



Washington State
Department of Transportation

Application for the FY 2014 TIGER Discretionary Capital Program Grant

Connecting the Inland Pacific Hub Multimodal Centers to the Global Marketplace

Submitted To:

U.S. Department of Transportation
TIGER Discretionary Grants Program
www.dot.gov/tiger

Submitted By:

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Project Type: Freight Rail Capital

Location: Spokane County, Washington
Washington Congressional District 5

Area: Rural

TIGER Requested Amount: \$6,031,245



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Executive Summary

Connecting the Inland Pacific Hub Multimodal Centers to the Global Marketplace Project

Washington State Department of Transportation (WSDOT), along with co-applicant Highline Grain, LLC are seeking \$6.031 million of Federal funds, with a \$500,000 State fund and \$500,000 private fund match, to rehabilitate 6.9 miles of the Central Washington (CW) Branch of the state-owned Palouse River & Coulee City Rail System (PCC).

Rehabilitation of this section of Shortline railroad will provide a critical link between the BNSF Railway and the Highline Grain Terminal, a \$25 million privately owned facility, as well as the Geiger Spur, a Spokane County owned asset serving an industrial area designated for future growth.

This project will support not only the existing industries in the area but also greatly improve the opportunities for future growth by providing the option of reliable rail transport linking the West Plains area of Spokane with world markets. A major planning effort has been completed with the objective of establishing the “Inland Pacific Hub”, a nineteen-county region located in eastern Washington and northern Idaho, as a multimodal global gateway to increase international commerce.

This \$7.031 million project requires no right of way and with a NEPA Categorical Exclusion, funds can be obligated by June, 2015.

- ✓ **State of Good Repair:** Rehabilitation of this section of shortline railroad will allow the sustained use of modern rail equipment of 286,000 lbs. at speeds of 25 miles per hour.
- ✓ **Economic Competitiveness and Benefit Cost:** This project reduces costs for existing and new rail shippers. It also provides improved transportation options that will lead to increased economic vitality in the region by providing a benefit-cost ratio of 7.85 (7%) and generating 91 job-years.
- ✓ **Quality of Life:** Avoids costs associated with increased road use and the damage which results and increases opportunity for bringing family wage jobs to an area designated for industrial development by extensive planning efforts.
- ✓ **Environmental Sustainability:** Reduces greenhouse gas emissions by more than 2,786 tons per year by utilizing rail transport over trucking.
- ✓ **Safety:** Increases safety by removing truck traffic from local roads and highways resulting in a minimum annual savings of \$220,000.
- ✓ **Innovation:** The shortline operator will utilize scoot trains to bring products from the widely separated grain elevators to the new Highline Grain Terminal.
- ✓ **Partnerships:** This project leverages multiple partnerships with local cities, counties, and agencies.

Strengths of Short-Line Railroads Serving Washington

Short-line railroads are often noted for providing personalized services and being proactive at resolving service issues. Short-line railroads are also noted for being innovative and actively involved in economic development efforts in the regions in which they operate.

Washington State Rail Plan – March 2014

I. Project Description

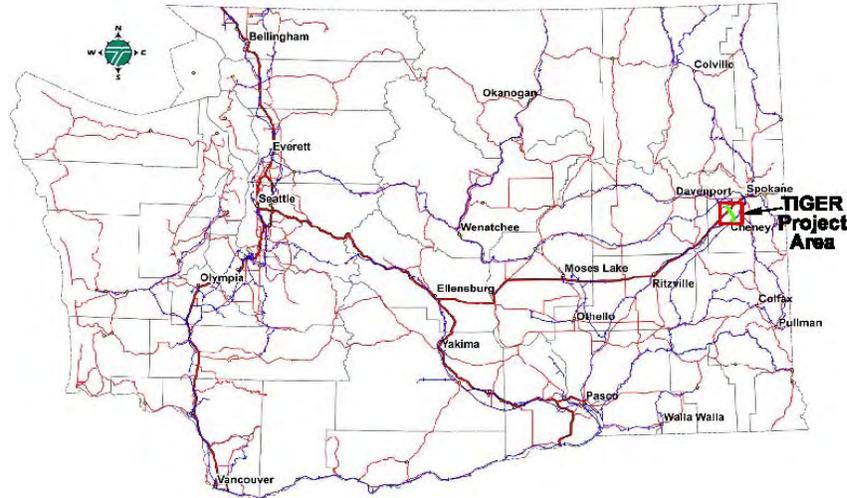


Exhibit 1: Project Location Map

Washington State owns the former 297 mile Palouse River & Coulee City Rail System (PCC) Rail System, which consists of three branches. Washington State Department of Transportation (WSDOT) purchased the rights of way and rail on the Palouse and Lewiston (P & L) Branch and Pleasant Valley (PV) Hooper Branch of the PCC in November 2004. Purchase of the Central Washington (CW) Branch and the remaining rights in the other two branches was completed in May 2007.

The 108-mile CW Branch of the PCC, like most short-line rail operations across the US, has suffered from years of deferred maintenance prior to the state taking ownership in 2007. Through innovative partnerships between the rail operator, Eastern Washington Gateway (EWG), BNSF Railway (BNSF) and shippers, carloads tripled over the first 5 years of operations, from 1,434 cars in 2007 to 4,635 cars in 2012. This growth in carloads has led the five largest shippers along the CW Branch to propose building a new grain terminal.

While shippers, including those that have joined together to form Highline Grain, have demonstrated a commitment to use the CW Branch, poor track conditions remain a concern for all parties. Instead of pursuing costly improvements to the entire

Project Benefits

- Link two proposed multi-modal terminals to the mainline rail network
- Allow 25 mile-per-hour operations along the first 6.9 miles of the CW Branch
- Enable use of modern railcars that weight 286,000 pounds

108-mile CW Branch, this project looks to **leverage over \$50 million in public and private investment** along the entire branch, by enabling **25 miles-per-hour operations and allowing improved economics by allowing railcar weights of 286,000 pounds on the most important segment of the CW Branch.**

The specific elements of this project are:

- Replace existing rail with new 115-lb. rail
- Rebuild seven at grade road-rail crossings
- Repair one bridge
- Add 5,550 tons of ballast
- Replace 8,400 cross ties
- Surface and line 6.9 miles of track
- Drainage improvements

This project is the key to linking both the Highline Grain Terminal and the Geiger Transload Center to the mainline rail system. These new facilities will create family wage jobs and enable companies as diverse as aerospace manufacturers and logistics service providers to maintain efficient, multi-modal supply chain operations. It will also allow Washington's agricultural growers to reach existing and new markets around the world through efficient and sustainable transportation options.

Highline Grain Terminal – Farmer cooperatives from nearby Lincoln, Grant and Douglas Counties announced plans in early 2013 to pursue construction of a \$25 million, 110-car grain shuttle loader. Highline Grain, LLC, a co-applicant for this project and has committed \$500,000 to the successful completion of the preliminary engineering of this project. During site selection for the terminal, options were narrowed to those that continued to use the rail along the CW Branch to connect the existing grain elevator network to the new terminal and those that would shift the mode of transport between the existing grain elevators and the new terminal to truck. A site at Four Lakes, WA at milepost 6.3 of the CW Branch (see Exhibit 3) has been identified as the preferred option. Identified as one of the least costly options to both build and operate, this terminal would handle over 14 million bushels of Washington-grown wheat during its first full year of operation. In addition, due to its proximity to I-90, the Highline Terminal is also expected to receive nearly 4 million bushels of grain products grown elsewhere in the US and used in local food processing. Food processors will benefit from reduced transportation costs, increased storage and blending capability, and greater flexibility as they source their raw materials. These benefits can be tied directly to this new and efficient terminal.

Without the project improvements contemplated in this TIGER application, the Highline Grain Terminal will not be built at the Four Lakes site. The condition of the existing rail infrastructure on the CW Branch will not support the current 286,000 gross weight on rail (GWOR) required to receive preferential transportation rates. The alternative sites are less optimal and therefore

reduce the regions agricultural based economy’s overall competitive advantage by increasing operating costs and putting over 13,200 trucks on local and county roads in 2016 alone.

