

Proof of Concept Report:

A Rail-Served Industrial Park,
Southern El Paso County

09.18.15

Prepared for:

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COMMERCIAL REAL ESTATE

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Executive Summary

This Proof of Concept Report is an initiative by the El Paso County Economic Development Office to generate high-multiplier jobs, offering an economic boost for the entire region. The potential viability of a 1,700 acre, dual-service railroad industrial park in southern El Paso County, Colorado was affirmed in dialogue with prospective stakeholders, including the private property owner, the City of Fountain staff, and senior staff of Colorado Springs Utilities—the entity currently served by the rail switch.

The Conclusion: Extension of rail infrastructure into vacant land west of the Ray Nixon Power Plant has high potential for job creation and merits a continued, detailed examination. Further diligence includes respecting the current operational and security parameters of the power generation facility.

City of Fountain's Comprehensive Plan identifies the vicinity for future industrial uses with utility services readily available. The Report concludes with a description of next steps, an example of a similar, very successful rail-based economic development model in Denver, followed by specific recommendations for further activity to create high-wage jobs.

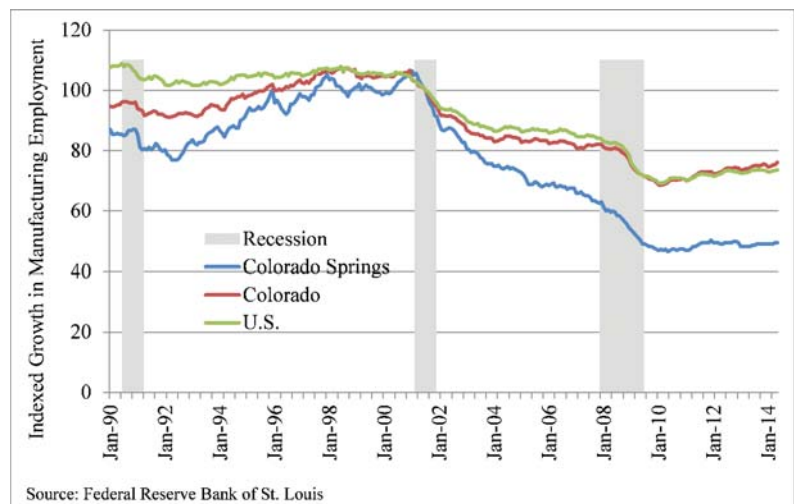
The Question: How to Create Jobs in Southern El Paso County?

In the Fall of 2014, the question of job creation in Southern El Paso County became critical, arising from two distinctly different sources. The first source, an Economic Development Assessment Team (“EDAT”) Report dated October, 2014 was a response to a sequence of natural disasters in El Paso County in 2012 and 2013 . The Waldo Canyon and Black Forest fires were followed by major flooding in the Pikes Peak Region in 2013, with the City of Manitou Springs particularly hard hit. The EDAT Report also recognized that population was increasing, but job creation was not , a fact recognized by local economist Dr. Fred Crowley of the University of Colorado-Colorado Springs.

Dr. Crowley presented his assessment to the community in a series of conversations with community leaders, raising the alarm that while El Paso County was gaining jobs, the region was losing total income. The systemic loss of manufacturing jobs began in 2002, at a rate well beyond the national trend. While gaining a net number of new jobs overall, the new jobs were at salary levels well below those that had been lost. El Paso County continued to grow, but out of proportion to new job creation, so in effect the local economy was swapping lower paying service industry jobs for high-wage base jobs in manufacturing. Dr. Crowley estimates a total annual income loss of \$154 Million per year, as a result of the changes from 2000 to 2013, along with an accompanying deterioration of the economic multiplier effect.

The economic multiplier effect is the creation of additional new jobs in response to job creation. Manufacturing jobs have a very high economic multiplier, generating new service industry jobs as a result. For the same period, Dr. Crowley estimates the economic multiplier declined to below a factor of 2.0 for the first time since the 1970’s. In other words, El Paso County’s job picture was trending in the wrong direction for several reasons before the natural disasters, with fire and floods bringing national support and attention to the local challenges.

In the Fall of 2014, the community needed to make new job creation an imperative. Better still, if those new jobs could center on high multiplier jobs like manufacturing, the declining trends could perhaps be reversed. Looking for economic development opportunities in Southern El Paso County, Mr. Jeff Greene, as El Paso County Administrator, directed a proof of concept investigation by the County’s Office of Economic Development. Ms. DeAnne McCann, Economic Development Manager, solicited a proposal and then engaged Gary Barber, a sole proprietor, and Kevin Butcher of CameronButcher Company as the project management team.



El Paso County Employment Job Growth: 2000 to 2013 (Source-Dr. Fred Crowley)	Average Wage	Number of Jobs
Accommodations & Food Services	\$16,952	3,634
Arts and Entertainment	\$19,656	843
Agriculture, Forestry and Fishing	\$23,504	-82
Retail	\$27,508	1,473
Administration & Waste Services	\$34,580	-120
Education Services	\$36,296	6,944
Real Estate	\$36,712	14
Other Services	\$38,012	-157
Transportation & Warehouse	\$44,200	-628
Health Care	\$46,124	12,273
Construction	\$46,696	-3,222
Finance & Insurance	\$57,200	706
Manufacturing	\$57,564	-13,764
Wholesale	\$59,852	-1,445
Public Administration	\$62,400	2,251
Information Technology	\$71,136	-4,913
Utilities	\$75,816	-105
Professional, Technical	\$82,316	1,578
Mining	\$85,436	60
Management of Companies	\$97,292	193

Introduction

For the past several months, the “Proof of Concept ” investigation has focused on a rail-served industrial complex in Southern El Paso County with the goal of generating new jobs in the community. The subject site includes approximately 3,000 acres of land known as the Christian Ranch in the vicinity of the Ray Nixon Power Plant (“Nixon”) southwest of Fountain, Colorado. Finding no fatal flaws, the investigation culminated in a series of meetings, from June through August, 2015, with senior staff of Colorado Springs Utilities (“CSU” or the “Utility”), the owners and operators of the Nixon facility. The objective of the meetings was to obtain a response to the critical question: “Will CSU entertain the concept of third party access to the railroad interchange in support of regional job creation?” The query was answered in the affirmative, with a conditional assent to proceed with further diligence dependent on two precepts:

- Any and all rail future activity must not impinge on the operational or security needs of the Ray Nixon facility, and;
- Colorado Springs Utilities is a municipally owned utility—no subsidy of any kind will be attributed to the rate-payers in furtherance of the potential rail project.

The purpose of this memorandum is to document the various attributes of a potential rail-served industrial facility adjacent to the Nixon property by taking advantage of existing rail infrastructure to access nearby mainline rail services. Each of the preliminary elements for a viable project has been “checked off” as meeting the criteria for further investigation. At each juncture, new questions were generated by the stakeholders and interested parties. The second portion of this memorandum outlines a process for continuing the investigation, provides an example of a similar economic initiative in Denver, then offers a conclusion and recommendations for further investigation.

