



**AGENDA  
CITY OF CEDAR FALLS, IOWA  
SPECIAL MEETING, CITY COUNCIL  
MONDAY, SEPTEMBER 26, 2022  
5:00 PM AT COMMUNITY CENTER, 528 MAIN STREET**

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**Call to Order by the Mayor**

**Roll Call**

**Pledge of Allegiance**

**Old Business**

- [1.](#) Reconsider action taken relative to a resolution approving and authorizing submission of a Railroad Crossing Elimination (RCE) Grant application to the Federal Railroad Administration; and approving and authorizing the local match relative to abandoning and removing the Cedar Falls Rail Spur.

**Adjournment**



## DEPARTMENT OF COMMUNITY DEVELOPMENT

City of Cedar Falls  
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 Cedar Falls, Iowa 50613  
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**MEMORANDUM**  
*Administration Division*

**TO:** Mayor Green & City Council  
**FROM:** Chris Sevy, Planner I  
 Ben Claypool, PE, Engineer  
**DATE:** September 12, 2022  
**SUBJECT:** Railroad Crossing Elimination (RCE) Grant Application – Removal of Rail Spur to Cedar Falls Utilities

The Federal Railroad Administration (FRA) has issued a notice of funding opportunity for the elimination of railroad crossings where they may fund up to 80% of the project (20% minimum match required). This opportunity was brought to the City's attention by the Iowa Northern Railway Company (IANR). IANR has some decisions to make regarding the fate of the CFU Spur that runs through Cedar Falls Downtown. The line has been retained by IANR on behalf of CFU for the primary purpose of delivery of coal to CFU. IANR's last coal delivery to CFU took place in mid-2010 and IANR has not received any revenue from the Cedar Falls Spur for its intended use since that time. Therefore, IANR is considering the following options:

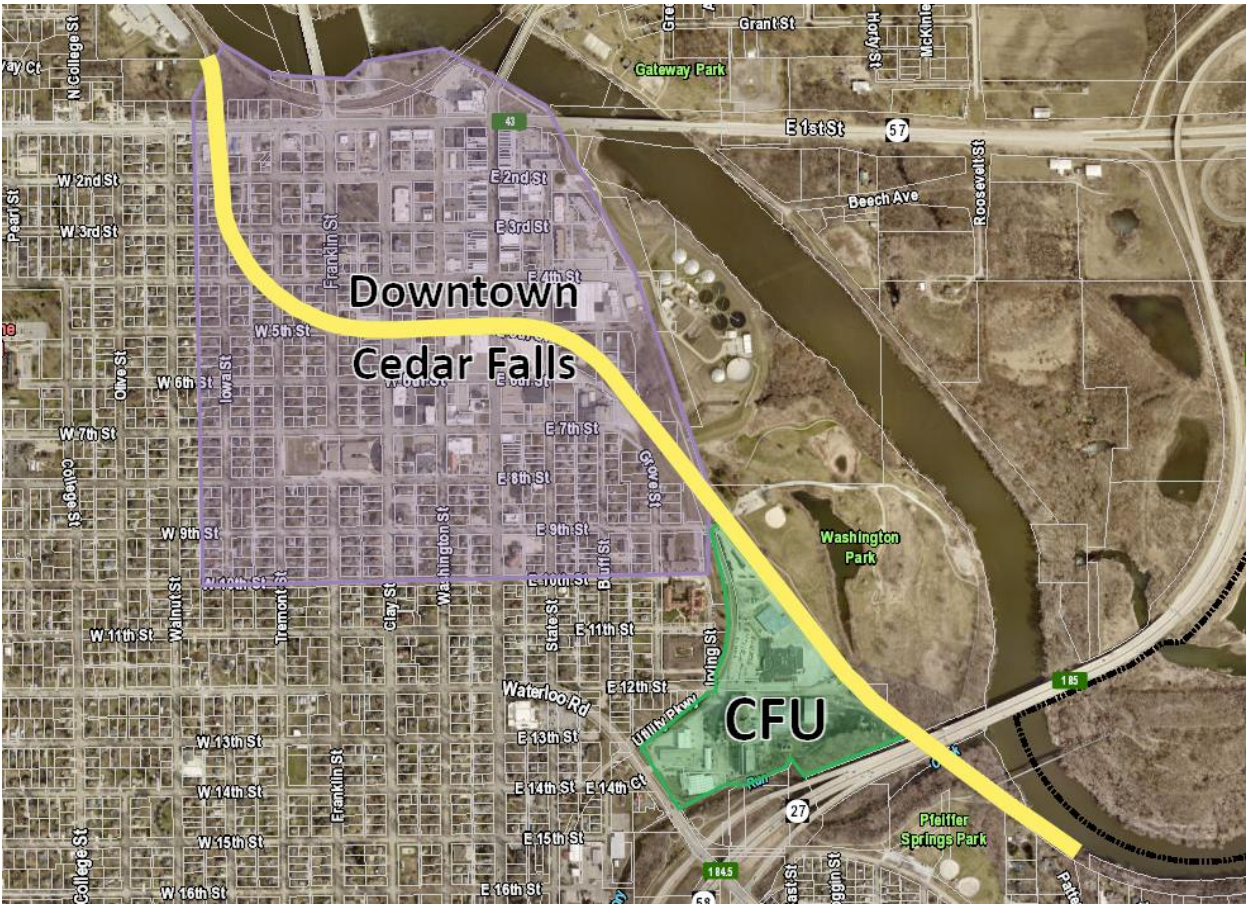
1. Find a new rail served customer to locate on the Spur that would produce the required revenue to offset the cost of maintenance and produce a respectable profit. This option would require a substantial increase in rail traffic through the city and is unlikely to occur.
2. Abandonment, removal of rail line, and sale of the right-of-way to **interested parties** for reasonable consideration of the value of the assets.
3. Abandonment, removal of the rail line, and sale of the right-of-way to the City of Cedar Falls, and relocation of the railroad assets utilizing the new FRA Railroad Crossing Elimination Grant Program. Relocating IANR's rail assets to a more suitable location for rail operations. IANR is willing to be the City's Project Partner, contributing a match of 10%, half of the City's 20% match for FRA's 80% grant opportunity.

