

COMMISSION AGENDA

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

DATE: February 3, 2021
TO: Port Commission
FROM: Eric Johnson, Executive Director
Sponsor: Eric Johnson, Executive Director
Project Manager: Scott Francis, Director, Real Estate
SUBJECT: Portside 55 North, LLC Lease Assignment – 1514 Taylor Way

A. ACTION REQUESTED – CONSENT AGENDA

Approval and authorization for the Executive Director or his designee to execute a lease assignment from Portside 55 North, LLC to CPUS Portside, LP for the Lease located at 1514 Taylor Way, Tacoma, WA.

B. BACKGROUND

The Port purchased the 10.56-acre property located at 1514 Taylor Way in 2008. This property was leased to Avenue 55, LLC on November 1, 2016. On August 22, 2017, the lease was assigned to Portside 55 North, LLC (an entity controlled by Ave 55). The property was contaminated, and remediation was required by the Washington Department of Ecology. Volatile organic compounds, TPH (including diesel-range organics and heavy oil-range organics), semi volatile organic compounds, and multiple metals were found during initial environmental studies. To remediate the environmental issues and make the site developable, the Port entered an Agreed Order (AO) with the Department of Ecology, and Portside 55 North implemented an Interim Action Work Plan (IAWP). The IAWP consisted of a significant amount of monitoring and testing that Portside 55 North along with its consultants and the Port of Tacoma spearheaded through development. Portside 55 North has fulfilled nearly all of its responsibilities under the AO. Furthermore, the Port anticipates receiving an Agreed Order Completion Letter from the Department of Ecology in the immediate future.

Portside 55 North, LLC constructed two new Class A industrial buildings on this site that were completed in the fourth quarter of 2018. Each building features 30' clear heights, ample power, and 175' shared truck court. Currently the buildings are 100% leased to Burkhart Dental Supply and MacMillan-Paper. In total, about 50 full time positions are working in these two buildings.

Burkhart Dental Supply was founded in 1888 and is the oldest dental supply chain in North America. Today, Burkhart has 18 branches and employs 400 people. Their business provides dental professionals with dental supplies, equipment and technology, repair service, office planning and design, financing, and business solutions. They also ship cargo through the Port of Tacoma.

MacMillan-Piper was founded in 1969 and is one of the largest trans-loader and container freight stations in the Pacific Northwest. Their Tacoma facilities specialize in transloading a

wide range of products such as lumber, paper, bentonite, refrigerated cargo, steel and dry bulk commodities. They generate about 500 containers through the Port monthly.

The Portside 55 North project transformed a non-performing environmentally contaminated site into a Class A industrial campus. The current Portside 55 North tenants have direct relations to the Port of Tacoma and contribute to the Port's marine cargo business. Currently, about 50 full-time positions work in these two buildings.

Now, Portside 55 North is selling these buildings to CPUS Portside, LP which is owned by CBRE Global Investors which is one of the world's leading real estate investment managers with \$114.5 billion in assets under management. CBRE Global Investors is an independently operated affiliate of CBRE Group, Inc. It harnesses the research, investment sourcing and other resources of the world's largest commercial real estate services and investment firm with 2019 revenues of \$23.9 billion and more than 100,000 employees. CBRE has been included in the Fortune 500 since 2008, ranking #128 in 2020. It also was voted the industry's top brand by the Lipsey Company for 19 consecutive years and has been named one of Fortune's "Most Admired Companies" for eight years in a row, including being ranked number one in the real estate sector in 2020, for the second consecutive year. Its shares trade on the New York Stock Exchange under the symbol "CBRE."

C. TIMEFRAME/PROJECT SCHEDULE

This building sale and lease assignment are scheduled to be completed approximately March 1, 2021.

