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Orrick: Henry Ford Health Closes First-of-its-Kind Central Energy Hub Transaction

Henry Ford Health plans to build a $235 million Central Energy Hub as part of a broader $2.2 billion Detroit hospital campus expansion known as Destination: Grand.

Orrick represented the underwriters and served as special tax counsel in design, construction, financing, operations and maintenance deal for the Central Energy Hub, which will provide electric heating and cooling to several new hospital buildings.

Innovating in the energy as a service market, the deal achieved meaningful delivery and operational risk transfer of the Central Energy Hub to Provident Resources Group and Kiewit Development Company. That enables Henry Ford Health to focus on its core mission of providing world-class healthcare to its community.

The deal also involved tax-exempt financing that lowered the cost of capital and maximized the scope for the project.

In an interview with *IJGlobal*, Orrick's Matthew Neuringer discussed the nuances of the solution the Orrick team helped design and implement.

"This is a novel application of this particular type of not-for-profit tax-exempt financing solution through a project-developer-led approach for the energy as a service space," Neuringer said.

Plans for the Central Energy Hub are part of a major construction project that includes a new state-of-the-art patient tower with all private rooms, a 1,500-space parking deck and a physical rehabilitation institute through a partnership with Shirley Ryan AbilityLab.

THE COMPANIES

Henry Ford Health is a leading integrated and academic healthcare system based in Detroit, serving southeast and central Michigan.

In March of 2023, Henry Ford Health began looking for a private partner to design, build, finance, operate and maintain the Central Energy Hub. HFH selected Henry Ford Health Energy Partners (e.g. Kiewit, Veolia and Provident) as the preferred bidder.

Kiewit HFH Investors is the sole member of Henry Ford Health Energy Partners and a 100% equity sponsor.

Henry Ford Health Energy Partners has contracted with Kiewit Development Company for long-term management services.

"The project enables Henry Ford to focus on its core mission of transformational healthcare services and expanding those services while partnering with a world class provider of DBFOM services and

energy development to focus on the non-core mission of the hospital development," Neuringer said in the interview.

Henry Ford Health said in a statement that the Central Energy Hub "will feature a hot and chilled water pump system that will provide electric heating and cooling to the new hospital facilities, allowing the system to limit and eventually fully avoid natural gas usage in those facilities. That means those buildings, including the CEH itself, will produce zero fossil fuels or emissions by our target dates in 2050."

THE TEAM

Orrick's Matthew Neuringer led the team as underwriters counsel. The team also included Robyn Helmlinger, Charles Cardall, Young Lee, Joseph Lodico, Ladan Mohaddes, Joshua Bonney, Ian Busche, Eric Newman & Henry McKenzie.

LEARN MORE

- Henry Ford Health
- Henry Ford Health news release on Central Energy Hub
- Kiewit Development Company
- Provident Resources Group announcement
- Read the IJGlobal article (requires subscription)
- Read More Orrick Client Results

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