

# COMMISSION AGENDA

Item No: 7C  
Meeting: 02/18/21

**DATE:** February 3, 2021  
**TO:** Port Commission  
**FROM:** Eric Johnson, Executive Director  
Project Manager: Scott Francis, Director Real Estate  
**SUBJECT:** Lease Amendment - Portside 55 North, LLC

## A. ACTION REQUESTED

Approval and authorization for the Executive Director or his designee to execute Lease Amendment No. 4 for Portside 55 North, LLC for the property located at 1514 Taylor Way, Tacoma, WA to modify the respective obligations of the parties related to a recent environmental covenant and orders, update the list of environmental documents affecting the Property, and specify the language required in termination notices.

## B. BACKGROUND

- The 10.56-acre parcel was purchased in 2007.
- This property had minimal lease opportunity without development.
- On November 1, 2016, the Port of Tacoma executed a 50-year Lease agreement with Avenue 55, LLC for the property located at 1514 Taylor Way.
- On August 22, 2017, the Lease was assigned to Portside 55 North, LLC (an entity controlled by Ave 55).
- Regarding existing contamination issues, Ecology required an Agreed Order to cap this property as part of the approved development.
- The current Lease requires the Lessee to comply with all terms of the Agreed Order including cap inspections and report requirements.
- The Port's Environmental Departments recommends the Port take over the responsibility for cap inspections and the related report requirements. This change will provide the Port with better control over monitoring the cap and complying with the Agreed Order.
- A new Ecology Enforcement Order was executed in 2020 that impacts this property. The proposed Lease Amendment clarifies Lessor and Lessee responsibilities as related to this new Enforcement Order.
- Lessee has requested **BOLD AND CAPITALIZED** language be added to the Termination section of the lease to highlight the 30-day cure period after notice of default. This change does not impact or modify the terms of the Lease.
- The updated Port Master Policy and Procedures requires Port Commission approval on all lease amendments for leases over a one-year term.

## C. FINANCIAL SUMMARY

There is minimal financial impact to the Port of Tacoma. Taking over the inspection and reporting requirements for the cap adds a minimal cost. However, this cost is offset by the

increased control gained in monitoring the cap and meeting the Agreed Order requirements. All other terms and conditions of the Lease remain unchanged. The use of the property is unchanged. Currently, this lease generates rent in the amount of \$21,943/month (\$263,317/year).

**D. ECONOMIC INVESTMENT / JOB CREATION**

Portside 55 North constructed two buildings on the premises totaling approximately 203,580 square feet. Multiple tenants lease these buildings and about 50 full-time positions work at this location.

**E. ENVIRONMENTAL IMPACTS / REVIEW**

The proposed changes and clarifications of responsibilities for the Agreed Order and the Enforcement Order on this property will provide the Port better control to meet Ecology requirements and better clarify Lessor and Lessee responsibilities going forward.

**F. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS**

The current lease language could remain unchanged. However, since the cost of inspecting the environmental cap is minimal, the benefit in added control to meet Ecology requirements justifies this expense.

**G. NEXT STEPS**

Upon Commission approval, Lease Amendment No. 4 will be executed by the Executive Director.

**Avenue 55 Lease Location at 1514 Taylor Way**



# Lease Amendment for Portside 55 North, LLC – 1514 Taylor Way

Presenter:

