

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

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

**Item No.** 9C  
**Date of Meeting** September 6, 2023

**DATE:** August 17, 2023

**TO:** Managing Members

**FROM:** John Wolfe, CEO

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

**Project Manager:**

Andre Elmaleh, Sr. Manger Business Development, NWSA

Debbie Shepack, Director of Real Estate and Economic Development,  
Port of Tacoma

**SUBJECT:** Tacoma Gateway Automobile Business Agreements and Amendments

**A. ACTION REQUESTED**

***DUAL Action - The Northwest Seaport Alliance (NWSA) – Port of Tacoma (Port)***

(1). Request Managing Member authorization for its CEO, and Port of Tacoma Commission authorization for its Executive Director, or their delegates, to enter into an Interlocal Agreement in substantially the same form as presented between The NWSA and the Port regarding the use of property located at:

- 1701 Port of Tacoma Road (8.88 acres)
- 2302 Ross Way (4 acres)
- 4215 State Route 509 N Frontage Road (“Lower Portac”) (12.11 acres)

***Port of Tacoma (Port) Commission Action Only:***

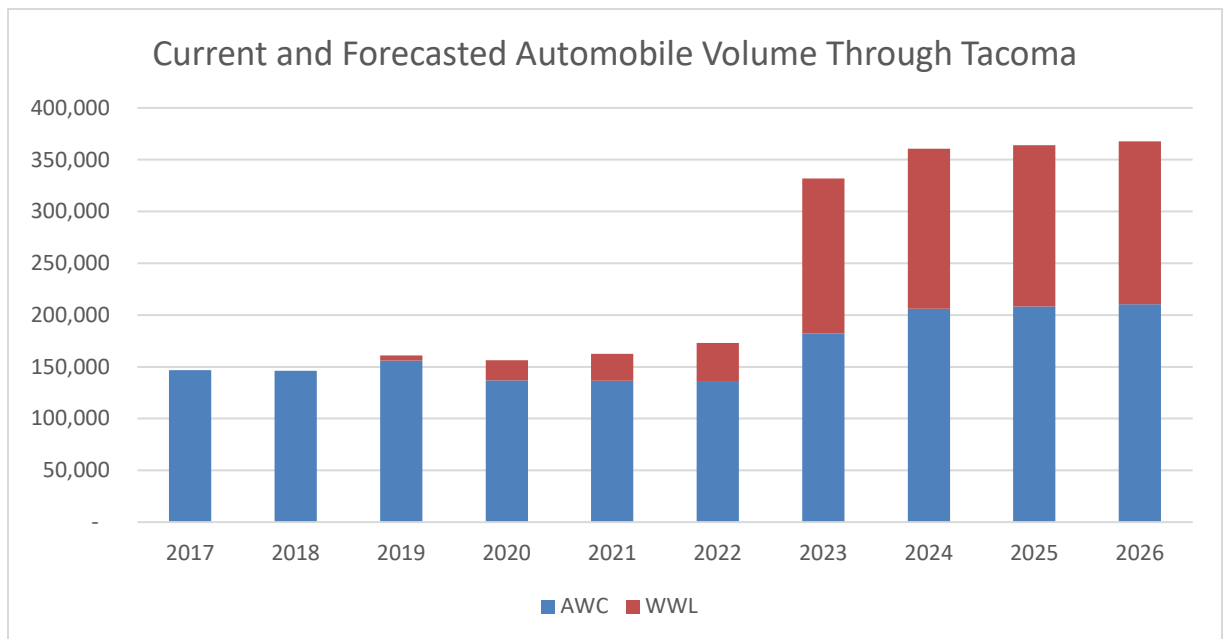
(2). Request Port of Tacoma Commission authorization for the Executive Director or his delegate to enter into the “Lease for the Purpose of Automobile and Heavy Equipment Storage between the Puyallup Indian Tribe (Lessor) and Port of Tacoma (Lessee) for 13 acres of property.

(3). Request Port Commission authorization for the Executive Director or his delegate to enter into the “Third Amendment to Lease and Operating Agreement”

between the Port and WWL Vehicle Services America, Inc. (WWL).” and authorization to waive the three month minimum security deposit required by the Port of Tacoma Master Policy Resolution, Section III.B.1, sublease of the Tribal property included within the Third Amendment.”

## B. SYNOPSIS

The automobile business has grown significantly over the past year due to new customers and a return of business, catapulting the combined NWSA and Port automobile business to be the fifth largest automobile gateway in the United States. With such growth, additional land is required to service the needs of Wallenius Wilhelmsen Vehicle Services Americas, Inc. (WWS) and Auto Warehousing Co. For the first six months of this year the volume of business going through the WWS auto terminal is up 875% year over year. The Auto Warehousing Co. (AWC) business is up 142% year over year.



