

THE BOND BUYER

Thursday, September 15, 2016 | as of 2:40
PM ET

Regional News

L.A. Port Brings Green Bond Deal

By [Keeley Webster](#)
September 13, 2016

LOS ANGELES — The Port of Los Angeles will price a \$219.2 million revenue bond refunding Wednesday its officials say represents the first green bond sale by a port.

Participants are hoping the well-rated credit's infrequent forays into the municipal bond market and a green bond series will draw investor interest.

The green bonds are certified by Sustainalytics, which conducts an in-depth analysis on the bonds to confirm they are funding environmentally friendly projects, said Michael Lexton, a managing director with RBC Capital Markets.

For issuers, the value of the green bond designation is that there are an increasing number of investors with mandates to purchase bonds backing socially responsible projects, Lexton said.

"There is pent up money to the tune of \$4 billion to \$5 billion looking for green bond investments," said Alan Rubin, a senior policy advisor on green bonds.

The Harbor Department of the City of Los Angeles will price the \$219.2 million refunding with retail taking priority over institutional in terms of final allotments, Lexton said.

The three series of revenue refunding bonds will price as follows: a \$98.6 million Series A with interest subject to the alternative minimum tax; a \$65.8 million Series B that is non-AMT; and the \$31.9 million 2016 Series C, non-AMT green bonds.

RBC is lead manager with Citi and Loop Capital Markets as co-managers. Montague DeRose is financial advisor. Nixon Peabody is bond counsel.

The bonds received ratings of Aa2, AA, AA from Moody's Investors Service, Fitch Ratings and S&P Global Ratings. All assign a stable outlook.

"What we are hoping to do is to just expand our investor base with the green bond issuance," said Marla Bleavins, the port's deputy executive director and chief financial officer.

Los Angeles is the highest-volume container port in terms of volume in North America, according to its online investor road show presentation. When combined with the neighboring Port of Long Beach, the twin ports represent the 10th largest seaport in the world.

Container volume for calendar year 2016 has grown by 4.76% to 4.8 million twenty-foot equivalents, a standard container size, through July compared to the same seven-month period a year earlier, Bleavins said.

"We are going on 16 years of being the No. 1 container port in North America," Bleavins said. "We have strong management, strong debt service coverage, and more than 500 days cash on hand."

The port has instituted programs over the past decade to lessen its impact on the environment including a clean trucks program that requires tractor-trailers that carry goods to and from the port to meet certain emission standards. It also requires ships to plug into the port, so they aren't emitting pollutants into the air while cargo is unloaded.

The port has seen an 84% reduction in particulate matter, 50% in nitrogen oxide pollution, a 12% reduction in greenhouse gas emissions and a 97% decrease in sulphur dioxide from 2005 to 2015, Bleavins said.

The reduction in air pollution was accomplished even as the port experienced an 8% increase in container traffic, she said.

The Series C green bonds are advance refunding bonds issued in 2009 that paid for \$90 million of projects, of which three in particular were identified as being sustainable, Lexton said. The other two series are current refundings for interest rate savings on bonds that have reached their call dates, he said.

Advance refunding the green bonds will not put the bonds at a disadvantage. In fact, though the Series C is only \$31.9 million of the bond sale, 20%, or \$6.5 million, of the \$32 million anticipated savings on the refunding will come from the green bonds, Lexton said.

The projects funded by the green bonds include Harry Bridges Boulevard Buffer, a brownfield site that was cleaned up; the port's police headquarters built to LEED Gold standards, and the Cabrillo shallow water habitat.

The Port of Los Angeles will benefit from rating standards crafted by the three largest rating agencies six months ago in response to concerns over "greenwashing," Rubin said.

Greenwashing concerns arose because standards did not exist and some bonds were marketed as green bonds that were not really offering environmental benefits, he said.

But six months ago, Moody's, S&P and Fitch established standards for determining if bonds really should carry a green designation, Rubin said.

"In the beginning, people would claim you were getting a better product – that is greenwashing," Rubin said. "An example is clean coal. Taking a coal-fired plant and improving it to make it better doesn't make it a green product."

If the port cleans up oil refineries around its plant, that is great, but it is not green, Rubin said. But building a new dock and using green materials and energy provided by wind or solar, could legitimately be claimed as a green product, he said.

"There is a huge upside to selling these types of bonds," Rubin said.

Since the bonds are refundings, the projects are completed making it easier to ensure that they meet green standards and it "gives a little better security to the investor, because it is a refinance," Rubin said.

Obligors selling green bonds are seeing modest benefits to their pricing given that there would appear to be growing demand for the product, said Tom Schuette, partner/co-head investment research and strategy, Gurtin Municipal Bond Management.

"We think this will likely carry through for the Port of Los Angeles next week. Even if they did not benefit from the green designation, they would still price extremely well given the port's credit quality and the demand for size in the California market," Schuette said.

Gurtin is "seeing gradual increases in client interest in socially responsible investing, but the increase is definitely matched by significant confusion in the market about what an issuer's self-declaration of 'green' actually means and how socially responsible strategies actually work in the municipal space," Schuette said.



© 2016 [SourceMedia](#). All rights reserved.

[Mobile Version](#)