ACTION ITEM MEMO

Port of Tacoma Commission

Item No: 6C
Meeting Date: 9/15/26

DATE: September 8, 2026

TO: Port of Tacoma Commission

FROM: Eric Johnson, Executive Director

Sponsor: Debbie Shepack, Sr. Director, Real Estate

Project Manager: Tyra Dieffenbach, Sr. Manager, Real Estate

SUBJECT: TR Port Commerce Center, LLC – Amended & Restated Ground Leases – Second Reading

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A. ACTION REQUESTED

Authorization for the Executive Director or his designee to enter into five amended and restated ground leases with TR Port Commerce Center, LLC consistent with the terms and conditions as presented, and execute an Estoppel and Non-Disturbance Agreement related to the same.

Strategic Plan Initiative: EV-1 & EV-2

B. BACKGROUND

TR Port Commerce Center, LLC (Port Commerce) is owned by the Teacher's Retirement System of Illinois. They currently have 5 separate ground leases with the Port. They purchased the assets (buildings) from Northwest Building in 2015, as part of that process they were assigned the already established ground leases. These ground leases have been in place since 1986, with a current expiration date of July 2066, if all optional terms are utilized. Port Commerce approached the Port in early 2025 to discuss adding additional term length to the leases in order to refinance their debt. They received feedback from their lender that with only 40 years left on the ground lease; it would not be desirable for the lender to approve the refinance request. The lender looks to have a minimum of 50 years left on the ground lease beyond the maturity of the new loan.

The negotiated amended and restated ground leases are mutually beneficial to both parties. They extend the term to December 31, 2075, with an optional 20-year extension upon mutual agreement, which will allow Port Commerce to secure financing. In exchange for the added term, Port Commerce has agreed to a rent increase of $8,000 an acre across all 5 leases. The amended and restated ground leases also sync rent increases across the leases which will streamline operations and lease administration for both parties. The amended and restated leases also set a fixed rent increase at 3.5% each year with a fair market value reset every 10-years.

Subtenant Profile:

Lease #	Address of Premises	Acres	Subtenant	Employees (per acre)
a	2102 Milwaukee Way	11 acres	Stryder Motorfreight USA, LLC	20 (<1/acre)
b & d	2144 Milwaukee Way	10 acres	Arclin Surfaces, LLC	25 (~2.5/acre)
c	2120 Milwaukee Way	6 acres	American Promotional Events/Atlantic Moving & Storage	25 (~4/acre)
e	2309 Milwaukee Way	25 acres	Quaker Sales & Distribution (PepsiCo)	75 (~2.5/acre)

C. KEY LEASE TERMS

Permitted Use: It is the intent of the parties that the Tenant's subtenants will be businesses which either use the Port's marine terminal facilities or provide goods and services to such users. In the event that exclusive occupancy by such subtenants is impractical, Tenant may lease to other subtenants who will provide substantial employment or other contributions to the Pierce County economic base with the prior written approval of the Port, which shall not be unreasonably withheld.

Premises:

Lease #	Address of Premises	Acres
a	2102 Milwaukee Way	11.04 acres
b	2144 Milwaukee Way	7.726 acres
c	2120 Milwaukee Way	5.853 acres
d	2144 Milwaukee Way	2.212 acres
e	2309 Milwaukee Way	25.66 acres

Lease Commencement: January 1, 2026

Lease Term: January 1, 2026 to December 31, 2075 (50 years)

Extension: An optional 20-year extension upon mutual agreement.

Base Rent:

Lease #	Address of Premises	Rent Per Month
a	2102 Milwaukee Way	$88,320.00
b	2144 Milwaukee Way	$61,808.00
c	2120 Milwaukee Way	$46,824.00
d	2144 Milwaukee Way	$17,696.00
e	2309 Milwaukee Way	$205,280.00

In addition to base rent, pursuant to the Revised Code of Washington, Tenant must also pay Washington State leasehold excise tax as now or hereafter assessed, currently assessed at 12.84% of taxable rent.

Rent Adjustment: Monthly Rent shall be automatically adjusted on each one-year anniversary of the Rent Commencement Date ("Rent Adjustment Date") at a fixed rate of 3.5%.

Appraisal and Rent Adjustment: At the end of each ten (10) year period during the term of each Lease, the Base Rent shall be adjusted based on a revaluation of the land for which Base Rent is payable under. The revaluation shall be made by the parties; provided, however, in the event the parties fail to agree on the value of the land on such revaluation, then a revaluation shall be made by a third-party appraiser selected by the Port.

Security Deposit: Pursuant to the Revised Code of Washington, Tenant shall pay a Security Deposit equal to twelve (12) months’ rent plus Washington State Leasehold Excise Tax (currently 12.84%) per lease. The Security Deposit will be adjusted in accordance with adjustments to rent. The Security Deposit may be in the form of cash or letters of credit.

Maintenance: All maintenance shall be the sole responsibility of the Tenant. Tenant shall maintain all portions of the land and improvements in clean order, condition, and repair.

Utilities: Tenant to be responsible for timely payment of all utility fees, charges, and assessments for all utility services provided to the Premises.

Estoppel & Non-Disturbance Agreement

- In 2015, the Port agreed to an Estoppel & Non-Disturbance Agreement with the tenant/lender.
- As part of this process, we have renegotiated the terms of that agreement, and will need to re-execute it with the amended and restated leases.
- The most recent changes materially strengthen the Port's position in several areas while preserving the language required by the lender.
- Overall, the revisions shift risk away from the Port, increase certainty around default and foreclosure scenarios, and clarify responsibility among Tenant, Lender, and the Port.

D. TIMEFRAME/PROJECT SCHEDULE

First Reading Occurred	June 16, 2026
Second Reading	September 15, 2026
Lease Execution	September 16, 2026

E. FINANCIAL SUMMARY

- The Port has negotiated a rate increase for the restated leases at $8000/per acre per month.
- The increase across all 5 leases would be $126,432/month or $1,517,211/year, as follows:

Lease #	Address	Acres	Current Rent Per Acre	Current Rent Per Month	Proposed Rent
a	2102 Milwaukee Way	11.04 acres	$7,475	$82,530	$88,320
b	2144 Milwaukee Way	7.726 acres	$4,540	$35,056	$61,808
c	2120 Milwaukee Way	5.853 acres	$7,288	$42,492	$46,824
d	2144 Milwaukee Way	2.212 acres	$7,482	$16,536	$17,696
e	2309 Milwaukee Way	25.66 acres	$4,537	$116,432	$205,280
			Total Per Month	**$293,496**	**$419,928**
			Total Per Year	**$3,521,925**	**$5,039,136**

F. ECONOMIC INVESTMENT / JOB CREATION

Subtenants collectively employee about 145 employees, or about 3 jobs per acre.

G. NEXT STEPS

Upon Commission approval of the requested action, the Port Executive Director or his designee will execute the lease documents.