## C. BACKGROUND

The NWSA and Port have a long history of importing finished automobiles going back to 1969. The automobile business is part of the gateway’s diversified business portfolio, augmenting our container and breakbulk business. We are fortunate to partner with two of the best automobile processors in the US, AWC and WWS.

Automobile Manufacturers also known as “Original Equipment Manufacturers”, or “OEMs” select the port of entry based on specific criteria. However, there are some

commonalities among OEMs. Some of the criteria includes, Ocean Transit Time, Rail access as well as land space to handle their vehicles.

Recently, the car market in the US has experienced a number of impacts, spanning from pandemic influences on manufacturing and purchasing as well as a microchip shortage. As we enter a post pandemic environment, in spite of interest rate hikes, there is still pent-up demand for new car purchases. This makes it critically important to import car manufacturers to receive and ship vehicles as quickly as possible. Vessel delays due to lack of space may ultimately end up costing a sale if they cannot get the vehicle to market. Because of the aforementioned increase in volume, additional space is necessary to meet demand. To help reduce vessel delays staff of both The NWSA and Port have worked together with the processors and customers to identify additional space.



**D. OVERVIEW OF THREE AGREEMENTS OR AMENDMENTS RELATED TO ADDITIONAL SPACE FOR AUTOMOBILES**

**1) Key terms of the proposed Interlocal Agreement between the Port of Tacoma and The Northwest Seaport Alliance (*Dual Action vote*):**

- The Northwest Seaport Alliance and Port of Tacoma agree to rent the following properties on a month-to-month basis to each other:
  1. 1701 Port of Tacoma Road (8.88 Acres)
    - a. NWSA to pay Port: \$15,000/acre/month
  2. 2302 Ross Way (4.00 Acres)
    - a. NWSA to pay Port: \$14,000/acre/month
  3. 4215 SR 509 N Frontage Road- (“Lower Portac”) (12.11 Acres)
    - a. Port to pay NWSA \$7,500/acre/month
- The rate the NWSA pays the Port is double market rate due to the structure of the NWSA joint venture. The NWSA paying the Port double market rate results in the Port receiving the same amount as if the property was leased to an independent third-party tenant.

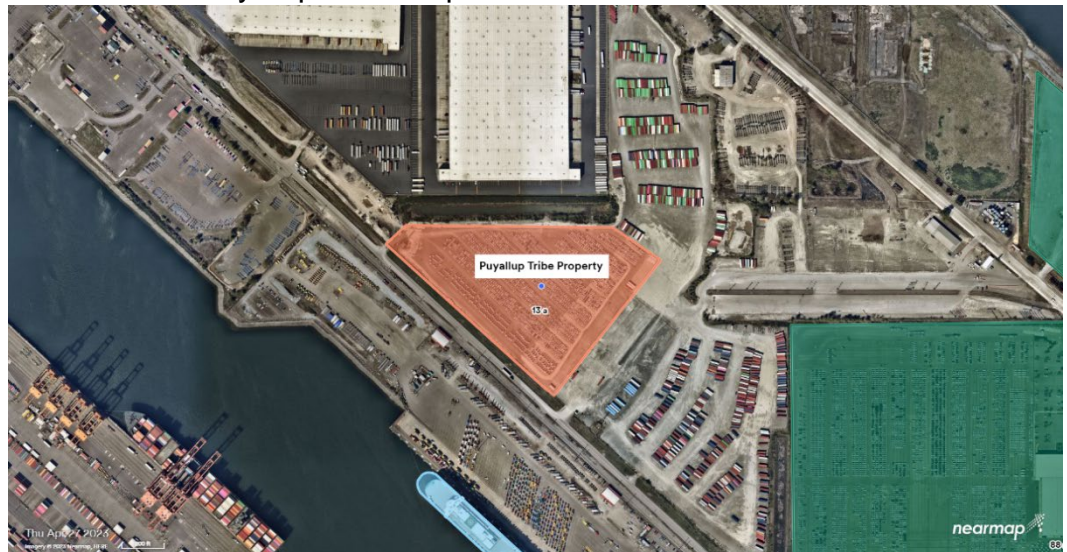


**2) Key terms of the proposed Port and the Puyallup Tribal Lease Agreement (*Port only vote*):**

- Port leases 13 acres from the Puyallup Tribe of Indians
- The Premises will be used by WWS for automobile and heavy equipment staging and storage and operational support
- Month-to-Month Agreement with 60-day termination provision
- Tribal rate is \$8500/acre per month plus a 10% Tribal tax with annual CPI increases



