

Item No.: 4B-supp
Date of Meeting: December 4, 2018



**THE NORTHWEST
SEAPORT ALLIANCE**
Gateway to Solutions

US Customs and Border Patrol Office Lease

Presenter: Scott Francis
Director, Real Estate – Port of Tacoma

Action Requested

Request Managing Members of The Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or his delegate to:

- 1) enter into a 10-year lease with Harsch Investment Properties, LLC for approximately 14,400 square feet of office space and approximately 5,000 square feet of secured parking area located at 4813 Pacific Highway East, Fife, WA, and
- 2) execute related purchases and service agreements not to exceed \$750,000 necessary to purchase office furniture, data services, and a phone system for use at the leased premises.



Background

- Since 1985 the Port of Tacoma has provided CBP office space at the Port of Tacoma owned building located at 2202 Port of Tacoma Road. This facility is functionally obsolete, has a 5-year life expectancy without major capital improvements and generally does not meet CPB's standards.
- The NWSA requested CBP provide a new straddle portal monitor system at Pierce County Terminal (PCT). This was the only straddle portal monitor system available in the nation at the time.
- The implementation of the straddle monitor system at PCT constituted an operation change that triggered CBP to exercise a 19 CFR requirement for a Port Authority to provide free space, including suitable office and workspace to CBP.



Background Continued

- CBP required approval of a Free Space Agreement before they would install the \$19M portal monitor at PCT.
- NWSA and CBP approved a Memorandum of Understanding whereby the NWSA agreed to provide facilities for CBP personnel that meet their standards. CBP in turn released the Straddle Carrier Portals that are currently installed and operational at PCT.



CBP Office Requirements

- Approximately 15,000 square feet.
- Office furniture to accommodate about 50 people.
- Conference and training rooms.
- Special areas including:
 - Kitchen
 - Lab
 - Server room
 - Holding areas
 - Locker rooms
- Secured building.
- Secured parking.



Office Alternatives Considered

1. Remodeling the current location at 2202 Port of Tacoma Road and the Security Building at T-7
 - This option does not meet all of the CBP standards.
 - Delivery of this option is 1-2 years.
 - The initial capital expense is estimated at \$5,200,000.
 - NPV for a 20-year term is estimated at (\$6,889,000).
2. Build a new 15,000 sq. ft. office building on Port of Tacoma owned property.
 - Delivery of this option is estimated at two years.
 - The initial capital expense is estimated at \$12,500,000.
 - NPV for a 20-year term is (\$11,233,000).



Office Alternatives Considered Continued

3. Lease approximately 14,400 sq. ft. building at Fife Business Park.
 - Delivery of this option is estimated at March 2019.
 - CBP has approved this location and the preliminary design.
 - The initial capital expense is estimated at \$2,067,000
 - NPV for a 20-year term is (\$5,319,000).

