

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	8C
Date of Meeting	August 3, 2021

DATE: June 22, 2021

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Tong Zhu, Chief Commercial & Strategy Officer

Project Manager: Erin DeBroux, Real Estate Manager

SUBJECT: First Reading – Lafarge PNW Inc. at Terminal 107

A. ACTION REQUESTED

No action is requested at this first reading. The following action request will be made at the September 8, 2021 meeting.

Request the Managing Members of The Northwest Seaport Alliance (NWSA) authorize the Chief Executive Officer or their delegate to execute a new lease agreement with Lafarge PNW Inc. at Terminal 107.

B. SYNOPSIS

Lafarge PNW Inc. (“Lafarge”) has requested renewal of their existing lease agreement for the storage of rail cars at Terminal 107 with a new five-year lease plus options to extend. The current lease between Lafarge and NWSA expired June 30, 2021. Lafarge and NWSA Real Estate staff have negotiated this 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.

BACKGROUND

- Lafarge is the leading provider of diversified construction materials in the United States and Canada. They produce and sell cement, ready-mixed concrete, aggregates, asphalt, paving and construction products, and precast solutions and pipe products.
- Lafarge has leased this premises since June 1, 1996 to support their Seattle facility located to the immediate south of Terminal 107.
- Lafarge is current with all rental obligations under their existing lease with a strong history of paying on time.
- Lease rate negotiated is reflective of the Seattle real estate market.
- Lafarge has 35 full time employees plus 2-8 project dependent contractors at their Seattle facility and supplies portland cement and blended cement to concrete ready-mix plants, precast concrete plants, and mines.

C. KEY TERMS

- Premises: Approximately 20,944 square feet of land containing two rail spurs.
- Commencement Date: July 1, 2021.
- Term: Initial five (5) year term with five, one-year options to renew upon mutual approval of the parties.
- Base Rent: Base Rent: Monthly rent is \$5,236.00 plus WA state leasehold excise tax (\$.25/SF/Mo).
- Escalation to Base Rent: Annual base rent escalations based on increases in CPI-U.
- Market Rate Adjustment: To occur every five (5) years at Lessor's discretion. If Lessor chooses to forego market rate adjustment, annual increase shall continue by CPI-U.
- Security Deposit: Amount equal to six (6) month's rent plus WA state leasehold excise tax. Amount to be increased in conjunction with increases to base rent.
- Insurance: Commercial General Liability, \$2,000,000 per occurrence; Automobile Liability, \$1,000,000 per accident.
- Maintenance and Repair: Lessee responsible for all maintenance and repair; Lessor to have no maintenance or repair responsibilities whatsoever.
- Tenant Improvements: Completed at Lessee's sole cost and expense and subject to prior review and approval 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 \$5,236.00 (\$62,832.00/year) with annual increases by CPI-U. The estimated net present value for a ten-year total lease term is \$494,769. The proposed per square foot rate (\$.25) is consistent with unimproved industrial yards within Seattle.

E. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

- **No Action Alternative:** Forego entering into a new lease. This site will become vacant and non-revenue generating. In addition, the operating expenses will become the responsibility of the NWSA.
- **Recommended Action:** At the September 7, 2021 meeting, request the Managing Members of the NWSA to advance authorization for the Chief Executive Officer or their delegate to execute a new lease agreement with Lafarge PNW Inc. at Terminal 107.

F. ENVIRONMENTAL IMPACTS / REVIEW

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

G. ATTACHMENTS TO THIS REQUEST

- Proposed lease agreement.

H. PREVIOUS ACTIONS OR BRIEFINGS

None



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Terminal 107 – Lafarge PNW Inc. – First Reading