“For every dollar the region invests in these transportation projects, it will get between \$1.30 to \$2.50 in return”

Inland Pacific Hub Transportation Study

Geiger Transload Center – A concept which was first studied in 2007 by WSDOT and Spokane County, the Geiger Transload Center will be capable of handling multiple products and commodities and can generate between 800 and 1,150 carloads per year of additional rail traffic in its first full year of operation. According to the study and as verified by SRM development, a diverse mix of products are viable, including automobiles, machinery, industrial products, paper and forest products as well the possibility to containerize agricultural products for export.

The importance of this facility was further explored in 2010 and 2012 when regional transportation leaders completed the Inland Pacific Hub study. The study, designed to identify investments necessary to drive economic growth, discussed the value of a rail-to-truck and truck-to-rail transload facility to the many aerospace businesses in the area and the growing logistics enterprises.



Exhibit 2: A section of the Geiger Spur realigned in 2008.

Further utility of this site was identified in a 2013 study looking at alternative solutions to the disposal of municipal solid waste (MSW). This MSW business could add an additional 1,000 carloads per year of traffic for this waste disposal business at start-up. This is enough business to act as an anchor customer and allow construction of the facility to proceed.

The Geiger Spur - In 2008 Spokane County, with the help of the State of Washington relocated a portion of the Geiger Spur and rebuilt the remainder of the existing right-of-way at a cost of \$8 million. While the main goal of the relocation was to remove an active rail right-of-way from the adjacent Fairchild Air Force Base, the county was also looking for ways to spur development in the West Plains area. The result of the relocation was a modern rail spur

capable of handling heavy rail shipments. But, instead of connecting directly to a BNSF mainline, as the Geiger Spur previously did, the new connection directly linked to the State of Washington’s PCC Rail System CW Branch. This created a 7.9 mile “gap” between the new connection and the BNSF mainline, which is not capable of handling sustained heavy rail shipments. This gap has had the effect of stifling new development for industries that rely on rail transportation. This is the

premise behind Connecting the Inland Pacific Hub Multimodal Centers to the Global Marketplace.

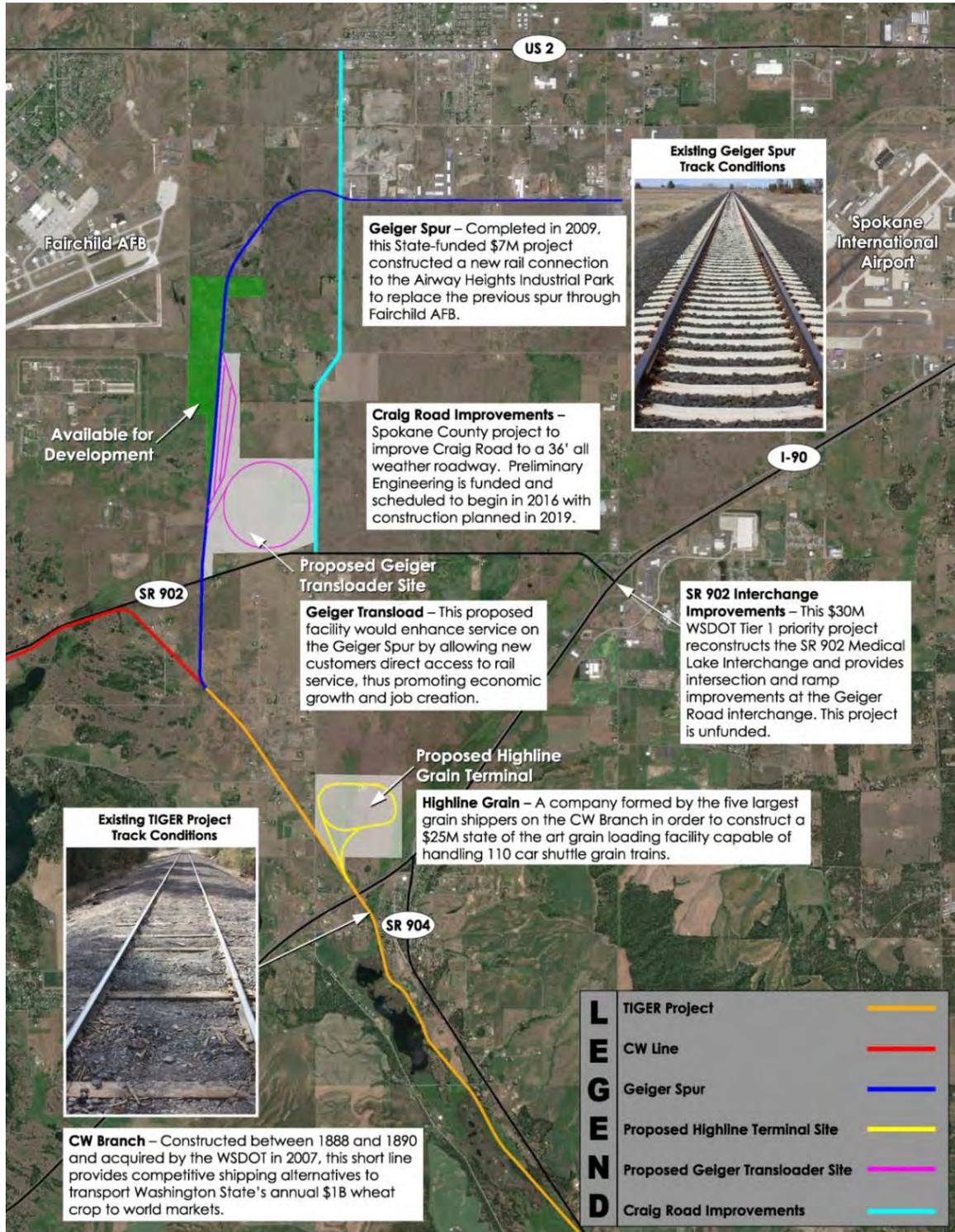


Exhibit 3: Transportation options driving development

II. Project Parties

WSDOT, Highline Grain LLC, BNSF Railway, Eastern Washington Gateway Railroad, Spokane County, The City of Spokane, Spokane International Airport, Greater Spokane International, Spokane Regional Transportation Council, Washington Department of Commerce, and SRM Development are collaborating on this project. The Washington State Department of Transportation is the lead applicant, Highline Grain, LLC is a co-applicant and BNSF and Eastern Washington Gateway Railroad are project partners.

WSDOT

WSDOT purchased the CW Branch of the PCC Rail System in 2007. Several goals were identified when the state purchased the rail lines including an attempt to retain rail transportation to the region and encourage future economic growth along the rail lines. Development of new business along the lines is the key to enable the PCC to become economically viable and self-sustaining. Due to current condition of the lines, caused by decades of deferred maintenance, the PCC has struggled to achieve its goals. If funded, this project, would address the efficiency and state of good repair on the busiest segment of the PCC.

BNSF Railway

BNSF Railway, a project partner in Connecting the Inland Pacific Hub Multimodal Centers to the Global Marketplace project, has provided rail equipment for operations along the CW Branch since it sold the CW Branch to Watco Industries in 1994. BNSF also retained ownership of the first mile (MP 0.0 to MP 1.0) of the CW Branch, near Cheney, WA. In coordination with WSDOT, BNSF has committed to make the necessary improvements to its own track in order to make sure that the improvements proposed in this TIGER application achieve their intended purpose. Together, these improvements will allow for the transport of 286k GWOR railcar equipment at 25 miles-per-hour.

Highline Grain LLC

Highline Grain, a co-applicant on this project, is made up of the five largest shippers along the CW Branch, Central Washington Grain Growers, Almira Farmers Warehouse, Davenport Union Warehouse, Odessa Union Warehouse and Reardan Grain Growers. Prior to the state's purchase of the 108-mile CW Branch, these farmer cooperatives were forced to begin trucking grain hundreds of miles to terminals along the Columbia River. After the state purchased the line and rail operations returned, cooperatives returned to using rail and doubled shipments over the first five years of operations. Now, Highline Grain is proposing building a \$25-million grain terminal in Spokane County. Exhibit 4 shows the concept and site design of the 110-car shuttle loader.

