

**APPROVED PROJECT BRIEFING:
CSX TRANSPORTATION'S PAINESVILLE TO GRAND RIVER LINE**

January 4, 2006

| <u>Project Funding</u> | | <u>Project Benefits</u> | |
|------------------------|----------|---|--|
| * ORDC Investment | \$25,000 | * Possible reactivation of rail service | |
| * Shippers & Railroad | \$51,000 | * Preservation of rail line | |

INTRODUCTION

The Ohio Central Railroad requested and the Executive Director approved a \$25,000 grant to offset the \$60,709 in lease costs, and approximately \$15,000 in property tax costs, for the second consecutive one-year lease of the 2.56 mile long CSX Painesville to Grand River rail line.

BACKGROUND

Line Abandonment and Preservation through a One Year Lease: The Grand River rail line connects the CSX Painesville Yard to industries located in the Village of Grand River at the mouth of the Grand River along Lake Erie. A map of the rail line is included as Attachment 1.

In the Spring of 2004, CSX received approval from the Surface Transportation Board (STB) to abandon the line because no traffic had moved over it in the previous two years. Instead of executing its abandonment authority, however, CSX, was convinced by local potential rail users, the Ohio Central, and ORDC to keep the line in place and in service for potential rail traffic development via a CSX – Ohio Central lease agreement. The current, one year CSX - Ohio Central lease ends on January 15, 2006. The Ohio Central paid CSX \$58,000 last January as the 2005 lease cost, and has been responsible for approximately \$15,000 in property taxes for 2005. Of this \$73,000 total lease and tax cost, ORDC provided \$25,000, potential rail users provided \$40,000, and the Ohio Central contributed the other \$8,000. In addition, Ohio Central absorbed the costs of marketing the line to develop rail traffic as well as insurance costs and was at risk for any issues arising from the leasing of the line.

Unfortunately, despite best efforts of the Ohio Central to develop rail traffic, no rail cars moved on the Grand River line last year. However, the Ohio Central and the potential line users have not given up on rail traffic developing in the short term.

Line Logistics: The Grand River line feeds directly into the CSXT Yard in Painesville. This yard is parallel to the CSXT Cleveland to New York mainline (former Conrail/NYC Water Level mainline). When staff viewed the yard there was very little activity within the yard and only a few cars stored there. It would provide a very good interchange between the OCRR and CSXT.

North of the CSXT yard, the line passes under State Route 2, a four lane, limited access, divided highway. Just north of SR 2, the line passes by a large tract of industrial zoned property.

The line proceeds north along the west side of the Grand River. The area is residential, but the track is down the bank from most residences. As the track runs into the Village of Grand River, there are some new apartments built close to the tracks.

The line passes through the entertainment district of Grand River where there are several bars/restaurants and two marinas. The line is about eight or nine feet from a bar/restaurant called Pickle Bills, passes through a marina, and is very close to where pleasure boats are stored.

Just north of the entertainment district, is an industrial area. The single track expands into three tracks with ample room for car storage and running around trains. Osborne Cement has a large facility here which used to have a rail spur that has been removed. Next to Osborne is a large lime facility, Carmeuse. Carmeuse leases the facility from the Mittal Steel which recently acquired International Steel Group (ISG). ISG had picked up the property from LTV which, before its bankruptcy, operated the lime plant for its mills. Across the tracks from Carmeuse is a Morton Salt mine.

The track is in reasonably good shape. Rail operations could start immediately without any work at all on the track. Some limited track work would be needed to handle significant short line traffic volumes. The rail is old and not control cooled, but it is heavy and in good condition. The tie condition is fairly good. Work has been done on the line in the last few years at various spots. The line is generally high and dry with no vegetation problems. Just north of the entertainment district, however, the line is low and wet for about 1/3 to 1/2 mile.

There are five grade crossings along the line, only one of which is heavily traveled, State Route 283. SR 283 is a two-lane road. Crossing surfaces are in good to fair condition. There are no bridges at all on the line. There is one area just south of the entertainment district where the grade is almost two degrees.

Operation and Maintenance Logistics: Clearly, operations through the entertainment district pose a challenge. Historically, CSXT has had problems with vehicles parked on the track. However, CSXT generally served the line at about 10:00 p.m. because that time best fit its crewing schedules. A short line could avoid nearly all of the problems by serving the line in the early morning.

