

DEAL ANALYSIS: CampusParc

20/02/2014

Queensland Investment Corporation (QIC) won a lease to operate Ohio State Universitys (OSU) parking system in mid-2012. OSU, the third-largest university in the US, has a parking system with almost 36,000 spaces.	
It closed on the \$483 million upfront payment to the university about three months later. QICs project company CampusParc signed a \$285 million five-year bank mini-perm to part-fund the payment for the 50-year lease.	<div>CampusParc</div> <div>STATUS</div> <div>Closed 18 December 2013</div> <div>SIZE</div> <div>\$483 million</div> <div>(original upfront payment)</div> <div>DESCRIPTION</div> <div>50-year lease to operate Ohio State Universitys parking system</div> <div>SPONSOR</div> <div>QIC Global Infrastructure</div> <div>DEBT</div> <div>\$285 million in notes</div> <div>PLACEMENT AGENTS</div> <div>Barclays and Bank of America Merrill Lynch</div> <div>PARTICIPANTS</div> <div>MetLife, Prudential, AIG, Sun Life, John Hancock, Unum, Allianz, Principal, Cigna, Aegon, USAA, Mutual of Omaha, Fidelity & Guaranty, One America, Phoenix</div> <div>SPONSOR FINANCIAL ADVISERS</div> <div>Barclays, Bank of America Merrill Lynch, Global Capital Advisors</div> <div>SPONSOR LEGAL ADVISER</div> <div>Sidley Austin</div> <div>LENDER LEGAL ADVISER</div> <div>Greenberg Traurig</div> <div>TECHNICAL ADVISER</div> <div>AECOM Enterprises</div>
QIC was not facing an urgent maturity on the original debt, but favourable market conditions encouraged it to look at an early bond refinancing. Base rates are especially low, and a long-term bond would better match the lengthy concession than a bank facility.	
Opening up new funding sources may prove helpful. The concessionaire will increase capital expenditure over the next two years, and plans to take down a garage at OSU, though the sponsor is understood to have already put funds aside for that commitment.	
So, QIC mandated Barclays and Bank of America Merrill Lynch as joint lead placement agents and joint structuring and ratings advisers. The underwriters found strong interest in a potential issue, despite being the inaugural parking PPP at a major US university or college.	
QIC fixed the size of the 30-year issue at \$285 million the same size as the earlier bank facility even though it could have obtained more, and probably much more. The order-book was more than 5x oversubscribed, atracting about \$1.5 billion of orders from institutional investors. Some investors bid for the entire issue.	
This demand enabled QIC to tighten the pricing, from 210-220bp over US Treasuries at launch to 190bp. The notes have a yield of 5.138%, and an average life of 20.4 years.	
QIC closed the BBB-rated (Fitch) issue on 19 December 2013. The notes feature a sculpted amortisation that matches the concessions cash flow profile, and are interest-only for the initial six years.	
Well-known institutional investors primarily insurance companies make up the investor base. MetLife was the biggest investor, with a \$60 million ticket. Prudential was next at \$45 million. The rest of the buyers are: AIG (\$32 million); Sun Life (\$32 million); John Hancock (\$25 million); Unum (\$16 million); Allianz (\$16 million); Principal (\$12 million); Cigna (\$11 million); Aegon (\$9 million); USAA (\$9 million); Mutual of Omaha (\$5 million); Fidelity & Guaranty (\$5 million); One America (\$4 million); and Phoenix (\$4 million).	
QIC and operator LAZ Parking beat out competition from Macquarie and IFM for the concession. QICs \$483 million bid for the lease was \$108 million more than OSUs minimum of \$375 million. Macquarie had bid \$417 million, with IFM offering \$390 million. QICs bid assumed 5.5% increases in charges in the first 10 years, and the greater of 4% and the consumer price index after that.	

QIC, Macquarie (with Central Parking) and IFM (with Parking Solutions) emerged from a large group of prequalified bidders. At least one of the failed bidders planned a private placement to fund part of the upfront fee, and even lined up a group of institutional investors to buy that issue.

The eventual concession agreement includes a structured rate regime that is designed to boost predictability of cash flows and limit inflation risk. Morgan Stanley was OSUs financial adviser on the concession. Jones Day was the universitys legal adviser, and Desaman its technical adviser. Bank of Tokyo-Mitsubishi UFJ, BBVA, Sumitomo Mitsui Banking Corporation and Wells Fargo led the original mini-perm, which had initial pricing of 275bp over Libor, and then was scheduled to step up to 350bp. QIC later swapped this to fixed-rate.

After QIC and OSU closed the PPP, lenders, advisers and investors were hopeful that other US universities would privatise parking systems. After the city of Chicagos bruising experience monetising its on-street parking, few municipalities have show much interest in concessions, and universities have looked like more promising sources of business. But none have moved into procurement.

Indiana University, advised by Goldman Sachs, considered a parking PPP, but in October decided against. The University of Michigan, mortal sporting rival of OSU, picked Greenhill & Co. to advise on a possible concession. The University of California Los Angeles and the University of Texas are also understood to have at least contemplated parking PPP.

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