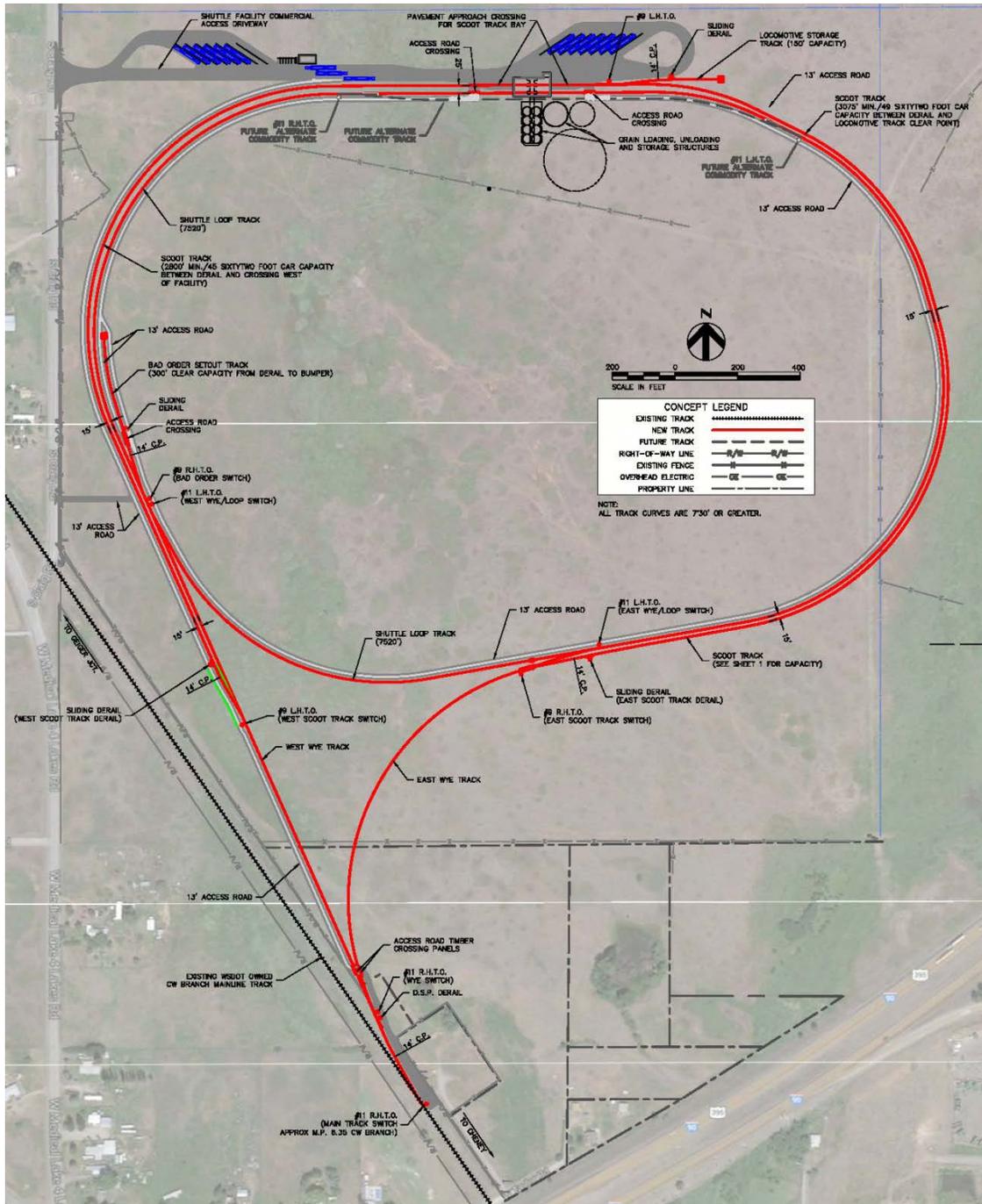


Exhibit 4: Concept of proposed Highline Grain Terminal loop track and storage facility

Spokane County

Spokane County acquired the Geiger Spur from BNSF in 2004. The county pursued a 2.5-mile realignment of the rail spur, which was completed in 2009. In 2012 the final phase rehabilitated the remainder of the existing rail spur, a total distance of 2.3 miles. The spur serves several existing rail shippers located between Spokane International Airport and Fairchild Air Force

Base. The improvements have done little to spur economic growth along the spur due to the inability to ship modern railcars weighing 286,000 pounds. If funded, this TIGER project would eliminate these weight restrictions.

Spokane International Airport

Spokane International Airport expects to release over 1,000 acres of land adjacent to the airport that it plans to market for aerospace and logistics-based companies that have the potential to create many new family wage jobs for the region. This land is adjacent to the County-owned Geiger Rail Spur. Rail transportation is often cited as a requirement for companies seeking new industrial production or logistics and storage infrastructure (see Exhibit 5).

Eastern Washington Gateway Railroad

Eastern Washington Gateway Railroad (EWG) was created when parent company US Rail Partners was chosen as the operator of the CW Branch in 2007. EWG has also been the operator of the Geiger Rail Spur since 2008. EWG was instrumental in convincing former shippers along the CW Branch to return to using rail transportation. EWG initiated innovative “scoot” trains (50-car unit trains moving less than 100 miles from origin to destination) to efficiently bring agricultural shipments back to rail. This led to an agreement with BNSF to allow for the loading of 110-car trains between multiple origins (co-load trains). Upon completion of the new Highline Grain Terminal, EWG plans to return to scoot trains, connecting the existing elevator network along the CW Branch to the new grain terminal (See Exhibit 8). EWG is a partner in this application and will be responsible for maintaining the proposed improvements should funding be provided.

