

Second Reading: WJR Tacoma, LLC Lease 1602 Marine View Drive

Presenter:

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Director, Real Estate
Port of Tacoma



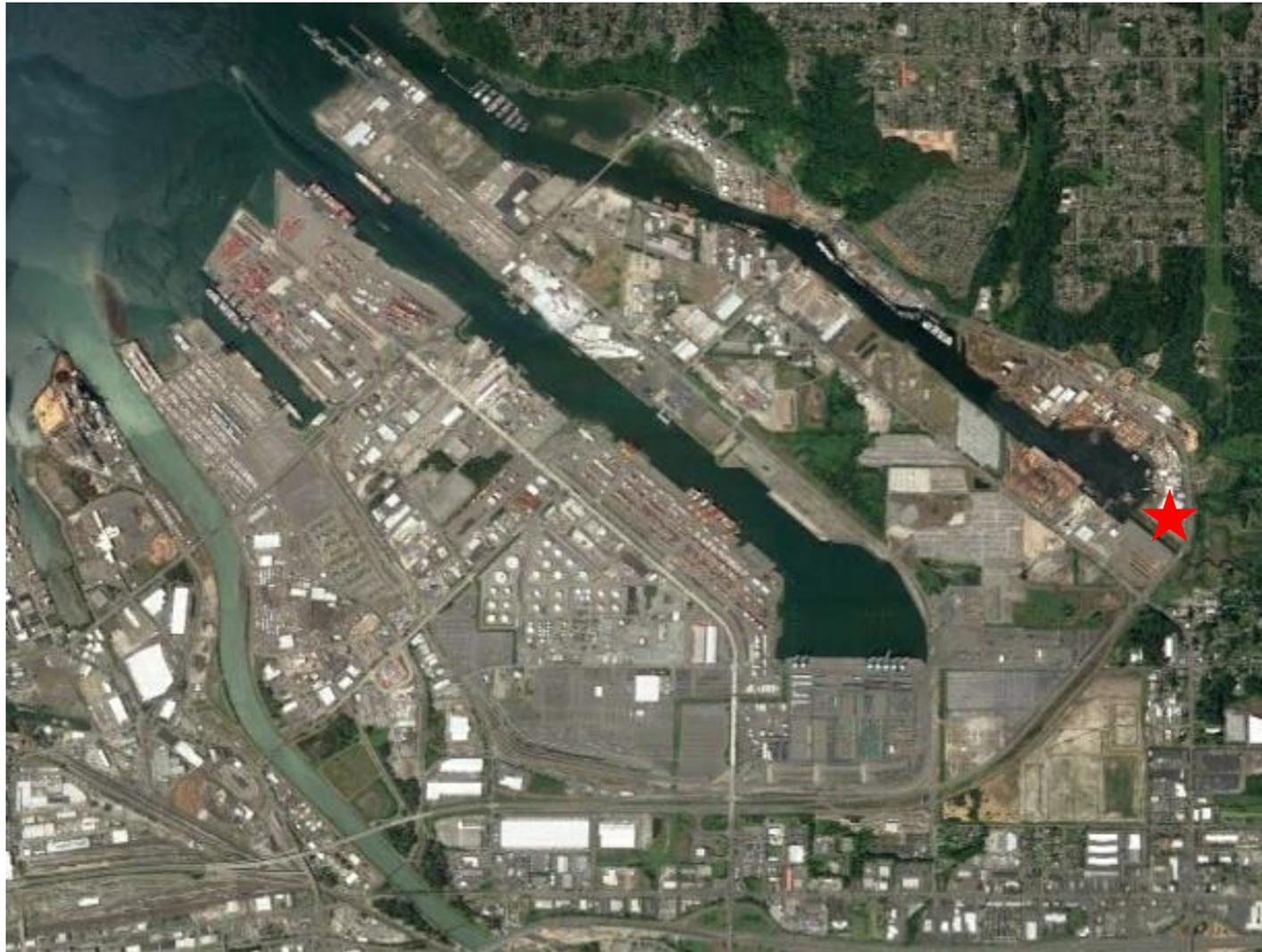
Action Requested



Authorize Executive Director or his designee to:

- 1) Terminate the current 5.43-acre Lease with WJR Tacoma LLC for property located at 1602 Marine View Drive
- 2) Terminate the current 3.31-acre Lease with Calbag Tacoma LLC for property located at 1602 Marine View Drive
- 3) Enter into a new Lease with a termination date of December 31, 2045, and one thirty-year extension period with WJR Tacoma, LLC for an 8.74- acre premises located at 1602 Marine View Drive, Tacoma, WA

WJR & Calbag Lease Location



Current Lease Premises



Combined Lease Premises



WJR & Calbag Lease Location



WJR & Calbag Lease Location



Background



- The Port acquired this property in 1940.
- This property is subject to Consent Decree 93-2-08684-4 that requires periodic inspections, ground water monitoring, and routine Cap maintenance.
- WJR (Calbag) currently leases 5.43-acres on a long-term lease that expires in 2045. This lease includes an option to extend the lease for an additional 30-years.
- WJR owns the 85,000 square foot building on this property.

Background Continued



- Calbag also leased the adjacent 3.31-acre area from 2005 through March 2016. After Calbag vacated the property, damage to the environmental cap was discovered. This damage was not visible while Calbag was operating on site. As part of the negotiated settlement, Calbag agreed to lease this 3.31-acres from August 1, 2018 through June 30, 2023, with four five-year mutually approved lease extensions.
- Now WJR would like to combine the total 8.74-acres into one lease with the same general terms and conditions as the current 5.43-acre lease that expires in 2045.

Background Continued



- The access to this property is limited by high-speed traffic and an elevated hump at the entrance that this site impractical for many uses including trailer and chassis storage.
- The capped yard is only suitable for light industrial use.

Lease Terms



- Lease Premises: Approximately 8.74 acres of land located at 1602 Marine View Drive.
- The new lease will replace the existing 5.43-acre lease that terminates in 2045 and the 3.31-acre lease that terminates on June 30, 2023.
- Use: Metal recycling facility provided that the southerly 3.31 acres may only be used for storage of tools, equipment, boxed and finished goods (bailed products), and employee parking.
- Lease effective date: Estimated at April 1, 2022.
- Lease Term: Through December 31, 2045, with one option to extend an additional 30-years.

Lease Terms Continued



- Initial Rent: \$40,764/mo. (\$489,165/yr.) plus leasehold excise tax (same rent currently received).
- On July 1, 2023, the rent will increase to \$45,400/mo.
- Rent Escalation: Adjusted January 1, 2026, and every five-years thereafter by the compounded annual escalation based on CPI-U Seattle-Tacoma-Bellevue Area.
- Initial Security Deposit: \$551,974 (one year's rent + leasehold tax)

Lease Terms Continued



- Insurance Requirements:
 - \$2 Million general liability
 - \$1 Million auto liability
 - \$2 Million pollution liability
- All utilities are Lessee's responsibility.
- All site maintenance is the responsibility of Lessee except for routine cap crack sealing as required by the Consent Decree.
- Lessee is responsible for the stormwater system.

Lease Benefits



- Revenues estimated at \$40,764/mo. (\$489,165/yr.)
- Eliminates the need for an estimated \$400,000 storm water system modification to separate the two properties if the properties are not used by the same tenant.
- This use represents the highest and best use of this property.

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