

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No: 9C

Date of Meeting: December 6, 2022

DATE: November 22, 2022

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Don Esterbrook, Deputy Executive/Chief Operating Officer

Project Manager: Tom Bellerud, Chief Operations Officer

SUBJECT: Month-to-Month Lease Extension between the Puyallup Tribe of Indians and The Northwest Seaport Alliance

A. ACTION REQUESTED

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to approve a month-to-month extension to the Lease Agreement between the Puyallup Tribe of Indians and the Northwest Seaport Alliance 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

B. SYNOPSIS

The NWSA initially entered into a six (6) month Lease Agreement effective July 1, 2022 and terminating December 31, 2022 with the Puyallup Indian Tribe for a 7.4 acre parcel of tribal lands adjacent to East Blair 1. This site supports the significant growth in breakbulk cargo we are currently enjoying and allows further cargo diversification within the NWSA gateway. The initial Agreement was within the CEO's signing authority. There is a continued need for use of the 7.4 acre parcel due to the ongoing projected cargo demands. This agreement rolls into a month-to-month lease extension with the request for funding for the next 12-month period requiring Managing Member approval due to the cumulative value of the extension.

C. BACKGROUND

In order to accommodate the extraordinary growth in our breakbulk business at East Blair 1 terminal in Tacoma (75% growth last two years) we successfully worked in collaboration with the Puyallup Tribe to lease approximately 7.4 acres adjacent to East Blair 1. The benefit of having these incremental acres adjacent to EB1 has proven to provide significant value.

- This allows us to consolidate our breakbulk business at EB1 and minimize the need for utilizing a highly congested Terminal 7 (T-7) acres for storage, and in some cases, requiring our customers to make a double call T-7 and EB1
- The expansion to Tribal acres adjacent to EB1 allows us to accommodate our current valued customers and attract incremental new business opportunities.
- The additional acreage improves our operational capability by consolidating breakbulk cargoes to a single facility, providing more efficient management of cargo flows and reduces the need to employ additional labor and management at two separate facilities. This site is also allowing us to handle surge volumes at a single terminal during this high-volume period. Labor is experiencing improved and safer cargo and truck flows within the yard as a result of having additional operating space.
- Our ability to consolidate our breakbulk business at EB1 allows us the opportunity to secure a new container lease at T-7 which will lease approx. 30 acres and utilize our existing cranes.

The Initial Agreement is valued at a total of \$244,200 for the six (6) months comprised of \$5,000 per acre plus 10% Tribal Leasehold Tax for a monthly amount of \$40,700. There will be no rental increase upon commencement of the month-to-month extension but may increase by CPI but not greater than 4% after 12-months. Additionally, the NWSA is responsible for maintenance and repairs (M&R) along with any utilities. There are no utility charges, but the property contains a fence. Thus, it is proposed to include an additional contingency for M&R of \$30,000.

Initial Agreement	\$	244,200
Annual Rent/Tribal Leasehold Tax*	\$	488,400
M&R Contingency	\$	30,000
	\$	<u>762,600</u>

This request is for an amount not to exceed \$762,600 inclusive of the combined Initial Agreement and month-to-month extension values plus contingency for the next 12-months.

Terms: The base terms of the Initial Agreement remain the same as shown below.

Lessor/Tenant	Lessor: Puyallup Tribe of Indians Lessee: NWSA
Premises	7.4 Acre Parcel of tribal land located at 2340 Alexander Avenue adjacent to EB-1
Term	Month-to-month extension (initial lease 6-month term) Requesting funds for additional 12-month period.
Rent	There is no increase in rent from the Initial Agreement for the next twelve (12) months. <ul style="list-style-type: none"> • \$37,000 per month or \$40,700 per month including 10% Tribal Leasehold Tax. • \$488,400 per year including Tribal Leasehold Tax.
Security Deposit	None
Maintenance and Repairs	Responsibility of the Lessee. (Note: Requesting an additional contingency of \$30,000 for M&R)
Utilities	None - Responsibility of Lessee if any
Environmental/ Hazardous Waste	Lessee to comply with all applicable environmental laws now existing or hereafter enacted or amended during the term of this Agreement.

D. FINANCIAL IMPLICATIONS

The NWSA’s Break Bulk business at EB1 and Terminal 7 has grown from 2021 to 2022 by approximately \$4.8 million from \$12.7M to \$17.5M. This growth has resulted in an increase in income of \$1.5M from \$3.4M to \$4.9M. To support this growth, Break Bulk vessels have had to be serviced at both T7 and EB1, resulting in longshore at both terminals at a cost of up to \$100,000 per week per terminal. The additional acres at EB1, along with the paving of graveled portions, is expected to help reduce double calls and increase utilization of longshore at EB1, potentially increasing the margin of the business. Actual cost prevention will depend on the timing of ship calls and volume of cargo

E. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.
- Initial Lease Agreement between the Puyallup Tribe of Indians and The Northwest Seaport Alliance

F. PREVIOUS ACTIONS OR BRIEFINGS

- None.