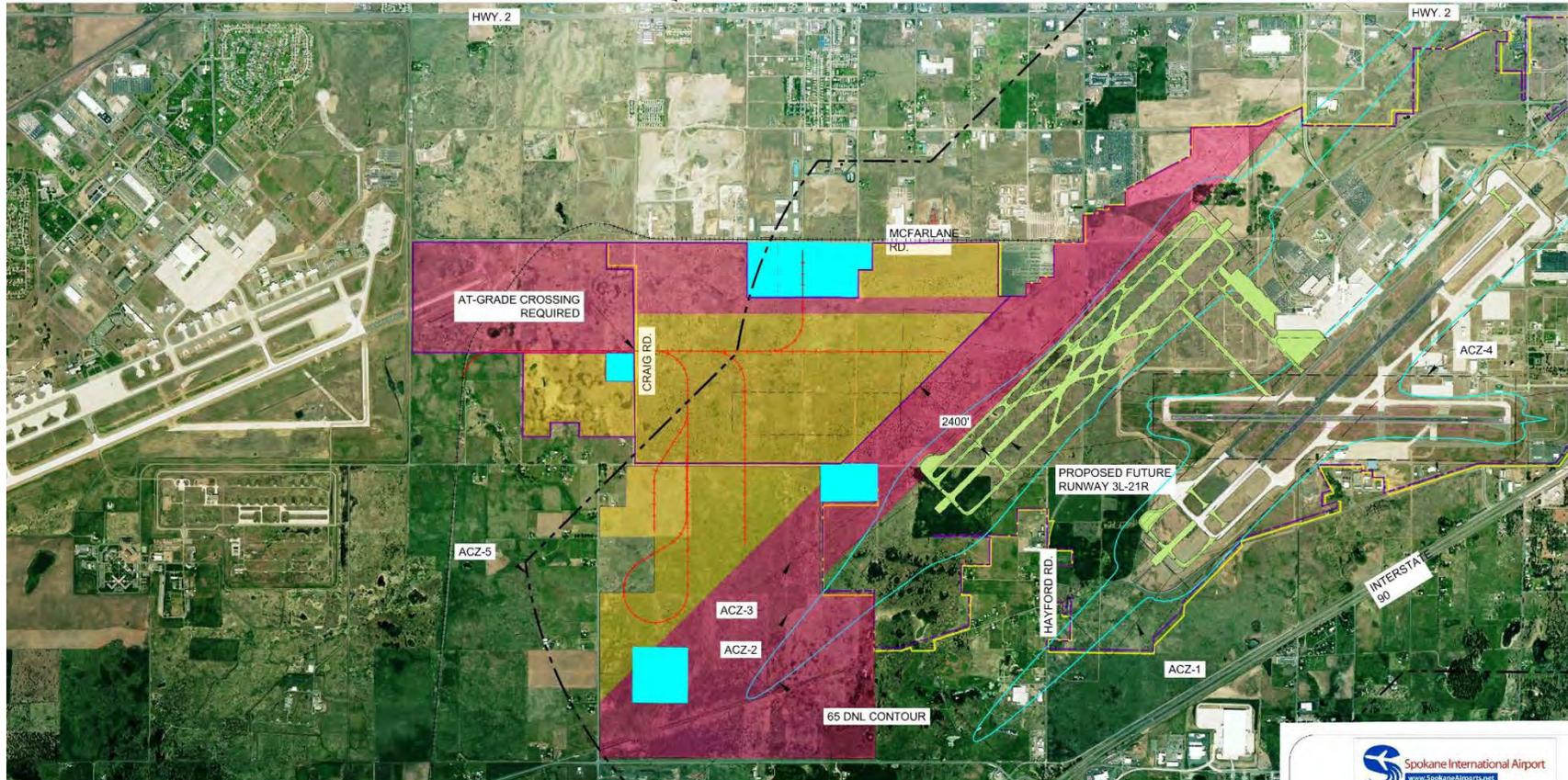
SRM Development

SRM is a private development company that has proposed building and operating the Geiger Transload Center as well as the West Plains Transfer Center. SRM has options on over \$8 million in property (see Exhibit 2) that would serve as the site for the new facility. SRM continues to pursue business opportunities that would ensure successful start-up of the new facility. The improvements to the rail corridor identified in this TIGER application are required in order for the Geiger Transload Center to begin operations.

DRAFT FOR DISCUSSION PURPOSES ONLY

SPOKANE INTERNATIONAL
AERONAUTICAL DEVELOPMENT

NOTE: IF THIS EXHIBIT IS ON 11X17 PAPER THEN SCALE IS 1"=800'



LEGEND

- NON-AERONAUTICAL DEVELOPMENT LAND (1250-ACRES)
- PRIVATELY-OWNED LAND (162-ACRES)
- DEDICATED TO FUTURE AERONAUTICAL DEVELOPMENT LAND (1466-ACRES)

- EXISTING GEIGER SPUR
- POTENTIAL RAILROAD LEAD TRACKS
- AIRPORT COMPATIBILITY ZONE-1 (ACZ)
- ACZ-2
- ACZ-3
- ACZ-4
- ACZ-5
- 65 DNL CONTOUR



DATE: April 23, 2014

SHEET 1 OF 1



9000 West Airport Dr., Ste. 204
Spokane, WA 99224

Exhibit 5: Spokane International Airport Development Property showing industry track layout

III. Grant Funds and Sources/Uses of the Project Funds

WSDOT first developed the cost estimate for this project in late 2012. The agency partnered with BNSF, Eastern Washington Gateway Railroad and HDR Engineering in October 2013 to validate the work elements required to meet the expectations of increasing operating speeds to 25 miles-per-hour and that modern rail equipment weighing up to 286,000 GWOR would be achieved. The total cost for this **rural** capital project is \$7,031,245 with \$1,000,000 (14%) funded equally from State and private sector funding and \$6,031,245 (86%) funded from the TIGER VI request as reflected in Exhibit 6.

Project Phase	Secured Funding		TIGER Request	Total Cost
	Non-Federal	Federal		
PE	\$485,012	\$0	\$0	\$485,014
RW	\$0	\$0	\$0	\$0
CN	\$514,986	\$0	\$6,031,245	\$6,546,231
Total	\$1,000,000	\$0	\$6,031,245	\$7,031,245

Exhibit 6: Project Funding Source by Phase

IV. Selection Criteria

A. Primary Selection Criteria

i. State of Good Repair

Connecting Inland Pacific Hub Multimodal Centers to the International Marketplace will improve the state of good repair on the first 6.9 miles of the state-owned rail system’s CW Branch. Currently this section of track operates at a combination of Class I and Class II condition, in accordance with Federal Railroad Administration rules. This project will allow for both increased operational speeds up to 25 miles-per-hour operations and allow for the use of modern equipment weighing up to 286,000 GWOR along the corridor.

This section of track already sees the largest number of carloads on the entire state owned system. If car loadings increase as projected it will allow for increased profit for the rail operator EWG. This will allow EWG to invest additional resources to maintain this section and other sections of the CW Branch. Improving the track infrastructure will in turn allow EWG to operate more efficiently and reduce their overall operating costs.

Connecting the Inland Pacific Hub Multimodal Centers to the International Marketplace also proposes to rehabilitate all seven road-rail grade crossings within the 6.9 miles of the project. Many of these crossings have not had any improvements since the state purchased the PCC.

This project is highlighted in WSDOT’s State Rail and Freight Mobility Plan and has been submitted to Spokane Regional Transportation Council for inclusion in their next plan update.

ii. Economic Competitiveness

The 2013 Inland Pacific Hub Transportation Study identified several weaknesses hindering economic development in the region. The study identified both a limited availability of land to support future economic development and also a lack of funding dedicated to infrastructure preservation, specifically mentioning the condition of the regions short-line railroads.

Land availability and its “state of readiness”

In response to the 2013 Inland Pacific Hub Transportation Study, over 1,000 acres of property already zoned for light industrial use are being actively marketed for development. The Washington State Department of Commerce as well as local economic development agencies including Greater Spokane Incorporated field requests from manufacturing companies looking to relocate or expand. Often these enterprises look for greenfield opportunities in excess of 200 acres. Other important considerations include the availability of a skilled workforce, proximity to water and sewer, if any pre-permitting work has been done, if the property is flat or requires earthwork as well as its proximity to transportation infrastructure. For many of these reasons, including its proximity to Spokane International Airport, Interstate 90 and the Geiger Rail Spur, this property is considered desirable for future industrial development including aerospace manufacturing.

In 2012, Greater Spokane Incorporated spearheaded an initiative called Aerospace Initiative for Recruitment (AIR) Spokane. The 2012 action began after the Washington Aerospace Partnership Boeing 737MAX Opportunity Study concluded that Spokane was a possible site for the expansion of aerospace companies. One of the strengths listed in the study was ready access to existing 737 fuselage rail transit lines. Also, a site adjacent to Spokane International Airport (and the Geiger Rail Spur) was one of three proposed by the State of Washington as a production site for Boeing’s new 777X wide-body aircraft or its new carbon fiber wing. This type of business opportunity would not be possible without the improvements proposed in this project application.

In relation to transportation connectivity, specifically access to new site development that has direct access to rail transportation, the situation is more critical. Spokane and the Inland Pacific region are fortunate to have both BNSF Railway and Union Pacific (mainline railroads) operating within the region. However, with significant growth in train volumes on both of these mainline railroads, the likelihood of developing rail access points to new industrial areas will become increasingly difficult. The Inland Pacific Hub Transportation Study identified only a handful of development opportunities but none had all of the transportation possibilities like those located along the Geiger Spur. While development along the Geiger Rail Spur will still need

The condition of some of the short-line railroads were identified as crucial issues and will most certainly impact the economic development of the region going forward

- Inland Pacific Hub Transportation Study



Rail from 1908



Curve-worn rail utilized in tangent sections



Current tie condition on CW Branch

to access BNSF at Cheney, by being located on a short-line railroad these access concerns are minimized. Furthermore, with BNSF's partnership on this project, necessary improvements in coordination with this project, BNSF has committed to making necessary improvements that allow efficient connections for trains moving both east and west from Cheney.

Condition of the Inland Pacific's Short-line Railroads

In addition to citing the poor condition of all-weather roads, particularly those that link to the region's river ports, the condition of short-line rail infrastructure is expected to stifle economic development in the region. The PCC is representative of this weakness. While much of the PCC is classified as Class II according to FRA, many key sections remain in Class I status. These sections can only be operated at 10 miles-per-hour and are in need of heavier rail, new cross ties, more ballast and drainage improvements.

