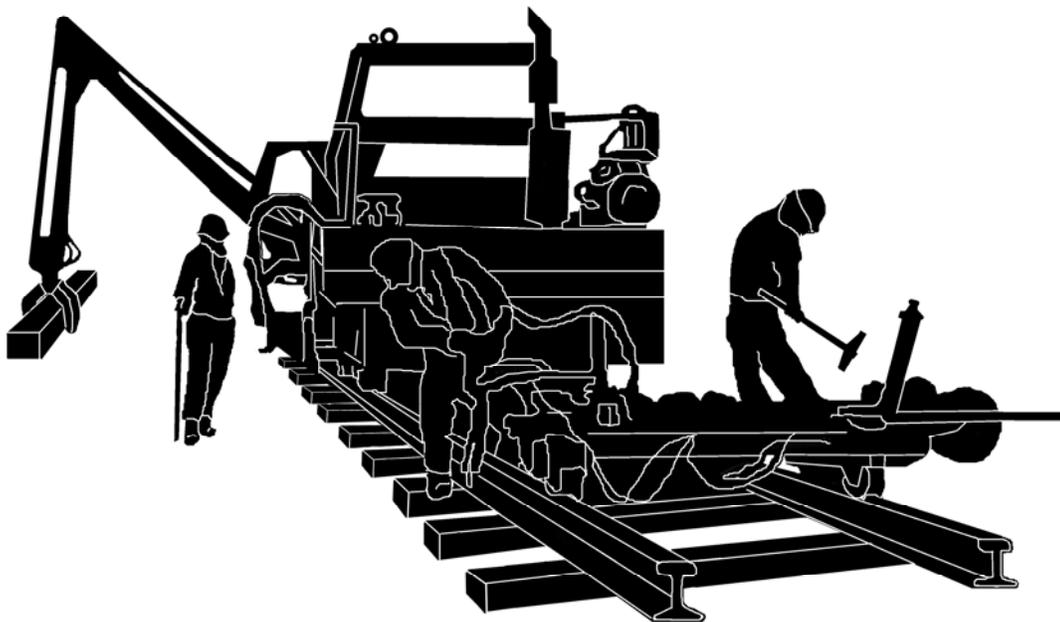


RAIL PRESERVATION PROGRAM

FY2017 Application Procedures



Revised November 24, 2015

Application Period: December 1, 2015 – February 1, 2016

Applications Due: February 1, 2016

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Rail Preservation Policy

Effective April 1, 1999, it is the policy of the Commonwealth Transportation Board (CTB) to consider railways and rail corridors as important elements of the Statewide Transportation System. The CTB supports the use of funds for projects deemed important elements of the Statewide Transportation System. Such consideration shall include the acquisition, lease, improvement, or assistance to appropriate entities in the acquisition, lease, or improvement of railways, and equipment, and the purchase of abandoned railway rights-of-way for transportation purposes that the CTB determines are for the common good of the Commonwealth or a region of the Commonwealth.

The Department of Rail and Public Transportation Director shall administer and expend or commit, subject to the approval of the CTB, such funds as may be set forth in the Appropriations Act for this purpose. Such funds may be expended or provided in the form of grants to others to improve railways, equipment, or related facilities specific to rail operations on public or private property and to acquire or lease railway properties for transportation purposes. Any properties purchased can be leased to others for continuation of rail service. No funds shall be used for general railroad operating expenses. Costs incurred for the administration of approved projects shall be an eligible expense under this policy.

In allocating funds for improvement, the CTB shall consider the project cost in relation to the prospective use, line capacity, and the economic and public benefits. In allocating funds for purchase, the CTB shall consider the potential for future public uses of the properties. The CTB shall adopt procedures for the allocation and distribution of the funds as may be provided, including provisions for safeguarding the Commonwealth's interest in all projects.

Rail Preservation Procedures

The Director of the Virginia Department of Rail and Public Transportation (DRPT) administers, expends, or commits, subject to the approval of the Commonwealth Transportation Board (CTB), such funds for acquiring, leasing, or improving or constructing railways and related facilities, and purchasing railway properties, and equipment for transportation uses. Funds may be spent directly by the Director of DRPT (Director) or by reimbursement of the local entities, private or public.

The goal of the Rail Preservation Program is to assist in bringing all Short Lines to a Class 2 Track Safety Standard operation as prescribed in the Track Safety Standards publication as part of the Federal Railroad Administration's Title 49 Part 213 regulations. The achievement of this plan will depend on the availability of funding. Once reached, the track shall be maintained at this level. This requirement may be waived in the case of an emergency.

