

**APPLICATION INSTRUCTIONS  
NORTH DAKOTA DEPARTMENT OF TRANSPORTATION RAIL LOAN FUNDS**

**SECTION 1.0 – INTRODUCTION**

The North Dakota Department of Transportation (NDDOT) is responsible for administering the Freight Rail Improvement Program (FRIP) and Local Rail Freight Assistance (LRFA) loan funds. This document describes the rail loan fund application process and the methodology used by NDDOT to evaluate rail loan project requests. Also included is a description of the obligations incurred by applicants when they accept a loan. Potential applicants should carefully review this document before submitting project proposals. Applicants who have questions or need assistance to complete an application may contact the Rail Section of the Planning/Asset Management Division by calling 701-328-4409, or 701-328-2540.

**SECTION 2.0 – ELIGIBLE APPLICANTS**

Eligible applicants include cities, counties, railroads, and other current or potential users of freight railroad service. Class I Railroads are not eligible applicants.

**SECTION 3.0 – ELIGIBLE PROJECTS**

Funding for NDDOT's rail loan programs is limited and the programs are primarily intended to be used to upgrade and enhance rail infrastructure that improves service. Project proposals will be categorized in descending order of priority as follows:

System Critical – These are projects critical to a railroad's existence. These projects maintain or expand service, improve system connectivity, enhance financial stability. These projects may include rail relay, major structure rehabilitation or construction, new rail connections, track realignment, etc.

Infrastructure Improvement – These projects may include structure repairs, tie and ballast replacement, switches, short segments of rail replacement, etc.

Economic Development – These projects may include new sidings, siding extensions or upgrades, switches, loop and ladder tracks, access roads, active warning devices for new facility crossings, equipment – locomotives, maintenance of way equipment, roadway safety improvements adjacent to existing rail infrastructure, etc. These projects may improve safety and result in decreased trucking impacts on state and local roadway infrastructure.

## SECTION 4.0 – APPLICATION PROCESS

### 4.1 SUBMISSION

Project proposals must be received by NDDOT as follows:

**Annual Submission** – Requests for loan assistance must be received by February 15, addressed to:

NDDOT

ATTN: Jim Styron, Rail Planner

Planning/Asset Management Division

608 East Boulevard Avenue

Bismarck, ND 58505-0700

Send electronic submissions to: [jstyron@nd.gov](mailto:jstyron@nd.gov).

**Proposal Contents** - Project proposals must provide the information requested in 4.1.1 through 4.1.6, and 4.2.1 of this document.

#### 4.1.1 Identification of applicant and project

(a) Applicant name, address, phone number, and point of contact (POC).

Provide name, title, mailing address, phone number, and email address.

(b) Name, address, phone number, and POC for the railroad party to the project.

Provide name, title, mailing address, phone number, and email address.

(c) Name, address, phone number, and POC of any shipper party to the project.

Provide name, title, mailing address, phone number, and email address.

(d) A narrative addressing the purpose, need, and public benefits of the project. This may include, as applicable: capacity, safety and security, system linkage, system deficiencies, modal interrelationships, social demands, or economic development. This section should also describe and justify any negative impacts thought to be associated with the project.

(e) A description of the proposed project, including:

(1) Physical measurements (linear, area, etc.).

(2) Physical location (address, mileposts, street crossings, etc.).

(3) Major material specifications (rail weight, ballast type, etc.).

(4) Map/sketch of project design and location.

(5) Such other information as deemed useful by the applicant to support and define the project concept and purpose.

(6) Number of shippers served and/or affected, and commodities handled.

(f) A narrative stating the alternative(s) to be pursued should assistance not be awarded and the applicable consequences thereof (postponed or abandoned, reduced service by x amount, forgo x amount of revenue or cost savings, etc.). Data must be objective and quantified (numbers, dates, quantities, dollar amounts, etc.).

#### 4.1.2 Estimated Project Cost and Work Method

(a) A line item breakout of estimated direct project costs at least to the level of:

- (1) Materials
- (2) Equipment
- (3) Labor
- (4) Force account work
- (5) Contract work
- (6) Total project cost

(b) A description of the method or methods proposed for accomplishing major project tasks. (e.g., tie replacement by force account, surfacing by contractor, etc.).

