

# Property management: a railroad viewpoint

by Richard B. Taylor

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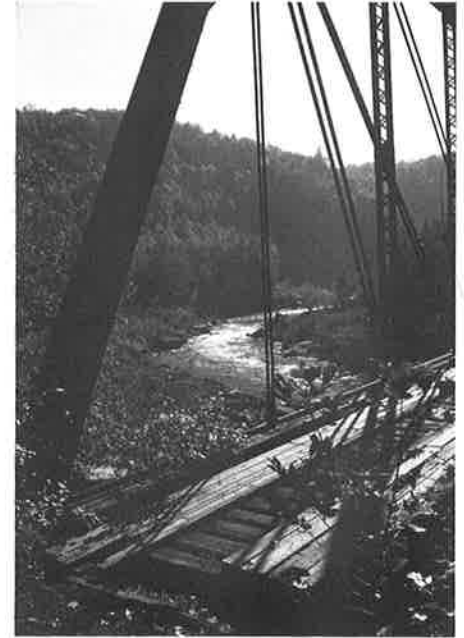
The company I work for, which is the Chicago and North Western Transportation Company, is probably one of the newest Class I or major carriers in the United States. We were founded in 1972 by virtue of a leverage buy-out from our parent corporation, which was Northwest Industries. Our predecessor company was the Chicago and North Western Railway, which has been around since 1848. During the first 10 years of our existence, we were proud to be called an employee-owned railroad because a majority of the stock was held by Company employees. Currently we have some 11,000 employees and operate in 11 states running westerly from Chicago to Wyoming, south to Kansas City and St. Louis and North to the Duluth, Minnesota and Marquette, Michigan Upper Peninsula area. We operate approximately 7,000 miles of main line track and last year did about \$870,000,000 worth of gross business with earnings of approximately \$34,000,000.

As I indicated, we are relatively new but our predecessor built its first line of railroad in 1848 from Chicago westerly

to the Galena, Illinois area, which was the location of some lead mines at that particular point in time. Our corporation or corporate entity is the successor corporation to 154 predecessor corporations, so that alone provides some interesting property management title problems. Basically, we manage our extensive land holdings as an absentee owner.

**Figure 1** depicts our particular organization and defines in broad terms the function of each of the major areas. The number shown in each of these functions represents the number of people involved in each of these activities in our department. I'm not suggesting that this is the only functional way a department in the railroad should work, but it does seem to work effectively for us.

Our corporation has combined the functions of real estate and industrial development. Approximately 50% of all railroads have this divisional make-up. The function of industrial development is simply to encourage the location of and the expansion of *profitable* businesses on the Transportation Company system. The function of property management is to manage the real estate assets of the corporation in a manner consistent with overall corporate objectives. With these two definitions, the two functions that we have merged are



neither inclusive nor exclusive.

Our records management system is quite a challenge to maintain. I have indicated that our corporation is the successor corporation to 154 earlier corporations, each of which owned substantial lands, each of which acquired the properties in a different way, operating in 11 different states under 11 different statutes since 1848.

The key to our property ownership records is a valuation map and parcel system. In order to understand this, let's go back into history to see how this record first came about. In 1887 under "The Act to Regulate Commerce" the Interstate Commerce Commission was formed to do exactly what the Act states, that is, to regulate commerce of all sorts between states. At that point in time there were two types of commerce, railroads and barges. Almost from the beginning of the Interstate Commerce Commission, there was pressure placed on the Commission to value railroad properties in order to determine the reasonableness of rates that were charged by the railroads and to allow the Commission some knowledge so that they could evaluate the security issues that were being sold to the public. Finally, in 1913, an act was approved to determine the value of railroad holdings in three areas, that is in real estate, securities,

