MEMORANDUM

To: Council Members

From: Staff

Date: June 20, 2014 Council Meeting

Subject: All Aboard Florida Update

Introduction

The purpose of this item is to provide an update regarding activities related to the Florida East Coast Industries’ (FECI) proposed All Aboard Florida (AAF) project. The project is intended to provide new high-speed intercity express service between Miami and Orlando on the Florida East Coast (FEC) rail corridor. Pursuant to the company’s application for a Railroad Rehabilitation and Improvement Financing (RRIF) loan, the Federal Railroad Administration (FRA) is developing a draft Environmental Impact Statement (EIS), which is anticipated to be released mid-2014.

Background

In 2012, FECI introduced the AAF project, which proposes new intercity express rail service between downtown Miami and Orlando, with additional stations in downtown Fort Lauderdale and downtown West Palm Beach. The project has been the subject of extensive Council, local government, and public discussion since its announcement. As currently proposed, the project would provide 16 daily round-trip trains, totaling 32 additional trains on the corridor with maximum speeds of 79 MPH south of West Palm Beach, 110 MPH between West Palm Beach and Cocoa, and 125 MPH from Cocoa to Orlando. The company has indicated the FEC rail corridor will continue to carry freight service, which is projected to increase over time. Although the rail corridor is privately owned, it is included in the Florida Department of Transportation (FDOT) Strategic Intermodal System, which prioritizes it for statewide transportation funding to advance economic competitiveness and quality of life.

Two categories of project-related activities are summarized below: 1) action items, for which Council action is requested, and 2) general project updates, which summarize relevant activities related to the project.
Action Items

Request from Indian River County Metropolitan Planning Organization (MPO) to revise March 10, 2014 memoranda to Governor and Legislative delegations to remove references to freight rationalization, Tri-Rail Coastal Link, and Amtrak.

On March 10, 2014, Council transmitted memoranda to Governor Scott and the Legislative and Congressional delegations identifying concerns regarding anticipated impacts from the proposed AAF project. The memoranda indicated the project as designed tended to concentrate benefits in communities where stations are proposed while unfairly distributing costs along the corridor. The memoranda detailed the following list of measures that could help mitigate impacts from the project and more fairly distribute benefits:

- State Funding for Quiet Zone Improvements
- Additional Stations and Stops in Martin, St. Lucie and Indian River Counties
- Mitigating Railroad Bridge and Navigation Conflicts
- Freight Rationalization, with a Reallocation of Freight to the CSX Rail Corridor
- Broadband Access to Public and Select Not-for-Profit Institutions at a Discounted Rate
- Establish a Reasonable and Predictable Rate Structure for Municipal Grade Crossings
- Resolve Commuter Rail Access Fees and Terms

This broad list of issues was identified pursuant to Council discussion and extensive public input regarding the AAF project, including input received during project presentations, town hall meetings, and one-on-one briefings with elected officials. At its March 21, 2014 meeting, Council approved subsequent correspondence to the FRA requesting the agency give full consideration to a similar list of issues in the preparation of the project’s pending draft EIS.

In correspondence dated May 15, 2014, the Indian River County MPO requested Council revise its correspondence to the Governor and Legislative delegations to delete references to topics it suggests are not directly related to the AAF proposal and its impacts. The requested deletions include references to freight rationalization and other passenger rail service, such as Tri-Rail Coastal Link, and Amtrak service (Exhibit 1). The freight and passenger rail networks, their interconnected relationship, and their relationship to the AAF project are discussed below.

