



# Santa Cruz County Regional Transportation Commission

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## Transportation Policy Workshop

### AGENDA

**NOTE: Special Date and Time**

**Wednesday, April 14, 2010  
6:00 p.m.**

**NOTE LOCATION THIS MONTH**

Board of Supervisors Chambers  
701 Ocean St., Fifth Floor  
Santa Cruz CA 95060

1. Introductions
2. Oral communications

*Any member of the public may address the Commission for a period not to exceed three minutes on any item within the jurisdiction of the Commission that is not already on the agenda. The Commission will listen to all communication, but in compliance with State law, may not take action on items that are not on the agenda*

*Speakers are requested to sign the sign-in sheet so that their names can be accurately recorded in the minutes of the meeting.*

3. Additions or deletions to consent and regular agendas

### CONSENT AGENDA

*All items appearing on the consent agenda are considered to be minor or non-controversial and will be acted upon in one motion if no member of the RTC or public wishes an item be removed and discussed on the regular agenda. Members of the Commission may raise questions, seek clarification or add directions to Consent Agenda items without removing the item from the Consent Agenda as long as no other Commissioner objects to the change.*

*No consent items*

**REGULAR AGENDA**

4. Review of items to be discussed in closed session

**CLOSED SESSION**

5. Conference with Real Property Negotiator Pursuant to Government Code 54956.8 for acquisition of the Santa Cruz Branch Rail Line Property: Santa Cruz Branch Rail Line from Watsonville Junction to Davenport

Agency Negotiator: Kirk Trost, Miller Owen & Trost

Negotiation Parties: SCCRTC, Union Pacific

Under Negotiation: Price and Terms

**OPEN SESSION**

6. Report on closed session
7. Santa Cruz Branch Rail Line Acquisition - **7:00 PM Public Hearing**  
(*Luis Mendez, Deputy Director*)
  - a. Staff report
  - b. April 1, 2010 Executive Director recommendation for Branch Line acquisition
  - c. April 1, 2010 staff report on Branch Line acquisition

8. Next meetings

The next SCCRTC meeting is scheduled for Thursday, May 6, 2010 at 9:00 a.m. at the Board of Supervisors Chambers, 701 Ocean St., 5<sup>th</sup> Floor, Santa Cruz

The next Transportation Policy Workshop is scheduled for May 20, 2010 at 9:00 am at the SCCRTC Offices, 1523 Pacific Avenue, Santa Cruz, CA.

**HOW TO REACH US**

*Santa Cruz County Regional Transportation Commission*  
1523 Pacific Avenue, Santa Cruz, CA 95060  
phone: (831) 460-3200 / fax (831) 460-3215  
email: [info@sccrtc.org](mailto:info@sccrtc.org) / website: [www.sccrtc.org](http://www.sccrtc.org)

## **HOW TO STAY INFORMED ABOUT RTC MEETINGS, AGENDAS & NEWS**

**Broadcasts:** Many of the meetings are broadcast live. Meetings are cablecast by Community Television of Santa Cruz. Community TV's channels and schedule can be found online ([www.communitytv.org](http://www.communitytv.org)) or by calling (831) 425-8848.

**Agenda packets:** Complete agenda packets are available at the RTC office, on the RTC website ([www.sccrtc.org](http://www.sccrtc.org)), and at the following public libraries:

- Aptos Branch Library
- Central Branch Library
- Watsonville Library
- Branciforte Library
- Scotts Valley Library

For information regarding library locations and hours, please check online at [www.santacruzpl.org](http://www.santacruzpl.org) or [www.watsonville.lib.ca.us](http://www.watsonville.lib.ca.us).

**On-line viewing:** The SCCRTC encourages the reduction of paper waste and therefore makes meeting materials available online. Those receiving paper agendas may sign up to receive email notification when complete agenda packet materials are posted to our website by sending a request to [info@sccrtc.org](mailto:info@sccrtc.org). Agendas are typically posted 5 days prior to each meeting.

**Newsletters:** To sign up for E-News updates on specific SCCRTC projects, go to [www.sccrtc.org/enews](http://www.sccrtc.org/enews).