Site Attributes

Five elements were considered critical in evaluating the site:

1. Current property ownership and openness to collaboration;
2. The receptivity of local jurisdictions to a heavy industrial, rail-served facility, including provisions for utility service;
3. Access to more than a single Class I railroad, also known as “dual service;”
4. A viable concept plan, with appropriate site access for employees and truck traffic, and;
5. Site topography for rail service, particularly slope restrictions as defined by Class I railroad specifications.

✓ CURRENT PROPERTY OWNERSHIP

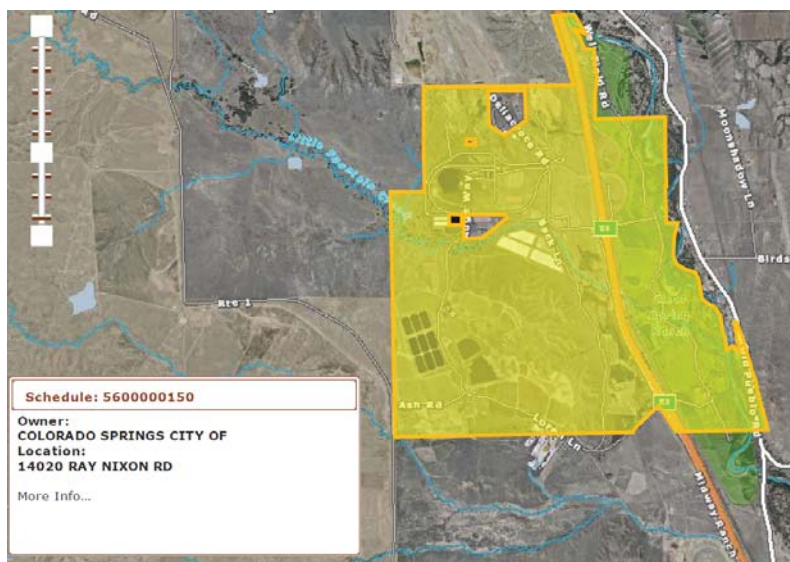
PROPERTY OWNERSHIP

The El Paso County land records reveal three primary land owners in the subject area: the City of Colorado Springs, Edward C. Levy Company and the City of Fountain. The Colorado Springs land is home to the Ray Nixon Power Plant, a coal fired facility with two gas combustion turbines (total capacity 268 MW) and the Front Range Power Plant, a combined cycle natural gas plant (460 MW).

The primary site under consideration for new development is the historic Christian Ranch, owned in its entirety by the Edward C. Levy Company of Chicago, Illinois. The land was acquired for its aggregate deposits, with a 400 acre quarry operated by Schmidt Construction Company, a Colorado Springs asphalt paving and highway construction company. The mine is about midway through its useful life.

The investigation included two meetings with the President of Schmidt Construction, Mr. Scott Davis. In both conversations, Mr. Davis indicated a willingness to participate in further due diligence and feasibility of the potential for a rail-served industrial complex.

To the north of Nixon is a tract owned by the City of Fountain. This site is a reclaimed aggregate mine, which Fountain Utilities acquired as a future raw water storage impoundment. Preliminary discussions about this concept began with City Manager, Scott Trainor, and have continued with Utility Director, Curtis Mitchell, and Fountain's Economic Development Manager, Ms. Kimberly Bailey. All conversations with the City of Fountain to date have been positive.



FRONT RANGE



NIXON

✓ RECEPTIVITY OF LOCAL JURISDICTIONS, INCLUDING UTILITY SERVICE

RECEPTIVITY OF LOCAL JURISDICTIONS

Conversations about the viability, and the appropriateness, of a rail-served industrial complex in southern El Paso County began with the staffs of the County and City of Fountain. Fountain's enthusiasm for the project and these types of jobs continues unabated, while El Paso County has unilaterally funded the effort over the past year. The dialogue has expanded to include economic development specialists at each jurisdictional level, including informal discussions with regional liaison at the U.S. Economic Development Agency ("EDA") offices in Denver. Three factors emerged in the EDA dialogue which favor continued:

- The potential collaborative, multi-jurisdictional nature of the initiative to generate industrially based jobs, with a high "multiplier" factor for the regional economy.
- The ability to address concerns around the future of Fort Carson under the Base Realignment and Closure ("BRAC") process underway by the U.S. Department of Defense.
- The jobs created will have a regional impact, which may include Pueblo County as well as El Paso County.

Dialogue with various agencies indicates that the types of jobs created in a rail-served complex may provide an excellent source of employment for troops transitioning to civilian life from Fort Carson. Certainly these types of jobs could provide an excellent economic off-set if Fort Carson's manpower is reduced.

One of the questions to address going forward is whether the rail service should extend into and serve Fort Carson? The Fort's current rail complex is located just off B Street on the north side of the facility. In addition, the vehicular access described above will benefit from roadway design underway to open Gate 19 to the Fort. At a minimum, concerns from Fort Carson about encroachment of residential housing on the subject property will be reduced if development is for commercial purposes.

Fountain Utilities has stated it is prepared to serve the site with water and sewer service. In the discussions with CSU staff, the ultimate configuration of utility energy services was seen as a topic for continued conversation.

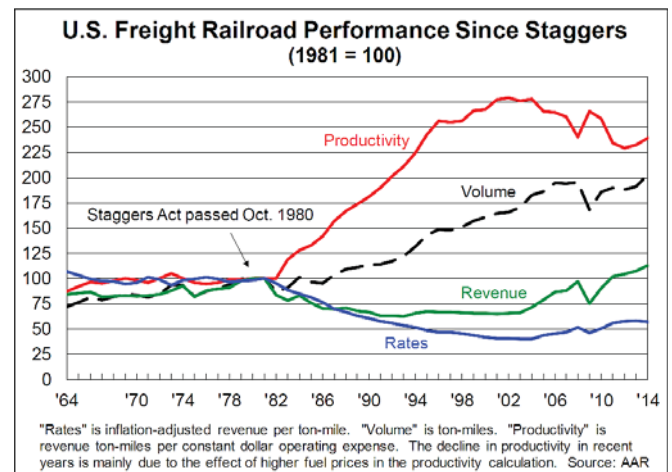


ACCESS TO MORE THAN A SINGLE CLASS I RAILROAD

CLASS I RAILROAD ACCESS

Following several decades of decline, the railroad industry was effectively de-regulated in 1980 when Congress passed the Staggers Act, allowing railroads to set independent freight rates, rather than rate setting by the U.S. Interstate Commerce Commission. Following Staggers, Class I railroads commenced and today continue a trend of consolidation and mergers. In 1990, there were fourteen (14) Class I railroads, but today there are only seven (7). Deregulation stimulated increased productivity and revenue, while the competition between rail companies generated declining rates. The trend of declining rates reversed about 2010, however, with the fuel efficiency of rail attracting an increasing market share for freight.

