

COMMISSION AGENDA

Item No: 7B-1

Meeting: 6/17/2021

DATE: May 25, 2021

TO: Port Commission

FROM: Eric Johnson, Executive Director
Sponsor: Eric Johnson, Executive Director
Project Manager: Scott Francis, Director of Real Estate

SUBJECT: Three-Year Lease with SAFE Boats International, LLC
401 Alexander Ave., Tacoma, WA 98421

A. ACTION REQUESTED

Authorization for the Executive Director or his designee to enter into a three-year lease with SAFE Boats International, LLC for Premises located at 401 Alexander Avenue, Tacoma, WA., and to waive the first reading of the lease approval, and for authorization for a building repair project in the amount of \$1,100,000 for a total authorized amount of \$1,250,000, for work associated with Building 532 structural repairs, Master Identification No. 101541.01.

As referenced in Resolution No. 2021-08-PT, Exhibit A, Delegation of Authority Master Policy:

As applies to the Lease: Paragraph B (2) provides that Commission authorization is required for real property rental/leasing agreements with a term greater than one year, and that All leases requiring Commission authorization, except Fabulich Building office leases, shall be subject to a first and second reading prior to final authorization, however, the Commission reserves the right to waive first reading by a vote in public session.

As applies to the building repair: Paragraph IV.B.(2), states project costs exceeding \$300,000 require approval from Port Commission,

B. BACKGROUND

- Founded in 1997, SAFE Boats International (SBI) is an American-based boat manufacturer that designs and builds a variety of vessels that support the military, law enforcement and fire professionals.
- In August 2012, SBI executed its original month-to-month lease at the Port for space in Bldg. 532.
- To make Bldg. 532 useable as a boat building facility, SBI invested approximately \$1M on building improvements.
- In August 2015, SBI entered into a two-year lease for space in Bldg. 532 and office space in Bldg. 326. In August 2017, this lease continued as a month-to-month lease.
- In November 2016, SBI also leased 0.25 acres of yard space for the construction of a new vessel paint booth.

- During the period from 2012 through 2017, SBI constructed twelve 85' Mark VI boats and two 50' Riverine Command Boats for the US Navy.
- At peak operations, about 135 employees worked at the Earley Business Center (EBC).
- Since the last vessel was constructed in 2017, SAFE Boats has continued to lease the EBC facility so that it would be ready and available for future Navy contracts.
- Currently SBI leases 44,775 square feet in building 532, 1.52 acres of yard space, and 3,524 square feet of office space in Bldg. 326. Their current monthly rent is \$24,775 plus leasehold excise tax and utilities.
- SAFE Boats requires a 3-year lease to meet the requirements for their new Navy contract. The new lease will consolidate and replace the current month to month leases.
- In preparation for this Lease, staff inspected Bldg. 532 and discovered multiple cracks in the trusses supporting the barrel roof on this 80-year-old building. Emergency bracing was installed to minimize the advancement of additional cracks and for safety reasons.
- To make Bldg. 532 ready for the new lease with SAFE Boats, additional repairs are immediately required. These repairs are temporary in nature because of the age and condition of the building. Staff is reviewing the design and requirements to build a new replacement building with a 50+ year usable life. Staff will update the Commission on the investment required for a new building at a later date.

C. PRIMARY LEASE TERMS

- The Lease Premises:
 - Building 326 - 3,524 square feet of office space
 - Building 532 - 44,775 square feet of warehouse space
 - Parking Space - 0.62 acres
 - Yard Usage - 1.52 acres
- Use:
 - Building 532 - Fabrication, marine system integration/installation, finish and painting of aluminum hulled boats
 - Building 326 – General office use
- The Lease Commencement Date: Projected for July 1, 2021
- The Lease Term: Three (3) years, with two 1-year mutually approved extensions
- Rent: \$26,597 / month (\$319,159 / year)
- Rent Escalation: Annual escalation based on CPI-U Seattle-Tacoma-Bellevue.
- Security Deposit: \$360,139 (one-year's rent + leasehold tax)
- Insurance Requirements:
 - \$2 Million general liability
 - \$2 Million pollution liability
 - \$1 Million auto liability
- Utilities: Lessee's responsibility
- Lessor Maintenance / Repair Responsibility:
 - Major building electrical system
 - HVAC maintenance and repair (Bldg. 326)
 - Fire suppression system
 - Exterior wall/roof/doors/windows
 - Primary plumbing system
- Lessee Maintenance / Repair Responsibility:

- Minor electrical repairs
- HVAC maintenance and repair (Bldg. 532)
- Secondary plumbing
- Storm water system
- Yard asphalt/fencing/vegetation/irrigation
- All tenant improvements

D. TIMEFRAME / PROJECT SCHEDULE

Commission Presentation	June 17, 2021
Lease Commencement	July 1, 2021
Lease Term	Three (3) years

E. FINANCIAL SUMMARY

Initial rent is \$26,597 / month (\$319,159 / year). This rent revenue meets 2021 budgeted revenue for this premises.

F. ECONOMIC INVESTMENT / JOB CREATION

- SAFE Boats announced in Q1 2021 that they had been awarded a contract with the US government to build six vessels for the Ukrainian Government, with an option for two additional vessels.
- In Q1 2022, SBI is scheduled to start construction of the first vessel.
- Seventy-five employees are scheduled to be working at the Earley Business Center on this Ukrainian Mark VI project by Q1 2022. By Q2 2022, employment is scheduled to increase to about 125 employees.
- SAFE Boats supports many other Port tenants and businesses through the acquisition of supplies, transportation services, equipment rentals, and moorage.

G. ENVIRONMENTAL IMPACTS / REVIEW

No known environmental impacts

H. NEXT STEPS

Upon Commission approval, the Executive Director will execute the three-year Lease with SAFE Boats International, LLC for Premises located at 401 Alexander Avenue, Tacoma, WA. Also, Engineering staff will finalize Building 532 Temporary Repair Project design and immediately execute the repair project with a scheduled completion date by the end of 2021.

COMMISSION AGENDA

Item No: 7B-2

Meeting: 6/17/21

DATE: June 2, 2021

TO: Port Commission

FROM: Eric D. Johnson, Executive Director

Sponsor: Scott Francis, Director, POT Real Estate

Project Manager: David Myers, Engineering Project Manager II

SUBJECT: Project Authorization for work associated with the Building 532 Structural Repairs

A. ACTION REQUESTED

As referenced in Resolution No. 2021-08-PT, Exhibit A, Delegation of Authority Master Policy, Paragraph IV.B.(2), states project costs exceeding \$300,000 require approval from Port Commission.

Request project authorization in the amount \$1,100,000 for a total authorized amount of \$1,250,000, for work associated with the Building 532 Structural Repairs, Master Identification No. 101541.01.

B. SYNOPSIS

Building 532 has experienced structural failure of one truss and several other adjacent trusses are exhibiting signs of similar structural failure, top and bottom cord longitudinal cracking. This building is nearing the end of its useful life but to fulfill the terms of the lease agreement with SAFE Boats, temporary structural repairs must be made to keep this building in service until a new building can be constructed. These repairs are being executed on known deficiencies that exist today. There is no guarantee that additional repairs may be needed over the next 2 years.

C. BACKGROUND

We believe Building 532 was constructed in the 1930s as part of the facility that built vessels in support of the WWII effort. In 1994 a fire led to most of the flat roofed portion of the building being replaced. During this effort, the southern portion of the building was also removed and most of the trusses were replaced with glue laminated wood beams. In 2016 one of the remaining seven wood trusses failed and was replaced by the Port with a steel wide flange beam. Of the remaining six trusses, one has now failed, and three others are exhibiting signs of failure including top and bottom cord longitudinal cracking. The failed truss and others of concern have been temporarily braced to prevent potential roof failure.

