



Presentation to:  
**Port of Columbia**



Prepared by:  
**R.L. Banks & Associates, Inc.**



**December 18, 2024**

**NET LIQUIDATION VALUATION,  
REAL ESTATE APPRAISAL  
AND  
RAIL FEASIBILITY  
OF  
PORT OF COLUMBIA - OWNED RAIL ASSETS**

Prepared for:

**The Port of Columbia**

Prepared by:

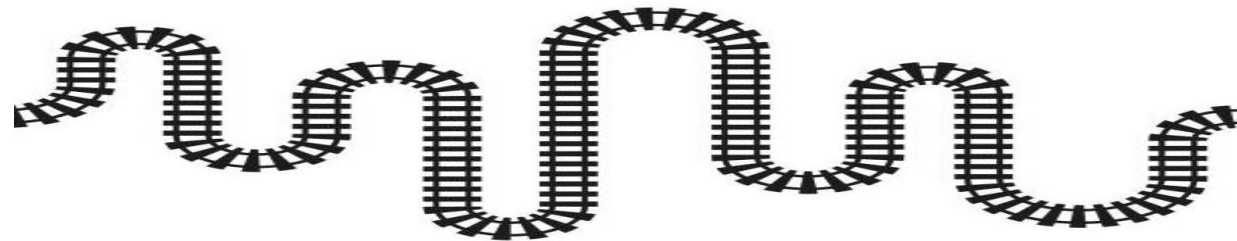
**R.L. BANKS & ASSOCIATES, INC.**

and

**GARY R. ANGLEMYER & ASSOCIATES, INC.**

## PRESENTATION ROADMAP

- Project and Team Introductions – Jennie Dickinson
- Approaches to Valuing Business Enterprises – Charles Banks
  
- Task 1: Cost Approach: Track Valuation – Keith Bruno
- Task 2: Cost Approach: Real Estate Appraisal – Gary Anglemyer
- Task 3: Income Approach: Preliminary Rail Feasibility Analysis -  
Keith Bruno
  
- Questions and Answers



## PROJECT INTRODUCTION

R.L. Banks & Associates (RLBA) was engaged by the Port of Columbia (The Port) to perform valuations of the Track Structure Assets constituting the roughly 37 route miles of track, extending between Dayton and Walla Walla, owned by The Port and the Real Estate underlying those assets. The Port also asked RLBA to perform a Preliminary Rail Feasibility Analysis of the railroad freight business along the corridor.

The RLBA Team accomplished the requested scope by performing three separate tasks:

***Task 1: Net Liquidation Value (NLV) of the Track Assets Informed by a Physical Inspection***

***Task 2: Appraisal of the Real Estate Underlying the Track Assets - Restricted Appraisal Report and***

***Task 3: Preliminary Rail Feasibility Analysis.***





## TEAM INTRODUCTION

RLBA is a multidisciplinary consulting firm operating **exclusively in the Rail space** providing economic, operational and engineering counsel to Class I (major) and Short Line (smaller) railroads, their customers, State, local and Federal government agencies and financial institutions that finance (debt and equity) rail projects and companies. RLBA features more than 60 years of experience in providing expert economic analytical services to a nationwide group of clients representing every principal segment of the economy. RLBA has teamed with Gary R. Anglemeyer & Associates, Inc. (GRAA), Infrastructure Realty Advisors on this project.



## TEAM INTRODUCTION



### **Charles Banks – President**

Since joining RLBA in 1985, Mr. Banks has focused on railroad negotiations, strategic planning and evaluating the economics of financing the acquisition, expansion, and rehabilitation of numerous railroads, often assessing their potential viability as part of due diligence studies performed by the firm.

### **Keith Bruno - Director, System Planning and Development**

Mr. Bruno brings a variety of rail transportation experience to the RLBA Team. Having worked at both major and short line railroads and as a rail freight shipper, he has developed a thorough knowledge of the goals and challenges that both shippers and the public sector face when dealing with a railroad.

### **Gary Anglemyer – Senior Associate, Real Estate**

Mr. Anglemyer has more than thirty - four years of real estate valuation service experience across a wide range of conventional and complex special purpose product types and assignments especially including railroad rights of way and commercial real estate in the US and abroad. He founded GRAA in 2012 after working with Grubb & Ellis Landauer Valuation Advisory Services starting 2011 as an Appraiser. From 1990-2002 Mr. Anglemyer was the Director of the Right of Way Valuation Division of Arthur Gimmy International.

