



TO: Mayor and City Council
FROM: William A. Gaines, Director of Utilities/CEO
COPY: Elizabeth Pauli, City Manager, and City Clerk
SUBJECT: Resolution – Disposition of Tacoma Public Utilities, Water Division Real Property –
December 12, 2017
DATE: November 21, 2017

SUMMARY:

This memorandum provides information for the declaration of surplus and sale of approximately 106 acres of Tacoma Water property to Pierce County for \$2,775,100. Real Property Services is requesting the City Council authorize this real property disposition.

STRATEGIC POLICY PRIORITY:

- Assure outstanding stewardship of the natural and built environment.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

This request supports the above policy priorities by allowing retention of the property in a substantially undeveloped condition for park and trail use, and offering the opportunity for public input on this real estate transaction.

BACKGROUND:

This property is part of the McMillin Reservoir complex developed in 1912 to store water from the Green River for distribution to the Tacoma Water service area. It has served as an open-space buffer around the formerly open McMillin Reservoirs. However, with replacement of the open reservoirs by enclosed tanks in 2012, there is no longer a need for Tacoma Water to own the property. A portion of the property had been used by Tacoma Water as a dump site for spoils and materials. The dump site was closed in 1999. An abandoned standpipe is also located on the property. The standpipe, along with on-going responsibility for monitoring and remediation, if necessary, for the closed former dump site, will be transferred to Pierce County.

Tacoma Water began discussions with Pierce County in 2013 to acquire the property for use as a park and potential regional trail hub. A letter was sent in 2014 informing the neighboring property owners that Tacoma Water was considering options for disposal of the property. Two public meetings were held in 2015 to discuss options to sell the property to Pierce County, together with possible sale of an adjacent 43 acre property to the Puyallup School District. The Pierce County Council approved Resolution R-2015-95 on September 22, 2015, which provided a \$2,083,805 Conservation Futures grant toward purchase of the property. An offer was received from Pierce County Department of Parks and Recreation on September 15, 2017 to purchase the property for a total consideration of \$2,775,100. The sale proceeds will be placed in the Tacoma Water Capital Reserve Fund.

Following are the steps needed to complete the transaction:

- 1) At its sole expense, Pierce Co. will complete the property segregation process, to include preparation of associated easements, needed to reconfigure that portion of Tacoma Water’s Tax Parcel No. 0419141000 included in the sale.
- 2) The property sale is expected to close by December 31, 2017. During the interim, we will proceed to Board and Council for declaration of surplus and approval of the sale.



Tacoma Water has accepted an offer for \$2,775,100; this figure takes into consideration the additional grant of easement for access and reservation of easements for a waste water pipeline, access road, and a depression used for waste water discharge. Payment will be made in two installments: \$2,220,100 will be paid at closing, expected by December 31, 2017, with \$555,000 due by February 28, 2018. Pierce County intends to develop a park and regional trail hub on the property. The offer is subject to both Public Utility Board and City Council approval. The terms and conditions of the purchase and sale agreement have been approved by Tacoma Water and Real Property Services and reviewed by the City’s Legal Department.

A public hearing on this transaction was held on December 5, 2017.

ALTERNATIVES:

The alternatives to disposing of the property through the negotiated disposition process, as allowed under TMC 1.06.280f, are to either retain ownership or to dispose via a bid/sale process. Tacoma Water does not have a need for the property, and if it were to retain ownership there would be continued management and administrative costs. The negotiated disposition process was determined to be the most efficient disposition method, since the bid/sale process would not likely return positive results for such a large property.

RECOMMENDATION:

Tacoma Water and Real Property Services recommend that the City Council declare surplus and authorize the disposition of approximately 106 acres of Tacoma Water property to Pierce County for \$2,775,100. Easements will be reserved to Tacoma Water as needed to ensure no negative impact to future operations.

FISCAL IMPACT:

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Water Fund 4600 – GL1860030	N/A	N/A	Approximately \$2,774,000 (purchase price less transactional costs)
TOTAL			\$2,775,100

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$-0-

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No.