



TO: Mayor Strickland and Council Members
FROM: William A. Gaines, Director of Utilities/CEO
COPY: T.C. Broadnax, City Manager, and City Clerk
SUBJECT: Resolution - Acceptance by Tacoma Power of approximately 567 acres of property from the Washington State Department of Natural Resources for the Nisqually Hydroelectric Project – [May 5, 2015]
DATE: March 27, 2015

SUMMARY:

Tacoma Power is seeking City Council approval to acquire, via donation, approximately 567 acres of land located adjacent to the Nisqually Hydroelectric Project boundary at Alder Lake. This property will be donated by the Washington State Department of Natural Resources (DNR) and will be encumbered by deed restrictions that align with current Tacoma Power forest management and habitat preservation practices. This acquisition will expand Tacoma Power's ownership around Alder Lake and provide additional opportunities for meeting Federal Energy Regulatory Commission (FERC) license obligations at virtually no cost to the City. This item is being brought forward because all land acquisitions require approval from City Council.

STRATEGIC POLICY PRIORITY:

- Strengthen and maintain a strong fiscal management position

This acquisition will strengthen and maintain a strong fiscal management position by adding to Tacoma Power's land base at virtually no cost to the City and offset future land acquisition needs.

BACKGROUND:

The DNR regularly participates in the transfer of land to other public entities through their Trust Land Transfer (TLT) Program. This program allows the DNR to transfer state trust lands with limited potential for timber revenue to more appropriate ownership. The DNR in turn is compensated for those lands with funds appropriated by the state legislature which enables them to acquire more productive land in exchange. Tacoma Power was identified as the appropriate recipient because this property is located adjacent to our Nisqually Hydroelectric Project wildlife lands at Alder Lake. The DNR land will come with a deed restriction that will require the land to be used for conservation, recreation, and/or open space. These uses are compatible with how our adjacent wildlife lands are managed which makes Tacoma Power the logical recipient.

The 567 acres support conifer and mixed conifer-hardwood forest ranging from relatively young second-growth to mature second-growth forest. The property abuts land currently owned by Tacoma Power that borders Alder Lake. The assessed value of the property is \$4,680,000 (land: \$424,000 & timber: \$4,256,000).

This acquisition will expand Tacoma Power's ownership around Alder Lake and therefore increase its ability to control activities on its land and provide additional opportunities for meeting FERC license obligations. Moreover, the opportunity to acquire such a large amount of acreage at no cost that includes high quality mature forest adjacent to Alder Lake is of significant conservation value.



ISSUE:

City policy requires that the City Council approve all land acquisitions. Tacoma Power is in favor of completing this acquisition due to the stated benefits and, therefore, is seeking City Council approval as is required to complete this transaction.

ALTERNATIVES:

In lieu of completing this property transfer, Tacoma Power would have two alternatives: (1) acquire other comparable property, or (2) acquire no new land. Acquiring other comparable property through a donation is unlikely due to the limited availability of comparable property and the unlikelihood of it being offered through a donation. Acquiring other comparable property through a purchase is not preferable given the limited availability of comparable property and the costs associated with such a purchase (approximately \$4.5 million based on the appraised value of the land being offered to Tacoma Power). Therefore, completing the land donation offered by the DNR is in the City's best interest and is the preferred option.

RECOMMENDATION:

Tacoma Power recommends that the City Council approve the proposed land donation from the DNR. The land offers benefits to the City at virtually no cost. This opportunity is not likely to be available in the future should the current offer not be accepted. Other alternatives to accepting this donation would either require considerably greater expense to the City or would not yield the benefits that will be gained from accepting this offer.