The first option is the least desirable of the three as more frequent rail traffic in downtown can get very disruptive to commerce, operation of schools, public safety, and general operations of the City of Cedar Falls. City employees that were around for the last coal delivery in 2010 recall many problems and complaints regarding the long line of train cars which isolated downtown for a significant amount of time. Likewise, option #2 is less than desirable as the City would not be in control of the disposition of the

assets and federal funding assistance for street restoration may not be available as it would be with option #3.

Assuming the City is awarded the grant, the third option is the optimal choice of the three as IANR is willing to pay half of the match (10% of the total project cost) as a project partner and the grant would significantly reduce the financial burden of projects that would otherwise become part of our capital improvements plan including the reconstruction/streetscape of 5<sup>th</sup> Street which the rail line traverses. In line with the purpose of the grant, the project would eliminate 24 total crossings in and adjacent to downtown Cedar Falls which would provide safety benefits for pedestrian and auto traffic. The City would also gain control of right of way and lands that may be ideal for redevelopment in line with the Downtown Plan.


The below graphic shows the context of the grant project in relation to Cedar Falls Downtown and CFU.



The following is a list of items that the project would entail:

- **Removal of the Rail Asset** - IANR will remove and relocate approximately 11,642 lineal feet of railroad track to a safer and more efficient site located outside of Cedar Falls. At present, the rail is considered a trapped asset and IANR needs

more capacity for their operations. This would free up that capacity to be used elsewhere without disruption to the City.

- **Landscape and Temporary Street Restoration** - Immediately following each phase of rail asset removal, the City of Cedar Falls will restore landscaping and temporarily pave the affected streets with asphalt. This ensures the functionality of streets until necessary traffic considerations are accounted for and the proper reconstruction can be performed in logical phases.
- **Permanent Street Restoration** - The permanent street restoration after removal of the rail asset will require careful planning and logistical considerations. The full restoration of streets will be performed after the City of Cedar Falls determines a reasonable method and timeline for closure of streets and other anticipated challenges. As with other similar projects, it is anticipated that any independent portion of street restoration may cause up to a six-week street closure to complete.
- **Permanent Closure of Floodwall** - There is an open floodwall which the CFU Spur crosses at the east edge of downtown close to the corner of East 7th and Grove Street. It currently requires temporary closure when the Cedar River floods. The City of Cedar Falls is planning permanent closure of that floodwall as part of this project. This closure is a necessary step as the current method of temporary closure is made to account for the rail line. If not permanently closed, another method of closure (temporary and/or permanent) would need to be engineered.
 