#### 4.1.3 Proposed Project Financing

- (a) Dollar amount of assistance requested.
- (b) Identify the source of all anticipated non-state assistance.

#### 4.1.4 Intended Benefit and Cost Items

Provide a list or description of the type or category of benefits and costs assumed by applicant to be associated with this project.

#### 4.1.5 Intended Environmental and Economic Enhancement Items

Provide a list or description of any environmental or economic enhancement outcomes projected by the applicant to result from the project.

#### 4.1.6 Public Involvement Process

NDDOT shall solicit public input for each project that is accepted. NDDOT will place a legal notice in the official newspaper(s) of record for the county or counties in which the proposed project is to be done, giving notice of opportunity to request a public hearing and/or submit comments on a proposed amendment to the State Rail Plan. The legal notice will state the reason for the proposed amendment (i.e., rail rehabilitation or other project), a point of contact for response, and the deadline for response. If a public hearing is held, all comments will be recorded verbatim and included in the application.

### **4.2 APPLICATION REVIEW/CONFERENCE**

NDDOT staff will review all project applications. If the reviews indicate the need for more information, a conference(s) with an applicant(s) and any other entities may be needed. Conferences may be conducted by phone or in person.

#### 4.2.1 Data for Benefit/Cost Analysis

- (a) The single most influential criterion in determining project qualification and rank is the Benefit/Cost Ratio. NDDOT may employ the services of others in analyzing and calculating the Benefit/Cost Ratio.
- (b) The following list is representative of the type of data required for benefit/cost analysis:

(1) What are the expected project benefits, expressed in dollars, in these areas?

- Maintenance of Way costs
- Locomotive costs
- Fuel costs
- Freight rate/unit
- Number of carloads
- Lading handling costs
- Car hire and/or car investment costs
- Maintenance of Equipment costs
- Train crew costs
- Product/lading shrinkage
- Derailment costs

(2) Other statistical information pertinent to the analysis.

- Project impact on market penetration (intermodal, customer territory, service frequency)
- Average car capacity in same units used in freight rates above
- Net liquidation value of in-place track assets

#### **4.3 PROJECT QUALIFICATION AND RANKING**

4.3.1 Data required for project qualification and ranking shall be submitted to NDDOT by the applicant.

4.3.2 All project proposals will be reviewed for qualification. Qualified proposals will be scored and ranked for funding priority. (See Section 8 for qualification and ranking criteria and scoring procedures.) Applicants will be informed of their project's ranking.

#### **4.4 EMERGENCY ASSISTANCE**

NDDOT may, at its sole discretion and upon application by an eligible applicant, provide assistance from the rail loan funds on a non-competitive basis at any time for a project addressing a State or Federal Government) declared emergency situation. Project proposals seeking emergency assistance must meet eligibility requirements. An emergency project shall deal with failure of significant infrastructure essential to operation of rail freight service, such as a bridge failure, major washout, destruction by fire, and the like. Insurance proceeds must first be dedicated to the project.

### **SECTION 5.0 – ASSISTANCE AWARD PROCESS**

#### **5.1 APPLICANT ACCEPTANCE OF AWARD**

The applicant shall accept or reject any offer of assistance within 10 working days of the date of offer. Notification of a loan award will be made on, or about March 15.

## **5.2 AGREEMENT EXECUTION**

A contract between NDDOT and the applicant must be executed on, or about May 15. Unless NDDOT otherwise agrees, the offer of loan assistance expires and is withdrawn if this condition is not met. Projects awarded a loan must begin construction within 18 months of an executed contract or the loan offer is automatically rescinded.

## **SECTION 6.0 – ASSISTANCE FORM AND AMOUNT**

### **6.1 POLICIES AFFECTING ASSISTANCE FORM AND AMOUNT**

6.1.1 The measure of public interest, for program purposes, is determined by the project's qualification and ranking according to the criteria set forth under Part II, Section 1.0 herein.

6.1.2 Loan rates are:

System Critical – 0% interest, principal payment only.

