

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>8D</u>
Date of Meeting	<u>January 3, 2024</u>

DATE: December 12, 2023

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Don Esterbrook, Deputy CEO NWSA

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

SUBJECT: LEASE FOR THE PURPOSE OF CARGO STAGING AND STORAGE BETWEEN THE PUYALLUP INDIAN TRIBE AS LESSOR AND THE NORTHWEST SEAPORT ALLIANCE AS LESSEE

A. ACTION REQUESTED

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to execute a Lease with the Puyallup Tribe where the NWSA is the Lessee for 7.4 Acres of land next to East Blair One Terminal.

B. SYNOPSIS

NWSA has been leasing this Premises from the Puyallup Tribe since February 1, 2023. The current Lease is also a 6 month Term lease that converted to a Month to Month Lease. The Puyallup Tribe has requested NWSA sign a new Lease under essentially the same terms but with a higher rental rate.

C. BACKGROUND

Break Bulk High & Heavy cargo volumes through the NWSA South Harbor have increased 76% from 2020 through 2022. Volumes are forecast to remain strong but at a slightly lower growth rate in 2024. NWSA Operations needs this additional 7.4 acres to efficiently handle our Break Bulk High & Heavy cargo volumes.

NWSA staff has negotiated a new Lease for the 7.4 acres with the Puyallup Tribe with the below Terms:

Premises: 7.4 acres commonly known as the Puyallup Tribe Third Berth.

Term: The initial Term commences on February 1, 2024 and terminates on July 31, 2024. After the initial 6 month Term, the Lease reverts to a Month to Month Lease.

Lease Termination: Either Party may terminate this Lease upon 90 days written notice to the other Party.

Lease Payments: Lessee will pay Lessor \$8500 per acre per month plus a 10% Tribal Leasehold Excise Tax for a total monthly payment of \$69,190 per month. If this Lease continues for 12 months, the Lease payment will increase by CPI on February 1, 2025 and then annually thereafter.

D. FINANCIAL IMPLICATIONS

Source of Funds

No project funding is required with this requested action.

Financial Impact

The 2024 budget increased the monthly Tribal rent expense 3% from \$61,050 to \$62,882 while the proposed rent increases 13.3% which is \$6,300 per month higher than budget. The proposed rent would decrease 2024 budget net income at EB1 of \$2,036,826 by \$70,000, or a 3.4% reduction. The NWSA plans to increase certain tariff items to generate additional revenue to offset the rent increase. The tribal acres increase capacity and efficiency of handling breakbulk cargo at EB1. The strategy to minimize T7 for breakbulk reduces cost by avoiding duplicative longshore staffing at T7 and a double vessel call.

E. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

- **No Action Alternative:** NWSA considered not Leasing the 7.4 acres. Doing this could increase longshore staffing costs at T7 and cause the vessel operators to incur the costs of a double call which, when combined, would exceed the cost of leasing the additional 7.4 acres from the Puyallup Tribe. Additionally, during the previously approved project to install bathrooms and pave unpaved portions of EB1, these 7.4 acres are required to continue to efficiently handle NWSA breakbulk cargo volumes.
- **Recommended Action:** Authorize the NWSA CEO to execute the Lease with the Puyallup Tribe.

F. ATTACHMENTS TO THIS REQUEST

LEASE FOR THE PURPOSE OF CARGO STAGING AND STORAGE
BETWEEN THE PUYALLUP INDIAN TRIBE AND THE NORTHWEST
SEAPORT ALLIANCE

G. PREVIOUS ACTIONS OR BRIEFINGS

- December 6, 2022 - Authorization to approve a month-to-month extension to the Lease Agreement between the Puyallup Tribe and the NWSA along with the total funds inclusive of the combined Initial Lease Agreement and month-to-month extension value of one year plus contingency in an amount not to exceed \$762,600.
- December 6, 2022 - Project authorization in the amount of \$3,623,000, for a total authorized amount of \$3,878,000, for work associated with the EB1 Yard Improvement, Master Identification No. 201105.01

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BETWEEN THE PUYALLUP INDIAN TRIBE AS LESSOR AND THE
NORTHWEST SEAPORT ALLIANCE AS LESSEE