- **Creation of Trail Connection Over Rail/Spur Bridge** - This trail connection toward the end of the spur would connect South Riverside Trail and the Grand Boulevard Neighborhood to downtown. This would utilize an existing rail/spur bridge (pictured below) that would be ideal for pedestrian and bicycle use after rail removal and refurbishing for that purpose. The current route to downtown from the neighborhood to the south is fairly indirect and has some concerning conflict points which have been discussed at length by the Cedar Falls Bicycle and Pedestrian Advisory Committee. For reference, below is a map showing the currently paved trails as dashed lines and the proposed trail connection in solid yellow which would encompass approximately 1700 linear feet of new paved trail. The red dashed line is the detour people currently use to get into downtown. The proposed trail addition would also seamlessly connect Pfeiffer Springs Park to Washington Park, and more broadly would complete a cohesive loop that already connects our South Riverside Trail with our North Riverside trail. These are regional trails that connect Cedar Falls to George Wyth State Park and the City of Waterloo. They also connect to the Cedar Valley Nature Trail which connects Cedar Falls to Cedar Rapids. The proposed connection and the resulting continuity will create a much more welcoming entrance to downtown and will be a recreational gem.



The total project cost is estimated to be \$12,200,000. This total reflects all costs involved with abandoning the CFU spur, purchase of the right-of way, removal of the tracks, signals, and crossings, the restoration/reconstruction of the impacted streets, sidewalks, curbs, and landscaping (including engineering design, survey, and inspection), as well as all costs for the relocated rail yard near Shell Rock, IA. Of the \$12,200,000, the City improvements via reconstruction/restoration are estimated to cost approximately \$5,300,000. With the funding structure of the grant, 80% of the \$12,200,000 would be federally funded, and the remaining \$2,440,000 would be split 50/50 via a cost-sharing partnership between Cedar Falls and IANR. The intended funding breakdown for this project is outlined below:

City of Cedar Falls	\$ 1,220,000
Iowa Northern Railway Co.	\$ 1,220,000
<u>RCE Grant</u>	<u>\$ 9,760,000</u>
Total:	\$12,200,000

The sources of funding from the City will be determined in a subsequent capital improvements plan (CIP) but are anticipated to be primarily from Tax Increment Financing (TIF) and Local Option Sales Tax (LOST). If the grant is received a contract for the design and work to be performed will be brought before Council at a later date.

In order to submit the grant, a letter of support and a funding commitment letter are needed from Council to submit with the grant. The Federal Railroad Administration requires that we submit by October 4<sup>th</sup>. We would anticipate a notification of intent to award by March 2023. Staff recommends submitting a request for \$9,760,000 in grant funding through the Railroad Crossing Elimination Grant Program. Staff recommends approval of resolutions for the following items related to the grant application:

1. Support of submitting the application for the RCE grant.
2. Financial assurances for the project.

Attachment: Letter of Support from IANR

xc: Ron Gaines, City Administrator  
Karen Howard, Planning Manager  
Chase Schrage, Director of Public Works

**Chris Sevy**

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**From:** William Magee <wmagee@iowanorthern.com>  
**Sent:** Monday, September 12, 2022 4:55 PM  
**To:** Chris Sevy  
**Cc:** Ron Gaines; Benjamin Claypool; Dan Sabin  
**Subject:** Letter of Support for Cedar Falls Rail Crossing Elimination Grant Application

**CAUTION:** This email originated outside the City of Cedar Falls email system.  
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Mr. Sevy:

As you are aware, Iowa Northern Railway Company brought the recently announced Notice of Funding Opportunity issued by the Federal Railroad Administration to the attention of the City of Cedar Falls as a potential means by which to make very significant safety improvements to the downtown Cedar Falls area by abandoning and removing the Cedar Falls Rail Spur and relocating the rail assets to another location. We have been working collaboratively with City staff for the past several weeks to compile the information needed to submit a successful application to the Federal Railroad Administration.

This improvement can be viewed as a win-win by both the City of Cedar Falls and the Iowa Northern Railway Company. Iowa Northern Railway Company is in full support of this project and is willing to participate as a Project Partner with the City of Cedar Falls. We are prepared to commit 10% of the required 20% matching funds, or an estimated \$1.2 million to this project.

IANR believes that this improvement is in the best interest of Rail Safety, Cedar Falls, and the Iowa Northern Railway Company. We are happy to be a Project Partner for this very worthy improvement.

Respectfully,

**William L. Magee**  
*General Manager*

**Iowa Northern Railway Company**

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Waterloo, Iowa 50701

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September 22, 2022

### **Key Information Regarding IANR Railway Abandonment**

This information is intended to assist the City Council in their decision regarding an application for Railroad Crossing Elimination Grant funding.

