

ACTION ITEM MEMO

Port of Tacoma Commission



Item No: 6D
Meeting Date: 11/21/23

DATE: November 6, 2023
TO: Port of Tacoma Commission
FROM: Eric Johnson, Executive Director
Sponsor: Debbie Shepack, Real Estate Director
Project Manager: Gloria Fletcher, Sr. Manager, Real Estate
SUBJECT: Real Estate Acquisition - 426 E. 11th Street, Tacoma, Washington

A. ACTION REQUESTED

Authorization for the Executive Director or his designee to:

1. Remove the feasibility contingency and execute documents required to complete the purchase of property located at 426 E. 11th Street, Tacoma, consisting of approximately .94 acres ("Property") from 426 11th Street, LLC for \$1,210,000, and subject to the additional terms and conditions of the Purchase and Sale Agreement (as amended).
2. Accept assignment of the existing lease on the Property.

Strategic Plan Initiatives:

EV-1 - Strategically acquire and develop real estate to support marine trade activity of the Port and the Northwest Seaport Alliance

EV-4 – Partner with regional organizations to facilitate career development and business growth in Pierce County

B. BACKGROUND

The Property is located adjacent to Port-owned property at 1203 E. D Street (Parcel #94), which is currently being considered as the site of the Port's Maritime Center. The property owner, 426 11th Street LLC, approached the Port earlier this year, and the parties entered into a Purchase and Sale Agreement on June 6, 2023. The Agreement was later amended to extend deadlines and add terms.

The Property is located on the corner of East 11th Street and East F Street, providing increased functional utility to Parcel 94, including enhanced access which will likely result in less overall development costs for the Maritime Center. The Purchase and Sale Agreement included contingencies for feasibility, title, appraisal, environmental assessment, and Commission approval. Port staff and legal counsel have reviewed and approved all due diligence reports, including Phase 1 and Phase 2 Environmental Assessment. Phase 2 environmental sampling of the property confirmed the presence of contamination in soil and groundwater. In order to mitigate this risk, Port staff negotiated a discount to the purchase price of the property as well

as assignment of all of the Seller’s rights to recover for environmental matters under leases and insurance policies.

The Property is currently leased to Ness & Campbell Crane, Inc under the following terms:

- Monthly Rent: \$6,451.91
- Escalators: 3% annually
- Termination date: June 30, 2026
- Tenant is responsible for all operating costs, including taxes, insurance, and maintenance.

Sellers and tenant have signed an estoppel agreement, noting that tenant is in compliance with the lease and that there are no outstanding issues between the parties. The current lease will be assigned to the Port as part of the final transaction.

C. SCOPE OF WORK

Upon approval of this acquisition, Port staff will waive feasibility and move forward with closing the transaction. This site will then be included in the Maritime Center master planning.

D. TIMEFRAME/PROJECT SCHEDULE

Commission Approval	November 21, 2023
Completion of all transaction documents needed to close	November 30, 2023
Closing	December 15, 2023

E. FINANCIAL SUMMARY

Cost: The total cost of this acquisition, including due diligence reports, extended title coverage, escrow and recording fees will be approximately \$1,260,000. It should be noted that there is approximately \$195,000 in revenue anticipated through June 2026 from the current lease.

Source of Funds: Funds for acquisition of real estate were included in the 2023 budget.

F. ECONOMIC INVESTMENT / JOB CREATION

This site will be incorporated into the master plan and site development for the Maritime Center, which will include the Maritime Skills Center – creating an adaptive reuse of currently underutilized property and a foundational piece of the regional maritime economy.

G. ALTERNATIVE ANALYSIS

The primary alternative would be to not purchase this property, which would result in higher development costs to Port-owned adjacent property and less overall site control for the Port.

H. NEXT STEPS

Upon Commission approval, staff will move forward with this transaction through closing.