Regional Importance

This project improves 6.9 miles of the state-owned CW Branch, a short line rail corridor that extends over 108 miles in length. Therefore, this project will reduce total truck miles travelled in Eastern Washington and total truck trips along the entire corridor. The CW Branch travels through Spokane, Lincoln and Grant counties, all of which are defined as Economically Distressed. According to the Inland Pacific Hub Transportation Study, over 10% of Lincoln County's workforce is in Agriculture, Forestry or Fishing industry. This project supports agricultural jobs in Grant and Douglas counties by reducing transportation costs and therefore increasing the competitiveness of the agricultural products that they grow. This project

will also improve the condition of, and therefore increase the long-term financial viability of the rail corridor itself. The Highline grain terminal will increase rail shipments along the entire rail corridor by 1500 railcars (a 35% increase over 2013) during its first year of operation.

Job Creation

Based on the project aging, this project has estimated total expenditures of \$7,031,200 between FY2015 and FY2016. This excludes any spending on ROW and any spending prior to the beginning of FY2015. Based on the Council of Economic Advisors (CEA) assumption that \$76,923 in direct government spending creates one job-year, this project is estimated to create 91 job-years and 190,135 job hours. Of these 91 job-years, 78 will be created by TIGER grant dollars (86 percent). The CEA model estimates job impacts at a national level.

Project Phase	Spending by Phase*	Direct Job-Years**	Indirect Job-Years**	Induced Job-Years***	Total Job-Years
PE	\$485,000	2	2	3	6
RW*	\$0	-	-	-	-
CN	\$6,546,200	21	21	43	85
Totals	\$7,031,200	23	23	46	91

Exhibit 7: Job Creation by Phase

*One job-year is created for every \$76,923 in government spending
 Based on above, and the assumption that there are 2080 job-hours per job-year, one-job hour is created for every \$36.98 of expenditures.
 Estimate is calculated using current and future funds. This model does not use prior expenditures in the calculation.*

Based on a project total of \$7,031,200 for PE & CN (RW is excluded), the job creation results are as follows:

- *Assumes no jobs created by RW expenditures*
- **Assumes 25% of the job-hour benefits are attributed to "direct project" related activities, and another 25% are attributed to "indirect" project related activities, during project PE and CN phases.*
- ***Induced job-hours represent the remaining 50% of the job-hour creation benefits attributed to jobs created or preserved in the local, regional or national economy during the project.*

Period	Spending 2014 dollars*	Total Direct, Indirect, and Induced Created Job-Hours**
2014 - Q4	\$0	0
2015 - Q1	\$242,500	3
2015 - Q2	\$242,500	3
2015 - Q3	\$2,000,000	26
2015 - Q4	\$3,546,200	46
2016 - Q1	\$1,000,000	13
2016 - Q2	\$0	0
Total	\$7,031,200	91

Exhibit 8: Job Creation by Quarter

Based on a 2007 study, the rebuilding of the Geiger Spur was initially only intended to retain the 400 jobs at existing rail shippers along the spur. The development of the Geiger Transload Center, however, has the potential to create thousands of new jobs in Spokane County. Some of those jobs are already on their way. After a 6 year search, Exotic Metals Forming Company, an aerospace company that manufactures parts for the aviation industry, announced plans to expand manufacturing in Airway Heights, WA in March 2014. The new 150,000-square-foot facility will employ 150 full time staff. While Exotic Metals Forming Company does not expect to need direct access to rail transportation, future economic development will be limited to similar non-rail companies if Connecting the Inland Pacific Hub Multimodal Centers to the Global Marketplace continues to be unfunded.

At least two other companies have made inquiries to locate or expand along the Geiger Spur in recent months. Combined, the two companies would add approximately 100 family wage jobs. Unlike Exotic Metals Forming Company, both companies will require the rail improvements are complete in order to ship and receive efficiently.

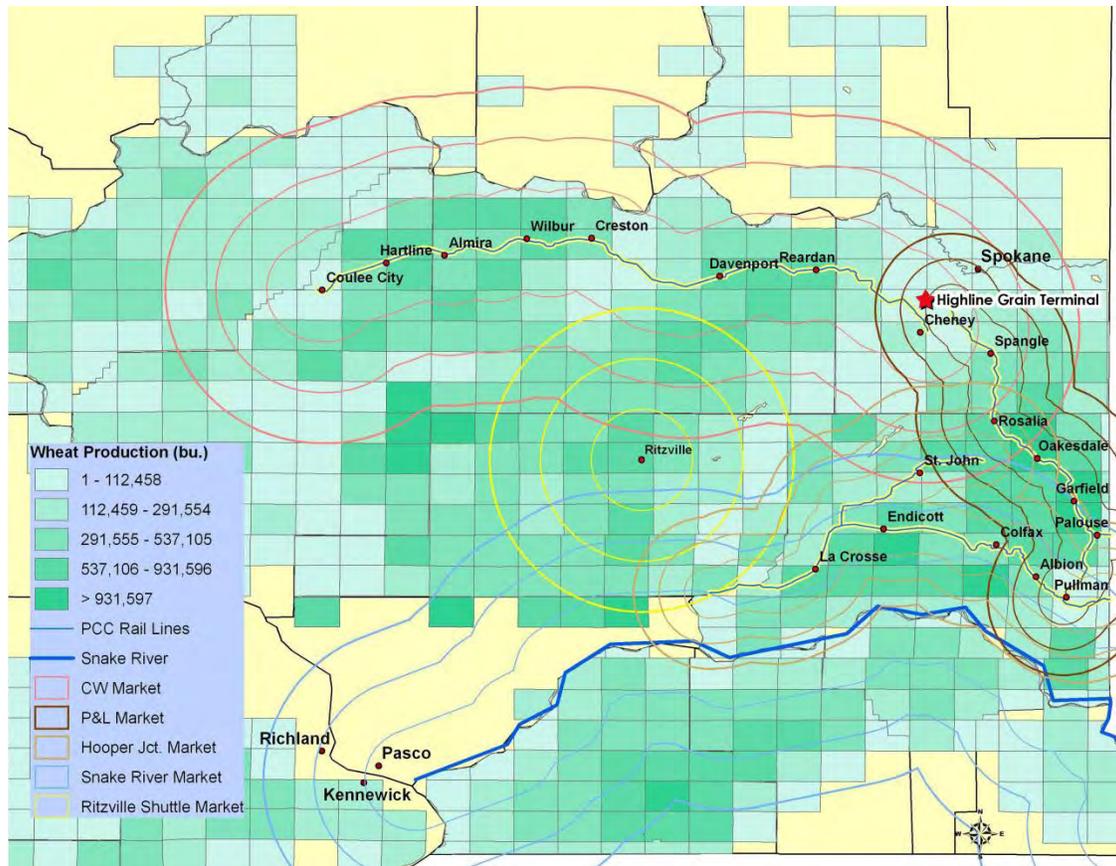


Exhibit 9: Wheat Production and CW Branch Draw Area

Grain Economics

Exhibit 9 above shows wheat production in Eastern Washington. The circles illustrate the anticipated market attraction zones of wheat based on transportation costs to the existing origination elevator network. Because Highline Grain expects to use the existing elevator network to “scoot” grain from elevators in Coulee City, Hartline, Almira, Wilbur, Creston, Davenport and Reardan by rail to the new terminal, the market attraction zones are not expected change from this current model. The original analysis shows over 20 million bushels of wheat are grown annually within a 10-mile radius of the CW Branch. This number grows to over 33 million bushels at a 20-mile radius and 48 million bushels grown within 30 miles of the corridor. Reductions in transportation costs as a result of the efficiency and economy of scale created by the new Highline Terminal will increase the competitiveness of origination elevators to be able to attract wheat from a further distance.

Capacity at these origin elevator locations along the CW Branch has traditionally been a limitation to supporting greater use of rail transportation. Current elevator capacity is just over 23 million bushels. The Highline Grain Terminal will add between 1.5 million and 3.2 million (between 6% and 14%) bushels of storage

capacity and enable increase flexibility of existing storage space (Casavant and Jessup, 2006). In addition, this space will increase operating flexibility as well as allow farmers to store grain longer, allowing them to consistently get a higher price for their wheat because they can store more product.

iii. Quality of Life

Provide more transportation choices.

