

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>5A</u>
Date of Meeting	<u>March 2, 2021</u>

DATE: February 12, 2021

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Tong Zhu, Chief Commercial & Strategy Officer

Project Manager: Jennifer Maietta, Interim Director - Alliance Real Estate

SUBJECT: First Reading - Pacific Maritime Association New Lease Agreement at Terminal 46

A. ACTION REQUESTED

First reading and request Managing Members of The Northwest Seaport Alliance (NWSA) to advance authorization for the Chief Executive Officer or their delegate to execute a new lease agreement with Pacific Maritime Association at Terminal 46 to a second reading.

B. SYNOPSIS

The Pacific Maritime Association (PMA) is looking to consolidate its regional training facilities to Terminal 46 for the purposes of developing a consolidated state of the art training facility for the purposes of conducting training and other services related to the Pacific Maritime Association's goals and objectives for longshore workers, clerks, foremen and casuals.

C. BACKGROUND

Terminal 46 was vacated by Total Terminals International LLC (TTI) as of December 31, 2019 and a Request for Proposals (RFP) for long-term uses was issued August 2019 which was then discontinued March 2020. While the terminal has been marketed for lease for marine cargo related uses, short-term interim uses have been active on the terminal primarily through the Foss Master License, including the Pacific Maritime Association (PMA). The term lease agreement with PMA will be the first term lease agreement for Terminal 46 since TTI vacated.

As an organization the PMA's mission is to provide industry leadership to its member companies through innovative integrated labor relations, human resources and administrative services. The PMA membership consists of 70 ocean carriers and terminal operators who operate at the 29 West Coast Ports. The PMA is an integral part of the marine cargo industry providing on-going labor training which provides services supporting the NWSA gateway's customers and terminal operators.

The PMA has had a training facility at Terminal 5 since February 2018 under a sub-license through the Terminal 5 Foss Master License which expired January 2021 and, as of February 1, 2021, entered into a month-to-month lease agreement directly with the NWSA for this location. As the Terminal 5 re-development program progresses PMA's location at Terminal 5 will become unavailable. Additionally, the PMA has a sub-license under the Terminal 46 Foss Master License for training purposes. The T46 Foss Master License due to terminate June 30, 2021 including its sublicenses. In order to maintain a training facility in the Seattle Harbor, the PMA's desires to enter into a long-term lease agreement for a single consolidated training facility located at Terminal 46. This consolidated training facility would primarily provide labor training to service the NWSA marine cargo operations within the Seattle Harbor.

The shipping industry is seeing an unprecedented surge in trade, which has the PMA is interested in using the cranes located on Terminal 46 to conduct training. The cranes currently require repair, certification and maintenance to become and remain operable. The cranes were purchased by the Port of Seattle (POS) in 2020 for the intent of using them for PMA training and for other potential operations. The NWSA is interested in being able to use the cranes for marine cargo opportunities. It is in the best interest of all the PMA, POS, and NWSA to get the cranes operable, certified, and maintained for training and marine cargo opportunities. The parties agree in good faith to work towards an agreeable solution. The parties would look to amend this agreement to incorporate the agreed upon terms and conditions for crane repairs, certification, maintenance and their use at as soon as reasonably possible.

