

First Reading: Avenue 55, LLC Lease – 3402 Lincoln Avenue

Presenter:

Scott Francis
Director, Real Estate
Port of Tacoma



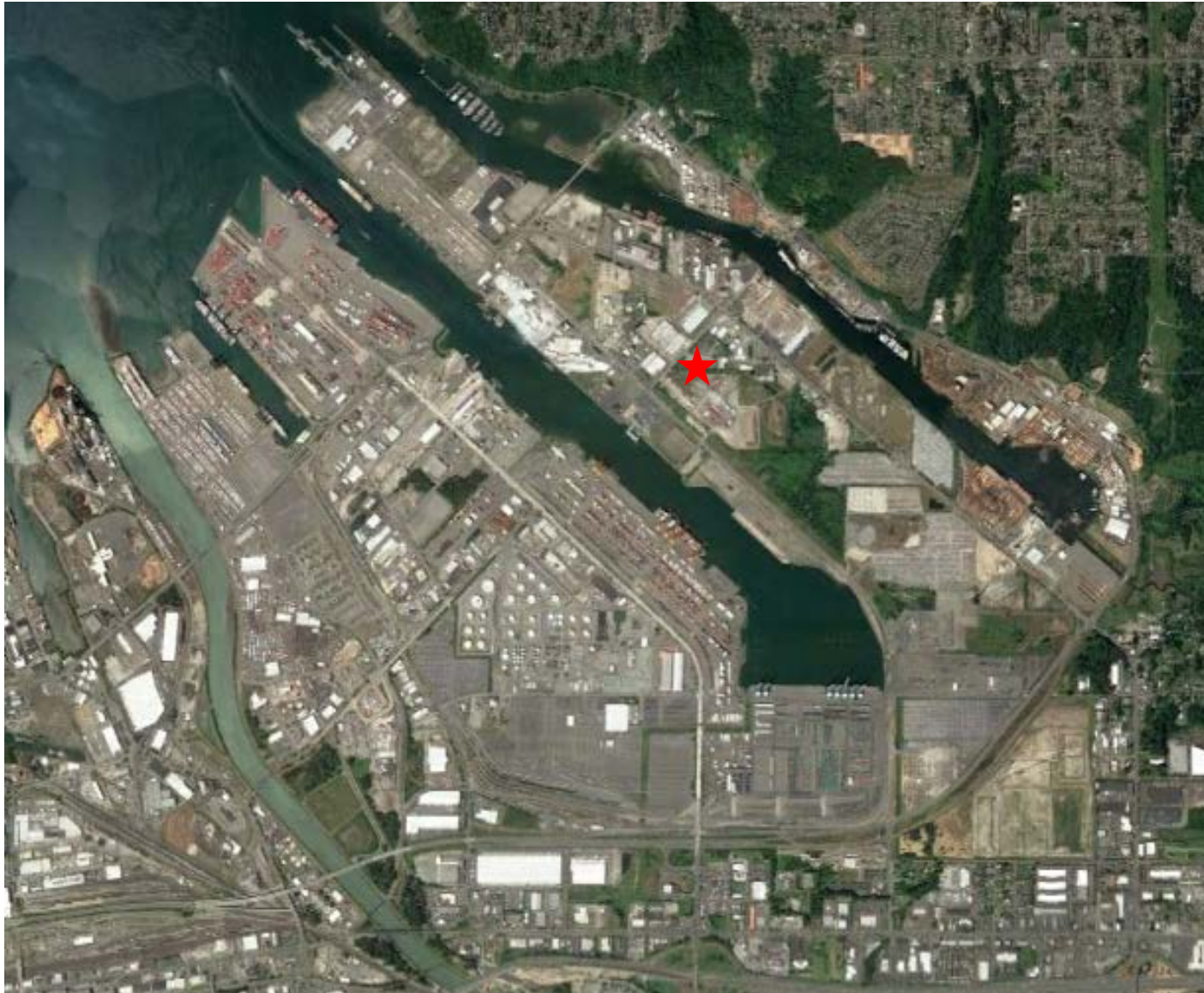
Future Action Requested



Authorize Chief Executive Officer or his designee to enter into a 50-year lease with a 25-year extension option with Avenue 55, LLC for the Premises located at 3402 Lincoln Avenue, Tacoma, WA.



