

Item: 5D

Date: 10/20/22

Shelton Lease Amendment 5108 Marine View Drive

Presented By:
Scott Francis

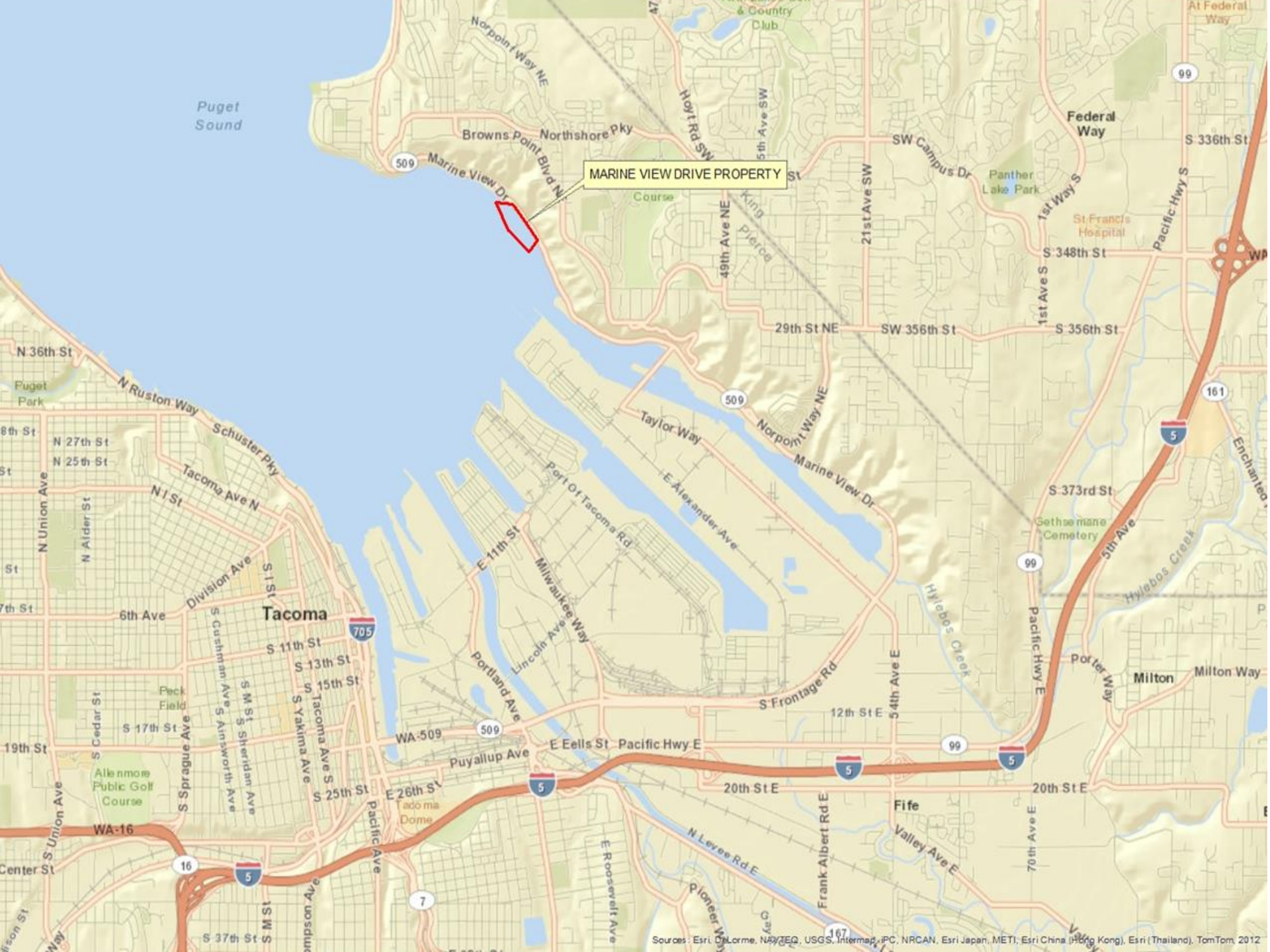
Director, Real Estate



Actions Requested



1. Request Commission approval of the First Amendment to the land lease between the Port of Tacoma and Steve and Mary Shelton for property located at 5108 Marine View Drive to allow for Lease termination and reimbursement of tenant improvements to the house for the flat rate of \$50,000.
2. Waive the second reading, which is required for Port of Tacoma lease approvals pursuant to Commission Master Policy on Delegation of Authority, Section III. B. 2.



