Fortress-Backed Florida Train Gets Okay to Sell $1 Billion of Debt.

- **Brightline needs more cash to finish expansion to Orlando**
- **Expects revenue surge after delayed station comes on line**

Brightline Holdings, the rail company backed by Fortress Investment Group, got the go-ahead to sell up to $1 billion of tax-free debt to finance an expansion of its Florida system that's key to meeting its revenue targets.

Brightline is building a 168-mile extension to Orlando International Airport to boost ridership for its three-station line, currently running only between Miami and West Palm Beach. The company needs the bond proceeds to finance the project until next year, when it expects to get revenue from sharing its line with area governments.

The board of the Florida Development Finance Corp., the municipal agency that gives private entities access to low-cost debt financing, in a split vote Monday cleared the way for Brightline to issue the bonds. The company expects to issue $785 million of short-term debt but could sell $1 billion, said Brent Wilder, managing director at PFM Financial Advisors LLC, before the vote.

The latest financing plan, which also calls for $300 million in additional equity, is a "positive development" that would ensure the completion of the Orlando construction, said John Miller, head of municipals at Nuveen, the biggest holder of Brightline debt.

The country's first new privately financed intercity passenger rail in a century, launched in 2018 along Florida's east coast, missed passenger and revenue forecasts even before the onset of the Covid-19 outbreak. Brightline's adding two more stations and working on commuter rail initiatives with Miami-Dade and Broward counties to increase ridership and revenue.

Brightline recently pushed back to next year the expected completion of the Orlando stop, the "most critical component of our business model," as Chief Financial Officer Jeff Swiatek said during the meeting before the vote. Brightline expects 2025 to end with 7.9 million passengers and $733 million in total revenue, according to a PFM memo. That's a massive surge from the 1.29 million passengers and $39 million in total revenue expected at the end of this year.

The company also says its short-distance line will be more lucrative than it is now with the addition of two new stations between Miami and West Palm Beach later this year. It projects the 2025 fare to average $29.30. That's a 58% jump from the average fare in June among the existing three stations.

The latest issuance will come as short-term escrowed debt, a less risky type of security. When remarketed into long-term debt, payments from Miami-Dade and Broward counties in exchange for using the line for their commuter services would help back some of the debt payments.

Moshe Popack, a board member of the Florida agency, unsuccessfully voted against the debt authorization, saying he didn't believe there was enough collateral for the issue.

The company had earlier used the tactic of issuing short-term debt as it finalizes details of its project's financing. In June, the company rolled over some short-term securities instead of issuing long-term debt because it couldn't find enough of such investors amid market turmoil.

"We've made tremendous progress, achieving more than 80% completion on Brightline's Orlando extension," said Brightline spokesperson Ben Porritt in an emailed statement. "We appreciate the support of the FDFC board as we complete funding, as originally planned, for the remaining elements of the project."

Brightline had already sold $3.2 billion of tax-exempt debt for the project. A bond due in 2049 traded Aug. 5 at an average yield of 7.88%, a record high, according to data compiled by Bloomberg.

The company's line will ultimately extend to Tampa from Miami for a total of 320 miles (515 kilometers). Brightline is also planning a line connecting Las Vegas to southern California.

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By Romy Varghese

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