### **Don Bagley – Senior Associate, Transportation Engineering**

Mr. Bagley spent nearly four decades working with Norfolk Southern Corporation (NS) and CSX Transportation, in the Maintenance of Way & Structures and Engineering Departments, progressing through positions of increasing responsibility, ultimately serving as Chief Engineer at NS and VP Engineering and Chief Engineering Officer at CSXT.

# THREE WAYS TO VALUE ANY BUSINESS; THE BUYER IS ENTITLED TO THE HIGHEST VALUE

## Stock Market Approach (Business Value)

$$\text{Number of Issued Shares} \times \text{Price per Share} = \text{Total Value of Shares} - \text{Debt Outstanding} = \text{Company Value}$$



## Cost Approach (Value of Assets)

**Assets**

┌──────────┴──────────┐

**Track**                      **Real Estate**

<b>Cost to Reproduce</b> Reproduction Cost New Less Depreciation (RCNLD)	Corridor / Assembly Value
<b>Net Liquidation Value (Not Market Value)</b> Net Liquidation Value (NLV)	Net Liquidation Value (NLV)

## Income Approach (Going Concern Value)

$$\text{Expected Annual Revenues} - \text{Expected Annual Costs} = \text{Expected Annual Cash Flows}$$

**(Discounted) Expected Annual Cash Flows:**

- Year 1**
- Year 2**
- Year 3**
- Year 4**
- Year 5**

## SUMMARY OF VALUATION AND COST RESULTS

NLV is the remainder after liquidation expenses were deducted from Gross Liquidation Value (GLV). This is a reasonable expectation of what a seller (acting as its own broker) could receive were the line liquidated in December 2024.

### Summary of Valuation and Cost Results

Item	Value / Cost
Net Liquidation Value of Track (Track Removed)	\$2,857,000
Net Liquidation Value of Track (Track In Place)	\$5,326,400
Underlying Real Estate Proceeds (Net Liquidation Value)	\$2,510,000
Underlying Real Estate Cost (Corridor Value)	\$8,398,000
Total <b>PROCEEDS</b> (NLV Real Estate + Track Removed)	\$5,367,000
Total <b>PROCEEDS</b> (NLV Real Estate + Track In Place)	\$7,836,400
Total <b>COST</b> (Corridor Value + Track Removed*)	\$11,255,000
Total <b>COST</b> (Corridor Value + Track In Place*)	\$13,724,400

\*Cost is underestimated because it excludes the cost of reconstituting a railroad from scratch.

Note: Values may not appear to add due to rounding

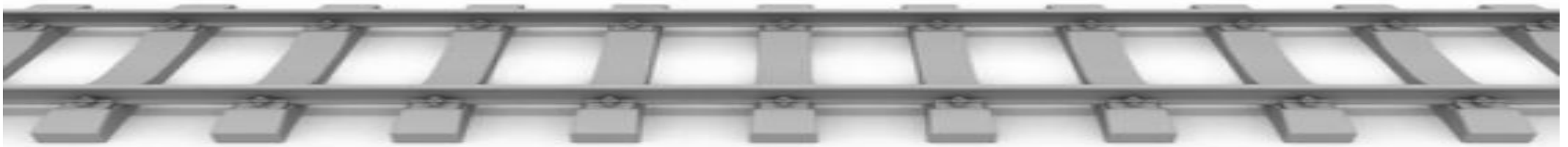


## NET LIQUIDATION VALUATION OF TRACK

### Methodology to Determine NLV

NLV was determined utilizing and adhering to the methodology employed by the Surface Transportation Board (STB), as manifest in decisions made by its Commissioners involving abandonments and other, related issues involving the prescribed use of NLV. RLBA arrived at this NLV through application of a multiple step process, the building blocks of which are summarized below:

- **Gross Liquidation Value (GLV);** the market value of salvageable track assets
- **Liquidation Expenses;** the expense incurred to remove salvageable track assets:
- **Track Salvage Value (TSV);** that value remaining after deductions of Liquidation Expenses due to removal and restoration as necessary to render assets saleable and preparation of the corridor for non-rail use;
- **Administrative, Marketing and Transportation Expenses;** the additional expense beyond the physical removal of the salvageable track assets associated with the liquidation process, as well as a profit margin for the liquidator and
- **Net Liquidation Value (NLV);** that value remaining after deductions of administration/marketing expense and conduct of the sales process such as transportation of materials.



