

# **Bond Case Briefs**

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## **Creativity in Funding Necessary for Miami-Dade Civil Courthouse P3 Success.**

As Miami-Dade County continues to take steps towards the launch of a proposed civil courthouse public-private partnership (P3), its representatives have stressed the need to bring the right deal to market, balancing the community's goals of improved court capacity and accessibility with existing funding challenges. The final project could combine an availability model DBFOM with real estate development, which would create a unique opportunity for international equity investors and construction companies to partner with real estate developers familiar with the Miami market.

The population of Miami-Dade County today is twenty-five times greater than it was when the County planned its existing courthouse facility in 1925. To facilitate the increased judicial demand that comes with population growth, courthouse services have since been spread across the County. The County has long recognized the need to improve its existing judicial infrastructure. In 2014, the County sought to fund construction of a new courthouse through the issuance of general obligation bonds. However, the bond financing was not favored by voters. While the County continues to leave open the possibility of a different delivery model, the P3 model now appears to be the preferred approach to the courthouse project.

The County has identified approximately \$50 million in currently available capital funds that could be applied towards the project. In addition, the costs of operating the existing County courthouse are approximately \$3 million per year, which the County has indicated may be applied towards availability payments. The County may also make available certain valuable real estate properties to a private developer in the form of a long-term lease or other partnership as partial consideration for the development and operation of the project.

If the County does proceed with a P3 that combines the courthouse with a real estate development, the request for proposals will pose unique opportunities and challenges on both the equity and financing front. As the financial model with respect to the courthouse would contemplate a combination of availability payments from the County and revenues generated from the private real estate development, equity participants and lenders will need to assess risk with respect to both the courthouse and the real estate development. This will raise unique issues with respect to the risk allocation between the County and private participants, and the equity and financing documents will need to be structured accordingly.

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