Freight Rail Network. Southeast Florida contains two primary rail corridors that are interconnected in various locations, as well as secondary rail corridors (Exhibit 2). The FEC rail corridor runs east of I-95 from Miami to Jacksonville, and includes direct connections to all four seaports (PortMiami, Port Everglades, Port of Palm Beach, and Port of Fort Pierce) as well as Miami International Airport. The South Florida Rail Corridor/CSX rail corridor runs mostly west of and parallel to I-95 from Miami to Mangonia Park, where the corridor then begins a northwesterly alignment towards Lakeland. The State of Florida purchased the former CSX rail corridor from Miami to Mangonia Park to establish the Tri-Rail service; however, CSX retained exclusive freight control over the corridor. The rail line is also directly connected to Miami International Airport. The two primary rail lines include a series of interconnections, including Miami (referred to the Iris Connection), West Palm Beach (referred to as the Northwood
Connection), and Fort Pierce, with substantial improvements funded for the Miami and West Palm Beach connections. In addition to the two primary rail lines is the South Central Florida Express short-line railroad, which is operated by the U.S. Sugar Corporation for freight service around Lake Okeechobee. Given the projected freight demand on the existing rail network, FDOT is undertaking a feasibility study for the introduction of a new freight rail line along Highway US 27, which would provide a third north/south rail line from Miami into central Florida.

The widening of the Panama Canal, currently anticipated to be open in 2017, will enable substantially larger cargo vessels to traverse the canal. Current dredging projects at PortMiami and Port Everglades will enable these larger ships to dock at the two southern-most ports, and pending rail improvements will allow cargo to be transferred to rail more efficiently. Given these factors, the state anticipates considerable increases in freight demand on the freight network over time, including rail and truck traffic. These improvements are being analyzed as part of the Regional Freight Plan for Miami-Dade, Broward, and Palm Beach counties, referred to as Cargo 2040, which is currently under development. Council staff is arranging a presentation of the Cargo 2040 plan as well as a broader freight presentation by FDOT for a future Council meeting.

**Freight Rationalization.** The concept of balancing the collection and distribution of freight within a network is referred to as freight rationalization. The goal of rationalization is to balance the movement of freight on various transportation corridors to achieve the greatest efficiency for all transportation modes, specifically including freight transportation, passenger rail service, and travel on roadway networks. Within southeast Florida, freight rationalization includes consideration of the movement of freight on all components of the transportation network, including airports and seaports, rail and roadway systems, and related facilities such as intermodal centers. Freight traffic can also be adjusted depending on connections to cargo ports, intermodal centers, and rail interconnections. For freight rail, it is important to note the distinctions between local freight trains, which stop at many destinations along a route, leaving empty cars to be collected at a later date, and through freight trains, which travel through stops along a route, only stopping to load or unload cargo at their final destinations. While local freight is a component of a gathering/distribution network that can provide freight access for multiple businesses, through freight tends to operate with long-distance, longer trains.

**Passenger Rail Service.** Currently, there are two passenger rail services operating on the South Florida Rail Corridor/CSX, including Tri-Rail’s commuter service, which operates from Miami to Mangonia Park, and Amtrak’s long-distance service, which operates from Miami to Lakeland and throughout Florida. Long-term, Tri-Rail’s expanded Coastal Link commuter service is anticipated to operate on the FEC rail corridor from Miami to Jupiter. Amtrak service is also anticipated to operate on the FEC rail corridor from the Northwood Connection, where it would crossover from the South Florida Rail Corridor/CSX onto the FEC, north to Jacksonville. FDOT’s forecasts indicate continued population growth with limited roadway network expansion, which increase the demand for rail-based transit as a critical component of the future multi-modal transportation network to maintain mobility and connectivity throughout southeast Florida.
The southeast Florida rail network is a multi-user system, carrying both passenger and freight service since its development in the late 1800s. There are distinct relationships between the two different rail transportation users, with opportunities for shared infrastructure as well as limitations that require some exclusive use. The balancing of freight and passenger rail service on the southeast Florida rail network is a complex issue with long-term implications for the region. This issue is further complicated by the corporate structure of FECI, with Florida East Coast Railroad (FECR) identified as a separate but related division within the parent company, Fortress Investment Group, and the cross-easement relationships between the two divisions for the operation of both passenger and freight service in the same rail corridor.