This project will provide an alternative transportation mode for manufacturing and agricultural industries. Due to its greater efficiency, utilizing rail transport over trucking will reduce our nation's dependence on foreign oil, improve air quality and reduce greenhouse gas emission thereby promoting greater public health.

Enhance economic competitiveness.

This project will enhance economic competitiveness by expanding access to markets for both agricultural and industrial customers on both the CW Branch and the Geiger Spur. While these facilities currently provide access to the BNSF at Cheney, the condition of the CW Branch is such that 25 miles-per-hour operations with railcar weights of 286,000 pounds cannot be sustained. This limits the use of the facility by current and future rail customers and prevents them from utilizing the full economic potential of rail access.

Support existing communities.

Even though the project only improves the first 6.9 miles of the PCC's CW Branch, the location of the Highline Grain terminal on the branch preserves the entire 108 miles by allowing the operator to maintain financial viability through a scoot program from the outlying elevators located in seven small communities in Spokane, Lincoln and Grant counties. These rural areas depend on rail freight to transport heavy and bulky commodities such as lumber, wheat, and heavy equipment. For heavy commodities or oversized loads the cost of shipment is much less by rail. In addition, transport by rail reduces the damage to local rural roads that would take place if these commodities were hauled by truck, easing the burden of roadway maintenance areas with a small tax base.

Coordinate and leverage federal policies and investment.

Air Washington is a consortium of 11 community and technical colleges and one apprenticeship training program partnering to train the next generation of aerospace workers. The consortium focuses on five programs of study; Advanced manufacturing, Aircraft assembly, Airframe & powerplant, Composite materials, and Avionics/electronics.

Air Washington is funded by a \$20 million federal Department of Labor grant. The original goal was to train 2,615 workers by fall 2014. That goal has already been exceeded with colleges training 3,155 new workers as of December 2013. The Connecting the Inland Pacific Hub Multimodal Centers to the Global Marketplace project will provide rail transportation to an area specifically identified for aerospace development. Having a modern rail transportation option will make the area more attractive for industries evaluating sites for expansion.

Vehicle Miles Traveled (VMT) Avoidance

The location of the Highline Grain Terminal will ensure continued use of the existing rail infrastructure which reduces both the total truck miles traveled and the number of truck trips on state highways and local roads.

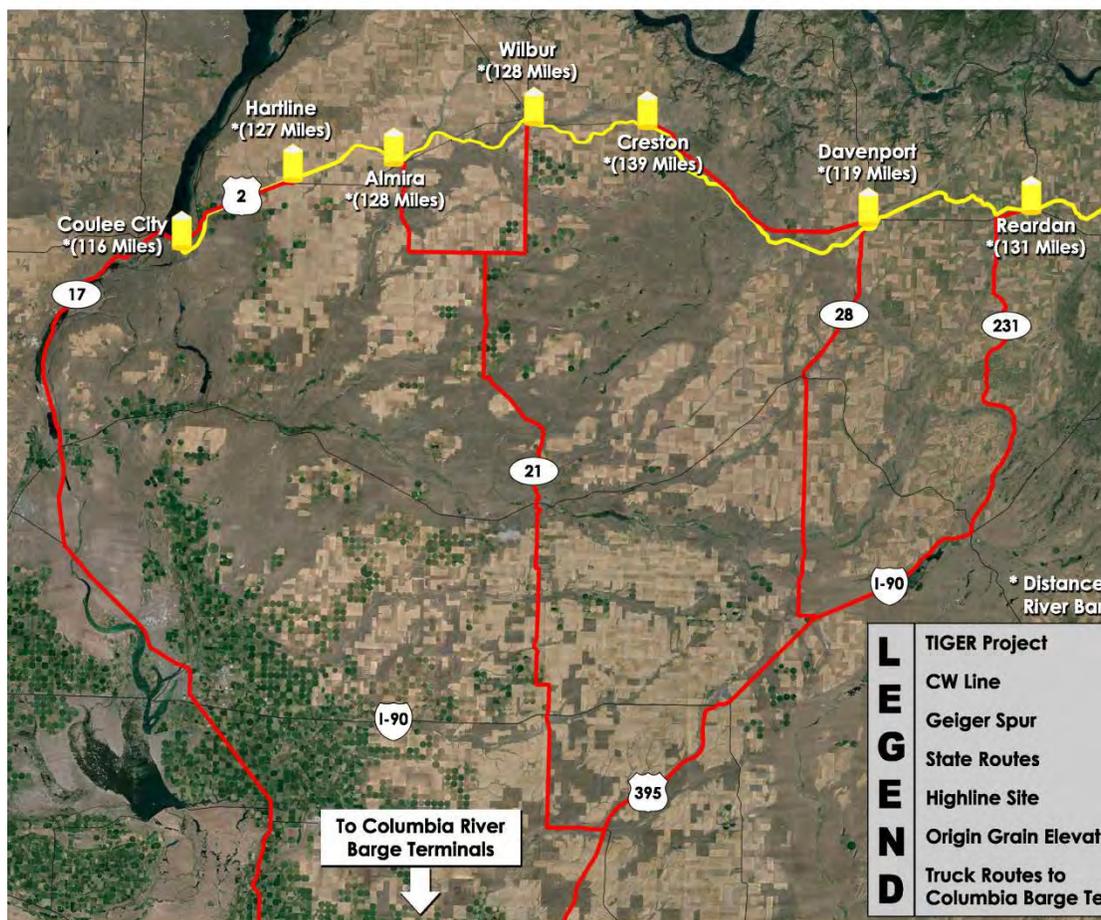


Exhibit 10: Potential Truck Routes if Rail is not viable

iv. Environmental Sustainability

This project will increase the resiliency and efficient operations by improving the state of good repair along the corridor. The transportation of heavy, bulk agricultural commodities by rail is more energy efficient and results in a reduction of GHG emissions including 37.5% fewer grams/ton-mile of CO₂ emitted versus similar transport by truck. The reduction in total truck miles in addition to truck trips has been evaluated.

v. Safety

Reduced potential for derailments

By scooting shorter, lighter trains between the origination elevator to the Highline Grain Terminal, the chance of continued derailments on the CW Branch are reduced.



Exhibit 11: 2012 derailment on the CW Branch

Deraillments place a financial hardship on the EWG through insurance deductible payments, the possibility of increased insurance premiums and liability for damage to rail cars owned by others as well as the potential negative effects to agreements with shippers and Class I carriers. Deraillments are also a potential public safety issue and reduce the level of confidence of other potential shippers.

Grade Crossings Rehabilitated

The project will also rebuild 7 road/rail grade crossings. Due to years of deferred maintenance the PCC Railway System has had multiple crossing defects issued by the Washington State Utilities and Transportation Commission (UTC). Poor crossings surface conditions can be hazardous to drivers and have been the cause of citizen complaints. By reconstructing the crossings in the project area and installing new crossing surfaces, the project creates a safer condition for the operating railroad as well as the traveling public and a more positive view of rail

transportation.

b. Secondary Selection Criteria

i. Innovation

500-mile rule no longer applies

Historically railroads have contended that they have been unable to be competitive transporting anything fewer than 500 miles from origin to destination. Increasing fuel costs, a shortage of truck drivers and better integration with other modes of transportation have increasingly made rail transportation over short distances a viable choice, particularly for heavy bulk commodities. This is particularly true of transporting agricultural products in Washington State.

ii. Partnerships

WSDOT recognizes that the many needs and associated projects identified in adopted transportation plans far exceed funds that can reasonably be expected to be available through existing revenue sources. Private investment and private – sector champions for public-private partnerships, such as those engaged in the Inland Pacific Hub, are needed to address the needs. This project represents such an effort, by forging partnerships with State and local entities as well as private enterprise ranging from national to local scale, as evident in the letters of support.

