VIRGINIA INLAND PORT STUDY

Q4 2024 General Assembly Update

Submitted by:

Virginia Port Authority

Dec 1, 2024

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SUPPORTING DOCUMENTATION

Report of the Virginia Economic Development Partnership Authority and Virginia Port Authority. (2023). *Inland Port Study: Feasibility Analysis of Locating an Inland Port in the Commonwealth (2022 Appropriation Act, Item 125.Q.)*

Virginia Inland Port Study Q4 2023 General Assembly Update – December 1, 2023

Virginia Inland Port Study Q1 2024 General Assembly Update – March 1, 2024

Virginia Inland Port Study Q2 2024 General Assembly Update – June 1, 2024

Virginia Inland Port Study Q3 2024 General Assembly Update – Sept 1, 2024

I. EXECUTIVE SUMMARY

This is the fifth update in accordance with the 2022-2024 Biennial Budget (HB 6001 from the 2023 Special Session I), Item 113 T.4.

This document provides an update to ongoing work associated with the potential for a new inland port facility in the Mount Rogers Planning District and related next steps, for which the Commonwealth allocated additional funds in the 2022-2024 budget to pursue further development.

Readers of this update are encouraged to familiarize themselves with the project's intent by reviewing the initial Inland Port Study ("Inland Port Study: Feasibility Analysis of Locating an Inland Port in the Commonwealth") which was jointly released with the Virginia Economic Development Partnership [VEDP] and previous updates, the most recent of which was released in September 2024.

This fifth update:

- Focuses on work accomplished over the most recent past three months, through December 1, 2024.
- Provides information regarding concept development and related efforts.
- Outlines next steps for potential development.

II. PROGRESS TO DATE

The Virginia Port Authority [VPA] design team (internal VPA Engineering supported by hired outside expertise) has been focused on advancing the development of a preferred facility concept. A range of alternatives has been assessed based on their effectiveness in meeting operational objectives, compatibility with the serving railroad's operations, and potential impacts on the surrounding community. A topographic survey, geophysical study, and geotechnical investigation were performed at the project site concurrent with the ongoing concept development.

A. Concept Refinement

Refinement of the initially preferred concept revealed a significant cost driver and risk associated with extensive earthwork, which jeopardized the financial viability of the project. Considering that risk, the design team pivoted to one of the previously developed concepts, better aligning the facility design with the project site and topographic conditions thus greatly reducing the excavation cost driver and risk. Despite these changes, the full buildout of the revised concept remains compatible with the project's envisioned railroad service model.

B. Financial Practicality and Cost Management

In addition to adopting a more cost-efficient design, the project team explored ways to introduce flexibility into the initial construction scope, allowing greater control over initial capital investments and alignment with evolving commercial and economic needs. This flexibility is achieved by deferring certain infrastructure components in two key areas: onsite and offsite.

1. Onsite deferrals involve initially limiting track and container storage to match early project demands, which avoids underused infrastructure and provides adaptability for potential future needs.

2. Offsite deferrals involve implementing a simpler, interim rail service model with shorter trains and a more basic mainline connection until higher throughput warrants a full upgrade. These deferrals are being coordinated with Norfolk Southern and stakeholders to ensure the service meets operational needs.

The preliminary design presented to stakeholders will depict a fully developed terminal, with no onsite deferrals, and an interim rail service model that defers much of the offsite improvements. However, if the interim model is deemed commercially or operationally unfeasible, further offsite infrastructure will be incorporated back during the next design phase.

C. Stakeholder Coordination

VPA continues to meet with potential customers and stakeholders to assess the cargo demand and market needs as well as assess the commercial and operational viability of the deferred offsite infrastructure. VPA likewise continues coordination with Washington County representatives to collect feedback, identify potential issues of concern, identify opportunities to better integrate the facility into the community, and identify other development efforts that may be needed to realize the project.

III. DEVELOPMENT LOOKAHEAD

Engineering and business case development remain the focus of efforts going into 2025.

Engineering work will advance to a 60% design stage to strengthen cost projections and enhance planning accuracy for the proposed inland port. Reaching this design milestone will provide essential details on construction sequence, material requirements, and property impacts, all of which are necessary for improving the confidence of the project budget.

Key engineering efforts include addressing stakeholder comments about the project received from the 30% design, refining the support facility and gate designs in partnership with the VPA's operations personnel, expansion of field investigation efforts, and preparing wetland surveys and stormwater management reports to support project permitting.

With a refined understanding of these technical requirements, VPA will be better equipped to evaluate the financial resources required and make data-driven, analytically grounded decisions regarding the project's feasibility and funding strategies. Achieving 60% design will also create a stronger basis for coordinating with regulatory bodies and stakeholders, setting a clear path for any remaining design, permitting, and environmental assessments.

Commercial analyses will be expanded to better understand the economic potential of the inland port and its potential impact on regional trade and development. Continued, targeted outreach to potential customers will help clarify the operational value of this facility to the surrounding community and businesses and provide essential insights into job creation, supply chain efficiencies, and long-term growth opportunities that this inland port could stimulate.

In addition, a comprehensive economic impact study will be performed which will include detailed analysis regarding job creation, potential to increase further investment in the region, and local and state tax impacts.

By aligning a more detailed economic forecast with technical planning, VPA and its partners will have a comprehensive foundation for understanding the inland port's broader impact to the state and region and enable informed decision-making on this project.

The VPA anticipates the following milestone updates to the designated legislative and executive oversight entities over the next calendar year as it progresses the design to the 60% level and expands its commercial assessment of the project:

- Calendar Q1 (March 2025): Design update to address stakeholder comments and reflect ongoing design refinements and value engineering decisions. Progress update on expanded field investigations. Progress update on development and viability of the interim rail service model.

- Calendar Q2 (June 2025): Design progress update.
- Calendar Q3 (September 2025): Completion of 60% design and comprehensive economic impact study, updated opinion of probable cost, and if the project is recommended to proceed, a schedule for project delivery.