

Item No.: 8D_Supp
Date of Meeting: June 7, 2022



**THE NORTHWEST
SEAPORT ALLIANCE**
Gateway to Solutions

Terminal 46 U.S. Coast Guard Term Lease – First Reading

Presenters:

Jennifer Maietta, Director, NWSA Real Estate

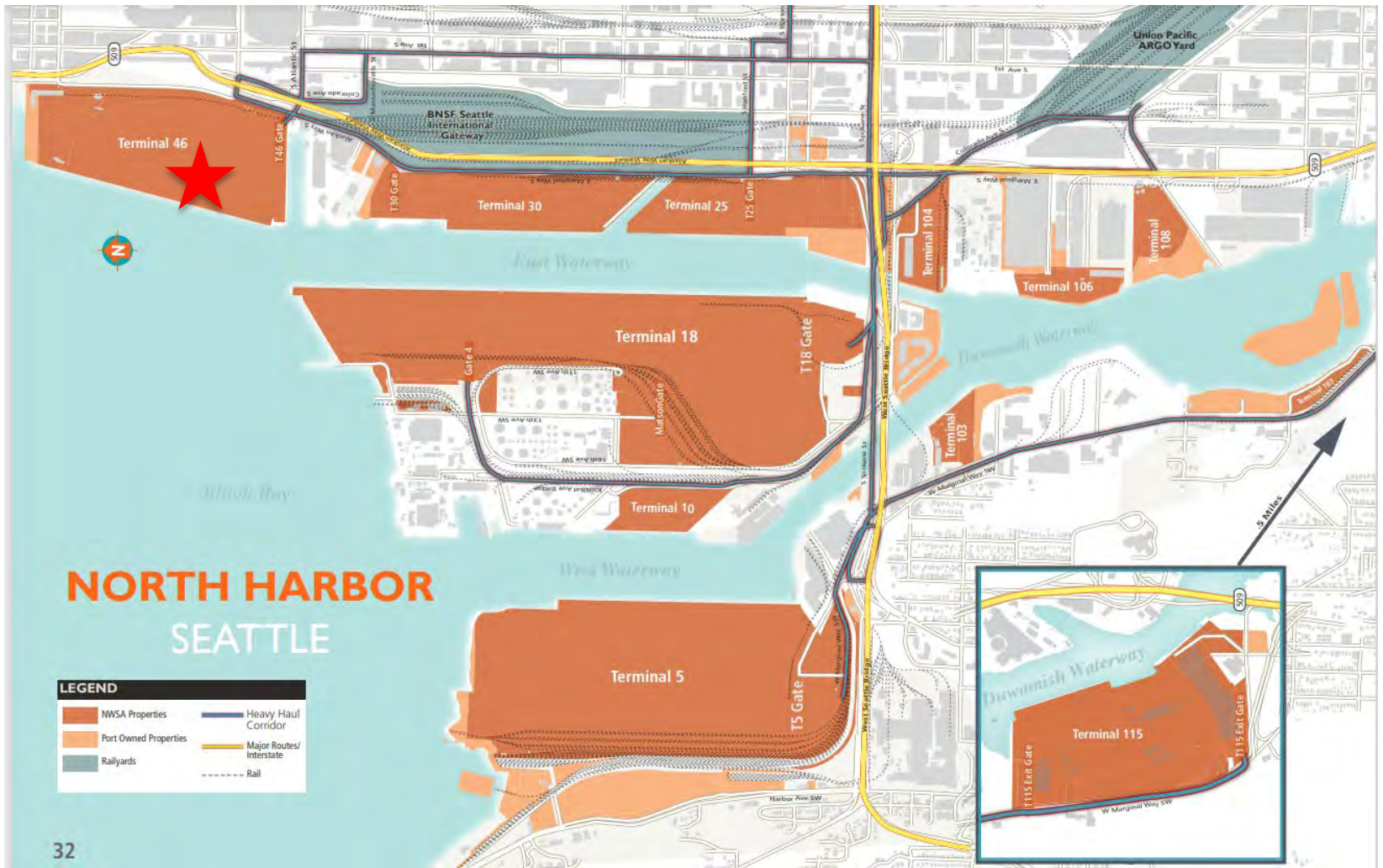
Lindsay Wolpa, Senior Manager, Strategic Projects

