

Santa Cruz Branch Rail Line Acquisition Frequently Asked Questions (FAQs)

This is designed to respond to the variety of questions received by the Santa Cruz County Regional Transportation Commission (RTC) on the acquisition of the Santa Cruz Branch Rail Line. The questions listed here may not be worded exactly as posed and may address a number of questions asked by more than one individual. The RTC continues to receive questions so the list below is likely to grow as new questions are received and responses are posted. *(New questions/answers were posted on 5/4/10 and are noted with the date at the end of the answer.)*

A. PURPOSE OF ACQUISITION

- A.1 Why is the RTC pursuing acquisition of the Santa Cruz Branch Rail Line?** Existing transportation corridors in Santa Cruz County are congested and the rail Branch Line represents a continuous 32-mile transportation corridor that parallels Highway 1 spanning much of the county in the narrow strip of land between the ocean and mountains. This property has been used for transportation purposes for the last 130 years and connects many of the region's prime attractions such as villages, beaches and parks. The RTC wants to ensure that this corridor is preserved for the community's transportation purposes.
- A.2 Given this economic climate, is this the best time to pursue this project?** The window of opportunity is now, due to the availability of voter approved funding expressly for this purpose and the current owners interest in selling the property. If the RTC decides not to purchase the property at this time, \$10.2 million in state funding for this purpose will be lost to the region. In addition, the existing property owner, Union Pacific, could sell individual parcels in the corridor thereby losing the continuous transportation corridor.
- A.3 Will the RTC acquire the entire continuous corridor or only the parcels owned in fee title?** As is typical for railroad corridors, the title to the Santa Cruz Branch Line is varied. Portions of the property are owned by the railroad in fee simple absolute, but portions are also easements and congressional land grants. Portions of the property also have uncertain title. Nevertheless, the continuous Branch Line is a "line of railroad" under federal jurisdiction. Therefore, even if freight service ceases on the Branch Line, federal law would permit the RTC to "railbank" the line, preserving the line as a continuous 32-mile corridor for transportation uses. (see also Section E)

B. COSTS/REVENUE

- B.1 What funds are available to pay for the rail corridor?** \$10.2 million in Proposition 116 funds, specifically available for rail projects, was approved by both California and Santa Cruz County voters in 1990. \$10 million in State Transportation Improvement Program (STIP) funds were designated for this project by the Regional Transportation Commission (RTC) and the California Transportation Commission (CTC) in 2000.

- B.2 Can these funds be used for other purposes, like schools or pothole repair?**
Proposition 116 funds available to Santa Cruz County can only be used for rail projects. STIP funds can be used for a variety of transportation projects, but may not be used for roadway maintenance.
- B.3 Do the Proposition 116 funds expire on June 30, 2010? If the Proposition 116 funds are not approved by the California Transportation Commission (CTC) for a specific project in Santa Cruz County by June 30, 2010, they can be assigned to another rail project elsewhere in California. The CTC must take action to approve the Proposition 116 funds for this project by the end of this fiscal year. However, the funds do not need to be expended by June 30, 2010.**
- B.4 How does the state's financial situation impact the availability of funding?**
Proposition 116 bond funds have been available since the 1990 after being approved by the voters. Due to the State's financial situation over the past two years, Proposition 116 and STIP funds have been available as the state sells bonds.
- B.5 What are the Proposition 116 fund requirements? Section 99640 of the Proposition 116 statutes states, "Eleven million dollars (\$11,000,000) shall be allocated to the Santa Cruz County Transportation Commission for the following: (a) intercity passenger rail projects connecting the City of Santa Cruz with the Watsonville Junction. (b) other rail projects within Santa Cruz County which facilitate recreational, commuter, intercity and inter-county travel." Receipt of the funds does not require the operation of a freight line. The California Transportation Commission staff required the RTC to develop a passenger rail plan; therefore, the RTC plans to institute recreational rail service between Santa Cruz and Davenport.**
- B.6 What are RTC's property management costs? According to the business plan analysis (<http://www.sccrtc.org/pdf/RAIL%20ACQUISITION/EconDocs/BizPlanAnalysis0310.pdf>) estimated annual costs to the RTC connected with ownership of the Santa Cruz Branch Rail Line are \$162,000 to \$177,000 in the first 5 years. Revenues in the same period are estimated to be \$78,000 to \$230,000.**
- B.7 How will the RTC pay for costs associated with the rail line in the first years? In the first three years, the revenues that the RTC expects to receive from the rail line do not cover the costs associated with the line. The RTC currently uses its operating revenues and grant funds for staff and consultant costs associated with the rail line, as well as for its work on other transportation projects and programs under its purview. If the RTC purchases the rail line, revenues from leases and operations will help offset costs associated with the rail line. In four to five years, it is estimated that the revenues received by the RTC will cover those costs.**
- B.8 Why is \$5M in upgrades needed? Structures assessments completed in 2005 and 2006 recommended certain rehabilitation improvements, which were estimated to cost between \$2.7 and \$4 million. In April 2008, updated cost estimates ranged between \$3.9 million**

