

Item No.: 9B

Date of Meeting: April 4, 2023

Terminal 115 4th Amendment to Lease Agreement with Northland Services, Inc.



THE NORTHWEST
SEAPORT ALLIANCE

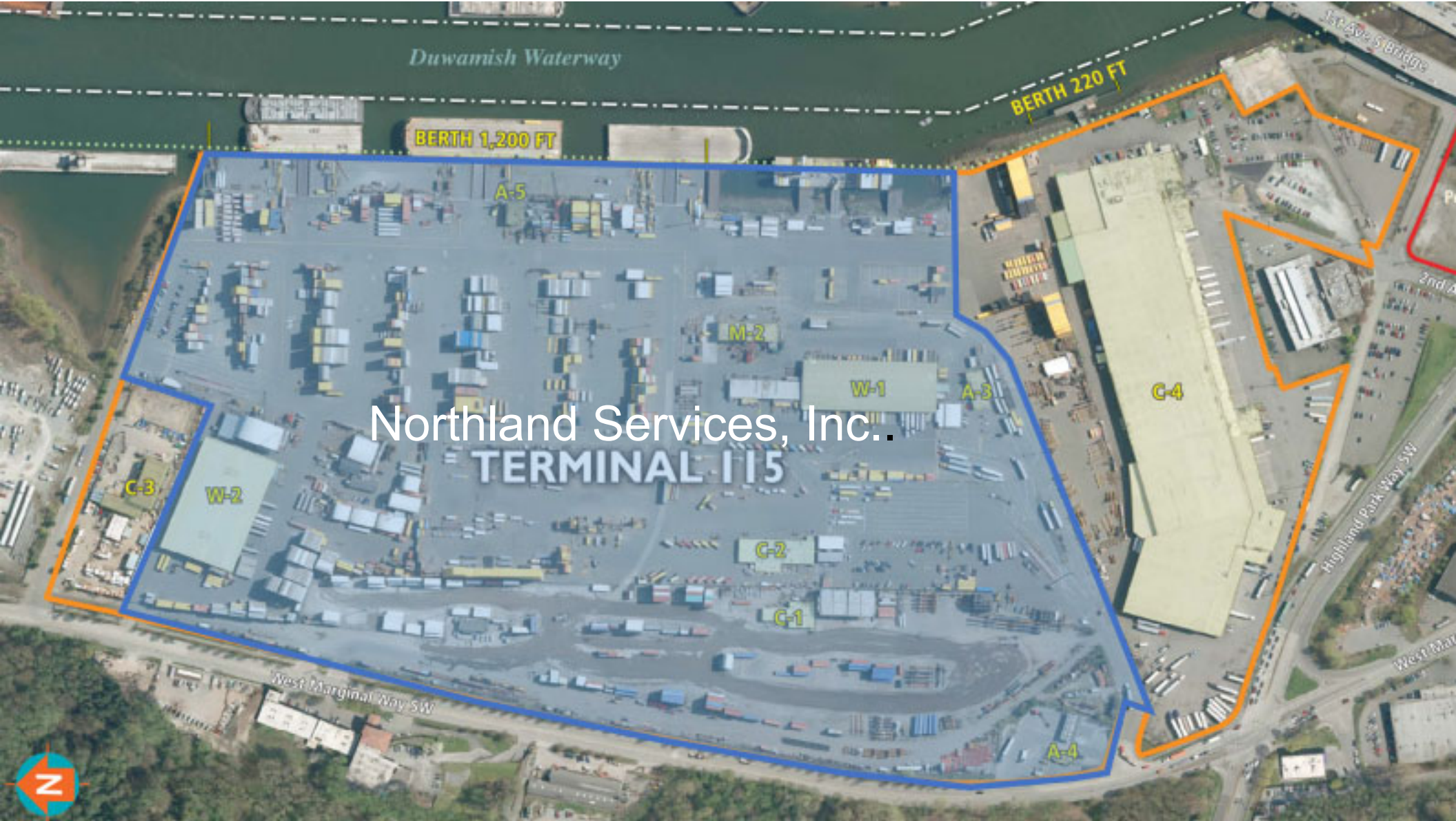
SEATTLE + TACOMA

Presenter Name: Jennifer Maietta
Presenter Title: Director, Alliance Real Estate

ACTION REQUESTED

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to execute a Fourth Amendment to the Terminal 115 Northland Services, Inc. (Northland) Lease Agreement extending the “Required Dock Work Deadlines” and incorporation of future Clean Truck Program requirements for domestic marine cargo terminals.





