



MEMO

To: NCRA Board of Directors

From: Executive Director Stogner

Date: January 10, 2018

Subject: **Agenda Item E.1-** Consideration and Possible Recommendation to the NCRA Board of Directors Regarding Long-Term Lease for NCRA Balloon Tract Easements Including the Eureka Office Building on W. 2nd Street in Eureka

As you know, the NCRA Property Committee and Board of Directors have agreed in concept to a long-term lease with CUE VI, LLC, for the railroad easements and the abandoned Eureka office building on West 2nd St. in Eureka. CUE VI, LLC is the fee owner of the land surrounding the NCRA rail easements and has plans to develop the property and demolish the office building, which has become a serious health and safety issue that has drawn the attention of the city and first responders.

After months of negotiations, CUE VI, LLC has agreed to pay \$15,000 per year for 20 years, after which NCRA relinquishes all interest in the easement property.

Two issues have arisen for Property Committee consideration:

1. In relinquishing the easements, it is important that NCRA maintain unimpeded access to the mainline and preserve a portion of the track easement for use as a passing track for future belt line and tourist train purposes;
2. Though NCRA clearly has a right to enter into a long-term lease with CUE VI, LLC, Caltrans Dist. 1 has argued that the arrangement amounts to a lease/purchase which triggers CTC approval of the transaction.

NCRA has argued that the transfer of ownership of the railroad easements does not occur until 2038 at which time CTC approval of the transfer is required.

With respect to the first issue, Dave Anderson is working with CUE VI, LLC property manager Tim Callison to precisely define what portion of the easement NCRA will retain for a passing track adjacent to the mainline.

Staff Recommendation:

Approve long-term lease with CUE VI, LLC which defines contours of passing track off mainline and send letter to Caltrans Dist. 1 indicating NCRA intention to go forward with a 20-year lease of Balloon Tract railroad easements including the abandoned Eureka office building.