1. Jurisdictional/Stakeholder Collaboration

While this project specifically improves rail infrastructure only, this project is needed in order to meet the rail capability required by the new Highline multimodal grain terminal being built in Spokane County. This terminal will receive and ship agricultural commodities by both road and rail. In addition to the grain terminal, a proposed West Plains transload facility would provide additional multimodal capabilities and would require the same level of rail improvements proposed in this project. Projects of this nature are part of the Inland Pacific Hub study’s goal of establishing the Inland Pacific Hub as a multimodal global gateway to increase international commerce.

The “Inland Pacific Hub” is a nineteen-county region located in eastern Washington and northern Idaho. The economic interests of this region are represented in part by the Inland Pacific Hub Advisory Board, a public-private partnership established by and consisting of representatives from both states and partially funded by a Grant from the USDOT. The Board has partnered with the

Washington State Department of Transportation and the Idaho Transportation Department to study the region’s capacity for economic development. The Inland Pacific Hub study has involved public and private partners from two states, nineteen counties, seven major cities and the respective Regional Transportation Planning Organizations.

2. Disciplinary Integration

The key to all successful transload or multimodal facilities is to make sure users have transportation options. This requires vision to make sure all modes are functioning and planning so you identify any gaps and how you will address them. Two key road improvements have been identified that will be critical to the successful development surrounding the Geiger Spur. Spokane County has funded in their 6-year plan, improvements to Craig Road (See Exhibit 3). These improvements will allow for improved mobility for freight and passenger vehicles by removing the “jog” in the roadway and improve it to all-weather status. Mobility improvements are also planned for the I-90/SR 902 interchange. While this project is unfunded it listed as a Tier 1 priority for WSDOT.

Spokane International Airport is also making strategic investment decision and making infrastructure improvements to attract new business. Spokane International recently reconstructed an 11,000-foot runway CAT III Instrument Landing System allows for all-weather air operations. The airport also recently purchased additional property that will enable future lengthening of the main runway.

c. Result of Benefit-Cost Analysis

Category	Present Value at 7%	Present Value at 3%
Project Costs	\$6,966	\$7,002
Maintenance Costs	\$602	\$845
Monetized Benefits		
Transportation Savings	\$29,363	\$46,446
Road Damage Avoided	\$21,071	\$29,663
Safety	\$6,469	\$9,563
Environmental Benefits	\$2,472	\$3,745
Total Benefits	\$59,375	\$89,418
NET PRESENT VALUE	\$51,807	\$81,571
BENEFIT/COST RATIO	7.85	11.4

Exhibit 12: Benefit Cost Summary

The Benefit-Cost Analysis (BCA) quantifies the benefits of Connecting the Inland Pacific Hub Multimodal Centers to Global Marketplace project in four categories: Transportation Savings, Road Damage Avoidance, a reduction in the vehicle-miles traveled (VMT) that leads to safer roadways and environmental benefits including a reduction in the social cost of carbon. The cost of the project and benefits are measured over a 20-year period. With construction slated to be completed in the fall of 2015, we begin measuring benefits in 2016. Benefits are not achieved until this project and those projects of our co-applicant and partners are completed.

The BCA concentrates on benefits that will be enhanced by continued use of the CW Branch of the PCC Rail System by existing shippers and there construction of the Highline Grain Terminal. This facility will enhance the ability of farmers to compete by maintaining low transportation costs and creating operating efficiencies.

Through conservative projections the BCA also projects benefits of the shipment of municipal solid waste to landfill locations utilizing the Geiger Transload Center. Due to limited capacity at existing rail loading facilities, the Geiger Transload Center will offer significant transportation savings for transporting a growing percentage of the regions municipal waste.

The Connecting the Inland Pacific Hub Multimodal Centers to the Global Marketplace project enables several other hard to quantify benefits. Without funding for the rail improvements of this project or the identification of a core customer (like municipal waste) benefits to other users of the Geiger Transload Center were not included in this BCA. Development of other light industrial businesses or aerospace companies along the Geiger Spur also presents significant opportunities which were not included in this BC Analysis.

V. Project Readiness

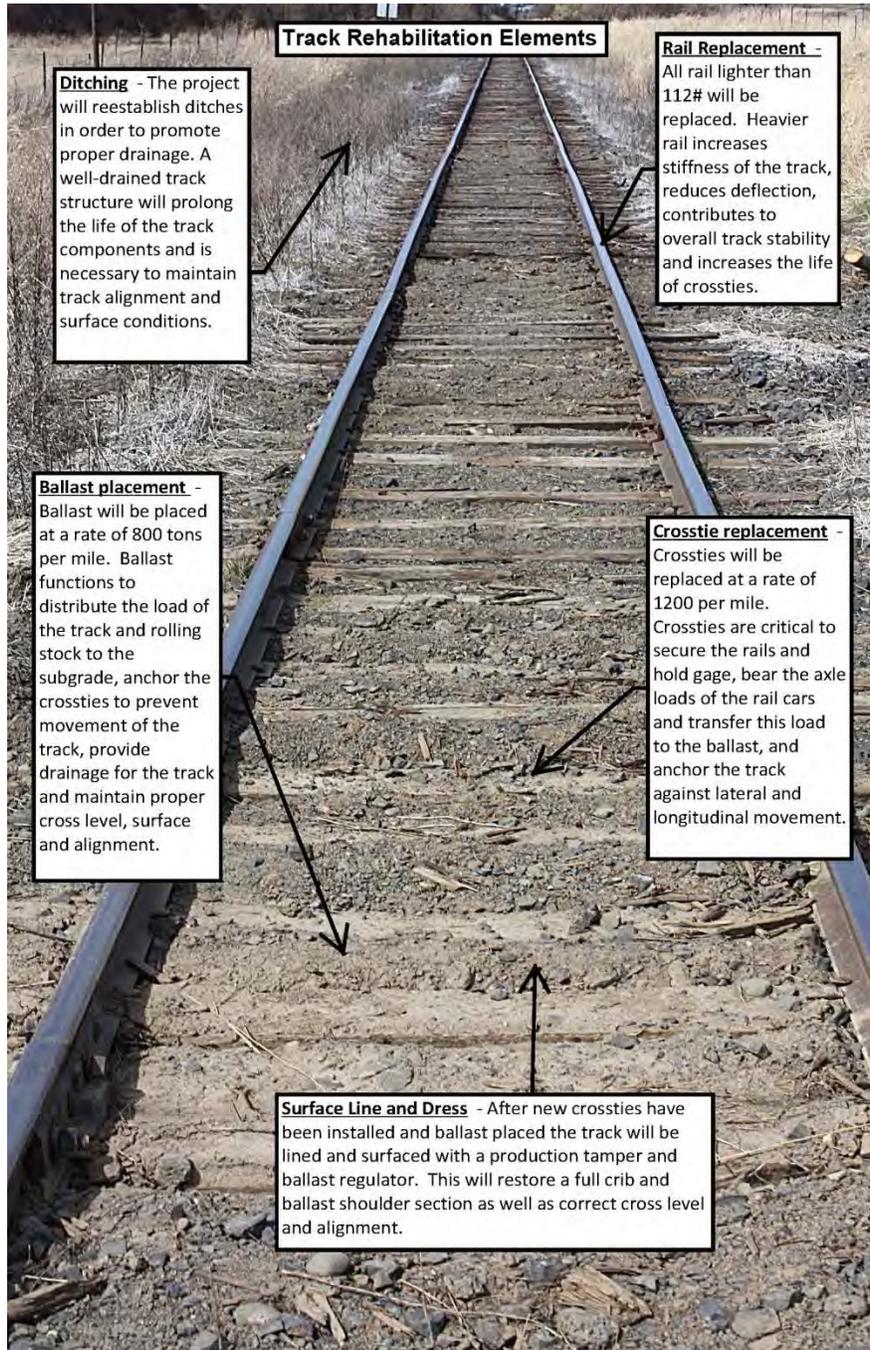


Exhibit 13: Track Rehabilitation Elements

- a. **Technical Feasibility** – The proposed track infrastructure improvements are within the technical expertise of the WSDOT and its consultants or contractors. The contract plans, specifications and estimates will be developed by WSDOT with support from an experienced rail consulting engineering firm. As the owner of the facility, WSDOT has

administered many federal grants and has a successful track record of delivery with the TIGER program.

