

# COMMISSION AGENDA

Item No: 4F

Meeting: 11/25/19

**DATE:** November 6, 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 KAG West, LLC  
401 Alexander Ave., Tacoma, WA 98421

**A. ACTION REQUESTED – No action is requested at the First Reading. The following Action Request will be made at the December 19, 2019 meeting.**

Authorization for the Executive Director or his designee to enter into a five-year lease with KAG West, LLC for the premises located at 401 Alexander Ave., Tacoma, WA.

**B. BACKGROUND**

- KAG West, LLC, was founded in 1997 and is headquartered in North Canton, Ohio.
- KAG is North America's largest tank truck transporter and logistics provider. They operate out of approximately 300 terminal and satellite locations in the United States, Canada and Mexico.
- Since 2016, KAG has leased this premises on a month-to-month basis.
- KAG's account with the Port is in good standing.
- KAG provides local service to Sea-Tac International Airport, Boeing, Pierce County, King County, and Costco.
- KAG has been recognized by the Commercial Vehicle Safety Alliance for their commitment to commercial vehicle safety.
- KAG now wishes to convert their month-to-month lease to a five-year lease term and lease additional office space.

**C. PRIMARY LEASE TERMS**

- Lease Premises: Approximately 14,753 square feet of warehouse space, 3,614 square feet of office space, 2.4 acres of parking and yard space.
- Use: Vehicle parking, tractor and trailer parking, shop maintenance on tractors and trailers, and general administrative office functions.
- Lease Commencement Date: Approximately January 1, 2020.
- Lease Term: Five (5) years.
- Rent: \$20,400/mo. (\$244,800/yr.).
- Rent Escalation: Annual escalation based on CPI-U Seattle-Tacoma-Bellevue.
- Security Deposit: \$276,242 (one-year's rent + leasehold tax).
- Insurance Requirements:
  - \$2 Million general liability

- \$2 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/Repair Responsibility:
  - Minor electrical repairs
  - Secondary plumbing
  - Storm water system

#### **D. TIMEFRAME/PROJECT SCHEDULE**

1 <sup>st</sup> Reading of Lease	November 25, 2019
2 <sup>nd</sup> Reading of Lease	December 19, 2019
Lease Commencement	January 1, 2020
Lease Term	Five (5) years

#### **E. FINANCIAL SUMMARY**

Initial rent is \$20,400/month (\$244,800/year).

#### **F. ECONOMIC INVESTMENT / JOB CREATION**

Sixty-five employees work at this Port of Tacoma location including 15 administrative personnel that will be relocated from Federal Way.

#### **G. ENVIRONMENTAL IMPACTS / REVIEW**

KAG maintains best management practices including the following:

- All delivery tankers are empty when stored on Port property.
- All fluid flow valves are locked out when stored on Port property.
- The fueling truck is parked in a containment boom area.
- KAG has employees working at this site 24-hours per day, seven days per week.
- Anti-idling procedures are in place.
- KAG complies with the NWSA Clean Truck Program; no trucks are older than 2011.

#### **H. NEXT STEPS**

The Second Reading is currently scheduled for the December 19, 2019 Commission Meeting at which time the following request will be made: Authorization for the Executive Director or his designee to enter into a five-year lease with KAG West, LLC for the premises located at 401 Alexander Ave., Tacoma, WA.

Item No.: 4F

Date of Meeting: November 25, 2019

# First Reading: KAG West, LLC Lease 401 Alexander Avenue

Presenter:

Scott Francis  
Director, Real Estate  
Port of Tacoma



# Action Request



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


# KAG West, LLC – Lease Location





# KAG West, LLC – Lease Premises



	Parking = .25 Acres		Office = 3,614 SF
	Yard = 2.05 Acres		Yard, Common .1 Acres
	Warehouse = 14.753 SF		

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# Background



- KAG has been recognized by the Commercial Vehicle Safety Alliance for their commitment to commercial vehicle safety.
- KAG now wishes to convert their month-to-month lease to a five-year lease term and lease additional office space in Building 326.



# KAG West, LLC – Lease Terms



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# KAG West, LLC – Lease Terms Continued



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- Lessee Maintenance/Repair Responsibility:
  - Minor electrical repairs
  - Secondary plumbing
  - Storm water system

# KAG West, LLC – Lease Benefits



- Rents received meet budgeted revenues for the lease premises.
- Sixty-five employees work at this Port of Tacoma location including 15 new administrative positions that will be relocated from Federal Way.

# Action Request



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