

COMMISSION AGENDA

Item No: 4B

Meeting: 12/19/2019

DATE: December 4, 2019

TO: Port Commission

FROM: Eric Johnson, Executive Director
Sponsor: Tong Zhu, Chief Commercial Officer & Chief Strategy Officer
Project Manager: Scott Francis, Director, Real Estate, Port of Tacoma

SUBJECT: Five-Year Lease with Thermo Fluids, Inc.
1851 Alexander Avenue, Tacoma, WA

A. ACTION REQUESTED

Authorization for the Executive Director or his designee to enter into a five-year lease with Thermo Fluids, Inc. for warehouse, office, and yard space located at 1851 Alexander Avenue, Tacoma, WA.

B. BACKGROUND

- Thermo Fluids, Inc., founded in 1993 and headquartered in Scottsdale, AZ., operates throughout the Western U.S.
- Thermo Fluids, Inc. is a subsidiary of Clean Harbors, Inc., the largest environmental recycling company in North America.
- Thermo Fluids, Inc. is the largest producer of recycled commercial oil in the Western United States. They are also one of the largest recyclers of used vehicle antifreeze.
- Thermo Fluids provides services to many Port tenants and customers including Georgia Pacific, Seaport Sound Terminal (Targa Sound Terminal), Kirby Corporation, and Matson.
- The Port facility at 1851 Alexander has been vacant for over two years.

C. PRIMARY LEASE TERMS

- Use: Office, warehouse, parking, maintenance of vehicles and equipment, and storage of emergency response equipment for both marine and land cleanup operations.
- Premises: 2.31 acres of yard, 6,175 sf warehouse, 1,181 sf office, and 3,289 sf covered area.
- Lease Term: Five (5) years with one mutually approved five-year extension.
- Rent: \$18,024.50/mo. (\$216,294/yr.).
- Rent Commencement Date: Approximately January 1, 2020.
- Rent Escalation: Annual escalation based on CPI-U Seattle-Tacoma-Bellevue.
- Security Deposit: \$244,066 (one year's rent + leasehold tax).
- Insurance Requirements:
 - \$5 Million general liability
 - \$5 Million pollution liability
 - \$1 Million auto liability
- All utilities are Lessee's responsibility.

- Lessor Maintenance/Repair Responsibility:
 - Major building electrical system
 - HVAC maintenance and repair
 - Fire suppression system
 - Exterior wall/roof/doors/windows
 - Primary plumbing system
- Lessee Maintenance Responsibility:
 - Minor electrical repairs
 - Secondary plumbing
 - Storm water system

D. TIMEFRAME/PROJECT SCHEDULE

Lease First Reading	November 25, 2019
Lease Second Reading	December 19, 2019
Rent Commencement	January 1, 2020
Lease Term	Five Years

E. FINANCIAL SUMMARY

This lease puts a non-performing asset to work and creates new rent revenue in the amount of \$18,024.50/mo. (\$216,294/yr.) for this property.

F. ECONOMIC INVESTMENT / JOB CREATION

- Ten jobs will be relocated to this facility from Sumner with potential for new jobs as they grow.
- Readily available recycling services and spill response services support businesses on the tide flats and in the region.

G. ENVIRONMENTAL IMPACTS / REVIEW

- Emergency spill response equipment for both marine and land spills will be stored and deployed from this facility.
- Trained emergency response personnel will work out of this facility.
- Providing convenient locations to collect used oil and antifreeze to be recycled is good for the environment.

H. NEXT STEPS

Upon Commission approval of the requested action, the Executive Director or his designee will enter into the Lease which will commence about January 1, 2020.