Avenue 55, LLC – Lease Location

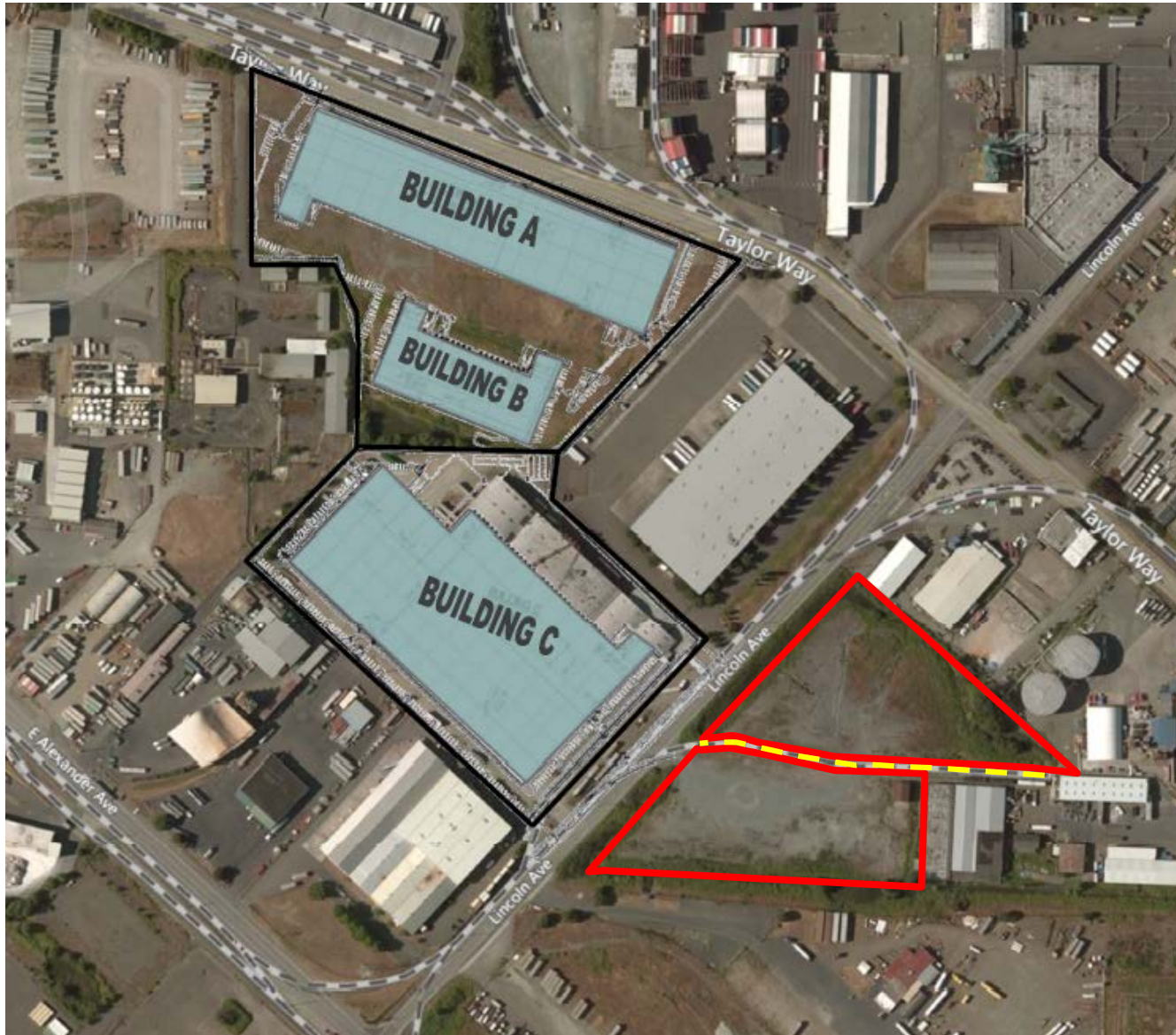


Avenue 55, LLC – Lease Premises

- +—+— Railroads
- Yard Area = 7.13 Acres
- Rail Easement Area



Portside 55 Development



Background



- This 7.13-acre parcel was purchased in 2007 for \$2,860,000.
- A Rail easement exists on the site to provide rail service to an adjacent property owner.
- The property was previously used as a log yard and contains considerable wood waste.
- Since being used as a log-yard this property has remained vacant.

Background Continued



- On November 1, 2016, Avenue 55, LLC entered a 50-year lease for 19.7 acres located at 1514 Taylor Way and 3401 Lincoln Ave.
- Ave 55 is scheduled to start construction in the next two months on a three-building industrial development called Portside 55 that will include 423,940 square feet of new warehouse space.
- This lease will support the Portside 55 development by allowing maximum warehouse development and possible rail service.

Lease Terms



- Lease Effective date estimated at May 1, 2018.
- Fifty (50) year lease with one twenty-five (25) year lease extension.
- Rent at \$18,635/mo. (\$223,620/yr.)
- Deposit is \$55,000.
- Due diligence period is 180-days with three 30-day extensions.
- Rent Commencement is at earlier of start of construction or May 1, 2019.
- Rents escalate by CPI not to exceed 3% per year.

Lease Terms Continued



- Rents reset to market at 15-year intervals.
- Security deposit is one-year's rent plus leasehold excise tax.
- Insurance coverage
 - \$2 Million general liability
 - \$2 Million auto liability
 - \$2 Million pollution liability
- All utilities are Lessee's responsibility.
- All building and site maintenance is the responsibility of Lessee.

Lease Benefits



- The new warehouse development will generate new rail and container business that support the Port's core business.
- New jobs generated during construction.
- The warehouse facility will create dozens of new long-term jobs.
- This lease complies with the Port's Strategic Plan.
- This lease is the highest and best use for this property.
- Utilization of a non-performing Port asset.

Future Action Requested



Authorize Chief Executive Officer or his designee to enter into a 50-year lease with a 25-year extension option with Avenue 55, LLC for the Premises located at 3402 Lincoln Avenue, Tacoma, WA.

Second Reading is scheduled for the March 15, 2018 Commission Meeting.