Additionally, applications for funds must provide a plan that outlines bringing their track structure and bridges to a minimum Class 2 Track Safety Standards and, if necessary, structures to a load limit of 286,000 pounds. These plans must be submitted at time of application. All applicants submitting request for funds starting in FY 2000 with rail lines below Class 1 Track Safety Standards must submit a plan to bring their rail lines to Class 1 Track Safety Standards within a reasonable amount of time.

Application Development

- DRPT may develop projects for the consideration of the CTB or receive applications from others for such projects.
- All applications for rail funds shall be submitted by the applicant to DRPT. Each application shall be accompanied by a resolution from the appropriate local government or Transportation District Commission supporting such funds be allocated to the proposed project. Each application shall be considered on the basis of its merits as they pertain to the policies and goals of the Rail Preservation Program.

Application Evaluation

- The Rail Division of DRPT receives and processes applications and supervises the expenditure of funds.
- All applications shall be submitted at the beginning of February of each year to DRPT in accordance with the guidelines outlined in the Rail Preservation Application Process on page 7 of this document.

- DRPT reviews the applications and state projects, including developing analyses and comments, and transmits to the Director, for review and concurrence prior to presentation to the CTB.
- The Director develops recommendations for the CTB to select projects and establish priorities in accordance with program policies, and the procedures contained herein.
- Generally, no more than 50 percent of the funds shall be recommended for any applicant in any fiscal year unless it is determined that there are not sufficient applications to use the available funds or a project has been determined to be of major significance to the Commonwealth. Final allocations shall be determined by the CTB.
- Improvements may benefit both freight and passenger projects. The CTB shall consider the potential for future public use of the property and/or the cost thereof in relation to the prospective rail use, and other economic and public benefits, and the common good of the Commonwealth or a region of the Commonwealth.

Funding Provisions

- Funds may be provided in the form of grants to acquire, lease, improve, or assist other appropriate entities to acquire, lease, or improve railways, related facilities, and equipment on public or private property, and to purchase railway properties for rail service and other transportation purposes.
- Funds may be provided to local governments, authorities, agencies, Transportation District Commissions, railroads, or non-public sector entities for rail projects funded under the program at a maximum 70% state and minimum 30% local match.
- No funds may be used for general railroad operating expenses.
- Funds may be used as a portion of the non-federal share for the utilization of federal funds by public or private parties. Funds may also be used to match other non-state grants obtained by the applicant. These funds will provide no more than 70 percent of the local share of the Federal matching requirement.
- Funds may be provided for administration of a project on a 70-30 match basis with a maximum administration reimbursement of five percent of the total projects cost or \$50,000 per year, whichever is less. Also, funds may be provided to assist in obtaining a qualified assessment and engineering of the necessary track structure and bridge improvement needs.
- Funds may be granted to the current or prospective owners of a Short Line railroad to purchase or refinance operating railway properties. The maximum amount of any grant is limited by the net liquidation value. The Commonwealth shall retain an interest in the property.

Contingent Interest and Maintenance of Tracks

- The Commonwealth will retain an interest in materials installed in tracks, and facilities reconstructed or improved with grant funds from the Commonwealth until the Commonwealth's interest is repaid or the useful life as determined by the Director has expired. The useful life determination shall have the approval of the CTB.
- The recipient of funding shall be contractually committed to the perpetual maintenance of such tracks and facilities, and/or property and to the payment of any costs related to the future relocation or removal of such tracks and facilities. Where applicable, the recipients or their subcontractors shall also be contractually committed to provide for the continued operation of rail service as a common carrier and to assume all liability in connection with the implementation and operation of the project. The Commonwealth shall be advised of any change in the carrier status.
- The Commonwealth may allow the recipient of funds to purchase the Commonwealth's interest in a railway, equipment, and facilities at a value determined by the Director and the approval of the CTB.
- In the event the recipient of funds desires to sell property or interest in railway equipment and facilities which have been acquired, reconstructed, or improved under this program, said sale shall be subject to the Commonwealth's vested interest and written approval.

Material Requirements

- The Commonwealth does not consider any rail with a weight of less than 115 lbs/yd to be an acceptable size for use in the track structure. Rail Preservation monies will not reimburse work or material costs associated with the installation of rail less than 115 lbs/yd.
- Rail should be new or meet AREMA Class I specifications for relay rail.
- Tie replacement must adhere to AREMA 7-inch Grade specifications.
- Ballast shall be AREMA Number 3 gradation specification.

