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## Florida High-Speed Rail Sounds Out Investors for Refinancing.

- **Morgan Stanley is working with Fortress-backed Brightline**
- **Firm to refinance debt with muni bonds and junk notes**

Florida's high-speed rail system, Brightline, is seeking up to \$3.2 billion new capital from lenders to refinance its outstanding debt, according to people with knowledge of the matter.

The Fortress Investment Group-backed company expects to tap the capital markets for roughly \$2.2 billion of investment-grade municipal bonds and \$1 billion of junk bonds yielding high-single to low-double digit returns, said the people who declined to be identified as the details are private. Another \$1.6 billion of debt and equity could come from Fortress or other investors, they said.

Conversations are ongoing and size and details of the financing could change, they added.

The rail system — which carries passengers between Miami, West Palm Beach and Orlando — is working with Morgan Stanley on the refinancing, they said.

Representatives for Morgan Stanley and Fortress deferred questions to Brightline. A spokesman for the rail company declined to comment. Brightline has said it expects to reach its projection of 8 million passengers in 2026 and continues to announce new stations for its intercity service. Brightline carried 228,138 passengers in February up 50% from the same month in 2023.

The new transaction comes after service to Orlando started in September, behind an initial target for a January 2023 opening. Earlier this month, Brightline cut its 2024 ridership forecast again, having first slashed its outlook by about 21% in December.

Investors have been watching the expansion of the private rail system closely as a potential model for new projects elsewhere in the US.

The company has been seeking to refinance its outstanding bonds with new issuance of debt or equity, Brightline said in June. Still, Brightline has yet to be profitable, losing \$307 million in 2023.

The proceeds of the offering will be used to repay Brightline's \$3.9 billion debt load — which includes \$2.7 billion in muni bonds, about \$1 billion of taxable debt, accrued interest and prepayment premiums — as well as to pre-fund interest payments of the new debt issuance until 2026, the people added.

Fortress has already invested about \$2.2 billion of equity in cash and assets to finance the project.

On March 4, the company announced it would open a new station in Stuart, Florida, 40 miles north of West Palm Beach. Stuart is on Florida's "Treasure Coast," a region that includes Port St. Lucie and Vero Beach. Brightline has also begun planning a station in Brevard County, home to Cape Canaveral and John F Kennedy Space Center.

## **Bloomberg Markets**

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