

Bond Case Briefs

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Virgin Trains Seeks \$3.6 Billion in Muni Bonds for California-to-Vegas Rail Line.

- **Florida company may be able to sell \$3.6 billion of debt**
- **Private rail firm is seeking California, Nevada approval**

The company behind the nation's first privately-owned intercity passenger railway in more than a century is seeking approval from California and Nevada to raise as much as \$3.6 billion in tax-exempt bonds for a high-speed train linking southern California to Las Vegas.

Virgin Trains USA Inc. is accelerating plans for a line connecting the Nevada gambling mecca to Victorville, a desert city 85 miles (137 kilometers) northeast of Los Angeles, after buying a company in March that had done the preliminary work for the project. In September, a California state agency could sign off on Virgin Trains' application that would result in it being able to borrow as much as \$2.4 billion in unrated private activity bonds for the project. A Nevada agency in November will consider a similar request to let the company leverage as much as \$1.2 billion in such debt.

The government agencies wouldn't be responsible for the bond payments but they would allow the Florida company access to cheaper capital for the \$4.8 billion project. In April, Virgin Trains sold the biggest offering of unrated municipal securities in at least five years- \$1.75 billion — to help fund the expansion of its currently unprofitable Florida system to tourist-rich Orlando from Miami.

"Similar to Florida, private activity bonds will be a component of our financing strategy, which will offer tremendous economic and environmental benefits," said Ben Porritt, a spokesman for the company owned by Fortress Investment Group private equity funds. "Through private investment, we will create thousands of new jobs, spark additional development and remove millions of cars off the road."

Porritt confirmed the company intends to borrow \$2.4 billion if approved through California but didn't address plans for issuance through Nevada.

Hours-Long Drive

With a California bond sale eyed for the first quarter of 2020 and construction underway by June, trains could start running in 2023. That's ahead of estimates for California's oft-delayed bullet train project, which anticipates the first passengers traveling between localities in the state's agricultural region in 2028. Virgin Trains, which was known as Brightline before a marketing agreement with billionaire Richard Branson, expects a one-way trip to or from Las Vegas to take around 90 minutes and cost less than driving and parking as well as flying, according to an economic impact analysis by Beacon Economics LLC.

Drivers to Las Vegas from California can suffer multi-hour delays because of traffic and road conditions. Officials for years have pitched the idea of a fast transit connection. Virgin Trains plans to lay down tracks in the middle of the separated freeway lanes along Interstate 15 from Victorville near the Mojave Desert in San Bernardino County. The company expects the majority of riders will

come from Los Angeles County, according to its application to California's Debt Limit Allocation Committee.

The company plans to acquire land for stations and rail facilities before getting reimbursed via the bonds issued in similar maturities to its Florida offering, which was for 5-, 7-, and 10-year terms, according to the California application.

California Treasurer Fiona Ma this week has been traveling on the Florida line with two staffers, learning about that system and talking to people along the way as part of her due diligence for the company's request, she said by phone. Community officials have told her about the train "transforming" the area by increasing jobs and reducing the reliance on cars, she said.

In a sign of how important Nevada considers this project, almost a third of its annual capacity for such debt would be designated for it this year and next, should a committee of government representatives approve.

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