

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: January 19-20, 2011

Reference No.: 4.7
Information

From: NORMA ORTEGA
Chief Financial Officer

Prepared by: Brent L. Green
Chief
Division of Right of Way and
Land Surveys

Subject: **RIGHT OF WAY REVIEW AND VALUATION ANALYSIS FOR THE PROPOSED
SANTA CRUZ BRANCH LINE ACQUISITION, PER RESOLUTION G-95-09**

SUMMARY:

At the January 19-20, 2011 California Transportation Commission (Commission) meeting, the Santa Cruz County Regional Transportation Commission (SCCRTC) will request an allocation of Proposition 116 and State Transportation Improvement Program (STIP) funds in the amount of \$14,200,000 (\$14.2 million) for purposes of acquiring approximately 32 miles of the Santa Cruz Branch Line from Union Pacific.

Commission Resolution G-90-17 "Right of Way Review Policy" as amended by Resolution G-95-09 requires a local agency requesting allocation of State funds for rail projects when right of way is to be acquired to submit documentation for review in support of its request. The Resolution provides for the California Department of Transportation's (Department) review of the transaction prior to the allocation of funds and a determination whether the transaction is fair and reasonable.

The Department is not a party to the proposed transaction and did not participate in nor was privy to any negotiations resulting in the ultimate price agreed upon by Union Pacific and SCCRTC. The price is based on a number of factors, including, but not limited to a fair market appraisal, arms-length negotiations solely between Union Pacific and SCCRTC, and other considerations impacting the transaction.

The Department's review is based on an analysis of SCCRTC's appraisal for this transaction. SCCRTC retained an appraiser licensed by the State of California to appraise the acquisition. SCCRTC's appraiser used the Net Liquidation Value (NLV) method of appraisal. This method is an acceptable and appropriate appraisal procedure for rail line acquisitions.

SCCRTC's appraiser valued the property rights at \$12,275,000. This appraisal includes \$1,100,000 for a section of the property in which legal title was questionable based on the lack of adequate legal descriptions and boundaries. Nevertheless, based on the appraiser's professional judgment, a reconciliation of value could be supported at \$12,275,000.