



Salinas, California

## Salinas Valley Perishable Freight Rail Terminal

### Federal Grant Application Summary

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#### Freight Market Background

The Salinas Valley is in California's Central Coast, between the Gabilan and Santa Lucia Mountain ranges, in a rural, economically-distressed region of Monterey County. The Valley is an agricultural powerhouse, producing more than \$4.25 billion in economic output annually, generated from 393,315 cultivated acres of farmland.<sup>1</sup> Top crops include leaf lettuce, strawberries, head lettuce, broccoli, nursery stock, wine grapes, cauliflower, celery and spinach. More than 60% of America's entire lettuce production comes from the Valley. Historically, freight rail was key to produce shipping logistics. Outbound perishable shipments by rail reached an all-time high of 59,000 railcars in 1952 but by 1975 trucking dominated this transportation market. Today approximately 96% of all produce grown in Salinas is shipped by trucks, even to the most distant North American markets.



#### The Transportation Challenge

The present truck-based logistics generates two major challenges. The first comes from the externalities of trucking, which heavily impact the public in areas including safety and quality of life. From the start of the growing season in March/April to the end of November, thousands of truck trailers converge on the City of Salinas, creating significant congestion in the City and across regional roadways. The backbone of the Salinas Valley freight transportation network is US Route 101, a National Highway System STRAHNET route which bears a heavy share of these movements. More than 4,000 trucks per day utilize the roadway network during peak season, with most of the outbound loads destined for East Coast produce wholesalers and retailers. US 101 carries most of these loads, either north or south from the Salinas Valley, to reach the nearest connections to the National Freight Highway Network. These heavy volumes cause road damage (impacting state of good repair and life cycle costs), severe congestion, accidents, and air pollution. The second challenge is to economic competitiveness and falls heavily on industry, workers and consumers: rapidly rising logistics costs. Long-haul truck rates have recently reached all time highs. Rising fuel costs, a shrinking workforce of long-haul drivers, and new government requirements are contributing to drive truck rates upwards. The agriculture industry in the Salinas Valley acts as one of the primary economic engines in the production of fresh produce for the local economy, the U.S. and for California. Keeping it efficient, vital and competitive is of utmost importance to the region.

#### Local Mobilization and Genesis of the Proposed Project

Local government and agricultural shippers have been working together to find alternative methods to meet perishable freight transportation needs and address these challenges. A feasibility study completed by AMBAG (Association of Monterey Bay Area Governments), and an additional study commissioned by the local Grower-Shipper Association, revealed that rail could be an economically viable shipping option, there was desire of the grower-shipper community to support shipping by rail, and that a facility dedicated to transportation of perishable

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<sup>1</sup> Monterey County Farm Bureau: <http://montereycfb.com/index.php?page=facts-figures-faqs>

*Section view of ramp and widespan crane*

### Project Scope of Investments and Plan of Finance

The estimated cost to complete the project is \$103 million. Of this \$66 million will be for acquisition of the fleet of new 53' refrigerated containers. The balance of the \$37 million in costs will cover: removal of old track and relocation of current yard operations; sitework and utilities; new yard and receiving and departure tracks; facility roads, lots and pads for truck lanes and container stacks; construction of the administration and maintenance buildings; container handling equipment, including the wide-span cranes; a switching locomotive, and; terminal administration and operations management information systems. The plan of finance is centered around commitments of \$78 million in non-federal funds from a consortium of private partners including the container owner/lessor, the project developer, and equity investors. Due to the strong public benefits that will be created by this facility, AEI is seeking a federal grant of \$25 million through the US Department of Transportation's BUILD Program to enable this innovative partnership project to proceed. The BUILD funds will be used to pay for portions of the railroad and intermodal infrastructure and equipment. The operating revenue from the facility will be sufficient to maintain the assets in a state of good repair for the full life cycle of the assets.

### Project Status, Schedule and Permitting

Final design is planned for completion in Q1 of 2019. Construction can be completed by Q4 of 2020, enabling operations to begin by January of 2021. In the case of an award of federal funds the NEPA classification of this project is expected to be a Categorical Exclusion, which must be approved by the Federal Railroad Administration prior to execution of any grant agreement. A waiver of federal Buy America requirements will be necessary for the widespan cranes, a technology that is no longer manufactured in the US. No property acquisitions will be required for the development and operation of the facility or the rail service.

### Project Parties and Points of Contact

Commercial developer, AEI (Aurora Express Intermodal) is working closely with The City of Salinas, The Union Pacific Rail Road and the grower-shipper community on the plan to rehabilitate and develop the existing yard into the new terminal. The pre-development, development, rehabilitation and construction will be managed by the developer, working in partnership with the Union Pacific Rail Road. After completion, the terminal shall be privately owned and operated.

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