

ACTION ITEM MEMO

Port of Tacoma Commission



Item No: 6E
Meeting Date: 12/19/23

DATE: December 6, 2023
TO: Port of Tacoma Commission
FROM: Eric Johnson, Executive Director
Sponsor: Eric Johnson, Executive Director
Project Manager: Debbie Shepack, Director of Real Estate
SUBJECT: Acquisition of Real Estate – 2221 Ross Way, Tacoma

A. ACTION REQUESTED

Authorization for the Executive Director or his designees to:

1. Execute instruments necessary to complete the purchase of property located at 2221 Ross Way, Tacoma, consisting of approximately 0.50 acre and 8,892 square feet of building improvements (“Property”) for \$1,924,995 and subject to the terms and conditions of the Purchase and Sale Agreement, as amended.
2. Accept assignment of the existing lease on the Property.

Strategic Plan Initiative: EV-1 – Strategically acquire and develop real estate to support marine trade activity of the Port and The Northwest Seaport Alliance.

B. BACKGROUND

The Property is located within the 11th Street corridor and abuts Port property located at 2235 Ross Way and 2222 E. 11th Street (Parcel Nos. 79 and 130). Port Real Estate staff initiated negotiations with the owner, Garion LLC, earlier this year and a Purchase and Sale Agreement was executed on August 24, 2023. The Agreement was later amended to extend deadlines and add terms.

The Purchase and Sale Agreement included contingencies for feasibility, title, appraisal, environmental assessment, and Commission approval. Port staff has reviewed and approved all due diligence reports, including a Phase 1 and Phase 2 Environmental Assessment. Phase 2 environmental sampling of the property has confirmed the presence of contamination in soil and groundwater. Future cleanup requirements for the property, if any, are unknown.

The Property is currently leased to Spectra Labs, LLC under the following terms:

- Premises: Entire Building – Approximately 8,892 square feet including office, warehouse, and laboratory areas.
- Monthly Rent: \$8,532.96, Tenant pays for all operating expenses including Taxes, Insurance, and Maintenance.
- Annual Increases: 2%
- Termination Date: May 31, 2025

Tenant has signed an estoppel agreement, confirming that Tenant is in compliance with the lease and that there are no outstanding issues between the parties. Seller will assign the lease to the Port at closing.

C. **SCOPE OF WORK**

Upon Commission approval, Port staff will waive feasibility and move forward with closing the transaction. The Real Estate Department will manage the current lease and any subsequent leases until the site is ready to be put into a different use to support maritime operations.

D. **TIMEFRAME/PROJECT SCHEDULE**

Commission Approval	December 19, 2023
Estimated Closing	December 31, 2023

E. **FINANCIAL SUMMARY**

Cost The total cost of this acquisition, including due diligence reports, extended title coverage, escrow and recording fees will be approximately \$1,975,000. It should be noted that there will be approximately \$145,000 in rent revenue anticipated through May 2025.

Source of Funds: The current Capital Investment Plan (CIP) allocates \$1,975,000 for this project.

Depreciation: Purchase costs associated with the land will be capitalized as a non-depreciating land asset. Purchase costs allocated for the building of approximately \$800,000 will be depreciated over an estimated six years resulting in annual depreciation of \$133,000.

F. **ECONOMIC INVESTMENT / JOB CREATION**

This site will be redeveloped in the future to support ongoing terminal operations.

G. **ALTERNATIVE ANALYSIS**

The primary alternative would be to wait to purchase this property when a development project for increased terminal support space is imminent. Due to the seller being willing to divest of the Property at this time, staff recommends completing this purchase.

H. **NEXT STEPS**

Upon approval, Port staff will move forward with this transaction through closing.