

# SENATE BILL REPORT

## SHB 1861

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As of April 1, 2011

**Title:** An act relating to the sale or lease of surplus state-owned railroad properties.

**Brief Description:** Concerning the sale or lease of surplus state-owned railroad properties.

**Sponsors:** House Committee on Transportation (originally sponsored by Representatives Armstrong, Clibborn, Hargrove, Liias, Billig and Schmick).

**Brief History:** Passed House: 3/05/11, 97-1.

**Committee Activity:** Transportation: 3/16/11.

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### SENATE COMMITTEE ON TRANSPORTATION

**Staff:** Hayley Gamble (786-7452)

**Background:** Washington State owns the former Palouse River and Coulee City Railroad (PCC), which consists of three branches. The Washington State Department of Transportation (DOT) completed the purchase of all three branches in 2007. The DOT contracts with three private railroads to operate each of the branches. The DOT oversees the facilities and regulatory portions of the operating leases. The PCC Rail Authority, which is an intergovernmental entity formed by Grant, Lincoln, Spokane, and Whitman counties, oversees the business and economic development portions of the operating leases.

Real property acquired by the DOT as part of the state freight rail program may be sold or leased immediately after purchase to a county rail district, a county, a port district, or any other public or private entity authorized to operate rail service. If none of these entities purchase or lease such property within six years of its acquisition, the DOT may sell or lease the property at fair market value to any of the following entities: (1) any other state agency; (2) the city or county in which the property is located; (3) any other municipal corporation; (4) the former owner, heir, or successor of the property from whom the property was acquired; or (5) an abutting property owner. There is no priority established in statute for sales to the designated entities, and the proceeds of any sale or lease must be deposited into the Essential Rail Assistance Account.

**Summary of Bill:** The bill as referred to committee not considered.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Summary of Bill (Proposed Amendment):** The DOT is allowed to sell or lease at fair market value any property that is not essential for the operation of rail service to the following prioritized list of persons or entities: (1) the current tenant or leasee of the property or property abutting the property being sold or leased; (2) an abutting private owner; (3) any other state agency; (4) the city or county in which the property is located; (5) any other municipal corporation; or (6) the former owner, heir, or successor of the property from whom the property was acquired. The sale or lease of such property may occur immediately after acquisition.

If the DOT intends to sell or lease property that is not essential for the operation of rail service to a person or entity that does not have the highest priority status on the list, the DOT is required to notify and provide a right of first refusal to entities or persons higher on the prioritized list that are reasonable considered to have an interest in the property.

Any property of the PCC that was purchased with bond proceeds may be sold only for cash. Any monies received from sales or leases of property related to the PCC must be used only for the refurbishment or improvement of the PCC, and must be expended within two years of receipt. Any revenue received from operating leases or other business operations of the PCC must be used only for the refurbishment or improvement of the PCC.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: Local businesses are located on railroad property that leasees are not able to purchase. To provide certainty to businesses that develop along the railroad, this bill will allow businesses who are current tenants to purchase the property they are located on. This rail line was saved from the scrap yard by the state and keeps trucks off the roads. Businesses would like to own the properties they are located on. Funds would be reinvested into the PCC rail line.

**Persons Testifying:** PRO: Representative Armstrong, prime sponsor; Tom Dooley, Principled Solutions; Fred Morscheck, McGregor Co.