Item No.: 4B Date of Meeting: May 7, 2019



Fifth Amendment to the Husky Terminal And Stevedoring Lease and Operating Agreement

Presenters:

Don Esterbrook, Deputy Chief Executive Officer

Tom Bellerud, Director, Business Development – Container Terminals **Lou Paulsen,** Director, Strategic Operations Project and Risk Management

Action Requested

Request the Managing Members of The Northwest Seaport Alliance (NWSA) authorize the Chief Executive Officer or his delegate to execute the Fifth Amendment to the Husky Terminal And Stevedoring Lease and Operating Agreement.



Background

- The NWSA Strategic Business Plan (Goal 1A1) identifies the need to enhance our gateway's competitive position by improving licensed terminal assets to meet market demands, increasing container throughput and responding to industry changes.
- The Managing Members have authorized several actions in a multi-phased, General Central Peninsula Redevelopment program in the South Harbor resulting in the delivery of the following:
 - A new modern pier structure nearly 3,000 linear feet in length.
 - Eight (8) new Super Post Panamax container gantry cranes.
 - Supporting buildings and electrical infrastructure.
- Piers 3 & 4 are now "Big Ship Ready" and able to simultaneously handle two 18,000 TEU vessels.



Circa 1990

Image U.S. Geological Survey

Thur Hall

Sec.

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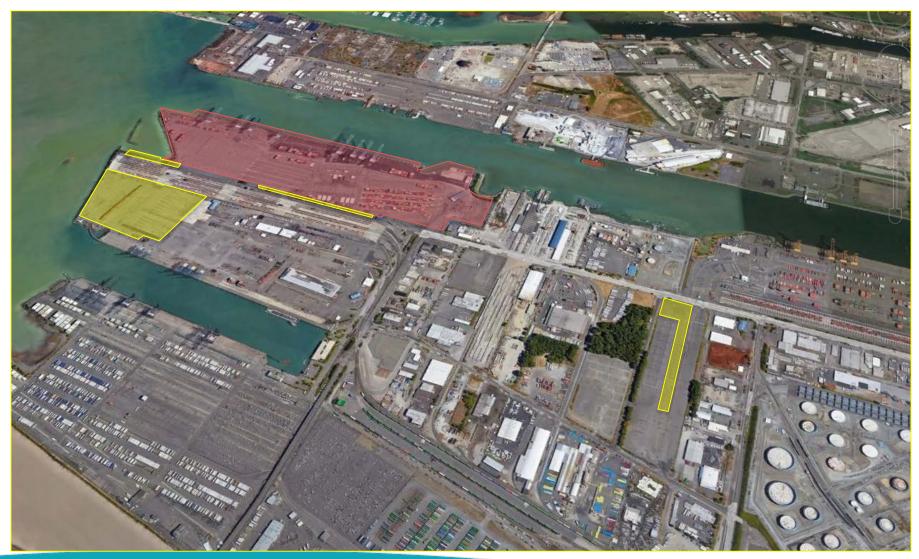
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CY Expansion, Backlands and Gate Complex





Key Elements of Fifth Amendment

ARTICLE	LEASE AMENDMENT TERM
Term	Commencing June 1, 2019 and terminating August 31, 2046.
Premises and	Expands upon existing 89-acre premises as follows:
Rents	• Approximately 2 acres adjacent existing container yard at a rate
	of \$110,000 per acre per year with rents commencing
	September 1, 2019.
	• Approximately 21 acres on East Sitcum Terminal at a rate of
	\$72,500 per acre per year with rents commencing January 1,
	2020.
	• Approximately 6 acres at Lot F (new gate complex) at a rate of
	\$54,000 per acre per year commencing January 1, 2020.
	All acreage amounts subject to confirmation by survey.
	Rent deferrals as listed are based on construction completion.
Rent	CPI adjustments each September 1st with minimum of 1%,
Escalations	maximum of 5%. No change from Third Amendment.



Key Elements of Fifth Amendment

ARTICLE	LEASE AMENDMENT TERM
Future	"Right of First Offer" for a period of five (5) years following
Expansion	commencement of Lot F rents as respects the remaining acres of Lot
Opportunities	F (excluding gate queues) and approximately 17 additional acres (i.e.,
	the "Thorne Road" property)
Minimum	Retains intermodal MAGs per Third Amendment of 180,000 lifts per
Annual	year through August 31, 2023, thereafter 120,000 lifts per year
Guarantees	through August 31, 2046.
(MAGs)	
Storm Water	All industrial permits, treatment, mandatory best management
Permits	practices and reporting requirements are the responsibility of Husky.
Alterations &	Releases to Husky the remainder of NWSA's previously authorized
Improvements	\$14,000,000 for reimbursement of reasonable construction-related
	costs associated with Husky's planned tenant improvements. All
	construction-related costs in excess of \$14,000,000 will borne by
	Husky.



Permitting and Air Quality Summary

- **Permitting:** Lessee is responsible for all permits associated with its improvements to the premises.
- Air Quality: Lessee will assist Lessor with meeting the goals and objectives of the NWSA Greenhouse Gas Reduction Resolution and the Northwest Ports Clean Air Strategy. All cargo handling equipment purchased by Lessee shall meet or exceed EPA Tier 4 emission standards. Since 2016, Husky has made several investments totaling more than \$19,000,000 including the purchase of nearly 40 pieces of cargo handling equipment all with EPA Tier 4 engines.



Financial Summary

- The Fifth Amendment does not materially impact the modeled financial results for the overall Lease and Operating Agreement.
- The modeled rate of the return specific to the Fifth Amendment meets or exceeds the targeted rate of return for the NWSA.
- The approximate payback period is 10 years.



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