Scott Francis  
Director, Real Estate  
Port of Tacoma

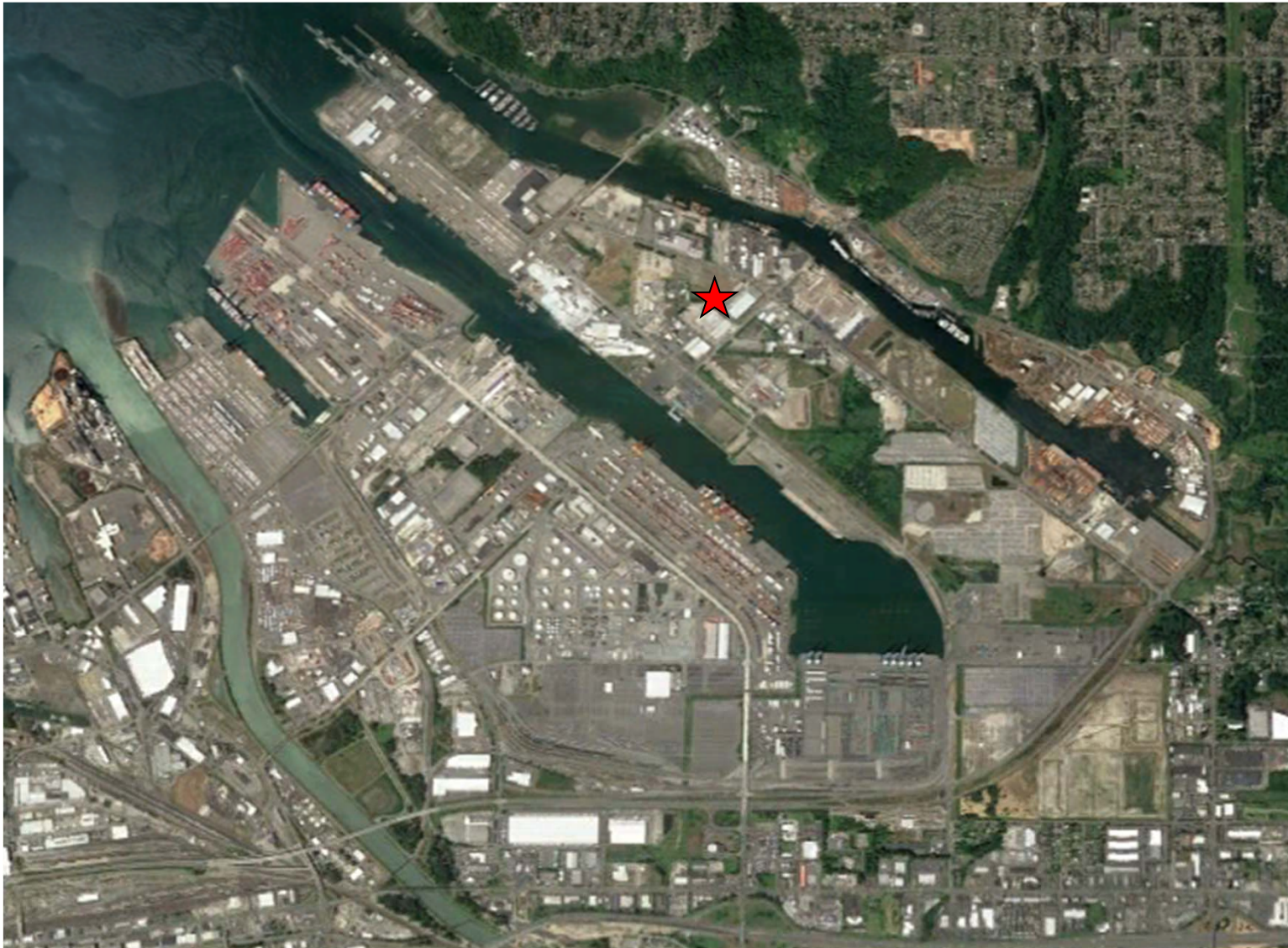


## Action Requested



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# 1514 Taylor Way – Lease Location



# 1514 Taylor Way – Lease Premises



# Background



- The 10.56-acre parcel was purchased in 2007.
- Property was vacant and had minimal lease opportunity prior to development.
- Property was subject to invasive snail restrictions. Development was the best solution to eliminate the snail habitat.
- Ecology required an Agreed Order to cap this Property as part of the approved development.

# Background Continued



- On November 1, 2016, a lease agreement with Avenue 55, LLC was executed.
- On August 1, 2017, the Lease was assigned to Portside 55 North, LLC (an entity controlled by Avenue 55).
- Portside 55 North built two warehouses on this property in 2018.
- The current Lease requires the Lessee to comply with all terms of the Agreed Order including cap inspections and report requirements.

# Proposed Lease Amendment Changes



- To improve the Port's control of Ecology requirements, the Port will take over the responsibility for cap inspections and the related reports.
- Lessee and Lessor responsibilities are clarified regarding a new Ecology Enforcement Order issued in December 2020.
- The proposed Lease Amendment also updates the list of environmental documents affecting the Property attached to the Lease.

# Proposed Lease Amendment Changes Continued



- Update the list of environmental documents affecting the Lease premises.
- Add Language to the Termination section to highlight the 30-day cure period after notice of default. This change does not impact or modify the business terms of the Lease.
- The Port Master Policy & Procedures requires Port Commission approval on all lease amendments for leases over a one-year term.

# Financial Summary



There is minimal financial impact to the Port of Tacoma. Taking over the inspection and reporting requirements for the cap adds a minimal cost. However, this cost is offset by the increased control gained in monitoring the cap and meeting the Agreed Order requirements. All other terms and conditions of the Lease remain unchanged. The use of the Property is unchanged. Currently, this lease generates rent in the amount of \$21,943/month (\$263,317/year).

# Economic Investment



- The two new warehouse facilities built by Avenue 55 North total about 203,580 square feet.
- Currently there are about 47 employees working at this facility and many other transportation related jobs are supported.
- This warehouse development supports the Port's core marine business.

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