


# FREIGHT FINANCE OPTIONS





The railroads in Iowa are all privately owned businesses. The railroads are a capital-intensive industry that invests in and maintains their own right of way, track, bridges, structures, equipment, and facilities. When a company or community chooses to invest in rail infrastructure, it can represent a large initial investment, often more than a company can afford without assistance or creative financing. Access to rail provides users many advantages and also benefits public transportation agencies by reducing highway maintenance and congestion. Rail transportation also provides environmental benefits for the public.

Rail development projects are typically complex. They require land, track, and equipment and often include facility investments for storage and freight handling. The rail funding programs listed below come from a variety of state and federal programs. Most programs have a defined eligibility that specifies types of projects and organizations eligible to apply.

When considering any capital investment, a solid business plan is a good first step. Understanding expected shipment volumes, competitive rate structures, and return-on-investment is necessary to justify funding for rail projects. Matching funds are often important for both loan and grant applications.

## **FINANCING AND BUSINESS ASSISTANCE**

The federal, state, and local governments all have business assistance or funding programs in place that can assist you in various ways. Each state university in Iowa has some form of business assistance services available to help you with your business plan. Your local economic development organization may also be aware of additional local or regional resources or contacts. The Iowa Economic Development Authority has trained professionals available to help you navigate state incentive programs, regulatory assistance, and other business development options.

Most shortline railroads and Class I railroads are familiar with rail development programs. They can help you identify engineering and planning resources to help you develop your project and estimated costs in order to apply for funding. Many Class I railroads have a structured process for seeking their approval for new rail development projects that connect to their network. Most funding programs will require that the connecting railroad provides approval for the project plans.

The following pages detail funding programs that have or could potentially assist in financing a rail development. This is by no means an exhaustive list, but includes details on proven programs. To begin the process, it is often helpful to consider project eligibility. Some funding programs are available for railroad applicants or businesses; some might only be available to or must be sponsored by a public/government agency, such as the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program. Review different programs and make sure your project fits the program objectives. For example: Congestion Mitigation and Air Quality Improvement Program grants seek to improve the environment through the reduction of greenhouse gas emissions. Some programs focus on job creation and are designed to support economic development. Other funding programs prioritize exporting assistance and rail safety.

Each public or private funding source may use different evaluation criteria. Finding a funding source, or combination of sources, that aligns well with the specifics of your project or that match your goals can be the key to successfully obtaining financing assistance.

## State programs

### Railroad Revolving Loan and Grant (RRLG) Program

**Eligible projects:** Economic development, rail network, and rail port planning.

**Program objectives:** To build or improve rail infrastructure or facilities that will spur economic development and job growth; provide assistance to railroads for the preservation and improvement of the rail transportation system; and planning studies related to rail development.

**Website:** [www.iowadot.gov/iowarail/financial-assistance/rrlgp](http://www.iowadot.gov/iowarail/financial-assistance/rrlgp)

### Revitalize Iowa's Sound Economy (RISE) Fund

**Eligible projects:** Construction or improvement of primary roads, secondary roads, city streets, state park roads, and county conservation parkways.

**Program objectives:** To promote economic development in Iowa through construction or improvement of roads and streets.

**Website:** [www.iowadot.gov/systems\\_planning/grant-programs/revitalize-iowa-s-sound-economy-rise-program](http://www.iowadot.gov/systems_planning/grant-programs/revitalize-iowa-s-sound-economy-rise-program)

### Iowa's Clean Air Attainment Program (ICAAP)

**Eligible projects:** Eligible projects will fall into one of the following categories –

- Investments that reduce emissions via traffic flow improvements and provide a direct benefit to air quality by addressing ozone, carbon monoxide, or particulate matter PM-2.5 or PM-10.
- Investments that reduce vehicle miles of travel.
- Investments that reduce single-occupant vehicle trips; or other transportation improvement projects that improve air quality or reduce congestion.

**Program objectives:** This program funds highway/street, transit, bicycle/pedestrian, or freight projects or programs that help maintain Iowa's clean air quality by reducing transportation-related emissions. Eligible highway/street projects must be on the federal-aid system.

**Website:** [www.iowadot.gov/systems\\_planning/grant-programs/iowa-clean-air-attainment-program-icaap](http://www.iowadot.gov/systems_planning/grant-programs/iowa-clean-air-attainment-program-icaap)

### Highway-Railroad Crossing Safety Program

**Eligible projects:** Public grade crossings. Priorities are determined through a benefit-cost analysis that takes into consideration the extent of vehicle and train traffic at the crossing, speed of trains, certain characteristics of the crossing, effectiveness of the proposed improvement, estimated cost of the improvement, and other factors. Generally, those crossings with a high probability for a serious crash with a proposed improvement anticipated to be effective and cost-efficient will receive the highest priority.

**Project objectives:** This federally funded program improves the safety of public highway-railroad grade crossings.

**Website:** [www.iowadot.gov/iowarail/safety/federal-aid-crossing-safety-program](http://www.iowadot.gov/iowarail/safety/federal-aid-crossing-safety-program)

### Highway-Railroad Crossing Surface Repair Program

**Eligible projects:** Public grade crossings.

**Program objectives:** This program assists railroad companies and public road jurisdictions with rebuilding public highway-railroad grade crossing surfaces in Iowa. Both the railroad and the public road jurisdiction must enter into a project agreement.