Of those seven (7) Class I railroads, only two (2) operate in the western United States: Burlington Northern Santa Fe ("BNSF") and Union Pacific ("UPSP"). In theory, if only a single Class I railroad serves a site, the federal agencies have an oversight role in rate setting. In practice, having capacity for "dual service" is a must for a competitive rail-served industrial project. Along the Front Range of Colorado, the next closest dual-served complex is in Windsor, Colorado, at the Great Western Industrial Park. Service within a rail-served industrial park is then provided by a Class III, or Short Line railroad.



CLASS I RAILROADS IN THE UNITED STATES

The Nixon Power Plant site is served by a rail switch connected to both Class I rail lines. In El Paso County, the BNSF operates on the old Santa Fe RR line, which ran north and had a local depot at Colorado Boulevard and Pikes Peak Avenue. A portion of this line was vacated when Colorado Springs was chosen as the home of the Air Force Academy in the 1950's. The former rail line is now a public amenity, the Santa Fe Trail. UPSP purchased the Denver & Rio Grande Western RR founded by General William Palmer. The D & RGW depot was sited on the eastern edge of downtown, walking distance to the historic Antler's Hotel.

Today the Class I railroads generally operate by using the eastern track for northbound traffic and the western line for southbound traffic (with some exceptions). An interconnect between the two lines is located at the southern end of CSU's property known as Clear Springs Ranch. This interconnect allows traffic leaving the site to travel north or south.



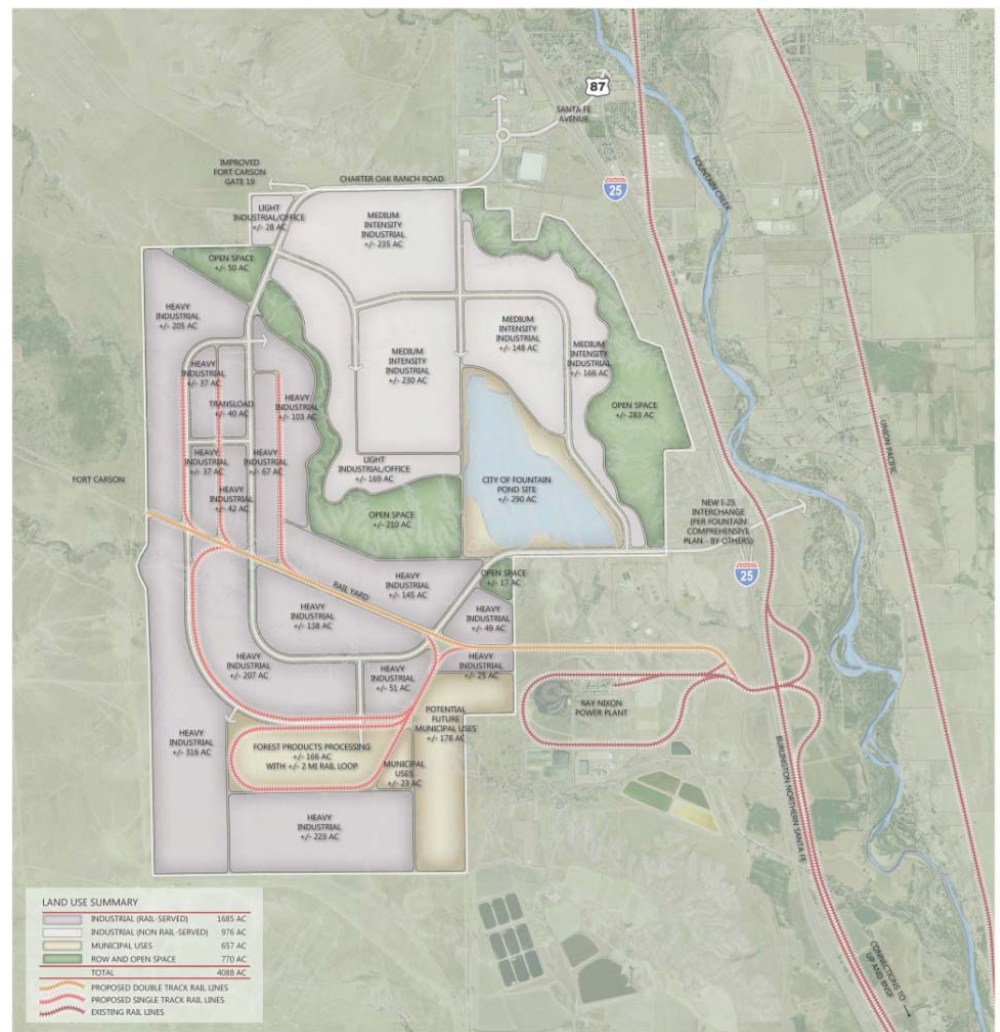
VIABLE CONCEPT PLAN WITH APPROPRIATE ACCESS

VIABLE CONCEPT PLAN

Norris Design, a national land planning firm with offices in Denver, Colorado, contributed its time and talent creating an initial site layout. The conceptual land plan in its entirety is included at Tab 1. The plan depicts 1,682 acres of rail-served industrial land, along with an adjoining 976 acres of industrial property. The plan also identifies 178 acres of property for use and/or conveyance to expand operations at the Nixon plant.

TRUCK AND EMPLOYEE ACCESS TO THE SITE

Truck and employee access to the site is a full-movement interchange with Interstate 25 to the northeast. The plan identifies a second vehicular access point as a future interchange with I-25 which is identified in the City of Fountain Comprehensive Plan. The existing full-movement interchange is currently under design for extension into Fort Carson, designated as Gate 19.



NOTE: THIS RANGE IS CONCEPTUAL AND IS SUBJECT TO CHANGE

RAIL INDUSTRIAL PARK CONCEPTUAL DESIGN

EL PASO COUNTY, CO
AUGUST 21, 2015





SITE TOPOGRAPHY MEETS CLASS I RAILROAD DESIGN SPECIFICATIONS

SITE TYPOGRAPHY

Topography is very important when considering rail service. In particular, since slope is a limitation on operations, Norris Design performed a site slope analysis using published criteria from the Class I railroads. Generally, slope gradients less than 1% per mile are preferred. The full concept plan overlay with slope information is included at Tab 2.

As depicted on the “Rail Suitability Slope Analysis Plan,” the present site configuration extends the rail to the edge of the property boundary with the Fort Carson military installation. The distance from the Ray Nixon loop to the edge of Fort Carson will require 13,480’ of track, with an elevation gain of 114’, resulting in an average grade of 0.85%, well within the criteria.

As an additional benefit, the land configuration is such that the majority of the industrial park will be screened from view for travelers on I-25 by the low hills to the northeast of the Nixon complex.

Next Steps

PROJECT MANAGEMENT

The engagement for this proof of concept contemplated a summary of site attributes with the purpose of identifying fatal flaws, followed by recommendations for how to proceed next if no flaws were found. To continue this economic development initiative, the next phase of project investigation will require three important features, namely:

- Organization of a leadership group;
- An initial fiscal impact study to demonstrate participant-specific economic benefits, and;
- Development of a detailed scope of work for a thorough feasibility study.

