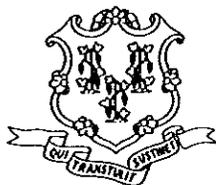


Connecticut General Assembly



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OFFICE OF LEGISLATIVE RESEARCH

January 24, 1996

96-R-0264

TO: Honorable Michael A. Christ
FROM: John Rappa, Principal Analyst
RE: Railroad Depot and Warehouse Sites Task Force Report

You asked us to draft the report for this task force report based on your directions.

SUMMARY

The problems associated with the abandoned railroad depot and under used warehouses along East Hartford's Park Avenue led the General Assembly to establish a task force to study how these and three other unspecified sites could be reused. Abandoned and under used depots and warehouses, such as those in East Hartford, are economic liabilities and public safety hazards. They generate little or no taxes, erode the value of nearby productive properties, and, in some cases, threaten the stability of healthy residential neighborhoods. The task force soon learned, though, that East Hartford is not unique. The Department of Transportation (DOT) identified many similar sites, but the task force did not have time to assess them.

But the depots and warehouses also present opportunities, including restoring them to their original uses. Middletown's North End development plan calls for improving the depot, which is used by the Central Connecticut Railroad. In fact, the task force was surprised to learn that the state's railroad companies have been staging a comeback. Some have carved niches in an industry dominated by tractor trailers. But cuts in federal and state funding for rehabilitating railroad infrastructure threaten their growth. For this reason, redevelopment of the depots and warehouses depends largely on the industry's ability to grow and serve more Connecticut customers.

But the legislature can help in a limited way. It can adopt a strategy that zeros in on redeveloping the depots and warehouses while restoring abandoned and under used rail lines. It can make the depots and warehouses eligible for enterprise zone designation, a tool many municipalities are using to stimulate private investment in distressed areas. The legislature should also require DOT to identify abandoned and under used depots and warehouses, and the

Connecticut Economic Resource Center (CERC) should include this data in its site finder program, which is a computerized data base serving businesses looking for development sites.

The Department of Economic and Community Development (DECD) should analyze the state's railroad industry and ways in which the state can help it. And, given the cuts in federal railroad funding, the legislature should earmark some existing economic development dollars for redeveloping the depots and warehouses and restoring abandoned rail lines. The railroad companies themselves can help the process by identifying their common needs and concerns and recommending ways in which the state can help.

TASK FORCE ADMINISTRATION AND PROCESS

PA 95-318 established the task force to study how the state can make better use of its abandoned and under used railroad depots and warehouses (Attachment 1). It specifically required the task force to study four sites, but it only had enough time to examine those in East Hartford and Middletown.

The task force consisted of state transportation and economic development officials and eight members appointed by legislative leaders. The latter included public members, legislators, and representatives of the transportation industry. Representative Christ chaired the task force. Attachment 2 lists the members and others who participated in its discussions.

As Table 1 shows, the task force held four meetings dealing with various topics. Staff from the Commerce Committee, the Office of Legislative Research, DOT, and DECD provided technical support. The task force also heard presentations from CERC and representatives of East Hartford and Middletown.

Table 1
Task Force Meeting Dates and Topics

<i>Date</i>	<i>Topics</i>
October 5	Task Force Issues and Workplan
October 17	State Railroad Operations and Status of Middletown's North End Development
November 8	State Economic Development Assistance
November 11	Status of East Hartford Park Avenue Depot and Warehouse

FINDINGS

Problem and Opportunity

Abandoned and under used railroad depots and warehouses dot the state, reminding us of an earlier age when businesses relied mainly on railroads to move goods. They also recall a time when builders could construct tenements next to depots, warehouses, factories, and other industrial uses. Today, most businesses rely on tractor trailers to ship goods, and municipal zoning codes keep industrial uses away from homes, apartments, and schools.

But abandoned and under used depots and warehouses are more than historical artifacts: They threaten public safety and sap a community's economic vitality. They generate little or no property taxes. And those located near viable properties can reduce their values, further eroding local tax bases. Under used depots and sites generate some taxes, but those near residential neighborhoods threaten public health and safety, especially if they generate truck traffic in or near these neighborhoods.

The railroad depot along East Hartford's Park Avenue typifies the problem. The site includes an under used rail line and 18 warehouse buildings, only half of which are being used. Most of the goods stored in these facilities arrive by trucks traveling on Park Avenue, which separates the warehouses from a stable residential neighborhood. The task force did not have time to survey all of the abandoned or under used railroad depots and warehouses identified by DOT, but it believes that many of them pose similar problems.