D. KEY TERMS

<u>Premises:</u>	<ul style="list-style-type: none">• Approximately 304,920 square feet (7 Acres) of yard space• Approximately 500 square feet parking are for lashing training• Approximately 6,000 square feet of office space located on the Second Floor of the Administration Building• Approximately 430 square feet of space located on the First Floor of the Administration Building• Approximately 3,000 square feet of space located on the first floor of the on dock Marine Operations Building
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<u>Term:</u>	Ten (10) year term
<u>Base Rent:</u> Subject to Leasehold Excise Tax currently 12.84% To be escalated annually by CPI	<u>Yard Rate:</u> <ul style="list-style-type: none"> • <u>On Terminal:</u> \$.30 psf/Mo. = \$91,476/Mo = \$1,097,712/Yr • <u>Lashing Training Area/Parking lot:</u> \$.30 psf/Mo. = \$150/Mo = \$1,800/Yr <u>Building Rates:</u> <ul style="list-style-type: none"> • <u>Administration Office:</u> Second Floor: \$18.00 psf/Yr = \$9,000/Mo = \$108,000/Yr First Floor: \$15.00 psf/Yr = \$537.50/Mo = \$6,450/Yr • <u>Marine Operations (on dock):</u> \$.75 psf/Mo Gross = \$2,250/Mo = \$27,000/Yr
<u>Market Rate Adjustment:</u>	Market rate adjustment to occur every 5 years at Lessor's discretion, otherwise shall increase by CPI annually.
<u>Security Deposit:</u>	Amount equal to Nine (9) months Base Rent, as adjusted, plus Leasehold Excise Tax.
<u>Operating Expense:</u>	Lessee responsible for pro-rata share, sub-metered or directly billed operating expenses to include, insurance, utilities, surface water management, repairs and maintenance and any expenses incurred by Lessor. Lessee responsible for its pro-rata share of Annual Operating Expenses for the Administration Building office space estimated at \$5.00 psf/yr to be reconciled annually.
<u>Maintenance & Repair:</u>	Lessee shall be responsible for all maintenance and repair to the Premises, except that Lessor would be responsible for maintenance and repair to building infrastructure and core building operating systems of the Administration Building offices

	and parking area to be passed through to Lessee through Annual Operating Expenses.
<u>Environmental:</u>	Lessee to comply with all local, state, and federal environmental regulations as well as all NWSA and Port policies; and use Best Management Practices ("BMPs") for stormwater pollution prevention.
<u>Tenant Improvements:</u>	Tenant improvements to be completed at Lessee's sole cost and expense subject to prior review and approval by Lessor.
<u>Parking:</u>	Lessor agrees to dedicate up to 30 parking stalls within a designated parking area to be determined on a site plan.
<u>Other Cargo Equipment:</u>	Lessee agrees to allow Lessor and/or its selected service providers access to Lessee's equipment for the purposes of supporting cargo and other marine related business on the Terminal. Access and use of equipment to be coordinated with Lessee based upon its availability and would be operated by a selected service provider of the lessor. Commercially reasonable Rates, terms and conditions to be agreed to by both parties.
<u>Cranes:</u>	The Port of Seattle owns three (3) ZPMC cranes located on the terminal. The Lessee would like to enter into an agreement for use of one (1) of the cranes for the purposes of marine cargo labor related training. The Lessor has an interest in use of the cranes for marine cargo related business opportunities. The Lessor, Port of Seattle and Lessee will work jointly together to commercially reasonably ensure that the cranes are operational, certified and maintained according to all applicable laws, rules and regulations, and associated costs to be reasonably documented and negotiated as a part of this lease, and/or by separate agreement as agreed to by the parties, at a future date; any such negotiations will including operational use agreements, and any other related items specific for the use of the cranes and other cargo equipment, between the parties.

<u>Improvements and/or Reorganization of Terminal:</u>	In the event that the Lessor, at its sole discretion, shall require the use of the Premises for improvements and/or for the re-organization of the terminal for other uses, the Lessor shall work with Lessee to relocate the seven (7) acres of yard space and/or find reasonable accommodations in lieu of the on dock Marine Operations building.
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E. FINANCIAL IMPLICATIONS

Financial Impact

This lease will provide approximately \$1.2 million in income per year. Assuming a 2.5% average annual inflation rate, the value of the ten-year agreement in 2021 dollars is \$9.7 million. The proposed lease terms provide a per acre rate slightly greater than current container terminal per acre lease rates, but consistent with improved industrial yard rates.

F. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

- **No Action Alternative:** The PMA would lose the ability to utilize the Terminal 5 location as the T5 re-development project progresses, the month-to-month license would be terminated, and the PMA would be required to relocate its office and training operations at T5 to an alternative location. The Terminal 46 sub-license under the T46 Foss Master license will terminate June 30, 2021 and the PMA would be required to relocate its yard training operations to an alternative location.
- **Recommended Action:** Request Managing Members of The Northwest Seaport Alliance (NWSA) to advance authorization for the Chief Executive Officer or their delegate to execute a new lease agreement with Pacific Maritime Association at Terminal 46 to a second reading.