More information is necessary regarding the larger freight picture and the freight/passenger relationship to more effectively evaluate the AAF project. Further, if the AAF project advances, additional passenger rail service, such as the proposed Tri-Rail Coastal Link and Amtrak projects, could accomplish local priorities, expand access to passenger rail service, and help offset project impacts. Consideration of both freight and other passenger rail services will enable the most informed and comprehensive evaluation of the AAF project and the greatest opportunity to identify efficiencies and potential mitigation measures to offset project impacts and achieve a more balanced outcome for the region. Council should maintain a broad view of the All Aboard Florida project, its impacts, and potential mitigation measures as detailed in its March 10, 2014 memoranda to the Governor and Legislative delegations and not delete references to freight and other passenger rail services.

Request from Indian River County MPO for Council to request the FRA RRIF loan collateral from AAF be in the form of liquid assets with real marketable value.

As previously discussed by Council, FECI is seeking a RRIF Loan from the FRA to help fund improvements to establish the AAF project. Considerable concern has been raised by Council and the public regarding the project’s cost, which the company has indicated is approximately $2.25 Billion, and the company’s ability to repay a RRIF loan if granted. Company representatives have indicated the RRIF loan collateral will include the tracks to be constructed with RRIF loan funds, stations, train equipment, and the right to operate passenger rail in the corridor. Instead of the collateral proposed by FECI, the Indian River County MPO has requested the FRA ensure the RRIF loan collateral “take the form of liquid assets with real marketable value (as opposed to illiquid assets such as rail easements and track), and the value of these assets be in excess of the loan amount.” The MPO has requested Council make a similar request of the FRA in correspondence dated May 22, 2014 (Exhibit 3). Liquid asset collateral would directly address Council’s concerns regarding the potential for a RRIF loan default and the ability of FECI to reimburse the federal government for project-related costs. Council should send correspondence to the FRA requesting FECI be required to provide cash collateral for its requested RRIF loan for the AAF project.

General Project Updates

- FRA staff has indicated the agency has agreed with FECI to extend the public comment period for the draft EIS from 90 to 75 days. FRA has denied several requests by Council and others to reconsider an extension to 90 days.
Council has received correspondence from local governments and elected officials as noted below. All documents are available on Council’s website.

- The Town of St. Lucie Village Board of Alderman adopted Resolution 2014-5 on May 20, 2014 identifying the Village’s concerns regarding the AAF project and requesting the State of Florida and FRA require: 1) AAF fund, with no governmental assistance, all costs related to the AAF project, and 2) take all necessary steps to preserve and enhance the quality of life for the residents, businesses, and visitors of the Town of St. Lucie Village.

- The FDOT indicated in correspondence to the City of Palm Beach Gardens on May 20, 2014 that it will require AAF to comply with FRA’s emerging high speed rail guidelines for crossing safety improvements where AAF plans to operate trains in excess of 80 miles per hour. This issue was raised previously by Council as well. The correspondence also indicated the FRA is responsible for enforcing rail safety regulations and compliance for emergency response actions. FDOT also noted the FRA is responsible to ensure AAF mitigates any significant impacts that affect the quality of the human environment, highlighting the FRA’s role in coordination of the environmental impact statement.

- The City of Fort Pierce requested Governor Scott seek a 90-day public comment period following the publication of the draft EIS, which is noted in its correspondence dated May 22, 2014.

- Florida Representative MaryLynn Magar (District 82) sent correspondence to AAF President and CEO Donald Robinson on May 22, 2014 raising concerns about the AAF project, its impacts on neighborhoods and residents, marine navigation and bridge operations, emergency vehicle circulation, noise, disruption, and economic impacts.

- The Martin County Board of County Commissioners adopted Resolution 14-6.5 on June 4, 2014 identifying the County’s concerns regarding detrimental impacts by AAF on the environment and residents of Martin County, urging the U.S. Department of Transportation and State of Florida require AAF to completely address concerns raised in the resolution, and requiring AAF pay for all costs associated with the proposed AAF service.

