

WIT.Committee

From: Michele McLean <Michele.McLean@co.maui.hi.us>
Sent: Wednesday, October 14, 2020 1:00 PM
To: WIT.Committee; Yukilei Sugimura
Cc: May-Anne Alibin; Sandy Baz; Scott Teruya; Curt de Crinis; rogerdavis@orrick.com; choic@pfm.com
Subject: Today's WIT meeting re: CFDs
Attachments: P3 Structure for Kahana Bay_10.14.2020.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Aloha Yuki and WIT team,

Attached please find a PowerPoint that Curt DeCrisis can present today if time allows. It describes an option for a third party, in a public-private partnership (P3), to take responsibility for the lion's share of the project.

Under this scenario, the County would not be responsible for design, permitting, bidding or construction of the improvements, or maintenance expenses, and would not advance any general fund monies.

Mahalo,
Michele.

Michele Chouteau McLean, AICP, Planning Director
County of Maui
One Main Plaza, Suite 315
2200 Main Street
Wailuku, Hawaii 96793
Office: 808/270-7735
Fax: 808/270-7634

PRESTON | HOLLOW

CAPITAL



Preliminary P3 Structure for the Kahana Bay Erosion Mitigation Project

October 2020

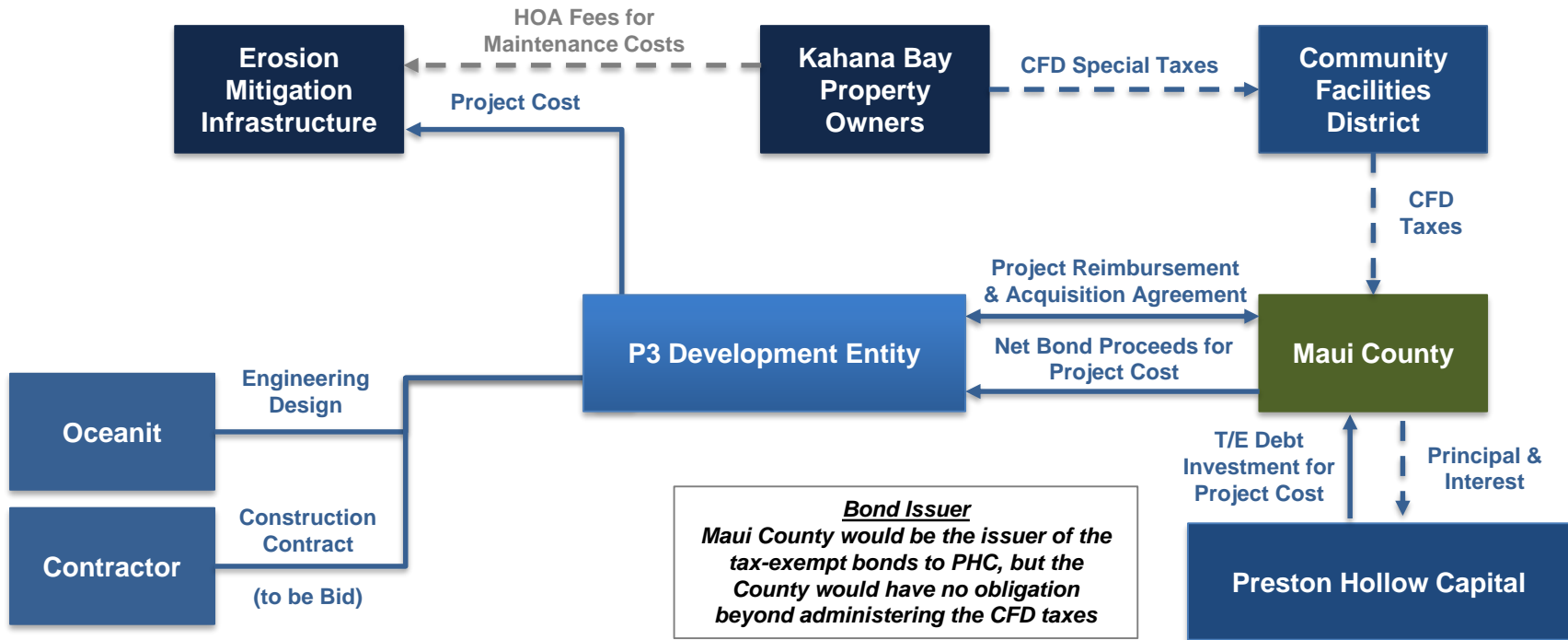
P3 TRANSACTION SUMMARY

- Preston Hollow Capital (PHC), working in conjunction with the Kahana Bay Steering Committee (KBSC), the County and Columbia Capital, will bring together a highly qualified team that has experience working together on other projects
 - Hawaii team members to include Oceanit and McCorriston Miller Mukai MacKinnon LLP
- The proposed transaction structure will allow for the most timely and efficient delivery of the Kahana Bay Erosion Mitigation project, and the project scope can be tailored to meet all aspects of the KBSC and County's desired components and priorities
- Financial approach eliminates the need for a County public bond sale, as PHC will commit to fund the design and construction by purchasing CFD bonds
- It is also proposed that the County have no ongoing maintenance obligation
- PHC would commit to fund all required development and construction costs through the purchase of tax-exempt bonds secured by CFD special taxes
