

COMMISSION AGENDA

Item No: 7E

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 South, LLC Lease Assignment – 3401 Lincoln Avenue

A. ACTION REQUESTED

Approval an authorization for the Executive Director or his designee to execute a lease assignment from Portside 55 South, LLC to CPUS Portside South, LP for the Lease located at 3401 Lincoln Avenue, Tacoma, WA.

B. BACKGROUND

The Port purchased the 9.13-acre property located at 3401 Lincoln Avenue 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 South, LLC (an entity controlled by Ave 55). The Portside 55 South Lease required the development of the property which also required the demolition of the approximate 183,000 square foot Educator Building that was at the end of its useful life.

Portside 55 South constructed a new 221,010 SF Class A industrial warehouse on this site. Construction was completed in May 2019. This building features 32' clear heights, ample power, and the ability to service rail dependent tenants. Portside 55 South is 100% leased to Wyse Logistics and Article.com. Wyse Logistics was founded in 2003 and specializes in on-time delivery of plastic resin. Article.com was founded in 2011 and is headquartered in Vancouver, B.C. Article.com is a direct-to-customer furniture company that delivers unrivaled value on high-quality modern furniture and home décor. They currently occupy over 1.25 million SF of industrial space in the U.S. and Canada and employ more than 450 people. Both companies ship through the Port of Tacoma. Approximately 50 full-time positions are employed at the Portside 55 South facility.

Now, Portside 55 South is selling these buildings to CPUS Portside South, 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 9.12 acres.
- Lease term is 50-years with a 25-year lease extension.
- Current rent is \$21,943mo. (\$263,316/yr.)
- Security deposit is \$297,127.00.
- 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.

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 from Portside 55 South, LLC to CPUS Portside South, LP.

Portside 55 North, LLC Lease location at 3401 Lincoln Avenue



Portside 55 South, LLC Lease Assignment – 3401 Lincoln Ave.

Presenter:

Scott Francis
Director, Real Estate
Port of Tacoma

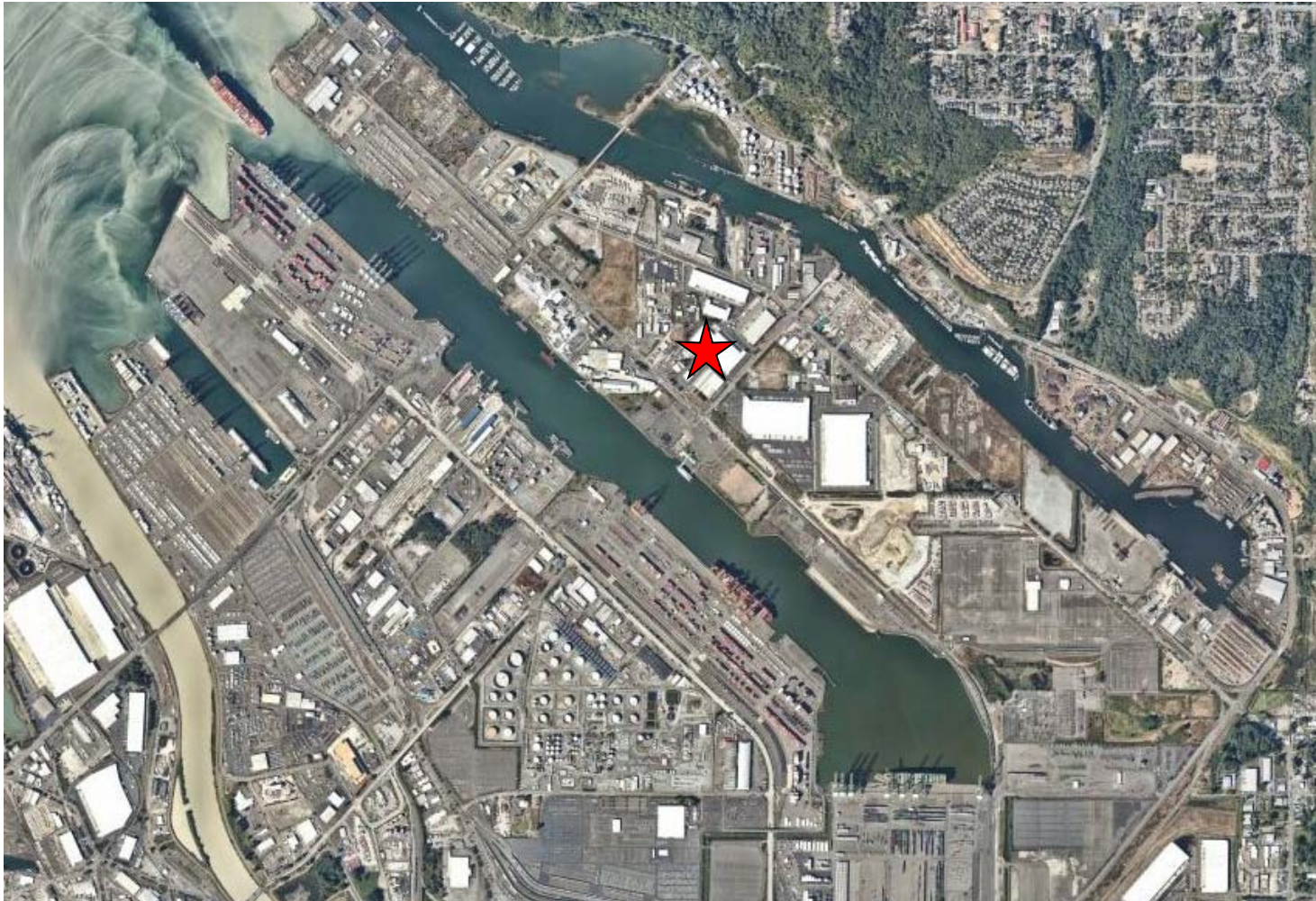


Action Requested

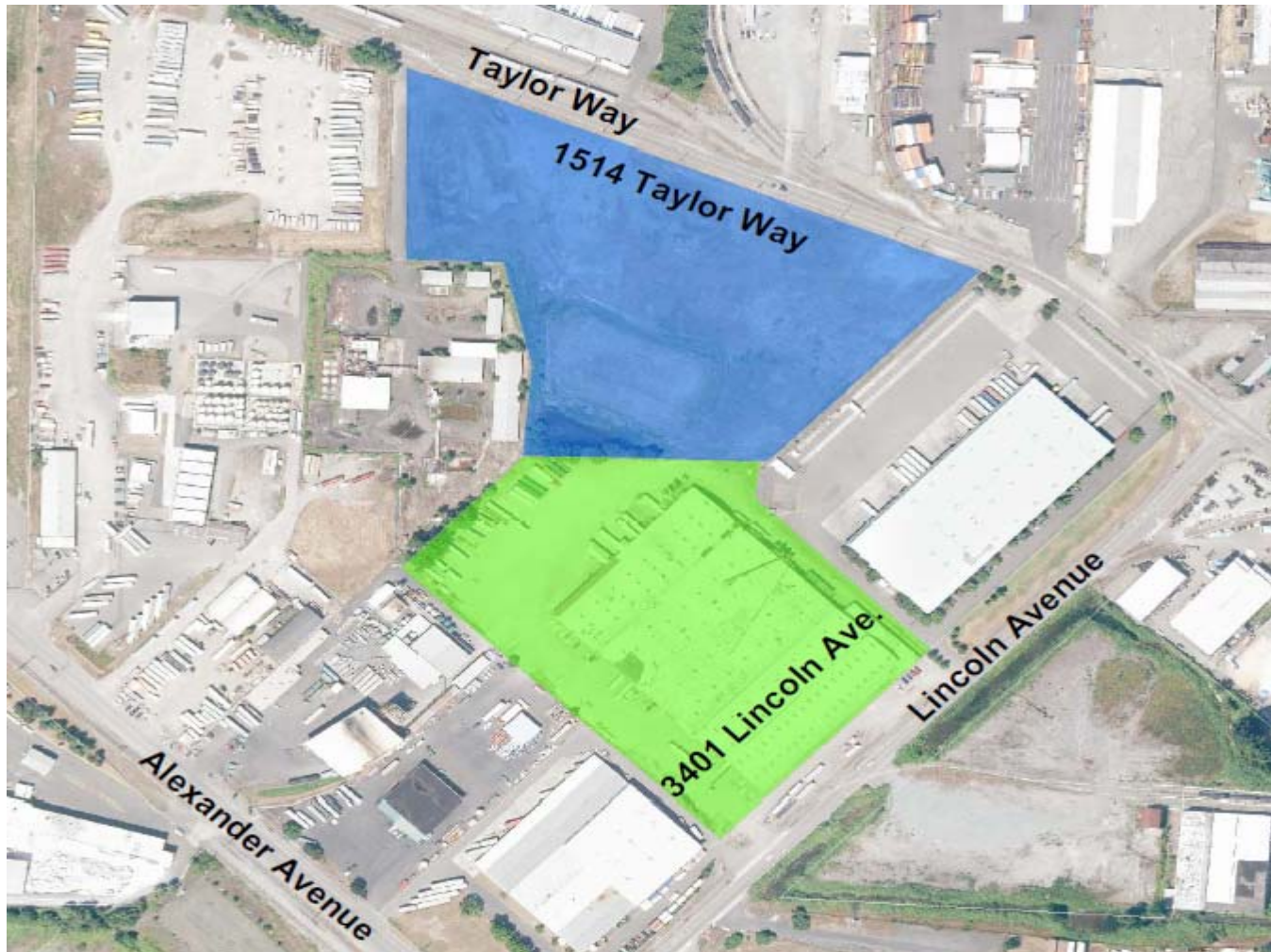


Approval and Authorization for the Executive Director or his designee to execute a lease assignment from Portside 55 South, LLC to CPUS Portside South, LP for the lease located at 3401 Lincoln Avenue, Tacoma, WA.

3401 Lease Location



Lease Premises



Background – Portside 55 South, LLC



- The Port acquired the 9.13-acre property located at 3401 Lincoln Avenue in 2008.
- The property was leased to Ave 55, LLC on November 1, 2016.
- On August 1, 2017, the Lease was assigned to Portside 55 South, LLC (an entity controlled by Ave 55, LLC).
- The Lease required the development of the property which also required the demolition of the Educator Building that was at the end of its useful life.

Background – Development



- Portside South, LLC completed a new 221,010 SF Class A industrial warehouse in May 2019.
- This building features 32' clear heights, ample power, and has plenty of on-site parking.
- Currently Portside 55 South is 100% leased to Wyse Logistics and Article .com.
- Both tenants ship cargo through the Port of Tacoma.

Background – Development



Background – Current Sub-tenants



- **Wyse Logistics** was founded in 2003 and specializes in on-time delivery of plastic resin. They have multiple facilities on both the east and west coast. Wyse Logistics has about 17 employees working at this location, and they ship about 100 containers per week through the Port of Tacoma.
