

COMMISSION AGENDA

Item No: 6D

Meeting: 7/21/22

DATE: June 14, 2022
TO: Port Commission
FROM: Eric Johnson, Executive Officer
Sponsor: Scott Francis, Director of Real Estate, Port of Tacoma
SUBJECT: Partial Release of Right of First Refusal and Restriction on Partial Sales and amendment for the Pacific Hide & Fur Depot (dba Pacific Steel & Recycling) property

A. ACTION REQUESTED

Request Commission approval for the Executive Director or his delegate to execute the required documentation to allow Pacific Hide & Fur Depot to make the following changes regarding their 42.46-acre property located at 18727 38th Avenue East in Pierce County, WA:

- (1) Grant a waiver/partial release of the Port's Right of First Refusal ("ROFR").
- (2) Modify the existing property's restrictions on use to allow industrial uses in addition to the recycling facility ("Use Restriction").
- (3) Grant a one-time waiver of the "Partial Sales Restriction" to allow Future Foam, Inc. to purchase an approximate 28-acre portion of the property. This approval is subject to the following terms and conditions:
 - Deeds of the non-sold Pacific Hide & Fur Depot property (14.46-acres) and the property sold to Future Foam, Inc. (28-acres) will include deed restrictions providing the Port of Tacoma the ROFR for all future property sales, the Partial Sales Restriction, and the Use Restriction.
 - The approvals/waivers will only apply to the proposed property sale referenced in the Purchase and Sale Agreement dated May 5, 2022, between Pacific Hide & Fur Depot as Seller and Future Foam, Inc., as Buyer.
 - The requested approvals/ waivers shall be void if the contemplated sale does not occur.

B. BACKGROUND

The Port sold approximately 42.46-acres located at 18727 38th Avenue East in Frederickson, Pierce County Washington to Pacific Hide & Fur Depot in 2011.

Pacific Steel & Recycling developed a recycling facility at this location that transloads recycled nonferrous metals – primarily aluminum, brass, and copper. This material is collected from their 46 facilities located in nine states and Canada. This material is primarily received via railcar and transloaded to containers for export via the NWSA. Currently, Pacific Steel & Recycling receives 9-12 railcars per month and exports 35-45 containers per month. In peak years, this facility handled double this volume. As information, Pacific Steel & Recycling does not handle catalytic converters at this location.

Pacific Hide & Fur Depot executed a Purchase and Sale Agreement dated May 5, 2022, to sell Future Foam, Inc. an approximate 28-acre portion of this property for \$17,500,000.

Pacific Hide & Fur Depot requests the Port of Tacoma release its Right of First Refusal and the Partial Sales Restriction with respect to the approximate 28-acre property it wants to sell to Future Foam. The Port has no immediate use or need for this property but will continue to have the opportunity to review the next time the property is up for sale.

C. FUTURE FOAM INFORMATION

Future Foam, Inc. is a 64-year-old, privately held company. The company history began with the 1937 opening of Nebraska Furniture Mart in Omaha, Nebraska. The Nebraska Furniture Mart grew into the largest furniture retailer in the country. The Mart was started by Rose Blumkin. Rose worked in her stores until she was 100 years old. She was called Mrs. B, and she is a legend in Nebraska and in American retailing. One of her daughters married Charles Schneider who started Charles Schneider Furniture to provide merchandise for Rose's stores. Charles soon realized furniture was going to need lots of this new polyurethane foam. In 1958, Charles started Future Foam. Charles Schneider Furniture closed after 70 years, but Future Foam continued to grow. Future Foam now has over 30 plants strategically placed both nationally and internationally to make foam for mattresses, packaging, medical applications, marine upholstery, carpet underlay and furniture. Future Foam recycles millions of pounds a month of polyurethane foam trim material used for carpet underlayment.

They anticipate making a total \$38M - \$48M investment in a new Tacoma facility including building costs, capital improvements, and equipment investments. The total project construction and equipment installation is expected to take approximately three to four years before the facility is operational.

Initially, the facility will provide about 75 new jobs for Pierce County, not to mention the many contractors employed to construct the facility and install the equipment. Once, the carpet underlay business is started, another 30 jobs are expected. Initial cargo volumes generated from the new facility are expected to be 8-10 railcars and 8-10 containers per month. Once the carpet underlay business is operational, an additional 5-10 containers will be shipped per month.

D. TERMS AND CONDITIONS OF PARTIAL RELEASE OF RIGHT OF FIRST REFUSAL AND PARTIAL SALES RESTRICTION WAIVER

- Deeds of both the non-sold Pacific Hide & Fur Depot property (14.46-acres) and the property sold to Future Foam, Inc. (28-acres) will continue to include deed restrictions providing the Port of Tacoma the continuing ROFR for all future property sales and the Partial Sales Restriction. Both deeds will also contain the modified Use Restriction.
- The approvals/waivers will only apply to the proposed property sale referenced in the Purchase and Sale Agreement dated May 5, 2022, between Pacific Hide & Fur Depot as Seller and Future Foam, Inc., as Buyer.
- The requested approvals/ waivers shall be void if the contemplated sale does not occur.

E. TERMS OF SALE

- Purchase price is \$17,500,000
- Earnest Money is \$350,000 – deposited with closing agent.
- Closing is within 30-days after waiver of due diligence, but no later than April 1, 2023.

- The sale is contingent on the following:
 - Port of Tacoma waivers and approvals as described herein.
 - Lender approval.
 - Mutual approval of Buyer provided survey which may include an access road.
 - Mutually approved easement access from 38th Street E.
 - Mutually approved covenants.
 - Stage I feasibility (90-day) review of records, etc.
 - Stage II feasibility (150-days after Stage I) review of environmental, SEPA, segregation, utility availability, grade and fill permit, etc.
 - Three 30-day extensions available with \$25,000 nonrefundable Earnest Money deposit for each extension.

F. BENEFITS OF THE PARTIAL SALE TO FUTURE FOAM

- The undeveloped 28-acres of the Pacific Hide & Fur Depot property will be developed and put in service.
- Future Foam, Inc. will build a 200,000-250,000 square foot manufacturing facility.
- Initially about 75 new jobs will be created at the facility in addition to all the construction related jobs during the development. Later an additional 30 positions will be created with the addition of the carpet underlayment operation.

G. SCOPE OF WORK

The Port will execute a written document for the Pacific Hide & Fur property to (1) grant a waiver/partial release of the Port's ROFR, (2) modify the Use Restriction to allow industrial uses and (3) grant a one-time waiver of the Partial Sales Restriction to allow Future Foam, Inc. to purchase a portion of the Property.

H. TIMEFRAME

The sale of this approximate 28-acre property is scheduled to be completed in the near future subject to Buyer's approved due diligence review.

I. FINANCIAL SUMMARY

There is no financial impact to the Port.

J. ECONOMIC INVESTMENT / JOB CREATION

The approval of this request supports the construction of a new Future Foam Inc. manufacturing facility with a capital investment of \$38 million - \$48 million. Initially, 70 employees are expected to work at this facility. This number is expected to increase to 100 employees.

K. ENVIRONMENTAL IMPACTS / REVIEW

There is no known environmental impact.

L. NEXT STEPS

Upon Commission approval, the Executive Director or his delegate will execute the Partial Release of the Port's Right of First Refusal and the Restriction on Partial Sales to facilitate the intended sale of the Sale Property pursuant to the Purchase and Sale Agreement dated May 5, 2022, between Pacific Hide & Fur Depot and Future Foam, Inc. and allow the amended Use Restriction.