



TO: T.C. Broadnax, City Manager
FROM: Kurtis D. Kingsolver, P.E., Public Works Director/City Engineer / *KDK*
Dylan Harrison, Real Estate Officer
COPY: City Council and City Clerk
SUBJECT: Authorize Tacoma Rail Mountain Division to enter into a five year lease with Western Washington Railroad LLC, for rail operations and personal and real property comprising approximately 20 miles of railroad right-of-way
DATE: January 7, 2014

SUMMARY:

The Public Works Department, Facilities Management Division, Real Property Services is requesting City Council's authorization for Tacoma Rail Mountain Division (TRMW) to enter into a five year lease with Western Washington Railroad LLC (WWR) for rail operations and personal and real property comprising approximately 20 miles of TRMW railroad right-of-way from Maytown in Thurston County to just South of Chehalis in Lewis County for \$50,000 per year.

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 October 17, 2012 TRMW entered into a short term trial lease agreement with WWR for the operation and maintenance of the said 20 miles of right-of-way. During this short term trial lease, TRMW has been satisfied with WWR's maintenance and operations, and believes it is in the best interest of the City to enter into a five year lease with WWR for their continued operations.

This new five year lease will allow WWR to perform freight transportation services, railcar storage and other ancillary uses thereto on said 20 miles of right-of-way. As consideration for the lease WWR will be obligated to pay TRMW \$50,000 per year, WWR will maintain the rail line and right-of-way and WWR will be required to provide sufficient indemnity and insurance to protect the City against claims caused by WWR's operations.

This lease will ensure appropriate operational and maintenance activities occur on this section in order to mitigate further TRMW expenses, which are outlined in the Interlocal Agreement between TRMW, Lewis County, and the City of Chehalis, approved by Resolution No. 38779 adopted by City Council on November 21, 2013 ("Interlocal Agreement").

ISSUE:

This lease encumbers a section of TRMW real estate for a five year period and ensures 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 and with the Interlocal Agreement.

ALTERNATIVES:

Alternatively, TRMW could continue to operate the rail line while marketing the property unencumbered by this agreement, but this would be inconsistent with the obligation set forth in the Interlocal Agreement and would require TRMW to continue to maintain the rail line and right-of-way.



For these reasons, this alternative action is not recommended by the Public Works Department.

RECOMMENDATION:

The Public Works Department recommends City Council authorize TRMW to enter into a five year lease with WWR for rail operations and personal and real property necessary for rail operations on approximately 20 miles of TRMW railroad right-of-way from Maytown in Thurston County to just South of Chehalis in Lewis County for \$50,000 per year.

FISCAL IMPACT:

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Western Washington Railroad LLC	633000	6221005	\$50,000.00
TOTAL			\$50,000.00

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$50,000

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

N/A