

Market Insight

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Mesirow builds P3 practice anticipating busier pipeline

Chicago-based Mesirow Financial, an independent financial adviser, is expanding its capital markets P3 practice. inspiratia recently caught up with the group's Jessica Platko, who joined the company in October to lead the charge on infrastructure

Recent reports, including inspiratia's own analysis, have observed a decline in P3 deal flow in the US this year. But, to be fair, the year of LaGuardia, the Purple Line, Merced University and the Long Beach Civic Center was always going to be a hard act to follow. And looking ahead, the large-scale LAX procurements are still a way off from the financing phase. On the bright side, the I-66 toll road in Virginia reached financial close this week and the Central 70 project in Colorado is also approaching that milestone.

Yet while major state-backed transport P3s are relatively few and far between, Jessica Platko sees a pressing need for infrastructure funding on the municipal level. Platko, an infrastructure specialist who recently joined Mesirow's Chicago office from Aon's Infrastructure Solutions group in Australia, says she's optimistic that more projects will start to take off.

"We have local governments experiencing fiscal constraints and desiring to efficiently deliver essential infrastructure through alternative financing sources," says Platko, whose team arranges credit tenant lease and bond financings for these transactions.

She adds, "There is currently a tremendous amount of capital available in the market at favorable terms and what we really need is more projects to start coming to market. Nevertheless, we are starting to see far more public sector interest at all levels in learning about and initiating P3 procurements."

Platko sees opportunities in university academic buildings, housing, energy-from-waste, justice facilities and parking garages. For instance, the Chicago Infrastructure Trust recently released an RFQ for the design-build-finance of a joint training facility accommodating police and emergency services.

Mesirow's past infrastructure deals include a US\$50 million (£38m €43m) health centre at the University of Michigan and a DBFOM project for a medical office at Wayne State University in Detroit.

The company has established credit tenant lease, structured debt products, public finance and sale-leaseback divisions, and aims to expand its P3 practice, with a team of around six currently looking at the infrastructure sector.

"There's been this emerging P3 market for several years, but I think what has happened in that time is that advisers - whether financial, technical, legal or risk – have come to understand the delivery model well from our own experience and that of other countries," says Platko. "I think we're in a more advance stage now to be able to provide advice for more successful transactions."

A trillion-dollar question

While it is to be expected that elections will put any procurement activity on hold, a year and a few days after the US presidential election President Donald Trump's US\$1 trillion (£762bn €861bn) is cloaked in uncertainty.

With a tax overhaul currently being the number one priority, there may also be implications for infrastructure.

On the one hand, policy-makers are understood to be considering certain tax exemptions that would serve as a boon to privatisations. On the other hand, there is a mooted threat to remove tax privileges from private activity bonds, which P3 projects in the US rely on heavily for competitive financing and spurring private investment.

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