 - CFD would need to be created by the County at the beginning of the Project development
- Ongoing maintenance expenses would be paid through HOA fees, and the County would have no obligation beyond administering CFD special taxes related to debt



KAHANA BAY EROSION MITIGATION PROJECT

PRELIMINARY P3 STRUCTURE SUMMARY



Structure Outline

- Project team assembled for the design and development of the Project
- County enters into a project reimbursement and acquisition agreement with P3 development team, with 100% of the required financing provided by PHC through the purchase of CFD bonds
- Project capital costs repaid with CFD special taxes levied on benefitting property owners and funds for ongoing maintenance provided through HOA fees
- County will likely need to be the owner of the groins, but the County's ongoing obligation would be limited to administering the CFD special taxes collected from property owners for the repayment of debt



RECENT PHC P3 PROJECTS

- PHC has recently used similar financing structures on multiple P3 projects in which PHC provided all of the required project capital through a tax-exempt debt investment
- In April 2018, PHC closed the \$59 million concession for the Eastern Michigan University parking system, which was 100% funded by PHC's purchase of tax-exempt debt
 - Parking concession provided Eastern Michigan University with an upfront monetization payment and operational expertise for an infrastructure asset outside of the University's core mission of education
- In February 2017, PHC closed the \$120 million financing of the new Irving, TX Convention Center Hotel which opened in April 2019
 - PHC team worked in partnership with the City of Irving, TX to finance, develop and operate a new convention center hotel for the ultimate benefit of the City in support of its existing convention center
- In April 2019, PHC closed the \$28.5 million financing for a new 150 key convention center hotel in Harlingen, TX
 - PHC applied the structure from the Irving, TX convention center hotel financing for the benefit of the City of Harlingen, TX in support of its newly built convention center