**Website:** [www.iowadot.gov/iowarail/financial-assistance/crossing-programs](http://www.iowadot.gov/iowarail/financial-assistance/crossing-programs)

The Iowa DOT's Office of Rail Transportation has experience with each of these programs and is available to help you conceptualize your project. Depending on the project scope, the Iowa Economic Development Authority can assist you with economic development programs.

## Federal rail programs

### Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grants

**Eligible projects:** Transportation infrastructure projects sponsored by state, local, and tribal governments, metropolitan planning organizations, other political subdivisions of state or local governments, and multijurisdictional groups.

- Highway or bridge projects eligible under 23 U.S.C. 53.
- Public transportation projects eligible under chapter 53 U.S.C. 53.
- Freight rail projects.
- High-speed and intercity passenger rail projects.
- Port infrastructure investments.

**Program objectives:** Invest in road, rail, transit, and port projects that promise to achieve critical national objectives and have a significant impact on the nation, a region, or a metropolitan area.

**Website:** [www.dot.gov/tiger](http://www.dot.gov/tiger)

### Railroad Rehabilitation & Improvement Financing (RRIF) Program

**Eligible projects:** Acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, bridges yards, buildings and shops, and to develop or establish new intermodal or rail facilities.

**Program objectives:** Loans to develop railroad infrastructure.

**Website:** [www.transportation.gov/tiger](http://www.transportation.gov/tiger)

### Transportation Infrastructure Finance and Innovation Act (TIFIA)

**Eligible projects:** Help advance qualified, large-scale projects that otherwise might be delayed or deferred because of size, complexity, or uncertainty over the timing of revenues. Many surface transportation projects including railroad, and intermodal freight are eligible for assistance.

**Program objectives:** Direct loans, loan guarantees, and standby lines of credit to finance surface transportation projects of national and regional significance.

**Website:** [www.transportation.gov/buildamerica/programs-services/rrif](http://www.transportation.gov/buildamerica/programs-services/rrif)

### Economic Development Assistance Program

**Eligible projects:** Construction, nonconstruction, technical assistance

**Program objectives:** To leverage regional assets and support the implementation of economic development strategies that advance new ideas and creative approaches to advance economic prosperity in distressed communities.

**Website:** [www.eda.gov/funding-opportunities](http://www.eda.gov/funding-opportunities)

## FINANCE CASE STUDY 1:

### Boone and Scenic Valley Railroad (BSVRR)

#### Project

Rehabilitate track leading to existing and potential customers and build/replace old spurs to provide access to those customers.



#### Background

In late 2015, the railroad's infrastructure was in need of a lot of work. There was only one customer, with a second customer under construction. The line serving these customers was older and in need of upgrading. The railroad wanted to be prepared to serve both of these as well as potential new customers in an industrial park that was planned next to their line.

#### Rail finance approach

In late 2015 the Boone & Scenic Valley Railroad was awarded a grant and loan totaling \$556,050.00 from the Iowa DOT Office of Rail Transportation -- Railroad Revolving Loan and Grant Program (RRLG). Thanks to the RRLG, the railroad was able to upgrade the track, including the installation of a siding and the rehabilitation or replacement of several switches.

#### Results

- Two of the switches that were replaced served spurs for industrial sites that weren't using rail service at the time. Subsequently, in late 2017 and early 2018 those two sites were sold to industries that are or will be using rail service.
- The financing from this program made it possible for the railroad to increase their customer base from one to four in a short time period.
- Looking to the future, the area to the north of the mainline is planned to be an expansion of the current Boone Industrial Park. It is in the process of being accredited by the Iowa Economic Development Authority as an Iowa Certified Site. This industrial site is planned for as many as 17 industries, of which at least 10 will have the potential of direct rail service.

## **FINANCE CASE STUDY 2:**

### Des Moines Cold Storage Crossroads Cold Storage Rail Spur

#### **Project**

Des Moines Cold Storage was building a new 110,000 square foot cold storage warehouse facility in Des Moines. The facility will be exporting frozen food such as beef and pork, by rail. There was an existing spur nearby that they needed to repair and extend to the new facility.



#### **Background and finance approach**

A partnership between Des Moines Cold Storage, local banks, and the Railroad Revolving Loan and Grant Program (RRLG) allowed the company to upgrade and repair the existing spur and extend it to serve their new facility. Des Moines Cold Storage leveraged commercial financing with a no-interest, 10-year loan of \$385,000 from the RRLGP to finance the project.

#### **Results**

The company completed the project in 2017. The project is expected to add 13 employees to their operations as a result of the project; and they expect to ship up to 1,500 rail cars within the first three years of operation.



## **FINANCE CASE STUDY 3:**

### Iowa Corn Processors Rail Expansion

#### **Project**

Add two additional tracks on company property to allow for additional production and facilitate interchange with the serving railroad.



Prior to this project, Iowa Corn Processors (ICP) was served by a single track that was approximately 1,800 feet in length. That set-up required the serving railroad to make multiple entries and exits to the property to deliver empty cars and take away loaded cars. This was inefficient for the railroad because it tied up their main-line tracks causing congestion along the system.

With the additional tracks, the railroad is able to drop off and pick up cars in just two steps. This significantly reduces the amount of time the railroad has to spend on ICP property and reduces congestion on the railroad main line.

#### **Rail finance approach**

In 2014 ICP was a grant and a loan totaling \$419,000 from the Iowa DOT Office of Rail Transportation – Railroad Revolving Loan and Grant Program (RRLG) which they matched from other funding sources.

#### **Results**

The added lines to this facility had a two-fold benefit. They allowed for efficiencies in arrival and departure of cars. And they have allowed the company to expand their operations.