



TO: T.C. Broadnax, City Manager
FROM: Kurtis D. Kingsolver, P.E., Public Works Director/City Engineer *JKDK*
Justin E. Davis, Division Manager, Public Works Facilities Management
Dylan Harrison, Real Estate Officer, Real Property Services
COPY: City Council and City Clerk
SUBJECT: Resolution – Approval of Amendment No. 1 to Lease with Western Washington Railroad LLC to add 15 miles of railroad right-of-way – December 9, 2014
DATE: November 19, 2014

SUMMARY:

A Resolution authorizing execution of Amendment No. 1 to the Lease of Rail Operations and Real and Personal Property between Tacoma Rail Mountain Division (TRMW) and Western Washington Railroad LLC (WWR) to add 15 miles of railroad right-of-way, between Maytown and Rainier in Thurston County, until the termination of the lease on January 17, 2019.

STRATEGIC POLICY PRIORITY:

- Strengthen and maintain strong fiscal management position.

The lease amendment will reduce TRMW's costs by divesting current operational obligations and maintenance responsibility for the 15 miles of tracks, four grade crossing signal systems, nine railroad bridges and 21 passive grade crossings.

BACKGROUND:

TRMW has owned, operated and/or maintained the rail line and right-of-way that runs between Tacoma and Chehalis since it was acquired in 1995 from Weyerhaeuser Company. On January 7, 2014, Tacoma City Council adopted Resolution No. 38816 authorizing TRMW to enter into a five-year lease agreement with WWR for the operation and maintenance of 20 miles of railroad right-of-way from Maytown in Thurston County to Chehalis in Lewis County. Since entering into this lease, TRMW has been satisfied with WWR's maintenance and operational practices, and believes it is in the best interest of the City to amend the lease to add an additional 15 miles of railroad right-of-way to further reduce costs by divesting TRMW's operating and maintenance responsibilities.

This lease amendment will allow WWR to perform freight transportation services, railcar storage and other ancillary uses on the additional 15 miles of right-of-way. As consideration for the lease amendment, WWR will continue to pay \$50,000 annually as required by the original lease and they will take over maintenance responsibilities for the additional 15 miles of right-of-way and track.

ISSUE:

This lease amendment encumbers a 15 mile section of TRMW real estate for the remaining term of the current lease and prescribes that appropriate operational and maintenance activities occur on this section in order to mitigate further TRMW expenses. This is consistent with the commitment by Tacoma Rail to divest portions of TRMW assets when feasible.

ALTERNATIVES:

Alternatively, TRMW could continue to operate the rail line while marketing the property unencumbered by this agreement, but this would require TRMW to continue to maintain the rail line and right-of-way. This alternative action is not recommended by the Public Works Department.



RECOMMENDATION:

The Public Works Department recommends City Council approve the Resolution authorizing execution of Amendment No. 1 to the Lease of Rail Operations and Real and Personal Property between Tacoma Rail Mountain Division (TRMW) and Western Washington Railroad LLC (WWR) to add 15 miles of railroad right-of-way, between Maytown and Rainier in Thurston County, until the termination of the lease on January 17, 2019.

FISCAL IMPACT:

There is no fiscal impact.