



Department Source: City Utilities - Water and Light

To: City Council

From: City Manager & Staff

Council Meeting Date: May 2, 2022

Re: REPORT: Proposed lease agreement with White Oak Investments, LLC to allow construction of parking facilities on a portion of the Columbia Terminal Railroad (COLT) right-of-way on Fay Street.

Executive Summary

This report discusses a proposed lease agreement for use of railroad right-of-way, southwest of the Fay Street railroad crossing with White Oak Investments, LLC for construction of a private parking lot for use by Logboat Brewing Company (partner of White Oak Investments, LLC).

Discussion

Logboat Brewing Company is expanding their facility at 504 Fay Street and is required to provide additional parking. White Oak Investments, LLC owns property adjacent to the railroad right-of-way, southwest of the Fay Street railroad crossing where the additional parking is proposed to be constructed. The City was contacted to determine if it would be possible to have an agreement which would allow White Oak Investments, LLC to construct a portion of the additional required parking on the adjacent railroad right-of-way. Staff determined the proposed parking would not interfere with future railroad operations. The use of the right-of-way would allow for 22 additional parking spaces to be constructed. The layout of the proposed parking lot and area to be leased are shown in Exhibit A to the ordinance.

Staff prepared the attached lease agreement to allow a portion of the parking lot on the railroad right-of-way. The agreement allows for the removal of the existing shed and installation of pavement, storm water facilities, sidewalk along Fay Street across the railroad crossing, and landscaping and includes maintenance of the landscaping and parking area. This agreement is similar to other lease agreements for use of the railroad right-of-way. Originally, staff proposed the annual lease rate be based on an average market value per square foot of property leased. The average market value was determined based on recent appraisals of nearby properties for a sewer project. This resulted in the proposed annual lease rate of \$1.15 per square foot with an annual escalation of 2.5%. Based on leasing 3707 square feet of right-of-way, the annual lease charge proposed would total \$4,263.05 the first year, and escalate at 2.5% for each additional year.

Logboat Brewing Company / White Oak Investments, LLC has instead proposed the lease rate be a total of \$1.00 per year for 50 years. The basis for this request is included in the attached Communication from Logboat Brewing Company. Their proposal is a reduction of revenue for the railroad of \$4,262.05 annually the first year and greater for future years.



City of Columbia

701 East Broadway, Columbia, Missouri 65201

Allowing use of the right-of-way without requiring a lease rate of market value is detrimental to the operations of the railroad and subsidizes private business. In the interest of improving the financial viability of the railroad, it is necessary to charge an appropriate market rate. Currently, the railroad is not receiving sufficient revenue to sustain the cost of operations and is subsidized by other divisions of the Utilities Department. The proposed development has benefits to the citizens of the City, but there should be an equitable benefit to the railroad for use of its right-of-way.

This proposal was presented to the Railroad Advisory Board at the April 13, 2022 meeting. The Railroad Advisory Board voted unanimously to recommend approval of the lease for \$1.00 annually.

Staff recommends not moving forward with the lease or negotiating a revised lease that includes annual payment based on the fair market value for the property.

Fiscal Impact

Short-Term Impact: None with this report.
Long-Term Impact: None with this report.

Strategic & Comprehensive Plan Impact

Strategic Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

Comprehensive Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Not applicable, Tertiary Impact: Not Applicable

Legislative History

Date	Action
None	None

Suggested Council Action

Staff is requesting Council direction on whether to move forward with this lease and, if so, is a revised lease with a market value rate desired.