

Item No.: 8E_Supp
Date of Meeting: September 7, 2022

First Reading – Ray-Mont Logistics Seattle, Terminal 10



THE NORTHWEST
SEAPORT ALLIANCE
SEATTLE + TACOMA

Presenter Name: Erin DeBroux
Presenter Title: Sr. Real Estate Manager

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 authorization for the Chief Executive Officer or their delegate to execute a new term lease with Ray-Mont Logistics Seattle, Inc. at Terminal 10.

Background

- 13.1-acre site, 8.1 acres marketable to lease
- Rail access along south side, no water access
- Intended use: Support marine cargo growth opportunities such as transloading
- Since 2013, approx. 5 acres leased to 7 trucking companies via month-to-month lease agreements for drayage support services to the terminals

Site Location, Harbor Island



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Site Use Restrictions

- Site use restrictions due to previous contamination of site pre-dating Port's purchase of the site in 1997 from Lockheed Martin Corporation
- Port of Seattle completed upland site improvements in 2011, including replacement of stormwater conveyance system, light pole installation, grading and parking striping for cargo vehicles/containers
- Improvements expanded allowed uses to include container cargo marshalling activities, which encompasses the current use of T10
- Activities specifically prohibited include cargo loading & handling equipment (forklifts or cranes)

RFP Issuance & Award

- In support of NWSA's ongoing marine cargo growth strategies, NWSA issued an RFP, November 2020
- Awarded to Ray-Mont Logistics in February 2021 upon completion of internal review process
- Ray-Mont is the largest containerized transloading terminal operator in Canada, and one of the largest freight forwarders of export marine containers in Canada.
- Ray-Mont's business supports the growth of exports of agricultural product, resins, forest products, and other emerging commodities.
- Ray-Mont has expansion projects to open terminals in the United States, including a project located on King County-owned property adjacent to Terminal 10, to which Ray-Mont secured a lease in 2020

T10 Vision

- Ray-Mont intends to develop T10 into a transloading terminal
- Exports of agricultural products and plastic resins
- Increase volumes through the gateway and job growth opportunities
 - Anticipate creation of 60 direct jobs initially;
 - 150 jobs when site is utilized in full
- Combine capacities of T10 and adjacent King County property, rail spur services both lots

Premises, Phase I and II

- Ray-Mont will initially require the area along the east and west perimeter for immediate use
- Ray-Mont will sublease remainder of site to current tenants through October 2024
 - Footprints reduced to accommodate all tenants
- Phase I: Does not include a portion of the common area Ray-Mont will not be able to utilize
 - No revenue loss
- Phase II: Ray-Mont will assume full site

Phase I
Premises



APPROX. 6.1 ACRES

Klickitat Ave SW Klickitat Ave SW Klickitat Ave SW Klickitat Ave SW

3235

2929

2761

16



Phase II
Premises

APPROX. 8.1 ACRES

16TH AVE SW

Proposed Lease Terms

Premises	Phase I: 6.1 acres of yard space Phase II: 8.1 acres of yard space, November 1, 2024
Phase I Uses	Truck and chassis trailer parking
Phase II Uses	Phase I Uses plus use of cargo loading and handling equipment, vertical container stacking, transloading from rail cars, and receipt of rail cars if and when rail track is extended to the Premises
Term	Initial 20-year term
Phase I Term	Commencing on Commencement Date and ending upon earlier of: (1) October 31, 2024; or (2) approval to allow Phase II uses
Phase II Term	Commences upon first day following receipt of written authorization to allow Phase II uses
Options to Extend	Subject to commencement of Phase II & mutual approval of Parties, one (1) additional term of twenty (20) years and one (1) additional term of ten (10) years

Proposed Lease Terms - Rent

Base Rent	\$93,087.05 per month (\$.35 PSF/Mo) to be increased in conjunction with increase to Premises
Escalation to Base Rent	Base Rent to be escalated annually based on increase in CPI, not to exceed 5% in any given year
Market Rate Adjustment	At Lessor's option, Base Rent shall be subject to renegotiation at the end of the 60 th month and each 60 months thereafter. <ul style="list-style-type: none">• Purpose is to reset to the fair market value of the Premises based upon appraisals of comparable properties



Proposed Lease Terms – Facility Charge

- Upon commencement of Phase II, Lessee shall pay a Facility Charge in addition to Base Rent
- Lease Years 1 through 3: Annual flat Facility Charge of \$500,000 to be billed monthly
- Lease Years 4 to Lease End: Per container charge at the then-current Tariff rate
- Lessee guarantees a minimum annual Facility Charge equivalent to 25,000 Containers times the then current Tariff rate
- Fee for volumes exceeding 25,000 Containers will be discounted

Discount	Volume Range (Container)
No Discount	0 to 25,000
15%	25,001 to 30,000
25%	30,001 to 35,000
50%	35,001 to 40,000
65%	40,001 to 45,000
85%	45,001 to 50,000
100%	50,001+



Proposed Lease Terms – Continued

Security Deposit	Equivalent to 9 months Base Rent plus LET
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	<p>Commercial General Liability</p> <ul style="list-style-type: none">• \$5 million per occurrence• \$10 million aggregate <p>Automobile Liability</p> <ul style="list-style-type: none">• \$1 million per accident

Proposed Lease Terms - Continued

Tenant Improvements	Completed at Lessee's sole cost and expense, subject to prior review by Lessor.
Assignment & Sublease	Lessee shall enter into subleases with the seven companies currently leasing portions of Terminal 10 upon Lease Commencement Date <ul style="list-style-type: none">• Subleases shall continue through October 31, 2024• Rental rate shall not exceed the per square foot Base Rent of the Lease (\$.35 per square foot and escalated annually by CPI)
Environmental	<ul style="list-style-type: none">• Consent Decrees: Premises is subject to two Consent Decrees; Lessee shall not commit any act which is in violation of the Consent Decrees• Environmental Cap: Lessee shall maintain the Environmental Cap in compliance with the Consent Decrees and keep it in good condition and repair at its sole cost and expense

Financial Implications

- Initial monthly revenue: \$93,087.05 (\$1,117,044.60/year) with annual increases by CPI, and the option to increase to the current market rate, as applicable, every five years.
- Estimated NPV improvement over existing rent for initial 20-year term: \$15,096,946
- Proposed SF rate (\$.35 or \$182,952.00 per acre per year) is consistent with improved industrial yards within Seattle.
- There are no capital expenditures associated with this new lease.

Environmental Impacts / Review

- Site contamination present predating Port ownership.
- Lockheed entered into Consent Decrees with USEPA and a Restrictive Covenant.
- Ray-Mont has been provided copies of these documents and shall not commit any act, which if committed by NWSA, would constitute a violation of the Consent Decrees or the Restrictive Covenant as now or hereafter amended.
- Ray-Mont responsible for obtaining environmental permits and other approvals required for the Phase II uses.

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