

COMMISSION AGENDA

Item No: 6D

Meeting: 2/21/2023

DATE: February 6, 2023

TO: Port Commission

FROM: Eric Johnson, Executive Director
Project Manager: Gloria Fletcher, Sr. Manager, Real Estate & Economic Development

SUBJECT: Calbag Tacoma, LLC Lease – 1602 Marine View Drive

A. ACTION REQUESTED

Authorize Executive Director or his designee to:

- 1) Terminate the current 5.43-acre Lease with WJR Tacoma LLC for property located at 1602 Marine View Drive;
- 2) Terminate the current 3.31-acre Lease with Calbag Tacoma LLC for property located at 1602 Marine View Drive;
- 3) Enter into a new Lease with a termination date of December 31, 2045, and one thirty-year extension period with WJR Tacoma, LLC for an 8.74- acre premises located at 1602 Marine View Drive, Tacoma, WA;

B. BACKGROUND

- The Port acquired this property in 1940.
- This property is subject to Consent Decree 93-2-08684-4 that requires periodic inspections, ground water monitoring, and routine Cap maintenance.
- WJR (Calbag) leases five-acres on a long-term lease that expires in 2046. This lease includes an option to extend the lease for an additional 30-years.
- WJR owns about an 85,000 square foot building on this property.
- Calbag also leased the adjacent 3.74-acre area from 2005 through March 2016. After Calbag vacated the property, damage to the environmental cap was discovered. This damage was not visible while Calbag was operating on site. The Port deducted \$116,000 from the Lease security deposit for the estimated repairs. As part of the negotiated settlement, Calbag agreed to lease 3.31-acres at this location through June 30, 2023, with four five-year mutually approved extensions. Also, they added .43 acres to their five-acre lease that expires in 2046.
- Now WJR would like to combine the total 8.74-acres into one lease with the same general terms and conditions as the current 5.43-acre lease that that expires in 2045.
- The property access is limited by high-speed traffic and an elevation change at the road.
- The capped yard is only suitable for light industrial use.
- The first reading of this lease was held on February 17, 2022. A second reading was held on March 17, 2022 during which this issue was tabled until further notice.

C. PRIMARY LEASE TERMS

- Lease Premises: Approximately 8.74 acres of land located at 1602 Marine View Drive.

- The new lease will replace the existing 5.43-acre lease that terminates on 2045 and the 3.31-acre lease that expires on June 30, 2023.
- Use: Metal recycling facility provided that the southerly 3.31 acres may only be used for Storage of tools, equipment, boxed and finished goods (bailed products), and employee parking.
- Lease effective date: Estimated at April 1, 2023.
- Lease Term: Through December 31, 2045, with one option to extend an additional 30-years.
- Initial Rent: \$40,763.76/mo. (\$489,165.12/yr.) plus leasehold excise tax (same rent currently received).
- On July 1, 2023, the rent will increase to about \$45,398.62/mo.
- Rent Escalation: Adjusted January 1, 2026 to market rate as determined by an MAI designated appraiser selected by the Port of Tacoma.
- Initial Security Deposit: \$551,974 (one year's rent + leasehold tax)
- Insurance Requirements:
 - \$2 Million general liability
 - \$1 Million auto liability
 - \$2 Million pollution liability
- All utilities are Lessee's responsibility.
- All site maintenance is the responsibility of Lessee except for routine Cap crack sealing as required by the Consent Decree.
- Lessee is responsible for the stormwater system.

D. TIMEFRAME / PROJECT SCHEDULE (TENTATIVE)

Lease Reading	February 21, 2023
Lease Effective Date	April 1, 2023
Lease Term	Through December 31, 2045, with one 30-year extension.

E. FINANCIAL SUMMARY

- Revenues estimated at \$40,764/mo. (\$489,165/yr.)
- Eliminates the future need of an estimated \$400,000 storm water system modification to separate the two properties.

F. ECONOMIC INVESTMENT / JOB CREATION

Currently, Calbag employs 27 people at this site. However, at their 2015 peak, 53 employees worked at this location. Calbag also supports numerous other businesses including transportation and logistics companies and many smaller recyclers in the area. In addition, Calbag ships between 50 and 75 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 need 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. Also, Port staff regularly inspect the CAP to ensure its condition meets Ecology requirements.

H. NEXT STEPS

Upon Commission approval of the requested action, the Executive Director or his designee will enter into the Lease which will commence on or about April 1, 2023.