a 30-year maturity. The project must meet a minimum debt service coverage ratio of 1.25x to remain in compliance its covenants.

All of the bank debt is priced at 130bp over Libor initially, rising to 170bp over the debt's life. The debt amortises on fixed schedule, and also features an additional cash sweep mechanism which, under the base case, would mean that the debt will be repaid within 20 years.

Cintra holds a 65% stake in the concession, while Zachry holds 35%, for a total equity contribution of $197 million. The sponsors have also provided contingent equity commitments of $65 million; $30 million of which would provide additional liquidity during construction, and $35 million for additional right-of-way acquisition costs.

Advisors include lender legal counsel: Orrick; Sponsor legal counsel: Bracewell & Giuliani; State legal counsel: Nossaman; State financial adviser: KPMG; TIFIA legal counsel: Nixon Peabody; TIFIA financial: Montague DeRose/High Street Consulting Group; Lender technical: Atkins; Construction.