In the large barrel vault portion of the building contains six girder trusses that support the roof bow string trusses. Four of these are located between the barrel vault and flat roofed building and two over large openings at the north side of the building. One of these girder trusses has significant cracking like those noted above and similarly has been temporarily braced. The five remaining trusses are also showing signs of fatigue and the beginnings of failures including top and bottom cord and diagonal member cracking. Four of these girder trusses support the bow string trusses of the barrel vault roof and the first bay of the flat roof portion of the building. Should one of these girder trusses fail, it would transfer loads into the roof trusses in a manner that likely would create a sudden and catastrophic failure of the roof trusses. This failure would then likely transfer loads into adjacent trusses causing a “zipper effect” that likely would result in a complete roof failure of the entire building.

These heavy timber and wood buildings were constructed in 1930s using the practices available at that time. The wood members that make up the trusses and the connections that hold them together were marginal at the time of construction and do not meet today’s code requirements. These buildings and their structural components have been in place for approximately 85 years. Additionally, these buildings for the most part, are not temperature controlled. They have been through summer heat and winter cold, rain and water intrusion, snow, and even a few earthquakes since being built. They are at the end of their useful life.

D. PROJECT DETAILS

Scope of Project:

- Replace six (6) remaining wood trusses in the flat roofed portion of the building with steel wide flange beams.
- Install a steel support structure in the barrel vault portion of the building to support both the top and bottom cord members of the six (6) girder trusses.
- Install steel columns to carry roof loads to the ground.
- Install concrete foundations under steel columns.
- Strap wood columns that are cracking to prevent column failure.
- Other repairs determined necessary to maintain a safe working environment.

Scope of Work for This Request:

- Completion of permit documents and submittal to the City of Tacoma.
- Completion of construction documents.
- Advertise, bid, and award the construction contract.
- Complete structural repairs.

Schedule

Advertise for Bid	August 2021
Open Bids	August 2021
Notice of Award	September 2021
Substantial Completion	December 31, 2021
Final Completion	January 31, 2022

E. FINANCIAL SUMMARY

Estimated Cost of Project

The total project cost including all stages is estimated at \$1,250,000.

Estimated Cost for This Request

The total estimated cost of the Design and Construction for this project is \$1,250,000. If the cost of this estimate is anticipated to exceed the authorized amount, additional Commission authorization will be requested.

Estimated Sales Tax

The total estimated sales tax to be paid to local and state governments for this project is \$75,000.

Cost Details

Item	This Request	Total Previous Requests	Total Request	Total Project Cost	Cost to Date	Remaining Cost
TOTAL	\$1,100,000	\$150,000	\$1,250,000	\$1,250,000	\$0	\$1,250,000

Source of Funds

The current Capital Investment Plan (CIP) allocates \$1,014,000 for this project. The budget will be updated as part of the 2022 budget process.

Financial Impact

Project costs will be expensed as incurred. This is based on the engineer's determination that this building is at the end of its useful life and therefore does not qualify for capitalization.

The estimated net book value of the building is currently \$735,000 with 7½ years of depreciable life remaining. A fixed asset impairment for approximately \$490,000 will be recorded in 2021.

F. ECONOMIC INVESTMENT/JOB CREATION

This project will support existing construction personnel within multiple trades. The completion of this work will support SAFE Boats and approximately 100 jobs.

G. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternative 1) Do Nothing. SAFE Boats lease cannot be executed, and they likely lose their Navy contract.

Alternative 2) Find and alternate location for SAFE Boats to operate out of. Options considered do not work and time constraints would likely result in SAFE Boats losing its Navy contract.

Alternative 3) Complete structural repairs. This option allows SAFE Boats to execute the lease with the Port and their contract with the Navy and provides the Port the time needed to build a new facility to replace the aging building.

Alternative 3 is the recommended course.

H. ENVIRONMENTAL IMPACTS/REVIEW

Permitting:

Interior project does not trigger Environmental permit requirements. A City of Tacoma Building Permit will be required.

Remediation:

Lead paint will be encountered during the work and will be addressed accordingly.

Stormwater:

Not Applicable.

