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All Aboard Florida Gets Another Year to Issue \$1.75B in Bonds

by [Shelly Sigo](#)

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BRADENTON, Fla. - The U.S. Department of Transportation gave Florida's private passenger train builders another year to issue \$1.75 billion of private activity bonds to partially finance the \$3.5 billion project.

All Aboard Florida tried unsuccessfully to privately place the non-rated, tax-exempt bonds in the final months of last year amid turmoil in the high-yield market.

The USDOT initially approved the PAB allocation – which is the largest ever – in December 2014, ordering the bonds to be issued by July 1, 2015.

The agency later granted a six-month extension requiring the debt be issued by Jan. 1, 2016.

"USDOT has extended the allocation of private activity bond authority for the All Aboard Florida project until Jan. 1, 2017," an agency spokesperson said in a brief statement Wednesday afternoon.

The Florida Development Finance Corp. has agreed to be the conduit issuer of the bonds.

The extension of time to issue the bonds will provide the company with "flexibility to structure financing in a way that serves the best long-term interest of our business," AAF president Mike Reininger told the Palm Beach Post in mid-December when the request was pending.

All Aboard attempted to sell its \$1.75 billion of bonds to qualified institutional buyers and accredited investors for some time after the Florida Development Finance Corp. formally agreed to be the conduit issuer in August.

The offering was scheduled to price Nov. 10, but was later postponed without explanation.

Some analysts believe interest rates will continue to move higher following the Fed's action in mid-December to raise its target for the federal funds rate by 25 basis points.

Some market participants are continuing to urge investors to avoid overexposure in the high-yield sector.

"We're still cautious on credit, especially high yield, as while there are pockets of opportunity knock-on selling across the sector will likely pressure spreads for several months to come," Janney Montgomery Scott's chief fixed income strategist Guy LeBas said in a report Wednesday.

"The high yield credit markets, and credit in general, appears to be in the early stages of a cyclical down turn," he wrote.

Some investors may shy away from the high-yield sector because of continuing turmoil in the markets, said a former investment banker, who said he is interested in the Florida passenger train project but asked not to be identified.

"I believe the recent stock market activity and world political events will keep investors nervous for some time to come," the retired banker said in an email. "I would be surprised if the new issue market didn't retreat/retrench for a while."

While the USDOT extended AAF's bond allocation for another year, an agency spokesperson said the company must abide by restrictions that were placed on the original authorization in 2014.

That authorization prohibited AAF from using bond proceeds until 45 days after the release of a final environmental impact statement.

The document was released by the Federal Railroad Administration in August.

However, the agency has not issued a "record of decision," which is a letter

signed by a top agency official granting final approval for a project that has been reviewed under the National Environmental Policy Act.

The record of decision is necessary for the agency to approve a \$1.6 billion low-interest loan that All Aboard Florida had requested from the Railroad Rehabilitation and Improvement Financing program.

"All Aboard Florida's RRIF application is currently on hold at the request of the applicant," an agency spokesman told The Bond Buyer.

All Aboard plans to run 32 passenger trains a day between Miami and Orlando, with stops in Fort Lauderdale and West Palm Beach.

Brightline, the name of the intercity trains, is scheduled to begin in early 2017 between Miami and West Palm Beach, while the complete 235-mile route to Orlando is expected to be running by late 2017.

The company, a subsidiary of Florida East Coast Industries, has begun work on most of the stations. The Miami station will include office and retail space, and will become All Aboard's headquarters.

Both All Aboard and FECI are owned by Fortress Investment Group.

Two Florida counties, Indian River and Martin, have filed federal lawsuits in an attempt to block issuance of the private activity bonds.

U.S. District Court Judge Christopher R. Cooper has ordered motions to dismiss the cases to be filed by Jan. 19. Responses are due by Feb. 12.



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