G. ATTACHMENTS TO THIS REQUEST

- PowerPoint presentation
- Draft lease agreement



Item No.: 5A
Date of Meeting: March 2, 2021

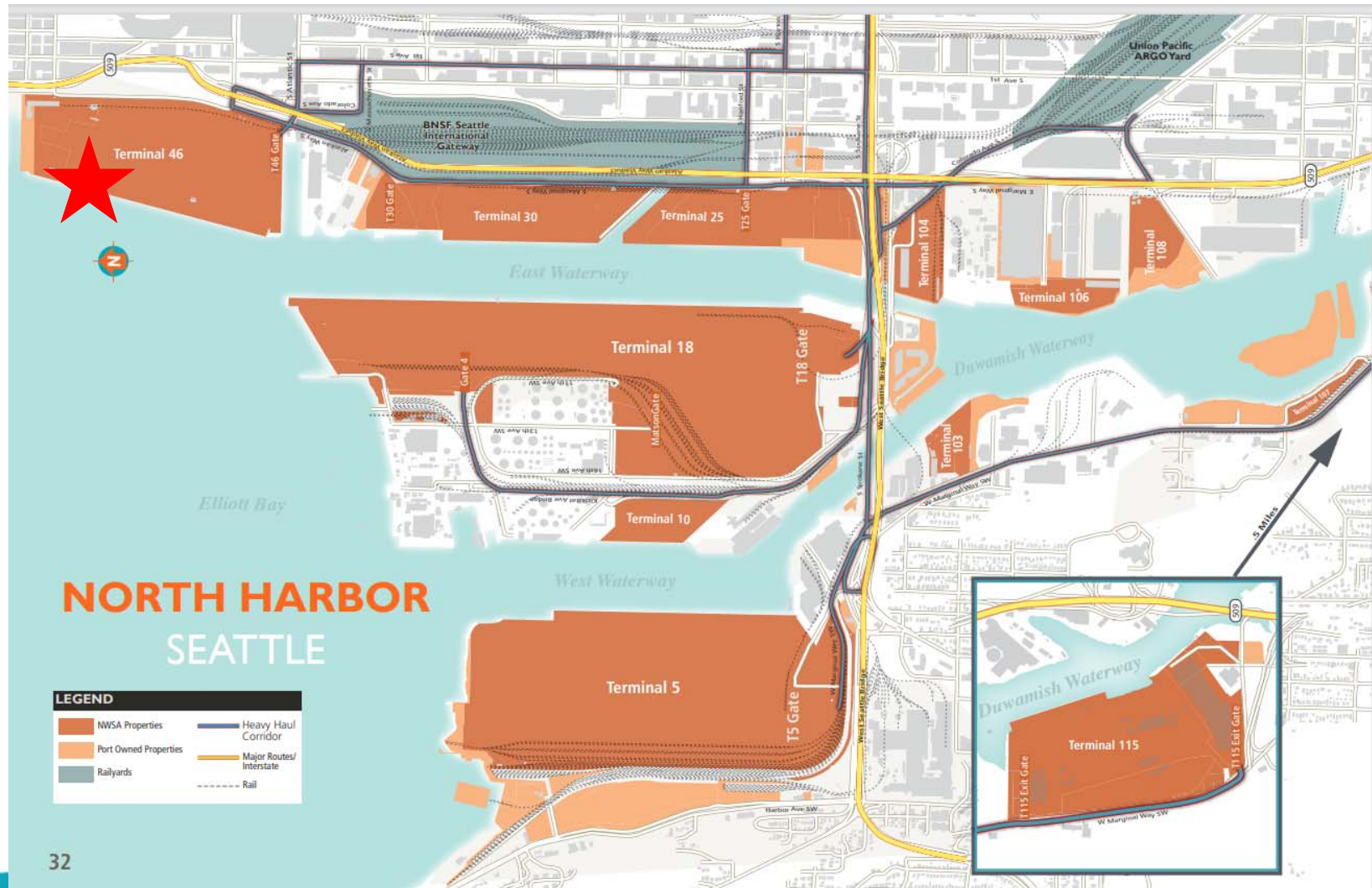
Terminal 46 - Pacific Maritime Association Term Lease – First Reading