Potential Rail Traffic - Short Term (One to Three Years):

Carmeuse

Carmeuse now gets the equivalent of 1,000 rail carloads of coal in a year via truck to fuel its kilns. (Carmeuse gets limestone in off the Lake and processes it into various lime products, primarily for the steel industry.) In addition, a company called Allegheny-Niagara used to buy waste lime from Carmeuse's predecessor, LTV, and sell the lime to municipal waste water treatment plants. Allegheny-Niagara would load trucks of lime, drive them about ¼ of a mile to a rail loading track, and transload the product into rail cars. Currently, Carmeuse has no lime available for such purposes. However, changes in the market one, two, or three years from now could result in Allegheny-Niagara business resurfacing and generating up to 140 rail cars per year.

Long Term Possibilities:

Morton Salt

Morton produces road salt. This is a seasonal, low revenue commodity. Morton needs to make a modest investment to handle salt by rail. It would need a long term contract to justify such an expenditure. To date, CSXT has not been willing to provide any long term guarantees.

Carmeuse Lime

While Carmeuse has all the lime it can produce now sold for truck delivery, it understands that in the future there will probably be markets for lime requiring rail delivery. Unless it set up a transload operation such as the one Allegheny-Niagara used, Carmeuse would need to expend significant funds to load out lime directly from the plant.

Osborne Cement

The potential for Osborne to reach different markets by rail has not yet been explored, but will be by the perspective railroad marketing department.

Industrial Development

There is potential for further development at existing industries at the north end of the line. In addition, there is one sizeable piece of industrial land with utilities right off SR 2. In addition, there are plans to possibly develop a freight ferry operation between Grand River and Canada which may or may not require the Grand River line to remain in place for a ship to rail operation.

Bike Path Issue

The Grand River line would make a nice trail. It goes along the Grand River, through the entertainment district, and ends up right at Headlands State Park, a popular Lake Erie beach. Lake Metro Parks had been working with CSXT to develop a trail. Plans were in the beginning stages. CSXT has not quoted a price and no negotiations have taken place. However, CSXT has agreed to work with Lake Metro to cooperate in the STB Notice of Interim Trail Use process which would enable Lake Metro to acquire the property as a railbanked railroad right of way under the *Trails Act*. Lake Metro officials have stated on two occasions that the park district would not oppose re-instituting rail service.

PROJECT DESCRIPTION/NEXT STEPS

- Ohio Central and CSX will execute another one year lease agreement at a \$60,709 cost. The lease funds will be provided by Ohio Central and a potential line user.
- ORDC will provide Ohio Central with a grant of \$25,000 to be used to reimburse lease costs.
- Overall, Ohio Central will provide \$8,000, and a potential rail user will provide approximately \$42,000 for lease and property tax costs.
- Ohio Central will be responsible for insurance for the line, rail issues that may occur, and for marketing the line to generate new rail traffic.
- After another year, the parties will reevaluate the need for maintaining the lease.

WHY ORDC FUNDING IS NEEDED

Without ORDC funding and taking the lead role, the rail line would be salvaged by CSXT.

PROJECT BENEFITS

- The rail service might possibly be reactivated.
- Preservation of the rail line and existing infrastructure.

OTHER CONTRIBUTIONS

The Mayor of Grand River has promised to seek tax forgiveness from the County for the Grand River line property taxes.