and \$5.4 million. These improvements are necessary to ensure continued freight operations and the possibility of recreational rail service.

- B.9 What are the costs to maintain the property and will this be a drain on the community's resources?** It is estimated that it will cost the short line operator between \$300,000 and \$400,000 annually to maintain rail operations on the Branch Line. The short line operator will be responsible for maintaining rail operations line from revenues derived from freight and recreational rail service.
- B.10 Is the RTC still considering use of a Coastal Conservancy reimbursable grant to help with purchase costs?** A Coastal Conservancy reimbursable grant was pursued as a way to proceed with the acquisition, if STIP funds were not available at the time of purchase. The STIP funds are programmed for this fiscal year. Provided that the state has funds to allocate to transportation projects and the purchase is approved by the state, the RTC stands a good chance to receive the STIP funds. At this time, the RTC is not planning to use the Coastal Conservancy reimbursable grant.
- B.11 What are the potential sources of revenue (freight service/storage, recreational rail, leases)?** Potential sources of revenue include freight service, recreational rail service, car storage, leases, and easements.
- B.12 How much property tax revenue will the County lose by bringing the rail line into public ownership?** Property taxes for the Santa Cruz Branch Rail Line are assessed by the State Board of Equalization. About five years ago the RTC was informed that Union Pacific was paying about \$28,000 in property taxes to the County based on an assessed value of about \$2.8 million.
- B.13 Why does Union Pacific want to sell the property?** UP's business model is focused on long-haul freight train service. For years UP has been spinning off short branch rail lines to short line operators, selling them or abandoning them. [5/4/10]
- B.14 If there is only one set of tracks, is an additional investment needed to allow two trains to pass?** Currently, there are a couple of locations where one train can pull over to let another pass. If in the future, the community desires more intensive train service, it may be necessary to construct additional passing sidings. [5/4/10]
- B.15 Is there an itemized list of improvements planned for the \$5M committed for rehabilitation improvements?** The list of improvements is located at <http://www.sccrtc.org/pdf/2008/UpdatedSummaryofCosts%280408%29.pdf>. [5/4/10]
- B.16 Can any of the \$5M in funding committed for improvements be spent on street crossing equipment?** As noted in question B.8, the funds have been set aside based on the structures assessments that indicated a need for improvements. Funds that remain after completing the structures improvements may be used for street crossing and other improvements. [5/4/10]

- B.17** After the \$5M in improvements is made, does the structures assessment indicate when the next big set of repairs/maintenance is needed? No, that will depend on the traffic and use of the rail line. [5/4/10]
- B.18** Will any funds be diverted from the bus system to own/operate/maintain the rail property? The RTC does not plan to divert funding from the bus system to the rail line. [5/4/10]
- B.19** What were Monterey County's costs/revenues associated with acquisition of their Branch Line Rail? The Transportation Agency for Monterey County (TAMC) purchased 12.65 miles of rail road right-of-way for \$9.23 million. The RTC is planning to purchase 31 miles for \$14.2 million. Initial lease revenue from the rail line purchased by TAMC was about \$40,000 per year and it is now over \$220,000 per year. [5/4/10]

