Presidio Parkway PPP
San Francisco, CA
1) Project Overview and Public Sector Rationale
**Project Summary**

- **Complete Rebuild of Extension of Doyle Drive** (Rt 101) through Presidio, San Francisco, CA
  - originally built in 1936
  - Improve seismic & traffic safety and aesthetic in historical national park

- **Phase I**
  - Traditional Procurement
  - Construction of Southbound lanes
  - Completed April 2012

- **Phase II**
  - PPP Project
  - DB of Northbound lanes
  - 30-year O&M of all lanes and tunnels
  - Milestone + Availability Payments over 30 years
  - Total Capital Costs: $365m
Project Stakeholders

PUBLIC

FEDERAL
- TIFIA
- U.S. Department of Transportation
- Federal Highway Administration

STATE
- Caltrans

REGIONAL & LOCAL
- Golden Gate Bridge
- San Francisco County Transportation Authority
- The Presidio Trust

PRIVATE

EQUITY
- Meridian Infrastructure
- HOCHTIEF
- Kiewit
- Flatiron
- Transfield

O&M
- DBJV

BANK LENDERS
A PPP solution offered:
1) The high potential for cost and schedule control

2) A shift from the traditional construction price approach to a holistic project present value lifecycle approach

3) The ability to gain increased leverage over private sector performance by having the private sector responsible for project financing

4) Shift from a build culture to a build/asset management culture
2) Project Structure & Timeline
Project Agreement: Key Features

**Status**
Financial Close

**Concession Life**
30 years post-construction

**Construction period**
40 months

**Capital value**
$365 million

**Asset Type**
Transportation/Availability
Payment
Payment Mechanism – Performance Accountability

Public Sector

Availability

Check against contract standards
- Non-conforming or defective works
- Non-compliance with contract requirements

Performance

Payment to Private Sector

Availability

Unavailability calculated based on
- Period of time unavailability occurs
- Travel direction and time of day
- Number and type of lanes closed

Payment to the private sector = Quarterly payment less deductions

Private sector overhead & other
- Operations
- Debt service
- Equity return

Performance

Deductions

Deductions
3) Views of Equity Developer
# Equity Approach - Risk Assessment

During the bidding/ pre-bidding process, Meridiam assessed project risks

## Macroeconomic risks

<table>
<thead>
<tr>
<th>Regulatory risk</th>
<th>Mitigant</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Risk of a possible change in law impacting construction and/or operations</td>
<td>• Protection of the Project Company under the Project Agreement against changes in law</td>
</tr>
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<table>
<thead>
<tr>
<th>Interest rate risk</th>
<th>Mitigant</th>
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<tbody>
<tr>
<td>• Debt structure is a construction bank loan</td>
<td>• Implementation of an interest rate hedge of base rates</td>
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<tr>
<th>Non-appropriation risk</th>
<th>Mitigant</th>
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<tr>
<td>• Risk of non appropriation from the State Legislature (annual basis)</td>
<td>• Caltrans secured a continuous appropriation to fund the milestone and availability payments</td>
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<tr>
<td></td>
<td>• In case of non-appropriation and non payment of the Availability Payment, Project Co can terminate the project agreement if non-appropriation not cured in reasonable timeframe</td>
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## Project risks

### Development Risk

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<tr>
<td>• Ensured that the counterparty was a committed client with clear delineation of roles and a transparent tender process (incl Gov't advisors)</td>
</tr>
<tr>
<td>• Ensured that the bidding team was highly qualified and experienced for this specific project</td>
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### Construction risk

<table>
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<tr>
<td>• Fixed price, fixed time design-build agreement with CJV supported by a robust security package comprising a parent company guarantee and Payment &amp; Performance Bonds</td>
</tr>
<tr>
<td>• Independent review and audit of the design-build technical proposal which confirmed that the design, cost and schedule were adequate.</td>
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### Operational risk

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<tr>
<td>• Fixed price contract under which operational and deduction risk is passed down to operator</td>
</tr>
<tr>
<td>• Performance support from operator includes letter of credit and parent company guarantee</td>
</tr>
</tbody>
</table>
Long-Term Views
Meridiam’s Business Views

1) As a 25 Year Fund, Meridiam is geared towards projects that provide the opportunity for *long term value add, asset management and a responsive partnership* with the public sector for the duration of the project.

2) *Transparency* and *legitimacy* of the procurement process, ensuring taxpayer protection.

3) Focus on *critical infrastructure* that are *essential* for a given constituency.
4) Lessons Learned – Public Sector Reaction
Quick Takeaways
Sponsors’ Perspective

1) **Transparency** and **legitimacy** of the procurement process is essential for success.

2) **Credible policy champion necessary** during ‘fuzzy front end’ of concept testing.

3) Strong **regional co-sponsor vital** throughout the process.

4) **Flexibility** and **collaboration** between public and private sector partners makes the difference.

5) Good **coordinated project and advisory team** is indispensable.
Long-Term Views
Public Benefits

1) With FHWA’s help, set precedent on federal-aid eligibility for APs and 2-tranche TIFIA

2) Cooperation w/ GLC on debt competition to ensure taxpayer benefit

3) AP came in at $12.9 million less than affordability limit

4) Locked in construction prices from 2010

5) Ample risk transfer to developer

6) Introduction and implementation of lifecycle perspective