

Item No.: 9D

Meeting Date: April 4, 2023

Gateway Automobile Business Agreements and Amendments



THE NORTHWEST
SEAPORT ALLIANCE

SEATTLE + TACOMA

Andre Elmaleh
Sr. Manager, Business Development

ACTION REQUESTED

Request The Northwest Seaport Alliance (NWSA) Managing Members' and Port of Tacoma Commission authorization for the NWSA Chief Executive Officer and Port of Tacoma Executive Director or their delegates to enter into the following agreements or amendments to agreements, on behalf of their respective entities, all relating to the NWSA Gateway's automobile business:

- 1) NWSA MM VOTE: GLOVIS Use Agreement Second Amendment to Use Agreement
- 2) NWSA MM VOTE: 9th Amendment to the AWC Lease and Operating Agreement
- 3) DUAL ACTION VOTE: Interlocal Agreement Between the Port of Tacoma and the Northwest Seaport Alliance Regarding Implementation of the GLOVIS 2020 Use Agreement
- 4) DUAL ACTION VOTE: Interlocal Agreement Between the Port of Tacoma and The Northwest Seaport Alliance Regarding Use of Property at 1202 Port of Tacoma Road
- 5) PORT OF TACOMA VOTE ONLY: 1st Amendment to the WWL Vehicle Services Americas, Inc. Lease and Operating Agreement