- Governor Scott sent correspondence to AAF President Michael Reininger on June 9, 2014 regarding citizen concerns about the AAF project, state funding to match local government funds for quiet zones, and requesting a detailed conversation with local communities about the project (Exhibit 4). The letter includes a request to extend the public comment period on the draft EIS to 90 days, noting “the state does not have the authority to halt or alter this project.” The letter also requests AAF review the impacts on the St. Lucie and Loxahatchee River railroad drawbridges to address local concerns.
• On May 21, 2014, AAF released economic impact study prepared by The Washington Economics Group, Inc., which evaluates the economic impacts of the rail-line construction and operations as well as the construction and operations of project-related transit-oriented development (Exhibit 5). The study indicates the AAF project will have a state-wide economic benefit of $6.4 Billion over the next eight years, with positive impacts projected to Florida’s gross domestic product, labor income, and tax revenue at various levels. The study also indicates the project will result in more than 10,000 jobs annually during rail line construction between 2014-2016, and 5,000 jobs annually after construction is completed through 2021. The study suggests the estimated $2 Billion in economic impact from rail line construction will be spread across the eight counties through which the project will travel. The study focuses on positive economic impacts, but it does not appear to include an evaluation of any of the negative impacts discussed by Council.

• The adopted State of Florida budget for 2014-2015 includes a $10 Million allocation to create an FDOT grant program to fund up to 50 percent of the local cost of quiet zones along the AAF project corridor.

• Since the last Council meeting, Council staff has continued to provide project updates as requested by local governments and others. Recent updates have been provided to the Village of Tequesta Community Forum, St. Lucie County Board of County Commissioners, and Martin County Economic Council Executive Committee.

Conclusion

The proposed AAF project represents a unique opportunity to expand the utilization of a private freight corridor for economic benefit and mobility. However, as currently designed, the project provides only one station in the region, which is located in the City of West Palm Beach. The AAF project does not have stops in the remainder of the region. There is also an increasing level of concern being raised by local governments and the public regarding a range of issues. Council staff will continue to respond to requests for public information and outreach in an effort to expand Council’s and the public’s knowledge of project-related issues and concerns.

Recommendation

Council should: 1) maintain a broad view of the All Aboard Florida project, its impacts, and potential mitigation measures as detailed in its March 10, 2014 memoranda to the Governor and Legislative delegations and not delete references to freight and other passenger rail services; and 2) prepare correspondence to the Federal Railroad Administration requesting Florida East Coast Industries, Inc. be required to make the loan according to sound underwriting processes and provide collateral coverage that is adequate as if it were made in the private sector for its requested Railroad Rehabilitation and Improvement Financing loan for the All Aboard Florida project.

Attachments
May 15, 2014

Mr. Michael Busha
Treasure Coast Regional Planning Council
421 SW Camden Ave.
Stuart, FL 34994

Dear Mr. Busha:

Please be advised that on May 14, 2015, the Indian River County MPO voted to request that the Treasure Coast Regional Planning Council revise its March 10th, 2014 memoranda to the Governor and to the Legislative Delegations to remove references to topics not directly related to the All Aboard Florida proposal and its impacts. The requested deletions included references to freight rationalization and the relocation of freight enterprises to the western (CSX) rail corridor, as well as references to the Tri-Rail Coastal Link and Amtrak proposals. As explained at the meeting, this request was put forward in order to focus the efforts of the TCRPC on All Aboard Florida and its potential impacts.

Thank you for your consideration.

Sincerely,

[Signature]

Phillip J. Matson, AICP
MPO Staff Director

cc: Mayor Susan Adams, MPO Board Chairman
    Stan Boling, AICP
May 22, 2014

Mr. Michael Busha
Treasure Coast Regional Planning Council
421 SW Camden Ave.
Stuart, FL 34994

Dear Mr. Busha:

Please be advised that on May 14, 2015, the Indian River County MPO voted to ask the Federal Rail Administration to ensure that the collateral offered by All Aboard Florida to secure the Federal Railroad Rehabilitation and Infrastructure Finance (RRIF) Loan take the form of liquid assets with real marketable value (as opposed to illiquid assets such as rail easements and track), and the value of these assets be in excess of the loan amount.

