

# Bond Case Briefs

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## Fortress Eyes More Debt for Las Vegas Rail Still to Be Built.

- **Company hasn't yet sold record \$4.2 billion in bonds for line**
- **Second phase to move closer to Los Angeles from desert town**

A company backed by Fortress Investment Group's private-equity funds wants to sell \$1.65 billion in tax-exempt bonds for a second phase of its proposed passenger train to Las Vegas, even though it has yet to break ground or secure financing on the first leg, according to a report from a California bond agency.

The company, which goes by the name of DesertXpress Enterprises in California and Nevada, has proposed building a 170-mile (274-kilometer), high-speed line to Las Vegas from a southern Californian desert town called Apple Valley. It already has approval to sell \$4.2 billion in municipal bonds for that initial phase, and has said it intends to market those unrated securities, the largest such high-yield deal ever, by the end of September.

Now the company is saying it wants to extend that yet-to-be-built line from Apple Valley to an existing commuter rail station in Rancho Cucamonga, about 40 miles from downtown Los Angeles — and wants the bond authorization to make that happen. At least one of the required approvals could occur in early 2021, according to a report prepared by the staff of the California Infrastructure and Economic Development Bank that issues municipal debt for private borrowers.

At a meeting on Wednesday, the agency's board is scheduled to consider a request from DesertXpress to permit the company to be reimbursed for the second phase costs with the proceeds of a future bond issuance should that be approved. Agreeing to the reimbursement wouldn't commit the board to sign off on the bond authorization.

"The sooner the project is complete, the sooner it will generate revenue. To complete the project as quickly as possible, DesertXpress must begin the design, development, and construction of Phase II in advance of IBank's future tax-exempt conduit revenue bond financing," the staff report said.

Ben Porritt, a spokesman for the company that now goes by the name Brightline Trains LLC, said it doesn't have an application before the U.S. Department of Transportation or the California Debt Limit Allocation Committee, whose approval would be needed as well for the bond authorization.

The company is also looking into connecting its rail to Palmdale, California, which has a commuter rail line too. The board of that rail agency, Metrolink, is scheduled to vote later Friday on an agreement exploring the possibility of linking both Palmdale and Rancho Cucamonga to the private line.

The reimbursement resolution Wednesday "is the first step in a long process as we continue to explore connections to Rancho Cucamonga and Palmdale," Porritt said.

The company's first passenger rail in Florida, financed through tax-free bonds issued under the name Virgin Trains USA, has suspended service because of the pandemic. It's looking to boost ridership of the unprofitable line by adding stations.

## **Bloomberg Markets**

By Romy Varghese

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