

# **MICHIGAN RAIL LOAN ASSISTANCE PROGRAM**

**Michigan Department of Transportation**

**APPLICATION**

**FY 2009**

#### **ADA STATEMENT**

If you need this information in an alternate format such as large print, braille or audio tape, or require another type of accommodation, contact the Michigan Department of Transportation (MDOT), Freight Services and Safety Division, 2700 Port Lansing Rd., Lansing, MI 48906. To contact us by phone, call (517) 373-6494 or (517) 373-0856 (FAX).

The mission of the Michigan Rail Loan Assistance Program (MiRLAP) is to help preserve and improve the rail infrastructure in the State and, by so doing, contribute to the stability and growth of Michigan's businesses and industries.

MiRLAP funding has been awarded for various types of projects, including preservation projects such as rebuilding railroad grade crossings, rehabilitating railroad track and railroad bridges, and replacing a collapsed railroad bridge. Other projects receiving MiRLAP funding have included infrastructure improvements for railroad scale and fueling operations, construction of rail spurs; and, in one case, purchase of a portion of a rail line to ensure its preservation.

MiRLAP loans are non-interest bearing and can fund up to 90% of eligible project costs. The loan recipient is required to provide a funding match of at least 10% of eligible project costs, and expenditure of the funding match is required before state funds may be drawn down. For each year of the program, loans are limited to 1\$ million per project (and per applicant). All loans must be approved by the State Transportation Commission (STC) and the State Administrative Board. This generally takes 60-90 days after applications are evaluated. To ensure effective use of state funds, loan contracts are to be executed within 60 days of receiving STC approval, and requests for reimbursement are to be submitted within 120 days of project completion. The loan repayment period may not exceed 10 years.

The program operates as a revolving fund. Therefore, any unexpended funds, together with interest earned, repayments and any penalties assessed and received for failure to repay loans on time, are credited to the fund to be allocated for the purposes of the program.

This rail infrastructure program was placed into statute in 2002 when 1976 PA 295 was amended by adding section 15a. Funds are to be used to finance "improvements to freight railroad infrastructure for the purposes of preserving, rebuilding, rehabilitating, or constructing facilities or improvements on railroad operating property or property adjacent to railroad operating property, in this state." Funds may also be used as a nonfederal match for any federal rail infrastructure loan program; and, under certain circumstances, funds may be used to acquire rail property. (Refer to the statute for a complete description of what can be funded under this program.)

Projects are evaluated using program selection criteria which is designed to determine the relative importance of projects in relationship to the program's goal of preserving and improving the state's rail infrastructure.

## **ELIGIBILITY CRITERIA**

1. Eligible applicants are local governments, economic development corporations, railroads, and current or potential users of freight railroad services.
2. The project must help preserve and/or improve freight railroad infrastructure in the State of Michigan. All applications submitted during this call for projects must be for work scheduled for construction in 2009.

In addition to the projects described above, loans may be used:

- (1) to acquire rail property to preserve freight rail service or improve the efficiency of existing freight rail service; and
  - (2) to provide a nonfederal match for any federal rail infrastructure loan program.
3. The project must be (a) on a line that generates more than fifty (50) carloads per route mile of track per year or (b) on a connector to a segment that generates more than fifty (50) carloads per route mile of track per year, or (c) the applicant must provide evidence demonstrating that the project can be expected to be part of a financially self-sustaining railroad system.
  4. The applicant must be in good standing in all its obligations to the State of Michigan (including taxes and departmental administrative orders).

Michigan Rail Loan Assistance Program  
Eligibility Criteria – Continued

5. The applicant must demonstrate the ability to repay the loan and provide one or more forms of collateral. The applicant must identify the collateral that will be used to guarantee repayment of the loan when making application. Documentation of collateral must be received by the Department before the first reimbursement request can be processed.
  - (a) Collateral may include an acceptable irrevocable letter of credit from a financial institution that is sound and in good standing with its regulating authority. (If there is any reason to believe the financial institution does not meet this criteria, the State has the right to refuse a letter of credit from that financial institution.) The wording in the irrevocable letter of credit must unconditionally bind the institution to promptly repay the debt should the applicant fail to do so. The cost of the letter of credit may be considered an eligible project expense.
  - (b) Collateral may include a first lien on assets of sufficient value to guarantee repayment of the loan. If using this option, the applicant must identify what specific asset(s) will be used as collateral, the value of the asset(s), and the basis for determining the value of the asset(s), e.g., an appraisal.
  - (c) Collateral may include a first lien on reusable project materials. If the applicant is not the owner of the property on which the project will be constructed, both the applicant and the owner must stipulate to the use and the value of the project materials as collateral. For the purpose of collateral, project materials are defined as: track, ties, signals, and any other reusable and easy to salvage materials used in the project. In lieu of depreciating the materials over the life of the loan, the materials will be valued at 80% of the purchase value. Purchase value is defined as the price paid for the materials at the time of purchase, as reflected in a bill of sale, or the value of the charge to inventory for the materials, less any handling or delivery charges. In all cases, the Department has the final determination of the value of the materials.
  - (d) If the applicant is a local unit of government, the government unit may pledge funds to the extent that the funds are attachable. A resolution from the governmental body requesting the loan must pledge future allocations or receipt of funds, to the extent needed to provide collateral for the loan.
6. Rail rehabilitation projects must be on lines that, at a minimum, meet Federal Railroad Administration (FRA) Class 1 track standards at the time of application. If the line does not meet FRA Class 1 track standards, the applicant must certify that it was in “excepted” status when purchased by the current owner.
7. If the project necessitates the installation of a new railroad grade crossing or if any existing railroad grade crossings fall within the boundaries of the project area, the applicant must have contacted Tina Hissong, MDOT’s Rail Safety Manager, with reference to the affected crossings. (Ms. Hissong’s telephone number is 517-335-2592 and her e-mail address is [hissongt@michigan.gov](mailto:hissongt@michigan.gov).)
8. Receipt of loan funds is contingent upon an executed contract with the Michigan Department of Transportation. Any costs incurred prior to contract execution are the sole responsibility of the applicant.
9. Contracts for approved projects will be awarded by the Department after the applicant satisfies all award contingencies.

