



RESOLUTION NO. 40684

1 A RESOLUTION relating to the Department of Public Utilities, Beltline Division
2 (d.b.a. "Tacoma Rail"); authorizing the execution of amendments to the
3 South Intermodal Yard Lease Agreement and the Operating Agreement with
4 the Port of Tacoma, to allow for the option of a lower lease payment in
5 exchange for extending the Operating Agreement.

6 WHEREAS, in 1984, the Department of Public Utilities, Beltline Division
7 (d.b.a. "Tacoma Rail") and the Port of Tacoma ("Port") entered into a 31-year
8 lease agreement for property located at 1123 Milwaukee Way, which the Port
9 uses for the handling of domestic intermodal shipments, and

10 WHEREAS the lease agreement provides for two optional five-year
11 extensions, subject to rent review, with the final five-year extension starting in
12 2020, and

13 WHEREAS Tacoma Rail entered into a 20-year Operating Agreement with
14 the Port in 2013, granting Tacoma Rail rights as the sole operator of Port-owned
15 rail infrastructure in the Tideflats area, and

16 WHEREAS the operating agreement also established an annual volume
17 incentive allowance paid to the Port for the first nine years to attract the Grand
18 Alliance shipping lines to Tacoma, and

19 WHEREAS the volume incentive allowance ends in 2021 and is anticipated
20 to be valued at zero, due to declines in intermodal traffic volumes, and

21 WHEREAS, although the Grand Alliance has been replaced and has
22 changed over time, the Port continues to rely on the volume incentive allowance to
23 attract new intermodal business and invest in rail infrastructure, and
24
25
26



1 WHEREAS, rather than extend the volume incentive allowance program,
2 Tacoma Rail and the Port propose to amend both the South Intermodal Yard
3 Lease Agreement and the Operating Agreement to allow for the option of a lower
4 lease payment in exchange for extending the Operating Agreement, and

5 WHEREAS, if the Port selects the option of extending the Operating
6 Agreement and making lower lease payments, then an amount equal to the
7 difference between the lower lease payments and the higher lease payments due
8 under the alternative option will be used by the Port to attract new intermodal
9 business and invest in rail infrastructure, and

10 WHEREAS the Port will report on how the money used to attract new
11 intermodal business and invest in rail infrastructure is spent, and

12 WHEREAS the proposed amendments will allow the Port to make additional
13 investments to its intermodal incentive programs while providing stability to future
14 Tacoma Rail operations, and

15 WHEREAS intermodal traffic incented by the Port also adds to Tacoma
16 Rail's revenue base, and

17 WHEREAS, by adoption of Public Utility Board Resolution No. U-11216 on
18 October 28, 2020, the proposed amendments were approved, pending
19 confirmation from the City Council; Now, Therefore,

20 BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

21 That the request of the Department of Public Utilities, Beltline Division
22 (d.b.a. "Tacoma Rail"), to enter into amendments to the South Intermodal Yard
23 Lease Agreement and the Operating Agreement with the Port of Tacoma, to allow
24



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

for the option of a lower lease payment in exchange for extending the Operating Agreement, is hereby approved, and the proper officers of the City are authorized to execute and implement said documents in substantially the form of the proposed amendments on file in the office of the City Clerk.

Adopted _____

Mayor

Attest:

City Clerk

Approved as to form:

Chief Deputy City Attorney

Requested by Public Utility Board
Resolution No. U-11216