## **HOW TO REQUEST**

### **❖ ACCOMMODATIONS FOR PEOPLE WITH DISABILITIES**

*The Santa Cruz County Regional Transportation Commission does not discriminate on the basis of disability and no person shall, by reason of a disability, be denied the benefits of its services, programs, or activities. This meeting location is an accessible facility. If you wish to attend this meeting and require special assistance in order to participate, please contact RTC staff at 460-3200 (CRS 800/735-2929) at least three working days in advance of this meeting to make arrangements. People with disabilities may request a copy of the agenda in an alternative format. As a courtesy to those person affected, Please attend the meeting smoke and scent-free.*

### **❖ SERVICIOS DE TRADUCCIÓN/ TRANSLATION SERVICES**

*Si gusta estar presente o participar en esta junta de la Comisión Regional de Transporte del condado de Santa Cruz y necesita información o servicios de traducción al español por favor llame por lo menos con tres días laborables de anticipo al (831) 460-3200 para hacer los arreglos necesarios. (Spanish language translation is available on an as needed basis. Please make advance arrangements (at least three days in advance by calling (831) 460-3200.*



**TO:** Regional Transportation Commission (RTC)  
**FROM:** Luis Pavel Mendez, Deputy Director  
**RE:** Santa Cruz Branch Rail Line Acquisition – Public Hearing

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## **RECOMMENDATIONS**

Staff recommends that the Regional Transportation Commission (RTC) hold a public hearing on the Santa Cruz Branch Rail Line Acquisition project.

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## **BACKGROUND**

Since 2001, the Regional Transportation Commission (RTC) has been working to acquire the Santa Cruz Branch Rail Line (Branch Line) from Union Pacific (UP). At your April 1, 2010, meeting your Executive Director recommended purchase of the Branch Line at the negotiated price of \$14.2 million with a condition that the RTC make \$5 million of improvements to the Branch Line. Attachments 1 and 2 are the staff report and Executive Director's recommendation from your April 1<sup>st</sup> meeting. The RTC has completed the due diligence work necessary in connection with the acquisition of the Branch Line and is in the final stages of negotiations with UP and the short line operator (Sierra Northern Railway).

## **DISCUSSION**

After receiving the Executive Director's recommendation, the RTC made public due diligence reports that had previously been confidential. The due diligence reports were posted on the RTC website and staff has been receiving questions based on the information released. Below are some of the questions that have been received along with responses from staff:

1. The business plan demonstrates that the freight operation would lose money. Will the RTC subsidize the freight operator?

The RTC has stated that it does not want to be responsible for subsidizing freight service. The agreement being negotiated with Sierra Northern Railway maintains that RTC decision. Therefore, if the freight operator cannot develop a sustainable freight business on its own or in combination with other service, the freight operator cannot count on the RTC to support it and can abandon freight service.

2. If the RTC business plan shows that the freight business will lose money and the RTC is not going to subsidize the freight operator, why is Sierra Northern Railway interested in the freight business?

The RTC is proceeding with purchase of the rail line under scenario one of the 2010 business plan analysis. According to the conservative analysis, the freight service will indeed lose money. However, 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 scenario 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 took a conservative approach to revenue and funds availability. Sierra Northern Railway has also been working to develop additional freight business and plans to establish recreational rail service from Santa Cruz to Davenport. Sierra Northern Railway 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, freight service may be abandoned.

3. The freight operator will need to develop additional business to try to make the operation viable. How will the public be involved in that process?

Sierra Northern Railway has been working to develop additional freight business on the Branch Rail Line and as an operating common carrier railroad under the jurisdiction of the federal Surface Transportation Board, Sierra is allowed to develop additional freight business on this 130 year old freight railroad line. If Sierra 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 will need to consider it and decide whether to allow it. The RTC will consider that decision in public meetings where any member of the public may provide input.

4. 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 is expected to receive from the rail line do not cover the costs associated with the rail line. Currently the RTC is incurring staff and consultant costs associated with the rail line and the RTC is not deriving any revenue from the rail 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.

