THE BOND BUYER

Miami International Airport plans up to $5 billion in improvements

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Miami International Airport officials launched a multibillion-dollar capital improvement plan this month to keep pace with a growing number of passengers and demand for cargo facilities at the South Florida airfield.

The new capital improvement plan, estimated to cost as much as $5 billion, will be financed with bonds and grants from the Transportation Security Administration, Florida Department of Transportation, and Federal Aviation Administration, as well as passenger facility charges.

The program is based on work by consultants who project that MIA can expect 77 million travelers and more than 4 million tons of freight annually by the year 2040.

In comparison, the airport last year handled 45 million passengers — 23.2 million domestic and 21.9 million international travelers. In 2017, the airport saw 44 million passengers.

MIA also set a record for international freight, handling 79% of all air imports and 77% of all exports between the U.S. and the Latin American and Caribbean regions last year, officials said. Some 2.305 million tons of international and domestic cargo were handled, compared with 2.2 million total tons in 2017.

“The new CIP will be funded primarily by aviation revenue bonds, with additional funding coming from TSA, FDOT and FAA grants, as well as from airport improvement, reserve maintenance and PFC funds,” said airport spokesman Greg Chin.

Miami-Dade County, which owns MIA, last implemented a major capital improvement plan in the mid-1990s. At the time, the $6.5 billion improvement plan was said to be one of the largest in the country. It was completed in 2014, and about $5.5 billion of debt remains to be paid off today.

The new CIP, approved by the Miami-Dade County Commission June 4, is based on growth projections and needs.

Its implementation will occur over the next five to 15 years, with the completion time frame dependent on the actual pace of growth and available funding.

The Miami-Dade Aviation Department, which operates the airport, hired Ricondo & Associates to help develop the capital master plan, which calls for the redevelopment of central terminal concourses E and F, the expansion of South Terminal concourses H and J, and the renovation of Concourse D gates to accommodate additional wide- and narrow-body aircraft, as well as larger regional jets.

The CIP also includes building two new hotels and landside projects including the expansion of aircraft parking positions and the construction of warehouses for cargo operations.

The aviation department will ask commissioners July 9 for permission to advertise for architectural and engineering consultants to work on the planned projects.

Miami International is often referred to as the gateway for Latin American and Caribbean routes, primarily because of its predominant carrier, American Airlines.

“MIA is Miami-Dade County’s leading economic engine and busiest gateway, generating nearly $31 billion in business revenue and welcoming 96% of all visitors to our community,” said County Mayor Carlos Gimenez. “The goal of this new capital program is for MIA to provide even greater value, convenience and efficiency to our visitors, airline partners and cargo operators.”

A portion of the earlier capital plan built a new terminal for American, which last year, along with its affiliate American Eagle, accounted for 67% of enplaned passengers and 37.1% of airport revenues.

Some 90 airlines provide scheduled service at MIA. In addition to American, other top passenger and freight carriers are Delta Air Lines, ExecAir, Frontier Airlines, Sun Country and United Airlines.

Most U.S airports have stable credit profiles, thanks to economic growth since 2010 that has spurred passenger traffic and created a healthy financial environment for most air carriers, according to a February report by Fitch Ratings entitled, “What Investors Want to Know: U.S. Airports.”

“While moderate levels of economic pressure may emerge, U.S. enplanements should continue to reach new records,” analysts Seth Lehman and Jeffrey Lack wrote. “The average rating for U.S. airports is in the ‘A’ category level, with upgrades outpacing downgrades over the past five years.”

Airports are capital-intensive enterprises with considerable spending required to maintain or modernize facilities, and to provide capacity expansion to accommodate growth, Fitch said. A primary source of funding for capital programs includes long-term debt borrowings commonly supported by the airport’s full general revenue pledge or specific niche revenue streams, the rating firm said.

With federal funding limitations to local airport sponsors, Fitch said it expects borrowing for capital programs to rise, with large hubs being the dominant class of airports to issue bonds.

That’s been the case with MIA, Orlando International Airport, Fort Lauderdale-Hollywood International Airport, and Tampa International Airport, which are all classified as large hub facilities by the Federal Aviation Administration.

The four airfields, which have undertaken large capital programs, are considered Florida’s largest top commercial airports for economic output, which is the total value of goods and services sold, budgeted expenditures, payroll and jobs, according to a 2019 economic impact study by the Florida Department of Transportation, based on 2017 revenues.

Orlando tops the economic output list with $41.12 billion, followed by MIA with $33.2 billion, Fort Lauderdale-Hollywood with $20.8 billion and Tampa with $14.5 billion.

Broward County, owner of Fort Lauderdale-Hollywood International, launched a $2.3 billion expansion and improvement program in 2012, with the primary goal of lengthening its main runway to 8,600 feet from 5,275 feet to accommodate larger aircraft. The plan also included terminal modernization projects.

Orlando and Tampa decided in 2013 and 2014 to spend billions on their first multi-year capital plans in years, as each airport began seeing passenger growth that would exceed existing capacity at their facilities.

The Greater Orlando Aviation Authority, which operates Orlando International, began with a $1.1 billion CIP that was expected to be completed in 2018, though longer-term programs at OIA called for an additional $2.2 billion in spending and the construction of a second terminal at the airport.

The second terminal is also a hub for various transportation systems, including Virgin Trains USA’s higher-speed passenger train project formerly known as Brightline and All Aboard Florida.

A $2.76 billion capital plan is under way at Tampa International Airport, about 92 miles west-southwest of Orlando.

The Hillsborough County Aviation Authority, an independent special district that operates TIA, had spent $925 million by 2018 completing an automated people mover, a consolidated car rental facility and related improvements.

Capital plans at Miami, Fort Lauderdale, Orlando and Tampa airports have been primarily financed with aviation revenue bonds.

In 2018, Miami International celebrated its 90th anniversary and ended the year surpassing 45 million passengers for the first time in its history.

As the so-called gateway of the Americas, airport officials said serving 21.8 million international passengers last year made it the once again the busiest airport in Florida for international travelers.

MIA also maintained its ranking as the busiest U.S. airport for international freight, setting a record of 2.3 million total tons in 2018, an increase of 60,000 tons over 2017, according to airport statistics.

While a financing schedule wasn’t available for the CIP approved earlier this month, airport director Lester Sola said its implementation will be transformative for MIA and it will depend on when certain projects are needed.

“Because of the program’s phased structure, we look forward to delivering to our passengers and business partners new and improved airport facilities,” Sola said.

Miami-Dade County issued $495 million of airport revenue bonds on May 10.

The deal was structured with $282.2 million of tax-exempt debt subject to the alternative minimum tax and $212.7 million in taxable revenue and refunding bonds.

Kroll Bond Rating Agency credited the deal with an AA-minus rating, while A ratings were assigned by Fitch Ratings and S&P Global Ratings. Fitch said the outlook is positive, while Kroll and S&P had stable outlooks.