

Agenda: March 18, 2004

To: Regional Transportation Commission – Transportation Policy Workshop
From: Linda Wilshusen, Executive Director
RE: Santa Cruz Branch Rail Acquisition Services Contract Amendment

RECOMMENDATION

Staff recommends that the Regional Transportation Commission approve the attached resolution (Attachment 1) amending the Santa Cruz Branch Rail Acquisition Contract with Miller, Owen and Trost.

BACKGROUND

In March 2001, the Regional Transportation Commission entered into a \$262,000 21-month contract with Miller, Owen & Trost to provide the necessary services in connection with acquisition of the Santa Cruz Branch Rail Line right-of-way. The services included in the contract are development of negotiating strategies, review of appraisals, preparation of agreements, provision of legal advice and other duties in connection with acquisition of the Santa Cruz Branch Rail Line. The contract was extended once to June 30, 2004.

Over the past three years since the initiation of the contract, Kirk Trost of Miller, Owen & Trost has been principally responsible for all aspects of the contracted work. Mr. Trost has been negotiating with Union Pacific on behalf of the Regional Transportation Commission and has kept the RTC abreast of developments through closed sessions with the RTC and the Rail Acquisition Staff Advisory Group. Several analyses needed for the acquisition project have been performed through subconsultants of Miller, Owen & Trost. Mr. Trost has assisted the RTC in seeking funding for the acquisition project, in developing scopes of work for consultant work related to the acquisition project (appraisals, environmental review) and in evaluating proposals resulting from those scopes of work. Currently, Mr. Trost is working with Systra Consulting to produce the business plan for the acquisition of the rail line and the rail line's operations beyond acquisition and is preparing to initiate the title work needed by the appraisal consultants.

DISCUSSION

In August 2003, the California Transportation Commission (CTC) approved a Proposition 116 application submitted by the Regional Transportation Commission for \$300,000 to cover pre-acquisition activities connected with the Santa Cruz Branch Rail Line. These pre-acquisition activities include appraisals, a business plan, and title review.

Appraisals

In November 2003, the RTC entered into contracts with the following consultants to produce the four appraisals required by Caltrans:

- Arthur Gimmy International to produce the real estate appraisal. Charles Baumbach is the project manager and has been reviewing old valuation maps provided by Southern Pacific the previous owner of the rail line. Mr. Baumbach has also been researching information from the County Assessor's office and the State Board of Equalization to determine all of the parameters of the property, rights, easements, etc. owned by Union Pacific along the Santa Cruz Branch Rail Line. Mr. Baumbach has also been researching property sales in the area to determine the value of the property owned by Union Pacific. Mr. Baumbach reports that the County Assessor's office has been very helpful in his research efforts.
- The Woodside Consulting Group to produce the appraisal of the rail road assets and improvements on the right-of-way. Alan De Moss is the project manager and has been gathering information regarding the rail road assets and improvements based on site visits, experience and available information through past projects and contacts.
- Wilbur Smith Associates to produce the going concern valuation of the rail road business on the rail line. Justin Fox is the project manager and has been gathering information on the rail road business through communications with shippers along the rail line, short line operators and available Union Pacific information through experience, past projects and contacts.
- RVS-Thomas Ryland to produce the review appraisal. Thomas Ryland is the project manager and his work will begin once draft appraisals are ready.

Although the appraisal consultants are moving ahead with their work, additional information is required from Union Pacific to produce a complete appraisal analysis. Union Pacific reports that the information is being gathered and will be provided as soon as it is ready. It is expected that the first draft of the appraisals will be ready in about one month. The contract amount for the four appraisal contracts is \$121,000.

Business Plan, Title Work and Structures Assessment

Kirk Trost has initiated the work through a subconsultant (Systra Consulting) on the business plan, is preparing to initiate the title review required by the appraisal work currently in progress and has obtained an estimate for the an assessment of the structures along the rail line. The estimated cost for the business plan is \$55,000, the estimated cost for the title review is estimated at \$60,000 and the estimated cost of the structures assessment is \$15,000.

The draft table of contents for the business plan was provided to the RTC and reviewed at the May 2003 Transportation Policy Workshop. A slightly revised draft table of contents was circulated to Commissioners via electronic mail in January 2004. A preliminary draft of the business plan is expected to be available in April.

At the June 2003 Transportation Policy Workshop, Commissioners were informed that due to the requirement for new appraisals and other unanticipated tasks, budget revisions would be necessary for the acquisition contract with Miller, Owen and Trost and for the Rail/Trail Authority in general. Some of the other unanticipated tasks associated with this project include significant negotiations with Union Pacific to provide a right of entry agreement for environmental review of the acquisition project, analysis of potential recreational service options to qualify for Proposition 116 funds, development of a project study report for recreational rail service, an environmental impact report for recreational rail service, and submittal of applications for Proposition 116 funds. The Phase II Environmental Site Assessment has not been able to move forward pending an agreement with Union Pacific and the deadline for spending the State Transportation Improvement Program (STIP) funds for this purpose has now passed. A revised budget and schedule will be presented in April. In the meantime, amendments must be made to incorporate the Proposition 116 funds for the business plan and title work into the contract with Miller, Owen and Trost. In addition, the acquisition contract was initially expected to last through December 2002 and it was extended to June 2004. Negotiations with Union Pacific will not be completed by June 2004 and staff proposes extending the contract to March 31, 2005.

Therefore, staff recommends that the Regional Transportation Commission approve the attached resolution ([Attachment 1](#)) adding \$130,000 to its contract with Miller, Owen and Trost to cover costs associated with the completion of the Santa Cruz Branch Rail Line business plan, the title review and the structures assessment. This amount is expected to cover the cost for those three items and \$49,000 in pre-acquisition Proposition 116 funds will remain for other pre-acquisition activities.

SUMMARY

The Regional Transportation Commission secured \$300,000 in Proposition 116 funding for pre-acquisition activities connected with the Santa Cruz Branch Rail Line Acquisition. \$121,000 will be used to produce the required appraisals. Miller, Owen and Trost has began work on the business plan, is preparing to initiate work on the title review and has obtained an estimate for the structures assessment. The cost to produce those three items is expected to be \$130,000. Staff recommends approval of the attached resolution ([Attachment 1](#)) to add \$130,000 in Proposition 116 funds to the Miller, Owen and Trost contract for costs associated with the production and completion of the business plan, title review and structures assessment. Staff will present a revised budget and schedule to the RTC in April.

Attachments:

1. Resolution authorizing the Executive Director to add \$130,000 to the Miller, Owen & Trost contract for costs associated with the Santa Cruz Branch Rail Line business plan, title review and structures assessment