

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 9C
Date of Meeting March 8, 2024

DATE: February 26, 2024

TO: Managing Members

FROM: John Wolfe, CEO

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

Project Manager: Andre Elmaleh, Sr. Manager, Business Development, NWSA

SUBJECT: Auto Warehousing Co. (AWC) Lease and Operating Agreement 10th Amendment

A. ACTION REQUESTED

Request Managing Members of The Northwest Seaport Alliance (NWSA) authorize the Chief Executive Officer or his delegate to: 1) execute the Auto Warehousing Co. (AWC) Lease and Operating Agreement Tenth (10th) Amendment, in substantially the same form as presented; and 2) reimburse AWC for any expenditures allowable under the Parties' Access Agreements but in excess of the CEO's delegated contracting authority.

B. SYNOPSIS

The Gateway's automobile business is operating at a record high, which necessitates additional support property in the General Central Peninsula. NWSA staff, in partnership with the Port of Tacoma (Port) has identified two properties in support of the auto business handled through AWC. These two land parcels were part of the Interlocal Agreement between the NWSA and Port approved on September 6th, 2023.

AWC has been permitted to use the 1701 Port of Tacoma Road property since January 1, 2024 and the 2302 Ross Way property since October 15, 2023 under temporary access agreements ("Access Agreements") pursuant to which the rate structure NWSA would pay AWC for shuttling and bunching is the same as under the Parties' 9th Amendment. These Access Agreements were allowed on a temporary basis while the Parties were negotiating and finalizing the anticipated 10th

Amendment, and because the anticipated related expenditures would be less than the CEO's delegated contracting authority. It is expected that the expenditures under the temporary Access Agreements from October 15, 2023 through the date of the 10th Amendment will be less than the CEO's \$350,000 delegated contracting authority, however, to the extent that final invoices establish that AWC incurred expenses in excess of this amount, staff seeks Managing Member's authorization to pay any such overage. Staff would have brought this 10th Amendment forward to the Managing Members for consideration in November of 2023, however, due to a lack of response from the customer, March, 2024 is the earliest we have been able to gain AWC's agreement to this Amendment.

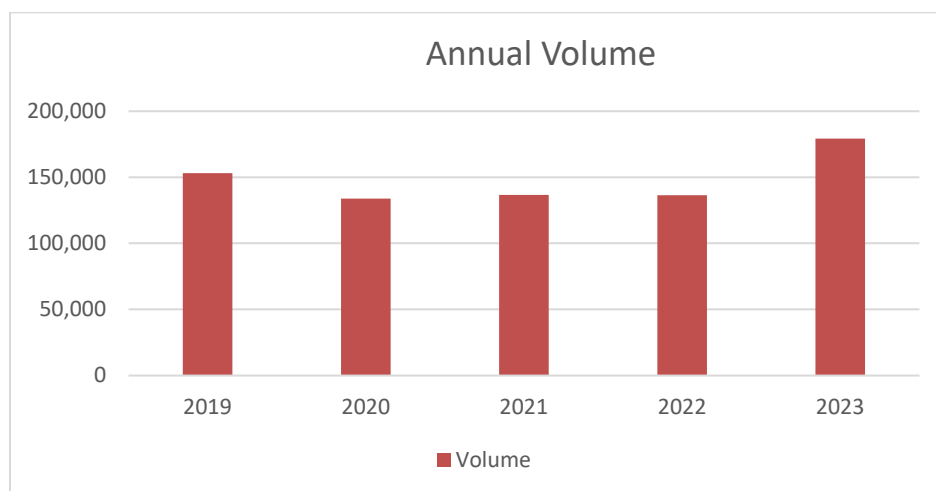
The 10th Amendment to the AWC Lease and Operating Agreement will acknowledge these two parcels and extend the previously approved rate structure whereby NWSA reimburses AWC for shuttling and bunching costs at the same rate per the Parties' 9th Amendment.

The properties are:

- 1701 Port of Tacoma Road: +/- 9 Acres
- 2302 Ross Way: +/- 4 Acres

C. BACKGROUND

2023 was a record year for volume as 179,222 units moved through AWC facilities. The previous record was set in 2002 with 177,293 and 2024 is trending to be even higher. This rebound in volume is due largely to the end of the pandemic era manufacturing restrictions such as the "chip" shortage as well as pent up demand for autos.





AWC 10th Amendment provides additional first place of rest and memorializes property identified in the ILAs.

D. FINANCIAL IMPLICATIONS

Source of Funds

The expense for both the rental charge for these additional properties from the Port of Tacoma and for the operational expenses for reimbursement to AWC for shuttling and bunching will be funded through operating cash of the NWSA. These expenses were included in the financial models supporting the approval of Interlocal Agreements between the Port and NWSA for the use of these properties as shown during the September 6, 2023 Managing Member meeting.

