



Chautauqua, Cattaraugus, Allegany & Steuben Counties

Southern Tier Extension Railroad Authority

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"This institution is an equal opportunity organization"
John Margeson, Chairman

NEWS RELEASE

FOR IMMEDIATE RELEASE

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RAIL AUTHORITY HOLDS MEETING

The Southern Tier Extension Railroad Authority (STERA) Board met recently on January 29, 2007. At this meeting, Western New York and Pennsylvania Railroad Company (WNYP) President William Burt made a presentation on the progress made to date since STERA came into title on the east-west railroad line real estate and WNYP began operating the line as sub-lessee of Norfolk Southern in 2001.

He featured the railroad initiative as an "opportunity for economic development in the region," and noted that national trends show new industrial development is best steered to areas with short line railroad service. The four southwestern New York State counties' and STERA's mutual involvement in this railroad initiative is actually a strategic move to solidify the future stability of the industrial base of the area by providing rail service as a cost effective transportation alternative, thereby protecting the region's jobs and tax base.

Mr. Burt announced that WNYP is in negotiations with Norfolk Southern to lease the north-south railroad line running from Machias Junction to the Pennsylvania state line. This is the line that runs along the Route 16 corridor north of Hinsdale, and along the Route 417 corridor from Olean to Portville. Burt proposed that Norfolk Southern deed the line to STERA through 2017, during which time STERA would lease the line back to Norfolk Southern, which would in turn sub-lease the line to WNYP. This would allow STERA to provide a real estate tax abatement on the north-south rail line similar to that provided on the east-west rail line, as an incentive to building traffic and business development along the line.

He stressed the need to strengthen WNYP, in business since 2001, through the acquisition of the north-south line. He highlighted prospects of new jobs being created in Olean to operate daily train routes, and noted an expected resulting customer service upgrade.

He noted that in the transaction, WNYP would secure the use of railroad yard off Constitution Avenue in Allegany, and noted WNYP's plans for growth within that yard. This yard has also been mentioned as a site for the location of a potential multimodal freight transfer facility in the region.

He noted that the increased presence of WNYP in the region would also increase the potential for growth in the community and county. Existing companies in the area may well find it advantageous to utilize rail for shipping, and other potential rail shippers may be positively impacted as well. Mr. Burt provided documentation of companies on the east-west line that have returned to rail shipping, become rail shippers for the first time, and in some case, which have located along the railroad line to obtain access to rail shipping. In all cases, lowering transportation costs, reliability, and service were the key issues.

Citing the longer than expected time in obtaining funding to rehabilitate the east-west line, noting an ongoing need for additional rehabilitation of that line, and noting the inability of WNYP to pay for additional rehabilitation work, Mr. Burt asked STERA to delay the onset of PILOT payments owed to STERA in the last three years of the current agreement, which expires in 2011. He asked for an extension of the east-west line agreement through 2017, under which real estate property taxes would continue to be completely abated to all local taxing jurisdictions, with graduated PILOT Payments coming due in 2015, 2016, and 2017, instead of 2009, 2010, and 2011.

On the north-south line, Burt requested that STERA provide a similar tax abatement scenario. He proposed that STERA grant a total real estate property tax abatement on the north-south line, with a graduated PILOT payment in 2015, 2016, and 2017.

Under the current agreement, when the east-west line come back to full taxation in 2011, the taxing jurisdictions (County, City, Village, Town, and school district) in each of the three impacted counties (Chautauqua, Cattaraugus and Allegany) together would receive an estimated \$250,000 per year, with Steuben County's taxing jurisdictions receiving an estimated \$30,000 per year. Mr. Burt noted that these amounts were estimates of tax revenues each county's tax jurisdictions would receive now that taxability of railroad real estate statewide has been reduced about 45% by State legislation in 2003. He noted that this statewide reduction in railroad real estate taxation confirms the fact that rail has been over taxed by NYS in the past. He noted that Pennsylvania does not tax railroad real estate at all.

The north-south line tax revenue, which is received entirely by taxing jurisdictions within Cattaraugus County, has already been reduced by the State legislation, and totals about \$489,000 per year.

Burt returned to his theme that real economic development begins by taking care of a fragile industrial base. He noted that preserving and growing rail shipping options is a major help in retaining and expanding our current industrial base. Without them, he said, jobs would vanish and local taxes would really increase dramatically.

Burt discussed the possibility of the north-south line being abandoned, after which the rail would be salvaged and property taxes would be reduced to either near zero or zero, depending on purchase by adjoining landowners or reuse as a trail. He discussed the potential for economic development ensuing from WNYP becoming the operator of the north-south line, and discussed how WNYP's own viability would be improved under the sub-lease scenario. WNYP's viability is an important issue for STERA, given that the Authority's overall railroad strategy is dependent upon a viable operator for the east-west line.

STERA intends to discuss the proposed transactions and abatements at a meeting of the Authority on February 12, 2007 at 9:30 AM at the Southern Tier West Regional Planning and Development Board office in Salamanca. The meeting is open to the public.

In other business, STERA also authorized becoming a co-applicant with Cattaraugus County for a NYS DEC Environmental Remediation Program project in Randolph involving the demolition and remediation of the former Randolph Foundry. STERA also discussed Public Authorities Accountability Act Compliance, and adopted a budget for calendar year 2007.

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