

COMMISSION AGENDA

Item No: 7H

Meeting: 5/19/22

DATE: May 16, 2022
TO: Port Commission
FROM: Eric Johnson, Executive Director
Sponsor: Eric Johnson, Executive Director
Project Manager: Scott Francis, Director, Real Estate
SUBJECT: Propeller Club of the United States, Port of Tacoma Office Lease at 3600 Port of Tacoma Road, Tacoma, WA

A. ACTION REQUESTED:

Authorization for the Executive Director or his designee to:

1. Enter into a month-to-month lease with the Propeller Club of the United States, Port of Tacoma for 418 square feet of office space located in the Fabulich Center located at 3600 Port of Tacoma Road, Tacoma, WA.
2. Waive the Port's Master Policy Resolution 2021-08-PT requirement to lease Port property at market rate, and
3. Adopt the following findings in support of the waiver:
 - a. The Port's statutory authority includes the leasing of Port property and engaging in economic development programs, which the Propeller Club activities support.
 - b. There is no intent for the Port to make a gift of public funds through the proposed lease.
 - c. The expenditure benefits the public even though there may be some ancillary public benefit because the Propeller Club's mission and programs support the Puget Sound maritime industry and Port support is consistent with Port Foundational Goal of Economic Vitality in the 2021-2026 Strategic Plan ("Advance living-wage job creation and business development opportunities in Pierce County with a focus on marine trade and transportation.")

B. BACKGROUND

- The Tacoma Propeller Club is a member club of the International Propeller Club of the United States.
- The club's membership is a comprehensive representation of marine industry core companies in the greater Puget Sound including marine suppliers, marine surveyors, naval architects, marine engineers, shipping companies, port administrators, towing companies, chemical companies, and petroleum companies.
- The Port of Tacoma Propeller Club arranges the Lelli Memorial Scholarship program where member companies in the international trade and maritime community sponsor high school students for an all-day event that includes tours of the Port of Tacoma and local businesses.
- The Port of Tacoma Propeller Club has provided approximately \$30,000 in college scholarships over the past five years.
- The Port of Tacoma Propeller Club wishes to execute a month-to-month lease for 418 square feet of office space located in the Fabulich Center at the below market rate of \$550/mo. The market rate for this office space is \$766/mo.

- All other office space in the Fabulich Center is leased at market rate.
- The Master Policy Resolution 2021-08-PT Exhibit “A” Section B(3) Governing Port Real Property states “Rental/lease rates shall be based upon market rates established for the specific use under consideration and the condition of such facility”.

C. PRIMARY LEASE TERMS

- Use: Professional offices
- Premises: Approximately 418 sf of office space
- Lease Term: Month-to-month
- Office Rent: \$550/mo. plus leasehold excise tax.
- Lease Commencement Date: Approximately June 1, 2022.
- Rent Escalation: Annually by CPI-U.
- Initial Security Deposit: \$1,862 (three month’s rent + leasehold excise tax)
- Insurance Requirements: \$2 Million General Liability.
- Utility Expenses: Lessor responsibility.
- Building maintenance and repair: Lessor responsibility

D. TIMEFRAME/PROJECT SCHEDULE

Lease Reading	May 19, 2022
Rent Commencement	June 1, 2022
Lease Term	Month-to-Month

E. FINANCIAL SUMMARY

- Market Rent: \$22/sf. (\$766/mo. + leasehold excise tax)
- Requested Rent: \$550/mo. + leasehold excise tax (\$6600/yr.)
- The requested rental rate is about 28% below market rate.

F. ECONOMIC INVESTMENT/ JOB CREATION

The Tacoma Propeller Club promotes the maritime industry through its many programs and by partnering with similar organizations. In addition, the Propeller Club supports workforce development for the maritime industry.

G. ENVIRONMENT IMPACTS / REVIEW

No environmental impacts.

H. LEGAL REVIEW

Art. 8, Sec. 7 of the Washington State Constitution prohibits the lending of public credit, which includes the gifting of public funds. While the proposed lease is below market rate, the prohibition is not triggered provided the following criteria are met:

1. **Is there a statutory authority to make the expenditure?** Yes, the Port’s statutory authority includes the leasing of Port property and engaging in economic development programs, which Propeller Club activities support.
2. **Is there a lack of “donative intent”?** Yes, there is no intent for the Port to make a gift of public funds through the proposed lease.
3. **Does the expenditure primarily benefit the public even though there may be some ancillary public benefit?** Yes, the Propeller Club’s mission and programs support the Puget Sound maritime industry. Port support of the Propeller Club is also consistent with the Port Foundational Goal of Economic Vitality in the 2021-2026 Strategic Plan (“Advance living-wage job creation and business development opportunities in Pierce County with a focus on marine trade and transportation.

If the Port Commission chooses to approve the proposed lease, Port Legal Counsel recommends that the Port Commission specifically adopt the above findings for the record.

I. NEXT STEPS

Upon Commission approval of the requested action, the Executive Director or his designee will enter into the lease, which will commence on about June 1, 2022.