



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Dale W. King, Superintendent, Tacoma Rail
MEETING DATE: October 28, 2020
DATE: October 16, 2020

SUMMARY: Tacoma Rail requests authorization to amend its South Intermodal Yard Lease Agreement and Operating Agreement with the Port of Tacoma.

BACKGROUND: Tacoma Rail entered into a lease agreement with the Port of Tacoma in 1984 for 31 years with two optional five year extensions subject to rent review. The final five year extension starts in 2020. The Port of Tacoma uses the property for the handling of domestic intermodal shipments.

Tacoma Rail entered into a 20 year Operating Agreement with the Port of Tacoma in 2013. It grants Tacoma Rail the rights as the sole operator of Port-owned rail infrastructure in the Tideflats area. The agreement also established an annual volume incentive allowance paid to the Port of Tacoma for the first nine years to attract the Grand Alliance shipping lines to Tacoma. The volume incentive allowance ends in 2021 and is anticipated to be valued at zero due to declines in intermodal traffic volumes.

Although the Grand Alliance has been replaced and has changed over time, the Port of Tacoma continues to rely on the volume incentive allowance to attract new intermodal business and invest in rail infrastructure.

Rather than extend the volume incentive allowance program, Tacoma Rail and the Port of Tacoma propose to amend both the South Intermodal Yard Lease Agreement and the Operating Agreement. The amendments allow for the option of a lower lease payment in exchange for extending the Operating Agreement. The Port of Tacoma's lease savings will be used to attract new intermodal business and invest in rail infrastructure with reporting on how the savings are spent. This arrangement allows for consistent monthly proceeds that the Port of Tacoma can utilize for its intermodal incentive programs while providing stability to Tacoma Rail's operations in the future. Intermodal traffic incented by the Port of Tacoma adds to Tacoma Rail's revenue base.



Board Action Memorandum

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes.

IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.
N/A.

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? No.

ATTACHMENTS: Rail Operating Agreement Amendment, SIM Lease Amendment 3.

CONTACT:

Primary Contact: Dale W. King, Superintendent, 253-502-8894

Supervisor: Jackie Flowers, Director of Utilities, 253-502-8203