

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No: 9F

Date of Meeting: March 7, 2023

DATE: February 21, 2023

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Don Esterbrook, Deputy CEO

Project Manager: Curt Stoner, Sr. Real Estate Manager

SUBJECT: New 6-month term Lease 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 enter into a new 6-month term lease agreement with automatic month-to-month renewals for up to 12-months for East Blair-1 between the Puyallup Tribe of Indians and the NWSA in an amount not to exceed \$762,600.

B. SYNOPSIS

The NWSA entered into an initial term lease agreement for six (6) months effective July 1, 2022 and terminating December 31, 2022 (Initial Agreement) with the Puyallup Indian Tribe (Tribe) for a 7.4 acre parcel of tribal land adjacent to East Blair-1 (EB1). This site supports the significant growth in breakbulk cargo NWSA is currently enjoying and allows further cargo diversification within the NWSA gateway. The initial lease was within the CEO's signing authority. Due to a continued need to support ongoing project cargo demands, the parties entered into a month-to-month extension not to exceed 12-months (Lease Extension) at the same rate. The Initial Agreement and Lease Extension, totaling up to 18-months and cost for same, was approved during the December 6, 2022 Managing Member meeting. Subsequently, the NWSA and Tribe wish to terminate the prior Lease and enter into a new 6-month term lease agreement retroactive to February 1, 2023 with automatic month-to-

month extensions not to exceed 6-months for a combined total of 12-months at market rate (New Agreement).

C. BACKGROUND

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

- The lease allows NWSA to consolidate our breakbulk business at EB-1 and minimize the need for utilizing a highly congested Terminal 7 (T-7) acres for storage, and in some cases, requires our customers to make a double call T-7 and EB1
- The expansion to Tribal acres adjacent to EB-1 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 EB-1 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 sum of the funds for the prior combined Initial Agreement and month-to-month Lease Extension (up to 18-months) approved during the December 6, 2022 Managing Member meeting was a total of \$762,600 (\$5,000 per acre/month plus 10% Tribal Leasehold Tax equal to \$40,700 per month) including a \$30,000 maintenance and repair contingency. The rent for the New Agreement (6-months) has been adjusted to market rate and is \$7,500 per acre per month plus 10% Tribal Leasehold Tax equal to \$61,050 per month. The NWSA continues to be responsible for maintenance and repairs (M&R). Thus, the request for the M&R Contingency of \$30,000 remains. The NWSA anticipates requiring an additional 6-months of automatic month-to-month renewals with the combined term and renewals not to exceed a total of 12-months.

NEW AGREEMENT (7.4/acres)	Monthly	Annual
Annual Rent/Tribal Leasehold Tax	\$ 61,050	\$ 732,600
M&R Contingency		\$ 30,000
12-MONTH TOTAL		\$ 762,600

This request is for an amount not to exceed \$762,600 for the New Agreement for up to 12-months retroactive to February 1, 2023.

Terms: The base terms of the New Agreement remain the same as the Initial Agreement except for the Term and Rent as shown in bold 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	6-months retroactive to February 1, 2023, and then automatically renews on a month-to-month basis thereafter.
Rent	Base rent is \$7,500 per acre per month plus 10% Tribal Leasehold Tax <ul style="list-style-type: none"> • \$55,500 per month or \$61,050 per month including 10% Tribal Leasehold Tax. • \$732,600 per year including Tribal Leasehold Tax (excluding \$30K M&R Contingency) Rent may escalate 12-months after the Commencement Date by CPI not to exceed 4%
Security Deposit	None
Maintenance and Repairs	Responsibility of the Lessee. 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.

To offset the \$2500 per acre per month increase in rental rate of the Tribal property, the tariff fee for truck loading will be increased by approximately 4.4% in April 2023. This increase will be in addition to future increases required in response to the final negotiated longshore contract and the annual tariff increases in July.

E. ATTACHMENTS TO THIS REQUEST

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

F. PREVIOUS ACTIONS OR BRIEFINGS

- December 6, 2022, Managing Members approved the “Month-to-Month Lease Extension between the Puyallup Tribe of Indians and the Northwest Seaport Alliance” and associated cost of \$762,600.