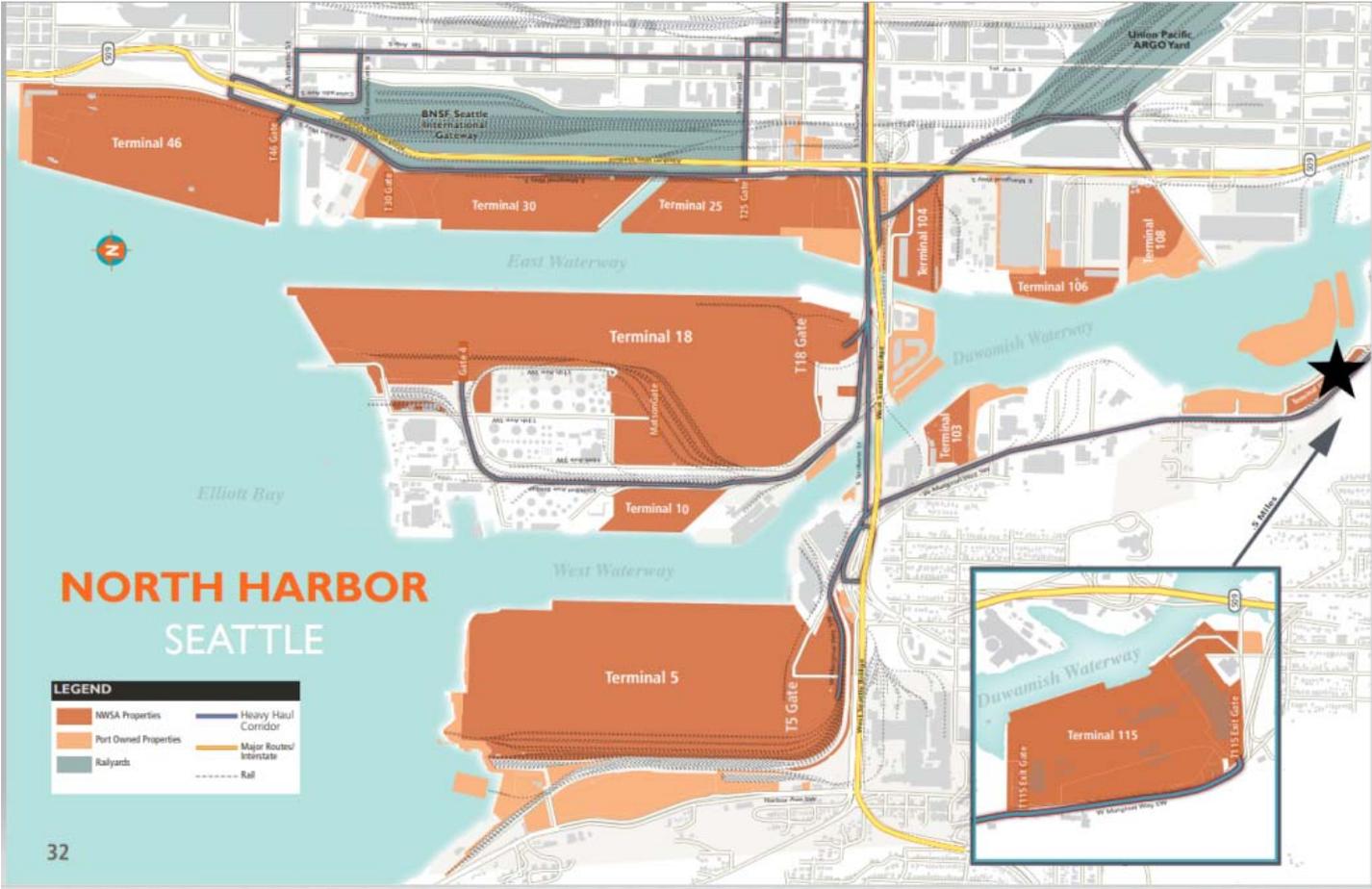
Erin DeBroux
NWSA Real Estate Manager

Action Requested

No action is requested at this first reading. The following action request will be made at the September 8, 2021 meeting.

Request the Managing Members of The Northwest Seaport Alliance authorize the Chief Executive Officer or their delegate to execute a new lease agreement with Lafarge PNW Inc. at Terminal 107.

Location



Aerial Plan



Background

- Lafarge is the leading provider of diversified construction materials in the United States and Canada. They produce and sell cement, ready-mixed concrete, aggregates, asphalt, paving and construction products, and precast solutions and pipe products.
- Lafarge has leased this premises since June 1, 1996 to support their Seattle facility located to the immediate south of Terminal 107.
- Current lease terminated June 30, 2021 and has been placed in Holdover.

Key Terms

Premises:	20,944 SF of land containing 2 rail spurs
Commencement Date:	July 1, 2021
Term:	Initial 5-year term with 5, 1-year options to renew
Rent:	\$5,236.00/mo plus WA state LET (\$.25/SF/Mo)
Escalation:	Annual escalation by CPI-U
Market Rate Adjustment:	Every 5 years at Lessor's discretion
Security Deposit:	6 month's rent plus WA state LET
Insurance:	\$2M per occurrence CGL; \$1M per accident Auto
Maintenance & Repair:	Lessee responsible for all maintenance and repair
Tenant Improvements:	Completed at Lessee's sole cost and expense and subject to prior review and approval by Lessor

Financial Implications

- Initial monthly revenue is \$5,236.00 (\$62,832.00/year) with annual increases by CPI-U
- Estimated NPV for 10-year term is: \$494,769
- Rate is consistent with unimproved yard rates
- There are no capital expenditures associated with this lease



Alternatives Considered and Their Implications

- No Action Alternative: Forego entering into a new lease.
 - Premises becomes vacant and non-revenue generating.
 - Operating expenses become responsibility of NWSA
- Recommended Action: At the September 8, 2021 meeting, request the Managing Members of the NWSA to advance authorization for the Chief Executive Officer or their delegate to execute a new lease agreement with Lafarge PNW Inc. at Terminal 107.



Environmental Impacts / Review

- No improvements, maintenance, or changes in operation requiring permits, authorizations, environmental review are considered as part of this action.



Action Requested

No action is requested at this first reading. The following action request will be made at the September 8, 2021 meeting.

Request the Managing Members of The Northwest Seaport Alliance (NWSA) authorize the Chief Executive Officer or their delegate to execute a new lease agreement with Lafarge PNW Inc. at Terminal 107.