

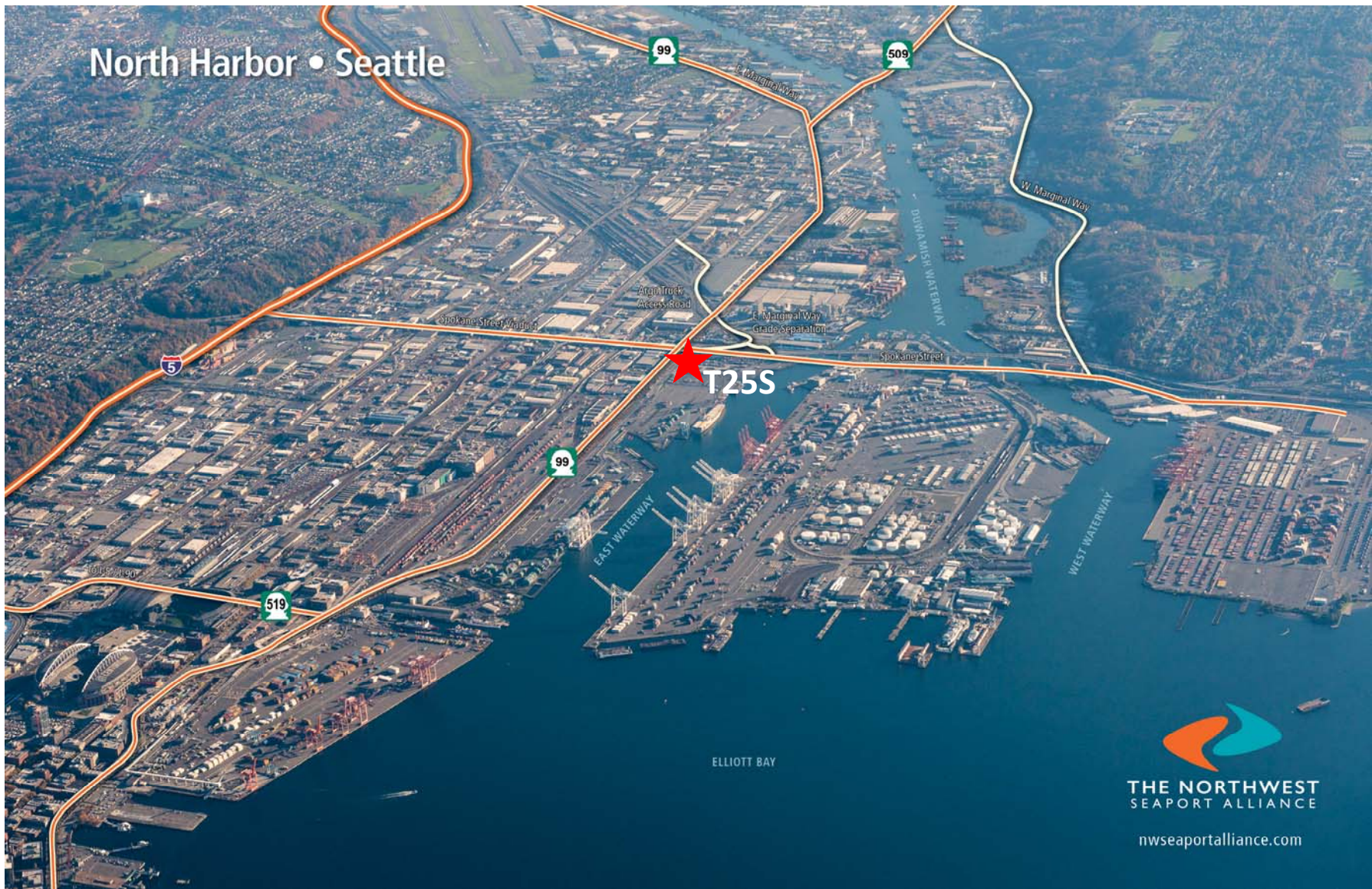


Item No.: 5B-supp
Date of Meeting: December 3, 2019

United Parcel Service, Inc.