THE NORTHWEST
SEAPORT ALLIANCE

SEATTLE + TACOMA

Presenter Name: Curt Stoner

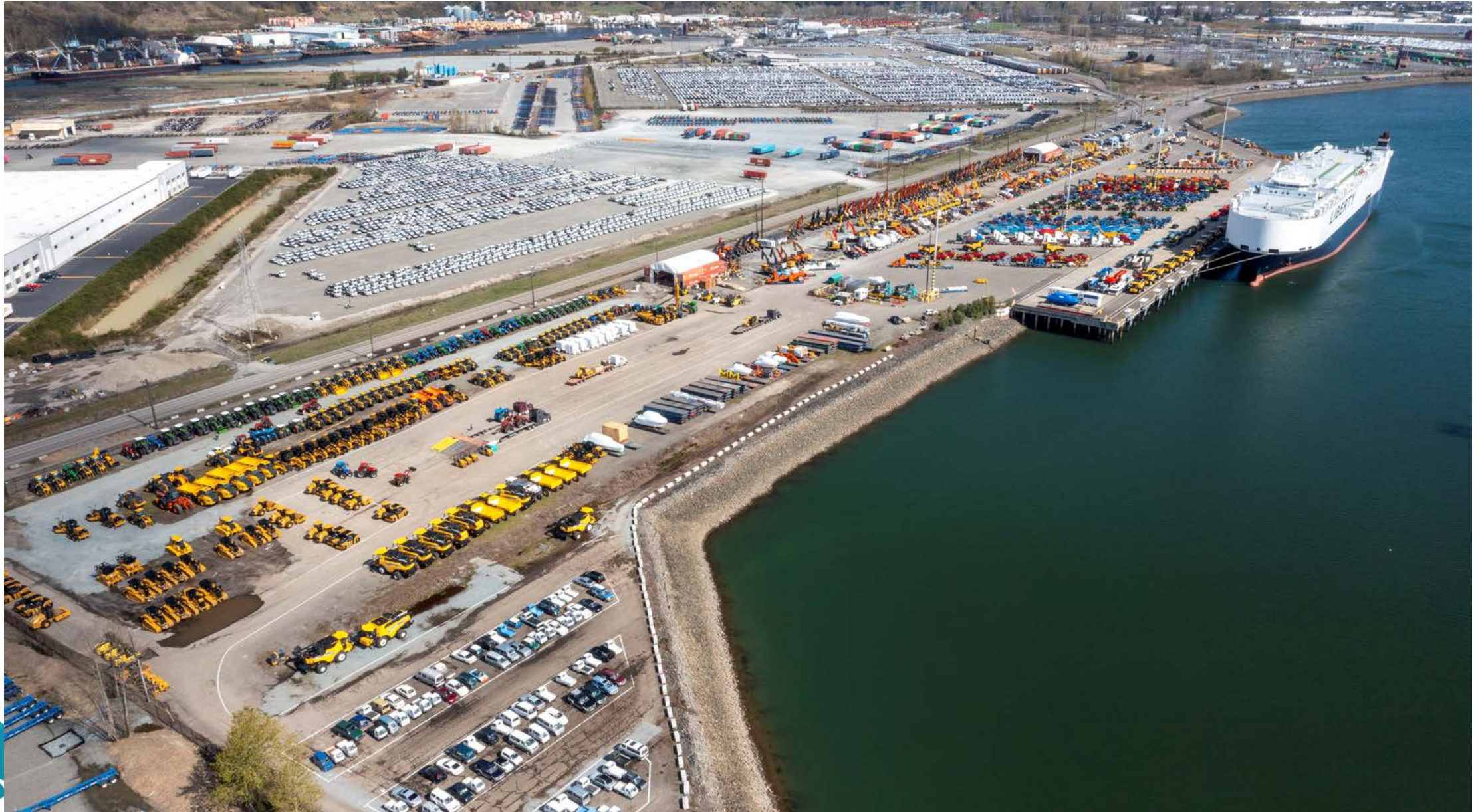
Presenter Title: Sr. Manager Real Estate

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An aerial photograph showing a property highlighted in green. The property is situated on the left side of a road, with a large paved area and several buildings to its right. The text '7.4 ACRES' is overlaid in white on the green area. The surrounding area includes a parking lot with many cars, a large building with a flat roof, and a paved area with some markings. The bottom of the image shows a dark, possibly water-filled area.

7.4 ACRES



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Financial Implications

- **Source of Funds**

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- **Financial Impacts**

The 2024 budget increased the monthly Tribal rent expense 3% from \$61,050 to \$62,882 while the proposed rent increases 13.3% which is \$6,300 per month higher than budget. The proposed rent would decrease 2024 budget net income at EB1 of \$2,036,826 by \$70,000, or a 3.4% reduction. The NWSA strives to maintain the budgeted net income by changing the revenue side to offset the rent increases. The tribal acres increase capacity and efficiency of handling breakbulk cargo at EB1. The strategy to minimize T7 for breakbulk reduces cost by avoiding duplicative longshore staffing at T7 and a double vessel call.

Alternatives Considered and Their Implications

- **No Action Alternative:**

NWSA considered not Leasing the 7.4 acres. Doing this could increase longshore staffing costs at T7 and cause the vessel operators to incur the costs of a double call which, when combined, would exceed the cost of leasing the additional 7.4 acres from the Puyallup Tribe. Additionally, during the previously approved project to install bathrooms and pave unpaved portions of EB1, these 7.4 acres are required to continue to efficiently handle NWSA breakbulk cargo volumes.
- **Recommended Action:**

Authorize the NWSA CEO to execute the Lease with the Puyallup Tribe

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