Funding, in the form of a U.S. EDA Local Technical Assistance Grant (50% match required), could be available for the feasibility study, perhaps in conjunction with state and local funding sources. Prior to seeking such a grant, the active participants would be well-served by coming together in a more formal fashion.

MEMORANDUM OF UNDERSTANDING (“MOU”) RECOMMENDED

For the next phase, a Memorandum of Understanding is likely most appropriate, outlining objectives, funding support and most importantly, memorializing the CSU precepts described above. The private property owner has expressed willingness to participate in keeping the process moving forward. An MOU, as opposed to an intergovernmental agreement, offers the flexibility to include the primary private land owner.

Early discussion with Mr. Scott Davis included the potential for participation in the next phase of investigation. Mr. Davis stated his intention to give the board of directors of Edward C. Levy Company an overview of the opportunity at their annual meeting this October. El Paso County as the initiator of the program should likely remain the lead entity in taking the initiative forward since the County encompasses the multiple jurisdictions.

Following the rest of the suggestions for Next Steps below is a nearby example of the ultimate success of this type of Colorado-based economic development initiative, one which began as a public-private collaboration—Denver’s Union Station Project.

FISCAL IMPACT STUDY

In dialogue with Dr. Crowley, he suggested he could provide a simplified comparison of this economic development initiative to a successful rail-served project of comparable size elsewhere. An early understanding of the validity of the fiscal impact, and a preliminary understanding of how each participant and jurisdiction will benefit from regional job creation, could provide important support and enthusiasm for continuing the project investigation. The fiscal impact study could also document the competitive advantages of a public-private partnership model.

Finally, as our community awaits the outcome of the current BRAC process by the Department of Defense (“DOD”), the fiscal impact study can demonstrate the benefits of rail availability adjacent to Fort Carson. The topography on the military installation mirrors the subject site, rendering expansion feasible if expanded or alternate rail facilities are desired. To the extent there are future force reductions, the jobs created by this development initiative will soften the impact to the regional economy. In either case, a rail-served industrial park with appropriate lighting is a friendly land use that addresses “encroachment” concerns for DOD.

PREPARE THE SCOPE OF WORK FOR A FEASIBILITY STUDY

As is often the case, each evaluation of a project element answered one question and generated a dozen new questions. At the proof of concept level of investigation, these new questions were moot if a fatal flaw was identified. With the absence of a fatal flaw, the next phase requires a more in-depth feasibility study. The components of that Feasibility Study might include, at a minimum:

- Direct and indirect impacts to the Nixon facility
- Transition from a Concept Plan to a preliminary site plan reflecting greater detail, with:
 - Existing utility infrastructure
 - Natural and man-made drainage features
 - Initial environmental assessment
 - Civil Engineering to include estimates of “cut and fill” for site work
 - Cost estimates based on unit costs for rail, roads, drainage features and other elements
- Preliminary market analysis, including:
 - Identification of local and potential end-users
 - Identification and evaluation of short line railroad operators
 - Limitations, if any, on local and regional transportation facilities

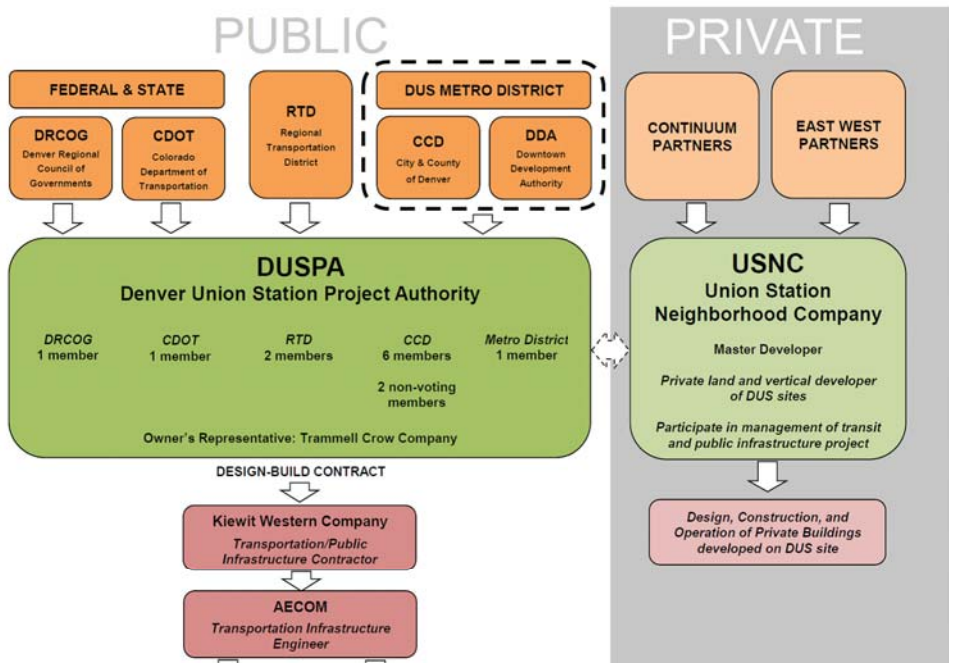
In parallel, the project management team could be coordinating a grant funding application, including organizing the matching funds. This activity will require presentations and meeting with prospective participants, along with drafting, submitting and tracking the grant application.

AN EXAMPLE OF A SUCCESSFUL ECONOMIC DEVELOPMENT INITIATIVE

As described above, the potential project intersects multiple jurisdictions and private interests. However, a framework for interaction between the participants is the cornerstone for building a successful economic development opportunity. We only have to look north to the Denver Union Station project to find a valid example of how the next phase might proceed.

LESSONS FROM DENVER'S UNION STATION PUBLIC-PRIVATE PARTNERSHIP

The graphic depicts the final configuration of the Union Station project in Denver, which has been a tremendous boon for that region's economy. The final Public-Private Partnership included multiple parties on both sides. However, the important lesson from the Union Station experience is that the project started as a simple working group. The initial dialogue included the private property owners in the vicinity. The municipal entities then entered into an Intergovernmental Agreement ("IGA") with the purpose of moving the project forward. The IGA did not form a legal entity, just defined roles, levels of support and became a platform to engage the private sector in development strategies. Over the next several years, as the elements of the project were defined, appropriate participants were included, until the final public-private partnership was successful in financing the \$500 Million endeavor, including \$155 Million in low-interest federal loans.



RAILROAD REHABILITATION AND IMPROVEMENT FUND ("RRIF")

Early dialogue about the potential for economic development and job creation in southern El Paso County hinged on a presentation about the history and success of the Union Station project in Denver. In many of the investigative conversations, the concept of a public-private partnership model was broached in light of that efforts demonstrable success. About one-third of the capital funding for Union Station, \$155 Million, came from the Railroad Rehabilitation and Improvement Funding Program ("RRIF") of the United States Department of Transportation (a flyer with information is included at Tab 3).

RRIF eligible projects are those which "Develop or establish new intermodal or railroad facilities" with "Direct Loans up to 100% of the Project Cost, Repayment periods up to 35 years and Interest Rates equal to U.S. Treasury rate for comparable securities." The Federal Register notice of the program suggests that the primary goal is to increase economic development and create jobs. In the case of the Union Station project, multiple municipal and private partners worked together to create an entity that could act as both the project developer and the borrower for the federal loan.

