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SoCal to Vegas High-Speed Rail Project Hits the Brakes as Financing Falters.

Plans to build a high-speed electric train between Los Angeles and Las Vegas have been sidetracked over the investor's inability to finance the project.

Fortress Investment Group announced Oct. 30 it has postponed its planned \$8-billion Brightline West project, which was expected to start construction this quarter.

Fortress and its subsidiary, Brightline Holdings, had been marketing \$3.2 billion in tax-free private activity bonds authorized by officials in California and Nevada. The amount investors sought was reduced to \$2.4 billion in recent weeks but still met a skeptical response in the bond market.

"Unfortunately, there is not a lot of liquidity in the market and a lot of economic uncertainty at this moment," California Treasurer Fiona Ma told Bloomberg News over the weekend. "The project is postponed until market liquidity improves."

California had given Brightline until Dec. 1 to put financing in place and will now shift its bonding authority toward affordable housing or other projects for the public good. Treasurer Ma said she did not know when Fortress would again seek bonding authority.

Private-activity bonds let states give third parties access to lower financing costs by issuing bonds free of federal income tax.

The Bond Buyer reported that lead underwriter Morgan Stanley offered the bonds in October with a yield running from 7% to 7.5%, depending on the call dates, with final maturity in 2050. That yield is about four times what top-rated municipal bonds pay.

A Brightline spokesman said the project would continue but did not offer details.

New Website Launched

The Florida-based company had recently launched a website that includes engineering and construction information for the Brightline West project.

Groundbreaking had been scheduled for late this year on what's being called the High Desert Segment, a 190-mile stretch from Victorville, Calif., to a proposed station south of the Las Vegas Strip.

The planned route follows rights-of-way along Interstate 15, which links Las Vegas with its biggest tourism market, Southern California. The train will run through the I-15 median at some points and alongside the highway in other areas.

Completion of the entire project had been set for 2024. Brightline says that its train, which can operate at speeds up to 200 mph, will cut in half the normal six-hour drive between Los Angeles and Las Vegas.

The company says the project would create 40,000 construction jobs and 1,000 permanent jobs. It also says the all-electric train will keep 400,000 tons of carbon dioxide out of the air each year and remove three million cars from Interstate 15, which is often clogged with travelers on weekends.

Brightline has been conducting geotechnical testing and exploratory boring near its planned Las Vegas station, according to the Nevada Dept. of Transportation, which issued advisories about possible traffic delays in the area. Ninyo & Moore and Terra Contracting are the contractors.

Brightline West is the third name for the project this year. It was briefly XpressWest, and before that it was branded as part of Virgin Trains until investor Richard Branson pulled out of the deal this summer.

Brightline operates a high-speed train line in Florida linking Fort Lauderdale, Miami and West Palm Beach, with plans underway to extend it to Orlando. Service is currently suspended because of the pandemic.

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