



TO: Hyun Kim, Acting City Manager
FROM: Jackie Flowers, Director of Utilities
COPY: City Council and City Clerk
SUBJECT: Resolution – Declaration of Surplus and Lease of Tacoma Rail Real Property – City Council
Agenda for August 5, 2025
DATE: July 21, 2025

SUMMARY AND PURPOSE:

This memorandum provides information for the proposed 5-Year declaration of surplus and lease, commencing on September 1, 2025, of approximately 15.25 acres of Tacoma Rail land identified as 1738 Milwaukee Way, Tacoma, Washington, to the Northwest Seaport Alliance as licensee/agent of the Port of Tacoma for \$100,000 per month, plus 8% for operating cost recovery and annual CPI adjustments for an intermodal facility.

BACKGROUND:

This Department's Recommendation is Based On: The lease property is located within the Tacoma Tideflats and was originally acquired in 1944 for the purpose of making certain betterments and extensions of the Municipal Belt Line Railway System. In 1985 the City Council and Public Utility Board determined the property was not necessary for utility purposes for a limited duration, and therefore approved a 41-Year (31-Years with Two 5-Year extensions) lease to the Port of Tacoma, which expires in 2025. Tacoma Rail has negotiated the lease price of \$100,000 per month, plus 8% for operating cost recovery and annual CPI adjustments, which is considered within the range of fair market value as determined by a third-party appraiser. The proposed lease document was reviewed by the City Attorney's Office and approved by Tacoma Rail management and Real Property Services.

On July 1, 2025, the Government Performance and Finance Committee recommended to send the proposed lease disposition to full Council for consideration, and on July 9, 2025, the proposed lease disposition was recommended for approval by the Public Utility Board via Resolution No. U-11541. A Public Hearing was held before City Council on July 29, 2025.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Tacoma Rail has engaged with the Northwest Seaport Alliance as licensee agent for the Port of Tacoma, in addition to the BNSF Railway Co. and the Union Pacific Railroad, to determine the best use of the South Intermodal Yard is the continuation of use as a domestic intermodal traffic terminal.

Additionally, all abutting property owners were notified of the proposed lease disposition, a public hearing notice was published and the public hearing held as required by state law.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

Continued use as a railroad interchange site supports Tacoma Rail's strategic plan objective of developing and implementing an internship program for Tacoma residents, by preserving activities associated with this diverse multi-organizational near dock facility.

Economy/Workforce: *Equity Index Score: Moderate Opportunity*

Increase the number of Tacoma households that have livable wage jobs within proximity to the city.

Increase the number of diverse livable wage jobs.



Explain how your legislation will affect the selected indicator(s).

Presumably, your recommendation is not the only potential course of action; please discuss other alternatives or actions that City Council or staff could take. Please use table below.

ALTERNATIVES:

Presumably, your recommendation is not the only potential course of action; please discuss other alternatives or actions that City Council or staff could take. Please use table below.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Do not Lease property.	Tacoma Rail can explore other business partnerships	Immediate job loss and/or displacement for current railroad operators.
2.		
3.		

EVALUATION AND FOLLOW UP:

Tacoma Rail and Rail Property Services will monitor the lease terms to ensure ongoing compliance and to determine if future a lease agreement should be granted, which will require Public Utility Board and City Council approvals.

STAFF/SPONSOR RECOMMENDATION:

Tacoma Rail and Real Property Services recommend the approval of the proposed 5-Year declaration of surplus and lease, commencing on September 1, 2025, of approximately 15.25 acres of Tacoma Rail land identified as 1738 Milwaukee Way, Tacoma, Washington, to the Northwest Seaport Alliance as licensee/agent of the Port of Tacoma for \$100,000 per month, plus 8% for operating costs and annual CPI adjustments for an intermodal facility.

FISCAL IMPACT:

Please provide a short summary of the fiscal impacts associated with the grant, agreement, policy action, or other action.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 4500-TPU Rail	591004	4347140	\$6,480,000 + CPI
2.			
TOTAL			

What Funding is being used to support the expense? N/A

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

YES

New rental agreement was planned and budgeted for in the 2025/2026 biennium at \$100,000 per month starting September 2025.

Are there financial costs or other impacts of not implementing the legislation?

YES



City of Tacoma

City Council Action Memorandum

Will the legislation have an ongoing/recurring fiscal impact?

YES

Will the legislation change the City's FTE/personnel counts?

No

ATTACHMENTS:

- Declaration of Surplus
- Lease Agreement
- Public Utility Board Resolution U-11541