Mesirow

Insights

2021 Mid-Year Update: Capital Markets & Investment Banking

How P3 financing helped make a new healthcare center a reality

For public sector officials tasked with financing infrastructure projects – and the private contractors who work with them – a public-private partnership (P3) model can offer distinct advantages. Mesirow recently advised the University of Illinois in a transaction that may provide valuable insight into P3 financing.

First, a bit of background. A P3 is a unique contractual arrangement. A government agency contracts with a private partner to build or renovate a public infrastructure project – roads, bridges, hospitals, water treatment plants, transit systems, etc. Under the right circumstances, P3s allow the public sector to integrate all parts of a project under one contract while retaining ownership. This allows them to take advantage of upfront collaboration to help increase efficiency. Credit risk is spread out among partners.

A crucial part of the P3 model is the mitigation of risk for taxpayers. Unlike a typical scenario where the public sector funds a project throughout construction, a P3 can finance part of the capital cost during construction and/or design phases by borrowing money or putting up its own funds. P3 financing lets public institutions shift administration costs to contractors and extend the time frame for payment. In addition, being responsible for costs motivates P3 partners to complete their project on time and on budget.

[READ MORE]