C. FREIGHT

- C.1** What is the effect of the cement plant (CEMEX) closing? The closure of the cement plant resulted in an 85% reduction in freight business on the rail line. However, the current short line operator is working with local businesses to increase freight rail service along the line.
- C.2** Could a new plant property owner in Davenport need freight rail services? It is possible, but it depends on what use a new property owner makes of the facility.
- C.3** Will there be more trucks on the highway if the corridor is used for a bicycle/pedestrian trail only? With CEMEX closed, about 450 rail cars of freight are still transported annually on the rail line. To end all freight service on the rail line would result in about 1,800 additional truck trips per year on the highways and roadways mainly in and around the City of Watsonville.
- C.4** Will the public have to subsidize freight rail service? The RTC has stated that it will not be responsible for subsidizing freight service. The agreement being negotiated with the short line operator, Sierra Northern Railway, is consistent with that position. Therefore, if the freight operator cannot develop a sustainable freight business on its own or in combination with other service, the freight operator cannot require the RTC to support it, but has the right to pursue the abandonment of freight service.
- C.5** Why is Sierra Northern Railway interested in the freight business? Sierra Northern Railway is currently the freight operator of the Santa Cruz Branch Rail Line and has been working to develop additional freight business. In addition, Sierra Northern plans to establish recreational rail service from Santa Cruz to Davenport. Sierra Northern will work to make the overall operation of the Santa Cruz Branch Rail Line viable and, if it cannot be made viable with freight service, they have the right to pursue the abandonment of freight service.

- C.6 Does the 2010 business plan analysis include all of the freight revenues?** The analysis does not include revenue that the freight operator would obtain due to a federal tax credit for track maintenance currently estimated at \$107,000 annually. The business analysis also does not include funds that the operator would receive from the California Public Utilities Commission for signal maintenance. The tax credit is subject to annual renewal by Congress and the signal maintenance funds are subject to state budget approval. While the funds have been available, they cannot be guaranteed and the business plan analysis takes a conservative approach to revenue and funds availability.
- C.7 Will the short line operator (Sierra Northern Railway) increase freight service and what is the process?** Sierra Northern has been working to develop additional freight business on the Santa Cruz Branch Rail Line. As an operating railroad under the jurisdiction of the federal Surface Transportation Board, Sierra Northern is allowed to develop additional freight business on this 130-year old freight railroad line. If Sierra Northern (or a new private contractor) wants to develop recreational rail service on the rail line above and beyond the service between Santa Cruz to Davenport, the RTC has the right to consider and approve such service.
- C.8 What is the service plan for operating freight?** Four freight/passenger service scenarios were analyzed. Scenario 1 is the most likely. It indicates that freight service once or twice per week would generally be sufficient to serve the existing freight customers on the rail line. However, depending on potential service increases and periodic service needs there may sometimes be more than two trips per week.
- C.9 Are there limits to the type of freight that can be carried?** Depending on the class/level of track, the Federal Railroad Administration places limits on speed, train lengths and quantities of certain types of materials that may be moved with one train. [5/4/10]
- C.10 Who would be responsible for train derailments?** The freight operator is responsible for all freight operations and would be responsible for derailments. [5/4/10]
- C.11 Have the RTC and short line operator, Sierra Northern made an agreement regarding repairs to the rail line, trestles and bridges?** The RTC will issue a Request for Proposals (RFP) for improvements that the RTC will make to the rail line. [5/4/10]
- C.12 What data does the new short line operator, Sierra Northern, use to determine whether they want to operate on this rail line?** Short line freight operators take into account existing freight volumes, potential future freight volumes, their existing operations, their experience and potential additional uses. [5/4/10]

