

AGENDA: December 2, 2004

TO: Regional Transportation Commission/Rail Trail Authority
FROM: Linda Wilshusen, Executive Director
RE: Santa Cruz Branch Rail Line Acquisition Project – Letter of Intent with Union Pacific

RECOMMENDATION

Staff recommends that the Regional Transportation Commission approve the attached resolution (Attachment 1) authorizing the Chair to sign a Letter of Intent as written in Exhibit 1 of Attachment 1 as the basis for subsequent negotiations with Union Pacific for acquisition of the Santa Cruz Branch Rail Line.

BACKGROUND

In 1999, the Santa Cruz County Regional Transportation Commission concluded a four-year *Major Transportation Investment Study* of the Watsonville-Santa Cruz-UCSC corridor with a 15-year program of projects which included purchase of the Santa Cruz Branch Rail Line right-of-way for future transportation uses. The Commission, with the aid of the law firm of Miller, Owen and Trost, has been in active negotiations with Union Pacific since the Spring of 2001. Kirk Trost of Miller, Owen and Trost has kept the Commission apprised of the status of negotiations and obtained Commission direction through closed sessions. In April 2002 the Commission completed environmental review for the acquisition with a negative declaration to satisfy the California Environmental Quality Act (CEQA) and a categorical exemption to satisfy the National Environmental Policy Act (NEPA).

The Commission has Geomatrix Consultants under contract to produce the required Phase II Environmental Site Assessment of the property as soon as Union Pacific provides a right of entry agreement. In addition, the Commission hired Systra Consulting to produce a draft *Business Plan* of the rail line. The draft *Business Plan* was released in August 2004 and will be updated as more information becomes available from Union Pacific, other studies, etc.

In 2000, the Commission programmed \$10 million in Regional Share Transportation Improvement Program (STIP) funds for acquisition of the Santa Cruz Branch Rail Line. In 2003, Congressman Sam Farr obtained a \$1.5 million federal earmark for the project. In May 2003, following an evening public hearing, the Commission agreed to develop an application for Proposition 116 funds with an operating plan for recreational rail service between Capitola and Aptos with a possible extension to Seascapes in order to qualify for \$11 million in Proposition 116 funds available exclusively to Santa Cruz County, and to initiate an EIR for the recreational rail service consistent with RTC policy (the status of the DEIR is discussed in a separate staff

report). In August 2003, the California Transportation Commission (CTC) approved \$300,000 in Proposition 116 funds for pre-acquisition activities, setting the stage for using the additional \$10.7 million in Proposition 116 funds to purchase the rail line and construct the facilities needed for the proposed recreational rail service.

DISCUSSION

On November 3, 2004, following contact with Union Pacific officials by Assemblymember John Laird and the November 2, 2004 election, Union Pacific's real estate negotiator contacted the Executive Director to indicate that Union Pacific was prepared to initiate preliminary acceptance of the Commission's nearly one year old offer of \$19 million for the Santa Cruz Branch Rail Line.

Union Pacific prepared a draft discussion paper which would form the basis for further negotiations. Based on Commission input, the draft discussion paper has been revised into a Letter of Intent to be signed by representatives of both the Commission and Union Pacific. Consistent with the draft discussion paper, the proposed Letter of Intent is not binding on either party but will form the basis for continued negotiations, including the Purchase and Sales Agreement. The proposed letter of intent is included as Exhibit 1 to Attachment 1.

The letter of intent states that Union Pacific will accept the Commission's offer of \$19 million, and outlines responsibilities and contingencies for both Union Pacific and the Commission. As stated in the letter of intent, hazardous materials assessment, and title review will be completed prior to finalizing a purchase agreement. A final approval is also contingent on obtaining the necessary approvals from the corresponding funding agencies such as the California Transportation Commission (CTC).

Therefore, staff recommends that the Regional Transportation Commission approve the attached resolution (Attachment 1) authorizing the Chair to sign a Letter of Intent as written in Exhibit 1 of Attachment 1 as the basis for subsequent negotiations with Union Pacific for acquisition of the Santa Cruz Branch Rail Line.

SUMMARY

The Commission has been negotiating with Union Pacific to acquire the Santa Cruz Branch Rail Line since 2001. The Commission has secured funding to acquire the rail line and has been conducting studies, reports and investigations as part of its due diligence. Staff recommends that the Regional Transportation Commission approve the attached resolution (Attachment 1) authorizing the Chair to sign a Letter of Intent as the basis for subsequent negotiations with Union Pacific for acquisition of the Santa Cruz Branch Rail Line.

Attachment 1: Resolution Including Letter of Intent as Exhibit 1.