

FM Area Diversion P3 Project Agreement Receives International Award

FOR IMMEDIATE RELEASE

FARGO, ND (January 17, 2022) – The Fargo-Moorhead Area Diversion’s P3 (public-private partnership agreement) recently received an international award naming it the Americas P3 Deal of the Year. The project is the first flood protection/resiliency P3 in the United States and one of the first worldwide. It also is the first project in the United States Army Corps of Engineers (USACE) P3 pilot program to reach financial close.

[Project Finance International](#) recognized that the diversion “brought a series of firsts to the U.S. public-private partnership market with a deal that may become a template as climate change increases flooding concerns.”

“Achieving this recognition speaks to the incredible teamwork of those involved in developing and delivering this project. In our collective efforts to bring flood protection to the Fargo-Moorhead area, we are leading the way for similar projects across the world,” said Joel Paulsen, executive director of the Metro Flood Diversion Authority (MFDA), which procured the P3 agreement with the Red River Valley Alliance.

The Alliance will design, build, finance, operate and maintain the diversion channel.

“This deal represents a great public-private partnership success, showing true dedication and collaboration between three Alliance partners: ACCIONA, Shikun & Binui USA and North American Construction group,” said Esther Madrigal Diez, project manager for the Red River Valley Alliance. “We commend MFDA for its diligent work and commitment to this deal and are grateful to be part of this historic project that will pave the future of P3 flood protection ventures.”

The P3 Deal of the Year award also recognizes the MFDA’s “innovation” in using a “multi-faceted financing” approach. Numerous government and commercial entities collaborated to secure the necessary funding for the \$2.75 billion project. Financial close took place in October 2021, and the construction on the channel portion of the project will begin later this year.

“This project brings together years of work to develop a comprehensive financial plan, which included the use of multiple innovative financial products and a P3 Project Agreement,” said John Shockley, MFDA General and Bond counsel, who is a partner at Ohnstad Twichell, P.C.

The project financing includes the use of a U.S. Environmental Protection Agency Water Infrastructure Finance and Innovation Act Loan, U.S. Department of Transportation Private Activity Bonds, North Dakota Public Facilities Authority Loans, temporary financing, and long-term sales tax bonds. Funds are also contributed by USACE and the State of North Dakota. Financial closing of the P3 Project Agreement achieved the final element of the financial plan.

“The project financing is innovative and really represents a path forward for other large projects across the United States,” Shockley said. “It can serve as a model for future flood control and coastal storm surge projects.”

ABOUT MFDA

The MFDA is the governing authority managing the FM Area Diversion. The project is designed to provide permanent, reliable flood protection to the Fargo-Moorhead metropolitan area. Construction on the FM Area Diversion began in 2017 with expected completion of the project by 2027. For more information about the MFDA, visit FMDiversion.gov.

MEDIA

For additional information or photo needs, contact info@fmdiversion.gov or Amy Wieser Willson at amy@neonloon.com or 701-367-2231.

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Construction continues on the Diversion Inlet Structure near Horace, N.D., by U.S. Army Corps of Engineers, St. Paul District, contractor Ames Construction Inc. The structure is part of the Fargo-Moorhead Area Diversion project, which will provide permanent, reliable flood protection for the region.

Full award writeup from [PFI](#):

Americas P3 Deal of the Year: Fargo Moorhead

The Fargo Moorhead flood diversion transaction brought a series of firsts to the US public-private partnership market with a deal that may become a template as climate change increases flooding concerns.

The Red River Valley in the Fargo-Moorhead metropolitan area of North Dakota and Minnesota is vulnerable to flooding in spring and the diversion project originated many years ago as a specially tailored option to combat the problem.

It is part of a larger initiative that is being accomplished through a split delivery, with one segment being delivered through a P3 and the other being done through traditional design-build. The P3 segment was procured by the Metro Flood Diversion Authority of North Dakota, which entered into an approximately 34-year project agreement with Red River Valley Alliance (RRVA), a consortium of Acciona, Shikun & Binui, and North American Construction Group (NACG). The team was selected to

design, build, finance, operate and maintain a storm-water flood diversion channel in exchange for construction milestone payments and availability payments.

The deal was innovative as the first flood protection/resiliency P3 in the US and one of the first globally, and it was also the first project under the United States Army Corps of Engineers P3 pilot programme to reach financial close. In terms of structure, it showed innovation by combining tax-exempt private activity bonds (PABs) with a private placement for long-term debt financing.

Getting the project to financial close was the culmination of many years of effort and required extensive cooperation between two states and several municipalities.

A multi-faceted financing backed the US\$2.75bn project, starting with US\$296m of senior revenue green bonds. A tranche maturing in 2051 was priced to yield 2.98% and a tranche maturing in 2056

was priced at 3.08%. The tax-exempt bonds were issued by the Public Finance Authority of Wisconsin, a conduit that lends the proceeds to RRVA. Underwriters included Citigroup, Morgan Stanley and SMBC. The consortium established a green financing framework, so all financial components of the deal were designated as green. MetLife Investment Management served as sole lender on a US\$198 private placement.

A roughly US\$643m revolving credit led by SMBC, CaixaBank and Korea Development Bank (KDB) and US\$51m of equity rounded out the private finance contribution.

Agentis Capital was financial adviser to RRVA; EY advised the Metro Flood Diversion Authority; Torys served as sponsor legal counsel, Winston & Strawn served as lender legal counsel; Mazars was model auditor; Altus was independent engineer; Intech was insurance adviser; and Deloitte acted as tax adviser.