D. ABANDONMENT AND RAILBANKING

- D.1 What is meant by abandonment and what effect does this have on the cost, process and uses?** Abandonment of a rail line is a process through which a freight operator obtains approval from the Surface Transportation Board to cease freight service on a rail line or segment of rail line.
- D.2 What is meant by the term railbank?** Railbanking is a process established by federal law, which allows public agencies to preserve rail corridors that are abandoned for freight service to remain intact for interim trail use, among other purposes. Through the railbanking process, public agencies must still appraise the property and pay full compensation to the railroad. A railbanked corridor remains subject to federal jurisdiction and potential future reactivation of freight rail service.
- D.3 What might be the legal consequences of railbanking the line - e.g., landowners who gave the UP easements many years ago, or real estate speculators, attempting to recover those easements?** Railbanking is a process established by federal law to preserve rail corridors that are abandoned. Therefore, if railbanked, a rail line remains under federal jurisdiction and does not revert to private ownership, even if state law provides otherwise.
- D.4 If the RTC purchases the line, will its value to the community for any future use be markedly reduced if the right-of-way is broken by even a single segment reverting to private ownership?** As long as the continuous right-of-way remains under federal jurisdiction for freight rail service, none of it will revert to private ownership. If freight rail service is abandoned on the Branch Line, or any portion thereof, the RTC can prevent reversion to private ownership and maintain the continuity of the Branch Line by railbanking.
- D.5 Could the current owners (Union Pacific RR) sell the property to adjacent land owners?** Union Pacific can sell excess property and retain sufficient width for rail operations or sell the underlying property and retain an easement to continue rail service operations. If Union Pacific abandons freight service and wants to sell the property, Union Pacific has to make it available for a public agency to purchase for the appraised value at that time. If a public agency cannot buy it or decides not to buy it, Union Pacific can sell the property to adjacent land owners or to other entities for individual uses or for development.

E. PASSENGER RAIL

- E.1 What type of recreational service is being proposed?** The current freight operator is proposing excursion service and dinner train service between the Main Beach/Wharf area of Santa Cruz and Davenport.

- E.2 Which specific dinner and excursion fare are you using for your Business Plan in Scenario 1?** These are shown on page 12 of the Business Plan analysis located at www.sccrtc.org/pdf/RAIL%20ACQUISITION/EconDocs/BizPlanAnalysis0310.pdf.
- E.3 Which specific North Coast beaches will the "excursion" train serve?** It will likely go as far as Davenport Beach and may stop at other beaches between Santa Cruz and Davenport.
- E.4 What improvements need to take place to run passenger rail?** Recreational passenger rail service is proposed between Santa Cruz and Davenport. Sierra Northern Railway already operates the rail line segment between Swift Street and Davenport as Class 1 track. This allows passenger service at a maximum speed of 15 miles per hour and does not require improvements to run passenger service. The segment from the Santa Cruz wye to Swift Street (Milepost 20.5 to 21.7) will likely require some minor improvements.
- E.5 What is the service plan for operating recreational rail?** For the recreational rail service between Santa Cruz and Davenport, the number of trips will depend on the customer demand. In addition to weekend trips, it is anticipated that there will be weekday recreational rail trips, especially during peak visitor periods. The number of weekend and weekday trips will depend on the popularity of the service.
- E.6 Other passenger rail operators, such as Caltrain, are having financial problems, how will this be different?** Caltrain is a rail transit operation and rail transit operations like most transportation modes are subsidized. The current plan for the Santa Cruz Branch Rail Line is to establish recreational rail service. Recreational rail service is designed to be self sustaining and not require public subsidy.
- E.7 Why is the short line operator Sierra Northern interested in running recreational train service?** Sierra Northern operates a couple of other recreational passenger rail services in other parts of California. As an experienced operator, they expressed interest and enthusiasm in providing a dinner train service along the north coast. [5/4/10]
- E.8 Is the RTC evaluating other types of passenger train service and, if so, what is being considered?** At this time, only recreational passenger rail service between Santa Cruz and Davenport is being considered. [5/4/10]

F. DUE DILIGENCE

- F.1 How much analysis was done to understand the condition of the property and financial implications?** The analysis includes appraisals, title reports, bridge and track inspections, hazardous materials assessments, business scenarios, etc... More than 20 documents are available on the RTC website at <http://www.sccrtc.org/duediligence.html> and on CD.

