

Item No.: 9A

Date of Meeting: January 4, 2023

Thorne Road Properties Interlocal Agreement NWSA/POT



THE NORTHWEST
SEAPORT ALLIANCE

SEATTLE + TACOMA

Andre Elmaleh
Sr. Manager, Commercial Team

DUAL ACTION REQUESTED

Request Managing Members of the Northwest Seaport Alliance (NWSA) and Port of Tacoma Commission to authorize the Chief Executive Officer and Executive Director or their delegates to enter into an interlocal agreement (ILA) between the Port of Tacoma and The Northwest Seaport Alliance for the “Thorne Road Properties” in substantially the same form as presented.

BACKGROUND

- The Northwest Seaport Alliance needs space to support the Automobile business
- The Domestic rail business is continuing to expand
- Maximizes the use of and existing asset, the South Intermodal Yard

Background

- The Port owns and manages the Thorne Road Properties
- The NWSA seeks Thorne Road Properties in support of NWSA business include leasing the Premises to NWSA customers as the Permitted Use.
- The Port seeks replacement rental income from the NWSA for the month-to-month Port tenants that were displaced by the NWSA's proposed use of the Thorne Road Properties.
- The Thorne Road Port tenants were under month-to-month agreements and the Port did provide proper and timely notices of termination pursuant to those month-to-month leases.

Key Terms of the Proposed ILA

- Aim of the ILA is to memorialize the compensation to be paid by NWSA to the Port for the NWSA's use of the Thorne Road Properties for the Permitted Use and to memorialize the parties' intention that the NWSA's use of the Premises shall be revenue neutral to the Port.
- Retroactive to December 5, 2022, the NWSA will have the use of approximately 5.3 acres
- NWSA's right to use the Premises includes the right to access, construct, modify, and maintain the Premises or otherwise assign or sublease its rights in alignment with the Permitted Use (including to lease, sublease, license to others).

Key Terms of the Proposed ILA (cont.)

- The term ends December 31, 2023, but could be terminated earlier on 30 days' notice from one party to the other.
- The NWSA will be responsible for the following:
 - Pay a monthly sum equal to \$34,450.00 beginning December 5, 2022.
 - Any future capital improvements, repairs and/or maintenance on the Premises.
 - Stormwater utility fees and the ongoing maintenance, cost and repair of any issues pertaining to stormwater
- Mutual indemnity clause.

Thorne Road Properties Location



Financial Implications

- The domestic intermodal business at Lot M is forecasted to produce approximately \$1.5M of income in 2023. This is after an estimated \$1.5M of additional drayage expense due to the loss of Lot M for the auto first point of rest. The two home ports will receive 50% of the Income which is \$ 750,000 per year based on the budget/forecast.
- The NWSA will pay the POT approximately \$400,000 per year per the ILA. The homeports will each experience a reduction of \$17,225 per month (\$200,000 each for a 12-month period) in NWSA Distributable Income due to the ILA payment for this property.
- The cost to the NWSA to lease the Thorne Road Properties is expected to be offset by a reduction in expense for drayage of autos from T7 to Thorne Road vs T7 to Portac or other properties further from T7. It is also offset by the income from the domestic intermodal business at Lot M.

Alternatives Considered and Their Implications

- No Action Alternative: The NWSA will potentially not meet the demand for Automobile first place of rest property
- Recommended Action: Authorize the Interlocal Agreement between The Northwest Seaport Alliance and the Port of Tacoma

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