COLORADO GENERAL ASSEMBLY HOUSE BILL 15-1262

A further boost to this approach was provided by the Colorado General Assembly in its 2015 session, with legislation enacted which provides a possible structure for such an endeavor—House Bill 15-1262. Signed into law on May 20, 2015, this Act allows Counties, Municipalities, Special District and other political subdivision of the State of Colorado to establish an entity to provide public improvements. The Act is included at Tab 4. In other words, El Paso County, the City of Fountain and the City of Colorado Springs can now form a project-specific entity (by contract) that could partner with the private land owner if and when appropriate.

Conclusions and Recommendations

CONCLUSION

Without exception, when presented with the potential regional and economic benefits that derive from a rail-served industrial park in southern El Paso County, all parties contacted have expressed support for the concept. In most cases, whether the endeavor has merit is never questioned, but certainly many new questions and concerns are generated from each individual's perspective. For example, the City of Fountain economic development manager was enthusiastic about the job creation potential, but concerned about the possible impact to downtown Fountain from increased rail traffic. In certain configurations, a northbound train and a southbound train can render the downtown area inaccessible, given there are currently no grade-separated railroad crossings.

Many of the Colorado Springs Utility staff recognized the community value of such an economic development engine. At the same time, they were also appropriately cautious about regulatory constraints associated with energy operations, both present and future, at the Ray Nixon Power Plant. Nixon operates under a Title V Clean Air Act permit administered by the U. S. Environmental Protection Agency; hence, the Utility is under constant scrutiny in its activities.

The rail-served industrial park has great merit, and the ultimate viability will depend on a more detailed understanding of many parameters that still require definition. The conclusion of this Proof of Concept investigation is to continue with further diligence based on specific recommendations. Within the current engagement is a presentation of this material to elected officials as directed by the El Paso of Office County Economic Development.

RECOMMENDATIONS

Moving this economic development initiative forward requires increased depth of detail and investigation of new topic areas, such as a fiscal impact study. To proceed in a constructive manner, the process will also benefit from an organizational framework between the stakeholders. Recommendations are grouped in three categories: 1) Organization, 2) Further Diligence, and 3) New Topics.

1. ORGANIZATION

- Develop a Memorandum of Understanding between a "Core Group" of entities which defines expectations, goals, constraints and a level of support for the next phase of investigation.
- Convene a sequence of Core Group meetings to get the next phase underway.

2. FURTHER DILIGENCE

- Prepare a fiscal impact study that details jurisdictional economic benefits and includes prospective advantages for retention of Fort Carson.
- Subject to Item #1 above, prepare a presentation outlining the current project concepts for interested third parties, including but not limited to Edward C. Levy Company and the Regional Business Alliance.

3. NEW TOPICS

- Develop a Scope of Work for a Feasibility Study.
- Organize and prepare a grant request for completion of the Feasibility Study.

Acknowledgments

The Project Team of Gary Barber, Sole Proprietor and Kevin Butcher of CameronButcher Company, would like to acknowledge the contribution of Norris Design, specifically David Thorpe-Associate, Brandi Hall-Senior Associate, Jordan Dame-Principal and Mitch Black-Principal. Norris' expertise and professionalism are greatly appreciated.

End Notes

ⁱ US Economic Development Administration with assistance from the Federal Emergency Management Agency through the Economic Recovery Support Function (RSF). Additional assistance was provided by the Colorado Recovery Office, Colorado Department of Local Affairs, Colorado Office of Economic Development and International Trade, El Paso County, the City of Manitou Springs, the City of Colorado Springs, NOVACES LLC, and the International Economic Development Council (IEDC). *"In 2012 and 2013, El Paso County experienced an unprecedented series of natural disasters, which caused extensive damage and significantly impacted the pre-existing patterns of economic activity."*, p. 1

ⁱⁱ *"Yet a .38 ratio of job growth to population growth indicates that the region is not creating as many new jobs as it is attracting new residents."* EDAT Report, p. 56.

ⁱⁱⁱ Ratio of the total number of jobs created to the number of basic jobs created. A higher economic base multiplier implies a larger effect of the basic job creator on the total number of jobs.

<http://www.businessdictionary.com/definition/economic-base-multiplier.html#ixzz3k3F8EuP2>

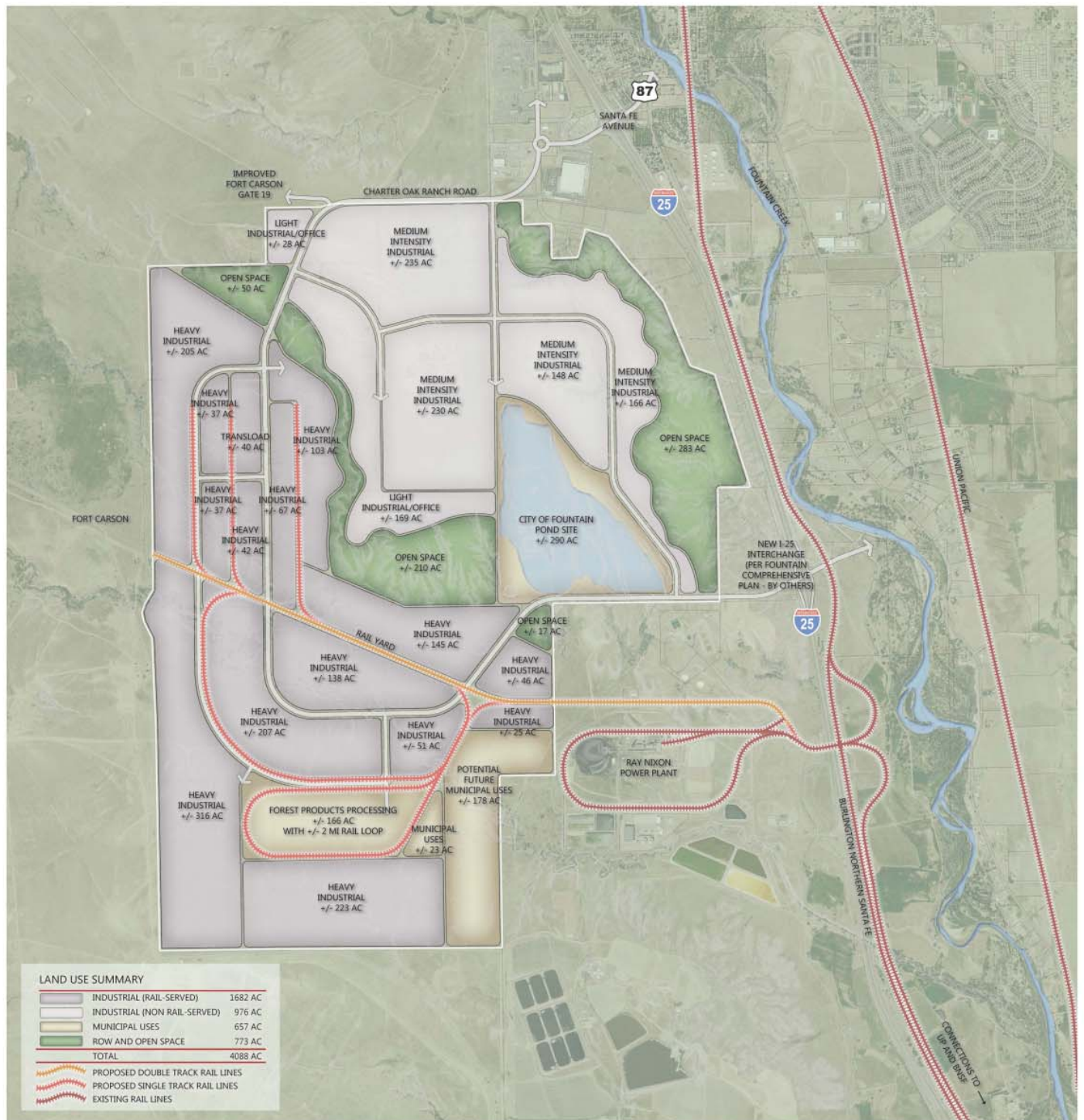
^{iv} A Proof of Concept is a small exercise to test a discrete design idea or assumption. http://www.contenthere.net/2007/03/poc-prototype-or-pilot-when-and-why_92.html

