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California Backs Big Bond Deal for Virgin Trains' Las Vegas Line.

A California agency on Wednesday approved the first step in the plans of Virgin Trains USA to sell \$4.2 billion in tax-exempt debt to build a high-speed train to Las Vegas from a desert town in southern California.

The state's Debt Limit Allocation Committee staff recommended that the company, backed by Fortress Investment Group's private equity funds, receive half of its request for now, contingent on it submitting an economic development plan. Combined with an expected allocation from the federal government, a California agency would issue up to \$3.2 billion of tax-exempt debt on the train's behalf.

The company in November will also ask Nevada to issue up to \$800 million for the railroad, plus part of the federal allocation, so the company's tax-exempt financing plans total \$4.2 billion for the \$4.8 billion project. Virgin Trains would be on the hook for debt payments, not the government agencies selling the bonds on its behalf.

"Today's approval is a major milestone in connecting Las Vegas and Southern California with intercity high-speed rail," Ben Porritt, a spokesman for Virgin Trains, said in a statement after the vote. "This is a significant private investment that will generate thousands of new jobs, spark new mixed use and housing development and remove nearly 4.5 million cars off the road each year."

Virgin Trains, which in Florida launched the nation's first privately-owned intercity passenger railway in more than a century, plans to lay tracks mainly along the median of Interstate 15 to Las Vegas from Apple Valley, California, 85 miles northeast of downtown Los Angeles. Construction will take three years and trains will run in 2023, the company said.

Apple Valley and other officials from the San Bernardino County community known as Victor Valley at the meeting touted the project's ambitions of sparking development.

"It's a regional kick starter that will usher in a new era of economic development in San Bernardino County by creating jobs, housing, retail, and commercial activity," California Treasurer Fiona Ma said in a statement.

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