

# COMMISSION AGENDA

Item No: 7C

Meeting: 10/15/20

**DATE:** September 30, 2020

**TO:** Port Commission

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

**SUBJECT:** Purchase property located at 2235 and 2311 Ross Way, Tacoma, WA

## A. ACTION REQUESTED

Authorization for the Executive Director or his designee to complete the execution of the Purchase and Sale Agreement dated August 7, 2020 with Transport Ventures, LLC (Seller) for the property located at 2235 and 2311 Ross Way, Tacoma, WA also known as Pierce County tax parcels 6965000240, 6965000230 and 6965000220. This entails authorizing the Executive Director or his designee to execute all additional documents and take any and all additional actions necessary or required in connection with the completion of the purchase.

## B. BACKGROUND

- The property recently became available for purchase in the summer of 2020.
- This property is located within the Port of Tacoma's "Strategic Area."
- The Port of Tacoma entered into a Purchase and Sale agreement on August 7, 2020 subject to Port Commission approval, appraised valuation and satisfactory due diligence review of the property including an environmental review.
- The appraised valuation is \$2,000,000.
- The property is currently leased to Premier Transport, Inc.

## C. PROPERTY DESCRIPTION

- The property is 1.722 acres.
- Building improvements includes one 3,014 square foot building, including 1,354 square feet of office and 1,660 square feet of warehouse.
- Zoning is Port Marine Industrial.

## D. PURCHASE TERMS

- Purchase Price: \$2,000,000.
- Earnest Money: \$50,000.
- Due Diligence period is through October 15, 2020.
- Closing Fees: Normal closing costs with Buyer responsible for recording fees, extended Title Policy coverage, one-half of escrow fees, and prorated utilities.
- Closing will occur within 10-days after the Port's notice of feasibility contingency satisfaction.

- The Port agrees to execute a lease to Premier Transport, Inc. which is controlled by the Seller. The lease will commence at closing and continue for a period of 36 months with two one-year extensions subject to mutual approval of parties.

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

- This acquisition is within the amount budgeted for acquisitions in the 2020 budget.
- The future lease of this property to Premier Transport at approximately \$10,300/month produces an annual 6% return on investment which meets the market rate of return for similar properties in the area. The initial revenue is \$71,768 per acre.

#### **F. ENVIRONMENTAL IMPACTS / REVIEW**

The Port's Environmental Department's review of the property included both Phase 1 and 2 Environmental Reports. Some weathered diesel was detected in groundwater in the area of an old underground storage tank (UST) that was previously removed. Also, two sample locations found lead concentrations in groundwater that exceed cleanup levels. The lead is assumed to have migrated on the property from adjacent properties. The Environmental Team expects these three locations will only require future monitoring until the concentrations naturally attenuate. However, there may be grant funding available to complete a cleanup.

#### **G. FUTURE USE/BENEFIT TO PORT**

- This property is located within the Port's Strategic Area.
- The property is ideally located to support future terminal expansion opportunities and provides support for the Port's core container business.
- This property is adjacent to other Port owned properties and therefore creates greater future opportunities and efficiencies provided by large contiguous properties.

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

- No short-term improvements or investments are anticipated.
- Job retention – The new lease with Premier Transport Inc. will maintain six jobs on site and twenty-three truck driving positions on the tide flats.

#### **I. TIMEFRAME / PROJECT SCHEDULE**

- August 7, 2020 - Purchase and Sale Agreement Effective Date
- October 15, 2020 – End of Inspection and Due Diligence periods. Port (Buyer) to waive due diligence contingency upon Commission approval.
- October 25, 2020 - Closing on or before this date.

#### **J. NEXT STEPS**

Upon Commission approval, Executive Director or his designee will execute any and all documents and take any and all additional actions necessary or required in connection with the completion of this purchase.

# Property Acquisition: 2235 and 2311 Ross Way, Tacoma, WA

Presenter:

