

THE BOND BUYER

Long Beach port goes back to the TIFIA well for its harbor bridge

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DALLAS — The Port of Long Beach, California, is seeking a second Transportation Infrastructure Finance and Innovation Act loan to complete the \$1.5 billion Gerald Desmond Bridge replacement.

“We began the process in March,” Sam Joublat, the port’s managing director, said Friday at The Bond Buyer’s Transportation/P3 Conference. “We hope to have it by the end of next year, but I’m in no big rush.”

A \$325 million TIFIA [loan](#) awarded in May 2014 was a key financing tool for the project. Interest and principal payments began this year, with final loan maturity in 2051. The port wants to borrow \$175 million more through TIFIA.

The bridge replacement is a key element to expanding capacity at the port and boosting its economic impact in Southern California, Joublat said.

The Bridge is a major access point to the port from downtown Long Beach and surrounding communities, carrying Interstate 710 over the port’s Inner Harbor to Terminal Island. The replacement bridge will be a six-lane, cable-stayed design. Its 205-foot clearance — 50 feet higher — will allow the newest generation of larger cargo ships to enter the port.

The new bridge, under construction since 2014, is being built alongside the current span to maintain traffic flow. The replacement bridge is scheduled to open in late 2019. While the cost was projected at \$1.26 billion in 2014, Joublat estimated the cost this year at \$1.5 billion.

“TIFIA offers a lot of advantages,” Joublat said. “You can structure it so it’s back-loaded and you don’t have to make any payments in the early years. There’s no pre-payment penalty.

“It’s not an easy process,” Joublat added. “It’s a very lengthy process, but we believe the benefits outweigh the cost.”

The Desmond bridge replacement is a joint effort of the California Department of Transportation, the Port of Long Beach, the U.S. Department of Transportation and the Los Angeles County Metropolitan Transportation Authority.

As the ninth-busiest port in the world, Long Beach just completed a record fiscal year 2018, Joublat said.

With the Trump Administration’s tariffs on Chinese products going into effect, Joublat expects volume to soften next year.

“So far, the trade war has not had an impact on our volumes,” Joublat said. “What we have seen is a building of inventory, and that may explain why our volumes have gone up.”

In addition to the bridge replacement, the port is redeveloping its Middle Harbor Terminal at a cost of \$1.5 billion. The project is designed to combine two terminals into one, Joublat said.

“We plan to issue \$600 million-plus of debt over the next three years,” he said.

On the East Coast, the Port of Miami is also in a growth mode, with emphasis on cruise passengers, said Andy Hecker, assistant port director.

“The cruise side is a lot more dramatic for us,” Hecker said. “We are developing five new cruise terminals in P3-type deals under a \$1.1 billion investment plan.”

Both ports boast a competitive advantage with channels dredged to a depth of 52 feet, which allows them to handle the largest cargo and passenger ships. Some ports are still waiting for federal funds to dredge deeper than their current 40-foot depths.

Despite the expansion of the Panama Canal, the Port of Long Beach still enjoys an advantage over the ports on the Gulf of Mexico and the Atlantic, Joublat said. Shipments from Shanghai, China, to Chicago take 21 days through Long Beach compared to 32 days for ports accessed through the canal, he said.

While the trade war with China continues to pose a risk, the ports caught a break with the resolution of a showdown over the North American Free Trade Agreement.

On Friday, President Trump and his Canadian and Mexican counterparts signed a replacement NAFTA deal during a ceremony ahead of the G20 summit.

The deal still needs to win congressional approval in Washington, where key members of both political parties have already expressed significant concerns.

In a Nov. 27 letter to Trump from Americans for Free Trade that includes the American Association of Port Authorities, business leaders urged the administration to resolve conflicts with China before the end of the year.

“Resolution of this dispute is essential to keeping America competitive on the global stage while growing our economy and the millions of jobs supported by trade here at home,” the letter said.

Corrected December 3, 2018 at 1:22PM: The Port of Miami was the first port recipient of a TIFIA loan. The original version of this story said Long Beach was the first such recipient, and incorrectly attributed the statement to Eric Golynsky of UBS. It was made by an audience member.