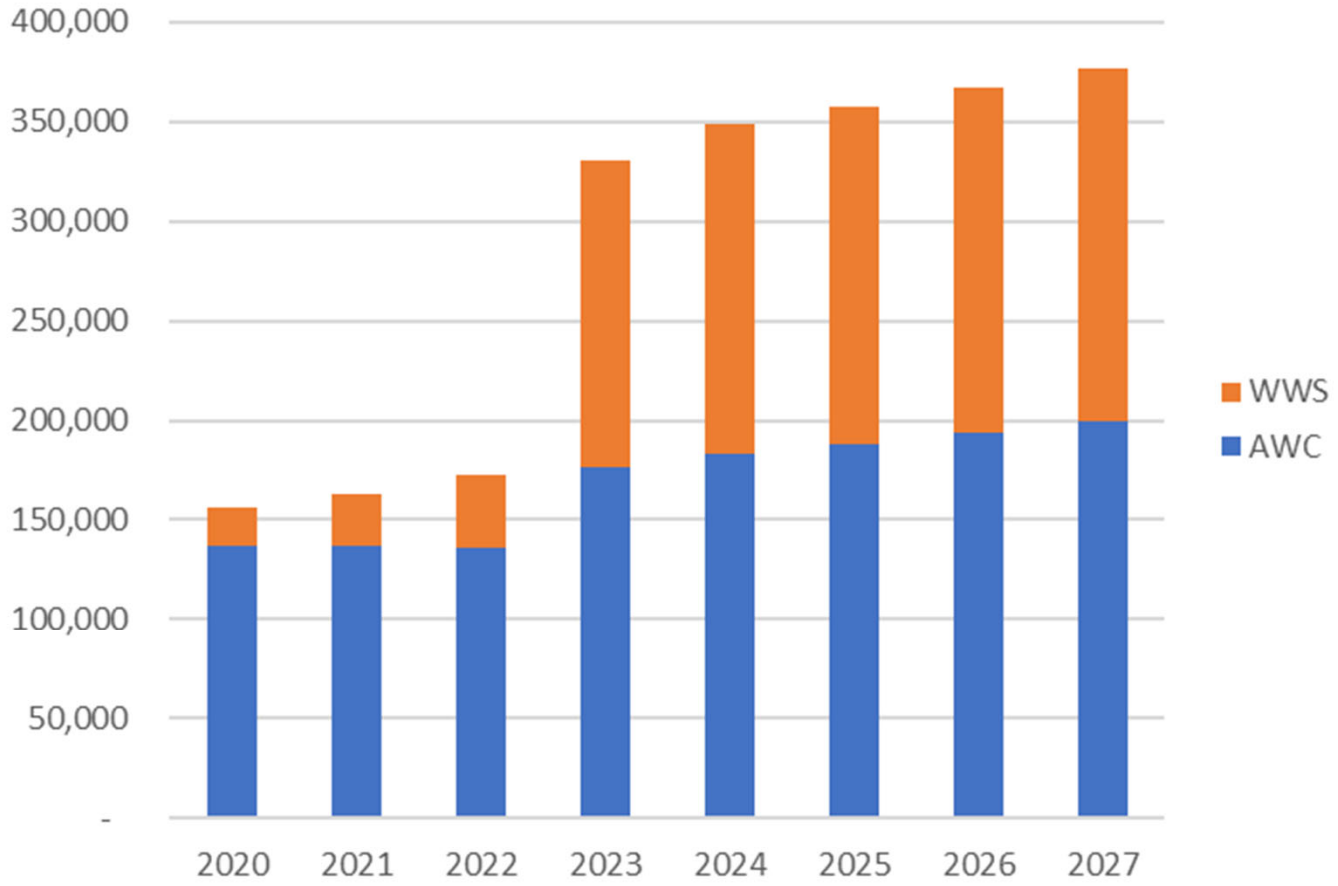
Background

- The Tacoma Harbor has two separate Auto Processors
 - Auto Warehousing Company (AWC) has been an Alliance customer for over 50 years
 - Wallenius Wilhelmsen Solutions (WWS) has been a customer of the Port of Tacoma since 2018
- Each processor employs over 100 people to serve the automobile customers
- Original Equipment Manufacturers (OEM's) such as Mazda, Mitsubishi and Nissan, employ processors to receive process and release their vehicles when assigned to dealers
- Each manufacturer will go through a selection process to find the right port and processor to fit their needs

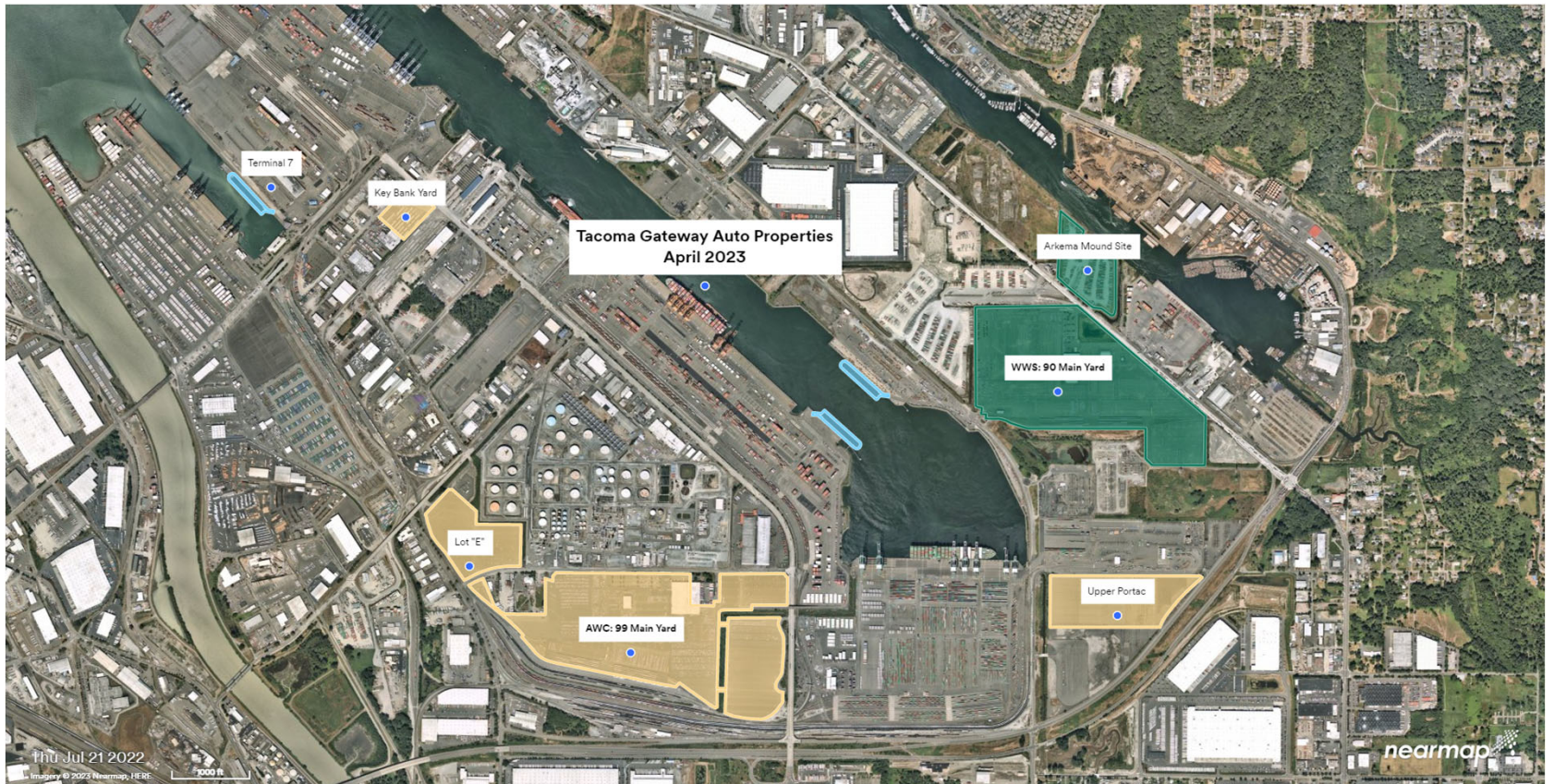
Background (GLOVIS)