^v www.edwlevy.com/ *"Inspiration and commitment were the driving forces that gave Levy its start in 1918. It's the technology that we discover, explore, and apply that has earned Levy the reputation as a true innovator in industries around the globe. The Levy Group of Companies transforms our products into lightweight aggregates, asphalt, cement, concrete, agricultural products, and more. We provide services that include construction materials, road building, flame cutting and treatment, steel mill services, logistics, and laboratory testing."*

^{vi} The Federal Railroad Administration defines a Class I Railroad as having greater than \$467 Million in annual operating revenue. Association of American Railroads, "A Short History of U.S. Freight Railroads, May, 2015

^{vii} BNSF Railway Company, *"Design Guidelines for Industrial Track Projects,"* December, 2011; Union Pacific, *"New Track Construction Overview,"* March, 2009

^{viii} Federal Register / Vol. 75, No. 188 / Wednesday, September 29, 2010 / Notices: *"SAFETEA-LU amended the RRIF Program to, among other things, increase the amount of financial assistance available from \$3.5 billion to \$35 billion, and to increase the amount reserved for other than Class I railroads from \$1 billion to \$7 billion. (3) Promote economic development, and (4) Enable United States companies to be more competitive in international markets. In determining which projects best promote economic development and enable American companies to be more competitive in international markets, FRA will pay particular attention to projects that do the following: Lead to the construction, reconstruction or improvement of infrastructure or the acquisition of equipment or other capital assets on both freight and passenger (including commuter) rail corridors and related intermodal and multi-modal facilities that address capacity constraints in the Nation's transportation system and deliver integrated transportation system improvements, while spurring domestic employment in both the short-term and long-term."*



NOTE: THIS IMAGE IS CONCEPTUAL AND IS SUBJECT TO CHANGE.

RAIL INDUSTRIAL PARK CONCEPTUAL DESIGN

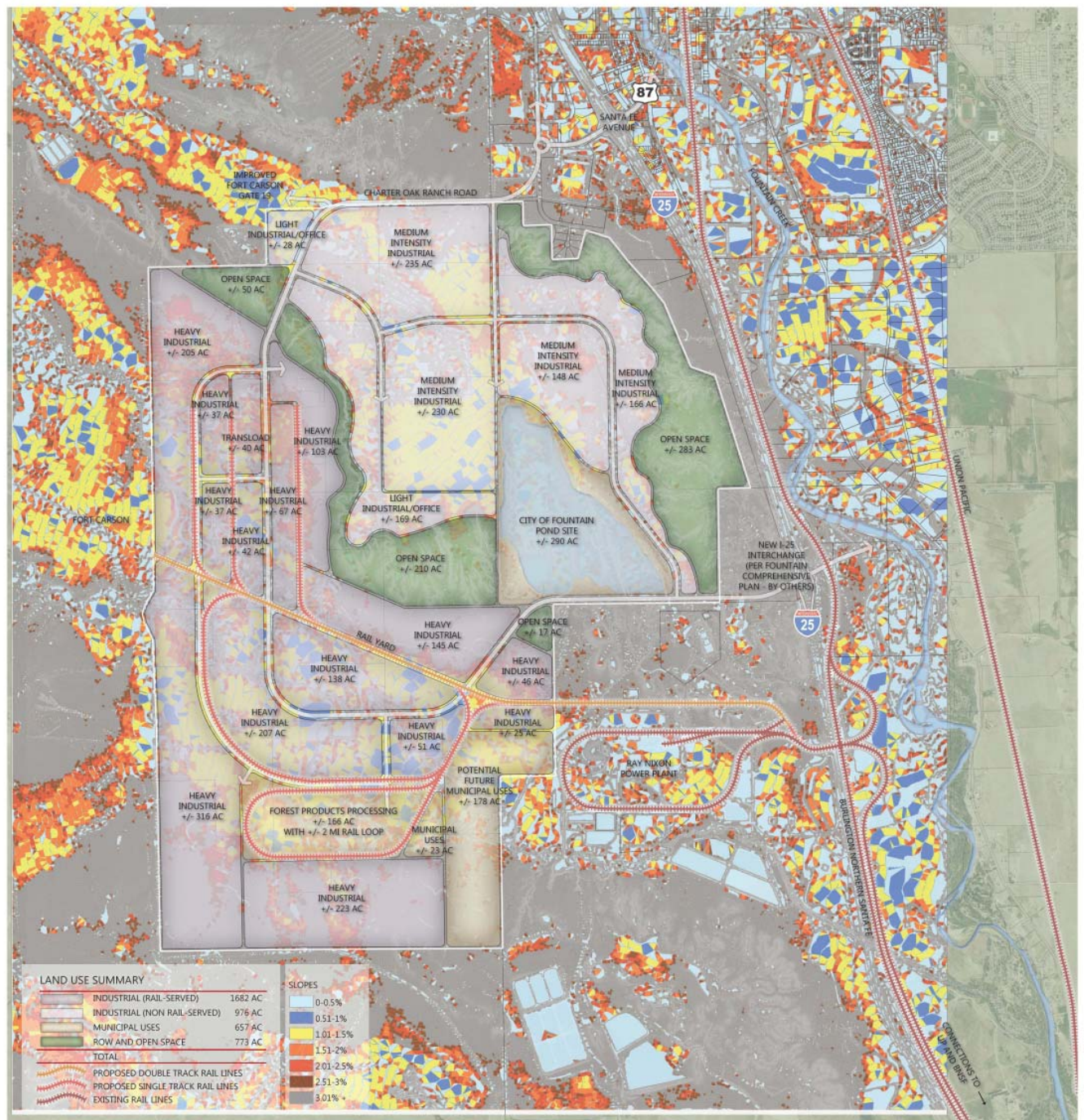
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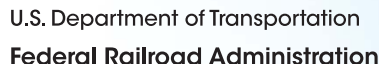


Rail Industrial Park Infrastructure

Internal Roads	11.6 miles
Railroad Tracks	17.5 miles



Rail Industrial Park Infrastructure	
Central Track (shown in gold)	Feet
Length from Switch to Ft. Carson	13,480
Elevation Gain	114
Railroad Track Slope	0.85%



The Railroad Rehabilitation and Improvement Financing (RRIF) Program provides direct federal loans and loan guarantees to finance the development of railroad infrastructure. The Federal Railroad Administration (FRA) will give priority to projects that provide public benefits, including benefits to public safety, the environment and economic development. In providing financial assistance through RRIF, FRA must fulfill its obligations under the National Environmental Policy Act and related laws, regulations, and orders. Please see the FRA Grants and Loans Web page for more information at www.fra.dot.gov.