Presenter: Jennifer Maietta
Interim Director/Sr. Real Estate Manager

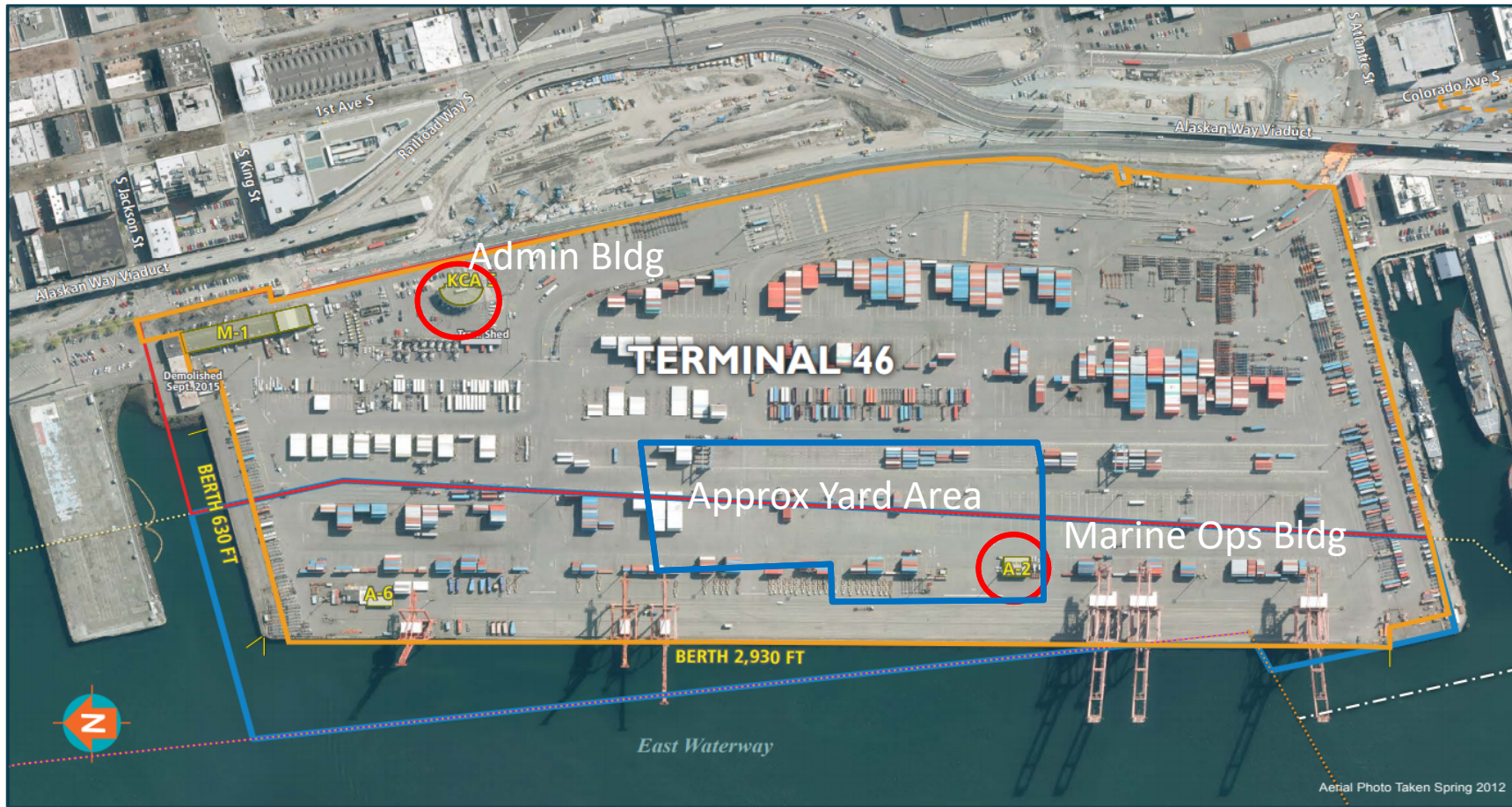
Action Requested

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Location



Aerial Plan

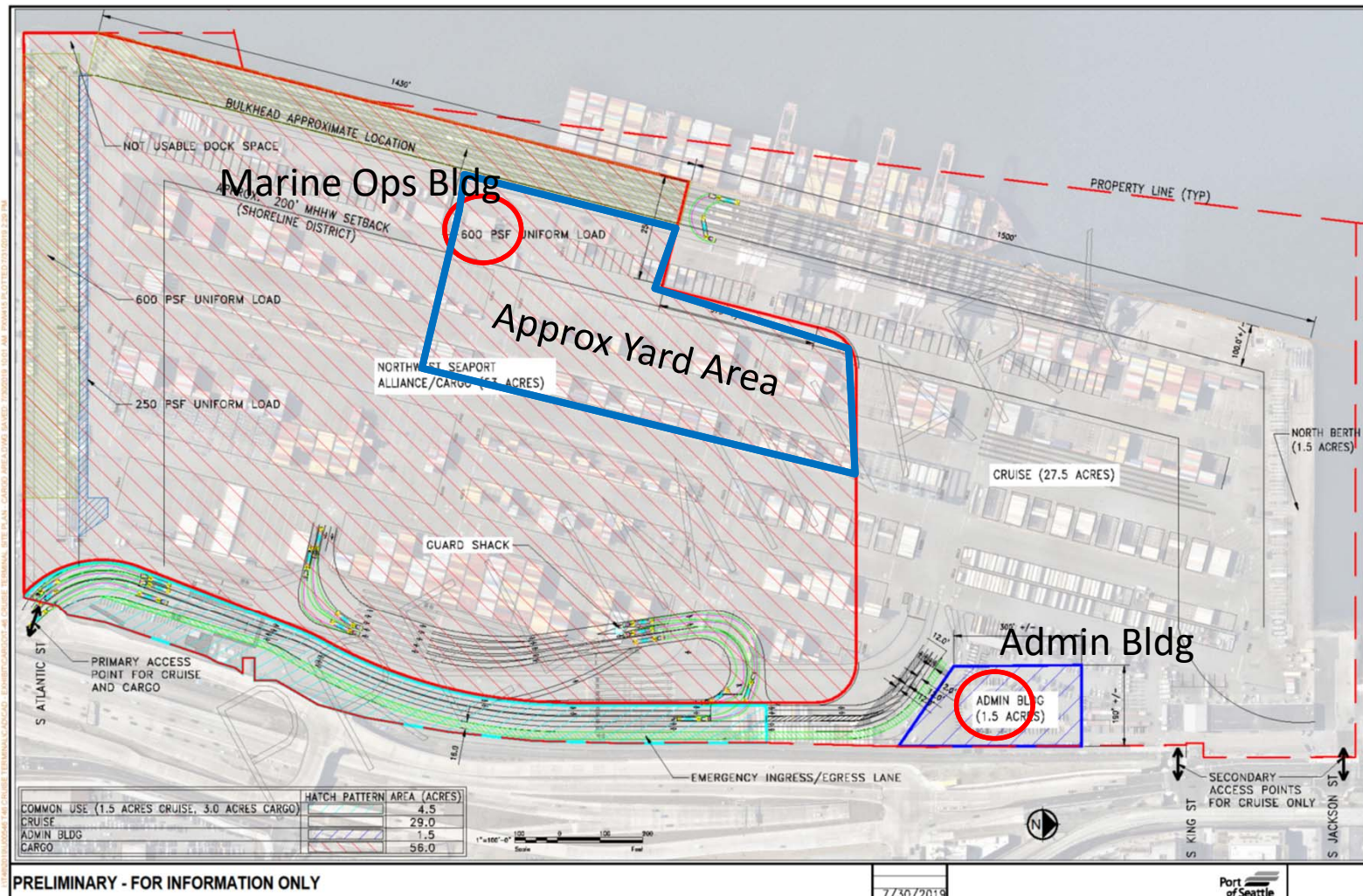


- | | |
|---|--|
| — Port of Seattle Boundary | — NWSA Boundary |
| — Dept. of Natural Resources, Port Management Agreement | - - - Inner Harbor Line |
| | - - - Outer Harbor Line |
| | - - - Federal Channel Waterway |
- 0 125 250 500 Feet

TERMINAL 46

To be used for Conceptual purposes

Site Plan – ILA



To be used for Conceptual purposes

Background

- The Pacific Maritime Association (PMA) is looking to consolidate its regional training facilities to Terminal 46 for the purposes of developing a consolidated state of the art training facility for longshore workers, clerks, foremen and casuals.
- Terminal 46 was vacated by Total Terminals International LLC (TTI) as of December 31, 2019.
- An RFP for long-term uses was issued August 2019 which was then discontinued March 2020.
- Short-term interim uses have been active through the Foss Master License, including the Pacific Maritime Association (PMA).

Background

- The PMA is an integral part of the marine cargo industry providing on-going labor training which provides services supporting the NWSA gateway's customers and terminal operators.