## NET LIQUIDATION VALUATION OF TRACK

### Summary Net Liquidation Value Of Track Results

Item	Value
Gross Liquidation Value	\$ 5,326,400
Liquidation Expenses	\$ (1,075,600)
Track Salvage Value	\$ 4,250,800
Administrative, Marketing and Transportation Expenses	\$ (1,393,900)
<b>Net Liquidation Value (Track Removed)</b>	<b>\$ 2,857,000</b>
<b>Gross Liquidation Value (Track In Place)</b>	<b>\$ 5,326,400</b>

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## REAL ESTATE APPRAISAL

Two Methods to Value Railroad Rights of Way:

- 1) Net Liquidation Value
- 2) Corridor Value



Both scenarios start with the Across The Fence (**ATF**) Value

## REAL ESTATE APPRAISAL (CONTINUED)

### Across the Fence Value (ATF) of Real Estate



The ATF value is the value of the adjacent land applied to the right of way area.  
ATF is the baseline from which the Net Liquidation Value (NLV) and Corridor Values are calculated.

The **UNADJUSTED** ATF in this case, the ATF is estimated to be:

**\$7,000,000**

## REAL ESTATE APPRAISAL (CONTINUED)

### Net Liquidation Value (NLV) of Real Estate



A crew for Utah's A & K Railroad Materials removes railroad spikes Wednesday on the Nickel Plate Line. RobertScheer

In non-rail use or liquidation scenarios, ATF value is adjusted to reflect non-conventional real estate physical characteristics: i.e. access, narrow shape and marketability; sold off piece meal over time: proceeds discounted to a net present value; based on Surface Transportation Board (STB) Guidelines yielding not market value but lowest threshold of value.

***The NLV is only applicable if rail operations cease and the track is to be liquidated, per governance of the STB.***

In this case, the NLV is estimated to be:

**\$2,500,000**



## REAL ESTATE APPRAISAL (CONTINUED)

### Corridor Value of Real Estate



In continued rail use scenarios, ATF value is not discounted for atypical physical characteristics and ATF value is multiplied by the appropriate market-based corridor factor. A corridor factor is any corridor sale price divided by its ATF value. It is used to **estimate market value** and generally tends toward the higher end of the value spectrum.

In this case, the corridor value of real estate is estimated to be:

**\$8,400,000**

## PRELIMINARY FEASIBILITY ANALYSIS

The purpose of this analysis was to conduct a preliminary exploration of the potential profitability of the line as a freight railroad. The analysis was designed to shed some light on the likelihood as to whether the combined value of the assets constituting the railroad owned by the Port of Columbia exceeds the likely Going Concern Value of a railroad enterprise using those assets.

The RLBA Team conducted a Preliminary Feasibility Analysis study to identify any potential future use of or business on the Port of Columbia's rail assets. The Team analyzed:

- **Rail Carload Volumes,**
- **Railcar Storage and**
- **Corridor Physical Characteristics**



## PRELIMINARY FEASIBILITY ANALYSIS (CONTINUED)

### *Carloads*

Typically, the largest single revenue generator on a railroad is the sum of charges assessed in connection with the movement and placement of railcars tendered by shippers and/or consignees.

- The Columbia – Walla Walla line currently does not serve a significant number of customers in comparison to other rail operations of similar length.
- Those customers do not generate a significant number of carloads, thereby resulting in a low number of originating or terminating number of carloads per mile, the best single metric to measure “traffic density.”
- The railroad does not currently enjoy significant revenue from traditional means.



## PRELIMINARY FEASIBILITY ANALYSIS (CONTINUED)

### *Railcar Storage*

At times, railcar owners or lessees experience a surplus of railcars in their fleets. Railcars become idled, or stored when a car owner or lessee experiences a decline in transport needs due to commodity seasonality, a decline in commodity demand or other factors outside their control. Providing locations and track capacity on which to temporarily store surplus railcars is an ancillary revenue stream on most short lines.

Car storage providers typically offer locations where:

- Idled railcars will not impede the movement of other rail traffic;
- Extra track space in a rail yard;
- Passing sidings are not required to conduct network operations or
- Track is available where customers at formerly, rail-served facilities no longer ship by rail.

## PRELIMINARY FEASIBILITY ANALYSIS (CONTINUED)

### *Summary and Synthesis of Preliminary Rail Feasibility*

The Port's Dayton – Walla Walla line presents a significant amount of potential. Even though the rail line is a stub-ended branch line (dead end), it features several, favorable attributes.

#### **PROS**

- Connections to UP and BNSF
  - Shipper / Consignee Reach
  - Rate Negotiations
- Provides Rail Option
  - Less Trucks
  - Alternative to Barge
- Current Adjacent Land Use
  - Attractive to Industrial Development
  - Minimizes Impacts to Public

#### **CONS**

- Stub End Branch Rail Line
- Insufficient Revenue Streams
  - Low Carload Volumes
  - Limited Car Storage Capacity
- Requires Significant Amount of Grants to Sustain Operations



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# Thank You

We Look Forward to Answering Any Questions You May Have



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