5. How will the RTC repay the Coastal Conservancy reimbursable grant?

The Coastal Conservancy reimbursable grant was pursued as a way to proceed with the purchase, if STIP funds were not available at the time of purchase. The STIP funds are programmed for this fiscal year and as long as 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. The RTC is not planning to use the Coastal Conservancy reimbursable grant at this time.

6. Why the urgency to purchase the Santa Cruz Branch Rail Line now?

Preserving the rail corridor for future transportation purposes has been the primary goal of the RTC's work on this project and the recent closure of the Cemex plant in Davenport makes the potential loss of the corridor even more imminent. In addition, the availability of Proposition 116 funds for this purchase will expire on June 30, 2010. If the rail line is not purchased by the RTC, Union Pacific may sell the corridor to adjacent land owners, developers, etc. and the community would lose a continuous transportation corridor that runs along the coast, parallels other congested transportation corridors and connects many of the community's prime activity centers. It would be prohibitively expensive and almost impossible for future generations to reestablish that corridor to accommodate future transportation needs.

RTC staff is developing a list of frequently asked questions (FAQ) along with responses to be posted on the RTC website along with the other information on this project. **RTC staff recommends that the RTC hold a public hearing to obtain input from members of the community regarding this project.**

**SUMMARY**

The RTC has been working to acquire the Branch Line since 2001. The Executive Director recommended purchase of the Branch Line at the negotiated price of \$14.2 million with a condition for post-acquisition improvements in the amount of \$5 million by the RTC. The RTC has released for public review due diligence work produced in connection with this project. Staff is developing of list of frequently asked questions with responses and recommends that the RTC hold a public hearing to obtain input from the community regarding this project.

Attachments:

1. April 1, 2010 Executive Director Recommendation for Branch Line acquisition
2. April 1, 2010 Staff report on Branch Line acquisition

**TO:** Regional Transportation Commission (RTC)  
**FROM:** George Dondero, Executive Director  
**RE:** Santa Cruz Branch Rail Line Acquisition –  
Executive Director's Recommendation

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## **RECOMMENDATIONS**

The Executive Director recommends that the Regional Transportation Commission (RTC):

1. Enter into a purchase and sale agreement with Union Pacific (UP) to acquire the Santa Cruz Branch Rail Line (Branch Line) for a total cost of \$19.2 million, with \$14.2 million to be paid to Union Pacific and at least \$5 million of improvements to be made to the structures and other components of the Branch Line;
  2. Enter into an administration and coordination agreement with a short line operator for continued freight operations, and recreational rail service between Santa Cruz and Davenport; and
  3. Release the draft agreements and the remainder of the due diligence reports for a 30-day public review period with the exception of the lease analysis report.
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As communicated in the staff report provided in the agenda packet for this item, due to the very limited options to accommodate the travel needs of most of the County's population and activity centers along a narrow coastal shelf between Watsonville and Santa Cruz, the RTC has been working to make more effective use of existing transportation corridors including the Santa Cruz Branch Rail Line (Branch Line). The only way for the community to more effectively use the Branch Line for transportation is through public ownership. For these reasons, it is recommended that the RTC proceed with acquisition of this 32 mile, 300 acre continuous transportation corridor.

Since 2001, the RTC has been negotiating with the current owner of the Branch Line, Union Pacific Railroad (UP), and undertaking a comprehensive, thorough and detailed assessment of the Branch Line for possible purchase. The assessment includes appraisals, hazardous materials investigations and inspections.

### **Appraisal Reports**

For railroad purchases, in order to determine the highest and best use of the property and a fair price, Caltrans requires that the value of the property be assessed using a variety of methods. Caltrans Right of Way division provides analysis and recommendations to the California Transportation Commission (CTC) when a public agency seeks to purchase railroad property using state transportation funds. The RTC's appraisal reports indicate value

assessments with a range of \$363,930 for the freight business, to \$33.3 million for the depreciated value of the railroad assets at a Federal Railroad Administration (FRA) Class 1 service level. Due to the level of freight business on the Branch Line, especially after the closure of the CEMEX cement plant, the appraisers determined that the highest and best use for the property is achieved through liquidation for other uses.

