

MEMORANDUM



Date: November 3, 2017  
To: William A. Gaines, Director of Utilities/CEO  
From: Scott Dewhirst, Water Superintendent *SD*  
Subject: Disposition of Real Property – Portion of McMillin Reservoir

**Recommendation:** Tacoma Water requests that you declare surplus and authorize the sale of approximately 106 acres (Pierce Co. Assessor TPNs 0419132006 and 0419133001, and a portion of TPN 0419141000) located east of the McMillin Reservoirs to the Pierce County Department of Parks and Recreation. An easement for access will also be granted, and easements will be retained for a waste water pipeline, access road, and a depression used for waste water discharge. Consideration for the sale is \$2,775,100.

**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 reservation of easements. 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.

**Schedule:** Upon approval from the Public Utility Board, Real Property Services will hold a Public Hearing and seek final approval of the transaction from the Tacoma City Council. If approved, the transaction is expected to close December 31, 2017.

APPROVED:

  
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William A. Gaines, Director of Utilities/CEO