

Analysis: All Aboard Florida private rail project has government financial support

Matt Dixon

7:00 PM, Jul 12, 2014

1:31 PM, Jul 13, 2014

state | elections

Copyright 2014 Scripps Media, Inc. All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.

TALLAHASSEE _ When putting his public support behind All Aboard Florida, a proposed passenger rail from Orlando to Miami, Gov. Rick Scott said the biggest benefit was that it was being done free of government subsidies.

“It’s all funding that will be provided by somebody other than the state,” Scott said in a June interview. “It’s a private company.”

The project, though, could benefit from billions in federal loans and the state already has set aside more than \$220 million that will benefit the project, according to emails, text messages and internal project documents analyzed by the Scripps/Tribune Capital Bureau.

In addition, All Aboard Florida could directly request an additional \$44 million in state grants, company planning documents show.

The largest chunk of state money is \$213 million for a “multi-modal terminal” at the Orlando International Airport. All Aboard Florida will rent space there for its Orlando station. Beyond the money, internal project documents obtained by Scripps/Tribune now show the project will try to merge with an existing South Florida passenger rail service. In 2011, the state tried to dissolve that service’s board and hand it over to Florida East Coast Railway, which is owned by All Aboard Florida’s parent company.

All Aboard Florida is in a position to benefit from state money and policy decisions because of the influence of Adam Hollingsworth, Scott’s current chief of staff. Before joining the administration in May 2012, Hollingsworth was a transportation adviser to Scott after his November 2010 election win and worked for nearly a year with an All Aboard Florida-related company, Scripps/Tribune reported on July 6. When he became chief of staff, he received a “firewall” letter from the state to end his involvement with issues relating to All Aboard Florida.

Privatization push

An internal pitch used by All Aboard Florida to attract private investors outlines All Aboard Florida’s plan to connect with Tri-Rail, an existing passenger rail service connecting Miami, Fort Lauderdale and West Palm Beach.

Project officials want the state to pay the estimated \$44 million cost of the connection.

“We are exploring a number of different financing alternatives for this construction, including a possible state-funded grant for some or all of the construction cost,” bond documents obtained by Scripps/Tribune show.

Florida Department of Transportation Secretary Ananth Prasad said the administration wasn't aware of the project developer's plans to directly ask the state for money.

While Prasad said he didn't know about the state grant request, documents show his department hatched a failed plan to try to hand over Tri-Rail to Florida East Coast Railway, whose existing rail line will be used by All Aboard Florida for much of its route.

Prior to the Scripps/Tribune disclosure of the bond offer, it wasn't publicly known that All Aboard Florida had its eye on Tri-Rail.

In August 2011, the same month Hollingsworth joined All Aboard Florida's sister company, Parallel Infrastructure, the Palm Beach Post reported that Jim Wolfe, a top DOT administrator, was leading secret talks to dismantle the South Florida Regional Transportation Authority, which operates Tri-Rail. As part of that plan, Tri-Rail would have been turned over to Florida East Coast Railway. Wolfe said it would save the state DOT \$10 million. At the time, the chair of the South Florida Regional Transportation Authority, which operates Tri-Rail, called it an attempted "hostile takeover."

In July 2012, Wolfe was appointed to the authority board that he tried to dissolve less than a year earlier.

Though privatizing Tri-Rail failed, the issue wasn't dead. Legislation passed in 2012 gave the Scott administration increased control over the Tri-Rail authority and included provisions to remove state funding.

Language was tacked onto a larger transportation bill increasing the board's size from nine to 10 and allowing the governor to appoint the new member. As part of a compromise with the board, the bill made it more difficult to privatize the authority.

Under the 2012 bill, the state would stop providing money to Tri-Rail by 2019, saving the state \$30 million annually. Prasad helped hammer out the deal.

"We have deal on SFRTA," he wrote in a February 2012 text to the official in Scott's office who then oversaw transportation issues.

Money will help

Scott administration officials remain adamant that All Aboard Florida isn't getting public money, that it's completely driven by private industry.

"The All Aboard Florida proposal is a private sector venture to construct, operate and maintain a passenger rail system," the Florida Department of Transportation wrote in an emailed response to Scripps/Tribune's July 6 story.

But All Aboard Florida officials admit in the internal bond documents obtained by Scripps/Tribune that state money will directly benefit the project.

In the investor pitch, project directors highlighted that the 83,500-square-foot Orlando rail platform gives All Aboard Florida direct access to the airport's "35 million annual passengers." In separate estimates, airport staff said that number could grow to 45 million by 2017.

The bond offer was used to drum up \$405 million in private investment for the project's first phase between Miami and West Palm Beach. The second phase will connect the project to Orlando. The entire project is expected to be completed in 2017, which would coincide with completion of the Orlando airport expansion.

The \$213 million in state money is part of an overall \$470 million for airport improvements, including a new elevated rail system — known as a "people mover" — to transport people from the terminal and boarding gates.

Prasad said the money was requested by the airport, not All Aboard Florida, and the upgrades were part of a plan first crafted after the Sept. 11 attacks.

The actual grant wasn't discussed until late 2012 and airport staff didn't apply to the state until 2013, an airport spokeswoman said.

The Greater Orlando Aviation Authority finalized its agreement with All Aboard Florida during an October 2013 meeting, months before the \$213 million in state money was announced in February 2014.

Prasad said they likely applied when they did for state aid because the "last few years we had record tourism," which necessitated expansion.

Another possible state financial boost to All Aboard Florida came through the 2014 legislative session, when lawmakers appropriated \$10 million for "quiet zones." Those are improvements to decrease noise and enhance safety around rail crossings.

The money isn't specifically designated for All Aboard Florida crossings, but throughout the legislative session the project was at the center of the debate.

Federal loans

The Federal Railroad Administration is reviewing two separate All Aboard Florida applications for a total of \$1.6 billion in federal loans.

The loans can be used to acquire, improve or rehabilitate rail equipment and facilities. They also can help refinance existing debt, which the project now has with its \$405 million bond proposal.

Susie Wiles, a spokeswoman for the project and former Scott campaign staffer, said there was nothing inconsistent with calling the project privately funded and seeking federal dollars. She pointed to past project statements comparing the loan request to a home mortgage and said the money would be repaid.

That proposed bond sale has a 12 percent interest rate, which analysts say is higher than comparable bonds.

"The interest on a typical high-yield bond is between 5.5 percent to 6 percent," according to The Real Deal, a real estate industry trade magazine.

If approved, according to the Federal Railroad Administration guidelines, the loans can be used to refinance the project's existing debt.

___ *Contact: Matt.Dixon@naplesnews.com or 352-233-0777*

Copyright 2014 Scripps Media, Inc. All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.