- The PMA has had a training facility at Terminal 5 since February 2018 and is currently under a month-to-month agreement, which will terminate as the Terminal 5 re-development project progresses.
- The PMA has a sub-license under the Terminal 46 Foss Master License for training purposes. The T46 Foss Master License is due to terminate June 30, 2021 which includes its sublicenses.
- In order to maintain a training facility in the Seattle Harbor, the PMA's desires to enter into a long-term lease agreement for a single consolidated training facility located at Terminal 46.

Background

- The shipping industry is seeing an unprecedented surge in trade, which has the PMA is interested in using the cranes located on Terminal 46 to conduct training.
- Port of Seattle (POS) purchased the cranes in 2020 with the intent of using them for training and other potential operations.
- The NWSA is interested in using the cranes for marine cargo opportunities.
- The cranes require repair, certification and maintenance to become and remain operable for these purposes.
- The parties (PMA, POS & NWSA) agree in good faith to work towards an agreeable solution and would look to amend this agreement to incorporate the agreed upon terms and conditions for crane repairs, certification, maintenance and their use as soon as reasonably possible.

Key Terms

Term	Description
Premises:	<ul style="list-style-type: none">• Approximately 304,920 square feet (7 Acres) of yard space• Approximately 500 square feet parking area for lashing training• Approximately 6,000 square feet of office space located on the Second Floor of the Administration Building• Approximately 430 square feet of space located on the First Floor of the Administration Building• Approximately 3,000 square feet of space located on the first floor of the on dock Marine Operations Building
Term:	Ten (10) year term

Key Terms

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Base Rent: Subject to Leasehold Excise Tax currently (12.84%) To be escalated annually by CPI	Yard Rate: <ul style="list-style-type: none"> <u>On Terminal:</u> $\\$.30 \text{ psf/Mo} = \\$91,476/\text{Mo} = \\$1,097,712/\text{Yr}$ <u>Lashing Training Area (Parking lot):</u> $\\$.30 \text{ psf/Mo} = \\$150/\text{Mo} = \\$1,800/\text{Yr}$ Building Rates: <ul style="list-style-type: none"> <u>Administration Office:</u> Second Floor: $\\$18.00 \text{ psf/Yr} = \\$9,000/\text{Mo} = \\$108,000/\text{Yr}$ First Floor: $\\$15.00 \text{ psf/Yr} = \\$537.50/\text{Mo} = 6,450/\text{Yr}$ <u>Marine Operations (on dock):</u> $\\$.75 \text{ psf/Mo Gross} = \\$2,250/\text{Mo} = \\$27,000/\text{Yr}$

