



**TO:** T.C. Broadnax, City Manager  
**FROM:** Kurtis D. Kingsolver, P.E., Interim Public Works Director/City Engineer  
Dale King, Tacoma Rail Superintendent *DWK/KDK*  
**COPY:** City Council and City Clerk  
**SUBJECT:** Enter into an Interlocal Agreement between the City of Tacoma, Lewis County,  
and the City of Chehalis  
**DATE:** November 26, 2013

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**SUMMARY:**

Public Works is requesting City Council approve entering into a three-party Interlocal Agreement with the City of Tacoma, Lewis County and the City of Chehalis. This agreement outlines the terms and conditions of a potential sale of the southernmost 20 miles of railroad right-of-way which runs from Maytown, in Thurston County, to slightly south of Chehalis in Lewis County. This right-of-way is owned by the City of Tacoma's Public Works Department (City) and operated by Tacoma Rail. The proposed purchase price is \$3,000,000.

**BACKGROUND:**

Tacoma Rail Mountain Division (TRMW) has operated and maintained the rail line that runs between Tacoma and the Port of Chehalis since it was acquired in 1995 from the Weyerhaeuser Company. Currently, the 20 mile section referenced above is operated by a third party, Western Washington Railroad LLC, under a short term lease agreement. Lewis County and the City of Chehalis (collectively, the Optionees) are seeking to ensure continued local control over rail operations in this area and staff has determined that a divestiture of its assets within the aforementioned area would be in the best interests of the City of Tacoma. The parties have agreed that the Optionees have a three year time period during which they can seek funding assistance to purchase this section of right-of-way.

The terms of the proposed Interlocal Agreement provide assurance to the Optionees that the City will sell this section of the rail line to them for \$3,000,000 within the next three years. This price was based on a third-party appraisal and in-house valuations using information from other rail operators.

The Optionees will pay a \$150,000 deposit into an interest-bearing escrow account upon execution of the agreement. Two years after the agreement is signed, if the Optionees have not purchased the property but still desire to do so, an additional \$100,000 will be added to the escrow account. At the end of the three year period, if the Optionees have not purchased the property or terminated the agreement, \$50,000 of the deposit will be retained by the City.

The agreement provides the City the ability to accept other offers on this section during the three year period. In the event another viable offer is received, the Optionees will have four months from the date they receive notice of such offer to exercise their option to purchase. If they choose not to do so, the City may proceed with the other offer.

During the three year period, TRMW will continue to use reasonable efforts to continue the contract with the Western Washington Railroad, LLC on the property to ensure appropriate



operational and maintenance activities occur on this section in order to mitigate further City expenses.

**ISSUE:**

This agreement encumbers a section of City real estate for a three year period and provides for a potential sale of the property to another governmental entity at an agreed upon price. This is consistent with the commitment by TRMW to divest portions of this asset when feasible.

**ALTERNATIVES:**

Alternatively, TRMW could continue to operate the rail line while marketing the property unencumbered by this agreement. The terms of the proposed Interlocal Agreement do not preclude TRMW from marketing the property. Another alternative would be to proceed with the City's surplus real property process prior to entering into this agreement. After consideration, it was determined that due to the limited market caused by the uniqueness of this property it would be more efficient to postpone that process until a purchase was imminent, either by the Optionee or another third party.

**RECOMMENDATION:**

The Public Works Department recommends City Council enter into the proposed Interlocal Agreement between the City, Lewis County, and the City of Chehalis.

The proposed agreement is consistent with the City's goals of promoting transparency of governmental actions and the responsible stewardship of City property. Once the agreement is approved, TRMW will move forward with establishing the escrow account and will proceed with the surplus real property disposition process when appropriate to ensure continued fulfillment of those goals.