Infrastructure Improvement – During the entire calendar year, the loan rate is  $\frac{1}{2}$  of the prime rate posted by the Bank of North Dakota on the first business day of the calendar year. The maximum loan rate is 4.5%.

Economic Development – During the entire calendar year, the loan rate is  $\frac{1}{2}$  of the prime rate posted by the Bank of North Dakota on the first business day of the calendar year. The maximum loan rate is 4.5%.

6.1.3 Maximum Project Loan amounts are:

System Critical – 80% of the rail-related project costs.

Infrastructure Improvement - 80% of the rail-related project costs.

Economic Development - 70% of the rail-related project costs.

6.1.4 Loan terms are:

System Critical – 15 years

Infrastructure Improvement – 15 years

Economic Development – 10 years

First loan payment is due on, or about, January 15<sup>th</sup> of the first full year after a project has been inspected, accepted, and the final loan payment has been disbursed.

Annually thereafter, loan payments are due, on or about, January 15<sup>th</sup> in equal amortized amounts, over the term of the loan.

## SECTION 7.0 – KEY ASSISTANCE AGREEMENT TERMS

### 7.1 TERMS

7.1.1 The applicant must agree to maintain the project rail line at or above FRA Class 2 Track Safety Standard until the loan is fully repaid. Termination of service will make the full loan amount, plus any amount equal to the interest rate stated in the agreement applied to the full loan amount from the effective date of the agreement to date of termination, immediately due and payable.

7.1.3 Interest charges begin upon first draw of loan funds and are calculated on a fixed regular schedule.

7.1.4 Rehabilitation and construction material and performance specifications shall conform to American Railway Engineering and Maintenance of Way Association (AREMA) standards and practices.

7.1.5 Project costs, reimbursable by a NDDOT rail loan, **may not be incurred** prior to a contract being fully executed between NDDOT and the applicant.

7.1.6 If construction on the project has not begun within 18 months of the loan agreement being fully executed, the agreement becomes void and the offer of assistance is rescinded. The applicant may, however, re-apply for assistance and the application will be considered a new submission, and will be evaluated as such.

7.1.7 Competitive bidding must be used for contract work on loan projects.

7.1.8 The progressive billing method will be permitted with 10% retained by NDDOT for payment with the final billing. Final billing must include a statement of total actual costs and may be subject to an audit. Final billing must be submitted to NDDOT within three months after the project has been completed and inspected.

7.1.9 The applicant shall, upon any sale or disposition of all or any portion of a rehabilitated line, or the filing of an application for abandonment of all or any portion of a rehabilitated line at any time during the term of agreement, repay to NDDOT the full amount of NDDOT's share of the cost of improvements made to the rehabilitated line.

## SECTION 8.0 – PROJECT SELECTION

### 8.1 PROJECT SELECTION PROCESS

8.1.1 The Project Selection Process Consists of Three Steps. **First**, all projects must have a Benefit/Cost Ratio of 1.000 or greater. Projects with a Benefit/Cost Ratio of less than 1.000 will not be eligible for funding. **Second**, project applications will be classified and eligible for funding in descending order of priority as follows:

1. System Critical
2. Infrastructure Improvement
3. Economic Development

Applicants submitting projects requesting a “System Critical” designation must submit a narrative statement explaining how their project meets the definition found in Section 3.0 – Eligible Projects.

**Three**, if multiple project applications are submitted and deemed to have the same priority classification, the project scoring and weighting method described in Section 8.1.2 will be used to determine the order for funding eligibility.

8.1.2 Method of Prioritizing Multiple Projects - Same Classification: Six criteria are used to evaluate and rank proposed projects. The ranking system generates a point value for each criterion. The criteria are:

- Benefit/Cost Ratio (B/CR)
- Impact on the ND Rail System
- Rail System Connectivity
- Economic Impact
- Safety and Security
- Community and Environmental Impact

If two or more qualified projects end up with the same total score, the B/CR will determine the final ranking.

8.1.3 Director’s Authority: On a case by case basis the NDDOT Director is the authority to modify funding limits and/or repayment criteria.

