Item No: 6B
Meeting Date: 8/18/26

DATE: August 10, 2026

TO: Port of Tacoma Commission

FROM: Eric Johnson, Executive Director

Sponsor: Debbie Shepack, Sr. Director, Real Estate

Project Manager: Einar Roden, Sr. Manager, Real Estate & Business Development

SUBJECT: Lease Termination Agreement—Silverback Industries, LLC

A. ACTION REQUESTED

Authorization for the Executive Director, or his designee, to enter into a termination agreement for two existing leases with Silverback Industries LLC for the premises located at 401 E. Alexander Avenue, Tacoma, WA, effective September 30, 2026.

Strategic Plan Initiative

OS 1: Continue solid Port financial success and fiduciary performance.

B. BACKGROUND

Silverback Industries, LLC ("Silverback") designs and manufactures military landing craft, patrol vessels, skiffs, towboats, and workboats. Silverback currently leases approximately 23,455 square feet of warehouse space and 0.26 acres of land in Building 407 at 401 E. Alexander Avenue under a lease that began in April 2021 and was subsequently amended to reflect changes in the premises and market-rate adjustments. Motive Power Marine ("Motive") is also a tenant in Building 407. Building 407 is nearing the end of its economic life and is scheduled for demolition as part of the Earley Business Center redevelopment, requiring both tenants to relocate out of the building. To provide temporary replacement space, the Commission previously authorized the tenant-relocation project, including utility improvements; modular office and restroom facilities for both Motive and Silverback; and the design, procurement, and installation of a new, approximately 12,000-square-foot pre-engineered metal building for Silverback, in the amount of $3,330,000, bringing the total authorized project budget to $6,557,000. The Commission also approved a four-year lease for the replacement facility, with approximately one acre of yard area, at $2,000 per month with annual CPI adjustments. Silverback agreed to contribute $750,000 toward the construction costs of the building in three installments. To date, $350,000.00 has been paid to the Port.

Silverback currently pays $12,538.59 per month in rent for its Building 407 premises and associated yard area, subject to annual Consumer Price Index (CPI) adjustments. Rent for the pre-engineered metal building was set at $2,000 per month and was scheduled to commence upon completion of the building and issuance of a certificate of occupancy by the City of

Tacoma. The rental rate reflects Silverback's $750,000 commitment toward the cost of constructing the building. To date, Silverback has paid an initial installment of $350,000.

After executing the lease for the proposed pre-engineered metal building, Silverback identified an alternative facility within the Tideflats that better serves its operational needs. The alternative facility includes a larger, 20,000-square-foot warehouse, three 10-ton overhead cranes, and 3,000 square feet of office space. As a result, Silverback has requested termination of both Port leases.

Approval of the lease termination agreement would eliminate the need to relocate Silverback and avoid approximately $2.8 million in related relocation costs. It would also allow the Port to proceed with planned environmental remediation and evaluate the premises vacated by Silverback to determine appropriate future improvements and uses that support the long-term redevelopment of the EBC.

The termination agreement has the following substantive terms:

- Termination Fee: $5,000
- Effective date: September 30, 2026
- Reimbursement to Silverback: $350,000, representing the amount previously contributed by Silverback toward the proposed replacement metal building

C. **FINANCIAL COSTS/SAVINGS**

Savings from relocation and demolition costs will offset more than the reduction in the standard termination fee and reimbursement amount as can be seen in the table below.

Current Anticipated Costs	
Total Authorization	$ 6,557,000
Projected Total Cost	$ 5,053,000
Remaining Uncommitted Amount	$ 1,504,000
Saved on Just Silverback's Scope	
Remaining uncommitted amount if Silverback's scope is deleted	$ 4,316,000
Remaining uncommitted amount if PFMB is built	$ 1,504,000
Savings on just Silverback's scope	**$ 2,812,000**

D. **ENVIRONMENTAL IMPACTS / REVIEW**

- Port is performing environmental remediation at the EBC
- The Port will inspect Silverback's current lease premises for any environmental contamination before releasing any security deposit owed.

E. **NEXT STEPS**

Upon approval of this request, Port Real Estate staff will proceed with terminating the lease, reimburse Silverback $350,000 for the metal building deposit, and collect the $5,000 lease termination fee from Silverback.