

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>4A</u>
Date of Meeting	<u>January 3, 2017</u>

DATE: November 15, 2016

TO: Managing Members

FROM: **Sponsor:** Tong Zhu, Chief Commercial Officer, Container & Real Estate
Project Managers: Michael Campagnaro, Director Alliance Real Estate
Josh Peterson, Sr. Real Estate Manager

SUBJECT: First Reading of Resolution No. 2017-01 – Declaring Cranes No. 70, 71, and 72 and related spare parts surplus.

A. ACTION REQUESTED

Request First Reading of Resolution No. 2017-01: A Resolution of the Managing Members of The Northwest Seaport Alliance declaring certain personal property surplus (Port of Seattle MHI Cranes No. 70, 71, and 72 and related spare parts at Terminal 18) for Port of Seattle (the Port) purposes; authorizing their sale to SSA Terminals LLC; and authorizing the Chief Executive Officer to execute all documents related to such sale or disposal.

B. SYNOPSIS

On July 22, 2014, the Port of Seattle Commission authorized the third amendment to the crane agreement with SSA Terminals, LLC (SSA) at Terminal 18. Declaring the MHI Cranes to be surplus allows the Port to complete the cranes' sale as described in the amendment. In accordance with the SSAT Crane Agreement, the Port and SSAT will each be responsible for paying 50 percent of the sales tax associated with the sale of the MHI Cranes.

C. BACKGROUND

On December 6, 2012, the Port of Seattle Commission authorized a new land rent structure for Terminal 46 lease with Total Terminals International. The modified lease with TTI for Terminal 46 required that the Port offer this new land rent structure to SSAT due to the most favored nations (MFN) clause for rent and cranes in SSAT's lease of Terminal 18 and Terminal 30. On July 22, 2014, the Port Commission approved the third lease amendment with SSAT Terminal 18 and Terminal 30 to satisfy the MFN clause. In the third amendment, the Port agreed to transfer ownership of the three MHI cranes located at Terminal 18 to SSAT for \$1.00 and to equally split the sales tax related to the transfer of ownership.

D. TIMEFRAME/PROJECT SCHEDULE

First Reading of Resolution 2016-12	January 3, 2017
Adoption of Resolution 2016-12	February 7, 2017

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First Reading Res. No. 2017-01: Surplus of Cranes No. 70, 71, 72

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E. FINANCIAL IMPLICATIONS

Budget Status and Source of Funds

In accordance with the terms and conditions of the third amendment to the crane agreement with SSAT, the Port and SSAT will each be responsible for paying 50 percent of the sales tax associated with the sale of the MHI cranes. The total sales tax amount is estimated to be \$86,400 based on an aggregate fair market value of \$900,000 for the three cranes. Accordingly, funding is requested to pay 50 percent of the sales tax on the fair market value of the equipment, estimated to be \$43,200. The \$43,200 payment will be expensed.

Financial Analysis and Summary

CIP Category	N/A
Project Type	N/A
Risk adjusted discount rate	N/A
Key risk factors	No risk factors are associated with this planned sale of Port-owned cranes to SSAT.
Project cost for analysis	N/A
Business Unit (BU)	Container Operations
Effect on business performance	The remaining net book value of these cranes and related equipment was \$1,275,044 as of November 23, 2016. The loss on the sales of these cranes will be recorded by the Port of Seattle as a non-operating loss.
IRR/NPV	N/A

Lifecycle Cost and Savings

As of November 23, 2016, the remaining net book value for the MHI Cranes (70, 71, and 72) and related spare parts are approximately as follows:

Tag No	Asset	NBV
70	50 Long Ton Electric Crane #70	\$ 318,378
71	50 Long Ton Electric Crane #71	301,644
72	50 Long Ton Electric Crane #72	609,855
LB171	20/40/45 Exp Spreader #171 (on crane #71)	3,523
LB172	20/40/45 Exp Spreader #172 (on crane #72)	14,240
LB174	20/40/45 Exp Spreader #174 (on crane #70)	7,128
LB173	20/40/45 Exp Spreader #173 (on chassis)	9,069
LB175	20/40/45 Exp Spreader #175	10,333
1096	Spreader Beam Trailer	0
1097	Spreader Beam Trailer	0
167	Earle's Beam	0
176	Crane Cargo Hook	874
	Total	\$1,275,044

F. ENVIRONMENTAL IMPACTS / REVIEW

None.

G. ATTACHMENTS TO THIS REQUEST

- Resolution No. 2017-01
- Third Amendment to the SSAT Crane Agreement
- Map of crane locations
- The ownership transfer agreement (bill of sale) to be executed with SSAT at time of transfer.

H. PREVIOUS ACTIONS OR BRIEFINGS

- July 22, 2014 – Lease Termination Agreement for Terminal 5 and related amendments to crane and lease agreement for Terminal 18 and Terminal 30.