Appendix A: Preston Hollow Capital Overview





PRESTON | HOLLOW
CAPITAL

The Solution Provider at the Intersection of Public and Private Interests

Through market cycles, Preston Hollow Capital provides unique capital solutions

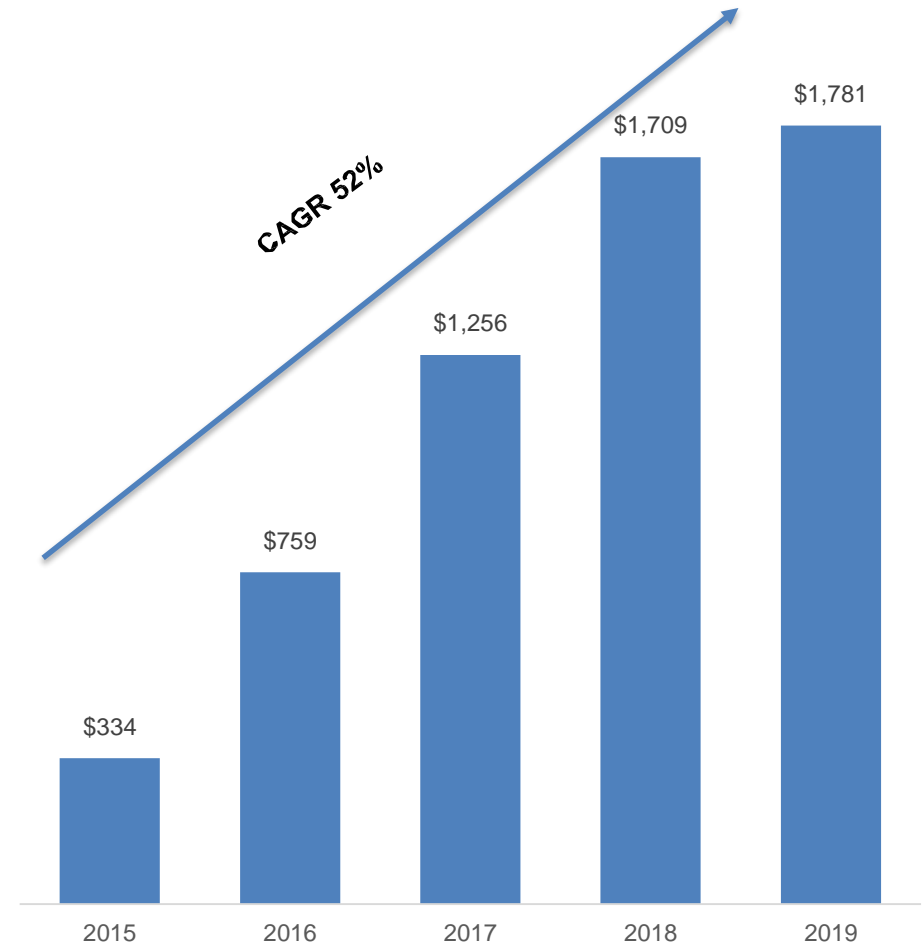


PRESTON HOLLOW CAPITAL OVERVIEW

Company Description

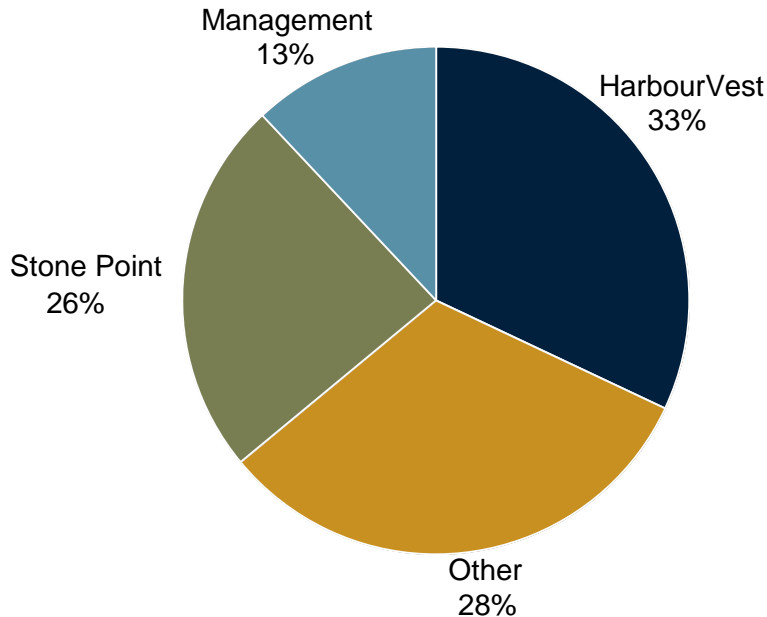
- Preston Hollow Capital is headquartered in Dallas, Texas
- Internally managed permanent capital vehicle with best in class management that is highly experienced in navigating through a variety of credit and interest rate environments, with a shared common performance record and culture
- Approximately \$1.4bn in committed capital from premier sponsors such as Stone Point and HarbourVest
- Track record of successful tax-advantaged investments across its platform including investments in real estate, economic developments and infrastructure
- Investments promote positive social impact without sacrificing credit quality

Total Portfolio Growth (\$ millions)



- Since inception, Preston Hollow has \$1.4bn in committed, permanent equity capital from premier sponsors like Stone Point Capital and HarbourVest Partners
- These high quality sponsorships facilitate PHC's growth and access to funding sources

Equity Commitment Breakdown



Key Sponsors

STONE POINT CAPITAL

- Leading financial institutions-focused private equity firm that has raised more than \$26bn in aggregate committed capital
- Stone Point has been an active partner to PHC since July 2015, with over \$265mm invested to date
- Chris Doody of Stone Point sits on PHC's Board of Managers⁽¹⁾



- Leading global private markets investment firm with a long history of innovation and success and over \$71bn in AUM
- Investor since August 2016 with \$470mm investment to date
- Alex Rogers of HarbourVest sits on PHC's Board of Managers⁽²⁾

(1) Chris Doody is a Principal of Stone Point
(2) Alex Rogers is a Managing Director at HarbourVest



REPRESENTATIVE INVESTMENT TYPES

Infrastructure

Primarily debt investments in infrastructure related projects including transportation, safety, social and other projects

Real Estate

Special assessments / special tax transactions with proven developers

Economic Development

Tax increment, tax credit and other economic development incentive financings for developing and completed projects

Hospitality

Providing entire capital stack for development of hospitality related projects, including limited and full service hotels

Higher Education & K-12

Education related projects including student housing, public and private education institutions and charter schools

Senior Living

Construction and rehabilitation needs for independent living, assisted living, and memory care facilities

General Government

General obligation, lease appropriation or other needs

Healthcare

Single site & multi-site system healthcare facilities; start-up healthcare facilities; off balance sheet joint ventures