END ABANDONMENT
V.S. 45 + 01

FAIRPORT HARBOR

GRAND RIVER

PAINESVILLE

GRAND RIVER

BEGIN ABANDONMENT
200' SOUTH OF STAGE AVENUE
V.S. 2535 + 40

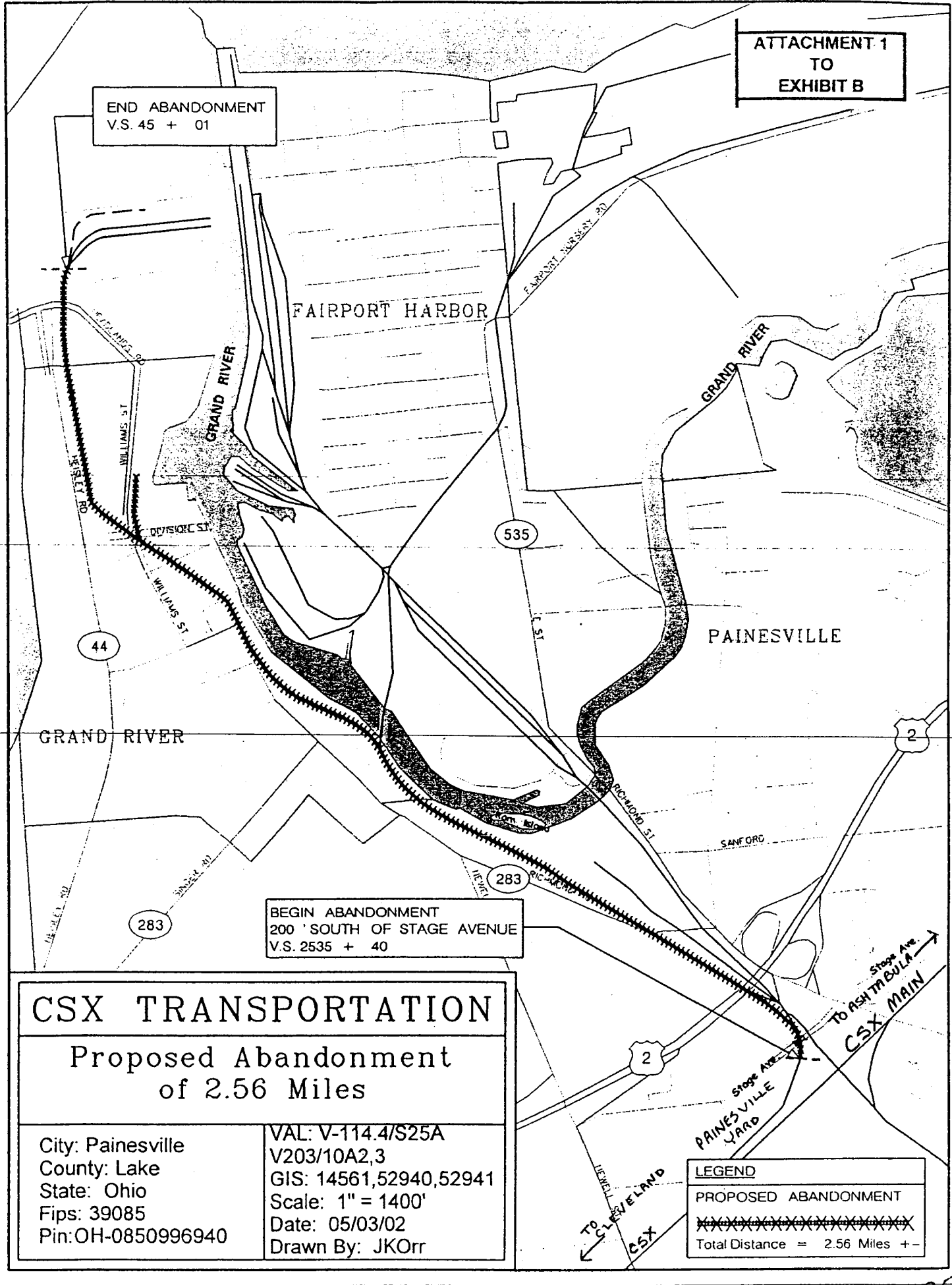
CSX TRANSPORTATION

Proposed Abandonment of 2.56 Miles

City: Painesville
County: Lake
State: Ohio
Fips: 39085
Pin: OH-0850996940

VAL: V-114.4/S25A
V203/10A2,3
GIS: 14561,52940,52941
Scale: 1" = 1400'
Date: 05/03/02
Drawn By: JKOr

LEGEND
PROPOSED ABANDONMENT
XXXXXXXXXXXXXXXXXXXX
Total Distance = 2.56 Miles +-
TO CLEVELAND
TO ASHTABULA
CSX MAIN





Ohio Rail Development Commission

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January 12, 2006

Pursuant to Ohio Rail Development Commission Resolution 99-15 "Spending and Signatory Guidelines," the undersigned hereby approves of the project described in the Approved Project Briefing entitled *CSX Transportation's Painesville to Grand River Line* and dated January 4, 2006 as described in that briefing.

James E. Seney
Executive Director

James E. Betts
Chairman