The net liquidation value was assessed by two different firms in 2004 and in 2007, with a third assessment completed in 2010. The first assessment by Arthur Gimmy International estimated the net liquidation value at \$6.5 million using a valuation date of March 1, 2004 and applying a value to only 31% of the property, due to a variety of title issues. The second assessment conducted by the firm of Colliers Pinkard used a valuation date of December 12, 2007, discounted to September 4, 2009, and applied the marketable parcels ratio (31%) from the first assessment. Colliers Pinkard arrived at a net liquidation value of \$14.3 million. In March 2010, Sierra West Valuation (no relation to shortline operators Sierra Northern) completed a review appraisal report, which analyzed and updated all of the appraisal work, and concluded with a net liquidation value of \$12.275 million and the statement, "...at either \$14,300,000 or \$12,275,000 the Santa Cruz Branch Line is a bargain for the general public while meeting the requirement of 'fair and reasonable price' to be paid the railroad."

### **Environmental Assessment**

In 1997, consulting firm Geomatrix completed a Phase I Environmental Site Assessment (ESA) of the Branch Line for the RTC. The Phase I ESA investigated the history of the Branch Line and assessed the property for locations with potential environmental concerns. Based on the 1997 Phase I ESA and site reconnaissance, Geomatrix completed soil sampling and analysis for 54 locations at varying depths in 2005 and recommended additional soil sampling. In 2009, AMEC Geomatrix completed soil sampling and analysis at an additional 49 locations. The December 2009 report produced by AMEC Geomatrix includes the analysis of all soil samples and a human health risk assessment for arsenic, a chemical element used in pesticides, herbicides, insecticides that also occurs naturally in Santa Cruz County area soils.

Soil sampling was used to establish a background level for arsenic and analyze areas that exceed that background level. The report concludes that there are elevated levels of arsenic present along the branch line likely due to the use of herbicides by the railroad and adjacent farms. Using a conservative approach of risk to construction workers and recreational users of the property, the human health risk assessment concludes, "...potential exposures to arsenic in soil are not significantly different than naturally occurring levels." In addition to arsenic, lead and chromium were "detected at some locations at concentrations that could require special handling during construction activities." Therefore, the report recommends, "a management plan to address arsenic-containing soil during future construction." The management plan would include soil excavation, sampling, analysis, stockpiling and disposal procedures and construction monitoring guidelines. Because arsenic is commonly found in this area, many jurisdictions require similar management plans to minimize the disturbance of these elements during construction activities

The Phase II ESA also discovered petroleum-based contamination at one location in the Watsonville area resulting from a discharge by a business adjacent to the Branch Line. UP

has been working with that adjoining business to clean the location. According to various consultants, this rail line is considered relatively clean, considering what is often found at many other rail lines.

### **Inspections**

In 2005 and 2006, the RTC hired structural engineers to complete inspections of the bridges and other structures along the Branch Line. These inspections concluded that improvements to some of the structures are needed. The estimated cost of those improvements was updated in April 2008 to a range of \$3.9 to \$5.4 million. In 2009, the RTC completed a track inspection to get a thorough assessment of the condition of the track and roadbed, as well as the maintenance and capital improvement needs. The inspection concludes that the Branch Line can be maintained at the current level of service (with CEMEX in operation) with a maintenance cost of \$370,000 annually by a short line operator.

### **Business Plan**

In 2004, the RTC completed a draft business plan for the Branch Line with the cement plant in operation and recreational rail service between Capitola and Seascape. In December 2008, the RTC completed another business plan that included only freight operations under different arrangements. Due to the recent closure of the CEMEX cement plant and the interest of the short line operator to provide recreational rail service between Santa Cruz and Davenport, RTC consultants completed an additional business analysis for the Branch Line in March 2010. The business plan includes revenues and expenditures for the RTC, a freight operation and recreational rail operation under four different scenarios.

The RTC has been negotiating Scenario 1 in which there are limited freight operations and recreational rail service between Santa Cruz and Davenport. Under this scenario, the RTC will derive revenue from real estate leases and short line rail operations. In the first three years, the estimated revenues derived by RTC are not projected to cover the estimated costs associated with the Branch Line. As the RTC updates existing leases and develops new leases, more revenue will be derived, as is currently the case with the Transportation Agency in Monterey County's revenues from their branch rail line acquisition. The lease analysis for the Santa Cruz Branch Line estimates a total annual lease revenue potential of \$596,963. However, the business plan uses a very conservative revenue growth up to \$200,000 annually.