CFU does not foresee ever receiving regular, large shipments of coal which would be needed to support rail service to our facilities. This is based on a number of facts outlined below:

Market conditions – CFU is a member of the Midcontinent Independent System Operator (MISO) which operates the bulk power system for the Midwest US and a portion of Canada. One function of MISO is to ensure the economic dispatch of power generating stations – meaning they call on plants to operate in the order of least cost. CFU has benefited from this membership as we have access to lower cost power for most hours of the year. Wind and larger coal or natural gas plants provide the lowest cost energy, much lower than our local generation. CFU is part-owner of three large coal-fired plants located on the Missouri River. The generation cost at these plants is much lower than our local plants due to better burner efficiency and access to much lower cost coal. The coal is much less expensive than what we could get locally due to the quantity purchased and competitive rail access to those plants. This greatly reduces the run-time of local CFU units.

Environmental regulations – CFU's Streeter Station #6 and #7 both are impacted by regulations that effectively limit the amount of coal that we can burn in a year. Both units can burn either natural gas or coal. We've been primarily on natural gas for many years. Unit #7, our largest unit, essentially must burn at least 90% natural gas over the course of a year. The ability to burn natural gas has extended the life of these local generators. These regulations are not going to be relaxed – they have not been significantly altered under either recent Republican or Democratic Presidents.

Our annual run-time for the two Streeter units is very limited because of market and regulatory conditions. They are, however, valuable to maintain as they provide needed peak capacity (even if they don't run much) and provide a hedge against extraordinarily high hourly market pricing. They also provide a reliability component in times when power demand regionally is near the region's total supply capability and should there be a local emergency.

Rail services changed significantly many years ago. Our last coal shipment by rail was received in 2010. By that time, the long-haul railways would no longer deliver less than 100 cars of coal. We took a 100-car shipment in 2010, and not long after that the markets changed such that our run-time reduced, and we burned primarily natural gas. For perspective, a 100-railcar delivery would be 10,000 to 12,000 tons. We have two different types of coal, pulverized and stoker. Between the two, we have 23,000 tons of coal on site. Over the past 3 years, including the February 2021 weather event, we burned an average of 1,100 tons per year. So, at that pace we have over 20 years of coal supply on our grounds.



The loss of rail service will not impact our ability to burn coal, nor will it have any significant impact on the cost of electricity for our customers. Our last delivery of coal was 3,000 tons by truck, in 2013. You heard at the Council meeting that we have sold some coal to UNI. This has been pulverized coal, and we anticipate the next coal purchase we make will be stoker coal, which we can burn in either #6 or #7. We source our stoker coal from mines in Illinois and Kentucky, and those mines have no rail service so it will be trucked to CFU.

**CFU does not believe that abandonment can be stopped, even if CFU or the City desired to stop it.**

Abandonment was contemplated in the early 2000s. In 2004, CFU and IANR entered into a prepaid freight agreement whereby CFU prepaid \$600,000 in freight fees and IANR in return agreed to stand down abandonment plans and continue operation on this spur. And additional \$150,000 prepay was provided in 2010. A balance of \$109,000 remains, which will be paid by IANR to CFU.

The Surface Transportation Board (STB) and the Iowa DOT are involved in abandonment procedures. If abandonment is filed for by a railroad, the Iowa DOT prepares a staff report which is presented to the STB. In reading the Railroad Abandonment guide prepared by the Iowa DOT, it states:

“Abandonment and discontinuance of railroad service is allowed by federal law.....it is generally based on economic factors.”

“Early warning signs: has the volume of traffic on a rail line declined in recent years? Whenever shipments over a rail line decrease markedly, for any reason, users should anticipate the possibility of abandonment.”

“Procedure Exemptions: a carrier may file a Notice of Exemption with the STB for exemption from regular STB abandonment procedures.....if (i) no local traffic has moved over the line for at least two years (ii) Any overhead traffic on the line can be rerouted over other lines and (iii) No formal complaint filed by a user or state/local government is pending with the STB.”

“Once an abandonment application is filed, only **exceptional** circumstances brought to light during the proceedings can prevent approval of the application by the STB.” (and exceptional is bolded)

CFU greatly appreciates the Council’s support and concern for our operation and continued availability of coal. Elimination of the rail spur does not eliminate coal deliver to CFU. We expect IANR to eventually file for abandonment, and the proposal put forth by City staff for these funds provides for City acquisition of the property, restoration of property (including CFU property), safety and aesthetic benefits – all which may be more costly if done at a time when federal funds are not available.



Steven Bernard  
General Manager