Action Requested

- **Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to authorize a term lease with the United States Coast Guard (USCG) for a portion of Terminal 46 for the support of their Base Seattle Pier 36 basin dredging environmental clean-up project.**



TERMINAL 46 LOCATION



32

Terminal 46 History

- Hanjin Shipping Company first leased for international cargo use in the early 1990s. When Hanjin declared bankruptcy in 2016, Total Terminals International, LLC (TTI) was able to operate the terminal into 2019.
- NWSA Managing Members authorized a lease termination agreement April 2019 with TTI at the same time as authorizing execution of a new lease for Terminal 5, Phase 1.
- Port of Seattle-Northwest Seaport Alliance ILA commenced in January 2020.
- NWSA August 2019 RFP saw no sufficient or compliant proposals and was cancelled March 2020 and subsequently marketed for lease.
- There has been a renewed cargo interest in utilizing T46, starting with the opening of an off-dock cargo storage yard in the spring of 2021.
- The NWSA continues to field interest in reopening T46 to international cargo movement and are exploring the opportunity to open a one-berth cargo facility in early 2023.



Terminal 46 Site Plan



Summary

- The purpose of this short-term lease is to allow USCG to remain operational while they relocate existing ice breakers and displaced staff to complete the work necessary to accommodate the arrival of the Coast Guard's new Polar Security Cutter (PSC) fleet.
 - The USCG will be receiving new class of Polar Ice breaking ships, Polar Security Cutters (PSC), to replace some of the existing USCG fleet estimated to arrive in Seattle in 2026.
 - Due to the width and depth of the new PSCs it requires deepening and widening of USCG's existing Pier 36 basin and slip. This work will require relocation of the current fleet.
 - The widening of the pier slip will require demolition of an adjoining building which currently houses 500 USCG staff.
 - In general, this project is focused on environmental clean-up of the basin and related structures.



Background

- The U.S. Coast Guard has been a leader in maritime safety, security, and environmental stewardship in the Puget Sound region since the arrival of the first Revenue Cutter in the Pacific Northwest in 1854.
- Coast Guard Base Seattle missions and support activities contribute directly to the long-term prosperity of the Ports of Seattle and Tacoma and the greater Pacific Northwest maritime community to ensure a secure marine transportation system.
- Base Seattle contributes directly and substantially to Homeland Security and our National Defense.



Background

- The state of Washington has historically hosted six large cutters – three polar icebreakers and three multi-mission cutters. Soon will have only two in operation because of past and planned decommissioning of older cutters.
- The introduction of new Polar Security Cutters to Base Seattle is intended to replace two older heavy polar icebreakers and add a fourth one to the fleet.
- The current configuration of the Base at Pier 36 has remained largely unchanged since its establishment, nearly 50 years ago, is insufficient to support modern cutters.
- The width and depth of the new PSCs and potential future homeporting of OPC's necessitates the Pier 36 basin dredging and slip widening project.



