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## **Fortress Wins California Approval for Vegas Rail Reimbursement.**

- **Company still has to sell record amount of muni debt for line**
- **California's finance staff had questions that went unanswered**

A company backed by Fortress Investment Group's private-equity funds got the go-ahead Wednesday from the California Infrastructure and Economic Development Bank to get reimbursed for the cost of a Las Vegas rail project from a future bond sale, even though it failed to answer questions from California's finance department.

The permission is a step forward for the venture that goes by the name of DesertXpress Enterprises in California and Nevada. It doesn't yet have the authorization to sell the estimated \$1.65 billion in debt, although at least one of the required approvals could occur in early 2021, according to a report by the authority that issues municipal debt for private borrowers.

The company that also operates under the name Brightline Trains 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.

The company is looking to extend that yet-to-be-built line from Apple Valley to existing commuter rail stations in Rancho Cucamonga and Palmdale, California, which would bring it closer to downtown Los Angeles.

Gayle Miller, a representative for the state's finance department on the board, said that while the first phase is a "priority project," the department's questions about right-of-way considerations received no response from the company. She also noted that the firm hasn't yet sold bonds for the initial track.

"We continue to believe that any financial transaction in this state deserves due diligence and at the very least questions answered in order to move ahead," Miller said before casting the sole vote against the reimbursement resolution.

Board member and California Treasurer Fiona Ma said that agreeing to allow the company to get paid back with bond proceeds doesn't commit the agency to sign off on the sale itself.

"It really just provides the flexibility" for the firm, Ma said before the vote.

"We have a tremendous amount of support in California," Ben Porritt, a spokesman for the firm, said by email after the meeting. "People are excited about the private sector investing in infrastructure and transportation and recognize the economic impact a project of this scope can bring to the region."

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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