- No lease security deposit is required



3) **Wallenius Wilhelmsen Vehicle Services Americas, Inc Third Amendment (WWL)**(*Port only vote*):

The arrangement as captured in the Third Amendment with Wallenius Wilhelmsen Vehicle Services Americas, Inc.(WWL) is: 1) for the Port to continuing leasing Lower Portac (12.11 acres) from the NWSA per the Interlocal Agreement described above, and subsequently the Port to enter into a Third Amendment with WWL to in turn lease those 12.11 acres to WWL; and 2) The Port will enter into a new lease agreement consisting of 13 acres from the Tribe for use by WWS, and WWL to guarantee repayment though a Minimum Annual Guarantee (MAG) annually.

**Key Terms**

- WWL is currently leasing Lower Portac under the Second Amendment between the Port and WWL. This short term, month-to-month agreement expires on October 4, 2024. The rate charged under this agreement is \$1,028.25.
- A Third Amendment with WWL will extend the lease term until December 31, 2028, and terminate the Second Amendment.
- While either Lower Portac or the Puyallup Tribal property is used by WWS, the MAG will change from a five-year reconciliation to an annual reconciliation.
- All Environmental Provisions for the Third Amendment will be the same as required in the Lease and Operating Agreement and in accordance

with Agreed Orders No. DE-5668 and DE-15816 under the Model Toxics Control Act (RCW 70.105D).

- The annual MAG and Revenue Sharing Tiers will be adjusted based on the annual value of both Lower Portac and the Puyallup Tribal property.

Conditions specific to Lower Portac:

1. Term: Upon expiration of the Second Amendment, through December 31, 2028.
2. Acreage: 12.11
3. The WWS Lease security will be adjusted to reflect the value of Lower Portac



- Conditions specific to the Tribal Property:
  1. Term: Month-to-Month, with 60-day notice of termination
  2. Acreage: 13
  3. The 13 acres will be subleased to WWS in order to accommodate current vehicle volume coming through the Port of Tacoma
  4. The rent will be \$121,550 per month calculated on the basis of \$8500 per acre/per month, plus 10% Tribal leasehold excise tax, subject to annual CPI increases
  5. The annual MAG and Revenue Sharing Tiers in the 3<sup>rd</sup> Amendment will be adjusted to match the rents paid by the Port under the Lease with the Puyallup Tribe of Indians, and as a result the Port will recapture its full rental payments under this proposed lease
  6. Lease Security Waiver: The Port of Tacoma Master Policy states that for a month-to-month agreement, three (3) months' rent must

be collected as lease security. Staff recommends the waiver of this requirement for the following reasons:

- a. The Tribal lease does not require any security from the Port of Tacoma, so no risk to the Port.
- b. WWS remunerates the Port through a guarantee of Tariff revenue, not a traditional lease payment.
- c. The Tribal Agreement has a termination notice of 60 days, so the three-month requirement would exceed the termination notice by 30 days.

## E. FINANCIAL IMPLICATIONS

### ***Port of Tacoma Financial Impact***

The original financial model for the WWS terminal developed in 2018 provided an estimated return of 7.5% over 30 years. This model included the value of the Breakbulk business as WWS is the major supplier of Breakbulk volume. The increased volume of automobiles associated with these amendments, including the impact of the Arkema Mound, Tribal Property, and Lower Portac and the increase of GM automobiles, increases the return to 10.6%. The table below provides the summary of financial performance for the Port.

Description	Original Model	Modified
Project Cost	\$35,000,000	\$34,047,312
NPV \$M	(\$1.8)	\$7.0
Debt Service Coverage	1.3	1.5
IRR	7.8%	10.6%
ROA	2.1%	3.7%
Payback Period	13	10

The impact of these changes to 2023 based on the updated forecasts is estimated to increase the Net Income from \$679,000 to \$1,100,000.

### ***NWSA Financial Impact***

The original financial model for the current AWC terminal was developed in 2004 and provided an estimated return of 12.6% over 30 years. Updating the AWC model with actual financial performance through 2022, plus 2023 to 2033 forecast results, and the impact of the new BNSF domestic intermodal facility results in a financial return that is comparable to the original model.

Description	Original Model	Modified
Project Cost	\$40,004,000	\$60,960,043
NPV \$M	\$48.4	\$48.8
Debt Service Coverage	2.5	2.2
IRR	12.6%	12.8%
ROA	8.4%	6.5%
Payback Period	9	10

The impact of these changes to 2023 based on the updated forecasts is estimated to decrease the Net Income from \$8.0 million to \$6.6 million.

