

COMMISSION AGENDA

Item No: 4H

Meeting: 09/26/19

DATE: September 11, 2019

TO: Port Commission

FROM: Eric Johnson, Executive Director

Sponsor: Tong Zhu, Chief Commercial Officer & Chief Strategy Officer
Project Manager: Scott Francis, Director of Real Estate

SUBJECT: Five-Year Lease with The North West Company (International) Inc.
2000 Taylor Way, Tacoma, WA 98421

A. ACTION REQUESTED – No action is requested at the First Reading. The following Action Request will be made at the October 17, 2019 meeting.

Authorization for the Executive Director or his designee to enter into a five-year lease with The North West Company (International) Inc. for the premises located at 2000 Taylor Way.

B. BACKGROUND

- The Port purchased the property at 2000 Taylor Way in 2009.
- The Port added a new roof to this building in 2013. The building was painted in 2016.
- The North West Company (NWC) has leased the property at 2000 Taylor Way since November 2009.
- NWC is in good standing.
- Their current lease terminates November 30, 2019, and they would now like to execute a new five (5) year lease.
- NWC headquarters are located in Winnipeg, Canada. The company was established in 1784 in Montreal to focus on the fur trade industry around the Great Lakes. Today NWC stores serve rural communities in Northern Canada, Western Canada, rural Alaska, the South Pacific islands and the Caribbean.

C. PRIMARY LEASE TERMS

- Lease Premises: Approximately 80,333 SF of warehouse; 12,500 SF of cold storage; 4,332 SF of office; and 5 acres of yard.
- Use: Professional office space and the storage and distribution of food and retail products in warehouse and freezer/cooler.
- Lease Commencement Date: December 1, 2019
- Lease Term: Five (5) years with a five (5) year mutually approved lease extension.
- Rent: Effective December 1, 2019 - \$49,731/mo. (\$596,772/yr.)
Effective December 1, 2020 - \$52,267 (627,204/yr.)
- Rent Escalation: Effective December 1, 2021, and each December 1st thereafter, annual escalation based on CPI-U Seattle-Tacoma-Bellevue.
- Security Deposit: \$673,398 (one year's rent + leasehold tax)

- Insurance Requirements:
 - \$2 Million general liability
 - \$1 Million auto liability
- Lessor Maintenance/Repair Responsibility:
 - Building electrical system
 - Fire suppression system
 - Exterior wall/roof/doors/windows
 - Primary plumbing system
- Lessee Maintenance/Repair Responsibility:
 - Minor electrical repairs
 - Secondary plumbing
 - Storm water system
 - Freezer maintenance and repair

D. TIMEFRAME/PROJECT SCHEDULE

1 st Reading of Lease	September 26, 2019
2 nd Reading of Lease	October 17, 2019
Lease Commencement Date	December 1, 2019
Lease Term	Five (5) years.

E. FINANCIAL SUMMARY

Initial rent at \$49,731/month (\$596,772/year). New scheduled rents exceed the current budgeted rents for this property.

F. ECONOMIC INVESTMENT / JOB CREATION

Twenty-eight employees work at this Port of Tacoma location. NWC supports many local truck drivers and ships cargo to Alaska via Tote and Matson.

G. ENVIRONMENTAL IMPACTS / REVIEW

No known environmental impacts.

H. NEXT STEPS

The Second Reading is currently scheduled for October 17, 2019. Upon Commission approval of the requested action, the Port Executive Director or his designee will enter into the Lease with The North West Company (International) Inc. which will commence on December 1, 2019.