Financial Impact

The 2024 rental expense to the NWSA for these two properties is estimated at \$2.3 million. A reduction in drayage expenses resulting estimated at \$1.8 million will partially offset the land rental expenses from the Port. Additionally, this amount is further offset by an interlocal agreement allowing an NWSA property to be used by the Port for their auto business for approximately \$1 million (not addressed in this action) and possible new auto business shifted from the East Coast. The NWSA Auto line of business is budgeted to provide \$4.7 million in income in 2024 including the impact of the two leases and the drayage expense.

E. ENVIRONMENTAL IMPACTS / REVIEW

Stormwater: Current tenant has an Industrial Stormwater General Permit (ISGP) for this use.

F. ATTACHMENTS TO THIS REQUEST

Proposed 10th Amendment to AWC Lease and Operating Agreement

G. PREVIOUS ACTIONS OR BRIEFINGS

- 9/6/2023: ILA for the use of 1701 Port of Tacoma Road and 2302 Ross Way
- 4/4/2023: Ninth Amendment to LOA, ILA for 1202 Port of Tacoma Road
- 7/24/2020: Eighth Amendment to LOA
- 1/14/2020: Seventh Amendment to LOA
- 12/19/2019: Sixth Amendment to LOA
- 1/2/2018: Fifth Amendment to LOA
- 11/3/2016: Fourth Amendment to LOA
- 12/18/2014: Third Amendment to LOA
- 7/7/2011: Second Amendment to LOA
- 5/5/2011: First Amendment to LOA
- 12/05/2002: Authorization to execute revised initial Lease and Operating Agreement with AWC (Port of Tacoma Commission)
- 11/21/2002: Authorization to execute initial Lease and Operating Agreement with AWC (Port of Tacoma Commission)

Item No.: 9C
Meeting Date: February 6, 2024

Auto Warehousing Company 10th Amendment to Lease and Operating Agreement




**THE NORTHWEST
SEAPORT ALLIANCE**
SEATTLE + TACOMA

Andre Elmaleh Sr. Manger, Business Development

1

ACTION REQUESTED

Request Managing Members of The Northwest Seaport Alliance authorize the Chief Executive Officer or his delegate to: 1) enter into the Auto Warehousing Co. Lease and Operating Agreement Tenth (10th) Amendment in substantially the same form as presented; and 2) reimburse AWC for any expenditures allowable under the Parties' Access Agreements but in excess of the CEO's delegated contracting authority.



**THE NORTHWEST
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2

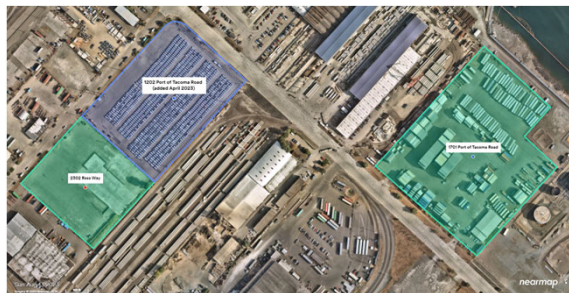
Background

- AWC is had a record year for volume in 2023, expecting to surpass the previous annual record by 2,000 units
- AWC seeks additional first point of rest (FPR) property to meet customer demand
- This Amendment memorializes additional properties



3

Key Terms Auto Warehousing Co. 10th Amendment



- Provides additional first place of rest and memorializes property identified in the ILA
 - 1701 Port of Tacoma Road,
 - 2302 Ross Way
- Allows for the compensation for AWC to use and secure these yards which are farther away from their main terminal than the original yards

4

AWC Properties Current and Proposed



5

Financial Implications

Source of Funds:

The expense for these additional properties will be funded through operating cash of the NWSA. These expenses were included in the financial models supporting the approval of Interlocal Agreements between the POT and NWSA for the use of these properties as shown during the September 6, 2023 Managing Member meeting.

Financial Impact

The annual rental expense to the NWSA for these two properties is estimated at \$2.3 million. A reduction in drayage expenses estimated at \$1.8 million will partially offset the land rental expenses from POT. Additionally, this amount is further offset by an interlocal agreement allowing an NWSA property to be used by the POT for their auto business for approximately \$1 million (not addressed in this action) and possible new auto business shifted from the East Coast. The NWSA Auto line of business is budgeted to provide \$4.7 million in income in 2024 including the impact of the two leases and the drayage expense.



6

Environmental Impacts / Review

- Stormwater: Current Tenant has an appropriate Industrial Stormwater General Permit (ISGP) for this use.



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