#### **F. ATTACHMENTS TO THIS REQUEST**

- Third Amendment to WWL Vehicle Services America, Inc Lease and Operating Agreement
- Interlocal Agreement Between the Port of Tacoma and The Northwest Seaport Alliance
- Lease Agreement between the Port of Tacoma and the Puyallup Tribe of Indians

#### **G. PREVIOUS ACTIONS OR BRIEFINGS**

- 8/7/2023: Second Amendment to WWL Vehicle Services America, Inc. Lease and Operating Agreement
- 8/4/2023: Access Agreement between the Port of Tacoma and the Northwest Seaport Alliance for temporary use of Lower Portac
- 4/4/2023: First Amendment to WWL Vehicle Services America, Inc. Lease and Operating Agreement
- 4/4/2023: Interlocal Agreement between the Port of Tacoma and the Northwest Seaport Alliance regarding the Use of Property at 1202 Port of Tacoma Road
- 2/6/2018 Authorization of the WWL Vehicle Services Americas, Inc. Lease and Operating Agreement



Item No.: 9C

Date of Meeting: Sept. 6, 2023

# Tacoma Gateway Automobile Business Agreements and Amendments



**THE NORTHWEST**  
SEAPORT ALLIANCE

SEATTLE + TACOMA

Andre Elmaleh, Sr Manager, Business Development, NWSA  
Debbie Shepack, Director of Real Estate & Economic Development, Port of Tacoma

# ACTION REQUESTED

## DUAL Action - The Northwest Seaport Alliance (NWSA) – Port of Tacoma (Port)

(1). Request Managing Member authorization for its CEO, and Port of Tacoma Commission authorization for its Executive Director, or their delegates, to enter into an Interlocal Agreement between The NWSA and the Port regarding the use of property located at:

- 1701 Port of Tacoma Road (8.88 acres)
- 2302 Ross Way (4 acres)
- 4215 State Route 509 N Frontage Road (12.11 acres)

## Port of Tacoma (Port) Commission Action Only

(2). Request Port Commission authorization for the Executive Director or his delegate to enter into a month-to-month Lease between the Puyallup Indian Tribe (Lessor) and Port of Tacoma (Lessee) for 13 acres of property.

(3). Request Port Commission authorization for the Executive Director or his delegate to enter into the “Third Amendment to Lease and Operating Agreement” between the Port and WWL Vehicle Services America, Inc. (WWL)” and authorization to waive the three month minimum security deposit required by the Port of Tacoma Master Policy Resolution, Section III.B.1, sublease of the Tribal property included within the Third Amendment.

# Background

- The Automobile business is part of the Northwest Seaport Alliance's and Port of Tacoma's diversified business portfolio
- The Automobile business in has grown over the past year placing Tacoma as the fifth largest Automotive Gateway in the US
- Business is up year over year 800% for WWS and 142% for AWC
- Growth in the Auto business can be attributed to the following:
  - New Accounts: Hyundai and General Motors to WWS
  - With the Pandemic and Chip Shortage over, existing customers are trying to ensure the dealers lots are full due to pent up demand in the US for new car sales

# POT – NWSA Interlocal Agreement

- Key Terms proposed in the Interlocal between the Port of Tacoma and the Northwest Seaport Alliance
  - Property Details:

Property Location	Size (Acres)	Per Acre Monthly Rate
2302 Ross Way	4.0	\$14,000
1701 Port of Tacoma Road	8.88	\$15,000
4215 SR 509 N Frontage Road (“Lower Portac”)	12.11	\$7,500

- Please note the NWSA must pay double the market rate to ensure the Port of Tacoma is made whole for use of property not originally assigned to the NWSA.