Polar Security Cutter



USCG Basin Project Overview

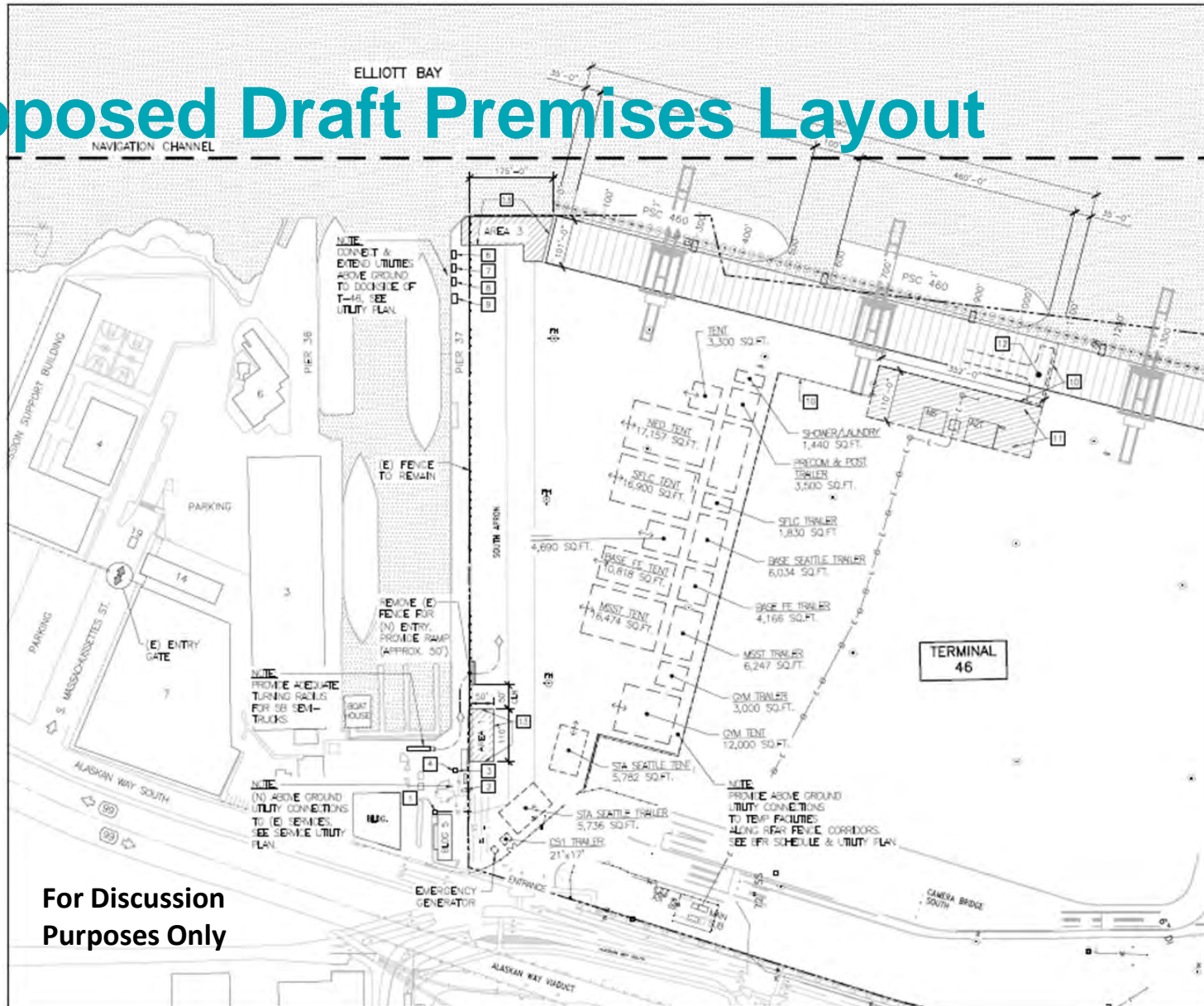
- This environmental clean-up project requires USCG to completely vacate Slip 36 and Building B
- Temporarily relocate USCG cutters HEALY and POLAR STAR as close to Base Seattle as possible, being along the first 1,100 linear feet at the south end of the T46 wharf
- Temporarily relocate many of the Building 3 occupants to Terminal 46 and Set-up temporary facilities within the T46 Premises to include:
 - » Fabric tensile structures (tents)
 - » Modular trailers
 - » Storage container
 - » Laydown area and parking related to project
- The length of the lease is dependent upon the in-water work windows to complete the project.



USCG Basin Project Overview



Proposed Draft Premises Layout



For Discussion
Purposes Only

Key Terms

ITEM	DESCRIPTION
Premises	The Premises is a total of 17-acres (740,520 sf) plus, 1,100 linear feet of berth.
Term	<p>The length of the lease (initial term plus the mutual option) is 4-years. The conditional option to extend would add up to an additional 8 months and require an Amendment.</p> <p>Initial term: three (3) years and 3-months commencing July 7, 2022, terminating September 30, 2025</p> <p>Options:</p> <ul style="list-style-type: none"> • One 9-month mutual option to extend (90-day advance notice) commencing October 1, 2025 and terminating June 30, 2026. • One conditional option to extend (120-day advance notice) at Lessor’s sole discretion terminating the sooner of the completion of the in-water work or the end of the in-water work window anticipated to be no later than Feb 2027. <ul style="list-style-type: none"> • Additional in-water work window work required at no fault of USCG • USCG to reduce Premises to have least impact to Lessor’s tenants, any marine terminal operations and terminal improvement projects



