

**THE NORTHWEST SEAPORT ALLIANCE**  
**MEMORANDUM**

**MANAGING MEMBERS**  
**ACTION ITEM**

<b>Item No.</b>	<u>8E</u>
<b>Date of Meeting</b>	<u>April 6, 2021</u>

**DATE:** March 5, 2021

**TO:** Managing Members

**FROM:** John Wolfe, CEO

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

**Project Manager:** Erin DeBroux, Real Estate Manager

**SUBJECT:** First Amendment to ConGlobal Industries Lease at T106

**A. ACTION REQUESTED**

Request Managing Members of The Northwest Seaport Alliance (NWSA) to advance authorization for the Chief Executive Officer or their delegate to enter into a First Amendment to Lease between the NWSA as Lessor and ConGlobal Industries, LLC as Lessee.

**B. SYNOPSIS**

Terminal 106 is a multi-tenant premises, respectively managed by the NWSA and Port of Seattle (POS) based on the allocated acreage between entities. POS issued and awarded a Request for Proposal to redevelop a portion of Terminal 106, which will include a need to widen the ingress/egress options on the premises. Such widening will impact current NWSA tenant, ConGlobal Industries, LLC (CGI) by removing 10,797 square feet from its current premises. An amendment to the lease between NWSA as Lessor and CGI as Lessee is required to formalize this reduction.

This is expected to be of neutral financial impact to the NWSA. Though the Premises are being amended to result in less rental income to NWSA from CGI, the Port of Seattle is expected to compensate the NWSA for this lost rental income by

means of an interlocal agreement which will be presented to the Managing Members at the May, 2021 meeting.

### **C. BACKGROUND**

1. Terminal 106 is an approximate 31.23-acre site with approximately 10 of the total acres licensed to NWSA.
2. POS and CGI entered into a 12-year lease commencing January 1, 2015 (dated June 8, 2015) and terminating December 31, 2026 for certain premises located at Terminals 106 and 108 (the Lease). Such certain premises were subsequently licensed to the NWSA who assumed management of the Lease. Adjacent to CGI's premises is a 15.07-acre parcel for which POS issued and awarded a Request for Proposal (RFP) for a long-term ground lease and demolition of an existing warehouse building.
3. The development contemplated by the RFP awardee (Trammell Crow Company) requires modification of the South Idaho Street ingress to CGI's premises, modification of the South Nevada Street egress lane at the north end of CGI's premises, and widening of the roadway connecting South Nevada Street to South Idaho Street running adjacent to the eastern boundary of the Lease. These modifications will reduce CGI's premises by approximately 10,797 square feet requiring an amendment to the Lease.
4. Area taken out of the leased premises will remain NWSA-licensed property and will be utilized as common area, rather than leasable property.
5. Multiple modification scenarios were presented to and discussed with CGI. Mutual agreement was reached on a design concept in early 2021.
6. Of the total 10,797 square feet to be removed from the premises, 2,678 square feet is not port-owned and is utilized via a permit with the City of Seattle Department of Transportation.
7. NWSA and CGI will not bear any costs or expenses for this project. All work, including restoration of CGI's premises, shall be completed at the sole cost and expense of POS.
8. It is anticipated that construction work will commence in 2023; however, as part of the negotiations between POS and the RFP awardee, POS must provide assurances that modification to the roadway may occur. Thus, an amendment to the Lease is needed imminently.
9. The amendment will contemplate the following items:

- Reduction of the leased premises from 857,576 square feet to 846,779 square feet;
- Reduction of rent in accordance with the reduction in premises utilizing the already-negotiated rates stated in the Lease, as shown below for lease years 9 through 12, lease year 9 being the anticipated starting year for construction.

Year	Lease Year	\$/SF/Mo	Rent/Mo	Rent/Yr
2023	Year 9	0.1625	\$137,601.59	\$1,651,219.05
2024	Year 10	0.1706	\$144,460.50	\$1,733,525.97
2025	Year 11	0.1792	\$151,742.80	\$1,820,913.56
2026	Year 12	0.1881	\$159,279.13	\$1,911,349.56

- Reduction of premises and rent shall commence on the date construction work commences and CGI is deprived of the 10,797 square feet.
- CGI's new premises will be restored to the same like-kind, pre-construction condition, excepting any agreed upon modifications documented in writing; and
- If, for whatever reason, the project does not move forward, the amendment shall automatically terminate.

**10.** NWSA will benefit from this work. The currently established ingress/egress route is narrow and permits one-lane traffic only. This widening will permit 2-lane traffic and make the site more usable overall. NWSA anticipates the ability to market the site at a higher rental rate in the future due to the increased overall usability.