- F.2 What portions of the line are owned by UP, and which are held as easements?** Like most railroad lines throughout the country, some of the parcels composing the Santa Cruz Branch Rail Line are owned in fee, others are easements or congressional land grants, and others have no record of title. However, it is a 32-mile continuous corridor owned by UP. The title report is located at <http://www.sccrtc.org/pdf/RAIL%20ACQUISITION/ApprDocs/TitleRep2009.pdf>. The title report identifies the state of title for all parcels composing the Branch Line. (see also answer A-3)
- F.3 How was the property appraised?** The state requires that the property be appraised using a variety of methods including: ‘across-the-fence’ value which uses the value of adjacent parcels; ‘going concern’ value which assesses the value of the rail business; ‘net salvage’ value which assesses the value of rail line improvements if salvaged; ‘depreciated’ value of improvements; and ‘net liquidation’ value which assesses the value of the property if sold for independent uses and development consistent. The appraisals determined that the highest and best use of the property is as liquidated and therefore valued the property using that method.
- F.4 Why does arsenic occur naturally in this area?** Arsenic is found in the natural environment in some abundance in the Earth’s crust and in small quantities in rock, soil, water and air. It is present in many different minerals. About one third of the arsenic in the atmosphere comes from natural sources, such as volcanoes. (Source: www.greenfacts.org)
- F.5 What are other causes of arsenic?** Mining, smelting and coal-fired power plants contribute to the presence of arsenic in air, water and soil. Arsenic is also used in agricultural pesticides and herbicides, and in chemicals for timber preservation. (Source: <http://www.atsdr.cdc.gov/csem/arsenic/where.html>)
- F.6 Do other jurisdictions require special handling of land with arsenic?** If the arsenic content in soil meets certain thresholds, special handling and adequate disposal may be required. The thresholds depend upon a variety of factors, including the levels of arsenic, the proposed land uses, and the measures used in connection with any improvements on the property. In this case, the RTC commissioned a health risk assessment, which determined that the risk associated with exposure to arsenic from the Branch Line soil is not significantly different than the risk associated with naturally-occurring arsenic levels in this area.
- F.7 What is a Human Health Risk Assessment?** A human health risk assessment analyzes the incremental risk to humans of a hazardous substance that is present in concentrations greater than its naturally occurring level. A human health risk assessment for arsenic found on the rail line was prepared and concludes, “...potential exposures to arsenic in soil are not significantly different than naturally-occurring levels.”

- F.8** What is the status of clean up of soil impacted with elevated levels of petroleum hydrocarbons in the drainage ditch adjacent to the Granite Construction facility? Union Pacific and Granite Construction are working to assess the extent of the contamination and the necessary clean up.
- F.9** Are there any protections from undisclosed problems with the rail line? The RTC plans to purchase hazardous materials insurance to protect itself from the possibility that some hazardous materials may not have been discovered by the due diligence work. [5/4/10]

G. BICYCLE/PEDESTRIAN TRAIL

- G.1** Where have Rail with Trail combinations been done before? The Federal Highway Administration website hosts a report showing rails with trails throughout the country (<http://www.fhwa.dot.gov/environment/rectrails/rwt/toc.htm>).
- G.2** Where are photos of Rails with Trails? Photos of various trails next to rail lines can be found in the report referenced in the question above. The Capital Bike and Walk website has a photo gallery at http://www.capitalbikeandwalk.org/en_gallery.php.
- G.3** What is the status of the local bicycle/pedestrian plan for this corridor? The RTC is in the very early stages of developing a Master Plan for the Monterey Bay Sanctuary Scenic Trail Network. This planning process will analyze potential alignments for trails and trail segments along or near the coast. If segments of the rail line can adequately accommodate a trail segment along with rail service, those trail segments may be constructed on the rail line.
- G.4** Is there formal plan in place to convert the right-of-way into a trail? The RTC is not planning to convert the right-of-way into a trail. Once the RTC owns the right of way, the RTC will initiate planning for the Monterey Bay Sanctuary Scenic Trail Network including an assessment of how a trail might work in conjunction with the rail line (see also answer G-3).
- G.5** Would the bicycle/ped trail deviate off the rail corridor? Yes, a bicycle/pedestrian path would need to use adjacent roads where trestles, cuts, embankments and other terrain issues restrict the width of the right-of-way.
- G.6** Can the Proposition 116 funds be used to construct the trail? No, these funds are only available to purchase the rail property and implement passenger rail services.
- G.7** What funds are available for the bicycle/pedestrian trail? Initial Federal funding has been secured for the Monterey Bay Sanctuary Scenic Trail Network. Other private or foundation funds may be available.

