Bond Case Briefs

Municipal Finance Law Since 1971

What Will Be the Fallout from Denver Airport's Great Hall P3 Termination?

Dive Brief:

- Moody's Investors Service reported on the credit impact of Denver Airport Enterprise's (DEN) decision to terminate for convenience Great Hall Partners' $1.8 billion contract for renovation of the airport's Jeppesen Terminal and 34 years of concession management. The bond credit rating business believes the move will have minimal negative financial and credit impact for the city and the airport. DEN severed its relationship with Great Hall amid the possibilities of a three-year schedule delay and up to $300 million of change orders.
- Moody's said despite the exposure to higher construction costs as the airport searches for a new contractor, the facility has more than $900 million in liquidity and should easily be able to make an early termination payment to Great Hall, which Moody's estimates will be between $140 million and $180 million, and issue bonds to cover the termination payment and any extra construction costs. Moody's said the exact amount of the termination payment should be finalized closer to Great Hall's official Nov. 12 exit date.
- Moody's said the failed relationship between DEN and Great Hall highlights the risk inherent in using public-private partnerships (P3) for some projects, especially those with the relatively higher risk of "designing for and building in a dynamic operating environment," such as the airport, which has remained open during the project. DEN understood the risks, Moody's said, indicated by its inclusion of a $120 million contingency in Great Hall's contract. Moody's added that P3 projects for construction of new assets are likely to see more success.

Continue reading.

Construction Dive

by Kim Slowey

Aug. 28, 2019