The business plan also shows that even with the addition of new freight customers in the Watsonville area, the closure of the cement plant has a negative impact on freight revenues. However, the recreational rail service does yield revenue and can be sustainable, which helps the freight operation. The shortline operator wants to continue the freight operation and try to make it viable with car storage in the short term and potential growth in freight business in the mid to long-term as the economy recovers. However, if the freight operation cannot be made viable, it may be abandoned. It should be noted that the business plan employs a conservative approach and does not include revenues that can be achieved from potential enhancements such as a federal track maintenance tax credit and a state subsidy for maintenance of grade crossing signals. This tax credit and subsidy are subject to annual

federal renewals and annual state budget approvals and, therefore, may not always be available.

The RTC has been working to acquire the Santa Cruz Branch Rail Line (Branch Line) since 2001. In December 2004, the RTC entered into a non binding letter of intent with Union Pacific (UP) to purchase the Branch Line for \$19 million. Subsequently, the parties renegotiated the purchase price to account for findings made during the initial due diligence work. In August 2008, the RTC reached a new agreement, in principle, with UP to purchase the Branch Line for \$14.2 million with the commitment that \$5 million would be set aside for improvements to the rail line with the available funding. In February 2010, the RTC added recreational rail service between Santa Cruz and Davenport to the project and submitted a revised application for Proposition 116 funds and an allocation request for State Transportation Improvement Program funding to the California Transportation Commission (CTC).

### **Agreements**

The RTC has been negotiating a purchase and sale agreement (PSA) with the current owner, UP, to purchase the Branch Line for \$14.2 million with a condition of investing \$5 million for improvements to the Branch Line. The PSA also stipulates that UP will retain a freight easement that will be transferred to a short line operator upon purchase. This means that if freight service continues, the short line operator, rather than UP or the RTC, will be responsible for the common carrier obligations on the Branch Line. If the freight service is abandoned, the RTC will either railbank the Branch Line, or find another short line operator. The PSA states that the \$5 million for improvements will be placed in an escrow account to ensure that it is used for improvements agreed to by the RTC and UP. Although staff at the California Transportation Commission initially indicated that this was acceptable, they have recently determined that this arrangement will need to be re-examined. RTC negotiators will revisit this item with UP.

The RTC has also been working with attorneys to negotiate an administration and coordination agreement (ACA) with the current short line operator, Sierra Northern Railway. The agreement outlines the limitations of the freight easement, maintenance responsibilities, revenue sharing provisions, insurance requirements, passenger rail license, etc. The RTC will have some maintenance responsibilities under this agreement for the area outside of the freight easement. A few details of this agreement are still being negotiated; however, staff recommends that, if the RTC reaches agreement with an operator consistent with the draft presented to the RTC, the RTC should enter into such an agreement.

### **Conclusion**

Purchasing a railroad right of way is an extremely complicated endeavor, especially if the railroad is in operation. However, similar to the process a person undertakes to purchase a home, one must consider all of the information available and their established goals to determine whether the purchase should be made. The various inspections and analyses show that the property is overall in good shape, that there is revenue potential through leases, recreational rail service and future freight rail services, and that the current owner

made adequate concessions for needed improvements. As such, the property is a worthwhile asset for the community and its future transportation uses.