# Properties Included in the Interlocal Agreement

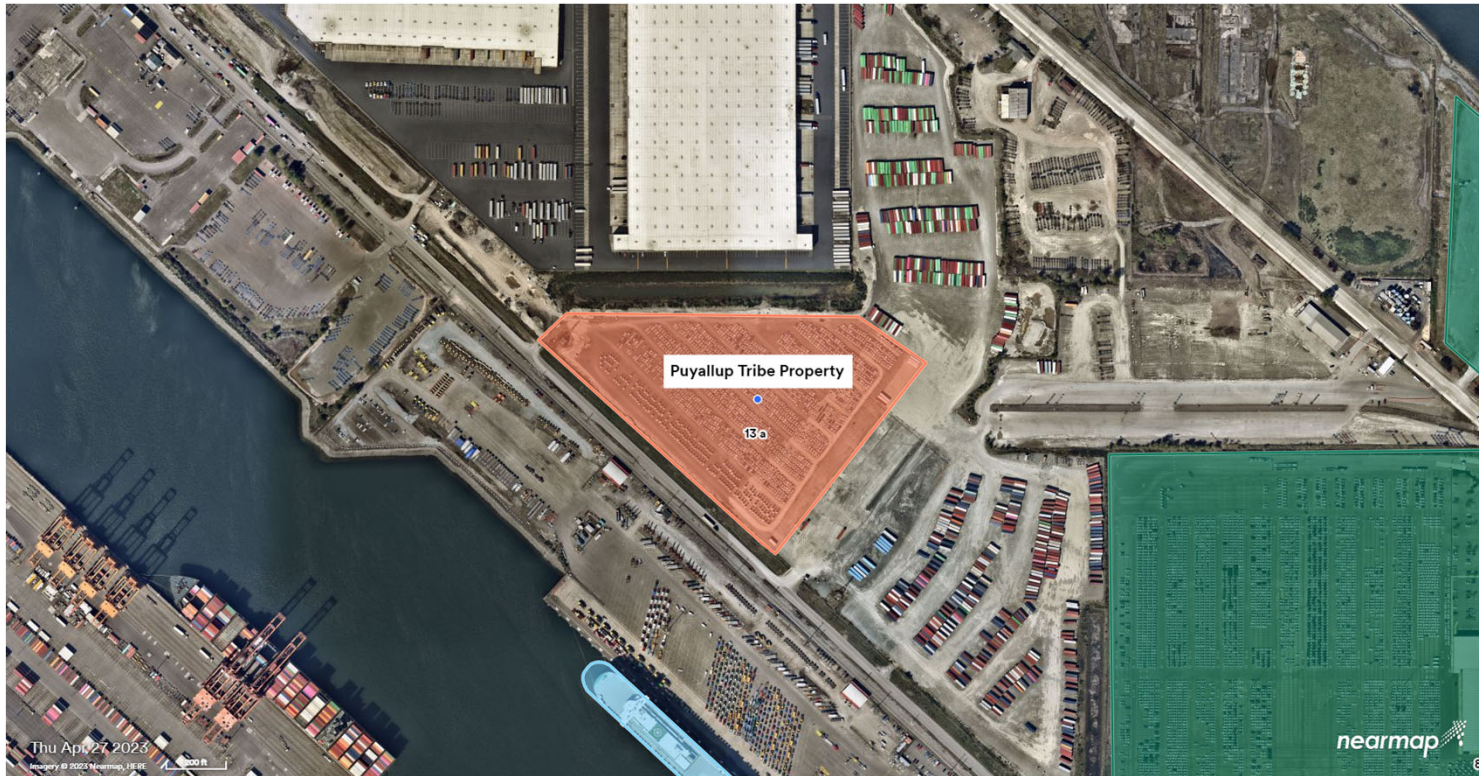




# Key Terms of the Puyallup Tribe Lease

- Size: 13 Acres
- To be used for primarily Automobile storage and Heavy equipment
- Month to Month Agreement with 60 day termination provision
- Rate is \$8,500/acre/month + tribal tax with annual CPI increases
- No Lease Security is required

# Key Terms of the Puyallup Tribe Lease (Cont'd)



THE NORTHWEST  
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# Key Terms of the WWL Vehicle Services America's Inc. (WWS) Third Amendment

- WWS will use both Lower Portac and the Tribal property to support the automobile business and High and Heavy business
- While Either Lower Portac or the Tribal Property is used by WWS the Minimum Annual Guarantee (MAG) reconciliation will be annually
- The Tiers for the MAG and revenue sharing will be adjusted based on the value of Lower Portac and the Tribal Property

# Key Terms of the WWL Vehicle Services America's Inc. (WWS) Third Amendment Cont'd

- Conditions Specific to Lower Portac:
  - Size 12.11 Acres
  - Term: From September 7, 2023 through December 31, 2028
  - Annual MAG Adjustment: \$375,310 to be adjusted per the terms of the Lease and Operating Agreement
- Conditions Specific to the Tribal Property:
  - Size 13 Acres
  - Term: Month to Month with 60 Day Termination provision
  - Annual MAG Adjustment: \$1,458,600 to be adjusted per the terms of the Lease between PoT and PTOI
  - Waiver of Lease Security: Port of Tacoma Master Policy states that 3 months rent must be collected on leases less than one year in length. Staff is requesting a waiver of this policy



# Properties for WWS 3<sup>rd</sup> Amendment





# Financial Implications for POT

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# Financial Implications for NWSA

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