

Sealing the Deal: FaegreBD Pilots Ind. Airport P3 Pact

By **Zachary Zagger**

Law360, New York (March 04, 2014, 7:22 PM ET) -- The Gary/Chicago International Airport closed an innovative public-private partnership in January to provide \$100 million over 40 years for the development of the northwest Indiana airport under the guidance of a team of Faegre Baker Daniels attorneys.

Partners Rich Hill and Regina Sharrow served as the lead counsel for the airport authority, piloting it to a P3 deal that maintains public control of the airport assets while bringing in private investors and a private company to manage it. The deal guarantees a total \$100 million investment in the airport and the city of Gary, Ind., over 40 years including a \$25 million investment and \$300,000 for workforce development in the first 36 months.

The P3 deal closed in January with Dulles, Va.-based AFCO AvPorts Airport Management LLC as the primary investor and manager of the airport along with investors Guggenheim Securities and Loop Capital. The deal brings a surge of investment into the rust-belt city of Gary and northwest Indiana and is intended to be a spark for future private investment and redevelopment.

Still, the P3 deal presented the particular challenge of attracting strong proposals for investment at a small airport in a the struggling city of Gary. FaegreBD was brought in to represent the airport authority after a competitive selection process that involved a number of other large firms.

Under Hill and Sharrow's counsel, the deal was completed on a fast timeline, closing in just over six months from the time the request for proposals were issued and in under a year from the time they were brought in on the project.

Despite the relative small size of the airport, especially in comparison to Chicago's O'Hare and Midway airports, the P3 was sold to investors based on its proximity to downtown Chicago, being 35 minutes from the city center, and its location within a transportation matrix, which includes Chicago commuter rail lines and the I-90 highway.

The project also had to overcome the fact that there are not many other large private investment projects in the area.

"I think it is very common for investors to look at a place where there is a lot of new development to want to jump in to," Sharrow, who is based in Indianapolis, said. "Here, Gary has not had that happen yet, so we were really relying on investors to jump in at the beginning to stick their neck out and start a

spark.”

Before going through the costly RFP process, Hill and Sharrow advised the airport to test the waters by issuing a request for expression of interests and for qualifications.

“Our rationale for doing the REIQ was it is something that can be produced quickly at a lower cost,” Hill, who heads FaegreBD’s public finance practice and the South Bend office, said. “It could be done quickly, without substantial cost, and it was a good way to test the waters of how the market would react to a formal RFP. We came through the initial process confident that we would receive several credible responses to the RFP.”

Making this P3 deal different from many other projects is that it really involved two separate agreements: one for the management of the airport and airport facilities, and the other for the redevelopment of property around the airport owned by the airport authority and Gary.

“Here we were really saying there is a bunch of property around the airport and that the airport is really more valuable if that property is developed,” Sharrow said. “The connection between the airport and the development was unique.”

The airport remains publicly owned, but will be managed by a private company in AFCO, which has over 80 years of experience in airport management.

Under the deal, the Gary redevelopment commission also has delegated its power to develop Gary property to the airport board, easing the process for developer Aviation Facilities Co. Inc., an AFCO affiliate, and eliminating the need to deal with multiple government agencies for approvals.

The master plan for the airport includes the extension of one of the runways and the potential addition of a third. The Northwest Indiana Regional Development Authority estimates the total economic impact of a revitalized Gary/Chicago airport could bring \$400 million in capital investment and provide 2,400 of direct and indirect jobs, according to the airport website.

The structure of the P3 deal makes investment in the airport possible and helps Gary’s goal of spurring further economic development and job creation.

“There just are not sufficient resources on the public side,” Hill said. “This P3 was to encourage private investment both in the airport proper and the surrounding area. It was to create a structure that would facilitate private investment.”

The Gary/Chicago International Airport Authority was represented by a FaegreBD team led by partners Rich Hill and Regina Sharrow, and including partners Murray Clark, Randy Rompola and Mark Wright, and associates Tenley Drescher-Rhoades, Mike Maciszewski, Mauri Miller and Pablo Svirsky.

--Editing by Andrew Park.