- GLOVIS America is the in-house logistics provider for the Hyundai Auto Group, which includes Hyundai and KIA
- GLOVIS has consolidated ports for both brands to save costs and maximize efficiencies
 - Hyundai used the Port of Portland since 1986
 - KIA has been in Tacoma since 1995
- In 2018 GLOVIS requested ports and processors to provide a consolidated solution for their PNW business
- In March of 2022 GLOVIS informed the NWSA that they intend to consolidate in Tacoma using both AWC and WWS
- In September of 2022, the first vessel with Hyundai automobiles discharged into the WWS terminal

Tacoma Gateway Annual Auto Volume



Gateway Auto Property Locations



NWSA Financial Implications

Description	Original Model	Modified
Project Cost	\$40,004,281	\$60,960,043
NPV \$M	\$48.4	\$58.5
Debt Service Coverage	2.5	2.4
IRR	12.6%	13.1%
ROA	8.4%	8.1%
Payback Period	9	10

Assumptions:

- Includes impact of addition of Key Bank yard and associated drayage and start up costs
- Includes increased drayage and other vehicle handling expenses
- Includes impact of new domestic intermodal yard
- Includes AWC and GLOVIS revenue sharing
- KIA remains in Tacoma harbor through 2033

NWSA 2023 Financial Implications

	2023
Budget revenue	\$ 12,999,680
Revenue sharing	\$ (1,700,000)
Net budget revenue	\$ 11,299,680
	\$ -
Budget cash expenses	\$ (5,259,879)
Budget depreciation	\$ (732,480)
Total budget operating expenses	\$ (5,992,359)
	\$ -
Budget Operating Income	\$ 5,307,321
<i>Total net incremental expense</i>	<i>\$ (843,887)</i>
Adjust Op. Income	\$ 4,463,434
Budget BNSF Op. Income	\$ 2,693,457
Auto LoB & BNSF Op Income	\$ 7,156,891

