



South Intermodal Yard Facility Lease Agreement

City of Tacoma | Tacoma Public Utilities

Government Performance Finance Committee
July 1, 2025



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●●● HISTORICAL CONTEXT



- 1981: Port of Tacoma helped pioneer a new era in trade and transportation history when it opened its North Intermodal Yard (NIM), the first On-Dock railyard on the West Coast.
- 1983: Sea-land Shipping Line signed a 30-year lease with the Port of Tacoma, and the South Intermodal Yard (SIM) Near-Dock facility was constructed, opening two years later.
- 1985: Between the NIM and SIM Tacoma became the fastest growing port in North America.
- 2009: Union Pacific Railroad, Port of Tacoma and Tacoma Rail came together to bring UP's Domestic Rail operation from Seattle to SIM.
- July 2022: BNSF and J.B. Hunt launched direct container-only service to Chicago from SIM.
- Domestic Intermodal business has grown exponentially in 15+ years of operation.



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●●● SIM FACILITY OVERVIEW

- Owned by Tacoma Rail
- Leased to Port of Tacoma and operated by its vendor Pacific Rail Services
- Class 1 rail service provided by BNSF and Union Pacific
- 4 Loading Tracks, 8,645 ft. of total trackage
- Capable of more than 150,000 annual container lifts
- Off-site Port-owned support infrastructure
 - Leases with both Class 1 Railroads



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●●● PREVIOUS LEASE

Lessee

- Port of Tacoma

Term

- 31 years (1984-2015)
- Two Five-Year Extensions (2015-2025)

Area

- 16.22 Acres

Rent

- 1984-2020 – Fair Market Value
 - Adjustments every five years
- 2020-2025 – Reduced Lease payments for incentive program in exchange for 5-year extension of Operating Agreement.
- Operating Agreement duration extended annually for each year option exercised.



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●●● APPRAISAL PROCESS



R.L. Banks & Assoc. / Integra Realty Resources (Tacoma Rail) SH&H Valuation and Consulting (NWSA)

Land Value

- Market Value w/o Improvements – \$14.61M to \$19.93M (\$22 to \$30 per SF)
- 8% Average Annual Rent Rate – \$1.17M to \$1.59M
- Monthly Rent Rate – \$97K to \$133K

Leasehold Improvement Value (owned by NWSA)

- Track Infrastructure – Net Liquid Value - \$304K
- Other Improvements – Depreciated Replacement - \$1.1M to \$1.62M

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●●● NEW LEASE



Lessee

- Port of Tacoma (NW Seaport Alliance)

Term

- 5 years (2025-2030)
- No Extension

Area

- 15.249 Acres

Rent

- 2025-2030 – \$100,000 per month
 - Plus 8% cost recovery fee
 - Annual CPI Adjustments
 - No correlation to Operating Agreement



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OPERATING AGREEMENT



- The Port of Tacoma/City of Tacoma Department of Public Utilities entered into an Operating Agreement dated July 1, 2013, with a 20-year term.
- Deferred rent was to be used to incentivize rail cargo volume growth through the Tacoma Harbor or maintenance of rail and/or rail-related infrastructure improvements in the Tacoma Harbor.
- Funds administered and distributed by the Port of Tacoma.
- New lease is strictly a Real Estate transaction, no longer comingled.
- Working with the NWSA on alternative approaches to incentivize rail cargo volume.

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NEXT STEPS



- ✓ 6/25/25 – Public Utility Board Study Session
- ✓ 7/1/25 – Government Performance and Finance Committee
- 7/9/25 – Public Utility Board Consideration
- 7/15/25 – City Council to Set Public Hearing
- 7/22/25 – City Council Hold Public Hearing (RCW 35.94.040)
- 7/29/25 – City Council Final Consideration

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