

COMMISSION AGENDA

Item No: 5A

Meeting: 10/17/19

DATE: October 2, 2019
TO: Port Commission
FROM: Eric Johnson, Executive Director
Sponsor: Tong Zhu, Chief Commercial Officer & Chief Strategy Officer
Project Manager: Annika Bjorkman, Real Estate Property Manager
SUBJECT: Three-Year Lease with Pac-Van, Inc.
1701 Port of Tacoma Road, Tacoma, WA 98421

A. ACTION REQUESTED

SECOND READING/ADOPTION: Authorization for the Executive Director or his designee to enter into a three-year lease with Pac-Van, Inc. for the 9.18-acre premises located at 1701 Port of Tacoma Road, Tacoma, WA.

B. BACKGROUND

- The Port purchased this property in 2016.
- Pac-Van has leased the premises on a month-to-month basis since January 1, 2019, and their account is in good standing.
- Pac-Van, Inc. now wishes to convert their month-to-month lease to a three-year lease.
- Pac-Van, Inc. was founded in 1993 in Indianapolis, IN. They currently have operations in 34 states. Their primary business is the sale, repair and leasing of containers, modular office units and water storage tanks.

C. PRIMARY LEASE TERMS

- Lease Premises: Includes approximately 7,112 SF of shop; 2,097 SF of office; 9,209 SF of yard/parking; and 8.77 acres of yard space located at 1701 Port of Tacoma Road.
- Use: Sale, repair and leasing of containers, modular office units and water storage tanks.
- Lease effective date: November 1, 2019
- Lease Term: Three (3) years.
- Rent: \$57,988/mo. (\$695,856/yr.)
- Rent Escalation: Annual escalation based on CPI-U Seattle-Tacoma-Bellevue.
- Security Deposit: \$785,211 (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.
- Lessee Maintenance/Repair Responsibility:
 - Windows/doors
 - Storm water system cleanout
 - Mechanical components
 - Minor electrical/plumbing repairs

- Lessor Maintenance Responsibility:
 - Building roof, gutters and exterior walls
 - Primary plumbing system
 - Fire suppression system
 - Underground utilities

D. TIMEFRAME/PROJECT SCHEDULE

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|----------------------------------|--------------------|
| 1 st Reading of Lease | September 26, 2019 |
| 2 nd Reading of Lease | October 17, 2019 |
| Lease Commencement Date | November 1, 2019 |

E. FINANCIAL SUMMARY

The monthly rent of \$57,988 (\$695,856 per year) meets the budgeted rent for this property.

F. ECONOMIC INVESTMENT / JOB CREATION

Sixteen employees work at this Port of Tacoma location.

G. ENVIRONMENTAL IMPACTS / REVIEW

No environmental impacts.

H. NEXT STEPS

Upon Commission approval of the requested action, the Port Executive Director or his designee will enter into the Lease which will commence on November 1, 2019.