

Item No.: 9A_Supp
Date of Meeting: July 6, 2022



THE NORTHWEST
SEAPORT ALLIANCE
Gateway to Solutions

BNSF Railway Company Lease and Operating Agreement

Presenter: Michael Reilly
Sr. Manager Business Development

Action Requested

- Request authorization for the Chief Executive Officer or their delegate to execute the BNSF Lease and Operating Agreement (“BNSF Lease”).
- Adoption of this new lease will require minor modifications to the existing PRS Operating Agreement. This related action will also be presented at this meeting.



Background

- The NWSA seeks to grow its domestic intermodal business and this new lease and operating agreement provides a significant step towards achievement of this objective.
- The NWSA and BNSF have negotiated a Lease and Operating Agreement for 16 acres of Parcel 69 in Tacoma to establish a new domestic intermodal facility. This lease is subject to Managing Member approval.



Premises

- Leasehold Area, Container Yard, 16 acres on Lot M adjacent Milwaukee Way and the South Intermodal Yard, per Lease Exhibit A (shown at right). This area is fenced, lit and paved.



Key Terms

Premises:	16 acres of domestic container storage yard on Lot M, directly across from the South Intermodal Yard (SIM), and use of SIM Yard and use of SIM Support Yard
Commencement Date:	August 1, 2022
Use:	Domestic intermodal container storage and related supporting operations
Term:	Approximately three (3) years: Termination Date: August 31, 2025 The Lease may be extended for three (3) additional terms of two (2) years each, subject to the mutual agreement of the parties.
Rent:	\$6,896 per acre per month, total \$110,336 per month
Escalation:	-Rent will escalate by prior 12 month's CPI-U each year on February 1, during the Lease Term -Lessee is expected to be exempt from WA State Leasehold Excise Tax
Security Deposit:	Security Deposit: 12 months rent initially \$1,324,032. Increases in line with Rent
Utilities & Taxes:	Lessee is responsible for all utilities and taxes
Maintenance & Repair:	Lessee is responsible for facility maintenance as defined in the Maintenance Matrix. In general, Lessor will perform all work and Lessee will pay the cost allocated as per the Maintenance Matrix.
Tenant Improvements:	Lessor will paint parking blocks, restripe the yard and make fence and gate modifications prior to Rent Commencement Date. Estimated costs: ~\$250,000

Key Terms (cont.)

Stormwater:	Lessor will hold the MS4 stormwater permit and conduct annual inspections. Lessee shall write and implement a site-specific stormwater pollution prevention plan and will maintain best management practices
Minimum Annual Volume Guarantee:	09/01/2022 - 12/31/2022 – 8,333 lifts 01/01/2023 - 12/31/2023 – 27,500 lifts 01/01/2024 - 12/31/2024 – 30,000 lifts 01/01/2025 - 08/31/2025 – 21,67 lifts
Facility Fee:	\$27.50 per container, subject to annual CPI increases beginning February 2023
Lift Fee:	08/01/2022-9/30/2022 – Lift Fee \$65.00 10/01/2022-9/30/2023 – Lift Fee \$66.00 10/01/2023-9/30/2024 – Lift Fee \$67.00 10/01/2024-8/31/2025 – Lift Fee \$68.00
Gate Fee:	The gate fee for loaded containers is \$17.50 and an empty container is \$8.75



Financial Implications

- No capital project investment is required by this agreement. The financial model includes all expected expenses associated with relocating the auto line of business from the property. Estimated startup costs total ~\$250,000.
- The estimated annual revenue, depending on volume, is between \$4 million and \$6 million. Net income will vary depending on actual intermodal and auto volumes but is positive in all scenarios.



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