

# COMMISSION AGENDA

Item No: 3A

Meeting: 02/17/17

**DATE:** January 31, 2017  
**TO:** Port Commission  
**FROM:** John Wolfe, Chief Executive Officer  
Sponsor: Tong Zhu, Chief Commercial Officer, Container & Real Estate  
Project Manager: Scott Francis, Director of Real Estate, Port of Tacoma  
**SUBJECT:** Second Reading: Trident Seafoods Corporation Lease – 401 Alexander Avenue

## A. ACTION REQUEST

**SECOND READING/ADOPTION:** Authorize the Chief Executive Officer or his designee to enter into a 20-year lease with Trident Seafoods Corporation for the premises located at 401 Alexander Avenue, Tacoma, WA.

## B. BACKGROUND

- Current lease terms:
  - Commencement date 8/3/1995
  - Premises includes Piers 24 and 25, surrounding yard area, existing buildings, and the parking areas.
  - Current lease terminated 4/30/16 and has continued on a month to month basis.
  - Current lease rate is \$86,250/mo. (\$1,035,000/yr.)
  - Annual maintenance costs are approximately \$300,000.
  - Port has maintenance and repair responsibility for terminal including piers and buildings.
  - Two Whirley cranes were declared surplus and sold to Trident via public auction in 2015.
- Trident issued an RFP for a long-term terminal lease on 10-21-13.
  - The Port responded to the RFP on March 13, 2014.
  - In August 2015, Trident selected the Port of Tacoma as their long-term home, and indicated they wanted to negotiate a new long-term lease in which Trident would invest in the capital improvements required to keep the facility operational.

## C. PRIMARY LEASE TERMS

- Use: office, warehouse, dock operations for fishing fleet
- Lease Commencement Date: approximately January 1, 2017.
- Lease Premises: same as current lease including Piers 24 and 25, buildings, yard areas
- Lease term: 20 years with two mutually approved 5 year extensions
- Initial rent: \$64,253/mo. (\$771,036/yr.)
- Rent commencement date: October 1, 2018
- Rent Escalation: based on CPI-U (limited between 0% - 3% per year, applied every fifth year)
- Utility expenses: Lessee responsibility including storm water
- Security Deposit: \$870,037 (one year rent + leasehold tax)

- Insurance requirements:
  - \$2 Million general liability
  - \$2 Million pollution
  - \$1 Million auto
- Lessee maintenance responsibilities:
  - Maintenance, repairs and improvements for piers
  - Roof repairs for Buildings 592 & 595 to be completed in two years.
  - Part and material costs for building repairs
  - Part and material cost to repair and maintain the fire suppression systems in buildings and on piers.
- Lessor maintenance responsibilities:
  - Labor to maintain buildings excluding roof repairs.
  - Repairs and maintenance for underground utilities.
  - Labor costs to repair and maintain the fire suppression systems in buildings and on piers.
- Lessee may use existing Port permits required for pile replacement and repair.

#### **D. TIMEFRAME/PROJECT SCHEDULE**

Lease First Reading	January 17, 2017
Lease Second Reading	February 17, 2017
Lease Effective Date (retroactive)	January 1, 2017
Lease Term	20 Years

#### **E. FINANCIAL SUMMARY**

- Rent Revenues are \$64,253/mo. (\$771,036/yr.)
- No initial capital improvement costs required by the Port.
- Minimal maintenance and repair obligation for Port.
- New terminal improvements paid by Lessee.
- Trident also leases additional warehouse space at EBC.
- Lease meets Port's financial return requirements

#### **F. ECONOMIC INVESTMENT/JOB CREATION**

- Retain 100-200 jobs in Tacoma.
- Additional jobs generated during construction projects.
- Extend the useful life of marine terminal facility.
- Trident generates additional business for Port tenants and local businesses.

#### **G. ENVIRONMENTAL IMPACTS/REVIEW**

- Dock development must comply with environmental cap requirements.

#### **H. NEXT STEPS**

Upon Commission approval of the requested action, the Port Chief Executive Officer or his designee will enter into the lease which will commence on or about January 1, 2017.