**11.** NWSA and POS will enter into an Interlocal Agreement ("ILA") to formalize use of the area to be removed from CGI's premises for use by POS and its tenant(s). The ILA will also address compensation with the intent that the project remains cost neutral to NWSA. Compensation provided by POS to NWSA will be in an amount not less than the total loss in revenue under the CGI lease and any future lease and remitted on an annual basis.

## **D. FINANCIAL IMPLICATIONS**

### ***Source of Funds***

No NWSA funds are contemplated in this request.

### ***Financial Impact***

There will be no financial impact to NWSA. While NWSA will receive less rent from CGI, the ILA with the Port of Seattle will address this loss to ensure NWSA remains

cost neutral. Assuming a 2023 construction mobilization date, NWSA will lose rental revenue in the total amount of \$90,746.63 or 1.259% of the total revenue (\$28,468,032.56) over the last four years of the Lease. The ILA will address this loss, as well as losses under future leases.

## **E. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS**

- **No Action Alternative:** The ingress/egress modifications contemplated in this Memorandum are critical to the redevelopment project. Failure to amend the lease may jeopardize negotiations between POS and the RFP awardee.
- **Recommended Action:** Amending the lease is the recommended action. Widening the road will benefit both CGI and NWSA by increasing the usability of the site, and NWSA's loss in revenue will be addressed via an ILA.

## **F. ENVIRONMENTAL IMPACTS / REVIEW**

No environmental impacts are anticipated from the lease amendment itself. High level potential impacts pertaining to the widening are outlined below. Each category will be further evaluated and analyzed once the project commences. POS will manage and finance all work.

Permitting: Permitting will be evaluated and obtained by POS prior to construction.

Remediation: Remediation will be evaluated by POS prior to construction.

Stormwater: Stormwater treatment/system improvements are likely. The stormwater line that runs east-west in the roadway is owned by the City of Seattle who will need to be involved.

Air Quality: No concerns at this preliminary stage. Increased efficiency of traffic flow may have positive air quality impacts. To the extent practical, NWSA recommends the construction contractor should use the lowest emission equipment available.

## **G. ATTACHMENTS TO THIS REQUEST**

- First Amendment to Lease

## **H. PREVIOUS ACTIONS OR BRIEFINGS**

- Port of Seattle approved the lease at a public meeting on November 25, 2014.



