



TO: T.C. Broadnax, City Manager
FROM: Kurtis D. Kingsolver, P.E., Public Works Director/City Engineer *KDK*
Dale King, Tacoma Rail Superintendent
Gloria Fletcher, Senior Real Estate Officer
COPY: City Council and City Clerk
SUBJECT: Request for Resolution – Proceed with the sale of a portion of the Tacoma Rail –
Mountain Division – October 4, 2016
DATE: September 21, 2016

SUMMARY:

This memorandum provides information for the proposed sale of approximately 35 miles (609 acres) of Tacoma Rail Mountain Division (TRMW) property to WRL, LLC for \$2,801,000. Public Works Department is requesting that the City Council authorize a declaration of surplus and the disposition of this real property, related railroad infrastructure, and personal property associated with the Western Junction Facility, via the public bid process.

STRATEGIC POLICY PRIORITY:

- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

This transaction aligns with the above policy priority by allowing TRMW to sell a portion of its operating territory located outside of Pierce County to a third party rail service provider, thereby maximizing the resources allocated to TRMW’s core business areas.

BACKGROUND:

The City of Tacoma has owned the rail line that runs between Tacoma and Chehalis since it was acquired in 1995 from the Weyerhaeuser Company. Currently, the 35-mile section beginning slightly northeast of Rainier, (Thurston County) and ending in Chehalis, (Lewis County), is operated by a third party, Western Washington Railroad, LLC, under a short term lease agreement.

In 2007, the General Fund loaned TRMW approximately \$6.2 million to provide interim financing for cash-flow and grant match for capital projects. Approximately \$4M of this loan was retired in 2015 upon the sale of a portion of track related to Sound Transit improvements, leaving a loan balance of approximately \$2.2 million. In addition, there is approximately \$89,000 in lease-related uncollectable debt that will be written-off once the sale is closed (this matter will be separately brought for Council approval). The proceeds of the sale will be used to retire the remaining approximately \$2.2 million General Fund loan, allow for the write-off of the approximately \$89,000 in uncollectable lease debt and pay for the closing costs related to the sale. Any remaining funds are anticipated to be used for needed track maintenance that the City is required to perform on other areas of track still under City ownership.

In 2014, TRMW entered into an Interlocal Agreement with Lewis County and the City of Chehalis, as authorized by City Council Resolution No. 38780, which provided a 3-year option period for those two parties to purchase the southernmost twenty (20) miles of this property for \$3,000,000. Lewis County and the City of Chehalis terminated that agreement earlier this year due to the results of their feasibility studies.



TRMW has determined that a divestiture of its assets within the aforementioned area would be in the best interests of the City of Tacoma, since it would eliminate any additional maintenance, operational, and capital costs.

In May 2016, Public Works issued bid specification number PW16-0285F, which called for bids for the entire approximate 35-mile section with a minimum price of \$2,500,000. That price was based on information received from the prior potential transaction and railroad industry experts and the notice was published in the Tacoma Daily Index, on the City’s website, and sent to all potentially interested parties.

One bid was received, from WRL, LLC, for \$2,801,000.

ISSUE:

This bid meets all of the required conditions and will allow for continued freight rail service through this area. Proceeding with this transaction is consistent with the commitment by Tacoma Rail to divest portions of TRMW assets, when feasible.

ALTERNATIVES:

Alternatively, TRMW could continue to operate this section of the rail line. However, this would result in continued operational costs as well as increased financial risk exposure to the City of Tacoma.

RECOMMENDATION:

The Public Works Department recommends City Council authorize this disposition of approximately 35 miles (609 acres) of TRMW real property, related railroad infrastructure, and personal property associated with the Western Junction Facility via the public bid process to WRL, LLC. The property will be sold as-is for \$2,801,000.

FISCAL IMPACT:

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
010 General Fund	Loan- needs to be paid off	1832000	Approx. \$2,200,000
4120 – Mountain Rail Fund	Uncollectable Lease debt		Approx. \$89,000
4120 – Mountain Rail Fund	Closing Costs		To be determined at closing
TOTAL			

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
WLR, LLC.	633000	6418000	\$2,801,000
TOTAL			\$2,801,000



FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$0 – this was not a budgeted item.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No.