The RTC's prime goal in pursuing this purchase has been to preserve the Branch Line as a transportation corridor for future uses. The closure of the CEMEX cement plant makes the possibility of losing this Branch Line as a transportation corridor even more imminent. Developing or acquiring a new corridor running the length of Santa Cruz County will be prohibitively difficult and expensive. The appraisals show an assessed value that supports the purchase price. The Branch Line can sustain recreational rail service that will help stimulate the local economy. The Branch Line will offer transportation options to future generations that would not be available to them otherwise. Therefore, **your Executive Director recommends purchase of the Santa Cruz Branch Rail Line for \$14.2 million with the investment of \$5 million for improvements to the Branch Line and an agreement with an operator for freight service and recreational rail service from Santa Cruz to Davenport.**

**AGENDA:** April 1, 2010

**TO:** Regional Transportation Commission (RTC)  
**FROM:** George Dondero, Executive Director and Luis Pavel Mendez, Deputy Director  
**RE:** Santa Cruz Branch Rail Line Acquisition

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## **RECOMMENDATIONS**

Staff recommends that the Regional Transportation Commission (RTC):

1. Receive the Executive Director's recommendation on the Santa Cruz Branch Rail Line (Branch Line) Acquisition project to be presented at the meeting; and
  2. Hold an evening public hearing on April 14, 2010 on the Branch Line Acquisition project.
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## **BACKGROUND**

The Regional Transportation Commission (RTC) has been working to acquire the Santa Cruz Branch Rail Line (Branch Line) since 2001. In December 2004, the RTC entered into a non binding letter of intent with Union Pacific (UP) to purchase the Branch Line for \$19 million. Subsequently, the parties renegotiated the purchase price to account for findings made during the initial due diligence work. In August 2008, the RTC reached a new agreement in principle with UP to purchase the Branch Line for \$14.2 million with the commitment that \$5 million would be set aside for improvements to the rail line with the available funding. In February 2010, the RTC added recreational rail service between Santa Cruz and Davenport to the project and submitted a revised funding application and allocation request to the California Transportation Commission (CTC) to secure the funding for the project. The RTC has nearly completed all of the due diligence work necessary in connection with the acquisition of the Branch Line and is in the final stages of negotiations with UP and the short line operator (Sierra Northern Railroad).

## **DISCUSSION**

The vast majority of the population and centers of activity in Santa Cruz County are located along or near the coast from Watsonville to Santa Cruz. This is a relatively narrow area of land with Highway 1 as the principal transportation corridor and extremely limited options for additional potential transportation corridors. This creates significant travel demand, congestion and safety concerns along this area nestled between the ocean and the mountains. Therefore, in the 1990's the RTC produced a Major Transportation Investment Study (MTIS) to analyze existing and future travel needs and develop measures to better accommodate those needs along this area. The report culminated with a program of projects approved by the RTC ([Attachment 1](#)). Due to the limited number of transportation corridors

and the extreme difficulty to develop new corridors, the RTC decided to make better use of existing transportation corridors. Therefore, the MTIS program of projects includes acquisition of the Santa Cruz Branch Rail Line (Branch Line) for future transportation purposes including a possible bicycle and pedestrian path, and passenger rail or other transit uses. More than a decade since that program of projects was approved, the RTC has nearly completed all of the work necessary to decide whether to purchase the Branch Line.

Attachment 2 is a list of the due diligence work items that have been produced to inform the RTC's decision for purchase of the Branch Line. Some work items have already been made public and are available on the RTC's website. Other items may be made public after this RTC meeting, depending on the status of negotiations and the Executive Director's recommendation. It is expected that the lease analysis report will remain confidential because it includes analyses which would affect future real property negotiations between the RTC and existing and potential future lease holders.

The list of due diligence work items includes funding applications, appraisals, environmental documents, inspections, economic analyses and agreements. Staff believes that the body of information necessary for the Executive Director's recommendation concerning the acquisition of the Branch Line will be complete by the date of this meeting. Two of the agreements and one report are not yet completed as this staff report is being written. Therefore, the Executive Director will present his recommendation on acquisition of the Branch Line at the meeting. **Staff recommends that the RTC receive the Executive Director's recommendation and hold a public hearing on the project on April 14, 2010 at 7:00 pm.**

### Next Steps

If the Executive Director recommends purchase of the Branch Line, the timeline of next steps would be as follows:

<u>Date</u>	<u>Activity</u>
April 1, 2010	Executive Director presents recommendation
April 1, 2010	Due diligence work documents released
April 14, 2010	Public Hearing on purchase of rail line
May 6, 2010	RTC to consider Executive Director's recommendation
May 19 & 20, 2010	California Transportation Commission (CTC) considers funding application

What will follow after the CTC considers the funding application depends on the CTC's decision and whether the State has money to provide to projects. If the CTC approves the funding application and the State has funds for the project, a funding agreement would be produced and the necessary filings for transfer of ownership would be submitted to the Surface Transportation Board (STB) right away. An escrow account would also be established to receive the funds and complete the transaction.

