

Item No.: 4B

Date of Meeting: May 7, 2019



**THE NORTHWEST
SEAPORT ALLIANCE**
Gateway to Solutions

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







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 Rents	<p>Expands upon existing 89-acre premises as follows:</p> <ul style="list-style-type: none">• 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. <p>All acreage amounts subject to confirmation by survey. Rent deferrals as listed are based on construction completion.</p>
Rent Escalations	CPI adjustments each September 1st with minimum of 1%, maximum of 5%. No change from Third Amendment.



Key Elements of Fifth Amendment

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