Because of the impact this action has on all Treasure Coast communities, we ask that this information be placed on the agenda at the next TCRPC meeting for their consideration.

Thank you for your consideration.

Sincerely,

[Signature]

Phillip J. Matson, AICP
MPO Staff Director

cc: Mayor Susan Adams, MPO Board Chairman
    Stan Boling, AICP
June 9, 2014

Mr. Michael Reininger
President, All Aboard Florida
2855 Le Jeune Road, 4th Floor
Coral Gables, Florida 33134

Dear Mr. Reininger:

As I have traveled the state, I have heard questions and concerns about All Aboard Florida’s proposed passenger rail service from Miami to Orlando. First, I want to be clear on a critical point: the All Aboard Florida proposal is a private sector venture to construct, operate and maintain a passenger rail system. There will be no state subsidies for this project.

Funding in the budget for quiet zones was added at the request of local governments, planning councils and legislators along the Treasure Coast. This grant funding is for local governments and not committed for All Aboard Florida. If local communities now oppose these dollars they can notify the Florida Department of Transportation (FDOT) and those dollars will be redirected for other transportation priorities. Additionally, these communities committed to a 1-to-1 match so local dollars must be matched to state dollars before the projects can move forward.

In response to local communities’ questions about All Aboard Florida, we must ensure that there is a detailed conversation about this new rail service. Many families are worried about how these additional trains will affect their neighborhoods and their concerns should be heard. That is why this week, I tasked FDOT Secretary Ananth Prasad with meeting community leaders and area legislators on All Aboard Florida to listen to their concerns and ensure their voices are heard by the Federal Railroad Administration (FRA), which is the lead agency on this project. As you know, All Aboard Florida has applied for a Railroad Rehabilitation and Improvement Financing (RRIF) loan through the Federal Railroad Administration, and federal processes required for loan approval include ensuring the project complies with 26 individual, federal regulations. To better enable federal officials to do what’s best for Florida families, we’ll supply input from our communities to those in Washington who are overseeing this project.

THE CAPITOL
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Additionally, there has been much discussion on our investments into the Orlando International Airport. This project was planned in the 1990s, well before the existence of All Aboard Florida, and the investments are for an intermodal facility that is similar to other airports in Florida. These dollars are for the airport’s intermodal facility, which includes rental car space, parking garages and rail lines. Our agreement stipulates that any funding invested for non-airport use must be returned to the state, thus any terminal used by All Aboard Florida would not be subsidized by state dollars.

The Federal Railroad Administration is the lead agency and is currently working on a draft Environmental Impact Statement (EIS) for the project, an essential part of that process is a public comment period. While the state does not have the authority to halt or alter this project, I request that you expand the current public comment period from 75 days to 90 days. This additional time will allow communities more opportunity to have their specific concerns addressed.

Specifically, the communities surrounding the railroad drawbridges over the New River, St. Lucie River and Loxahatchee River have raised concerns about the impacts from this proposed project. Florida has over a thousand miles of coastline, and access to the water for boating is one of the things that make Florida so special. I understand that All Aboard Florida has taken specific steps for the New River Crossing including the reduction of the bridge cycle to limit the delays faced by boaters. During the public comment period, please also review the situation at the St. Lucie and Loxahatchee river crossings to address local concerns.

As you continue to outline your plans for All Aboard Florida, please be sensitive to the impact of additional rail traffic in the rail corridor to our communities, their home values and public safety. Thank you for seriously considering these concerns about the All Aboard Florida project and I look forward to your quick response.

