



TO: Mayor and City Council
FROM: Jackie Flowers, Director of Utilities
COPY: Elizabeth Pauli, City Manager and Doris Sorum, City Clerk
SUBJECT: Resolution – Amend Port of Tacoma Lease and Operating Agreements –
November 10, 2020
DATE: October 16, 2020

SUMMARY:

Tacoma Rail requests authorization to amend its South Intermodal Yard Lease Agreement and Operating Agreement with the Port of Tacoma.

STRATEGIC POLICY PRIORITY:

- Foster a vibrant and diverse economy with good jobs for all Tacoma residents.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

Tacoma Rail entered into a lease agreement with the Port of Tacoma in 1984 for 31 years with two optional five year extensions subject to rent review. The final five year extension starts in 2020. The Port of Tacoma uses the property for the handling of domestic intermodal shipments.

Tacoma Rail entered into a 20 year Operating Agreement with the Port of Tacoma in 2013. It grants Tacoma Rail the rights as the sole operator of Port-owned rail infrastructure in the Tideflats area. The agreement also established an annual volume incentive allowance paid to the Port of Tacoma for the first nine years to attract the Grand Alliance shipping lines to Tacoma. The volume incentive allowance ends in 2021 and is anticipated to be valued at zero due to declines in intermodal traffic volumes.

Although the Grand Alliance has been replaced and has changed over time, the Port of Tacoma continues to rely on the volume incentive allowance to attract new intermodal business and invest in rail infrastructure.

Rather than extend the volume incentive allowance program, Tacoma Rail and the Port of Tacoma propose to amend both the South Intermodal Yard Lease Agreement and the Operating Agreement. The amendments allow for the option of a lower lease payment in exchange for extending the Operating Agreement. The Port of Tacoma’s lease savings will be used to attract new intermodal business and invest in rail infrastructure with reporting on how the savings are spent. This arrangement allows for consistent monthly proceeds that the Port of Tacoma can utilize for its intermodal incentive programs while providing stability to Tacoma Rail’s operations in the future. Intermodal traffic incented by the Port of Tacoma adds to Tacoma Rail’s revenue base.

ISSUE:

Support the Port of Tacoma’s incentive programs to attract new intermodal business.

ALTERNATIVES:

Negotiations have been ongoing since October 2019. One alternative is to keep the agreements as-is which wouldn’t support the Port of Tacoma intermodal incentive programs and limit Tacoma Rail’s Operating Agreement.



RECOMMENDATION:

Tacoma Rail recommends approval of the amendments to the South Intermodal Yard Lease Agreement and Operating Agreement with the Port of Tacoma.

FISCAL IMPACT:

There is no fiscal impact.