

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 8D
Date of Meeting September 7, 2022

DATE: July 21, 2022

TO: Managing Members

FROM: John Wolfe, CEO

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

Project Manager: Erin DeBroux, Sr. Real Estate Manager

SUBJECT: First Reading – Terminal 18 Pacific Coast Container New Lease

A. ACTION REQUESTED

No action is requested at this first reading. The following action will be made at the October 4, 2022, meeting:

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to execute a new lease agreement in substantially the form attached with Pacific Coast Container, Inc. at Terminal 18.

B. SYNOPSIS

Pacific Coast Container, Inc. (“PCC”) has requested a new, long-term lease to replace their current month-to-month agreement for yard and warehouse space at Terminal 18 on Harbor Island. PCC will utilize the premises for the purpose of container freight station operations, loading and unloading containers, container staging, and general warehousing. The new lease proposes a ten-year initial term plus options to extend.

C. BACKGROUND

PCC is a full-service third-party logistics company, handling import, export, refrigerated, dry, over-dimensional, and general cargo. PCC additionally provides container freight station, trucking, rail and specialty services. PCC provides a variety of warehousing and distribution services for both domestic and international companies. PCC has operations located in five West Coast ports, and this Harbor

Island facility was PCC’s first Seattle logistics location. PCC services the Ports of Seattle, Tacoma, Everett, and Olympia for import/export and domestic shipments.

PCC has leased this Terminal 18 site since 2015 and is current with all rental and lease obligations. The new lease rate negotiated is reflective of the Seattle market and increases the monthly rent from \$19,052.52 to \$42,702.65.

New Lease Terms

Premises	Approximately 86,369 total square feet as follows: <ul style="list-style-type: none"> • Warehouse: 17,055 • Paved Yard: 41,559 • Offsite Paved Yard: 27,755
Commencement Date	October 1, 2022
Use of Premises	Container freight station operations, loading and unloading containers, container staging, and general warehousing
Term	10-year initial term
Options to Extend	Two (2) five (5) year options to extend, upon mutual approval of the Parties
Base Rent	\$42,702.65 per month <ul style="list-style-type: none"> • Warehouse: \$12.00/sf/yr or \$1.00/sf/mo • Paved Yard: \$4.20/sf/yr or \$.35/sf/mo • Offsite Paved Yard: \$4.80/sf/yr or \$.40/sf/mo
Escalation to Base Rent	<ul style="list-style-type: none"> • CPI: Annually upon the Commencement Date of October 1, 2022, not to exceed 5% of the then-current Base Rent • Market Rate Adjustment: Every 60 months at Lessor’s option
Security Deposit	\$433,671.00 and equal to nine (9) months rent plus Washington State leasehold excise tax
Utilities & Taxes	Lessee responsible for all utilities and taxes.
Alterations	Lessor is not responsible to make any alterations.
Maintenance & Repair	Lessee responsible for all maintenance and repair.
Insurance	Lessee will provide proof of all insurance in compliance with NWSA Risk Management policy: <ul style="list-style-type: none"> • Commercial General Liability: \$2,000,000 per occurrence • Automobile Liability: \$1,000,000 per accident

Tenant Improvements	Completed at Lessee's sole cost and expense, subject to prior review by Lessor.
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D. FINANCIAL IMPLICATIONS

Source of Funds

There are no capital expenditures associated with this new lease.

Financial Impact

The initial monthly revenue is \$42,702.65 (\$512,431.80/year) with annual increases by CPI.

The estimated net present value for the potential total 20-year lease term is \$6,340,893. The proposed per square foot rate (\$.35 to \$.40 for yard and \$1.00 for warehouse) is consistent with similar industrial properties within Seattle.

E. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.
- Proposed term lease.

F. PREVIOUS ACTIONS OR BRIEFINGS

None