

PORT OF TACOMA COMMISSION
ACTION ITEM MEMO



Item No: 6E
Meeting Date: 3/21/2023

DATE: 3/7/2023
TO: Port of Tacoma Commission
FROM: Eric Johnson, Executive Director
Sponsor: Alisa Praskovich, Chief, Strategic Projects and Commission Relations
Project Manager: Gloria Fletcher, Sr. Manager, Real Estate
SUBJECT: WJR Lease Consolidation

A. ACTION REQUESTED

Authorize Executive Director or his designee to:

1. Terminate the current 5.43-acre Lease with WJR Tacoma LLC for property located at 1602 Marine View Drive.
2. Terminate the current 3.31-acre Lease with Calbag Tacoma LLC for property located at 1602 Marine View Drive.
3. Enter into a new Lease with a termination date of December 31, 2045, and one thirty-year extension period with WJR Tacoma, LLC for an 8.74-acre premises located at 1602 Marine View Drive, Tacoma, WA.

B. BACKGROUND

The following information is in addition to the information provided for the February 21, 2023 Port of Tacoma Commission Meeting. WJR/Calbag currently have two ground leases on Port property under the following general terms and conditions:

- 5.43-acre ground lease:
 - 50-year term, expiring in July 2046
 - One 30-year extension option available at Tenant's request
 - Original rate based on market, with adjustments every five years to market value, no minimum or maximum increase stated.
 - 4th Amendment in 2014 revised escalation to CPI only each year with a maximum increase of 7%
 - WJR developed the land with an 85,000 SF building that, if requested by Port, they will need to demolish upon lease termination.
 - Current lease amount \$5558 per acre
- 3.31-acre vacant land lease:
 - Five-year term, expiring in June 2023
 - Four five-year extension options subject to mutual agreement
 - Escalations are based on CPI

- WJR would like to combine the total 8.74 acres into one lease with the same general terms and conditions as the current 5.43-acre lease with the following revisions:
 - Initial termination date changed from July 2046 to December 2045, extension option would remain
 - Rent to be adjusted January 1, 2026, and every five years thereafter by the greater of
 - a) compounded annual escalation based on CPI-U Seattle-Tacoma-Bellevue Area or
 - b) market rate as determined by an MAI designated appraiser selected by the Port of Tacoma
 - c) 12.5% above the then current rent.
- WJR declined the Port's request to revise the current extension language to be mutually agreeable.

C. TIMEFRAME / PROJECT SCHEDULE (TENATIVE)

Lease Reading	March 21, 2023
Lease Effective Date	April 1, 2023
Lease Term	Through December 31, 2045, with one 30-year extension.

D. FINANCIAL SUMMARY

- Revenues estimated at \$40,764/mo. (\$489,165/yr.)
- Eliminates the future need of an estimated \$400,000 storm water system modification to separate the two properties.
- Allows for tenant to continue to make capital investments into the property.
- This use represents the highest and best use of this property.

E. ECONOMIC INVESTMENT / JOB CREATION

Currently, Calbag employs 27 people at this site. However, at their 2015 peak, 53 employees worked at this location. Calbag also supports numerous other businesses including transportation and logistics companies and many smaller recyclers in the area. In addition, Calbag ships between 50 and 75 containers through the Port each month.

F. ENVIRONMENTAL IMPACTS / REVIEW

The property is a cleanup site regulated by the Washington Department of Ecology (Ecology). The facility was formerly operated as a log sort yard and ASARCO slag was used to stabilize the ground surface for heavy loads. Under the 1993 Consent Decree between the Port and Ecology, a cleanup action plan was implemented that included construction of a low-permeability asphalt cap and stormwater drainage system. To ensure the continued effectiveness of the remedy, the Port is required to conduct cap inspections and groundwater quality monitoring on a 30-month schedule.

In mid-2016, much of the asphalt cap was observed to need maintenance and repair. In October 2017, the Port repaired the cap on the 3.31 acres with a 2-inch lift of asphalt pavement. To preserve the integrity of the repaired asphalt cap, allowed uses under the new lease terms have been revised to eliminate the uses that previously contributed to the cap damage. Also, Port staff regularly inspect the CAP to ensure its condition meets Ecology requirements.

G. NEXT STEPS

Upon Commission approval of the requested action, the Executive Director or his designee will enter into the Lease which will commence on or about April 1, 2023.