

PLYMOUTH TO KOHLER RAILROAD PROJECT – UPDATE

BACKGROUND INFORMATION

- The east-west line between the City of Plymouth and the City of Sheboygan was originally built in 1859 for passenger service and later was converted to freight service. Over 20 years ago the line was taken out of service, but never abandoned. In 2006, an 11 mile section between Plymouth and Kohler was embargoed, leaving existing users and prospective users without access to rail service.
- In 2005, Sheboygan County became a member of the East Wisconsin Counties Rail Consortium. EWCRC has 9 member counties and their efforts have helped renovate tracks within the 9 counties. The renovated trackage has contributed to the retention or creation of 12,000 jobs. Wisconsin DOT and EWCRC oversee the renovation projects through cooperative agreements. EWCRC can assist with renovation projects, but not rebuilding projects.
- In 2006, Wisconsin DOT issued an Economic Impact Analysis that revealed the following:
 - In Sheboygan County, over 2,800 people were employed by businesses served by rail representing \$137 million in personal income and \$614 million in business sales.
 - Between 50 and 100 businesses that could have the potential of using rail service, based their industry cluster, are located within 1 mile of the rail line that was taken out of service. Several of these businesses encourage rebuilding the east-west line and anticipate additional business development opportunities and job growth if rail service is returned.
- In 2009, the State of Wisconsin acquired the east-west line from Union Pacific. The State of Wisconsin contracts with Wisconsin & Southern Railroad Co. to serve the rail line.
- Also in 2009, the State legislature awarded a \$12 million grant to the rebuilding project which requires a 20% local match. The \$12 million is accessible through the State's current biennial budget. Combining the state and local matches yields \$15 million that would be used to rebuild the 11 mile section of track starting in the City of Plymouth and continuing eastward through the City of Sheboygan Falls to Highland Drive in the Village of Kohler.
- During much of 2009 and at the start of 2010 a private sector project was developing that would have used rail service extensively. Because this private sector project would have resulted in numerous new jobs within the City of Plymouth, much of the \$3 million local match was originally proposed to be raised by the City of Plymouth. Unfortunately, this large project will not occur and therefore the City of Plymouth's initial commitment to the entire local match amount has changed. However, Plymouth remains committed to the value of the rail rebuilding project.
- The benefits of the railroad rebuilding project are significant and include:
 - According to estimates from the Association of American Railroads, the approximately \$15 million in freight rail infrastructure investment for this project will yield approximately \$45 million in economic output for the region.
 - The approximately \$5 million that will be spent within Sheboygan County for products, services and construction during the project.

- Direct access to national and world markets via rail through WSOR and their interchange trackage rights with six Class 1 freight rail companies.
- Preservation of local highway infrastructure and the environment since 1 ton of freight can be shipped by rail for 457 miles consuming 1 gallon of diesel fuel, according to the American Association of Railroads.
- Retention of a significant number of existing jobs from companies currently using the freight rail service, and the formation of new jobs that add up to 300 or more, based on multiplier effects, and preliminary estimates from businesses adjacent to the rail.
- A reconstructed rail line is expected to induce adjacent development and investment, as reflected in local communities' land use plans, which could result in the creation of over 5,000 new jobs within the next 20 years (source: community land use plans, and Fishkind & Associates' Fiscal Impact Analysis Model, 2002).

PROJECT STATUS

- In 2009, the State of Wisconsin legislature awarded a \$12 million grant to the Plymouth to Kohler railroad rebuilding project which requires a 20% local match. Combining the state and local matches yields \$15 million that would be used to rebuild the 11-mile section of track starting in the City of Plymouth and continuing eastward through the City of Sheboygan Falls to a point just west of Highland Drive in the Village of Kohler.
- For the past several years, various organizations within Sheboygan County have worked together to raise the required local match funding. These organizations include Sheboygan County Economic Development Corporation, Sheboygan County Chamber of Commerce, Sheboygan County, the City of Plymouth, the City of Sheboygan Falls, the City of Sheboygan and private businesses who currently use rail service as it exists into the City of Plymouth.
- More recently, rail 'stakeholders' meetings were held in December 2010 and March 2011 to address the rail rebuilding project. Attendees at one or both of these meetings included State Senator Leibham, State Representatives Kestell, LeMahieu, and Endsley, and representatives from the Wisconsin DOT, Sheboygan County, City of Plymouth, City of Sheboygan Falls, City of Sheboygan, Sheboygan County EDC, Sheboygan County Chamber of Commerce, Wisconsin & Southern Railroad, Bemis Manufacturing, Kohler Co., Glacier Transit & Storage, Kettle Lakes Cooperative, Dairy Farmers of America, Johnsonville Sausage, and Herschberger's LP Gas Service.

Based on preliminary verbal financial commitments made by representatives of the 'stakeholders' listed below, approximately \$2,000,000 has been committed towards the required local financial match of \$3,000,000. Current commitments towards the 20% local match are as follows (totals reflect preliminary commitments only, and are not final or official):

Wisconsin & Southern Railroad	\$	850,000
City of Plymouth	\$	400,000
City of Sheboygan Falls	\$	250,000
Bemis Manufacturing Co.	\$	200,000
Sheboygan County	\$	100,000
Kettle Lakes Cooperative	\$	100,000
Glacier Transit & Storage	\$	40,000
Service One Transportation	\$	20,000
King Structures Inc. (KSI)	\$	20,000
Morrelle Transfer & Warehouse	\$	20,000
Total:	\$	<u>2,000,000</u>

- The additional \$1,000,000 required for the local match is currently being sought by Sheboygan County via a \$1 million Transportation Economic Assistance grant program application to the Wisconsin DOT.
- The following private sector companies have submitted letters of support for the project: Bemis Manufacturing Company, Wisconsin & Southern Railroad, Richardson Industries, Inc., Kettle Lakes Cooperative, Service One Transportation, Dairy Farmers of America, Glacier Transit & Storage, and Signs & Designs—Sheboygan County (see attached).
- Telephone calls to the approximately 80 companies located within one mile of the rail line were completed by March 12, 2011. These calls helped determine any potential future usage of the improved rail line, or additional private sector support for the project.

NEXT STEPS

- Now that preliminary financial commitments of up to \$3 million towards the 20% local match required by the Wisconsin DOT have been secured, the process of securing the formal commitments from Sheboygan County and the Cities of Plymouth and Sheboygan Falls has begun. Additionally, the SCEDC is assisting Sheboygan County's application for the Wisconsin DOT's \$1 million Transportation Economic Assistance (TEA) grant, and is working with Bemis Manufacturing Co. regarding other elements of the TEA grant application.
- The SCEDC will work with the Wisconsin DOT and Wisconsin & Southern Railroad to formalize and secure the private sector commitments and determine how these private sector commitments are attributed to the project.
- The Wisconsin DOT indicated they may have to update the Economic Impact Analysis from 2006, to reflect current conditions. The update is expected to occur within the next several months.
- Finally, the SCEDC will reconvene the railroad stakeholders group in late April 2011 to discuss the aforementioned details and project timing for 2011/2012.
- The Sheboygan County Economic Development Corporation is committed to securing funding for this important infrastructure project due to its potential impact on the future economic development and vitality of Sheboygan County. Thank you for your interest and participation!