

Item No.: 4B

Meeting: 10/03/17

West Sitcum Terminal Lease

Presenter: Tom Bellerud

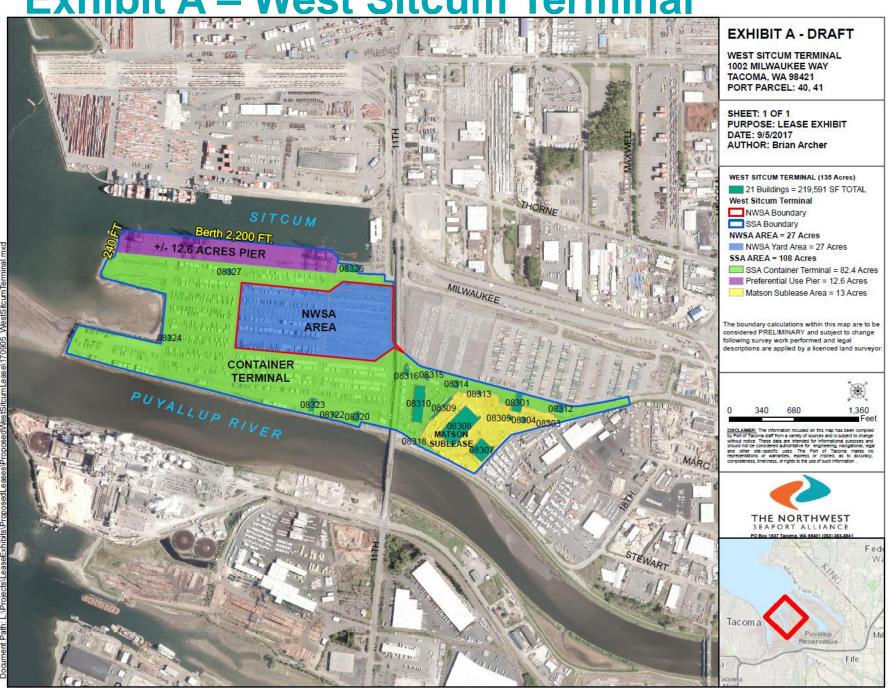
Director, Business Development

Action Requested

Authorize The Northwest Seaport Alliance (NWSA) CEO or his delegate to sign a 10-year Term Lease Agreement with Stevedoring Services of America Terminals (SSAT) for the West Sitcum Terminal in Tacoma, Washington.



Exhibit A – West Sitcum Terminal



Background

- APM Terminals (APMT) and its predecessors have provided terminal operations services at the West Sitcum Terminal since 1985.
- Earlier this year, Matson advised that they are terminating their Terminal Services Agreement with APMT effective 12/31/2017.
- APMT subsequently gave the NWSA notice of an earlier lease termination effective 09/30/2017.
- SSAT intends to assume Matson stevedoring operations at the West Sitcum Terminal effective 10/01/2017.
- Matson has two weekly services to and from Alaska, serving three ports in that critically important market.
- NWSA and SSAT have negotiated a new 10-year lease (see key terms).



Key Terms

- 108 acres of land including 2,200 feet of preferential use berth.
- 10-year lease commencing 10/01/2017 and terminating 12/31/2027.
- The proposed lease includes two (2) five-year renewal options, subject to mutual agreement of Lessor and Lessee.
- \$155,208 per month for rent and \$465,625 per month for preferential use, which are competitive with other domestic terminals.
- Security deposit equal to 12 months of rent & preferential use which totals \$7,689,145.
- The NWSA and SSAT have shared responsibility for maintenance work.
- NWSA consent is required prior to SSAT soliciting international cargo.



Key Terms, continued

- NWSA is holding a new stormwater permit until the construction of the West Sitcum Terminal stormwater treatment system is complete and the system has successfully passed 20 sampling events.
- At that time, SSAT will assume the Industrial Stormwater General Permit and hold it from the time of system turnover through contract termination.
- SSAT contributes \$4,000,000 to the Stormwater Treatment System.



Financial Implications & Economic Impact

- This lease exceeds the Managing Member's designated internal rate of return. Operating cash flow is positive in each year of the lease and the payback period is estimated to be four (4) years.
- Jobs to be retained: West Sitcum Terminal and Matson's operations together support in excess of 200 jobs.



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