

An aerial photograph of a port area, likely Tacoma, showing industrial buildings, a large body of water, and a bridge. A white text box is overlaid in the top right corner.

Item: 7E
Date: 2/17/22

WJR Tacoma, LLC Lease – 1602 Marine View Drive

Presenter:

Scott Francis
Director, Real Estate
Port of Tacoma



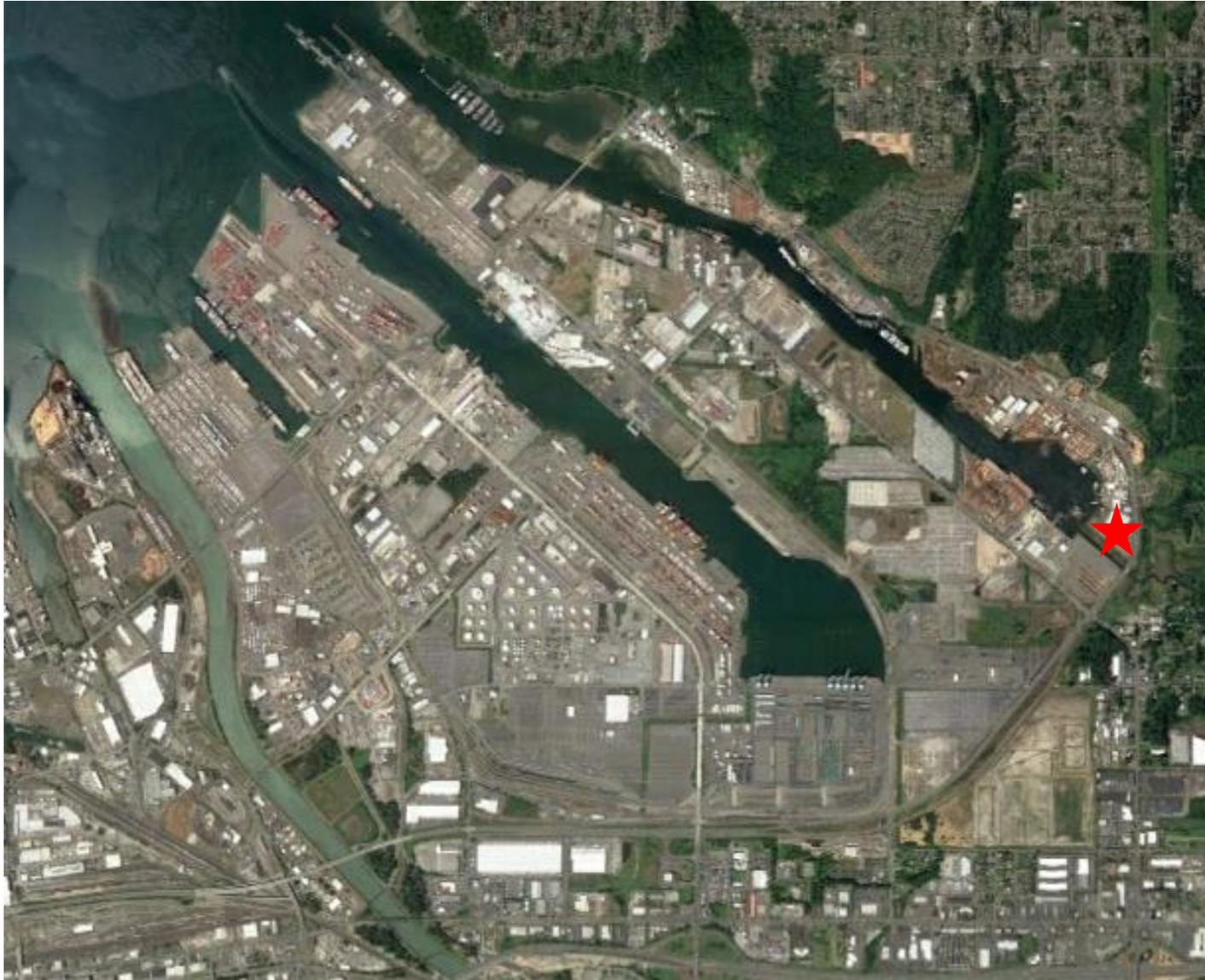
Action Requested



Authorize Executive Director or his designee to:

