

Pacific Hide & Fur Depot (dba Pacific Steel & Recycling):

Amendment to Use Restrictions &

Partial Release of:

- Right of First Refusal
- Restriction on Partial Sales

Presenter:

Scott Francis, Director
Port of Tacoma Real Estate



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.

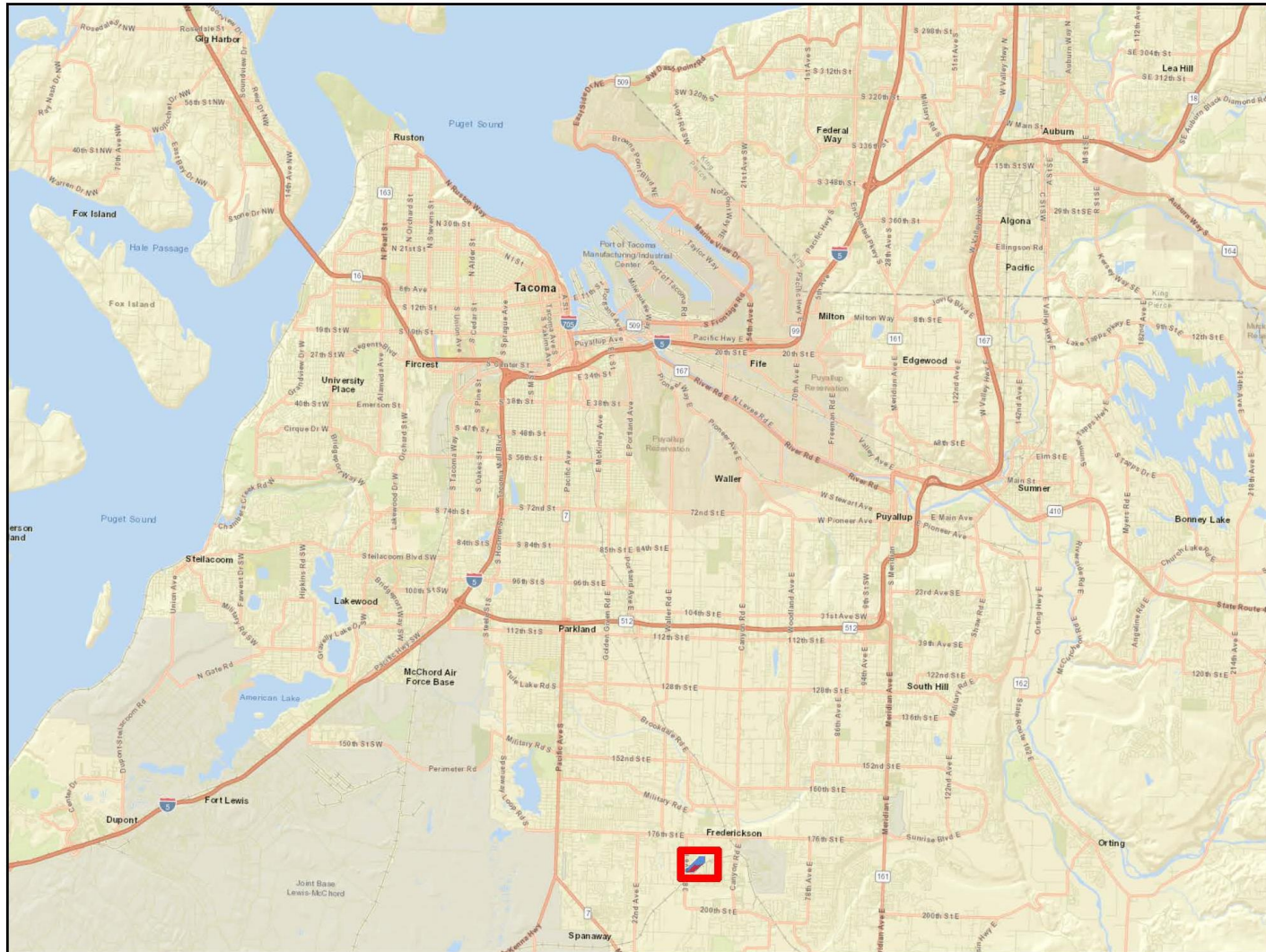
Action Request Continued



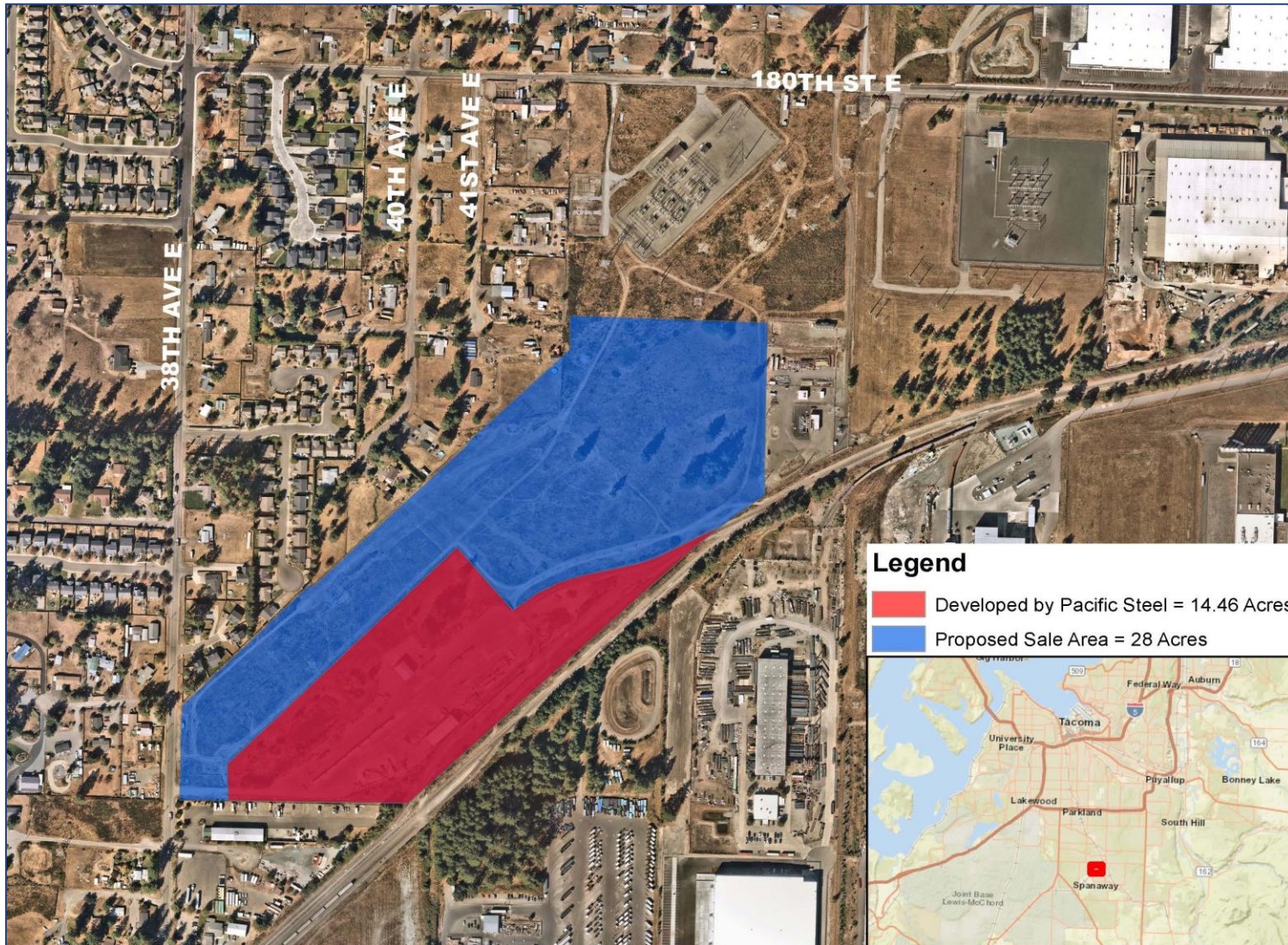
Approval is subject to the following terms and conditions:

- 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.

Pacific Steel - Frederickson, WA



18727 38th Avenue East, Frederickson



Background



- The Port sold 42.46-acres in Frederickson, Washington to Pacific Hide & Fur Depot in 2011.
- Pacific Hide & Fur Depot dba Pacific Steel & Recycling developed a recycling facility at this location.
 - Transloads recycled nonferrous metals – primarily aluminum, brass, and copper.
 - Metal is collected via railcar from 46 facilities located in nine states and Canada.
 - Metal is transloaded to containers for export via the NWSA.
 - Currently, Pacific Steel receives 9-12 railcars per month and exports 35-45 containers per month.

Background Continued



- 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.
- Pacific Hide & Fur Depot requests the Port of Tacoma partially release its Right of First Refusal and 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.

Future Foam Information



- Future Foam, Inc. is a 64-year-old, privately held company with headquarters in Omaha, Nebraska.
- Original company focus was the manufacturing of polyurethane foam for the furniture industry.
- 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.

Future Foam Frederickson Investment



- Future Foam anticipates 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 3-4 years before the facility is operational.
- Initially, the facility will provide about 75 new jobs in Pierce County, not to mention all the contractors employed to construct the facility and install the equipment. Within a few years of operations, another 30 jobs are expected.

Terms of Sale



- Purchase price is \$17,500,000
- Earnest Money is \$350,000
- Closing is withing 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.
 - Lender approval.
 - Mutual approval of Buyer provided survey
 - Mutually approved easement 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.

Terms and Conditions of Partial Release ROFR and Partial Sales Restriction Waiver



- Deeds of both the non-sold and sold properties 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.
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Benefits of 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 invest \$38M - \$48M to build a new 200,000-250,000 square foot manufacturing facility.
- Initially about 75 new jobs will be created with 30 additional positions created in a few years.
- 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.

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