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Nuveen Says Fortress-Backed Luxury Rail Has Path to High-Grade Rating.

- **Speculative venture seeks another \$1 billion of tax-free bonds**
- **County fees may give Brightline access to larger buyer base**

A planned bond sale financing a speculative luxury train line in Florida can probably win investment-grade credit ratings, according to Nuveen Asset Management, the biggest holder of the project's debt.

Brightline Holdings, the train company backed by Fortress Investment Group, hopes to sell another \$1 billion of tax-free bonds in the coming weeks to help pay for additions that can help the company profit from pandemic-linked migration to Florida. Brightline has previously sold \$2.7 billion of tax-free securities that were unrated.

Florida counties would hand over fees to Brightline to add commuter service to its system, payments that would back the bonds. That revenue pledge should help the securities gain investment-grade ratings, said Ryan Rosberg, senior research analyst at Nuveen.

High-grade ratings can draw in a much broader array of investors than unrated securities attract. Muni-bond holders, often retirees looking for tax-free income, tend to crave safety, and the majority of the \$4 trillion municipal-bond universe is ranked investment grade.

"An investment-grade rating clearly improves the liquidity and broadens the buyer base for these bonds," said Terry Goode, a senior portfolio manager at Allspring Global Investments, which doesn't hold any of the existing debt.

Asked about the rating potential, Brightline spokesperson Ben Porritt said, "it's our position not to speak publicly about financing plans as we formulate the details." Spokespeople for Moody's Investors Service, S&P Global Ratings, Fitch Ratings and Kroll Bond Rating Agency didn't answer queries on whether Brightline had approached them for grades.

The country's first new privately financed intercity passenger rail line in a century was launched in 2018 along Florida's east coast. Service resumed on Monday between Miami and West Palm Beach after stopping in March 2020 for the pandemic. A train hit a car carrying a woman and her grandchild on the first day, according to the Associated Press. The woman suffered broken bones while the boy didn't appear to be seriously injured, the report said.

When fully built, the system will cost \$6 billion. For round trips on Tuesday, Brightline was charging \$15 for seating in standard railcars and \$37 for service that includes free drinks and lounge access.

The system's ridership and revenue fell short of estimates even before the onset of the Covid-19 outbreak. The company expects 2.89 million total passengers in 2022, and 9.5 million in 2023, which is due to be the first full year with service to Orlando.

On Thursday, Brightline Chief Executive Officer Michael Reininger said proceeds from the new bond sale would primarily go toward work on its existing line between Miami and West Palm Beach, and the expansion already underway of service to Orlando. Fees that Miami-Dade and Broward counties would pay to establish new commuter rail service along the Brightline corridor “have tremendous value,” he said.

In documents posted for bond holders, the company said that for helping offer commuter service, it expects to receive as much as \$50 million upfront, and then annual payments starting at \$12 million from Miami-Dade County. It hasn't revealed estimates of the financial benefits from a Broward partnership.

The alliance with both counties is a positive, Nuveen's Rosberg said, adding that his firm's interest in the new debt will depend on relative value at the time of issuance.

A Brightline bond due in 2049 traded Nov. 5 at an average yield of 6.1%, unchanged from trading the previous week and lower than a high of 7.75% in January, according to data compiled by Bloomberg.

Bloomberg Markets

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November 9, 2021, 8:15 AM PST

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