But the depots and warehouses are also potential economic resources, which can be used to revitalize distressed areas, create jobs, spawn new businesses, and reduce transportation costs while improving air quality. Depots and warehouses can serve niche uses, explained James Dunn, East Hartford's economic development coordinator. Frozen food vendors, for example, have taken advantage of the warehouses near East Hartford's depot. The owners of these facilities charge relatively low rents, which could make the unused facilities attractive to start-up businesses.

Middletown regards its railroad depot as an economic asset. The line already serves several manufacturers, and the city believes it can serve more. In fact, Middletown plans to extend its enterprise zone to include the depot, making any business locating there eligible for property and corporate business tax benefits and other incentives.

Railroad Potential

Middletown's experience suggests that it may be possible to restore abandoned railroad depots and warehouse sites to their original uses. And statistics suggest that the state's rail freight industry is rebounding, reversing decades of decline. As highway congestion has increased travel time, the railroads have managed to cut costs and improve service. In the process, they have become a viable alternative for moving bulk over long distances at competitive prices.

But, unlike highways, the state does not plan and build railroads. Rather, it acquires and holds abandoned tracks for resale to private operators, a policy known as rail banking. The policy relies on market forces to stimulate demand for rail services. DOT's job is to complement those forces by preserving abandoned lines until the demand for rail service leads private operators to re-acquire them. DOT also regulates these operators and helps them obtain federal funds, which have been cut, to upgrade or extend the tracks. It does not stimulate demand by promoting railroads to various businesses.

The industry's potential could be stymied by federal and state cuts for repairing railroad tracks and bridges. Repairing the rail line running north of Middletown could reduce shipping costs while providing rail service to manufacturers in the Rocky Hill area, explained William Kuehn, Middletown's development director. Cargos destined for locations north of Middletown must now take a circuitous route. They must travel south to Old Saybrook, where they must switch onto the Amtrak line heading east to New Haven. At New Haven, they must switch again onto the line heading north.

RECOMMENDATIONS

Site Identification and Assessment

The task force believes that the state's abandoned and under used railroad depots and warehouses are potential economic assets, and that the state should help to develop them. But the state should not act until it has identified these sites and carefully assessed their development potential. DOT and DECD should do this in cooperation with the affected municipalities and the regional planning agencies. Potential funding sources for this include the federal Intermodal Surface Transportation Act, the state Manufacturing Assistance Act, and federally funded, locally administered community development block grants.

Customized Site Marketing and Promotion

The task force recognizes that CERC's site finder system is a valuable tool for helping businesses find the optimum site for locating a facility. The system is a computerized data base providing detailed information on thousand of sites throughout the state. The task force recommends that CERC expand the data base to include abandoned and under used railroad depots and warehouses identified by the DOT-DECD study. It also recommends that CERC selectively market these sites to those types of businesses that could benefit from a railroad location.

State Assistance

Several existing state programs can help developers redevelop the depots and warehouses, and the task force recommends that they target such development. It specifically recommends the following:

1. The legislature should amend the enterprise zone program to make the areas containing sites identified in the DOT-DECD study as eligible for enterprise zone designation. Municipalities have generally found the enterprise zone program to be a powerful tool to revitalize distressed properties. Railroad depots and warehouses should be eligible for the designation only if the municipality intends to revitalize them as part of a comprehensive economic development strategy. (The legislature set the precedent for this approach in 1993 when it made areas hurt by plant and military base closings eligible for enterprise zone designation.)
2. The DECD and the Connecticut Development Authority (CDA) should establish a Railroad Infrastructure Challenge Grant program for redeveloping abandoned and under used depots and warehouses and repairing or restoring abandoned or under used railroad lines and bridges. It can fund the program by earmarking funds already authorized for other programs, such as the Manufacturing Assistance Act. (The legislature set a precedent for this in 1991 when it earmarked funds under this program for defense diversification projects.)
3. DECD, CDA, and DOT should establish an interagency team to aggressively identify and assist potential developers for abandoned and under used sites and help them secure state funding. The team should also work with railroad companies on identifying abandoned railroads that can be put back into service.
4. DECD should analyze the competitiveness of the state's railroad industry, identify its growth potential, the barriers hindering its growth, and actions the state can take to remove or lower those barriers.

The task force also recommends that the state's railroad companies identify their common needs and concerns, such as access to capital, adopting new technologies, and developing the workforce, and recommend how the state can address these needs.

JR:lc

Sec. 8. (a) There is established a task force to study the future use of railroad depot and warehouse sites in the state. The task force shall select four railroad depot and warehouse sites for study under this section.

(b) The task force shall consist of: (1) Two members appointed by the speaker of the house of representatives and two members appointed by the president pro tempore of the senate, who may be members of the general assembly, (2) one member appointed by the majority leader of the house of representatives, (3) one member appointed by the majority leader of the senate, (4) one member appointed by the minority leader of the house of representatives, (5) one member appointed by the minority leader of the senate, (6) the commissioner of economic development, or his designee, and (7) the commissioner of transportation, or his designee.

