

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>7B</u>
Date of Meeting	<u>June 7, 2022</u>

DATE: May 5, 2022

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Tong Zhu, Chief Commercial Officer & Chief Strategy Officer

Project Manager: Erin DeBroux, Sr. Real Estate Manager

SUBJECT: First Amendment to Pacific Maritime Lease – Terminal 46

A. ACTION REQUESTED

Request Managing Members of The Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to execute a First Amendment to Lease with Pacific Maritime Association at Terminal 46.

B. SYNOPSIS

With the anticipated occupancy of the United States Coast Guard (USCG) at Terminal (T46) and to accommodate this new leasehold, yard space leased by the Pacific Maritime Association (the PMA) will need to be relocated but not reduced within the southwest area of the terminal.

In addition, 704 square feet of on dock office space will be added to the Lease increasing the monthly rent from \$103,413.50 to 103,941.50.

The PMA entered into a lease (the Lease) for a portion of T46 commencing July 1, 2021 for the purpose of consolidating its regional training facilities. The PMA utilizes T46, including seven (7) acres of yard space, to conduct training and other services for longshore workers, clerks, foremen and casuals.

C. BACKGROUND

1. The PMA's mission is to provide industry leadership to its member companies through innovative integrated labor relations, human resources and administrative services. The PMA's membership consists of 70 ocean carriers

and terminal operators who operate at 29 West Coast Ports. The PMA is an integral part of the marine cargo industry providing on-going labor training which provides services supporting the NWSA gateway's customers and terminal operators.

2. The PMA entered into a lease for a portion of T46 commencing on July 1, 2021, being the first term lease agreement at this site since Total Terminals International LLC vacated December 31, 2019. The Lease permits use by the PMA of yard space, on and off dock office space, lash training space, and Crane 80.
3. It is anticipated that the USCG will commence occupancy at T46 on July 1, 2022. This new use will displace existing tenant yard leaseholds, and it is necessary to relocate but not reduce the PMA's designated yard area. Such relocation will not adversely impact the PMA's use of the yard, and the yard relocation will remain in the southwest area of the terminal being the same part of the terminal as the originally designated yard area.
4. In addition, the PMA utilizes the on-dock Marine Operations Building to conduct training classes and general office functions in furtherance of its operations. The PMA has requested expansion within the first floor of this building of an additional 704 square feet. This expansion will cause the remainder of the unleased first floor space to become leased.
5. An amendment to the Lease is requested to (1) formalize relocation but not reduction of the seven acres of yard space; and (2) add an additional 704 square feet of the Marine Operations Building to the leased premises.
6. The amendment will adjust the lease term as follows:
 - a. **Premises:** Addition of 704 square feet of office space for a total of 3,704 square feet located on the first floor of the on-dock Marine Operations Building.

The entire Premises will be follows:

- Approximately 304,920 square feet (7 Acres) of yard space
- Approximately 500 square feet parking area for lashing training
- Approximately 6,000 square feet of office space located on the Second Floor of the Administration Building
- Approximately 430 square feet of space located on the first floor of the Administration Building
- Approximately 3,704 square feet of office space located on the first floor of the Marine Operations Building.

- b. **Yard Relocation**: The yard space totaling seven acres will be shifted to accommodate the proposed USCG premises and as shown in the proposed First Amendment to Lease, included with this memorandum.
- c. **Base Rent**: Rent for the additional 704 square feet will be \$.75 per square foot per month plus Washington State leasehold excise tax (12.84%), which is the established starting rate for the Marine Operations Building in the lease, and subject to escalation by CPI each July 1st.

Base rent for the entire Premises will increase from \$103,413.50 per month to **103,941.50** per month as shown below:

Yard Rate:

- On Terminal:
\$.30 psf/Mo. = \$91,476/Mo = \$1,097,712/Yr.
- Lashing Training Area/Parking lot:
\$.30 psf/Mo. = \$150/Mo = \$1,800/Yr.

Building Rates:

- Administration Office:
Second Floor: \$18.00 psf/Yr. = \$9,000/Mo = \$108,000/Yr.
First Floor: \$15.00 psf/Yr. = \$537.50/Mo = \$6,450/Yr.
- Marine Operations (on dock):
\$.75 psf/Mo Gross = \$2,778/Mo = \$33,336/Yr.

- d. **Security Deposit**: The security deposit will be increased from \$1,050,226 to \$1,055,588 in conjunction with the rental increase and is equivalent to nine (9) month's base rent plus Washington State leasehold excise tax.

D. FINANCIAL IMPLICATIONS

Source of Funds

There are no capital expenditures associated with this First Amendment to Lease.

Financial Impact

This First Amendment to Lease will increase monthly revenue from \$103,413.50 to 103,941.50 with annual increases by CPI-U each July 1st. The estimated net present value for a 10-year total lease is term is approximately \$9.8 million.

E. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.
- Proposed First Amendment to Lease

F. PREVIOUS ACTIONS OR BRIEFINGS

- May 4, 2021 approval by Managing Members to:
 - Authorize the NWSA CEO or his delegate to execute a new lease agreement with Pacific Maritime Association at T46 in substantially the same form as presented.
- July 7, 2021 dual action approval by Managing Members and Port of Seattle Commission to:
 - Authorize the NWSA CEO and the Port of Seattle Executive Director to enter into an ILA to transfer use and management of Port owned ZPMC Crane 80 located on Terminal 46 to the NWSA.
- July 7, 2021 approval by Managing Members to:
 - Authorize the NWSA CEO to reauthorize the Lease between PMA and the NWSA with revisions to incorporate the Crane Use Agreement for PMA's use of Crane 80 for training purposes as an Exhibit within the Lease and to revise the Lease commencement date from June 1, 2021 to July 1, 2021.