

AGENDA: January 6, 2005

TO: Regional Transportation Commission/Rail Trail Authority
FROM: Luis Mendez, Acting Deputy Director
RE: Santa Cruz Branch Rail Line Acquisition Project

RECOMMENDATIONS

Staff recommends that the Regional Transportation Commission:

1. Hear an oral update from ad hoc recreational rail service options committee;
 2. Direct staff to return to the March RTC meeting with a recommendation for an AB3090 designation for the Santa Cruz Branch Rail Line Acquisition Project for consideration;
 3. Direct staff to return to the March RTC meeting with a draft Uniform Transit Application for Proposition 116 fund for the Santa Cruz Branch Rail Line Acquisition Project with an operating plan for recreational rail service between Capitola and Seascape or a recreational rail service project recommended by the ad hoc recreational rail service options committee, if the committee determines that another option would allow access to the Proposition 116 funds and would better meet the needs of Santa Cruz County;
 4. Approve the proposed concepts for a request for proposals (RFP) for a short line operator (Attachment 6) on the Santa Cruz Branch Rail Line and direct staff and consultants to return to the March RTC meeting with a draft RFP which would request that potential operators submit proposals for both the short line and recreational rail service as separate and combined proposals, and give the potential operators the option to submit recreational rail service proposals for service preferred by the operator;
 5. Accept status information on various elements of the Santa Cruz Branch Rail Line Acquisition Project; and
 6. Accept an oral report on efforts to implement a demonstration train.
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BACKGROUND

The Commission has been working on the acquisition of the Santa Cruz Branch Rail Line for four years. At its December 2, 2004 meeting, the Commission approved entering into a non-binding Letter of Intent with Union Pacific to purchase the Santa Cruz Branch Rail Line for \$19 million and close escrow by September 23, 2005. At its January 06, 2005 meeting, the Commission approved a timeline to meet the closing date (Attachment 1 attached separately).

At its January 20, 2005 Transportation Policy Workshop (TPW), the Commission designated an

ad hoc recreational rail service options committee, composed of Commissioners Norton, Pirie and Stone, and Commissioner Alternates Quintanilla and Schiffrin, to discuss various passenger rail service options that could be available to the RTC to qualify for the Proposition 116 funds. The RTC decided that this effort would proceed in parallel with the current effort to qualify for the Proposition 116 funds with proposed recreational rail service between Capitola and Seascap in order to continue with the established timeline to close escrow on the Santa Cruz Branch Rail Line Acquisition Project by September 23, 2005.

DISCUSSION

The Letter of Intent to purchase the Santa Cruz Branch Rail Line and the projected timeline (Attachment 1 attached separately) list a number of reports and steps that must be completed before the Commission can make a final decision on acquisition of the Santa Cruz Branch Rail Line. Final approval is also contingent on obtaining the necessary approvals from the corresponding funding and regulatory agencies such as the California Transportation Commission (CTC) and the Coastal Conservancy (CC). Staff and consultant work is proceeding consistent with the approved timeline.

AB3090 and Loan

STIP AB3090 Reimbursement Amendment

The Santa Cruz Branch Rail Line Acquisition Project is programmed for \$10 million in fiscal year (FY) 08/09 of the State Transportation Improvement Program (STIP). At its January 6, 2005 meeting, the RTC was informed that since State Transportation Improvement Program (STIP) funds programmed for the acquisition project are not available this year, due in part to the State's funding crisis, the RTC will not be able to receive a regular allocation of STIP funds for the Rail Right-of-Way Acquisition project at this time. However, the RTC may be able to utilize the provisions of AB 3090 (Statutes of 1992, Chapter 1243), to proceed with the project using a loan from the Coastal Conservancy, then receiving a cash reimbursement from the STIP in a later year to pay the loan. At that same meeting the RTC directed staff to return to this meeting with a recommendation for an AB3090 designation for the Santa Cruz Branch Rail Line Acquisition Project. Due to some Commissioners' concerns regarding the potential need for an AB3090 designation for the Metrobase project (discussed in a separate staff report) and funding information provided by California Transportation Commission (CTC) staff at the January 25, 2005 Rail Line Acquisition Project Development Team (PDT) meeting, staff now recommends that the RTC direct staff to return to the March RTC meeting with a recommendation for AB3090 designation for the Santa Cruz Branch Rail Line Acquisition Project.

As discussed in the Metrobase funding staff report, there is no conflict between the Metrobase Project and the Santa Cruz Branch Rail Line Acquisition Project. The RTC can request an AB3090 designation from the CTC for both the Santa Cruz Branch Rail Line Acquisition and the Metrobase Project as long as the reimbursement designation is for different fiscal years.

Proposition 116 Application

In August 2003, the Regional Transportation Commission submitted a Uniform Transit Application for Proposition 116 funds for pre-acquisition activities and was successful in securing \$300,000. A new Proposition 116 application requesting the Proposition 116 funds necessary for acquisition will be required to access the remainder of the funds and purchase the Santa Cruz Branch Rail Line.

A summary list of requirements for a Uniform Transit Application for Proposition 116 funds is included as Attachment 2. Copies of a blank application, the application instructions and the CTC Proposition 116 guidelines are included as Attachments 3, 4 and 5.

The required operating plan for the August 2003 Proposition 116 application was for proposed recreational rail service between Capitola and Seascape for up to 120 days and up to 10 hourly round trips per day and estimated that recreational rail service would begin in 2006. The RTC is now considering a lower service alternative proposed in the draft *Business Plan* and delayed implementation of the service. Consistent with Proposition 116 guidelines, the RTC will have 10 years from the date of acquisition to initiate recreational rail service.