Air Quality:

Not Applicable.

I. PREVIOUS ACTIONS OR BRIEFINGS

<u>Date</u>	<u>Action</u>	<u>Amount</u>
June 3, 2021	Executive Authorization	\$150,000
TOTAL		\$150,000

J. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.

K. NEXT STEPS

Complete design, permitting, bidding and construction before the end of 2021.

Project Authorizations for:

**7B-1 – Lease for SAFE Boats
International, LLC, 401 Alexander
Avenue Tacoma, WA**

**7B-2 – Building 532 Structural
Repairs**

Scott Francis, Director, Port of Tacoma
Real Estate

David Myers, Architect, CSI, NCARB
Engineering Project Manager II



Action Requested



Authorization for the Executive Director or his designee to enter into a three-year lease with SAFE Boats International, LLC for Premises located at 401 Alexander Avenue, Tacoma, WA., and to waive the first reading of the lease approval, and for authorization for a building repair project in the amount of \$1,100,000 for a total authorized amount of \$1,250,000, for work associated with Building 532 structural repairs, Master Identification No. 101541.01.

As referenced in Resolution No. 2021-08-PT, Exhibit A, Delegation of Authority Master Policy:

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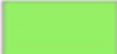



As applies to the building repair: Paragraph IV.B.(2), states project costs exceeding \$300,000 require approval from Port Commission,

SAFE Boats International, LLC Lease Location



SAFE Boats International, LLC Lease Premises



	Building, Office = 3,524 SF
	Building, Warehouse = 44,775 SF
	Yard, Parking Common = .56 Acres
	Yard, Parking = .62 Acres
	Yard = 1.56 Acres

SAFE Boats International, LLC

Background



- Founded in 1997, SAFE Boats International (SBI) is an American-based boat manufacturer that designs and builds a variety of vessels that support the military, law enforcement and fire professionals.
- In August 2012, SBI's original month-to-month lease at the Port for space in Bldg. 532 was executed.
- To make Bldg. 532 useable as a boat building facility, SBI invested approximately \$1M on building improvements.
- In August 2015, SBI entered into a two-year lease for space in Bldg. 532 and office space in Bldg. 326. In August 2017, this lease converted to a month-to-month lease.
- In November 2016, SBI also leased 0.25 acres of yard space for the construction of a new vessel paint booth.

SAFE Boats International, LLC Background Continued



Building 532 Renovation



Building 532 - beginning of SAFE Boats Lease



Building 532 - after SAFE Boats' renovation

SAFE Boats International, LLC

Background Continued



- During the period from 2012 through 2017, SBI constructed twelve 85' Mark VI boats and two 50' Riverine Command Boats for the US Navy.
- At peak operations, about 135 employees worked at the Earley Business Center (EBC).
- Since the last vessel was constructed in 2017, SAFE Boats has continued to lease the EBC facility so that it would be ready and available for future Navy contracts.
- Currently SBI leases 44,775 square feet in building 532, 1.52 acres of yard space, and 3,524 square feet of office space in Bldg. 326. Their current monthly rent is \$24,775 plus leasehold excise tax and utilities.

SAFE Boats International, LLC

Background Continued



- SAFE Boats requires a 3-year lease to meet the requirements for their new Navy contract. The new lease will consolidate and replace the current month to month leases.
- In preparation for this Lease, staff inspected Bldg. 532 and discovered multiple cracks in the trusses supporting the barrel roof on this 80-year-old building. Emergency bracing was installed to minimize the advancement of additional cracks and for safety reasons.
- To make Bldg. 532 ready for the new lease with SAFE Boats, additional repairs are immediately required. These repairs are temporary in nature because of the age and condition of the building. Staff is reviewing the design and requirements to build a new replacement building with a 50+ year usable life. Staff will update the Commission on the investment required for a new building at a later date.