10. Applications together with supporting documentation must be received in our office no later than 5:00 P.M., FEBRUARY 5, 2009. Please submit one (1) original and two (2) copies of the application. (The Department may provide loan assistance under MiRLAP, at other times of the year for an eligible project addressing a significant situation of immediate need.)

Please note: Freight Services & Safety Division has moved. Our new address is:

Freight Services & Safety Division  
Bureau of Aeronautics and Freight Services  
Michigan Department of Transportation  
2700 Port Lansing Road,  
Lansing, MI 48906.

Eligible Items:

- Mobilization
- Site Preparation & Site Restoration (Includes earthwork, top soil stripping, grubbing).
- Soil Erosion and Sedimentation Control
- Grading
- Track, Ties, and Other Track Material
- Disposal of Ties and Treated Timber
- Ballast, Sub-ballast
- Switches, Turnouts
- Crossing Surfaces (up to 1' outside ties)
- Warning Devices & Signalization
- Surfacing and Aligning
- Drainage, Storm Sewers
- Culverts, Railroad Bridges
- Relocation of Utilities
- Rail Scale, Fueling Facilities, etc.

Items Having Limited Eligibility:

- Preliminary Engineering & Construction Engineering (up to 15% of eligible project costs)
- Project Construction Management (up to 10% of eligible project costs)

Items NOT Eligible:

- Vehicles-Bulldozers, Automobiles, Travel Trailers, Front End Loader
- Contingencies
- Inventory Costs
- Interest Costs
- Late Payment Fees

# MICHIGAN RAIL LOAN ASSISTANCE PROGRAM APPLICATION

This application is for loans made available through the Michigan Rail Loan Assistance Program (MiRLAP). All additional material submitted with this application is considered part of the application. Such attachments must be clearly labeled with the name of the applicant (i.e., organization name). The Department reserves the right to discuss the contents with the applicant.

## PART A - APPLICANT INFORMATION

APPLICANT NAME					FEDERAL ID NO.	
ADDRESS	STREET	CITY	STATE	ZIP CODE	PHONE NO. (     )	
CONTACT PERSON (Name)			TITLE			
ADDRESS	STREET	CITY	STATE	ZIP CODE	PHONE NO. (     )	
E-MAIL ADDRESS						

ARE THERE ANY CURRENT ADMINISTRATIVE ORDERS ISSUED BY MDOT TO THE APPLICANT REQUIRING IMPROVEMENTS AT GRADE CROSSINGS?

YES      NO

If yes, are there any departmental administrative orders in noncompliance due to failure to complete work within the ordered time frame?

YES      NO

If yes, please explain:

ELIGIBLE PROJECT COST	AMOUNT OF LOAN REQUESTED (No more than 90% of eligible project costs)
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## PART B - PROJECT DESCRIPTION

1. Describe the project and explain why it is needed. Provide the anticipated construction start and end dates. Attach additional pages where needed to supply detailed information.

2. Attach preliminary project plans and a scale map of the project including milepost designation of project limits, if applicable.

3. How will the project benefit the applicant? Provide a list or description of the benefits/costs of the proposed project, e.g., increased revenue, improved service and/ or reduction in train crew costs, fuel consumption, derailment expenses, etc.

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### PART B - PROJECT DESCRIPTION (Cont)

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4. How the project serve the public interest? Include information regarding: (1) how this project will achieve the program's goal of preserving and improving the State's rail infrastructure, (2) what impact this project will have on the State's economy (with specific information regarding job creation/loss/retention and/or agricultural impacts, e.g., number of farmers affected) and (3) whether the project will have a significant safety impact, e.g., eliminate grade crossings, improve warning devices, reduce highway congestion, and/or improve safety in the transport of hazardous materials.

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1. WILL THE PROJECT NECESSITATE THE INSTALLATION OF A NEW RAILROAD GRADE CROSSING?

