

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>9E</u>
Date of Meeting	<u>August 2, 2022</u>

DATE: July 12, 2022

TO: Managing Members

FROM: John Wolfe, CEO

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

Project Manager: Curt Stoner, NWSA Sr. Manager Real Estate

SUBJECT:

A. ACTION REQUESTED

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to execute the Third Amendment to the SSAT West Sitcum Terminal Lease.

B. SYNOPSIS

In mid-2019, ILWU Local 23 crane operators at the SSAT West Sitcum Terminal began to notice unusual vibrations occurring when cranes were gantrying during vessel operations. Subsequent investigations revealed vertical deflection in the crane rail at multiple crane rail joints. This crane rail deflection is considered a safety hazard by ILWU Local 23 and requires repair in the near term.

C. BACKGROUND

SSAT employed Moffat & Nichol to study and make recommendations on repairs to eliminate the vertical deflection issue with the crane rail joints. NWSA hired WSP to do a similar study of the issue and determined that while an immediate safety issue did not exist, there was some deterioration of the grout supporting the crane rail joints and repairs were warranted.

Based on the results of these investigations, SSAT felt strongly that it was the NWSA's responsibility to make the recommended repairs despite this being called out as a Lessee responsibility in the Lease Maintenance Matrix.

After a robust negotiation, NWSA and SSAT were able to come to terms as called out in the Third Amendment to the SSAT Lease. In return for NWSA agreeing to reimburse SSAT fifty percent (50%) of the crane rail joint repair cost up to \$1,000,000, SSAT has agreed to extend their Lease Term for an additional five years. SSAT has also committed to use vessel shore power if and when shore power is installed and if and when Matson's vessels calling at the terminal can accept shore power. SSAT has also committed to fully participate in our Clean Truck Program at the terminal during the remaining term of the Lease.

D. FINANCIAL IMPLICATIONS

Source of Funds

The 2022-2026 Capital Improvement Plan Budget allocates \$1,150,000 for this project.

Financial Impact

The project will be an operating expense item on the profit and loss statement when incurred. The annual rent revenue contributes positive operating cashflow, hence, the project expense will generate a positive rate of return. The West Sitcum lease will provide between approximately \$10 million and \$11 million per year in income during the five-year extension. Actual amount will vary depending on the lease rate established in 2028 based on inflation.

E. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

- **No Action Alternative:** Don't execute the SSAT 3rd Amendment. Doing so would prevent the NWSA from financially benefitting from the 5-year Term extension and SSAT's commitment to participate in the Vessel Shorepower and Clean Truck Programs.
- **Recommended Action:** Authorize the NWSA CEO or their delegate to execute the SSAT 3rd Amendment to the Lease.

F. ENVIRONMENTAL IMPACTS / REVIEW

Air Quality: SSAT's commitment to support the NWSA Shorepower and Clean Truck Programs via the 3rd Amendment will positively contribute to improving air quality in the region.

G. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.

- Lease Amendment.

H. PREVIOUS ACTIONS OR BRIEFINGS

None