Key Terms

Term	Description
Market Rate Adjustment:	<ul style="list-style-type: none"> Market rate adjustment to occur every 5 years at Lessor's discretion, otherwise shall increase by CPI annually.
Security Deposit:	<ul style="list-style-type: none"> Nine months (9) base rent plus LET
Operating Expense:	<ul style="list-style-type: none"> Lessee responsible for pro-rata share, sub-metered or directly billed operating expenses to include, insurance, utilities, surface water management, repairs and maintenance and any expenses incurred by Lessor. Lessee responsible for its pro-rata share of Annual Operating Expenses for the Administration Building office space estimated at \$5.00 psf/Yr to be reconciled annually.
Maintenance and Repair:	<ul style="list-style-type: none"> Lessee shall be responsible for all maintenance and repair to the Premises, except that Lessor would be responsible for maintenance and repair to building infrastructure and core building operating systems of the Administration Building offices and parking area to be passed through to Lessee through Annual Operating Expenses.

Key Terms

Term	Description
Environmental:	Market rate adjustment to occur every 5 years at Lessor's discretion, otherwise shall increase by CPI.
Tenant Improvements:	Tenant Improvements to be completed at Lessee's sole cost and expense subject to prior review and approval by Lessor.
Parking:	<ul style="list-style-type: none">• Lessor agrees to dedicate up to 30 parking stalls within a designated parking area.
Other Cargo Equipment:	<ul style="list-style-type: none">• Lessee agrees to allow Lessor and/or its selected service providers access to Lessee's equipment for the purposes of supporting cargo and other marine related business on the Terminal.• Access and use of equipment to be coordinated with Lessee based upon its availability to be operated by stevedoring company or other service provider as required.• Commercially reasonable Rates, terms and conditions to be agreed to by both parties.

Key Terms

Term	Description
Cranes:	<ul style="list-style-type: none">• The Port of Seattle owns three (3) ZPMC cranes located on the terminal.• The Lessee would like to enter into an agreement for use of one (1) of the cranes for the purposes of marine cargo labor related training.• The Lessor has an interest in use of the cranes for marine cargo related business opportunities.• The parties (PMA, POS, NWSA) will work jointly together to commercially reasonably ensure that the cranes are operational, certified and maintained according to all applicable laws, rules and regulations, and all associated costs to be reasonably documented and negotiated as a part of this lease, and/or by separate agreement as agreeable to the parties, at a future date.
Improvements and/or Reorganization of Terminal:	<ul style="list-style-type: none">• In the event that the Lessor, at its sole discretion, shall require the use of the Premises for improvements and/or for the re-organization of the terminal for other uses, the Lessor shall work with Lessee to relocate the seven (7) acres of yard space and/or find reasonable accommodations in lieu of the on dock Marine Operations building.

Financial Implications

- The proposed lease will provide approximately \$1.2 million in revenue per year
- The total value of the 10-year lease is approximately \$9.7 million (NPV)
- The proposed container yard lease rate is slightly higher than current container terminal rates, but consistent with improved industrial yard rates.
- There are no investments required for this lease.

Alternatives Considered and Their Implications

- **No Action Alternative:** The PMA would lose the ability to utilize the Terminal 5 location as the T5 re-development project progresses, the month-to-month license would be terminated, and the PMA would be required to relocate its office and training operations at T5 to an alternative location. The Terminal 46 sub-license under the T46 Foss Master license will terminate June 30, 2021 and the PMA would be required to relocate its yard training operations to an alternative location.
- **Recommended Action:** Request Managing Members of The Northwest Seaport Alliance (NWSA) to approve a long-term lease agreement with the Pacific Maritime Association at Terminal 46 for the purposes of developing a training facility for training labor to service the NWSA marine cargo business operations within the Seattle Harbor.

Action Requested

Request Managing Members of The Northwest Seaport Alliance (NWSA) to advance authorization for the Chief Executive Officer or their delegate to execute a new lease agreement with Pacific Maritime Association at Terminal 46 to a second reading.