MARINE VIEW DRIVE PROPERTY

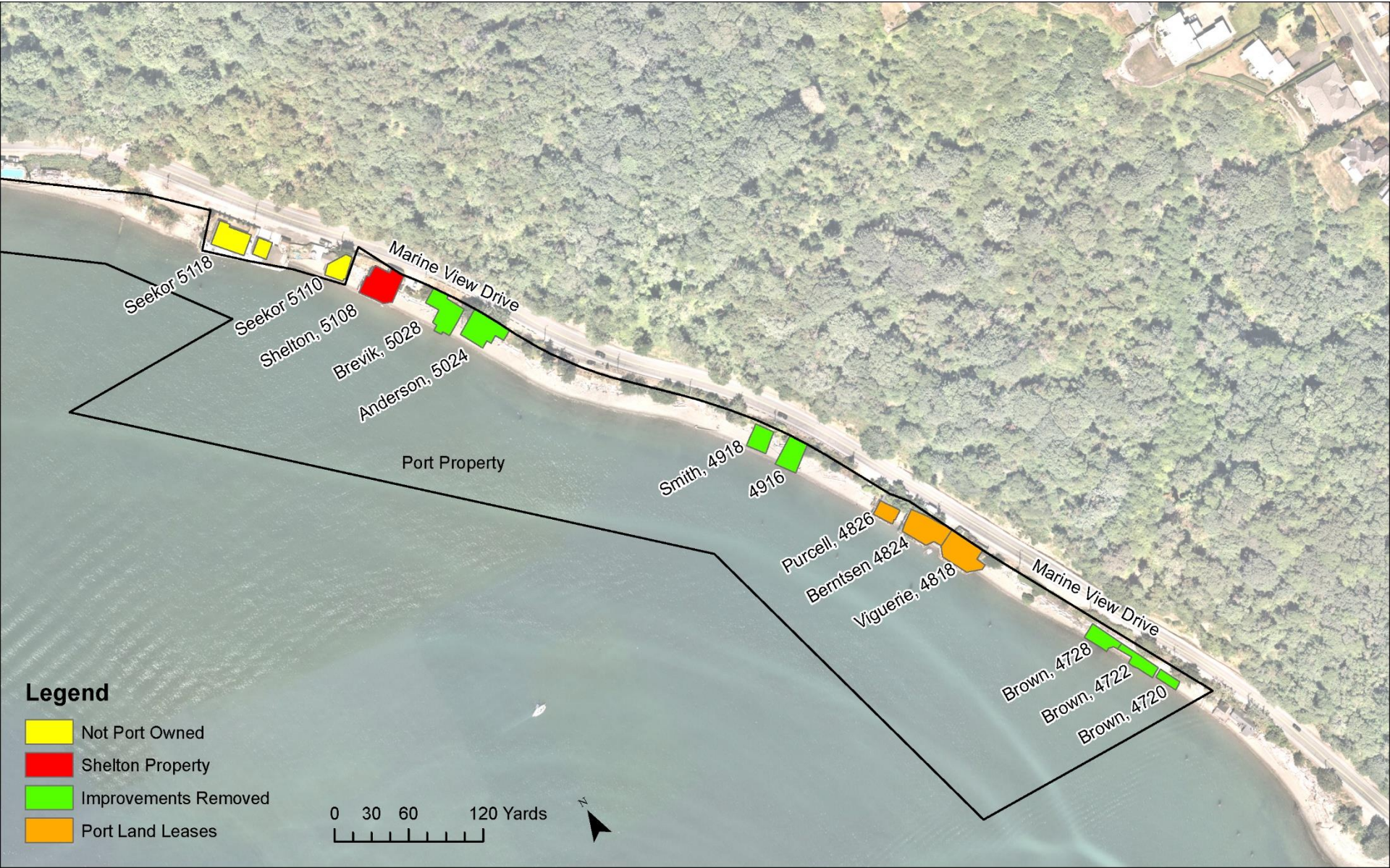
Background:

- Dec 2005 - Port purchased the 17-acre Marine View Drive site for \$2.75 million.
- Property was purchased with the long-term intent of conducting habitat restoration and developing public access to Commencement Bay.
- At the time of purchase, 10 houses were located on this property.
- One house was owned and leased by the Port – the Shelton Lease.

Background Continued:

- Nine houses were owned as personal property by the Port's land lease tenants.
- The Port collected land rents on the land under the houses via carry-over month-to-month leases from the previous owner.
- In 2012, the Port worked with the tenants to create long-term leases that included a one-time buyout option if exercised by 11/15/2013.

Marine View Drive Structures



Current Shelton Lease Terms:

- **Rent:** \$588/month, plus leasehold excise tax for the land and building.
- **Annual Rent Escalation:** By CPI with minimum of 2.5%
- **Security Deposit:** Equivalent to three month's rent, plus leasehold tax.
- **Insurance Requirements:**
 - \$300K for bodily injury or death
 - \$25K for property damage
- **Maintenance:** The tenant's sole responsibility
- **Lease Termination:**
 - Automatic at end of tenant's occupancy
 - At Port's discretion with a 12-month notification. Port will pay market value for tenant improvements.

Lease Amendment Terms:

- Sheltons will vacate the property on or about November 1, 2022.
- The Port will reimburse the Sheltons for their tenant improvements for the flat rate of \$50,000.
- The Lease will terminate on or about November 1, 2022.

Lease Amendment Benefits:

- The Sheltons feel unsafe at this location. Approving this Amendment will allow the Sheltons to relocate to another area that is more suitable for them.
- This Amendment supports the Port's long-term goal of demolishing the houses on this property and conducting habitat restoration.
- The negotiated improvement reimbursement payment is expected to be less today than it will be in the future.
- The negotiated reimbursement saves the Port the cost of an appraisal.

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