**Item No.: 8E**  
**Date of Meeting:** April 6, 2021

# First Amendment to Lease ConGlobal Industries, LLC

Presenter: Erin DeBroux  
Real Estate Manager

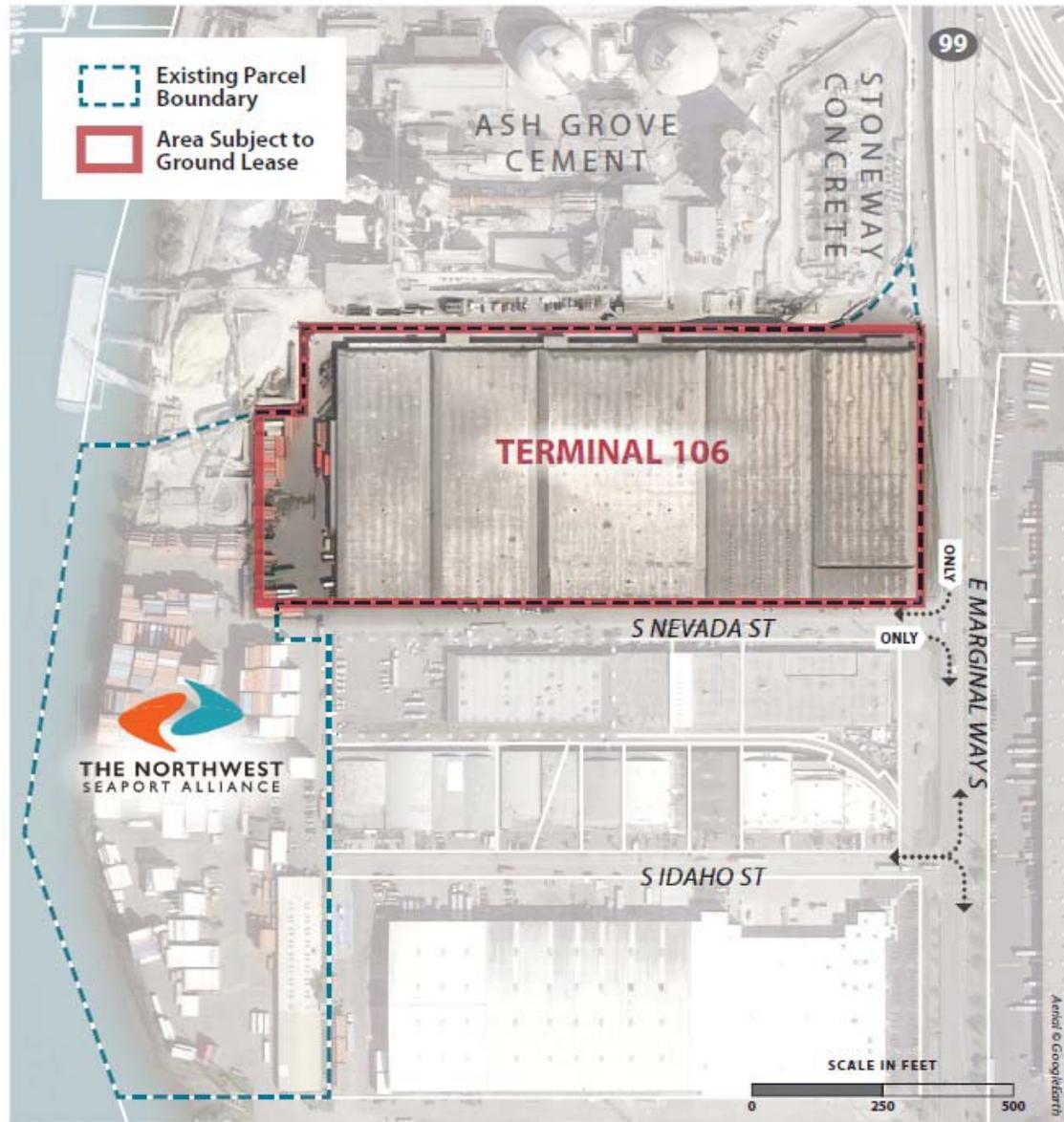
## Action Requested

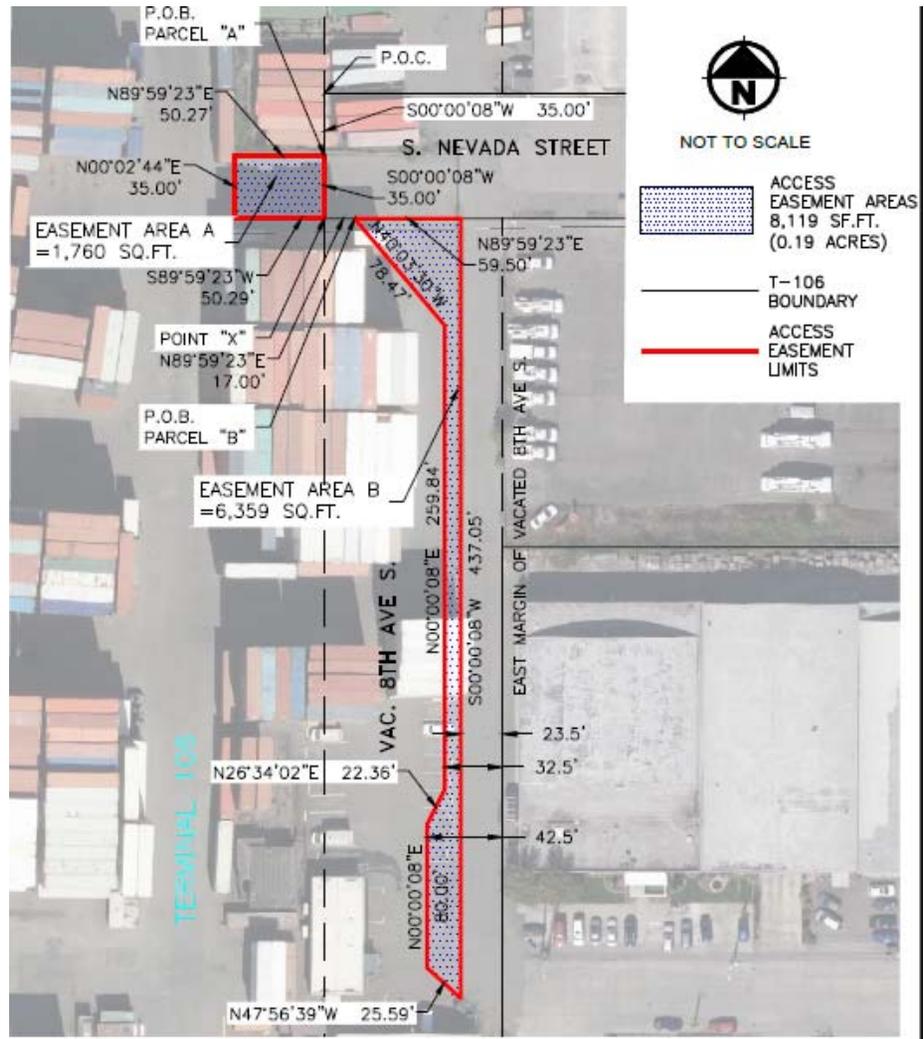
Request Managing Members of The Northwest Seaport Alliance (NWSA) to advance authorization for the Chief Executive Officer or their delegate to enter into a First Amendment to Lease between the NWSA as Lessor and ConGlobal Industries, LLC as Lessee.



