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PortMiami Hoping to Continue P3 Success.

A new public private partnership ("P3″ or "PPP") is coming to PortMiami. Royal Caribbean Cruises, LTD ("RCCL") seeks to design, build, finance, operate, and maintain a new cruise terminal in the northeast section of the Port. RCCL's plans have been preliminarily memorialized in a non-binding Memorandum of Understanding that was approved at this Wednesday's Miami-Dade County Commission meeting. Subsequent Commission approvals will be needed for the binding deal documents and agreements.

Typical of a P3, RCCL will do more than simply enter into a ground lease for space in a terminal. It will share the risk of designing, constructing, operating, and most importantly to the Port, financing the terminal. The maintenance responsibilities will be split between maintenance of the leasehold improvements by RCCL and maintenance of the common areas outside the leased premises by the County, satisfying the remaining "M" element in the DBFOM (design, build, finance, operate, maintain) acronym that is used to characterize a P3.

The P3 with RCCL comes after the successful completion of the Port Tunnel P3 that has garnered a visit and praise from President Obama who extolled it as an example of the kind of P3 that should be used around the country to modernize aging transportation infrastructure. The $1 billion P3 was built because it was expected to divert vehicles from and reduce congestion in Downtown Miami and reduce travel time to and from the Port. In less than a year, the Port Tunnel met and even exceeded many expectations.

The Port Tunnel P3 was structured as an availability payment-based concession agreement. With this financing structure, the private-sector partner constructs, operates, and maintains the facility with its own funds, and the public agency (in the case of the Port Tunnel, Florida Department of Transportation) makes payments to its partner based on the project's availability for use by the public. The public agency bears risks pertaining to the demand for the facility because the amount it pays to the private sector party does not change even if the project is not used to the extent anticipated, though the availability fee may be offset with user fees received from public use of the project or facility. The risk for the private party includes the fact that this fee structure relies on the public budget, which may be subject to budgetary conditions and constraints and political pressure. There are also risks pertaining to delays, repairs, and increased costs that could lead to the private-sector partner missing key deadlines or taking the project out of service, which would lead to penalties for unavailability.

PortMiami is likely to also have new commercial development on its southwest corner given the interest that has been expressed by several groups, including one whose request for waiver of a competitive process was rejected. As Miami-Dade County continues to make strides in financing projects and providing solutions to infrastructure problems with P3s, it can look to the success at the Port as assurance that P3s can do well in Miami-Dade County.

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