12. Blue Line Extension Lease Agreement with NC Railroad

Action:	**Authorize the Manager to negotiate and execute the lease of a 2.7 mile segment of rail corridor from the North Carolina Railroad Company (NCRR) for the LYNX Blue Line Extension project in the amount of $11.76 million.**

Staff Resources: Carolyn Flowers, Transit
Danny Rogers, Transit
Brad Thomas, City Attorney's Office

Policy

- Continue implementation of the Centers and Corridors Strategy
- Prioritize, design, construct and maintain convenient and efficient transportation facilities to improve safety, neighborhood livability, promote transportation choices and meet land use objectives
- 2030 Transit Corridor System Plan

Blue Line Extension Update

- The Blue Line Extension Project (BLE) is ready to move into the Final design phase.
- Federal Transit Administration (FTA) approval is required before the BLE may enter Final design.
- The FTA has determined that this lease agreement with the North Carolina Railroad (NCRR) is critical to the BLE project.
- The FTA requires that this agreement must be executed before the BLE will be approved to move into Final Design.

Background

- NCRR is a private corporation owned by the State of North Carolina.
- NCRR owns a 317 mile rail right-of-way that runs from Charlotte to Morehead City. This right-of-way is generally 200 feet wide and is known as the NCRR Rail Corridor.
- NCRR does not currently operate trains. Rather, NCRR leases its Rail Corridor to the Norfolk-Southern Railway (NSR) Company.
- NSR operates its main east coast line within the NCRR Rail Corridor and averages 34 trains a day on the two existing freight tracks.
- The BLE will share the NCRR corridor with NSR.
- The NSR mainline tracks and related rail infrastructure will be relocated to allow for the BLE tracks to be added to the rail corridor.

Rail Corridor Lease – Key Terms and Conditions

- Cost: $11.76 Million
  - The BLE project cost was included in the project budget previously presented to Council.
  - The lease fee is due in a single payment one year after the Federal Full Funding Grant Agreement is executed (expected in 2012).

- Term: Construction period and 50 years of revenue service + one renewal option for 50 years more
- Property: 2.7 miles of the NCRR Rail Corridor, approximately 85 feet wide.

Rail Corridor Lease – Additional Terms and Conditions

- The lease is for limited use. The City may only use the leased property to:
  - Operate the LYNX Light Rail System (including transit stations).
  - Generate revenue through advertising, marketing and vending sales at the two transit stations within the NCRR Rail Corridor.
- The City will also be obligated to:
  - Convey to NCRR a Utility and Access Easement in the BLE portion of the old Norfolk-Southern Railway Company Intermodal Yard (IMY) that the City will acquire for the BLE
  - Convey to NCRR a Right of First Refusal for NCRR to purchase at fair market value the BLE portion of the above IMY should the City elect to sell that property. (Any conveyance of the IMY will be structured to maintain operation of the LYNX Light Rail).
  - Convey to NCRR approximately $300,000 in small land parcels adjacent to the NCRR corridor that the City will acquire to facilitate construction of the BLE
  - Begin BLE revenue operations by January 1, 2019
  - Seek NCRR approval for any significant future infrastructure alterations
  - Reimburse NCRR for its costs in reviewing any such future alterations
  - Minimize any disruption to freight rail traffic
  - Allow freight spurs to cross the BLE if requested
    - Spur costs not to be borne by the City.
    - LYNX disruption to be minimized.
  - Share proportionally in any future costs required to comply with any future changes in government regulations of rail or in rail infrastructure upgrades/relocations that materially benefit CATS.
- The above terms were approved by the NCRR Board of Directors on April 19, 2012
- FTA approval of the lease is required and City staff is working with the FTA to expedite review and approval of the proposed lease.

Funding

BLE Project Fund

FTA funded (50%), State Funded (25%), Locally funded (25%)