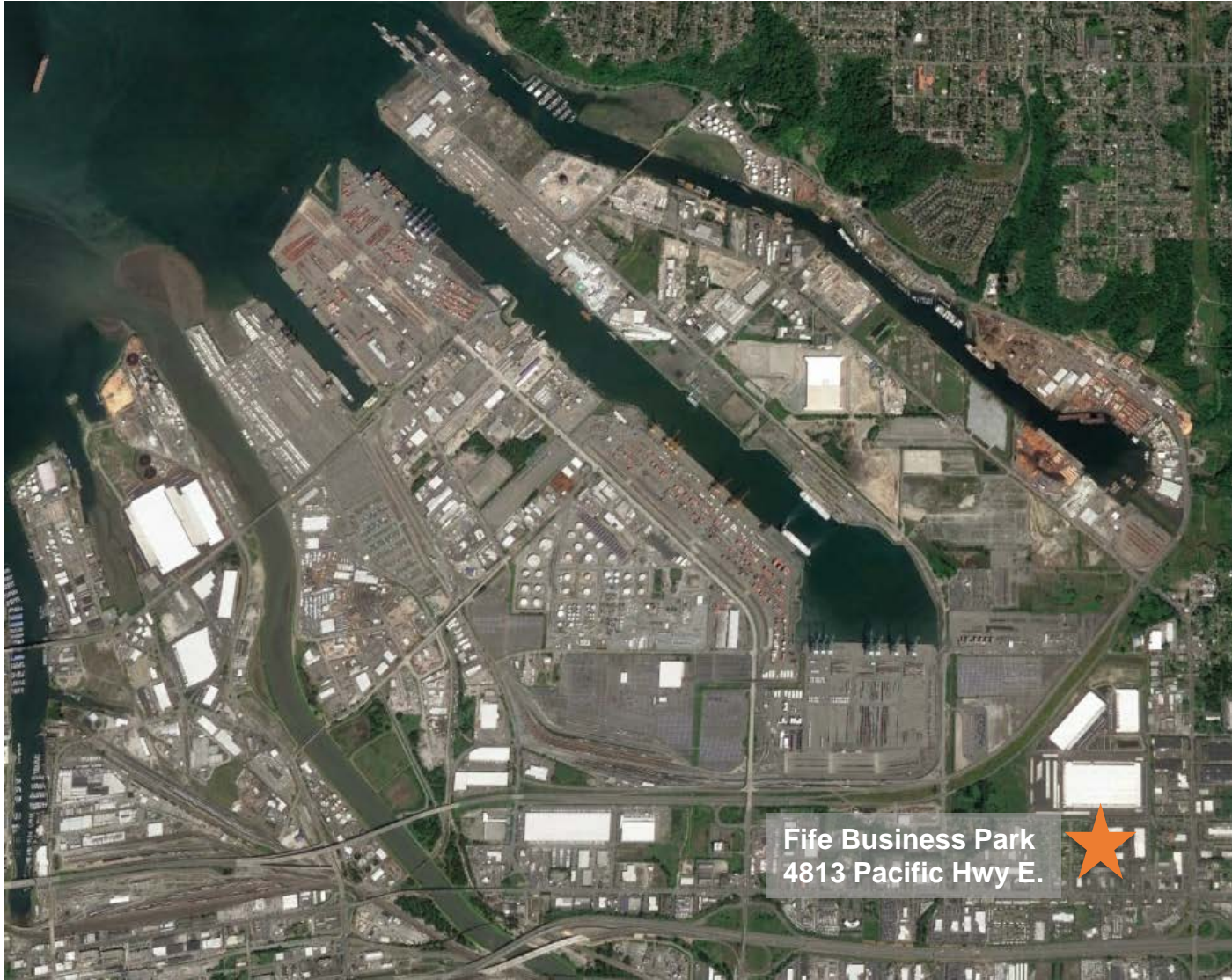


Recommended Lease Option Benefits

- Quickest CBP delivery time.
- Lowest price – initial capital investment and total operational cost for a 20-year term.
- Most dependable cost and operating proforma of the three options.
- Excellent central location for CBP with good freeway access.
- CBP has approved the location and preliminary design.
- Provides greatest flexibility to change locations and/or space requirements in the future.



Customs & Border Patrol Location Option



Fife Business Park – 4813 Pacific Hwy E.



Lease Terms

- Premises: 14,400 SF of office space and 5,000 SF of secured yard.
- Use: general administrative office, laboratory space, and vehicle parking.
- Lease term: 10-years with four 5-year extensions available.
- Initial rent: \$15,600/mo. for office and \$900/mo. for secured parking area.
- Initial 2019 NNN operating expenses: \$4,266/mo.
- Rent escalation: 3% per year on anniversary date.
- Rent adjustments: Market rent reset at extension periods.



Lease Terms Continued

- Security deposit: \$25,795
- Utilities and tax: Lessee responsibility.
- Maintenance (roof, building shell, parking, common areas): Lessor responsibility.
- Maintenance (interior and TI's): Lessee responsibility.
- Rent commencement: Occupancy on or about March 1, 2019.
- Tenant Improvement cost estimated at \$1,317,000 with contingencies.



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