Rail Preservation Application Process

Pursuant to Virginia Code § 33.2-1602 Shortline Railway Preservation and Development Fund, the following details the administrative guidelines to be followed by the applicant and the Commonwealth in the allocation of funds for acquiring, leasing, improving, or assisting other appropriate entities to acquire, lease or improve railways and purchase abandoned rail rights-of-way for transportation purposes as authorized in Chapter 10.1 of Title 33.1 of the Code of Virginia. Appropriations for these activities are included in the Budget Bill.

The Rail Preservation Program will be administered by the Director in accordance with decisions of the (CTB). The DRPT Rail Division may develop state projects for the Director for review and concurrence prior to submittal to the CTB. The Department will also act as staff to receive and process applications, to develop analysis and comment, and transmit to the Director. The Director may solicit comments regarding the applications from others including the State Corporation Commission.

Applications

1. Applications for Rail Preservation Funds shall be submitted to the Department of Rail and Public Transportation by no later than February 1, 2016. All applications must be accompanied by a resolution supporting the project under the Rail Preservation Program from the local jurisdiction or Transportation District Commission (TDC) in which the project is located. Projects will not be submitted to the Commonwealth Transportation Board for consideration without a local resolution.
2. Applications should be completed and uploaded to OLGA (DRPT's online Grantee system). OLGA can be found here: <https://olga.drpt.virginia.gov/news.aspx>

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3. Applications should contain the following information:
 - A resolution from each local government or Transportation District Commission for the

locality in which the proposed project is located;

- Narrative explaining the need for the project as it relates to the policies and goals of the Rail Preservation Program and the benefit to the railroad;
- Location sketch and an outline of the proposed project;
- The annual number of carloads for the most recent fiscal year and the estimated number of carloads anticipated for the coming fiscal year;
- The estimated number of people or full time equivalents to be employed or retained;
- Explanation of project readiness and the expected start and finish dates;
- The estimated cost of the projects, including a statement of availability of local match to be provided by the Applicant as well as a certificate of financial and technical capability to complete the work;
- Documentation concerning common carrier status;
- Certification stating who will provide for the continuous maintenance and assume the liability of the tracks and facilities;
- Guarantee as to the right of way for the project;
- Any other information deemed relevant to the proposed project.

Selection Criteria

Applications submitted will be considered in accordance with their consistency with the policy of the Commonwealth regarding rail transportation, especially those relative to fostering economic development. Acquiring, leasing, constructing, or improving or assisting other appropriate entities to acquire, lease, construct, or improve railways, equipment, and purchase abandoned rail rights-of-way for rail transportation purposes must have a positive impact upon the common good of the Commonwealth or a region of the Commonwealth. Each application for freight improvements will also be considered under the following criteria in the allocation of funds:

- Achievement of FRA Class 2 Track Safety Standards;
- Economic viability: Strategic investments as part of the Railroad's overall plan for service improvements and operations;
- Public benefit: Strategic investments which serve the Commonwealth's overall plan for

service improvements and economic competitiveness;

- Investments in the long-term viability of the railroad;
- Potential and retained employment;
- Geographic location of the proposed project in relationship to prior allocations;
- Small industries where there is a demonstrated need for financial assistance, and both private and public benefits will accrue relative to the costs involved;
- Local unemployment rate;
- Local contributions;
- Project Readiness (ability to be permitted, designed and constructed quickly).

Project Selection and Implementation

The Rail Division staff, at the Director's discretion, will assemble all necessary data and documents and review the proposals. Staff will consider the above criteria to make the initial proposed distribution of the annual allocation of the Rail Preservation Funds.

As part of the evaluation process, site visits to the proposed project locations may be necessary to:

- Determine that the projects are acceptable projects;
- Collect data to be used in developing the benefit-cost analysis of projects;
- Determine the potential for the continuation of the service.

This information will be provided to the Director, who will provide recommendations to the CTB. The CTB will approve the final allocation of the Rail Preservation Funds.

Following the approval of project funding, the applicants will be notified of the results. The successful applicants will be required to enter into contractual commitments with DRPT in order to receive Rail Preservation funding.

In projects involving the improvement of existing tracks or facilities, the value of materials installed with the use of program funds shall be subject to a contingent interest by the Commonwealth. Ownership of materials and facilities in place prior to project implementation shall not be affected.

The Department will supervise the expenditure of funds, and perform site visits to review

construction as appropriate, and prepare documentation of the improvement work performed and materials installed prior to final review and payment. The applicant shall maintain records regarding the projects. An on-site site review will be made on properties proposed for lease or purchase.