### 8.2 PROJECT SELECTION CRITERIA

#### 8.2.1 Benefit/Cost Ratio

(a) Purpose: The purpose of the B/CR criterion is to afford a measure of the economic soundness of an investment of public funds in the project.

(b) Description: The total B/CR consists of three levels:

- (1) Primary efficiency benefits,
  - (2) Transportation efficiency benefits, including highway impacts, and
  - (3) Total economic benefits. A project must have a primary B/CR of 1.0 or greater to qualify for further evaluation. The total B/CR is used in comparing projects that qualify for further evaluation.
- (c) Scoring: The numeric score for the B/CR criterion is the total B/CR. To remain consistent with a multi criteria scoring system, the B/CR cannot increase without bound. It is therefore capped at 25. Since a B/CR above 25 is a rare occurrence, the cap's effect on project score should be minimal.

<b>Description</b>	<b>Score or Range</b>	<b>Points</b>
B/C Ratio	<1.000 – 1.999	5
B/C Ratio	2.000 – 3.490	10
B/C Ratio	3.500 – 4.999	15
B/C Ratio	5.000 – 6.999	20
B/C Ratio	>7.000	25

**MAXIMUM OF 25 POINTS**

**8.2.2 Carloads per Mile**

(a) Purpose: The purpose of this criterion is to represent the scale of the total project benefits. Traffic density is a proxy for the strategic significance of a line, the likelihood of long-run survival of the line, and the continuation of benefits beyond the analysis period.

(b) Description: The number of carloads per mile is an average of carloads from a period of three consecutive years. All carloads are counted, including bridge and overhead traffic. Any bridge or overhead carloads included in the total shall also be shown separately. Multi-platform articulated cars are to be treated as single or multiple cars according to how they are treated in the tariff or contract under which they move. Carloads from the past three years and projections for the next two years may be used for the average, but it must be three consecutive years. Absent valid projections, traffic for the past three years must be used.

(c) Scoring: Points are awarded on the basis of carloads per mile as shown in the table below. The points awarded increase as the traffic increases. Points are awarded in this manner to reflect the lesser impact on the economy of very light density lines.

<b>Carloads/Mile – 3 year average</b>	<b>Points</b>
< 12	0
12 - 20	1
21 - 35	2
36 - 80	3
81 - 120	4
> 120	5

**MAXIMUM OF 5 POINTS**



### 8.2.3 System Connectivity

(a) Purpose: The purpose of this criterion is to afford a means to reflect the value a project may present in serving a distinct system function even though traffic origin or destination functions may be minimal or absent.

(b) Description: System connectivity is present when the project specifically provides for the only direct connection of two distinct through route line segments of the applicant's system, or the system's sole interchange connection with another railroad.

(c) Scoring: System connectivity points are awarded as shown on the next page.

<b>Description Score or Range</b>	<b>Points</b>
High Connectivity	3
Moderate Connectivity	2
Low Connectivity	1
Nonexistent	0

#### ***MAXIMUM OF 3 POINTS***

#### **Scoring Example of Qualifying Project**

- 3** Infrastructure improvement that rehabilitates a segment or structure that connects two high volume lines and prevents circuitous routing
- 2** Line improvement to ensure that a segment of track remains continuous
- 1** Low usage gateway between branch lines
- 0** Stub Line or Siding

### 8.2.4 Enhancing North Dakota's Economy

(a) Purpose: The purpose of this criterion is to afford a means to consider aspects of the project that offer economic benefits that may not be captured under either the traditional benefit-cost analysis or a REMI analysis. A qualifying scenario includes an exogenous economic impact, that is, an impact not measureable in the context of the usual benefit-cost analysis.

