

# THE BOND BUYER

## JFK is next New York airport to begin planning for P3 upgrades

By

**Andrew Coen**

Published

April 06, 2018, 10:56am EDT

The Port Authority of New York and New Jersey's planned \$10 billion redevelopment of John F. Kennedy International Airport is beginning to take shape in the form of another large-scale public-private partnership.

JetBlue Airways selected developers Vantage Airport Group and RXR Realty LLC in late March to partner on the airline's planned multibillion-dollar expansion at JFK. That project is part of the Port Authority's \$10 billion overhaul of the 70-year international airport in Queens designed to enhance infrastructure to meet growing passenger demand.

The bi-state agency has budgeted \$1 billion for the overhaul in its 10-year capital plan with hope that the private sector will chip with the remainder of the project costs.

"Ultimately we wanted to work with an organization that could handle the combination of design, driving the best economics for our company and our owners, and a demonstrated ability to partner with the Port Authority," said Justin Ginsburgh, JetBlue's director of JFK infrastructure strategy and development. "Both Vantage and RXR have the relevant expertise and experience."

Vantage is also working with the Port Authority to developing nearby LaGuardia Airport's main terminal as part of a \$4 billion public-private partnership.

RXR has yet to spearhead an airport development, but the Uniondale, N.Y.-based firm has worked on other P3 projects in the New York City region. The consortium, known as JFK Millennium Partners, beat out bidders from private-equity firm Oaktree Capital Management and Ferrovial SA, an infrastructure group based in Spain.

Ginsburgh said Vantage has worked on 29 airport projects during the last 23 years, including the \$4 billion redevelopment at LaGuardia as an equal equity shareholder and manager of operations for the planned new terminal. He said

RXR was selected for its P3 experience and commitment to engage with stakeholders.

“RXR is one of the most active players in the public-private partnership sphere in New York,” said Seth Pinsky, executive vice president and investment manager of the RXR Metropolitan Emerging Market Strategy. “In these partnerships, we seek to work collaboratively with our counterparties to unlock untapped value with which to create and improve much-needed infrastructure for the benefit of the region.”

New York Gov. Andrew Cuomo [proposed](#) a \$10 billion JFK Airport undertaking in January 2017 that would include more interconnected terminals, improved AirTrain service and reducing bottlenecks on the Van Wyck Expressway.

The governor, a Democrat, called for an estimated \$7 billion to \$8 billion for airport enhancements and \$1.5 to \$2 billion for roadway improvements that would be paid for by the State Department of Transportation. He formed an airport advisory panel that indicated the JFK transformation could deliver “significant private sector investment” similar to the LaGuardia P3, where two-thirds is funded by the private sector.

Port Authority officials say the JFK expansion is needed because the airport served nearly 60 million passengers in 2017, a 26.5% increase from 49 million in 2012. The agency estimates that JFK will see 100 million passengers by 2050.

A January snowstorm put the airport's flaws [under the microscope](#), delaying hundreds of flights and stranding thousands of passengers for days on end.

“The Port Authority is moving forward with intense focus to advance Governor Cuomo’s vision plan and transform JFK into a unified, world-class, 21<sup>st</sup> century airport worthy of the region,” said Port Authority spokesman Ron Marsico. “Extensive discussions continue with all terminal operators focused on securing world-class redevelopment proposals consistent with the overall master planning process.”

The Port Authority is one of the nation's largest municipal bond issuers with around \$20 billion in outstanding debt. The transportation agency has credit ratings of Aa3 from Moody's Investors Service and AA-minus from S&P Global Ratings and Fitch Ratings.

“The Port Authority is thinking big at JFK, which is appropriate given the location and importance of the airport,” said Roddy Devlin, a project finance and P3 attorney at Squire Patton Boggs, which was bond counsel on a \$2.4 billion

private activity bond deal in May 2016 for the LaGuardia Airport overhaul. “Many of the projects planned for JFK could be done as P3s.”

Devlin noted that one of the Port Authority’s first P3 undertakings involved a “successful” overhaul of Terminal 4 at JFK Airport nearly 20 years ago. The project consisted of a private developer, headed by Schiphol, the Dutch airport operator that owns the Amsterdam airport, replacing an antiquated terminal with a state-of-the-art facility that [it still operates today](#).

“Traditionally, airport capital projects at New York City airports have taken place on a terminal-by-terminal basis, and not necessarily under an airport-wide coordinated process,” said Devlin. “That changed with the Terminal B P3 project at LaGuardia, where the Port Authority and the governor were actively involved in crafting an airport-wide solution that anticipated and facilitates future development.”

Nicole Gelinas, a senior fellow at the Manhattan Institute for Policy Research, said that participating airlines in the \$10 billion redevelopment likely would not agree to tackle major upgrades if they didn’t think investments could be repaid through profits. She said the Port Authority was wise to budget \$1 billion in its capital plan for improvements throughout JFK Airport, but was also “prudent” to not invest too much.

“If private investors won't put the money up, it's a sign that the project, or at least parts of it, isn't viable,” said Gelinas. “Unlike mass transit — the PATH and the bus terminal — it would be foolish to subsidize the airlines, which are an entirely private and lucrative business.”

Gelinas said that whether the entire \$10 billion ultimately gets spent will hinge on the success of JFK’s airlines and whether investors think there is enough expansion opportunity to justify further infrastructure spending. She noted that other airlines at JFK have not detailed much about future terminal upgrades, which could underscore signs of uncertainty for the aviation industry.

“Now that we are nearly 10 years into an economic recovery, does the risk of a looming cyclical recession in an industry that's always particularly vulnerable to any recession justify the investment right now,” Gelinas said. “It seems like some of the airlines must be thinking about this.”