Presenter: Jennifer Maietta
Title: Sr. Real Estate Manager

North Harbor • Seattle



Action Requested

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to execute a five (5) year lease with United Parcel Service, Inc. (“UPS”) for the premises at Terminal 25 South in the North Harbor-Seattle



Background

- UPS, a multi-billion-dollar package delivery company, specializes in being a global provider of transportation and logistics services.
- A tenant since September 15, 2014, UPS is using the premises for the purposes of parking, storing, staging and dispatching of trailers, containers, chassis and tractors. The current lease is on holdover status.
- This is a 5-year term lease renewal for a 190,081 square foot (4.36 acre) parcel located at Terminal 25 South with the Lessor's exclusive right to terminate upon 180-day prior notification to Lessee.



Background

- Industrial Market Rates in the Seattle area have increased significantly.
 - Q2/Q3 Kidder Matthews Industrial Market Trends for Seattle Industrial show yard rates from \$.25 to \$.35 sf/mo for unimproved to improved moving south to north towards downtown
 - Recent NWSA North Harbor property appraisals completed are consistent with Market Trends

Item	Terminal 25 South	Terminal 10
Rent:	\$.35 psf/mo	Appraisal Range: \$.32 - \$.34 psf/mo
Parcel:	Rectangular	Odd Shape
Proximity:	<ul style="list-style-type: none">• Located near T18, 30, 46• Closer to downtown• Direct to I-90 / I-5 corridors	<ul style="list-style-type: none">• Located near T18• Farther from downtown• Farther from I-90 / I-5 corridors



Key elements of T25 South Lease with UPS

ARTICLE	LEASE TERM
Premises	+/- 190,081 square ft (4.36 Acre) parcel
Term	5-year Term, Commencing retroactively 10/01/2019. Lessor has exclusive right to terminate upon 180 days prior notification
Rent	\$.35 psf/mo = \$4.20 psf/yr = \$798,340 with 3% annual escalation
Security Deposit	12 months Rent plus Leasehold Excise Tax (12.84%) = \$900,847
Premises Condition	Lessee accepts T25S Premises in "As-is" condition
Permitted Use	Lessee: parking, storing, staging and dispatching of trailers, containers, chassis and tractors
Maintenance	Lessee is responsible for all maintenance and repairs of Premises



Key elements of T25 South Lease with UPS

ARTICLE	LEASE TERM
Premises Security	Fenced yard with lighting. Shared access entry gate to remain locked if not in use; accessed by three tenants.
Alterations & Improvements	No capital improvements, Lessee is responsible for all Alterations & Improvements, if any.
Utilities & Taxes	Lessee cost and responsibility.
Stormwater Permit	Lessee responsible for BMPs, and for permit if applicable.
Insurance	General Liability \$5M; Automobile Liability \$1M; Property at replacement cost.



Financial Implications

- The rental rate has had a Market rate adjustment:
 - Current: \$.23 psf/mo (\$2.76 psf/yr) = \$524,624
 - Proposed: \$.35 psf/mo (\$4.20 psf/yr) = \$798,340
 - Difference: \$273,716 = 34% increase
- *Financial Impact:*
 - The 2020 budget assumed a 2% CPI increase on the in current lease revenue. The proposed lease will provide approximately \$274,857 in additional revenue in 2020.
 - Operating Income (5-yr term) = \$4,303,759 or \$3,186,764 NPV (Discounted @ 8.4%)



Alternatives Considered and Their Implications

- No Action Alternative: Do not lease to UPS and have the premises vacant for several months while it is leased and may not find as financially stable Lessee as UPS.
- Recommended Action: Approve the 5-year term lease agreement with UPS retroactive to October 1, 2019, continuing to bring in consistent revenue at Market Rates by a financially stable Lessee.



Action Requested

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to approve the 5-year Lease with United Parcel Services, Inc. for the North Harbor-Seattle