

Boise City Railroad Line

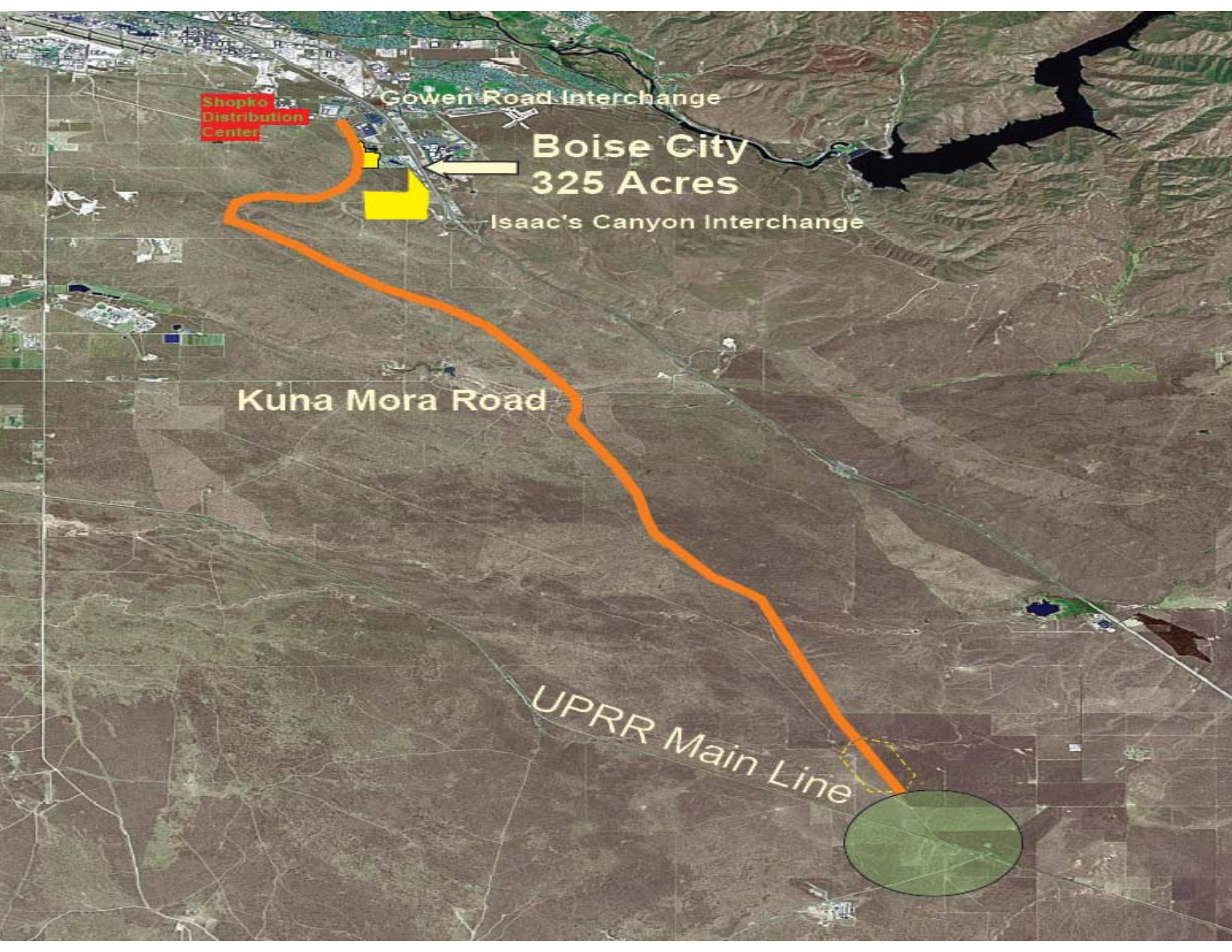
Boise Cut-off Interchange Proposal



Background



- **June 28, 2000:** City of Boise purchases 3.5 miles of railroad line from Union Pacific Railroad for \$2,000,000 (Mile Post 439.5 to Mile Post 443.0).
- **October 3, 2000:** Union Pacific Railroad Company executes a Quitclaim Deed of Donation to City of Boise of 14.7 miles of additional rail line (Mile Post 424.8 to Mile Post 439.5).