Sincerely,

Rick Scott
Governor

cc: All Interested Parties
ECONOMIC IMPACT STUDY FOR ALL ABOARD FLORIDA

PURPOSE OF STUDY

All Aboard Florida – Operations LLC (AAF or All Aboard Florida), a subsidiary of Florida East Coast Industries, LLC (FECI), is developing a privately owned, operated and maintained passenger railway network that will provide service along a 235-mile rail corridor between Miami and Orlando (All Aboard Florida Project or Project). AAF retained The Washington Economics Group, Inc. (WEG) to provide a comprehensive economic impact analysis of the Project and the related transit-oriented development (TOD) that will be developed by AAF at and around its three station locations in Miami, Fort Lauderdale and West Palm Beach.

WEG is an economic consulting firm with 20+ years of experience in preparing economic impact studies. The company is led by Dr. Tony Villamil, former U.S. Undersecretary of Commerce and Chief Economist, and has worked with a range of clients, including financial institutions, multinational companies and public entities, such as the State of Florida.

WEG’s study quantifies the economic impacts generated as a result of the significant investments to be made by AAF during the construction and subsequent operational phases of the Project. These investments will generate economic benefits to the counties in which the Project will be built and operated, as well as the State of Florida at-large, as a consequence of the direct, indirect and induced impacts stimulated by the Project. The study prepared by WEG examines those economic impacts on a county-by-county basis and in a state-wide context.

KEY FINDINGS OF THE STUDY

“The investments made by All Aboard Florida, a privately owned and operated company, will deliver significant economic benefits to the State in the form of increased jobs, labor income, and Federal, State and Local tax revenues. These impacts will be realized in all of the counties along the corridor through the construction spending and continued operational maintenance activities that will occur in the communities.” Washington Economics Group, Inc.

Statewide Impacts: The All Aboard Florida Project is of significant importance to the State of Florida’s economic development.

- $6.4 billion in direct economic impact to Florida’s economy over the next eight years
- $3.5 billion added to Florida’s GDP through 2021
- $2.4 billion in labor income through 2021
- $653 million in Federal, State, and Local governments tax revenue through 2021
- Over 10,000 jobs on average per year through rail line construction between 2014 and 2016
- Over 5,000 jobs on average per year after rail-line construction is completed through 2021

County Specific impacts: The economic benefits of the Project will be realized across the State of Florida. The counties that do not have stations will share in the overall results due to the specific
activities of construction spending, operating activity and maintenance activities that are related to the geography of the proposed Project. Approximately $2 billion in economic impact from the construction of the rail will be spread across the eight counties through which the Project will travel, including Miami-Dade, Broward, Palm Beach, Martin, Indian River, St. Lucie, Brevard and Orange.

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The table above does not reflect the jobs generated as a result of TOD construction, Rail-line and TOD operations. Please see report for full jobs impact analysis.

ABOUT THE STUDY

The scope of AAF’s Project as studied by WEG:

- **Rail-Line Construction:** The construction of the 235-mile intercity passenger rail service comprising the Project, extending from a terminal station location in downtown Miami to a terminal station at the proposed intermodal facility to be constructed at the Orlando International Airport, including intermediate stations in downtown Fort Lauderdale and West Palm Beach.
- **Rail-Line Operation:** The operation of the Project from Miami to Orlando, offering hourly departures and 16 round trips per day originating at each terminal station for a total of 32 daily trips.
- **TOD Construction:** The completion of a TOD program comprising approximately 4 million gross square feet across the station areas in Miami-Dade, Broward and Palm Beach Counties that will include hospitality, residential, office, and retail uses.
- **TOD Operations:** The operation of the TOD real estate program in Miami, Fort Lauderdale and West Palm Beach that will bring jobs and opportunities to those cities and the surrounding neighborhoods.

**Date of Study**

Completed May 2014

**Methodology**

IMPLAN Input-Output (I/O) Methodology. The I/O Methodology is built on historical relationships of inter-industry linkages within an economy.

**Conducted By**

The Washington Economics Group, Inc. (www.weg.com)

An economic consulting firm specializing in comprehensive economic solutions for businesses, non-profit institutions and the public sector.

Over 20 years of expertise in the economies of Florida, Latin America as
well as the global markets. Founded by former U.S. Under Secretary of Commerce, Dr. J. Antonio Villamil, in 1993.