



COMMONWEALTH of VIRGINIA

Commonwealth Transportation Board

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Agenda item # 11

RESOLUTION OF THE COMMONWEALTH TRANSPORTATION BOARD

October 17, 2018

MOTION

Made By: Mr. Kasprovicz, Seconded By: Ms. Hynes

Action: Motion Carried, Unanimously

Title: Rail Industrial Access Policy Update

WHEREAS, the General Assembly declares it to be in the public interest that access railroad tracks and facilities be constructed to certain industrial commercial sites where rail freight service is or may be needed by new or substantially expanded industry as described in Section 33.2-1600 of the Code of Virginia, and;

WHEREAS, Section 33.2-1600 E. sets forth considerations for the Commonwealth Transportation Board (the Board) when evaluating whether to construct access tracks, and further instructs the Board to adopt procedures to encourage widespread use of the funds, and;

WHEREAS, the Board desires to update its policies regarding projects which qualify for application of industrial access railroad track funds, and;

WHEREAS, the Board intends to retain, by incorporating it into an updated policy relating to industrial access railroad track funds, the current Performance Policy adopted April 15, 2015, which was the result of the Board's reevaluation of the Rail Industrial Access Program Performance Policy based on repayment by 11 grantees after an economic downturn.

NOW, THEREFORE, BE IT RESOLVED, that effective January 1, 2019, the previous policies and/or policy changes adopted November 16, 1995 and April 15, 2015 are rescinded, and the attached policy to govern the use of industrial access railroad track funds administered by the Director of the Department of Rail and Public Transportation is adopted.

BE IT FURTHER RESOLVED, that the Director shall develop procedural guidelines for the implementation of this policy and that the attached policy as well as the procedural guidelines shall become effective on January 1, 2019.

BE IT FURTHER RESOLVED, that any actions prior to January 1, 2019 taken by the Director in conformity and compliance with the policies adopted by the Commonwealth Transportation Board on November 16, 1995 and April 15, 2015, shall remain valid and shall not be rendered invalid by this action.

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2018 Commonwealth Transportation Board

Industrial Access Railroad Track Program Policy

1. The Industrial Access Railroad Track Program will be administered by the Director of the Department of Rail and Public Transportation (Director) in accordance with decisions of the Commonwealth Transportation Board. Pursuant to §33.2-1600 C of the Code of Virginia, the Director may consult with the Commissioner of Agriculture and Consumer Services, and the Director of the Virginia Economic Development Partnership (or their designated representatives) concerning applications for funds in accordance with the *Code of Virginia*. The Department of Rail and Public Transportation will act as staff to receive and process applications, to make recommendations and to supervise the program and approve the costs incurred.
2. Funding for the program will be provided from funds appropriated by the General Assembly in accordance with §33.2-1600 B of the Code of Virginia.
3. All applications for industrial access railroad track funds shall be discussed with the appropriate local government. Each application shall be accompanied by a resolution from the local governing body requesting that such funds be allocated to the proposed project. Applications shall require the grantee to estimate the rail and truck utilization ratio of the proposed facility.
4. All applications shall be submitted to the Department of Rail and Public Transportation in accordance with the procedures outlined by the Department's Rail Industrial Access Program Guidelines. The Department will process the applications, including making recommendations, and transmit same to the Director for review and concurrence prior to submittal to the Board.
5. Funds for the construction of industrial access railroad tracks may be provided if the construction will have a positive impact upon the economic development of the Commonwealth or a region of the Commonwealth. Financial assistance will be limited to certain industrial or commercial sites where rail freight service is or may be needed by new or expanding industry for the construction and/or rehabilitation of railroad track facilities between the normal limits of existing or proposed common carrier railroad tracks and facilities and the actual site of existing or proposed commercial or industrial buildings or facilities.
6. Funds may be used to construct, reconstruct, or improve part or all of the necessary tracks and related facilities on public or private property currently used or being developed for single industries or industrial subdivisions under firm contract or already constructed, including those subdivisions owned and promoted by railroad companies and others. No funds shall be reimbursed until all agreements are executed and certifications are provided as set forth in Items 9, 10, and 14 of the Policy.
7. Industrial access railroad track funds shall not be used for the acquisition of right of way or adjustment of utilities. If the total project costs exceed the available fund for a specific project, the expenditures will be approved in the following priority order: 1) track materials, including mainline switches, 2) installation, 3) engineering, 4) drainage, 5) grading, and 6) environmental mitigation. Eligible items of construction shall be limited to those necessary to provide adequate and safe rail service and shall include the mainline switch to the industry being served. Construction shall not include siding tracks. A siding track is defined as a track secondary to a main track for a meeting or passing trains.

