

THE BOND BUYER

Florida's new passenger train service delayed again

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BRADENTON, Fla. – All Aboard Florida has delayed the expected launch dates of its Brightline-branded passenger trains.

The service launch is now expected by the end of 2017, the privately owned company said.

It originally announced in March that it expected introductory start-up operations between West Palm Beach and Fort Lauderdale to begin in late July, followed by service to Miami in late August.



All Aboard Florida's Brightline passenger train service from Miami to West Palm Beach could roll by the end of 2017, according to the company's new schedule.

All Aboard Florida

The 67-mile corridor is the first phase of the project, and the company still plans to launch service between West Palm Beach and Fort Lauderdale before rolling into Miami.

"Thousands of people are hard at work every day making this project a reality, from the rail infrastructure to the station construction to the training of our new teammates, and there is still work to be completed," Brightline Chief Executive Officer Dave Howard said Wednesday.

The new, but unspecific, timeline for start-up service reflects the nature and complexity of essentially building a new railroad, according to the company. Improvements include 50 miles of second, main-line track for phase 1 and upgrades at nearly 200 grade crossings along the corridor.

"We want to ensure Brightline is reliable and safe for our guests and the surrounding communities while built to connect South Florida for the next 100 years," Howard said in a statement to The Bond Buyer.

Although fiercely private about costs, All Aboard Florida said in court documents filed in two federal lawsuits dismissed earlier this year that the entire project from Miami to Orlando was estimated to cost \$3.5 billion.

AAF has authorization from the U.S. Department of Transportation to issue \$600 million of private-activity bonds to finance phase 1. The bonds must be issued by Jan. 1 or the authorization expires unless renewed by USDOT.

Company officials have also said they are considering all funding options. They entered new discussions with the USDOT about obtaining a Railroad Rehabilitation and Improvement Financing loan to fund phase 1 and phase 2, the 168-miles between from West Palm Beach to Orlando.

AAF has indicated that it could be 2020 before service begins along the entire route.

Opponents of the second phase have urged the federal government to require that a supplemental environmental impact statement be done to incorporate changes that have occurred since the final EIS was completed.

At nearly two years old, the document is "stale and aged," said officials from Martin and Indian River counties, and Citizens Against Rail Expansion in Florida.

"The final environmental impact statement issued in August 2015 by the Federal Railroad Administration was grossly deficient at the time it was issued," attorneys for both counties and CARE said in a July 26 letter to Transportation Secretary Elaine Chao.

The [24-page letter](#) details problems they said were not considered properly in the FEIS, such as noise and vibration impacts.

They also contend that circumstances have changed since the 2015 document was released that should also be considered.

A new development, they said, is last month's closing on the sale of Florida East Coast Holdings Corp. to GMéxico Transportes S.A. de C.V., the transportation division of Grupo México, S.A.B. de C.V.

Grupo México now owns the Jacksonville-based Florida East Coast Railway, a freight railroad that owns the tracks on which All Aboard Florida will travel.

AAF has an agreement to continue to use the FECR track, company officials have said.

Another development is the pending sale of Fortress Investment Group LLC to Japan's Softbank Group.

Fortress owned FECR, and still owns All Aboard Florida as a subsidiary of Florida East Coast Industries, a Coral Gables-based real estate company.

The sale to Softbank, which has been approved by the bank's shareholders, is expected to close in the second half of the year.

In addition to passenger trains sharing tracks with cargo transported by FECR/Grupo México, opponents said they believe permits have been sought from the Federal Railroad Administration to move liquefied natural gas as fuel for engines and as a commodity on cargo trains.

"Adding LNG to the list of dangerous and hazardous substances on existing FECR freight trains is an additional public safety factor" that has arisen since the publication of the final impact statement, said CARE Chairman Brent Hanlon. "The National Environmental Policy Act requires consideration of such new commodities and their impact on public safety and the environment."

CARE and the two counties also told Chao that the proximity of tracks to President Trump's Mar-a-Lago Club in Palm Beach should also be reviewed.

"Mar-a-Lago sits just across the Intracoastal Waterway from the FECR tracks, less than 7,000 feet from freight traffic," the letter to Chao said. "Up to 14 freight trains per day currently pass by, carrying dangerous and hazardous substances such as anhydrous ammonia and chlorine gas."

A study forwarded to Chao, they said, showed potential chemical release plumes that place Mar-a-Lago "in an imminent threat zone" that would require evacuation because of life-threatening health

effects.

"This information was not relevant when the FEIS was completed in August 2015," the letter said, noting that Trump had not been elected then. "The FEIS should be reopened with this new safety and environmental risk in mind."

Another point that supports reopening the environmental review process, they said, is that despite information published in the 2015 FEIS Indian River County, St. Lucie County and Martin County have not agreed to maintain grade crossings.

According to the letter, the FEIS states, "AAF will pay the cost of the recommended grade crossing safety improvements related to the introduction of passenger rail service, in conjunction with county and municipal execution of amendments to existing crossing license agreements."

The FEIS also asserts that the state of Florida requires municipalities to fund the maintenance of grade crossings within their jurisdictions, but the opponents said they don't believe that is true.

"State law does not saddle the affected municipalities with all grade-crossing maintenance costs," the letter to Chao said. "Rather, it allows those costs to be shifted to the municipalities if the parties so agreed prior to 1982."

Under their review of the existing crossing license agreements with Florida East Coast Railway, the installation or operation and maintenance costs of improvements associated with the AAF project cannot be unilaterally passed along to the local governments, they claim.

"While some local governments in Florida may have signed amendments to their existing crossing contracts with FECR agreeing to shoulder such costs, AAF has not secured such concessions from the local governments along the Treasure Coast," they said.

The costs to maintain the crossing improvements for the project are expected to be "substantial."

"At the approximately 60 grade crossings in Indian River County and Martin County alone, the crossing rehabilitation costs for the first 11 years of the project are estimated to be \$15 million," the letter said.

The expense to mitigate safety risks of adding high-speed rail operations should be borne by AAF, the opponents said, and that fact should be clear in the supplemental environmental impact statement.

"Our top priority is ensuring the safety of our residents and motorists," said a statement by Indian River County Attorney Dylan Reingold.

AAF said the comments raised by CARE and the two counties were considered by federal and state agencies during a four-year environmental review process that included extended periods of public comment on both the draft and Final EIS, and 15 public meetings along the project's corridor.

"We do not believe their reiterative comments would justify a supplement to the FEIS, and Brightline has committed to implementing the mitigation measures included in the final document," the company said in a statement.