If the State does not have funds available for projects, as long as the application is approved, the RTC will receive the funding when it is available. When the funds become

available, the funding agreement and STB filings would be produced, and the escrow account established.

### **State Funding**

The RTC has submitted a funding application and allocation request to the CTC for acquisition of the Branch Line, rail line improvements and implementation of recreational rail service between Santa Cruz and Davenport. RTC has been working with CTC staff and commissioners to ensure that all of the required information is provided. Senator Joe Simitian has also been very helpful in ensuring that CTC staff and Commissioners have what they need to give due consideration to the project. In addition, RTC staff has been working with members of the community to send letters of support for approval of the project to the CTC.

At its February 2010 meeting, the CTC passed a resolution that will allow the CTC to approve project applications for Proposition 116 funds even if the State does not have funds to provide to the projects. This allows the lead agencies for the projects to fulfill the June 30, 2010 deadline for Proposition 116 projects. Therefore, as long as the RTC's application is approved, the deadline will have been met.

### **SUMMARY**

The RTC has been working to acquire the Santa Cruz Branch Rail (Branch Line) since 2001. The RTC and UP agreed on a purchase price of \$14.2 million, plus post-acquisition improvements in the amount of \$5 million. The RTC has nearly completed negotiations and the due diligence work to ensure that the RTC has all of the information it needs to decide on acquisition of the Branch Line. The Executive Director anticipates making a recommendation on this project at the meeting. Staff recommends that the RTC receive the recommendation and hold a public hearing on the project on April 14, 2010 at 7:00 pm.

#### Attachments:

1. Major Transportation Investment Study Program of Projects
2. Santa Cruz Branch Rail Line Acquisition Project Due Diligence Items

# ADOPTED PROGRAM OF PROJECTS FOR THE

## WATSONVILLE/SANTA CRUZ/UCSC

### APPROVED TRANSPORTATION OPTIONS FOR THIS CORRIDOR



## BACKGROUND

Following earlier studies which evaluated the feasibility of establishing rail transit service on the existing branch rail line in Santa Cruz County, in 1994 the Santa Cruz County Regional Transportation Commission initiated a Major Transportation Investment Study or MTIS to evaluate rail and other transportation options in our most heavily traveled corridor within the county: between Watsonville and Santa Cruz, including the University of California, Santa Cruz (UCSC) campus. Eight options were analyzed in detail, including bus and rail transit, additional carpool lanes on Highway 1 and low cost strategies such as the promotion of telecommuting and flextime. The final report was available in late 1998 and a series of open houses were held to solicit input and share the information with the public.

Following Commissioner workshops, televised meetings and a public hearing in August of 1999, the Regional Transportation Commission approved a set of transportation options to pursue over the next 15 years for the Watsonville/Santa Cruz/UCSC corridor. These projects will be programmed and constructed as funds become available for allocation by the Commission.

\$124 M

#### BUS SERVICE IMPROVEMENTS \$124 Million

Will fund a 15-year growth plan at an increase of approximately 4% per year for new bus service, new equipment and upgraded maintenance/operation facilities.

#### LOCAL ROAD IMPROVEMENTS \$50 Million

Will fund improvements to local streets and roads, including rehabilitation, maintenance, and selected widening improvements.

#### ADDING HIGH OCCUPANCY TOLL (HOT) LANES TO HIGHWAY 1 \$46 Million

Will partially fund an additional lane in each direction of Highway 1 between Morrissey Blvd. and State Park Drive. (See HOT lanes section for more information about the concept.)

\$50 M

#### RAIL RIGHT-OF-WAY ACQUISITION \$15 Million

Will fund the purchase of the Union Pacific branch rail line between Watsonville and Santa Cruz/Davenport as a future transportation resource for the community.

