

COMMISSION AGENDA

Item No: 5C
Meeting: 07/26/18

DATE: July 11, 2018
TO: Port Commission
FROM: John Wolfe, Chief Executive Officer
Sponsor: Tong Zhu, Chief Commercial Officer & Chief Strategy Officer
Project Manager: Scott Francis, Director, Real Estate
SUBJECT: Calbag Tacoma, LLC Lease – 1602 Marine View Drive

A. ACTION REQUESTED

Authorize Chief Executive Officer or his designee to enter into a five-year lease with four five-year mutually approved extension options with Calbag Tacoma, LLC for the 3.31- acre premises located at 1602 Marine View Drive, Tacoma, WA, and to 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.

B. BACKGROUND

- The Port acquired this property in 1940.
- Calbag Tacoma, LLC (and/or affiliate companies) leased this property 2005 through March 2016.
- Calbag Tacoma, LLC is an affiliate company of WJR Tacoma, LLC. WJR currently has a five-acre lease on the adjacent area located at 1602 Marine View Drive. This lease term lasts to 2046, and it provides a 30-year extension option.
- This property is a non-performing asset that has been vacant for over two-years.
- The premises access is limited by high speed traffic and elevation change.
- The capped yard is only suitable for light industrial use.

C. PRIMARY LEASE TERMS

- Lease Premises: Approximately 3.31 acres of land located at 1602 Marine View Drive.
- Use: Storage of tools, equipment, boxed and finished goods (bailed products), and employee parking.
- Lease effective date: Estimated at August 1, 2018.
- Lease Term: Five-years with four mutually approved five-year extensions.
- Rent: \$11,534/mo. (\$138,408/yr.) plus leasehold excise tax.
- Rent Escalation: Annual escalation based on CPI-U Seattle-Tacoma-Bellevue.
- Security Deposit: \$156,189 (one year's rent + leasehold tax)
- Insurance Requirements:
 - \$2 Million general liability
 - \$1 Million auto liability
- All utilities are Lessee's responsibility.
- All site maintenance is the responsibility of Lessee.

- Lessee responsible for stormwater system.

D. TIMEFRAME / PROJECT SCHEDULE (TENATIVE)

Lease Reading	July 26, 2018
Lease Effective Date	August 1, 2018
Lease Term	Five Years with four Five-year extensions.

E. FINANCIAL SUMMARY

- Revenues estimated at \$11,534/mo. (\$138,408/yr.)
- Eliminates the need for an estimated \$400,000 storm water system modification.
- This use represents the highest and best use of this property.

F. ECONOMIC INVESTMENT / JOB CREATION

This lease supports numerous jobs in Tacoma. Currently, Calbag employs 24 people at this site. However, at their 2015 peak, 53 employees were employed at this location. 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.

G. ENVIRONMENTAL IMPACTS / REVIEW

The property is a cleanup site regulated by the Washington Department of Ecology (Ecology). The facility was formerly operated as a log sort yard and ASARCO slag was used to stabilize the ground surface for heavy loads. Under the 1993 Consent Decree between the Port and Ecology, a cleanup action plan was implemented that included construction of a low-permeability asphalt cap and stormwater drainage system. To ensure the continued effectiveness of the remedy, the Port is required to conduct cap inspections and groundwater quality monitoring on a 30-month schedule.

In mid-2016, much of the asphalt cap was observed to be in need of maintenance and repair. In October 2017, the Port repaired the cap on the 3.31 acres with a 2-inch lift of asphalt pavement. To preserve the integrity of the repaired asphalt cap, allowed uses under the new lease terms have been revised to eliminate the uses that previously contributed to the cap damage.

H. NEXT STEPS

Upon Commission waiver of the second reading and approval of the requested action, the Chief Executive Officer or his designee will enter into the lease which will commence on or about August 1, 2018.