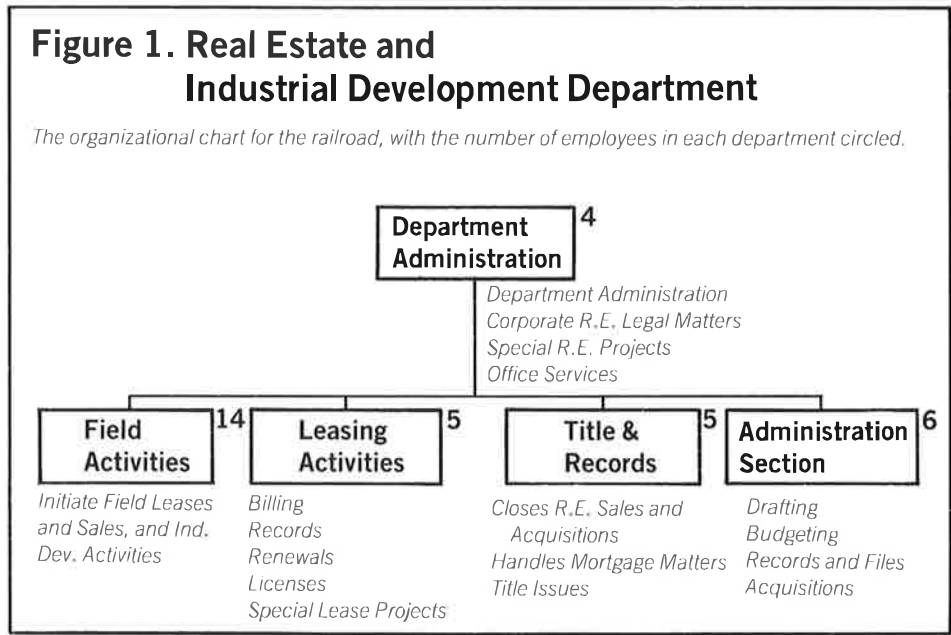
and track and rolling stock based upon 1914 prices. The original cost to develop this material was estimated by Congress to be about \$2.4 million and by the railroads to be about \$8 million. The best estimates now seem to indicate that the cost of this study to the government was \$48 million and to the railroads \$152 million to obtain and codify this voluminous mass of materials.

Nevertheless, out of all of this work came the valuation map which forms the basis of our day-to-day land activities. These maps are 24"x56" and done on good linen covering a maximum of four miles of railroad on a 1 to 400 scale or one mile on a 1 to 100 scale. Inside the communities, or station grounds as they're called, there is either a 1 to 50' or 1 to 100' map depending upon the detail required, and either a 1 to 200 or 1 to 400 scale for right-of-way maps between towns. All of these were drawn in the period between 1913 and 1934, but primarily between 1914 and 1920. At the time that maps were drawn from field notes, existing buildings and other monuments were located on these maps and the ownership of the Transportation Company as of the date of the drawing of the map was depicted.

Valuation maps depicting railroad ownership are universally shown by the two dots and then the two short dashes and then the longer dash between. Likewise, all structures are shown on the railroad property and all track is identified as to length and ownership, except for main line tracks. Likewise, all major items such as switches, crossings (and later pipeline and utility crossing) and licenses are identified by a chaining dimension.

Accompanying a valuation map is the grantor/grantee index, which generally appears in the upper right-hand corner and covers all of the property owned by the Transportation Company as of the drawing of the map. Subsequent to that date, any additional transactions made by the Transportation Company are shown and identified with a letter such as 3A, 3B, and 3C. These depict partial sales.

The railroads retain three sets of these valuation maps. We have probably close to 2,000 of these valuation maps ourselves for 7,000 miles of railroad. One set is retained in the property manage-



ment department, one set by our Engineering Department, and one set is divided up among our operating divisions — each of them with their particular segment of trackage they operate. On our particular railroad, the Real Estate Department has the responsibil-

ity to maintain the real estate records and the Chief Engineer's office maintains current track information. In addition to these sets of maps, the Interstate Commerce Commission in Washington, D.C. has a set of maps and any change subsequent to the original drawings of

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