\$46 M

#### BIKE/PEDESTRIAN PATH ON THE RAIL RIGHT-OF-WAY \$12 Million

Will partially fund a bike/pedestrian path adjacent to, not in place of, the rail line. Existing freight train operations would continue and the pathway would be designed to not preclude future bus or rail transit options within the right-of-way.

\$15 M

#### LOCAL BICYCLE PROJECTS \$12 Million

Will fund high priority bicycle projects in the cities and the county, including around local schools.

\$12 M

#### ELECTRIC BICYCLES \$1 Million

Will allow for the discounted distribution and/or sale of electric bicycles to people who commit to driving less.

\$12 M

\$1 M

#### TOTAL FUNDING \$260 Million

*based on the projected available funding over 15 years from existing or known sources*

\$260 M

7-14

**Attachment 2**

**Santa Cruz Branch Rail Line Acquisition Project  
List of Due Diligence Work Items**

Item Name	Completed	When Public	Remains Confidential
<b>Funding Applications</b>			
Proposition 116 Application (2003)	Aug 2003	Aug 2003	
Proposition 116 Application (2008)	May 2008	May 2008	
Proposition 116 and STIP Application (2010)	Feb 2010	Feb 2010	
<b>Environmental Documents</b>			
Initial Study and Negative Declaration (Denise Duffy & Associates)	Apr 2002	Apr 2002	
Phase I Environmental Site Assessment (Geomatrix)	Mar 1997	Mar 1997	
Phase II Environmental Site Assessment (ESA) (AMEC Geomatrix)	Dec 2009	Apr 2010	
<b>Economic Analysis Documents</b>			
Santa Cruz Branch Line Economic Analysis (Alta Planning)	Nov 2002	Dec 2004	
Draft Business Plan (Systra Consulting)	Sep 2004	Sep 2004	
Final Business Plan (Renaissance Rail)	Mar 2010	Apr 2010	
Lease Analysis Summary (Colliers Pinkard)	Sep 2009	Apr 2010	
Lease Analysis Report (Colliers Pinkard)	Sep 2009		✓
<b>Inspection Documents</b>			
General Structures Assessment Report (Biggs Cardosa Associates)	Jul 2005	Jul 2005	
Detailed Structures Assessment Report Vol 1 (HNTB)	Jun 2006	Jun 2006	
Detailed Structures Assessment Report Vol 2 (HNTB)	Jun 2006	Apr 2010	
Peer Review of Detailed Structures Assessment Report (Biggs Cardosa Associates)	Aug 2006	Aug 2006	

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9/16

<b>Item Name</b>	<b>Completed</b>	<b>When Public</b>	<b>Remains Confidential</b>
Updated cost of structure assessment recommendations (Biggs Cardosa Associates)	Apr 2008	Apr 2008	
Track Inspection (HDR)	Dec 2009	Apr 2010	
<b>Appraisal Documents</b>			
Preliminary Title Report (First American)	May 2005	May 2005	
Final Title Report (First American)	Sep 2009	Mar 2010	
Appraisal Review Report (Sierra West Valuation)	Mar 2010	Apr 2010	
Appraisal Report (Colliers Pinkard)	Sep 2009	Apr 2010	
Appraisal Report (Arthur Gimmy Int.)	Apr 2006	Apr 2010	
Valuation Study of Railroad Improvements (Woodside Consulting)	Sep 2004	Apr 2010	
Going concern Valuation (Wilbur Smith Associates)	Mar 2004	Apr 2010	
<b>Agreements</b>			
Letter of Intent with Union Pacific to Purchase Rail Line	Dec 2004	Dec 2004	
Purchase and Sale Agreement with Union Pacific	Apr 2010	Apr 2010	
Administration and Coordination Agreement with Sierra Northern Railway	Apr 2010	Apr 2010	
Coastal Conservancy Reimbursable Grant Agreement	Jun 2006	Jun 2006	
<b>Other</b>			
Santa Cruz Branch Rail Line Informational Right of Way Maps	Nov 2005	Nov 2005	
Shortline Freight Service RFP	Jun 2005	Jun 2005	

\* Items remaining confidential due to impact to future real estate negotiations or Homeland Security requirements