1. Terminate the current 5.43-acre Lease with WJR Tacoma LLC for the premises located at 1602 Marine View Drive
2. Terminate the current 3.31-acre Lease with Calbag Tacoma LLC for the premises located at 1602 Marine View Drive
3. Enter into a new Lease with a termination date of December 31, 2045, and one thirty-year extension period with WJR Tacoma, LLC for an 8.74- acre premises located at 1602 Marine View Drive, Tacoma, WA
4. Waive the second reading, which is otherwise required for Port of Tacoma lease approvals pursuant to Commission Master Policy on Delegation of Authority, Section III. B. 2.

WJR & Calbag Lease Location



Current Lease Premises



Combined Lease Premises



Background



- The Port acquired this property in 1940.
- From 1972 to 1984, the site was used as a log sort yard. In the 1970s and 1980s, slag from Asarco Inc. was placed on the site for use as roadbed or ballast.
- Ecology detected elevated concentrations of metals in surface water samples collected in 1983-1984.
- In 1993 Ecology issued Consent Decree (932086844) for remedial action. A low-permeability asphalt cap and stormwater drainage system was completed in 1995 that requires periodic inspections, ground water monitoring, and routine Cap maintenance.
- In 1996, WJR (Calbag) leased five-acres on a 50-year lease with an option to extend an additional 30-years.

Background Continued



- WJR owns the 85,000 square foot building on this property.
- Calbag also leased the adjacent 3.74-acre area from 2005 through March 2016. After Calbag vacated the property, damage to the environmental cap was discovered. This damage was not visible while Calbag was operating on site. The Port deducted \$116,000 from the Lease security deposit for the estimated repairs. As part of the negotiated settlement, Calbag agreed to lease 3.31-acres at this location through June 30, 2023, with four five-year mutually approved extensions. Via a lease amendment, they also added .43 acres to their five-acre lease that expires in 2045.

Background Continued



- Now WJR would like to combine the 5.43-acre lease and the 3.31-acre lease into one lease totaling 8.74-acres. This lease will have the same general terms and conditions as the current 5.43-acre lease that expires in 2045.
- This property access is located on Hwy 509 and is limited by high-speed traffic and an elevation change at the entrance.
- The capped yard is only suitable for light industrial use.

Lease Terms



- Lease Premises: Approximately 8.74 acres of land located at 1602 Marine View Drive.
- The new lease will replace the existing 5.43-acre lease that terminates in 2045 and the 3.31-acre lease that terminates on June 30, 2023.
- Use: Metal recycling facility provided that the southerly 3.31 acres may only be used for storage of tools, equipment, boxed and finished goods (baled products), and employee parking.
- Lease effective date: Estimated at March 1, 2022.
- Lease Term: March 1, 2022 through December 31, 2045, with one option to extend an additional 30-years.

Lease Terms Continued



- Initial Rent: \$40,763.76/mo. (\$489,165.12/yr.) plus leasehold excise tax (same rent currently received).
- On July 1, 2023, the rent will increase to \$45,398.62/mo.
- Rent Escalation: Adjusted January 1, 2026, and every five-years thereafter by the compounded annual escalation based on CPI-U Seattle-Tacoma-Bellevue Area.
- Initial Security Deposit: \$551,974 (one year's rent + leasehold tax)

Lease Terms Continued



- Insurance Requirements:
 - \$2 Million general liability
 - \$1 Million auto liability
 - \$2 Million pollution liability
- All utilities are Lessee's responsibility.
- All site maintenance is the responsibility of Lessee except for routine cap crack sealing as required by the Consent Decree.
- Lessee is responsible for the stormwater system.

Lease Benefits



- Revenues estimated at \$40,764/mo. (\$489,165/yr.)
- Eliminates the need for an estimated \$400,000 stormwater system modification to separate the 5.43-acre and the 3.31-acre areas in the future.
- This use represents the highest and best use of this property.
- This lease supports numerous jobs in Tacoma. Currently Calbag employs 27 people at this site. At their 2015 peak, they employed 53 people. Calbag also supports numerous other businesses, transportation services and recyclers in the area. In addition, Calbag ships an average of 60 containers through the Port each month.

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