The ad hoc recreational rail service options committee and staff will investigate the possibility that existing recreational rail service or other potential recreational rail service options could qualify the RTC to access the Proposition 116 funds to purchase the Santa Cruz Branch Rail Line. Members of the ad hoc committee and staff will provide an oral update on the work of the committee thus far.

Staff recommends that the RTC direct staff to return with a draft Proposition 116 application with an operating plan for recreational rail service between Capitola and Seascape or a recreational rail service recommended by the ad hoc recreational rail service options committee if the committee determines that another option would allow access to the Proposition 116 funds and would better meet the needs of the Santa Cruz County community. Financial information consistent with the option recommended by the ad hoc committee will also be presented for review.

As stated above the RTC would have 10 years to establish recreational rail service. Therefore, if the RTC uses an operating plan with recreational rail service between Capitola and Seascape at this time and later the RTC determines that a different recreational rail service would be better for the Santa Cruz County community, the RTC can request approval from the CTC for recreational rail service on a different segment of the Santa Cruz Branch Rail Line.

Request for Proposals for Rail Service

Kirk Trost is working with a subconsultant to draft the technical aspects of a request for proposals (RFP). RFPs and RFQs for other areas will be used to assist in the preparation of an RFP for the Santa Cruz Branch Rail Line short line service and potential future recreational rail service.

Various options for an RFP for short line and future recreational rail service are listed in

Attachment 6. Staff recommends that the RTC employ a strategy that would yield all of the information required to make the best informed decision possible; therefore, **staff recommends that the RTC direct staff and consultants to prepare a draft RFP, which would request that potential operators submit proposals for both the short line and recreational rail service as separate and combined proposals, and give the potential operators the option to submit recreational rail service proposals for service preferred by the operator.**

Status of Other Santa Cruz Branch Rail Line Acquisition Tasks

Demonstration Train Structures and Historical Assessments and Lease Investigation

SCCRTC lead negotiator Kirk Trost of Miller, Owen and Trost will provide an oral status report of these items.

Title Work

The title work has been initiated by First American Title Company and it is expected that a preliminary title report will be ready in February.

Phase II Environmental Site Assessment (ESA)

The Santa Cruz County Environmental Health Department has reviewed the work plan for the Phase II Environmental Site Assessment and concurred with it. A kick-off meeting was held with Geomatrix Consultants to discuss the initiation of the work. A right of entry agreement to begin the field work is expected at the end of January.

Insurance

Staff and the RTC technical consultant Bob Scott have begun obtaining information about insurance coverage held by agencies who have similar arrangements to the arrangement expected for the Santa Cruz Branch Rail Line. An initial meeting was held with Janet McKinley, Santa Cruz County Risk Manager, and the Santa Cruz County insurance broker to have a preliminary discussion regarding insurance and communicating with potential carriers. Staff will consult with Commissioners Keogh and Johnson about insurance issues.

Project Development Team

The first meeting of the Santa Cruz Branch Rail Line Acquisition Project Development Team (PDT) was held on January 25, 2005. The Rail Line Acquisition PDT is modeled after PDTs for major highway projects. PDT meetings allow the various staff and consultant members working on a project to communicate and collaborate efficiently and effectively, thus helping to ensure that the project proceeds as quickly and as smoothly as possible. The participants in the first PDT meeting are listed in Attachment 7. Keith Hinrichsen of Caltrans District 5 will participate in future meetings.

Various items including funding, a financial plan, environmental review and the timeline were discussed. Staff learned that although AB3090 designations are the highest priority for the CTC,

reimbursement in the designated reimbursement year they are not 100% guaranteed and could be delayed if the State's funding crisis continues. However, Coastal Conservancy staff expressed some flexibility regarding the reimbursement year. Coastal Conservancy staff also communicated the possibility that a completed environmental document for the recreational rail service project may be needed to obtain Coastal Conservancy loan approval. This will be researched further. Commissioner Pirie and Commissioner Alternate Schiffirin participated in the meeting and may want to provide additional comments.

Written Questions from Commissioner Spence

At the January 6, 2005 RTC meeting, Commissioner Spence had several questions and Chair Pirie asked that the questions be submitted in writing for staff to address. The questions submitted by Commissioner Spence are included as Attachment 8 and staff's answers are included as Attachment 9.

SUMMARY

The Regional Transportation Commission (RTC) entered into a non-binding Letter of Intent with Union Pacific (UP) to purchase the Santa Cruz Branch Rail Line and close escrow on September 23, 2005 and approved an aggressive timeline to that effect. Aspects of the AB3090 designation, the Proposition 116 application, and the RFP for the short line operation are discussed in this staff report.

- Attachment 1: Santa Cruz Branch Rail Line Acquisition Project Timeline (attached separately)
- Attachment 2: Summary list of requirements for a Uniform Transit Application for Proposition 116 Funds
- Attachment 3: Blank Uniform Transit Application
- Attachment 4: Instructions for a Uniform Transit Application
- Attachment 5: CTC Guidelines for Proposition 116
- Attachment 6: RFP Options for Short Line and Future Recreational Rail Service
- Attachment 7: Rail Line Acquisition Project Development Team Meeting Participants
- Attachment 8: Written Questions from Commissioner Spence
- Attachment 9: Responses to Commissioner Spence's Questions
- Attachment 10: Draft Rail Acquisition and Recreational Rail Projects Financial Plan (attached separately)
- Attachment 11: Table H-1 from the draft *Business Plan*
- Attachment 12: Table I-1 from the draft *Business Plan*