Statement of Work – The project replaces all rail less than 112# with either jointed or welded 115# rail and rehabilitates the jointed 112# and 115# rail between MP 1.12 and MP 2.94. Crossties will be replaced at a rate of approximately 1200 per mile and ballast distributed at a rate of 0.15 tons/track foot. Surface, Line and dress operations will also remove excessive cross level in several curves. Approximately 7400 L.F. of ditching will be performed and 8 culverts will be replaced, repaired or cleaned to facilitate drainage. There are two bridges within the project limits, only 1 of which will be rehabilitated by surfacing and lining both approaches and post replacement. Seven public roadway crossings will be reconstructed, new crossing surfaces installed and all signage updated.

- b. Financial Feasibility** – The total cost for this project is \$7,031,245. WSDOT has secured \$500,000 in State Funds (7% State match) for design and construction of the project. This project requires \$6,031,245 in TIGER Grant funds to fully fund design and construction.

Construction Activity		Estimated Cost	% of Project Total	TIGER Funds	State Funds	Other Funds
Mobilization	10%	\$485,014	7.4%	\$485,014		
Crosstie Replacement		\$1,037,571	15.8%	\$1,037,571		
Rail Replacement		\$2,466,288	37.7%	\$1,951,302	\$500,000	\$14,986
Joint Rehabilitation		\$16,803	0.3%	\$16,803		
Ballast Distribution		\$154,221	2.4%	\$154,221		
Surface Line and Dress		\$101,225	1.5%	\$101,225		
Ditching		\$40,714	0.6%	\$40,714		
Culvert Replacement		\$41,888	0.6%	\$41,888		
Bridge Repairs		\$60,000	0.9%	\$60,000		
Crossing Allowance		\$298,800	4.6%	\$298,800		
Misc. Item Allowance	15%	\$632,627	9.7%	\$632,627		
Subtotal		\$5,335,152				
Sales Tax	8.70%	\$464,158	7.1%	\$464,158		
Contingencies	4%	\$213,406	3.3%	\$213,406		
Construction Engineering	10%	\$533,515	8.1%	\$533,515		
Total Construction Cost		\$6,546,231	100.0%			
Preliminary Engineering	10%	\$485,014		\$0		\$485,014
Total Project Cost		\$7,031,245		\$6,031,245	\$500,000	\$500,000

Exhibit 14: Project Estimate

- c. **Project Schedule** – With the TIGER grant funding, the project will be ready for advertisement in May 2015 and awarded by July 2015. Construction is scheduled to begin in August, 2015 and the project will be complete by January 30, 2016.

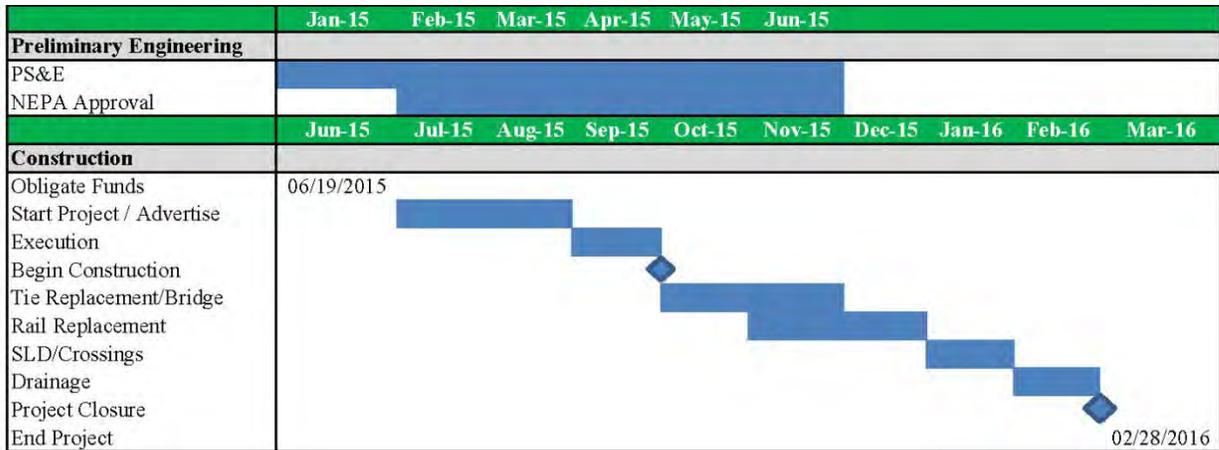


Exhibit 15: Project Schedule

- d. **Assessment of project Risk and Mitigation Strategies** –The project is planned to be advertised for bids in December 2015. WSDOT sees minimal risk with achieving this schedule because most of the activities normally associated with major risks have been mitigated. The environmental documentation (NEPA) has been examined and the expectation is a determination of categorical exclusion. No right-of-way is necessary for this project.

VI. Other Environmental Reviews and Approvals

- a. **NEPA Status of the Project** – The project consists of track and rail bed maintenance improvements within an existing rail corridor. An FRA Categorical Exclusion Worksheet is being prepared and will be submitted by August 31, 2014. It is anticipated the project will meet the requirements for Categorical Exclusion.
 - i. **Reviews by Other Agencies** – NEPA Categorical Exclusion worksheet must be reviewed and approved by the FRA. The work sheet will be submitted by August 2014.
 - ii. **Environmental Studies/Other Documents** – A SEPA checklist was completed for the PCC Railway System, with a Determination of Non-significance dated December 23, 2008. Some of the project activities are subject to water resource-related permits. The work is covered by two programmatic HPAs issued to WSDOT: Channelized Stream Maintenance General HPA, and Culvert Maintenance General HPA. A Biological Assessment for the PCC has been prepared by WSDOT and was completed in March, 2014.

- iii. **Discussions with USDOT Agencies** – NEPA Categorical Exclusion is anticipated based on the work being performed and past experience with NEPA process.
- b. **Legislative Approvals** – The \$500,000 portion of the project provided by WSDOT is included in the Washington State Transportation Budget as passed into legislation on May 20, 2013.
- c. **State and Local Planning** – The project is consistent with the current Metropolitan Transportation Plan (MTP), specifically Guiding Principle 1: Economic Vitality and Policies 1a – 1e. [Horizon 2040 documents](#). In addition the CW Branch is part of the Regional Freight Priority Network. [Horizon 2040 Freight Priority Network](#)
If selected for federal funding, the project will be amended into the Spokane Regional Transportation Council (SRTC) Transportation Improvement Plan (TIP); Amendments to the TIP are submitted to the Washington State TIP (STIP) monthly.

West Plains Subarea - The City of Spokane won a grant from the Department of Commerce to lead subarea planning efforts in the West Plains with an emphasis on capital facilities needs. The work is an on-going multi-jurisdictional project and includes partners such as the City of Airway Heights, Spokane County, Spokane International Airport, WSDOT, Fairchild Air Force Base, Spokane Tribe, Kalispel Tribe, Spokane Transit Authority, and City of Cheney, City of Medical Lake, Cheney School District and others. http://www.spokaneplanning.org/westplains_subarea.html

Washington State Rail Plan – The importance of short line railroads to the economy of state of Washington is recognized in the recently completed state rail plan. <http://www.wsdot.wa.gov/rail/staterailplan.htm>

WSDOT – I-90, SR 902 Interchange Improvements. Reconstructs the SR 902 Medical Lake Interchange and provides intersection and ramp improvements at the Geiger Road interchange. These improvements facilitate improved mobility for the growing development occurring in the area adjacent and around Spokane International Airport. This is a Regional Tier 1 priority project anticipated to cost \$30M and is currently unfunded.

Spokane County - Craig Road reconstruction. Craig Road between US 2 and SR 902 will be reconstructed and widened to 36 feet in three phases along the existing alignment (with the exception of the Thorpe Road intersection) providing an adequate pavement structure so that seasonal weight restrictions will not be necessary. Design of phase 1 starts in 2016 with construction in 2019. The intent is to program the remaining phases for construction in the following 2 years.

VII. Federal Wage Rate Certification (See Appendix D)