- G.8 Would a trail alongside the railroad line really encourage bike/ped use?** Depending on an individual's origin and destination, and the nature of the bicycle and pedestrian facility, it could encourage bicycling and walking.
- G.9 When will the bicycle/pedestrian trail be built?** See G.3 and G.4. Trail segments identified in the Monterey Bay Sanctuary Scenic Trail Network master plan will be constructed as funding becomes available. [5/4/10]
- G.10 Have other Rails with Trails situations in California been evaluated recently?** Yes, the [Survey of Trails Along Active Rail Lines](#) (November 2009) evaluates popularity/growth, benefits, safety, design options, railroad company perspectives, and liability. Here is the link to the document:
http://www.railstotrails.org/resources/documents/ourWork/west/California_RWT_Survey.pdf [5/4/10]
- G.11 Have Rails with Trails proven to be more unsafe than trails along roads?** According to the survey of existing trails listed in G.10, "No trail managers reported any safety incidents. The study concluded that such trails are safer than paths adjacent to roads. "Even with an active rail line near the trail, the exposure from a track carrying 10 to 20 trains per day is much less than a road carrying thousands of vehicles per day," the report states." [5/4/10]
- G.12 Will an environmental impact report (EIR) be necessary to construct a bicycle/pedestrian path along side the tracks?** The Monterey Bay Sanctuary Scenic Trail Network master plan, which may or may not include segments on the rail line right-of-way, will undergo environmental review. Individual trail projects will also go through more specific environmental review. [5/4/10]
- G.13 What will be the construction details of a bicycle/pedestrian path along side the tracks (width, type of materials used, distance from track, etc.)?** See answers G.3 and G.4 above. [5/4/10]

H. OTHER

- H.1 Is this project supposed to alleviate congestion?** The goal of this project is to preserve this underutilized transportation corridor and use it more intensively to provide additional access and transportation options that are not auto oriented. Depending on future uses it may help to address congestion or increase people moving capacity.
- H.2 Are empty rail cars being stored on the tracks visible from the highway and do they block coastal access?** The RTC has been negotiating with the short line operator to designate car storage areas that do not block the Highway 1 view shed or beach access.

- H.3 Why do rail cars stored on the line have hazardous waste signs?** These railcars are empty. However, because they have been used to transport hazardous materials, they are required to display the appropriate hazardous materials placards.
- H.4 What is the status of the EIR on Recreational Rail between Aptos and Capitola initially released in 2004?** The draft of the EIR was never finalized because the RTC decided not to pursue that option at that point in time.
- H.5 What type of insurance is needed for all these potential uses, what is covered by the \$60k/year insurance costs estimate, and does the RTC need to have reserve for this purpose?** The short line operator will have railroad liability insurance to cover railroad operations with an insurance limit of \$25 million for a single occurrence and \$50 million aggregate. The RTC plans to purchase general liability insurance for the rail line right-of-way and excess railroad liability insurance. The premium for the RTC's insurance is estimated to be no more than \$60,000 per year. The RTC will use lease revenues to cover the estimated premium.[5/4/10]

I. PUBLIC INPUT

- I.1 How can a person let the decision makers know their opinion?** Comments are encouraged in writing to info@sccrtc.org or mailed to 1523 Pacific Avenue, Santa Cruz, 95060 and will be received until up to 24 hours before the RTC makes its final decision at its regularly scheduled meeting at 9:00 am on May 6.
- I.2 Did the people of Santa Cruz County vote on this?** In 1990, all Californian's voted on Proposition 116 for rail improvement projects throughout the State, including \$11 million for rail projects in Santa Cruz County. 53% of California voters and 60% of Santa Cruz County voters approved the measure.