GLOVIS Use Agreement 2nd Amendment

- This consolidates the KIA and Hyundai business in Tacoma as the exclusive port of call in PNW
- Effective April 1, 2023 – March 31, 2028
- Exchanges port exclusivity for incentives
- Has a repayment penalty should they depart early

Auto Warehousing Company 9th Amendment

- Updates shuttling and bunching rates for vehicles going to/from the Portac Yard and the new Lot G
- Ratifies prior payment of higher rates under CEO authority
- Provides for AWC's use of Lot G



Interlocal Agreement between the NWSA and the Port of Tacoma regarding implementation of the GLOVIS 2020 Use Agreement

- Provides for Port of Tacoma's reimbursement to NWSA for the GLOVIS incentive payments to be made by NWSA under the GLOVIS Use Agreement Second Amendment
- Specifies that Port of Tacoma will enter into an agreement with WWS for the "Arkema Mound" property
- Specifies that Port of Tacoma will pay WWS \$13 per Hyundai to offset the cost of the lease between WWS and the Puyallup Tribe for 3 months

Interlocal Agreement between the NWSA and the Port of Tacoma regarding the use of 1202 Port of Tacoma Road

- 1202 Port of Tacoma Road (also referred to as the Key Bank or Concrete Tech property) is non-licensed property
- This parcel is available, and intended for use by AWC as additional space for first point of rest or other vehicle storage uses
- ILA in essence leases this property to NWSA
- 5.8 Acres, \$81,200/mo.

First Amdmt to Lease & Operating Agrmt w/ WWL Vehicle Svcs of America

- GLOVIS brings significant additional volume (and associated needed space) as a result of consolidation
- Space not readily available for expansion, so WWS leased property from the Puyallup Tribe at higher rate than would be charged by the Port/NWSA ("Tribal Lease")
 - Tribal Lease to be short term while the Port readies the Arkema Mound property for WWS.
 - Note: had the Tribal Lease not been secured, vessels would continue to experience delays and a backlog would occur necessitating ships to divert from the Port of Tacoma
 - Amendment provides that the Port will pay WWS \$13 per unit for imported or exported Hyundais to help offset the cost of the tribal lease in short term
 - Offset payment would be retroactive to March 8 and terminate on June 9, 2023
- This Amendment confirms the final build cost of the WWS auto terminal (\$34M) and adjusts the Minimum Annual Guarantee and the Revenue Sharing components accordingly
- Includes GM Korea import Business into WWS's Revenue sharing provisions
- Adjusts the MAG and Revenue Sharing to accommodate the addition of the Arkema Mound property

Arkema Mound Site



Financial Implications to Port of Tacoma

Description	Original Model	Modified
Project Cost	\$35,000,000	\$34,047,312
NPV \$M	(\$1.8)	\$6.7
Debt Service Coverage	1.3	1.5
IRR	7.8%	10.5%
ROA	2.1%	3.6%
Payback Period	13	10

Assumptions:

- Includes impact of addition of Arkema Mound property in WWS agreement
- Includes forecasted increase in volume due to GM vehicles
- Includes finalization of terminal construction costs and impact on revenue
- Includes WWS and GLOVIS revenue sharing
- Includes six years of GLOVIS Hyundai at WWS terminal

2023 POT Financial Implications

POT - 2023 P&L

	Budget	Budget, GM & Arkema Mound	Change
Budget Revenue	\$ 7,931,706	\$ 9,852,601	\$ 1,920,895
Revenue sharing	\$ (3,056,286)	\$ (3,869,967)	\$ (813,681)
Net budget revenue	\$ 4,875,420	\$ 5,982,634	\$ 1,107,214
Budget cash expenses	\$ (440,766)	\$ (733,266)	\$ (292,500)
Budget depreciation	\$ (3,755,020)	\$ (3,755,020)	\$ -
Total budget operating expenses	\$ (4,195,787)	\$ (4,488,287)	\$ (292,500)
Budget Operating Income	\$ 679,633	\$ 1,494,347	\$ 814,714

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