Shopko
Distribution
Center

Gowen Road Interchange

Boise City
325 Acres

Isaac's Canyon Interchange

Kuna Mora Road

UPRR Main Line



Existing Conditions



- The line connects with the Idaho, Northern and Pacific Railroad (INPR) in Boise at Mile Post 424.8, running southeast to Orchard, ID, where it connects to the Union Pacific Railroad at Mile Post 443.
- The City-owned line is currently not in service, but the Economic Development Division is interested in developing a plan to return the line to service based on interest of potential customers needing rail service and future industrial development.
- The City of Boise has contacted Railroad Industries Incorporated (RII) to assist with the development of this rail line and to work with Union Pacific and the INPR.

Railroad Industries, Inc – Phase 1



- In Phase I, RII determined any possible liabilities, responsibilities for the City of Boise and any other involved parties, operational rights, options for providing rail service as well as some potential sources of revenue for the City.
- Phase I began with a review of existing documents, agreements, etc. regarding this line, as well as a meeting with City of Boise officials and a brief assessment of the track condition.
- RII's rail attorney looked into obtaining operating agreement/authority in order to ensure future rail service.
- The initial visit showed good potential for the Boise Cut-Off as a successful rail operation.

Current Status



- Line is not currently in operation
- STB Filings
- Union Pacific
 - Initial conversations with Ray Allamond, Manager of Rail Line Planning, reveal that UP is open to the City of Boise starting operations on the line.
 - Interchanging at Orchard still needs to be negotiated with UP.
 - RII is working with UP to obtain any documents regarding easements, leases, etc. This could result in immediate revenue for the City of Boise.
- Idaho, Northern and Pacific

Physical Plant



- Hi-Rail Trip

Current condition of the rail line is fair to good. There will be some necessary repair work before operations can commence.

Customer Interviews



- Railroad Industries Inc. conducted interviews with eight (8) individuals representing twelve (12) companies that are seeking rail-served industrial property.
- Timing is a factor. Many of these companies are at capacity and looking to relocate immediately. If they are not able to obtain space with access to the Boise Cut-Off in a timely matter, they will be forced to locate property elsewhere, resulting in a lost opportunity for the City of Boise.
- According to those interviewed, service on the Idaho, Northern and Pacific and industrial land is not currently available to meet the needs of the customers.

Potential for Opening the Line



- Potential Carloads
2,600, conservative estimate
- Possible Revenue
Per Car Revenue

Cost Estimate to Prepare Track for Operation



- TIE REPLACEMENT:
 - Burned tie area (2 miles)
 - \$77,980 to \$97,452
 - Ties thru cut and upgrade and curves 1½ miles
 - \$58,464 to \$77,159.
- SIDING OF 40 CARS ON BOISE OWNED RAIL LINE FOR INTERCHANGE
 - TOTAL
 - \$517,011 at 20 ties per mile
 - \$478,844 at 16 ties per mile
- OPTIONS
 - Replace only every other tie in each scenario (cuts tie cost in half)
 - Siding cost is based on mainline standards (ties, rail, etc); this cost would be less
 - Every other tie at 20 per 39 feet = \$429,705
 - Every other tie at 16 per 39 feet = \$410,622

Economics



- Based on 2,600 carloads
 - Gross Revenue
 - \$780,000 at \$300 per car
 - Operational Costs
 - \$598,602
 - Net Revenue/Profit
 - \$114,559 without debt service
 - \$36,997 with debt service
 - \$500,000 line upgrade

Operating Scenario



- City of Boise
 - Liability wise, may not be a good decision
- Options
 1. City of Boise will hire people to operate railroad and manage operations.

Operating Scenario



2) Third Party Operator

- RII could assist with finding a suitable party to maintain operations on behalf of the City.
- Third party operator responsible for rail operations.
- City of Boise to collect fee from third party operator.

Other Benefits /Issues



- Potential conflicts between future commuter rail operations and freight shippers would be reduced by Interchanging cars at the Orchard cut-off.
- Rail cars would not have to be interchanged at the Nampa yard, which is already operating at full capacity — thus improving service to the city's industrial rail users.
- Staff has confirmed with both COMPASS and ValleyRide that developing the rail will not have a negative impact with regard to using the City's rail assets as match for Federal grants.

Next Steps



- Mayor and City Council direct Economic Development staff to develop detailed pro forma, action plan and timeline to complete:
 1. Negotiations with UP to interchange at Orchard cut-off.
 2. Complete track repairs.
 3. Finalize customer commitments.
 4. Find third party operator or negotiate operations with Idaho, Northern and Pacific
 5. Build spurs to interchange reach customers
- Return to Mayor and Council with updates and authority to implement.

Questions?

