

# THE BOND BUYER

## Las Vegas train builder gets more time to sell private activity bonds

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The California Infrastructure and Economic Bank approved a five-month extension for plans to price \$3.25 billion in private activity bonds for a high speed train to Las Vegas.

DesertXPress Enterprises, whose parent company is Virgin Trains USA Inc., asked the IBank for the extension citing market turmoil caused by the pandemic, according to a [staff report](#).



*IBank Executive Director Scott Wu said the extension was a "reasonable request." **IBank***

The conduit issuer approved the request to extend the deadline to sell the revenue bonds to Dec. 18 from July 18.

"Given delays attributable to recent economic and COVID-19 related developments, IBank's Board of Directors unanimously approved the request by DesertXpress for a short extension of their bond issuance deadline," IBank Executive Director Scott Wu said. "This extension was a reasonable request and we look forward to what a project of this scale can contribute to California's economic recovery."

The July deadline was set in October when the IBank agreed to be the conduit issuer of the bonds.

The developer of the project, which is to construct a high-speed passenger train running about 185 miles between Las Vegas and the high-desert city of Victorville, California, said the "credit markets still have not returned to the level necessary to support such a large bond sale," according to the IBank's staff report.

"Although the project is large and the bond sale is complex, the corporation nonetheless felt confident [in October] it could meet this timeline based on conversations with its underwriter, Morgan Stanley," according to the staff report. "The economic havoc wreaked by the Covid-19 pandemic temporarily froze credit markets."

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While the credit markets have improved significantly in recent weeks, they still are not to the level they were before the coronavirus pandemic, according to the staff report.

"The corporation lost valuable marketing time during the height of the Covid-19 credit market downturn and the credit markets have still not returned to the level necessary to support such a large bond sale," according to the report.

DesertXpress requested the extension in order "for the markets to heal completely and to allow it additional time to locate enough investors to purchase the bonds," according to the staff report.

Virgin Trains USA, which is building, operating and rebranding the Brightline passenger train system in Florida, [bought the Las Vegas project](#) in 2018. The

project, then known as XpressWest, was largely moribund but had received numerous regulatory approvals.

Another reason a delay was sought was that the company also wants to sell private activity bonds authorized by Nevada at the same time, and the Nevada conduit issuer has not yet authorized the issuance because its work was slowed by the coronavirus, according to the staff report.

The government agencies won't be responsible for the bond payments but tax-exemption on the PABs mean access to cheaper capital for the \$4.8 billion project. In April 2019, Virgin Trains [sold the biggest offering](#) of unrated municipal securities in at least five years — \$1.75 billion — to help fund the expansion of its Florida system to Orlando from Miami.

The board also agreed to a request to broaden the available pool of bond purchasers from only qualified institutional buyers to both qualified institutional buyers and accredited investors.

IBank is the conduit issuer on the bonds, but DesertXpress would be solely responsible for paying debt service on the unrated bonds.

The IBank bonds would cover the portion of the line being constructed in California. The Nevada segment would be financed through the Nevada conduit issuer.

The U.S. Department of Transportation [approved \\$1 billion](#) in private activity bonds — beyond the state PAB authorizations — for the project on April 7.

[Keeley Webster](#) regional editor for the Bond Buyer's West Coast region.