(c) All appointments to the task force shall be made within thirty days after the effective date of this section. Any vacancy shall be filled by the appointing authority.

(d) The speaker of the house of representatives and the president pro tempore of the senate shall select the chairpersons of the task force. Such chairpersons shall schedule the first meeting of the task force, which shall be held within sixty days after the effective date of this section.

(e) Not later than January 1, 1996, the task force shall submit a report on its findings and recommendations to the joint standing committee of the general assembly having cognizance of matters relating to the department of economic development, in accordance with the provisions of section 11-4a of the general statutes. The task force shall terminate on the date that it submits such report or January 1, 1996, whichever is earlier.

Sec. 9. (a) There is established an advisory committee on site remediation. The committee shall study and recommend an appropriate funding source for the bonds authorized to be issued under section 5 of public act 95-190.

(b) The committee shall consist of: (1) The chairpersons and ranking members of the joint standing committee of the general assembly having cognizance of matters relating to the environment, (2) at least one representative from each of the following, who shall be appointed by said chairpersons and ranking members: (A) The Southwestern Area Commerce and Industry Association of Connecticut, Inc., (B) a business which is subject to the gross receipts tax on petroleum products imposed under section 12-587 of the general statutes, (C) the Connecticut Business and Industry Association, (D) a business which is a member of the Independent Petroleum Association and is subject to the hazardous waste generator assessment authorized under section 22a-132 of the general statutes, (E) a local chamber of commerce, and (F) the Connecticut Conference of Municipalities, (3) the secretary of the office of policy and management, or his designee, (4) the commissioner of environmental protection, or his designee, and (5) the commissioner of economic development, or his designee.

(c) All appointments to the committee shall be made within thirty days after the effective date of this section. Any vacancy shall be filled by the appointing authority. The chairpersons of the joint standing committee of the general assembly having cognizance of matters relating to the environment shall serve as chairpersons of the committee.

ATTACHMENT 2
Railroad Depot and Warehouse Sites Task Force Members and Staff

Members

Representative Michael A Christ
Representative James Abrams
Mr. Larry Stenger
Mr. John Reidy (Transportation Commissioner's Designee)
Mr. Gardner Wright, Jr.
Mr. Robert Damaschi
Mr. Michael Riley
Mr. James Sandy

Staff

Mr. Robert P. Ives, Commerce Committee
Mr. Larry Shapiro, Legislative Commissioner's Office
Mr. Saul Spigel, Office of Legislative Research (OLR)
Mr. John Rappa, OLR
Mr. Mark Prisløe, Department of Economic and Community Development

Participants

Mr. James Dunn, Director East Hartford Development Department
Ms. Martha Hunt, Connecticut Economic Resource Center
Mr. Russ St. John, Connecticut Central Railroad
Mr. William Kuehn, Director Middletown Development Office
Mr. John Lombard, Connecticut Economic Resource Center

PROPOSED CHANGES

Page 1, 2nd Paragraph:

Change Central Connecticut Railroad to Connecticut Central Railroad

Page 4, 2nd Paragraph:

They must travel south to [Old Saybrook] NEW HAVEN, where they must switch onto the Amtrak line heading [east of New Haven] NORTH TO HARTFORD. CARGO FROM LOWER MIDDLESEX COUNTY MUST TRAVEL SOUTH TO OLD SAYBROOK WHERE THEY MUST SWITCH ONTO THE LINE HEADING TO NEW HAVEN. At New Haven, [they] IT must switch again onto the line heading north.

This section to undergo revision. l.m.

Page 5, Recommendation 3:

DECD [, CDA,] and DOT should establish an interagency team to aggressively identify and assist [potential developers] RAILROAD COMPANIES for abandoned and under used sites and help them secure state funding. The team should also work with [railroad companies] THEM on identifying abandoned railroads that can be put back into service. IT SHOULD ALSO WORK WITH THE CONNECTICUT DEVELOPMENT AUTHORITY TO SECURE STATE FUNDING.

Page 5, Recommendation 2:

The DECD [and the Connecticut Development Authority (CDA)] should establish a Railroad Infrastructure Challenge [Grant] program for redeveloping adandoned and under used depots and warehouses and repairing or restoring abandoned or under used railroad lines and bridges. It can fund the program by earmarking funds already authorized for other programs, such as the Manufacturing Assistance Act AND THE CONNECTICU WORKS FUND. (The legislature set a precedent for this in 1991 when it earmarked funds under this program for defense diversification projects.)