

ACTION ITEM MEMO

Port of Tacoma Commission



Item No: 6C
Meeting Date: 11/19/24

DATE: November 5, 2024

TO: Port of Tacoma Commission

FROM: Eric Johnson, Executive Director
Sponsor: Alisa Praskovich, Chief Strategic Projects and Commission Relations
Project Manager: Einar Roden, Real Estate Property Manager

SUBJECT: 1st Amendment to Lease with The North West Company (International) Inc.
2000 Taylor Way, Tacoma, WA 98421 – 2nd Reading

A. ACTION REQUESTED

The following action is requested:

Authorization for the Executive Director or his designee to enter into a 1st Amendment with The North West Company (International), Inc., for the premises which include approximately 80,333 square feet of warehouse, 12,500 square feet of cold storage, 4,332 square feet of office, and 5 acres of land located at 2000 Taylor Way, Tacoma WA.

Strategic Plan Initiative: EV-4

B. BACKGROUND

- The Port purchased the property at 2000 Taylor Way in 2009.
- The warehouse was built in 1998.
- The North West Company (NWC) has leased the property at 2000 Taylor Way since November 2009.
- The Port added a new roof to this building in 2013. The building was painted in 2016.
- The current lease from December 2019 expires November 30, 2024, and NWC would like to execute a five (5) year lease extension, with one additional five (5) year extension option subject to mutual approval by the parties.
- The NWC's headquarters are located in Winnipeg, Canada. The company was established in 1779 in Montreal to focus on the fur trade industry around the Great Lakes. Today NWC stores serve rural communities in Northern Canada, Western Canada, rural Alaska, the South Pacific islands and the Caribbean.
- NWC is in good standing.

C. PRIMARY LEASE TERMS

- Lease Premises: Approximately 80,333 SF of warehouse; 12,500 SF of cold storage; 4,332 SF of office; and 5 acres of yard.
- Use: Professional office space and the storage and distribution of food and retail products in warehouse and freezer/cooler.
- Lease Commencement Date: December 1, 2024.
- Lease Amendment: Five (5) years with a five (5) year mutually approved lease extension.
- If all extensions are exercised and approved, the expiration date would be November 30, 2034.
- Rent: Effective December 1, 2024 - \$67,377.27/month (\$808,527.24/year).
- Rent Calculation

Current Rent:	\$63,563.47	(\$0.65 SF/Month)
New Lease 1 st Year Rent:	\$67,377.27	(\$0.69 SF/Month, 6% Increase)
New Lease 2 nd Year Rent:	\$71,419.91	(\$0.74 SF/Month, 6% Increase)
New Lease 3 rd Year Rent:	\$75,705.11	(\$0.78 SF/Month, 6% Increase)
After Year 3:	Lease Escalates by CPI-U	
- After reviewing lease comps on CoStar/LoopNet, CBA, our leases for other warehouses at the Port, and phone interviews with local commercial real estate brokers, Port Real Estate Staff determined the rent for this warehouse should be in the \$0.75-\$0.80 SF/Month range. This is why we are implementing 6% annual rent increases for the first three years of the lease.
- First year's rent equates to \$9,142.00 per gross acre per month.
- Security Deposit: \$912,342.00 (one year's rent + leasehold tax).
- Insurance Requirements:
 - \$2 Million general liability
 - \$1 Million auto liability
- Lessor Maintenance/Repair Responsibility:
 - Major electrical repairs
 - Fire suppression system
 - HVAC maintenance and repairs
 - Exterior walls/ doors/windows/roof
 - Primary & secondary plumbing systems
 - Fire hydrants
 - Exterior painting
 - Fencing and Gates
 - Storm water system repair
- Lessee Maintenance/Repair Responsibility:
 - Storm water system cleaning
 - Freezer maintenance and repair
 - Minor electrical repairs
 - Yard lights and bulb replacement
 - Irrigation and vegetation management
 - Interior doors and dock levelers

- All tenant improvements

D. TIMEFRAME/PROJECT SCHEDULE

- | | |
|----------------------------------------------|------------------------------|
| • 1 st Reading of Lease Extension | October 15, 2024 (Completed) |
| • 2 nd Reading of Lease Extension | November 19, 2024 |
| • Lease Extension Commencement Date | December 1, 2024 |
| • Lease Extension Term | 5 Years |

E. FINANCIAL SUMMARY

- Rent: Effective December 1, 2024 - \$67,377.27/month (\$808,527.24/year).
- Rent: Effective December 1, 2025 - \$71,419.91/month (\$857,038.92/year).
- Rent: Effective December 1, 2026 - \$75,705.11/month (\$908,461.32/year).
- Rent Escalation: Effective December 1, 2027, and each December 1st thereafter, annual escalation based on CPI-U Seattle-Tacoma-Bellevue.

F. ECONOMIC INVESTMENT / JOB CREATION

Twenty-four employees work at this Port of Tacoma location. This amounts to approximately 3.25 jobs per acre of land. NWC also supports many local truck drivers, and they ship cargo to Alaska via Tote and Matson.

G. ENVIRONMENTAL IMPACTS / REVIEW

No known environmental impacts.

H. NEXT STEPS

Upon Commission approval of the requested action, the Port Executive Director or his designee will enter into the lease extension with The North West Company (International) Inc. which will commence on December 1, 2024.