

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 3A
Date of Meeting December 13, 2019

DATE: December 10, 2019

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Kurt Beckett, Deputy CEO

Project Manager: Mike Campagnaro, Director Alliance Real Estate

SUBJECT: Authorization to execute the First Amendment to the Terminal 46 Lease Termination Agreement with Total Terminals International, LLC and to authorize the CEO to negotiate the terms of an agreement for the storage of container cranes at Terminal 46

A. ACTION REQUESTED

Request for authorization for the Chief Executive Officer to: (1) amend the April 3, 2019 Lease Termination Agreement with Total Terminals International at Terminal 46 and (2) to negotiate and enter into the necessary ILAs with the Port of Seattle to allow for the storage and operation, including for training purposes, of five container cranes at Terminal 46, and (3) Managing Member affirmation to allow Port of Seattle operation of the cranes for marine cargo business activity at T-46, which site is licensed to NWSA, pursuant to NWSA Charter Article II. 2.2(e), and Managing Member approval for the operation of the cranes by either the Port of Seattle or the NWSA, as provided in the authorized ILAs.

B. BACKGROUND

Total Terminals International, LLC ("TTI") is the tenant at Terminal 46 ("T-46"). TTI and the NWSA entered into a lease termination agreement on April 3, 2019. Part of TTI's obligations under the agreement was to remove the five container cranes from the property by December 31, 2019. The cranes consist of 3 ZPMC and 2 PACECO cranes. TTI has a grace period until June 30, 2020 to remove the cranes, subject to them paying \$5,000 per month per crane. Beginning July 1, 2020, TTI would pay substantially more if the cranes were still there (\$150,000 per month per crane).

TTI has been searching for a buyer and identified a party who was willing to take all five cranes as a package. The timing on this transaction has been short, mainly because the purchase offer TTI has before it only became known in the last two weeks. TTI was aware of the possibility that the NWSA or Port of Seattle might be interested in acquiring the cranes so it was willing to notify these parties if an offer was made. TTI has been willing to put this transaction on hold to allow the NWSA or Port of Seattle to decide if they wish to pursue the acquisition of the cranes.

The Port of Seattle has subsequently expressed an interest in keeping the cranes on Terminal 46 to enhance the capability of the property to handle cargo in the future. The cranes would also be available for training crane operators by the Pacific Maritime Association (“PMA”)(which represents all the west coast marine terminal operators who are party to the coast-wide collective bargaining agreement with the International Longshore Workers Union).

The Port of Seattle commission voted on December 10 to authorize its Executive Director to negotiate and purchase up to five container cranes. The final deal points would be worked out in the coming days between the Port of Seattle and TTI. The timing to finalize the Port of Seattle’s deal with TTI will depend in part on the port and PCMC reaching agreement on the cranes that will be used for training. The terms of that agreement would include maintenance obligations, training obligations, and the duration.

Once the port purchases the cranes, the port would negotiate to lease two or three of the ZPMCs to Pacific Cargo Maintenance Corporation (“PCMC”) for crane training. PCMC is a member of the Pacific Maritime Association and carries out the maintenance on equipment owned by PMA members, including the five cranes at T-46.

The Port of Seattle is requesting NWSA action to amend the TTI lease termination agreement to address the financial obligations TTI will begin accruing after December 31, 2019 and to recognize the conditions under which TTI’s obligations to remove the cranes will have been discharged. A draft of the proposed amendment is attached, although the terms of this amendment may change based on further discussions between the parties. The NWSA, through its CEO, will also need to reach agreement with the Port of Seattle regarding the conditions for allowing the cranes to remain at T-46 including terms of use within the NWSA licensed portion of Terminal 46 to avoid conflict with other NWSA business and marine terminal operation activities.

C. FINANCIAL IMPLICATIONS

There is no cost to the NWSA. The Port of Seattle will own the cranes. The Port of Seattle will fund the acquisition costs, including paying any sales tax if required. Additionally, the Port of Seattle will be responsible for all costs associated with the cranes, except those that may be taken on by PCMC as part of its agreement with the port. The port will be responsible for all costs associated with removing the cranes in the future, unless another party takes on that responsibility.

D. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternative 1: Do not amend the TTI lease termination agreement as requested by the Port of Seattle. TTI has ownership of the cranes and carries the contractual responsibility to remove the cranes from the terminal. This alternative would leave the terminal void of cranes for potential future cargo business opportunities at the terminal that require gantry cranes. It will also eliminate an opportunity to provide increased training for crane operators that will benefit the marine terminals in the NWSA.

Alternative 2: Amend the TTI lease termination agreement as requested by the Port of Seattle and authorize the CEO to execute an agreement with the Port of Seattle to allow the cranes to remain at T-46. This alternative keeps open future commercial opportunities that require the use of gantry cranes. This alternative also allows cranes to be available for crane operator training.

Recommendation: Staff recommends approval for Alternative 2.

E. ENVIRONMENTAL IMPACTS / REVIEW

Not applicable

F. ATTACHMENTS TO THIS REQUEST

Proposed First Amendment to Lease Termination Agreement

G. PREVIOUS ACTIONS OR BRIEFINGS

Lease Termination Agreement