



COMMONWEALTH of VIRGINIA

Commonwealth Transportation Board

Shannon Valentine
Chairperson

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Agenda item # 11

RESOLUTION OF THE COMMONWEALTH TRANSPORTATION BOARD

October 20, 2020

MOTION

Made By: Mr. Malbon, Seconded By: Mr. Johnsen

Action: Motion Carried, Unanimously

Title: Rail Industrial Access – ARREFF Terminals, Inc.

WHEREAS, funding is provided by the General Assembly for Industrial, Airport, and Rail Access projects; and

WHEREAS, Section 33.2-1600 of the *Code of Virginia* declares it to be in the public interest that access railroad tracks and facilities be constructed to certain industrial commercial sites where rail freight service is or may be needed by new or substantially expanded industry; and

WHEREAS, ARREFF Terminals, Inc. has submitted an application for Rail Industrial Access (“RIA”) grant funds in the amount of \$450,000 toward their Phase 2 rail expansion, which will construct 1,250 feet of track to serve a facility in the City of Norfolk located next to Virginia International Terminals, and located on property owned by the Port of Virginia (“Project”); and

WHEREAS, ARREFF Terminals, Inc. has previously received RIA grant funds in the amount of \$140,00 for Phase 1 covering rehabilitation of rail track at its facility in Norfolk; and

WHEREAS, the Commonwealth Transportation Board (“Board”) Policy limits RIA grant funds to \$450,000 per project; and

WHEREAS, the Department of Rail recommends a grant award of \$310,000 for Phase 2 of the ARREFF rail expansion to align the total grant award between Phase 1 and Phase 2 with CTB policy for the RIA Program; and

WHEREAS, the Department of Rail and Public Transportation (“DRPT”) has evaluated Phase 2 of the project in accordance with the Board’s RIA policy and, because the Project scores 61 points, has recommended approval of the Project; and

WHEREAS, the City of Norfolk, Virginia has, by resolution dated May 26, 2020, shown support for the application of up to \$550,000 in RIA funds for assistance in expanding track facilities to serve the proposed ARREFF Terminals, Inc. facility located in the City of Norfolk; and

WHEREAS, Norfolk and Portsmouth Belt Line Railroad, by letter dated May 13, 2020 has indicated its support for the Project and has agreed to serve the facility; and

WHEREAS, the funding request falls within the intent of Section 33.2-1600, and because the Project is in accordance with the provisions of the Board’s policy on the use of RIA funds, funding may be allocated to this Project; and

WHEREAS, the Board believes that this Project is for the common good of a region of the Commonwealth and serves a public purpose;

NOW THEREFORE, BE IT RESOLVED, that the Board hereby approves that \$310,000 of the RIA Fund be provided to construct approximately 1,250 linear feet of track subject to the following requirements:

1. All necessary right of way and utility adjustments must be provided at no cost to the Commonwealth.
2. All costs above the \$310,000 RIA grant must be borne by ARREFF Terminals, Inc. or sources other than those administered by DRPT.
3. Execution of an agreement acceptable to the Director of DRPT.
4. Execution of a contractual commitment by ARREFF Terminals, Inc. to maintain the track and make repayment of any costs related to the future relocation or removal of such track and facilities, in form acceptable to the Director of DRPT.

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CTB Decision Brief

Rail Industrial Access Applicant

Location: City of Norfolk, Virginia

ARREFF Terminals, Inc.

Summary: ARREFF Terminals, Inc. is a transloading and bagging facility located in Portsmouth, Virginia. They have submitted an application for Rail Industrial Access grant funds in the amount of \$450,000 to construct a new rail siding at their new facility located on Norfolk International Terminals (NIT) on property owned by the Virginia Port Authority.

This project is Phase 2 of one project, which was broken into phases due to permitting restrictions on land disturbance at the construction site. CTB policy limits award of Rail Industrial Access Funds to \$450,000 per project. Since the applicant received \$140,000 towards the Phase 1 construction in FY20, DRPT is recommending \$310,000 towards the Phase 2 project (results in a total award of \$450,000 between Phase 1 and Phase 2).

This project is part of the relocation of ARREFF's bulk loading operation to Norfolk International Terminals. The rail spur is part of the \$3M capital investment to grow their export of agricultural products through transloading from rail cars to ocean containers. The total capital investment was only counted towards the initial application; the second application did not utilize the \$3M capital investment in the scoring process. Both applications score independent carload commitments and employment and still obtained the 50 points necessary for a staff recommendation to the CTB for action.

- The first application scored 60 points. Applicant provided a 30% match of \$42,000, and must run at least 201 carloads in a year during performance.
- The second application scored 61 points. Applicant will provide a 52% match of \$333,000, and must run a minimum of 10 new cars above the 201 carload commitment of the first application in a year of performance.

The rail spur combined with new unloading/loading equipment will allow the company to handle more rail cars (1,500 annual carloads planned on their phase 1 rail spur rehabilitation and an additional 300 new annual carloads planned with their phase 2 new rail spur construction).

The company currently has 12 employees at the new facility, and intends to hire 4 more people as part of the Phase 2 expansion at NIT. Norfolk Portsmouth Belt Line Railroad will provide rail service to the site via NS tracks that lead to NIT, and provide service directly to the customer over privately owned tracks inside NIT.

- DRPT has evaluated the project in accordance with the CTB's Rail Industrial Access policy. The project scores 61 points. Projects must reach a 50 point threshold to receive a recommendation by DRPT staff.

- The Applicant plans 300 rail carloads annually in its application.
- The minimum threshold for carloads is 10 carloads annually in addition to the 201 additional carloads required under the first grant award.
- The Applicant committed to 4 new jobs.
- The Applicant's new 1,250 foot rail siding will remove approximately 1,020 trucks from Virginia highways per year.
- Railcar versus truckload ratio for this project is approximately 14% shipping by rail of outbound agricultural products.
- Total Capital Investment in the expanded facility is estimated at \$3M million.
- Total railroad track construction cost is estimated at \$780,000.
- There will be a claw-back provision in the grant agreement for failure to meet performance requirements based on the CTB adopted program performance policies.

Source of State Funds: FY 2020 Industrial, Airport, and Rail Access Fund

Recommendation: In accordance with the CTB Rail Industrial Access policy, DRPT recommends the Board approve the project.

Action Required by CTB: CTB policy for Rail Industrial Access requires Board action on the resolution.

Options: Approve, Deny, or Defer