

HOUSE BILL REPORT

HB 1096

As Reported by House Committee On:
Transportation

Title: An act relating to intercity passenger rail service.

Brief Description: Redeveloping King Street railroad station.

Sponsors: Representatives Mitchell, Fisher, Hankins, Jarrett, Tokuda and Dickerson.

Brief History:

Committee Activity:

Transportation: 1/31/01, 3/6/01 [DP].

Brief Summary of Bill

- The Washington State Department of Transportation (WSDOT) is provided with all necessary powers to acquire, finance, renovate, and operate the King Street Station, including the power to contract with a public non-profit development entity.
- The WSDOT is authorized to create the King Street Railroad Station Facility Account.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass. Signed by 24 members: Representatives Fisher, Democratic Co-Chair; Mitchell, Republican Co-Chair; Cooper, Democratic Vice Chair; Ericksen, Republican Vice Chair; Lovick, Democratic Vice Chair; Ahern, Armstrong, G. Chandler, Edmonds, Haigh, Hatfield, Hurst, Jarrett, Marine, Murray, Ogden, Reardon, Rockefeller, Schindler, Simpson, Skinner, Sump, Wood and Woods.

Minority Report: Without recommendation. Signed by 1 member: Representative Anderson.

Staff: Gene Baxstrom (786-7303).

Background:

King Street Station in downtown Seattle is presently owned by Burlington Northern & Sante Fe and serves as a hub for nearly all passenger train routes in Washington. Amtrak ticketing and passenger areas currently occupy the main floor of the building and the station serves Sounder commuter rail passengers with the remaining two floors unoccupied. The building is in need of renovation. Current renovation plans for the station include its continued use as a train station for Amtrak and commuter rail. Additional uses will include a leased office space and space for vendors.

The WSDOT has been working with the city of Seattle, King County, the Washington State Public Stadium Authority, Amtrak, and private entities to coordinate the renovation and restoration of the station. The cost of the renovation is estimated to be \$43 million, with approximately \$21 million in funding identified.

Under IRS Ruling 63-20, a private, nonprofit entity can issue government rated, tax exempt bonds to finance a renovation project, provided at least 90 percent of the project is in public use over the life of the bonds. Also, the building must revert to a public entity at the retirement of the bonds without additional payment or encumbrances. This approach has been used at the University of Washington and for King County's new office building, King Street Center.

The WSDOT has identified the 63-20 process as a means to finance rehabilitation of the station. Railroad Station Properties (RSP) has been identified as the preferred entity for implementing this process. At their own risk, RSP has begun negotiations with Burlington Northern to acquire the depot in preparation for acquiring the property. Currently, the WSDOT lacks the authority to complete some of the contemplated transactions that would be required to accomplish this project.

Summary of Bill:

The WSDOT is authorized to acquire real property on or around the King Street Station building and to contract with a public or private entity for operation, maintenance, renovation, restoration, or management of those properties.

The WSDOT is authorized to acquire, restore, operate, and maintain the King Street Station and associated real property, including: 1) the power to sublease portions of the King Street Station for transportation or other public or private purposes; 2) the power to transfer the WSDOT's interest; and 3) the power to contract with other public or private entities for operations, administration, or maintenance. Should the WSDOT transfer its entire interest in the King Street Station, proceeds must be placed into an account that supports multimodal programs and cannot be placed in an account restricted by the 18th Amendment.

To facilitate tax exempt financing, the WSDOT may contract with public or private

entities for use of the King Street Station as a multimodal terminal. The contract must define specific financing elements, the financing contracts do not require prior legislative approval, the real estate transactions are not subject to General Administration requirements, and the leases from the station may be used as security for bonds. Contracts executed under this section will expire no later than 50 years after execution at which time the King Street Station will revert to the WSDOT.

The WSDOT may create the King Street Railroad Station Facility Account as an interest bearing local account to provide funding needed for renovation, restoration, maintenance, operation, and acquisition of King Street Station. All state funds appropriated by the Legislature, grants, gifts, and donations must be deposited in the account. All receipts from WSDOT transactions involving capital facility sales, transfers, property leases and rents, incomes, and parking fees associated with the King Street Station, must also be deposited in the account. Interest earned from investment of excess funds must be retained in the account.

The account must only be expended for: 1) account management; 2) acquisition of King Street Station properties; 3) payments for lease or contracts; 4) maintenance and operating expenses; and 5) improvements to the station. All expenditures from the account must be authorized by the Secretary of Transportation, but do not require legislative appropriations.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: This process allows King Street Station renovation to be completed with already identified sources of public funds. Additional funds will be provided by the private developer and project risks will also be borne by the developer.

Testimony Against: None.

Testified: Jim Slakey, Department of Transportation; Marie Barrientos, Barrientos Development; John Finkel, RR Station Properties; Helga Morgenstern, Department of Transportation; and Doug Vaughn, Office of Financial Management.