



**TO:** Hyun Kim, Acting City Manager  
**FROM:** Jackie Flowers, Director of Utilities  
Alan Matheson, Superintendent, Tacoma Rail

**COPY:** Government Performance and Finance Committee;  
D'Angelo Baker, Senior Management Fellow, City Manager's Office

**PRESENTER:** Dylan Harrison, Manager, Real Property  
Tim Flood, Assistant Superintendent, Tacoma Rail

**SUBJECT:** Declaration of Surplus and Lease of Tacoma Rail Real Property  
**DATE:** July 1, 2025

**PRESENTATION TYPE:**  
Request for Resolution

**SUMMARY:**

Declare surplus and authorize the 5-Year lease, commencing on September 1, 2025, for approximately 15.25 acres of Tacoma Rail land identified as 1738 Milwaukee Way, Tacoma, Washington, to the Northwest Seaport Alliance licensee/agent of the Port of Tacoma for \$100,000 per month, plus 8% for operating cost recovery and annual CPI adjustments for an intermodal facility.

**BACKGROUND:**

The lease property is located within the Tacoma Tideflats and was originally acquired in 1944 for the purpose of making certain betterments and extensions of the Municipal Belt Line Railway System. In 1985 the City Council and Public Utility Board determined the property was not necessary for utility purposes for a limited duration, and therefore approved a 41-Year (31-Years with Two 5-Year extensions) lease to the Port of Tacoma, which expires in 2025.

Tacoma Rail has negotiated the lease price of \$100,000 per month, plus 8% for operating cost recovery and annual CPI adjustments, which is considered within the range of fair market value as determined by a third-party appraiser. The lease is subject to both Public Utility Board and City Council approval. The lease document was reviewed by the City Attorney's Office and approved by Tacoma Rail management and Real Property Services.

The lease is subject to both Public Utility Board and City Council approval. The lease document was reviewed by the City Attorney's Office and approved by Tacoma Rail management and Real Property Services.

**ISSUE:**

The current lease of the property expires September 1, 2025.

**ALTERNATIVES:**

The alternative is to not lease the property to the Northwest Seaport Alliance licensee/agent of the Port of Tacoma. This would allow Tacoma Rail to explore other business partnerships and use of the facility. However, this would cause immediate job loss and/or displacement for current railroad operators.



Tacoma Rail has engaged with the Northwest Seaport Alliance as licensee agent for the Port of Tacoma, in addition to the BNSF Railway Co. and the Union Pacific Railroad, to determine the best use of the South Intermodal Yard is the continuation of use as a domestic intermodal traffic terminal.

**FISCAL IMPACT:**

Tacoma Rail has negotiated the lease price of \$100,000 per month, plus 8% for operating cost recovery and annual CPI adjustments for a 5-Year lease, commencing on September 1, 2025.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 4500-TPU Rail	591004	4347140	\$6,480,000 + CPI
<b>TOTAL</b>			\$6,480,000 + CPI

**RECOMMENDATION:**

Tacoma Rail recommends approving a declaration of surplus and authorize the 5-Year lease, commencing on September 1, 2025 the negotiated lease price of \$100,000 per month, plus 8% for operating cost recovery and annual CPI adjustments, which is considered within the range of fair market value as determined by a third-party appraiser.