



MEMO

To: NCRA Board of Directors

From: Executive Director Stogner

Date: June 14, 2021

Subject: **Agenda Item E.3 - Discussion and Possible Action Regarding Termination of Agreement for the Resurrection of Operations Upon the Northwestern Pacific Railroad Line and Lease**

Background and Overview

SB 1029 (McGuire) became effective on January 1, 2019. This legislation finds that it is in the public interest to dissolve the NCRA and transfer its rights of way to other public entities, for the potential purpose of trail use and for the purpose of continuing freight where it was operational in 2018. SB 1029 also makes findings which declare that “ NCRA’s railroad right-of-way provides an opportunity to create a ‘Great Redwood Trail’ for hiking, biking and riding, that may be in the public and economic best interests of the north coast.” The legislature calls on the state to consider federal railbanking as a means of establishing the Great Redwood Trail.

On November 30, 2020, the Board authorized counsel to commence and pursue the railbanking process before the Surface Transportation Board, including but not limited to requesting discontinuance of existing operators, completing all circulation, and filing of historical and environmental reports, and requesting abandonment and railbanking of NCRA right-of-way north of MP 139.5. At this time, all required filings have been made before the STB, and staff is awaiting (a final determination by STB/ the effective date of the filing of the Notice of Exemption) that will allow NCRA to railbank its northern portion of the line.

Concurrently, pursuant to the terms of SB 1029 the State of California has negotiated an agreement with Northwestern Pacific Railroad Company (NWPCo) whereby the State will pay NWPCo a sum of money, in exchange for which the debts of NCRA to NWPCo, as well as NWPCo’s interest in the Agreement for the Resurrection of Operations Upon the Northwestern Pacific Railroad Line and Lease, entered into September 6, 2006, and amended June 20, 2011 (the Operation Agreement) are agreed to be retired. Although the funding for this agreement is being provided by the State, the agreements NWPCo will agree to terminate in exchange for such funding are with NCRA. Thus, in order to effectuate the cancellation of the debts of NCRA to NWPCo and the rights of NWPCo upon the NCRA line, staff is seeking authority of the Board for the Executive Director to execute an agreement terminating the Operation Agreement pursuant to the State/NWPCo Funds Transfer Agreement, effective upon STB approval of NWPCo’s withdrawal from its status as operator. The termination of the Operation Agreement

will mean that NWPCo will no longer serve as the operator upon any portion of the NCRA line, making the portion from MP 139.5 north free of any contractual obligations that may otherwise limit the ability of NCRA and its potential successor to move forward with the planned conversion of the line to an interim trail use. The agreement will acknowledge that all other agreements between NCRA and NWPCo are simultaneously terminated. A copy of the Funds Transfer Agreement, receipt of which has been acknowledged by the Executive Director on behalf of NCRA, is attached.

Staff Recommendation

Staff recommends your board authorize the Executive Director, upon full execution of the Funds Transfer agreement, to execute the Agreement for the Termination of Agreement for the Resurrection of Operations Upon the Northwestern Pacific Railroad Line and Lease.