Scott Francis  
Director of Real Estate  
Port of Tacoma



# Action Requested



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# 2235 and 2311 Ross Way

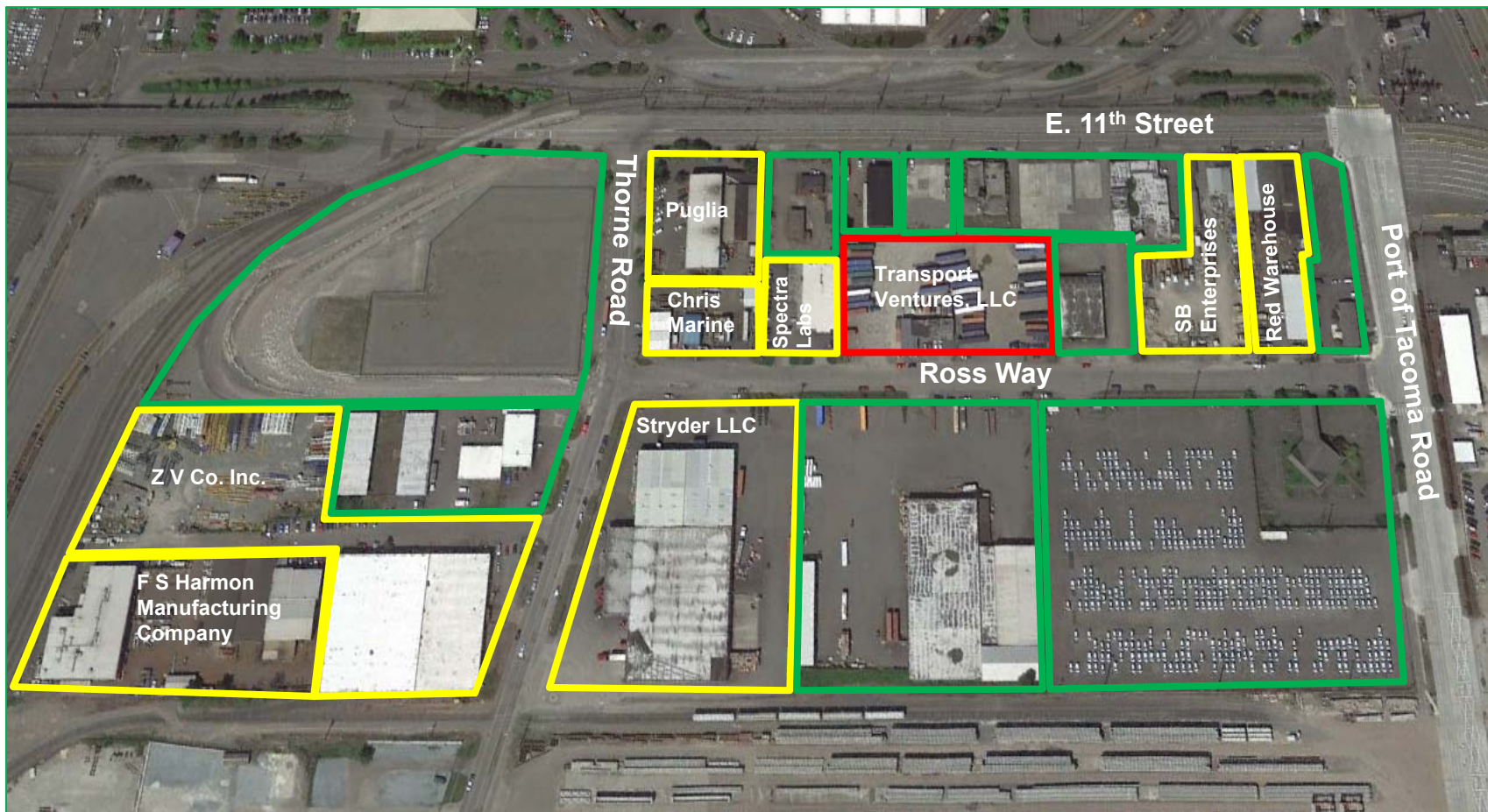




# 11<sup>th</sup> Street and Ross Way Corridor



-  Port of Tacoma Owned Properties
-  Privately Owned Properties
-  2235 & 2311 Ross Way PSA Property Transport Ventures, LLC



# 2235 and 2311 Ross Way



# 2235 and 2311 Ross Way





# Background



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- The Port of Tacoma entered into a Purchase and Sale agreement on August 7, 2020 subject to Port Commission approval, appraised valuation and satisfactory due diligence review of the property including an environmental review.
- The appraised valuation is \$2,000,000.
- The property is currently leased to Premier Transport, Inc.

# Property Description



- The property is 1.722 acres.
- Building improvements includes one 3,014 square foot building, including 1,354 square feet of office and 1,660 square feet of warehouse.
- The yard area is partially paved and completely fenced.
- Zoning is Port Marine Industrial.

# Environmental Review



The Port's Environmental Department's review of the property included both Phase 1 and 2 Environmental Reports. Some weathered diesel was detected in groundwater in the area of an old underground storage tank (UST) that was previously removed. Also, two sample locations found lead concentrations in groundwater that exceed cleanup levels. The lead is assumed to have migrated on the property from adjacent properties. The Environmental Team expects these three locations will only require future monitoring until the concentrations naturally attenuate. However, there may be grant funding available to complete a cleanup.

# Purchase Terms



- Purchase Price: \$2,000,000.
- Earnest Money: \$50,000.
- Due Diligence period is through October 15, 2020.
- Closing Fees: Normal closing costs with Buyer responsible for recording fees, extended Title Policy coverage, one-half of escrow fees, and prorated utilities.
- Closing will occur within 10-days after the Port's notice of feasibility contingency satisfaction.
- The Port agrees to execute a lease to Premier Transport, Inc. which is controlled by the Seller. The lease will commence at closing and continue for a period of three years with two one-year extensions subject to mutual approval of parties.



# Financial Summary



- This acquisition is within the amount budgeted for acquisitions in the 2020 budget.
- The future lease of this property to Premier Transport at approximately \$10,300/month produces an annual 6% return on investment which meets the market rate of return for similar properties in the area. The initial revenue is \$71,768 per acre.

# Future Use/Benefit to Port



- This property is located within the Port's Strategic Area.
- The property is ideally located to support future terminal expansion opportunities and provides support for the Port's core container business.
- This property is adjacent to other Port owned properties and therefore creates greater future opportunities and efficiencies provided by large contiguous properties.

# Economic Investment/Job Creation



- No short-term improvements or investments are anticipated.
- Job retention – The new lease with Premier Transport Inc. will maintain six jobs on site and twenty-three truck driving positions on the tide flats.

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