THE BOND BUYER

With PABs preserved, All Aboard Florida won't rush next financing

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BRADENTON, Fla. – The Florida Development Finance Corp. canceled an emergency meeting Monday that had been called to approve $1.15 billion of private activity bonds for the All Aboard Florida passenger train project.

“The meeting has been cancelled in light of the tax reform package that was approved,”, FDFC Executive Director Bill Spivey said, referring to the congressional agreement on tax legislation announced Friday preserving the use of PABs.

The final tax bill, signed by Republican negotiators, is expected to be voted on by both chambers early this week in order for President Donald Trump to sign it before the end of the year.

The owners of Florida’s private passenger train project had planned to issue $1.15 billion of federal private activity bonds by Dec. 31 because the House version of the tax bill would have restricted or terminated the use of PABs after Jan. 1, Spivey said last week.

The proceeds would have been held in escrow to preserve the tax-exempt financing option for a portion of the second phase of the project between West Palm Beach and Orlando.

The debt would have required a PAB allocation from the U.S. Department of Transportation, although it is not clear that has occurred. When asked about the status Friday, an agency spokeswoman said, “Unfortunately, we cannot comment.”

FDFC’s financial advisor, Jeff Larson, said in a memorandum about the deal that the allocation “is expected shortly.”

Company officials would not comment.

Attorneys for anti-Brightline group Citizens Against Rail Expansion in Florida, and Martin and Indian River counties, objected to the emergency meeting partly because it was quickly scheduled in Jacksonville, 150 miles from the closest point of the proposed project.

In response to cancellation of Monday's meeting, CARE FL's attorney Steve Ryan said, "This was nothing more than a fabricated emergency, once again demonstrating AAF's desperate reliance on taxpayer subsidies to fund its ill-conceived project."

The private owners of All Aboard Florida and its Brightline-branded train service remain on a dual track for federal assistance to help finance the project.

The Federal Railroad Administration said on its website Friday that the owners applied for a Railroad Rehabilitation and Improvement Financing loan, prompting the agency to officially approve the project under the National Environmental Policy Act. RRIF loans carry low interest rates equal to the cost of borrowing to the government.

The FRA released a "record of decision," detailing its reasons for approval.

Dave Howard, Brightline's chief executive officer, lauded the FRA's decision for phase 2 in a release, although he did not mention the RRIF loan.

"This is the most critical and final step in the extension of Brightline's service to Orlando, and we are excited to move forward with Phase 2," Howard said. "This was a great year for us."

Howard said the company has completed construction on two of its major stations and rail infrastructure, successfully presold tickets and corporate packages to individuals and businesses in the region, and priced $600 million of USDOT-authorized PABs for phase 1.

The FDFC issued $600 million of PABs on behalf of All Aboard Florida Nov. 30. Several traders said nearly $3 billion in orders were received from qualified institutional investors for the start-up venture that received a speculative rating of BB-minus from Fitch Ratings.

Brightline said it will announce the launch date for "introductory service" between Fort Lauderdale and West Palm Beach soon, and expects service to downtown Miami in begin in early 2018.