(b) Description: Points are awarded under this criterion on the basis of the department's finding that the project:

- (1) Will address an unusual job gain or loss situation.
- (2) Contains an element of urgency/timeliness significant to its ability to deliver long-term benefits.
- (3) Improves viability of businesses served by the operator.
- (4) Improves the attractiveness for new business.
- (5) Serves a developed industrial park (streets, sewer, and water in place)

(c) Scoring: Enhancing North Dakota's economy points are awarded as follows:

<b>Description</b>	<b>Score or Range</b>	<b>Points</b>
High Exogenous Impact		3
Moderate Exogenous Impact		2
Low Exogenous Impact		1
Nonexistent		0

**MAXIMUM OF 3 POINTS**

**Scoring Example of Qualifying Project**

- 3** Project that provides rail access to an industrial park, which raises attractiveness for firms to locate there
- 2** Project that provides rail access to an industrial park, which may induce existing firms to expand
- 1** Project that maintains infrastructure which may lead to firm retention
- 0** Project that does not have exogenous potential economic impact

**8.2.5 Safety/Security**

(a) Purpose: The purpose of this criterion is to provide a means to consider aspects of the project that offer unique benefits to railroad safety or enhance the state's security. A qualifying scenario would include a safety/security impact that is not quantifiable, and therefore not included in the benefit/cost analysis.

(b) Description: Points are awarded under this criterion on the basis of the department's finding the project will result in:

- (1) Reduction in potential derailments.
- (2) Reduction of hazards to railroad personnel and contractors.
- (3) A shift of shipments of hazardous materials from the highway system to the railroad network that would reduce accident exposure.
- (4) Grade crossing safety enhancements.
- (5) Increasing the security of yards, containers, tank cars, and other equipment and facilities.
- (6) Security enhancements to border crossings, inspection locations, bridges and potential choke points.

(b) Scoring: Safety/Security points are awarded as follows:

<b>Description</b>	<b>Score or Range</b>	<b>Points</b>
High Safety/Security Impact		3
Moderate Safety/Security Impact		2
Low Safety/Security Impact		1
No Safety/Security Impact		0

**MAXIMUM OF 3 POINTS**

### Scoring Example of Qualifying Project

- 3** Project that reduces hazmat transportation risks by shifting traffic from high-risk highway routes, reduces the risks of hazmat accidents at grade crossings, or reduces the risks of train derailments involving hazmat cargo
- 2** Project that generally reduces highway accident risks by shifting freight traffic from highway routes to rail lines or, that reduces the risk of train derailments
- 1** Project that improves the safety/security of railroad lines or yards by eliminating hazards to railroad workers or the public, including reductions in trespassing
- 0** Project with no safety/security impacts.

### 8.2.6 Environmental and Community Effects

(a) Purpose: The purpose of this criterion is to consider aspects of the project that offer unique benefits related to environmental and community impacts. A qualifying scenario would include an environmental or community impact that is not quantifiable, and therefore not included in the benefit-cost analysis.

(b) Description: Points are awarded under this criterion on the basis of the department's finding the project:

- (1) Will reduce negative community impacts of rail transportation such as noise, traffic interference, or blocked crossings.
- (2) Will reduce environmental impacts aside from efficiency gains due to modal shift.

(c) Scoring: Environmental and Community Effects points are awarded as follows:

<b>Description</b>	<b>Score or Range</b>	<b>Points</b>
High Benefit		3
Moderate Benefit		2
Low Benefit		1
No Benefit		0

### **MAXIMUM OF 3 POINTS**

### Scoring Example of Qualifying Project

- 3** Rail relocation project which eliminates noise, traffic interference or the need for a quiet zone
- 2** Rail line construction that provides rail access to an industrial park, thereby shifting traffic to rail
- 1** Rail project that corrects prior environmental impacts
- 0** Rail project which generates no environmental or community benefits

### 8.2.7 Scoring and Weighting Method

(a) Purpose: The purpose of weighting the criteria is to appropriately assess the importance of each criterion to determine the total overall impact of the project.

(b) Weighting: The scoring and weighting method is implemented as follows:

<b>Criterion</b>	<b>Maximum Score</b>	<b>Weight</b>	<b>Weighted Total</b>
Total B/C ratio	25	1.0	25
Carloads Per mile	5	3.6	18
System Connectivity	3	6.0	18
Economic Development	3	5.0	15
Safety/Security	3	5.0	15
Environmental/Community	3	3.0	9
<b>Maximum Weighted Score</b>			<b>100</b>