

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	9D
Date of Meeting	July 6, 2022

DATE: June 9, 2022

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Tong Zhu, Chief Commercial Officer & Chief Strategy Officer

Project Manager: Erin DeBroux, Sr. Real Estate Manager

SUBJECT: Second Reading – Terminal 18 South Olympic Tug & Barge Lease Renewal

A. ACTION REQUESTED

Request Managing Members of The Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to execute a new lease agreement with Olympic Tug & Barge, Inc. at Terminal 18 South.

B. SYNOPSIS

Olympic Tug & Barge, Inc. (“Olympic”) has requested renewal of their existing lease agreement for the purpose of employee parking and equipment storage with a new two-year lease plus options to extend. The current lease between NWSA and Olympic terminated May 31, 2022. NWSA and Olympic have negotiated a new lease for the Managing Members’ approval. While both parties await this review, the existing lease has been placed in Holdover to secure full performance of the lease. Holdover is common practice in real estate when parties require additional time to conclude a negotiation

C. BACKGROUND

Olympic specializes in marine services with their Harbor Island location providing ship assist and escorts and bunkering for Puget Sound ships. Olympic has leased this site since 2014 to support their Harbor Island office location. Olympic is current with all rental obligations under their existing lease with a strong history of paying on time and keeping the site well maintained. The new lease rate negotiated is

reflective of the Seattle market and increases the monthly rent from \$4,809.42 (\$.18 PSF) to \$8,015.70 (\$.30 PSF).

New Lease Terms

- Premises: Approximately 26,719 square feet of unimproved yard space.
- Commencement Date: June 1, 2022.
- Use: Employee parking and equipment storage.
- Term: Initial two (2) year term.
- Options to Extend: Three (3) one-year options to extend.
- Base Rent: Monthly rent is \$8,015.70 (\$.30/SF/Mo) plus Washington State leasehold excise tax.
- Escalation to Base Rent: Annual escalation to base rent based on increase in CPI.
- Security Deposit: Amount equal to three (3) month's rent plus Washington State leasehold excise tax. Amount to be adjusted in conjunction with increases to base rent.
- Use of Premises: Employee parking and equipment storage.
- Utilities & Taxes: Lessee responsible for all utilities and taxes.
- Alterations: Lessor is not responsible to make any alterations.
- Maintenance & Repair: Lessee responsible for all maintenance and repair.
- Insurance: Lessee will provide proof of all insurance in compliance with NWSA Risk Management policy:
 - Commercial General Liability: \$2,000,000 per occurrence
 - Automobile Liability: \$1,000,000 per accident
- Tenant Improvements: Completed at Lessee's sole cost and expense, subject to prior review by Lessor.

D. FINANCIAL IMPLICATIONS

Source of Funds

There are no capital expenditures associated with this new lease.

Financial Impact

The initial monthly revenue is \$8,015.70 (\$96,188.40/year) with annual increases by CPI. This represents a 67% increase from the previous rate of \$.18 per square foot.

The estimated net present value for a five-year total lease is term is \$431,361. The proposed per square foot rate (\$.30 or \$156,816 per acre per year) is consistent with unimproved industrial yards within Seattle.

E. ENVIRONMENTAL IMPACTS / REVIEW

No improvements, maintenance, or operational changes requiring permits, authorizations, or additional environmental reviews are considered as part of this action.

F. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.
- Proposed lease agreement.

G. PREVIOUS ACTIONS OR BRIEFINGS

None