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\$29 million train station proposed for All Aboard in West Palm Beach

By Kimberly Miller
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All Aboard Florida plans to spend \$29 million to build a downtown West Palm Beach station, which it is pitching as a gateway to such events as the Palm Beach International Boat Show, polo matches and the South Florida Fair.

While the design of the station is still under wraps, details, including an estimated 297,000 square feet of related downtown residential space, are part of a private prospectus issued for a \$405 million bond offering that All Aboard Florida sold last week.

The bond document includes ridership estimates and ticket prices that All Aboard Florida has sued to keep from being released as public records, but that skeptical residents and public officials have been pushing to learn for months.

All Aboard Florida, a private company and subsidiary of Florida East Coast Industries, has shared few aspects of the business model for its 235-mile express passenger rail project, which will run 32 trains per day on the Florida East Coast Railway tracks from Miami to Orlando.

Only the company's Miami-to-West Palm Beach leg is addressed in the investor report on the bond, which carries a hefty 12 percent interest yield. The bond was made available only to qualified institutional buyers and non-U.S. individuals abroad.

Construction costs for the 67-mile stretch of rail between Miami and West Palm Beach are expected to be \$795 million, which includes the three stations in Miami, Fort Lauderdale and West Palm Beach.

The second stretch -- 168 miles from West Palm Beach to Orlando -- carries a price tag of \$1.4 billion, which will be separately financed.

The company has applied for Federal Railroad Administration loan of nearly \$1.6 billion. While touting highway congestion and population growth as reasons the project will be a success, All Aboard Florida also notes its risks.

"We currently have no revenues or cash flows and have never constructed or managed a fully operational passenger railroad," the prospectus says. "Our ability to achieve

profitability and generate positive operating cash flow in the future is subject to significant uncertainty."

All Aboard Florida estimates it will have 186,203 riders during its first year of operation in 2016. By 2019, that is expected to grow to 2.6 million.

Ticket costs will be \$30 for a ride from Miami to West Palm Beach in coach class. Business-class riders will pay \$36.60.

Close to half the riders -- 43 percent -- are expected to take the train for leisure. About 27 percent will ride for personal reasons, such as going to college, and 30 percent will be business travelers.

"It just sounds very improbable to me," said Randall O'Toole, a rail expert and senior fellow at the Cato Institute. "I've looked at these kinds of projects all over the country and some of them have panned out when there are no upfront costs, but when you add upfront costs of \$2 billion it makes me wonder what they are smoking."

All Aboard Florida has declined to comment.

About 75 percent of the passenger rail's revenue by 2019 is expected to come from ticket sales, including charter opportunities or special trips to games or other events.

The company is also counting on revenue from food and beverage sales, advertising on its trains and at its stations, partnerships with tourism-related entities, and rent from its transit-oriented development.

O'Toole said All Aboard Florida's rental estimates are "optimistic."

"Almost all transit-oriented developments I have found have received subsidies," he said. "Many have been slow to rent, both for housing and retail."

The city of West Palm Beach is expecting to see designs for All Aboard Florida's station in mid-July, and is still negotiating such features as pedestrian bridges over Datura and Evernia streets, which will be closed when the station is built.

At \$29 million, the West Palm Beach station is the least expensive of the three. All Aboard Florida expects to spend \$30 million on its Fort Lauderdale station and \$150 million in Miami.

As comparisons, the 152-unit Residence Inn in downtown West Palm Beach is costing about \$30 million to build. The Palm Beach County Convention Center Hotel's construction costs are estimated at \$110 million.

"This is taking our city to the next level," said Lisa McKeon, a broker associate with Lang Realty's downtown office. "If you want to be a big city, you have to go along with the times."

The bond document also notes that the company would like to connect its Miami station with commuter rail, but would need to drum up \$44 million. Several funding options are being considered, including a state grant. Florida Gov. Rick Scott has said no state taxpayer money will be used to pay for All Aboard Florida.