Northland Services, Inc.

TERMINAL 115

Background

- Northland Services, Inc. is a terminal operator conducting domestic terminal operations at Terminal 115 providing barge services to Alaska through its vessel carrier affiliate Alaska Marine Lines. Northland has been a tenant in the port since 2003.
- Northland uses the Terminal 115 dock for its Alaska barge services and other ancillary uses.
- A condition assessment was performed in November 2013 by Harbor Consulting Engineers, which noted concerns recommended further inspection asphalt and ballast in portions of the dock and assessments being performed every three years.



Background

- The 2013 condition assessment along with cursory inspections by Port of Seattle engineering was the basis of establishing the Required Dock Work for “unimproved sections of the dock” in the Third Amendment dated December 6, 2019

Required Northland to:

- 1) remove asphalt and ballast from the unimproved sections of the dock by June 30, 2021; or
- 2) provide structural restoration of the unimproved sections of the dock to be substantially completed by February 28, 2022 or incur penalties; and
- 3) engage a qualified structural engineer to perform a comprehensive condition assessment .

NWSA provided to Northland:

- 1) A rent abatement of \$756K towards improvements (Rent Abatement).



Background

- Northland engaged PND Structural Engineers (PND) who performed and provided the Condition Assessment dated July 2021
 - PND advised that dock repairs were not imminent and recommended that the dock be inspected on a biennial basis and not allow live loads (i.e., bulk, vehicles, containers) in these areas.
- Due to much higher cargo volumes and severely impacted traffic flow to T-115, Northland requested that the Required Dock Work deadlines be extended subject to the biennial inspection approach.
- The PND report was reviewed by Port of Seattle engineering which agreed that the biennial inspection approach was reasonable.



Background

- NWSA and Northland agreed to work in good faith towards a 4th Amendment, pending Managing Member approval, to extend the Required Dock Work Deadline with the following conditions:
 - Perform and provide biennial inspections by a qualified structural engineer
 - Complete the Required Dock Work as a result of the biennial inspections
 - Defer double rent penalty
 - Reimburse NWSA full Rent Abatement escalated by CPI as of January 1, 2020 if Required Dock Work is not completed.
- As part of the consideration for the Rent Abatement Lessee completed the Biennial Inspection at a cost of approximately \$200K in 2021 and will continue Biennial Inspections as an ongoing Lessee expense.
- Additionally, language is being incorporated for future incorporation of the domestic marine cargo terminals into the NWSA Clean Truck Program.



Term	Description
Biennial Dock Inspections	Beginning July 1, 2021 Lessee shall conduct Biennial Dock Inspections by June 30 th of every other year with a report provided no later than 30-days after each inspection.
Biennial Dock Repairs	<p>Lessee to conduct repairs to stabilize Unimproved Sections of the Dock in accordance with the biennial inspections at Lessee's sole cost and expense.</p> <p>These repairs shall not be considered part of the Required Dock Work.</p>
Required Dock Work Deadline	<p>Lessee to provide written notice to Lessor of the commencement of Required Dock Work as a result of Biennial Inspections with substantial completion of Required Dock Work to be completed on or before December 31, 2032.</p> <p>The Parties may extend the December 31, 2032 deadline by mutual written agreement contingent upon the biennial inspections but shall not in any case exceed the base term of the Basic Lease.</p>

Term	Description
Required Dock Work	<p>Pending the results of the biennial inspections, Lessee may either:</p> <ol style="list-style-type: none"><li data-bbox="688 477 1850 561">1. Remove the asphalt and ballast from the Unimproved Sections; OR<li data-bbox="688 618 1864 800">2. Restore the structural strength to all of the Unimproved Sections to not less than 250 p.s.f. with a design life of not less than 50 years, as determined by a qualified structural engineer licensed to practice in Washington state.
Rent Abatement	<p>In the event Lessee does not perform the Required Dock Work by the Required Dock Work Deadline, Lessee shall refund the full rent abatement (\$756,136.80) plus CPI escalation as of January 1, 2020, within 60-days after the deadline.</p>
Clean Truck Program	<p>Upon Tariff 300 Item No. 800.000 Clean Truck Program being amended incorporating the domestic marine cargo terminals, Lessee shall comply with the Clean Truck Program.</p>

Financial Implications

- No changes to financials as last presented for the Third Amendment.



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