Key Terms

ITEM	DESCRIPTION
Base Rent	<p>The Base Rent would be at a set rate for the initial term except that the initial option can be renegotiated at Market rate with 18-months prior notification in the amount of:</p> $\$3,037,500/\text{yr} = \$4.1018/\text{psf}/\text{yr} = \$0.3418 \text{ sf}/\text{mo} = \$253,125/\text{mo}$ <p>Options:</p> <ul style="list-style-type: none"> • Initial option base rent may be increased to market rate not to exceed the then-current federal prospectus level, upon 18-months prior notification by Lessor to USCG. • Conditional option to extend may be increased to market rate during negotiations not to exceed the then-current federal prospectus level (120 days advance notice). <p>Note: USCG is exempt from Washington State Leasehold Excise Tax.</p>
Security Deposit	Not applicable – federal agency



Key Terms

ITEM	DESCRIPTION
Security Deposit	Not applicable – federal agency
Permitted Use	Government use for the purposes of the dockage of two cutters (ice breakers) along the wharf, the addition of temporary support temporary mobile units and tents along with the set-up of utilities to support the temporary mobile structures for the accommodation of displaced USCG staff related to the dredging and remediation of Basin 36 and widening of Pier 36.
Insurance	Not applicable – federal agency
Indemnity	<p>To the fullest extent and manner allowed by Federal Law, including the Federal Torts Claims Act the United States of America agrees to be liable for property damage, personal injury, or death arising out of the Lessee’s use of Premises.</p> <p>Note: This is not NWSA’s standard or expected indemnity clause, but constrained due to tenant being federal agency USCG prohibited by law from providing indemnity. USCG cannot commit to any provision which provides open-ended financial obligation to the landlord per federal appropriations law.</p>



Key Terms

ITEM	DESCRIPTION
Maintenance & Repair	Lessee responsible for maintenance and repair of premises related to its use of the property.
Premises Security	Lessee to install a TWIC fence around Premises at Lessee's sole cost and expense; and provide alternative entrance to the Premises through the USCG Base.
Alterations & Improvements	All alterations and improvements to be approved by the NWSA prior to installation and to be completed at USCG's sole cost and expense.
Operating Costs	USCG will be responsible for performance and payment of all operating costs including, but not limited to, utilities (electricity, water/sewer, stormwater), general repair and maintenance, if any.
Stormwater	Basic term lease "Environmental Standards" language included. Premises is currently covered under the Port of Seattle's municipal stormwater permit. USCG shall not engage in any activity that would trigger additional NPDES coverage.



Key Terms

ITEM	DESCRIPTION
Default	Allows NWSA to terminate the lease in the event of an uncured default, unless default is contested by USCG, in which case goes through federal Contract Disputes Act.
Vessel Coordination	Lessee will not share berth space with other tenants due to security and environmental concerns but agrees to coordinate its vessel movements and vessel calls with those of other T46 Tenants to extent practicable.
Shared Use of Bollard	Lessee shall share the bollard located at the 1090' mark within Lessee's Premises with Lessor, its marine terminal operator and/or layberth operator.
48 CFR 552-270-19 Progressive Occupancy	Allows USCG to occupy premises unremittently and pay rent pro-rata. USCG would seek this if the premises is not cleared of containers on commencement of lease.
48 CFR 552.270-22 Default by Lessor	Allows USCG to terminate lease and seek damages in event of Lessor's failure to perform. Less problematic as USCG is managing the premises.
48 CFR 552-270-28 Mutuality of Obligations	Would allow USCG to set off any payment due to Lessor for any USCG Claim, <i>modified</i> to include a 60-day cure period for Lessor



Financial Implications

- The proposed rate of \$0.3418 per square foot per month is greater than the current container yard terminal rates in the gateway.
- The total value of the 4-years (including mutual option) is \$10.8M.
- The USCG lease will provide unbudgeted income of approximately \$1.52 million for 2022. The 2023 budget and forecast will include the forecasted revenue for 2023 and outer years.



Action Requested

- Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to authorize a term lease with the United States Coast Guard (USCG) for a portion of Terminal 46 to a second reading for the support of their Base Seattle Pier 36 basin dredging environmental clean-up project.