SAFE Boats International, LLC Background Continued



Mark VI vessel constructed at the Earley Business Center

SAFE Boats International, LLC

Lease Terms



Lease Premises:

- Building 326 - 3,524 square feet of office space
- Building 532 - 44,775 square feet of warehouse space
- Parking Space - 0.62 acres
- Yard Usage - 1.52 acres

Use:

- Building 532 - Fabrication, marine system integration/installation, finish and painting of aluminum hulled boats
- Building 326 – General office use

Lease Commencement: Projected for July 1, 2021

Lease Term: Three (3) years with two one-year mutually approved extensions.

Rent: \$26,597 / month (\$319,159 / year)

Rent Escalation: Annual escalation based on CPI-U Seattle-Tacoma-Bellevue.

Security Deposit: \$360,139 (one-year's rent + leasehold tax)

SAFE Boats International, LLC

Lease Terms Continued



Insurance Requirements:

- \$2 Million general liability
- \$2 Million pollution liability
- \$1 Million auto liability

Utilities: Lessee's responsibility

Lessor Maintenance/Repair Responsibility:

- Major building electrical system
- HVAC maintenance and repair (bldg. 326)
- Fire suppression system
- Exterior wall/roof/doors/windows
- Primary plumbing system

Lessee Maintenance/Repair Responsibility:

- Minor electrical repairs
- HVAC maintenance and repair (bldg. 532)
- Secondary plumbing
- Storm water system
- Yard asphalt/fencing/vegetation/irrigation
- All tenant improvements

SAFE Boats International, LLC

Lease Benefits



- Initial rent is \$26,597 / month (\$319,159 / year). This rent revenue meets 2021 budgeted revenues for this premises.
- Seventy-five employees are scheduled to be working at the Earley Business Center on the Mark VI project by Q1 2022. By Q2 2022, employment is scheduled to increase to about 125 employees.
- SAFE Boats supports many other Port tenants and businesses through the acquisition of supplies, transportation services, equipment rentals, and moorage.

SAFE Boats International, LLC



Mark VI vessel

Background Port Building 532 Structural Repairs



Background

Port Building 532 Structural Repairs



- Building was constructed in the 1930s in support of WWII ship building efforts.
- Fire in 1994 forced the replacement of a large portion of the flat roofed portion of the building.
- In 2016 one of the remaining 7 wood trusses failed and was replaced with a steel beam.
- Of the 6 remaining wood trusses 1 has failed and 3 are exhibiting signs of failure including top and bottom cord longitudinal cracking.

Background

Port Building 532 Structural Repairs



- Six girder trusses in barrel vault portion of the building also exhibiting signs of failure include top, bottom and diagonal member cracking
- Failure of a girder truss could result in the sudden a catastrophic failure of the building roof structure(s)
- Building is approximately 85 years old and is at the end of its useful life.







Project Description and Details

Port Building 532 Structural Repairs



Scope of Work includes the following:

- Replacement of six trusses with steel wide flange beams.
- Steel support structure including beams and columns to support six girder trusses.
- Concrete foundations for steel supports.
- Install steel straps at cracking columns.
- Other repairs as necessary to maintain a safe working environment.

Project Schedule

Port Building 532 Structural Repairs



Activity	Timeframe
Advertise Bids	August 2021
Bid Opening	August 2021
Notice of Award	September 2021
Substantial Completion	December 2021
Contract Completion	January 2022

Source of Funds Port Building 532 Structural Repairs



- The estimated cost for this project is \$1,250,000.
- The current Capital Investment Plan (CIP) allocates \$1,014,000 for this project. The budget will be updated as part of the 2022 budget process.

