

Date of Hearing: July 8, 2019

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

SB 356 (McGuire) – As Amended June 18, 2019

**SENATE VOTE:** 38-0

**SUBJECT:** North Coast Railroad Authority: rail right-of-way: Sonoma-Marín Area Rail Transit District

**SUMMARY:** Requires the North Coast Railroad Authority (NCRA) to transfer a portion of its rail right-of-way (ROW) to the Sonoma-Marín Area Rail Transit District (SMART) after certain conditions are met. Specifically, **this bill**:

- 1) Requires NCRA to convey and transfer all of its rights, interests, privileges, and title relating to its rail ROW south of the Sonoma/Mendocino County line, as well as NCRA's railroad assets, to SMART within 90 days of removing all of its existing debts, liabilities, and contractual obligations.
- 2) Authorizes the SMART board to consider potential alternatives to help address the housing needs of existing and potential employees.
- 3) Makes additional technical changes.

**EXISTING LAW:**

- 1) Establishes NCRA to provide passenger and freight rail service to the Counties of Humboldt, Mendocino, Sonoma, and Trinity.
- 2) Establishes a governing Board of Directors and grants NCRA the authority to acquire real and personal property and operate passenger and freight rail services, as specified.
- 3) Requires the California State Transportation Agency (CalSTA) to conduct an assessment of NCRA to provide the information necessary to determine the most appropriate way to dissolve NCRA and dispense with its assets and liabilities.
- 4) Creates SMART and establishes a comprehensive set of powers and duties regarding the formation, governance, organization, maintenance, operation and potential dissolution of the district. Authorizes SMART to provide passenger rail service in the counties of Sonoma and Marín and is governed by a 12-member board of directors.

**FISCAL EFFECT:** According to the Senate Appropriations Committee, no state costs but potential state-reimbursable local mandate costs related to the transfer of NCRA interests to SMART.

**COMMENTS:** NCRA was formed in 1989 by the Legislature under the North Coast Railroad Authority Act. At that time, the Act was intended to ensure continuation of railroad service in Northwestern California and envisioned the railroad playing a significant role in the transportation infrastructure serving a part of the State that faced transportation challenges due to restricted access and limited transport options. The approximate 300 mile rail line is broken

down into two sections: the southern Russian River Division (from Lombard in Napa County to Willits in Mendocino County) and the northern Eel River Division (north of Willits to Samoa in Humboldt County).

From 1991 through 2008, the state provided NCRA with an estimated \$63 million through various grant programs for purchasing right-of-way, rolling stock, equipment, and making repairs to the existing rail line. Additionally, in 2006, NCRA entered into an agreement with the Northwestern Pacific Railroad Company (NWPCo) to operate service on the NCRA rail line. Currently, NWPCo is the exclusive contract freight operator for NCRA. NWPCo runs minimal and limited freight rail service, operating up to two trains a week with several cars on each run, from the Lombard Interchange into Windsor California, approximately 62 miles in distance.

Since its inception, NCRA has been unable to secure stable and/or ongoing funding and also has struggled to provide adequate service along the rail line. Overall, NCRA does not generate sufficient revenue from its operating contract with NWPCo to cover its expenditures.

Additionally, since 2011, NCRA has annually held anywhere from an estimated \$7 million to \$10.6 million in debt obligations while simultaneously operating with significant cash flow constraints.

Due to NCRA's inability to successfully implement its mission, the Legislature passed and Governor Brown signed SB 1029 (McGuire), Chapter 934, Statutes of 2018, which required CalSTA to conduct an assessment of NCRA in order to determine the most appropriate way to dissolve NCRA and dispense with its assets and liabilities. Specifically, SB 1029 required CalSTA to complete an assessment by July 1, 2020 on the following items:

- a) NCRA's debts, liabilities, contractual obligations, and litigations;
- b) NCRA's assets, including property, ROW, easements, and equipment;
- c) NCRA's freight contractor lease, including the contractor's assets and liabilities to the extent the information is available;
- d) The viability of constructing a trail on NCRA's property or easement, including which portions of the terrain may be suitable for a trail as well as options for rail banking and potential governance structures; and
- e) The options for transferring the southern portion of the rail corridor to the Sonoma-Marín Area Rail Transit District.

Created in 2003, SMART is one of the state's five commuter rail providers offering passenger rail service in Sonoma and Marin counties. SMART's initial 43 miles of rail corridor includes 10 stations, from the Sonoma County Airport to Downtown San Rafael. SMART started providing passenger service in spring 2017 and has experienced ongoing increases in general ridership. Future extensions include: Larkspur, which is scheduled to be completed in late 2019; Windsor; Healdsburg; and Cloverdale. When fully built out, SMART will provide 70 miles of passenger rail service, connecting passengers with jobs, education centers, retail hubs and housing along the Sonoma-Marín corridor, and also a bicycle-pedestrian pathway.

Following SB 1029 from last year, this bill is intended to serve as the next steps in NCRA's dissolution. While CalSTA is currently in the process of completing its assessment, this bill begins to set up the framework in preparation of NCRA's ROW transfer to SMART. Establishing the framework prior to NCRA's ROW transfer will provide SMART the legal authority to effectively plan and establish procedures in advance of acquiring NCRA's ROW assets.

According to the author, "Last session's SB 1029 set the stage to once-and-for-all resolve the longstanding issues surrounding the North Coast Railroad Authority. For more than 25 years this agency has floundered with their mission to achieve rail on the North Coast, and it had become clear that we needed to create a path for the closure of the Authority and a new mission for the 300-mile-long Right of Way. SB 1029 allowed for an expedited process to study the Southern Segment of the Right of Way, and the Administration has already begun this process. SB 356 is designed to transfer this Southern Segment to the only logical transportation agency available, the Sonoma Marin Area Rail Transit."

The California Parks & Recreation Society writes in support of this bill because "the provisions of this bill serve as a precursor for the establishment of 'The Great Redwood Trail,' a linear greenway that promotes hiking, biking, riding, and other outdoor and fitness pursuits as envisioned in this bill."

*Previous legislation.* SB 1029 (McGuire), Chapter 934, Statutes of 2018, required the California State Transportation Agency to conduct an assessment of NCRA to provide the information necessary to determine the most appropriate way to dissolve NCRA and dispense with its assets and liabilities.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

California Parks & Recreation Society  
Save the Redwoods League  
Sonoma-Marín Area Rail Transit District (SMART)

### **Opposition**

None on file

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