YES            NO

2. DO ANY EXISTING RAILROAD GRADE CROSSINGS FALL WITHIN THE BOUNDARIES OF THE PROJECT AREA?

YES            NO

If yes to either question, contact Tina Hissong, MDOT Rail Safety Section Manager, (517) 335-2592 e-mail: [hissongt@michigan.gov](mailto:hissongt@michigan.gov), to schedule a diagnostic study team review for the proposed new crossing. A new crossing may not be established until approval is granted by MDOT, per MCL 462.307(1). This process may take up to three months.

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### PART C - PROJECT FUNDING

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1. **Detailed Estimate:** Attach a detailed estimate of the materials, labor, and equipment directly related to the project, together with the total estimated cost. List materials and labor separately. (See page 3 for a list of eligible project costs.)

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2. **Applicant Responsibility/Contribution:** Applicant must provide at least 10% of eligible project costs. Expenditure of the funding match is required before state funds may be drawn down. Indicate any additional contributions the applicant is making toward the project.

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3. **Other Contributions:** Indicate to what extent local financial support exists for the project, e.g., right-of-way purchase, tax abatements, other projects enhancements, etc. Also indicate whether any other loans or grants are being used for project funding.

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4. **Loan Term:** Please indicate the time period (in years) that the applicant is requesting for loan repayment. (The maximum term of the loan is ten years.)

**PART D - RAIL LINE INFORMATION**

LINE OWNER (if other than applicant)

ADDRESS	STREET	CITY	STATE	ZIP CODE	PHONE NO. ( )
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OPERATING CARRIER (if other than the owner)

ADDRESS	STREET	CITY	STATE	ZIP CODE	PHONE NO. ( )
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**PART E - TRAFFIC INFORMATION**

Is the project on a line that generates 50 or more carloads per route mile of track per year? YES NO  
 If no, provide evidence that the project can be expected to be part of a financially self-sustaining railroad system.

	CURRENT	PROJECTED
MAJOR COMMODITIES TRANSPORTED (Indicate whether these commodities include any hazardous materials.)		
MAJOR SHIPPERS		
CARLOADS PER YEAR		

For track rehabilitation projects: Does track meet FRA Class I track standards? YES NO  
 If no, what FRA class was the track in at the time it was acquired by the current owner?

**PART F - SUPPORTING FINANCIAL DOCUMENTATION**

**PLEASE INCLUDE THE FOLLOWING ITEMS WITH THIS APPLICATION:**

**NOTE:** Please attach audited financial statements. If audited financial statements are not available, reviewed financial statements may be used.

**1. FINANCIAL STATEMENTS:**

- a) Balance Sheet for the previous two years. (If the applicant is a new business, provide a pro forma balance sheet with a description of assumptions attached.)
- b) Income Statement for the previous two years. (If the applicant is a new business, provide a monthly cash flow analysis for the first 12 months of operation or for three months beyond the break-even point, whichever is longer, together with a description of assumptions.)

**2. BALANCE SHEET AND INCOME STATEMENT** dated within 90 days of the application together with an aging of the accounts receivable and accounts payable listed.

IS THE APPLICANT IN GOOD FINANCIAL STANDING IN ALL ITS OBLIGATIONS TO THE STATE OF MICHIGAN? YES NO

If no, please explain:

**PART G - COLLATERAL**

The applicant must demonstrate the ability to repay the loan and provide appropriate assurances using one, or a combination of, the following forms of collateral. Documentation of collateral must be received by the Department before the first reimbursement can be processed. Please specify what collateral/assurances will be used to guarantee repayment of the loan.

The collateral/assurances for the loan will be: **(Check all that apply.)**

- 1. Irrevocable letter of credit from the financial institution indicated below.

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- 2. First lien on assets. Attach sheet listing asset(s), value(s), and basis used to determine value(s).

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- 3. First lien on reusable project material.

Please note that if the applicant wishes to use this option and does not own the rail line that is the subject of this application, the applicant must provide documentation that the owner of the rail line will allow the use of the project materials as collateral. Attach a sheet listing what materials the applicant plans to use for collateral and their estimated purchase price.

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- 4. Attachable funds - FOR ELIGIBLE GOVERNMENTAL ENTITIES ONLY

Amount of attachable funds: \_\_\_\_\_.

Source of attachable funds: \_\_\_\_\_.

A resolution from the governmental body requesting the loan is required.

**PART H - OTHER REQUIRED DOCUMENTS**

All applicants must complete and return **IRS FORM W-9** or file the form on line by going to [www.michigan.gov/cpexpress](http://www.michigan.gov/cpexpress). Governmental entities must also complete **TITLE VI COMPLIANCE DATA REPORT** form (or provide verification that the applicant is TITLE VI CERTIFIED). These forms are attached. Please return required forms with the application.

**PART I - CERTIFICATION**

THE UNDERSIGNED CERTIFIES THAT THIS APPLICATION IS TRUE AND COMPLETE.

SIGNATURE (Authorized Representative)	TITLE
NAME (Please print)	DATE