Financial Summary

Port Building 532 Structural Repairs



Item	This Request	Total Previous Requests	Total Request	Total Project Cost	Cost to Date	Remaining Cost
TOTAL	\$1,100,000	\$150,000	\$1,250,000	\$1,250,000	\$0	\$1,250,000

Environmental Impacts/Review

Port Building 532 Structural Repairs



Permitting:

City of Tacoma Building Permit

Remediation:

Lead paint will be encountered and addressed accordingly

Stormwater:

Not Applicable

Air Quality:

Not Applicable

Action Requested



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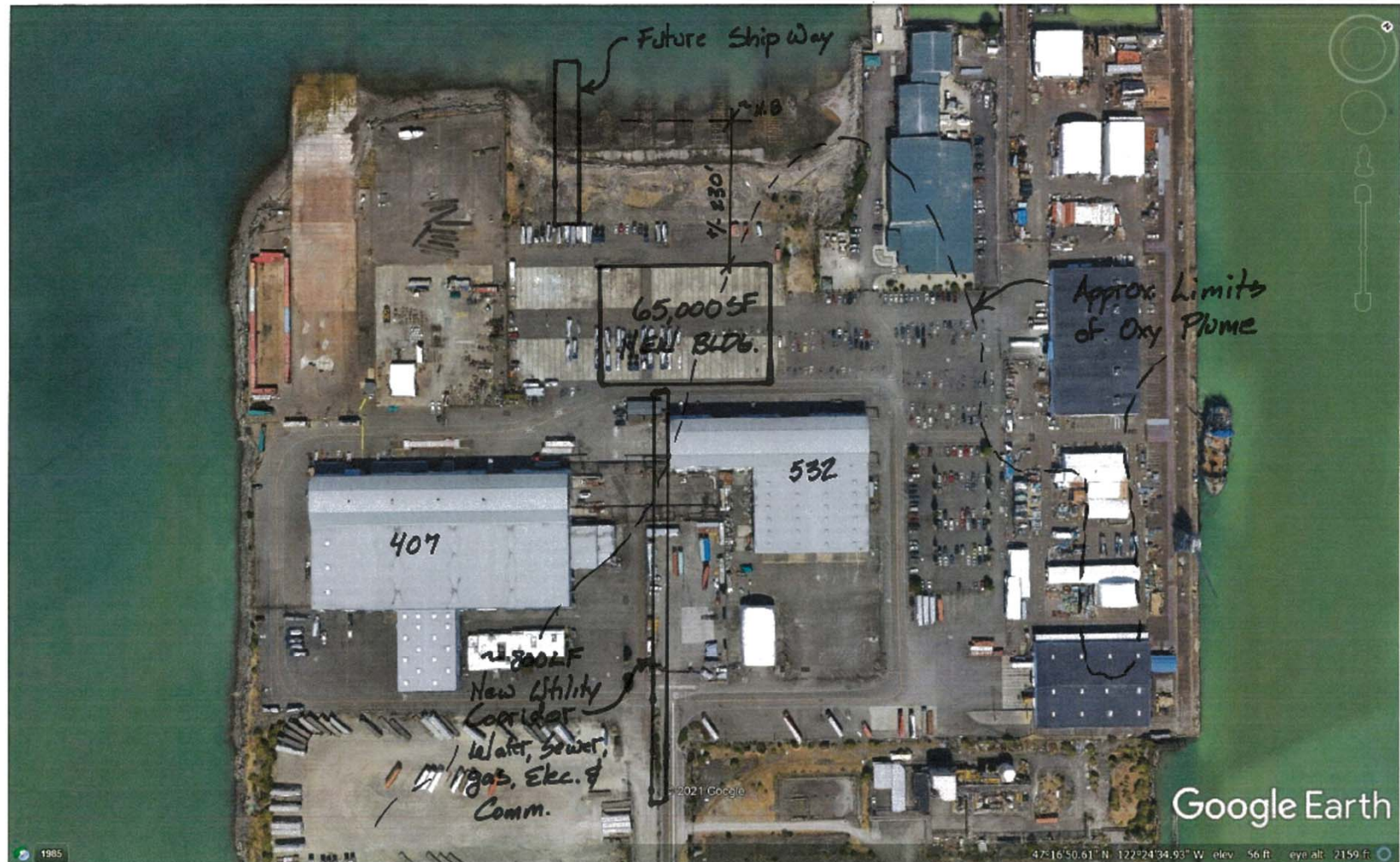
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Proposed New Building Location



All American Marine Building