- Railroads
- State and local governments
- Government-sponsored authorities and corporations
- Joint ventures that include at least one railroad
- Limited option freight shippers who intend to construct a new rail connection

- Acquire, improve or rehabilitate intermodal or rail equipment or facilities, including track, track components, bridges, yards, buildings and shops
- Refinance outstanding debt incurred for the purposes listed above
- Develop or establish new intermodal or railroad facilities

- Direct loans for up to 100% of the project cost
- Repayment periods up to 35 years
- Interest rates equal to U.S. Treasury rate for comparable-term securities
- A Credit Risk Premium is assessed as a percentage of the total loan amount and varies by the loan terms and overall risk of each unique transaction.
- Credit Risk Premium can be reduced with collateral, though collateral is not required
- Borrower pays an investigative fee for a financial advisor and outside counsel (The total investigative fee shall not exceed one half of one percent of the requested loan amount).

- Loan activity in 27 states and all US regions
- 35 loans executed for approx. \$2.7 billion
- 80% of loans have been executed with Class II and III railroads
- Amtrak is receiving 70 new American-made electric locomotives and upgrading maintenance facilities for Northeast Corridor services.
- MTA will implement PTC for LIRR and Metro North

Loan agreements executed since 2009

FY	Organization	Amount
'15	The Arkansas and Missouri Railroad Company	\$ 6,809,000
'15	Metropolitan Transportation Authority	\$ 967,100,000
'12	Alameda Corridor Transportation Authority	\$ 83,710,000
'12	Kansas City Southern Railway Company	\$ 54,648,000
'11	Northwestern Pacific Railroad Company and North Coast Railroad Authority	\$ 3,180,000
'11	Amtrak	\$ 562,900,000
'11	C&J Railroad	\$ 56,204
'10	Denver Union Station Project Authority	\$ 155,000,000
'10	Great Lakes Central Railroad	\$ 17,000,000
'09	Georgia & Florida Railways	\$ 8,100,000
'09	Permian Basin Railways, Inc.	\$ 64,400,000
'09	Iowa Interstate Railroad	\$ 31,000,000
	TOTAL	\$1,953,903,204

A map of the United States where states with high loan activity are highlighted in yellow. The highlighted states include Washington, Oregon, California, Nevada, Arizona, New Mexico, Texas, Colorado, Wyoming, North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, Minnesota, Iowa, Missouri, Arkansas, Louisiana, Mississippi, Alabama, Georgia, Florida, South Carolina, North Carolina, Virginia, West Virginia, Kentucky, Tennessee, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, West Virginia, Kentucky, Tennessee, and New York. States with low loan activity are shown in white.

NOTE: The governor signed this measure on 5/20/2015.



HOUSE BILL 15-1262

BY REPRESENTATIVE(S) Rosenthal, Lebsock, Singer;
also SENATOR(S) Balmer.

CONCERNING SEPARATE LEGAL ENTITIES ESTABLISHED BY A CONTRACT
BETWEEN TWO OR MORE POLITICAL SUBDIVISIONS OF THE STATE,
AND, IN CONNECTION THEREWITH, CLARIFYING THE LEGAL STATUS
AND SCOPE OF POWERS OF SUCH AN ENTITY.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, **add** 29-1-203.5 as follows:

29-1-203.5. Separate legal entity established under section 29-1-203 - legal status - authority to exercise special district powers - additional financing powers. (1) (a) ANY COMBINATION OF COUNTIES, MUNICIPALITIES, SPECIAL DISTRICTS, OR OTHER POLITICAL SUBDIVISIONS OF THIS STATE THAT ARE EACH AUTHORIZED TO OWN, OPERATE, FINANCE, OR OTHERWISE PROVIDE PUBLIC IMPROVEMENTS FOR ANY FUNCTION, SERVICE, OR FACILITY MAY ENTER INTO A CONTRACT UNDER SECTION 29-1-203 TO ESTABLISH A SEPARATE LEGAL ENTITY TO PROVIDE ANY SUCH PUBLIC IMPROVEMENTS. ANY SEPARATE LEGAL ENTITY ESTABLISHED IS A POLITICAL SUBDIVISION AND PUBLIC CORPORATION OF THE STATE AND IS SEPARATE FROM THE PARTIES TO THE CONTRACT IF THE CONTRACT OR AN AMENDMENT

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

TO THE CONTRACT STATES THAT THE ENTITY IS FORMED IN CONFORMITY WITH THE PROVISIONS OF THIS SECTION AND THAT THE PROVISIONS OF THIS SECTION APPLY TO THE ENTITY.

(b) A CONTRACT ESTABLISHING A SEPARATE LEGAL ENTITY DESCRIBED IN PARAGRAPH (a) OF THIS SUBSECTION (1) MUST SPECIFY:

(I) THE NAME AND PURPOSE OF THE ENTITY AND THE FUNCTIONS OR SERVICES TO BE PROVIDED BY THE ENTITY;

(II) THE ESTABLISHMENT AND ORGANIZATION OF A GOVERNING BODY OF THE ENTITY, WHICH MUST BE A BOARD OF DIRECTORS IN WHICH ALL LEGISLATIVE POWER OF THE ENTITY IS VESTED, INCLUDING:

(A) THE NUMBER OF DIRECTORS, THEIR MANNER OF APPOINTMENT, THEIR TERMS OF OFFICE, THEIR COMPENSATION, IF ANY, AND THE PROCEDURE FOR FILLING VACANCIES ON THE BOARD;

(B) THE OFFICERS OF THE ENTITY, THE MANNER OF THEIR SELECTION, AND THEIR DUTIES;

(C) THE VOTING REQUIREMENTS FOR ACTION BY THE BOARD; EXCEPT THAT, UNLESS SPECIFICALLY PROVIDED OTHERWISE, A MAJORITY OF DIRECTORS CONSTITUTES A QUORUM, AND A MAJORITY OF THE QUORUM IS NECESSARY FOR ANY ACTION TAKEN BY THE BOARD.