D. LEASE SUMMARY AND FINANCIAL IMPACT

- Lease Commencement Date was November 1, 2016.
- Lease premises is 9.8 acres.
- Lease term is 50-years with a 25-year lease extension.
- Current rent is \$23,460/mo. (\$281,520/yr.)
- Security deposit is \$317,668.00.
- Rents escalate by CPI – applied every five-years.
- Insurance coverage
 - \$2 Million general liability
 - \$2 Million auto liability
 - \$2 Million pollution liability
- Utilities paid by Lessee.
- All building and site maintenance is the responsibility of Lessee.

This assignment has no financial impact to the Port. The Assignee is a highly qualified industrial property manager in a strong financial position.

E. ECONOMIC INVESTMENT / JOB CREATION

- This action supports Ave 55, a long-term partner of the Port. It also supports CBRE Global Investors as a new Port tenant and property investor at the Port of Tacoma.
- Current sub-tenants employ about 50 full-time positions at this location and support numerous other businesses and transportation services in and around the Port.

- MacMillan-Piper ships approximately 500 containers per month through the Port.

F. ENVIRONMENTAL IMPACTS / REVIEW

There is no environmental impact.

G. NEXT STEPS

Upon Commission approval, the Executive Director or his designee will execute the lease assignment between Portside 55 North, LLC and CPUS Portside, LP.

Portside 55 North, LLC Lease location at 1514 Taylor Way



Portside 55 North, LLC Lease Assignment – 1514 Taylor Way

Presenter:

Scott Francis
Director, Real Estate
Port of Tacoma

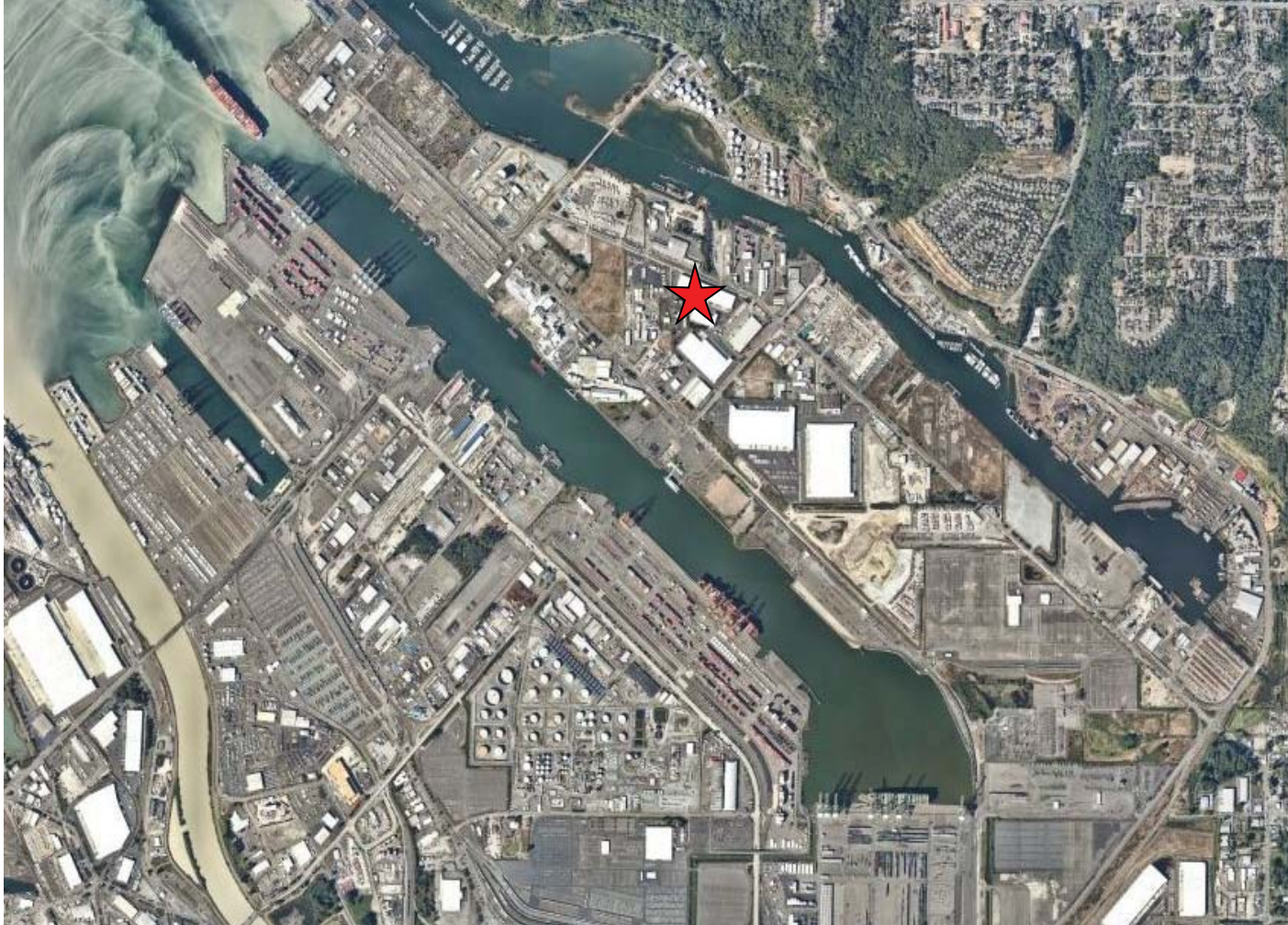


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1514 Lease Location



Lease Premises



Background – Portside 55 North, LLC



- The Port purchased the 10.56-acre property located at 1514 Taylor Way in 2007.
- The property was contaminated, and remediation was required by the Department of Ecology.
- This property was leased to Avenue 55, LLC on November 1, 2016.
- August 1, 2017, the lease was assigned to Portside 55 North, LLC (an entity controlled by Ave 55).
- To remediate the environmental issues and make the site developable, the Port entered an Agreed Order (AO) with the Department of Ecology, and Portside 55 North implemented an Interim Action Work Plan (IAWP).

Background - Development



- In the fourth quarter of 2018, Portside 55 North, LLC completed two new Class A industrial warehouses with a combined total of 207,000 square feet.
- The Portside 55 North project transformed a non-performing environmentally contaminated site into a Class A industrial campus.
- Each building features 30' clear heights, ample power, and 175' shared truck court.
- Currently the buildings are 100% leased to Burkhart Dental Supply and MacMillan-Piper.

Background - Development



Background - Current Sub-tenants



- **Burkhart Dental Supply** was founded in 1888 and is the oldest dental supply chain in North America. Their business provides dental professionals with dental supplies, equipment and technology, repair services, office planning and design, financing and business solutions.
- **MacMillan-Piper** was founded in 1969 and is one of the largest trans-loader and container freight stations in the Pacific Northwest. Their Tacoma facilities specialize in transloading a wide range of products: lumber, paper, refrigerated cargo and dry bulk commodities. They generate about 500 containers through the Port monthly.

Background - CPUS Portside, LP



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- CBRE has been named one of Fortune's "Most Admired Companies" for eight years in a row, including being ranked number one in the real estate sector in 2019 and 2020.

Lease Summary



- Lease premises is 9.8 acres.
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- Security deposit is \$317,668.
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- Insurance coverage
 - \$2 Million general liability
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 - \$2 Million pollution liability
- Utilities paid by Lessee.
- All building and site maintenance is the responsibility of Lessee.

Economic Investment / Job Creation



- This action supports Ave 55, a long-term partner and tenant at the Port of Tacoma.
- This action also supports CBRE Global Investors as a new Port tenant and property investor at the Port of Tacoma.
- Current sub-tenants employ about 50 full-time positions at this location. These business support numerous other businesses and transportation services in and around the Port.
- MacMillan-Piper ships approximately 500 containers per month through the Port of Tacoma.

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