- **Article.com** was founded in 2011 and is headquartered in Vancouver, BC. Article.com is a direct-to-consumer furniture company that delivers high-quality modern furniture and home décor. They currently have over 1.25M square feet of industrial space in the US and Canada, and they employ more than 450 people. At the new Port of Tacoma location, they employee about 36 warehouse and driving positions.

Background - CPUS Portside, LP



- Now, Portside 55 North is selling this building 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. which has been included in the Fortune 500 since 2008, ranking #128 in 2020.
- 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 both 2019 and 2020.

Lease Summary



- Lease premises is 9.12 acres.
- Lease term is 50-years with a 25-year lease extension.
- Current rent is \$21,943/mo. (\$263,316/yr.)
- Security deposit is \$297,127.
- Rents escalate by CPI – applied every five-years.
- Insurance coverage
 - \$2 Million general liability
 - \$2 Million auto liability
 - \$2 Million pollution liability
- Utilities are 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 53 positions at this location. These business support numerous other businesses and transportation services in and around the Port.
- Both tenants support the Port's core business of shipping marine cargo.

Action Requested



Approval and Authorization for the Executive Director or his designee to execute a lease assignment from Portside 55 South, LLC to CPUS Portside South, LP for the lease located at 3401 Lincoln Avenue, Tacoma, WA.