8. Plans and construction of all projects utilizing industrial access railroad track funds shall be subject to approval by the serving railroad prior to transmittal to the Director.
9. All facilities constructed and improved with industrial access railroad track funds shall be made available for use by all common carriers using the railway system to which they connect. The railroad company owning the main track to which an industrial access track will also have unrestricted access to the industrial track.
10. Industrial access railroad track funds shall be paid as reimbursement for approved project activities only after certification that the manufacturing, industrial, or commercial establishment is constructed and operating.
11. No more than \$450,000 of the funds shall be allocated to any one county, town, or city in any fiscal year, unless authorized by the Board.
12. No more than \$450,000 of the funds shall be allocated to any project by the Board, unless, pursuant to Section 33.2-1600 E. of the Code of Virginia, sufficient funds remain in the Access Program.
13. Funds shall be matched with a minimum 30% local or private match.
14. The Board shall, in the evaluation of projects, consider the cost of construction of an access track in relation to the prospective volume of rail traffic, capital investment, potential employment, or other economic and public benefits.
15. Committed industrial access railroad track funds are those funds which have been allocated to a project but not necessarily spent in the year of allocation. Committed but unexpended industrial access railroad track funds will be allowed to accumulate and be carried forward from one year to another. Committed funds shall be expended within 24 months. Any funds allocated but unused, returned funds, and uncommitted funds will be allowed to accumulate and carried forward from one year to another in the access fund.
16. The applicant shall be contractually committed to providing the Commonwealth with a contingent interest in that portion of tracks and facilities constructed or improved with the use of industrial access railroad track funds. Maintenance and liability of such facilities shall be the responsibility of the grantee. Any cost involved in any subsequent relocation or removal of industrial access railroad track facilities shall be borne by the grantee. Following relocation, the Commonwealth's interest will be redefined. In case of removal, the Director shall recoup the value of the facilities in which the Commonwealth has any remaining interest.
17. The Director may allow the grantee, business tenant, or others, to purchase the Commonwealth's interest in an industrial access railroad track facility at a value determined by the Director.
18. In the event the grantee desires to sell the property or interest on which access tracks have been constructed with funds from this program, the sale will be subject to the Commonwealth's vested interest and Director's written approval.
19. Relocations within Virginia will be considered on a case by case basis. Funding will generally not be recommended in cases where an industry is simply relocating within Virginia, unless there is a significant business expansion, excluding the value of transferred capital assets. The business capital investment value used to evaluate applications for industrial access funds will be calculated on a net basis. The value of existing business capital assets sold or transferred to the new location will be subtracted from the gross capital investment by the business to determine the figure to be utilized for qualifying matching funds for a rail industrial access grant.

20. Performance shall be based on achieving a minimum threshold for rail cars, with the following criteria:
 1. The performance evaluation period shall last three years.
 2. The minimum threshold is defined as the minimum number of rail cars required to achieve 50 of 100 application points as further described in the Rail Industrial Access Program Staff Manual.
 3. The minimum threshold must be met in at least one of three years of performance.
21. The Director may grant one (1) three-year extension to the performance period, subject to the following:
 1. Determination of the extension shall consider the actual mode split between rail and truck carloads compared to the forecasted mode split in the original application.
 2. If an extension is granted, the grantee must meet the target threshold at least once during the total six-year performance period.
 3. Determination of the extension shall also include evaluation of the grantee's progress toward its performance targets.
22. Repayment shall be based on the percentage of performance target achieved. The percentage for partial repayment of the grant amount shall be determined by the difference between the highest actual carload count reported and the minimum threshold necessary to achieve 50 of 100 application points.

CTB Decision Brief

Rail Industrial Access Program Policy Update

Department of Rail and Public Transportation

Summary: When the CTB began a policy review and clean-up effort in 2017, the last policy resolution to address the entire Rail Industrial Access Program was from 1995. The CTB did update the Performance Policy for the program in 2015, and that policy is retained as part of the policy update.

Since March 2018, the CTB Rail Committee has reviewed existing policies, received input from staff and stakeholders, and recommended updates which are intended to encourage widespread use of the funds, per §33.2-1600. The following is a summary of the updates to the Rail Industrial Access Policy Resolution, which will be presented for action in September:

- Eliminate the capital expenditure as a qualifier for the grant amount.
 - Update: Maximum grant amount set at \$450,000, with a required 30% grantee match.
- Allow mainline switches as eligible project expenses.
 - Previously this was not allowed, but stakeholder feedback indicated this made the program challenging, especially for smaller projects.
- Retain the 2015 Performance Policy.
 - Performance is based on achieving a minimum threshold for rail cars.
 - The performance evaluation period shall last three years
 - The minimum threshold is defined as the minimum number of rail cars required to achieve 50 application points.
 - The minimum threshold must be met in at least one of three years of performance.
 - The Director may grant one (1) three-year extension to the performance period, subject to the following:
 - Determination of the extension shall include an evaluation of the actual mode split between rail and truck carloads compared to the forecasted mode split.
 - If an extension is granted, the grantee must meet the target threshold at least once during the total six-year performance period.

- Determination of the extension shall also include evaluation of the grantee's progress toward its performance targets, including a review of the actual mode split of rail and truck loads.
- Repayment shall be based on the percentage of performance target achieved. The percentage for partial repayment of the grant amount shall be determined by the difference between the highest actual carload count reported and the minimum threshold necessary to achieve 50 application points.
- Applications for grant funds for businesses relocating within Virginia will be handled on a case-by-case basis. Funding will not be recommended unless there is an expansion, excluding the value of transferred capital assets.

Source of State Funds: Industrial, Airport, and Rail Access Fund

Recommendation: DRPT recommends the approval of this resolution.

Options: Approve, Deny, or Defer