(2) (a) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (b) OF THIS SUBSECTION (2), A SEPARATE LEGAL ENTITY ESTABLISHED BY CONTRACT PURSUANT TO SECTION 29-1-203 MAY, TO THE EXTENT PROVIDED BY THE CONTRACT OR AN AMENDMENT TO THE CONTRACT AND DEEMED BY THE CONTRACTING PARTIES TO BE NECESSARY OR CONVENIENT TO ALLOW THE ENTITY TO ACHIEVE ITS PURPOSES, EXERCISE ANY GENERAL POWER OF A SPECIAL DISTRICT SPECIFIED IN PART 10 OF ARTICLE 1 OF TITLE 32, C.R.S., SO LONG AS EACH OF THE PARTIES TO THE CONTRACT MAY LAWFULLY EXERCISE THE POWER.

(b) A SEPARATE LEGAL ENTITY ESTABLISHED BY A CONTRACT PURSUANT TO SECTION 29-1-203 THAT SPECIFIES THAT THE PROVISIONS OF THIS SECTION APPLY TO THE ENTITY MAY NOT LEVY A TAX OR EXERCISE THE POWER OF EMINENT DOMAIN.

(3) IN ADDITION TO ANY OTHER POWERS SET FORTH IN A CONTRACT ENTERED INTO PURSUANT TO SECTION 29-1-203 THAT ESTABLISHES A SEPARATE LEGAL ENTITY AND SPECIFIES THAT THE PROVISIONS OF THIS SECTION APPLY TO THE ENTITY, SUCH AN ENTITY HAS THE FOLLOWING POWERS:

(a) TO ISSUE BONDS, NOTES, OR OTHER FINANCIAL OBLIGATIONS PAYABLE SOLELY FROM REVENUE DERIVED FROM ONE OR MORE OF THE FUNCTIONS, SERVICES, SYSTEMS, OR FACILITIES OF THE SEPARATE LEGAL ENTITY, FROM MONEY RECEIVED UNDER CONTRACTS ENTERED INTO BY THE SEPARATE LEGAL ENTITY, OR FROM OTHER AVAILABLE MONEY OF THE SEPARATE LEGAL ENTITY. THE TERMS, CONDITIONS, AND DETAILS OF BONDS, NOTES, OR OTHER FINANCIAL OBLIGATIONS, INCLUDING RELATED PROCEDURES AND REFUNDING CONDITIONS, MUST BE SET FORTH IN THE RESOLUTION OF THE SEPARATE LEGAL ENTITY AUTHORIZING THE BONDS, NOTES, OR OTHER FINANCIAL OBLIGATIONS AND MUST, TO THE EXTENT PRACTICAL, BE SUBSTANTIALLY THE SAME AS THOSE PROVIDED IN PART 4 OF ARTICLE 35 OF TITLE 31, C.R.S., RELATING TO WATER AND SEWER REVENUE BONDS; EXCEPT THAT THE PURPOSES FOR WHICH THE SAME MAY BE ISSUED ARE NOT LIMITED TO THE FINANCING OF WATER OR SEWERAGE FACILITIES. BONDS, NOTES, OR OTHER FINANCIAL OBLIGATIONS ISSUED UNDER THIS PARAGRAPH (a) ARE NOT AN INDEBTEDNESS OF THE SEPARATE LEGAL ENTITY OR THE COOPERATING OR CONTRACTING PARTIES WITHIN THE MEANING OF ANY PROVISION OR LIMITATION SPECIFIED IN THE STATE CONSTITUTION OR LAW. EACH BOND, NOTE, OR OTHER FINANCIAL OBLIGATION ISSUED UNDER THIS PARAGRAPH (a) MUST RECITE IN SUBSTANCE THAT IT IS PAYABLE SOLELY FROM THE REVENUES AND OTHER AVAILABLE FUNDS OF THE SEPARATE LEGAL ENTITY PLEDGED FOR THE PAYMENT THEREOF AND THAT IT IS NOT A DEBT OF THE SEPARATE LEGAL ENTITY OR THE COOPERATING OR CONTRACTING PARTIES WITHIN THE MEANING OF ANY PROVISION OR LIMITATION SPECIFIED IN THE STATE CONSTITUTION OR LAW. NOTWITHSTANDING ANYTHING IN THIS PARAGRAPH (a) TO THE CONTRARY, BONDS, NOTES, AND OTHER OBLIGATIONS MAY BE ISSUED TO MATURE AT SUCH TIMES NOT BEYOND FORTY YEARS FROM THEIR RESPECTIVE ISSUE DATES, SHALL BEAR INTEREST AT SUCH RATES, AND SHALL BE SOLD AT, ABOVE, OR BELOW THE PRINCIPAL AMOUNT THEREOF, AT A PUBLIC OR PRIVATE SALE, ALL AS DETERMINED BY THE BOARD OF DIRECTORS OF THE SEPARATE LEGAL ENTITY. INTEREST ON ANY BOND, NOTE, OR OTHER FINANCIAL OBLIGATION ISSUED UNDER THIS PARAGRAPH (a) HEREOF IS EXEMPT FROM TAXATION EXCEPT AS OTHERWISE MAY BE

PROVIDED BY LAW. THE RESOLUTION, TRUST INDENTURE, OR OTHER SECURITY AGREEMENT UNDER WHICH BONDS, NOTES, OR OTHER FINANCIAL OBLIGATIONS ARE ISSUED IS A CONTRACT WITH THE HOLDERS THEREOF AND MAY CONTAIN SUCH PROVISIONS AS THE BOARD OF DIRECTORS OF THE SEPARATE LEGAL ENTITY DETERMINE TO BE APPROPRIATE AND NECESSARY IN CONNECTION WITH THE ISSUANCE THEREOF AND TO PROVIDE SECURITY FOR THE PAYMENT THEREOF, INCLUDING, WITHOUT LIMITATION, ANY MORTGAGE OR OTHER SECURITY INTEREST IN REVENUE, MONEY, RIGHTS, OR PROPERTY OF THE SEPARATE LEGAL ENTITY.

(b) TO ACQUIRE, LEASE, AND SELL PROPERTY.

(4) A CONTRACT ENTERED INTO PURSUANT TO SECTION 29-1-203 THAT ESTABLISHES A SEPARATE LEGAL ENTITY AND SPECIFIES THAT THE PROVISIONS OF THIS SECTION APPLY TO THE ENTITY SHALL PROVIDE THAT, UPON DISSOLUTION OF THE SEPARATE LEGAL ENTITY, ALL OF ITS PROPERTY IS TRANSFERRED TO, OR AT THE DIRECTION OF, ONE OR MORE OF THE CONTRACTING POLITICAL SUBDIVISIONS.

SECTION 2. Safety clause. The general assembly hereby finds,

determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Dickey Lee Hullinghorst
SPEAKER OF THE HOUSE
OF REPRESENTATIVES

Bill L. Cadman
PRESIDENT OF
THE SENATE

Marilyn Eddins
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

Cindi L. Markwell
SECRETARY OF
THE SENATE

APPROVED _____

John W. Hickenlooper
GOVERNOR OF THE STATE OF COLORADO



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