

COMMISSION AGENDA

Item No: 4B

Meeting: 04/20/17

DATE: April 11, 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: Early Termination of the 4.88 acre lease with GP Gypsum, LLC

A. ACTION REQUESTED

Authorize the Chief Executive Officer (CEO) or his designee to approve the early termination of the 4.88 acre lease with GP Gypsum, LLC located at 1225 Alexander Avenue, Tacoma, WA.

B. BACKGROUND

- GP Gypsum has a 15.54 acre lease on the Blair Waterway (1240 Alexander Avenue) that includes their vessel off-loading terminal and manufacturing facility. This lease terminates in 2039 and currently generates \$755,244 annual rent.
- In September 2015, GP Gypsum also leased an undeveloped 4.88 acre area located at 1225 Alexander Avenue.
 - This lease is scheduled to terminate on August 31, 2018.
 - Current rent is \$19,371/mo.
 - The intended use of this property was to store bulk gypsum to protect their business from supply chain interruptions.
 - To date, GP Gypsum has not used this property because of the high cost of regulatory requirements to improve the property for gypsum storage.
 - GP Gypsum requests an early termination of this lease.

C. ECONOMIC

- The termination of this lease may allow a larger parcel to be marketed for development later this year subject to Ecology's approval.
- GP Gypsum or their gypsum supplier may lease another Port property to replace this property.
- No loss of jobs is caused by this action.

D. FINANCIAL IMPACT

- The 2017-2021 budget includes revenue from the property of approximately \$232,000 per year until August 2018. Based on the original financial modeling from the 2015 agreement, the loss of revenue has a minimal impact on the Net Present Value of the agreement.

E. ENVIRONMENTAL IMPACTS / REVIEW

- Development of this property keeps property from developing into wetlands.
- Development of this property eliminates invasive snail habitat.

F. NEXT STEPS

Upon Commission approval, the CEO or his designee will approve the termination of the 4.88 acre lease with GP Gypsum, LLC for the premises located at 1225 Alexander Avenue.

cc: Tong Zhu