

# What's the Fair Value of Rail Rights-of-Way?

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Recent news accounts of a pending deal between Norfolk Southern Corp. and the City of Virginia Beach have prompted questions concerning the seemingly high price tag. The City reportedly is to purchase all, or possibly a portion of, the Company's interest in the old 10.6 mile (original, predecessor, NS) right-of-way for \$40 million.

So what's the big deal? Private land owners who possess a marketable interest in real estate rights, deemed to be of greater utility to the public, regularly sell such rights for public purposes, often under threat of condemnation. If the City of Virginia Beach did not need the 66-foot-wide strip of land for public purposes, in this case for Tide Light Rail extension, we have to assume that the City probably would not have agreed to purchase the 10.6 mile corridor. Could the City have condemned? Maybe, maybe not.

We have a public policy problem dating back to 1830. Unknown to most modern-day citizens, the State of Virginia, and many Virginia cities, were the dominant financial investors in most of our early railroad companies, but the public sector almost never held title to the rights of way. Perhaps the State should have done so. Rail rights of way would have been a better investment than stocks and bonds issued by the early railroad companies, the value of which was either lost, or sacrificed, in the years after the Civil War. By contrast, North Carolina held on to much of its railroad equity ownership.

Virginia railroad companies have maintained their interest in these rights of way for a very long time. Railroads have often paid dearly in real estate taxes and upkeep, e.g. highway grade crossing maintenance. Meanwhile, the State and its political subdivisions, including Virginia Beach, long ignored the network of rail lines and associated rights of way crisscrossing the Commonwealth. The once controversial Lake Gaston water line should have provided a wake-up call.

Virginia Beach probably could have bought the old, original, Norfolk Southern line to Charlotte, with the Virginia Beach branch to boot, for less than \$40 million as late as the mid-1960's. But rail was not on the minds of transportation planners in the era of Interstate Highway and Expressway development. There is obviously a lesson here.

Some might recall the 1960's deal in Northern Virginia, whereby Chessie System sold the W&OD, a 46-mile rail line, to VDOT for \$4.4 million, the equivalent of about \$26 million today. Part of that line was used for I-66. The Beach deal arguably has greater consistency. A new rail line will eventually operate on the Virginia Beach right of way. Credit NS with preserving the right of way, intentionally or not.

We look forward to taking the Tide out to the Beach. The down-side is that the expectations of both CSX and NS have been excessively stimulated. On the other hand, the tax assessor will most certainly take notice in valuing other rail property. Fair deal?

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