# Background

- Terminals 106 is an approximate 31.23-acre site
  - 10 acres licensed to NWSA
- POS and ConGlobal Industries (CGI) entered into a 12-year lease commencing January 1, 2015 and terminating December 31, 2026 for certain premises located at Terminals 106 and 108
- NWSA subsequently assumed management of this Lease in August 2015
- POS issued and awarded a Request for Proposal for long-term ground lease and demo of warehouse on adjacent 15.07-acre area
- Development contemplates modifications to the current ingress/egress routes
  - Modification of S. Idaho St. ingress
  - Modification of S. Nevada St egress lane
  - Widening roadway connecting S. Nevada St to S. Idaho St.
- Modifications will remove a total of 10,797 square feet from CGI's premises





Multiple modification scenarios were presented to CGI with mutual agreement to current design

# Background

- Area removed from CGI premises will remain NWSA-licensed property
  - Utilized as common area
- Of total 10,797 SF to be removed, 2,678 SF is utilized via permit through City of Seattle DOT
- NWSA and CGI will not bear any costs or expenses for this project. All work, including restoration of CGI's premises, to be completed at the sole cost and expense of POS



# Background

- NWSA and CGI will benefit from this work.
  - Current ingress/egress route is narrow and permits one-lane traffic only
  - Widening will permit 2-lane traffic and make site more usable
  - Anticipate ability to market site at a higher rate due to increased overall usability
  - CGI is in agreement to move forward with current design
- NWSA and POS to enter into ILA to:
  - Formalize use of the area to be removed from CGI's premises
  - Address financial compensation with intent that project remains cost neutral to NWSA
  - Compensation to NWSA to be amount not less than total loss in revenue under CGI lease and any future lease
  - Remitted on annual basis
- Staff will return in May to present the ILA to the Managing Members

# Site Ingress and Egress





# Lease Amendment – Key Terms

Lease Amendment will address the following terms:

- Reduction of leased premises from 857,576 SF to 846,779 SF;
- Reduction of rent in accordance with the reduction in premises utilizing the already-negotiated rates stated in the Lease;
- Reduction of premises and rent shall commence on date construction work commences; CGI is deprived of the 10,797 SF
  - Anticipated to occur in 2023
- CGI's revised premises will be restored to the same like-kind, pre-construction condition, excepting any agreed upon modifications documented in writing; and
- Amendment shall automatically terminate if project does not move forward

# Lease Amendment

Rent for last four lease years, 2023-2026

- Rental rates previously negotiated in 2015, as shown below

Year	Lease Year	\$/SF/Mo	Rent/Mo	Rent/Yr
2023	Year 9	0.1625	\$137,601.59	\$1,651,219.05
2024	Year 10	0.1706	\$144,460.50	\$1,733,525.97
2025	Year 11	0.1792	\$151,742.80	\$1,820,913.56
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# Financial Implications

- Source of Funds: No NWSA funds are contemplated in the request.
- There is no financial impact to NWSA
  - While NWSA will receive less rent under the CGI lease, ILA will address financial loss under CGI lease and future leases to ensure project remains cost neutral to NWSA



# Alternatives Considered and Their Implications

- No Action Alternative: The ingress/egress modifications are critical to POS' redevelopment project. Failure to amend the lease may jeopardize negotiations between POS and the RFP awardee.
- Recommended Action: Amending the lease is the recommended action. Widening the road will benefit both CGI and NWSA by increasing the usability of the site, and NWSA's loss in revenue will be addressed via an ILA.



# Environmental Impacts / Review

**No environmental impacts are anticipated from the lease amendment itself**

High level potential impacts pertaining to the ingress/egress modifications are:

- **Permitting:** Permitting will be evaluated and obtained by POS prior to construction
- **Remediation:** Remediation will be evaluated by POS prior to construction.
- **Stormwater:** Stormwater treatment/system improvements are likely. The stormwater line that runs east-west in the roadway is owned by the City of Seattle who will need to be involved
- **Air Quality:** No concerns at this preliminary stage. Increased efficiency of traffic flow may have positive air quality impacts.



## Action Requested

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