

# COMMISSION AGENDA

Item No: 7A

Meeting: 10/29/20

**DATE:** October 19, 2020

**TO:** Port Commission

**FROM:** Eric Johnson, Executive Director  
Sponsor: Eric Johnson, Executive Director  
Project Manager: Scott Francis, Director of Real Estate, Port of Tacoma

**SUBJECT:** Purchase property located at 2235 and 2311 Ross Way, Tacoma, WA

## A. ACTION REQUESTED

Authorization for the Executive Director or his designee to complete the execution of the Purchase and Sale Agreement dated August 7, 2020 with Transport Ventures, LLC (Seller) for the property located at 2235 and 2311 Ross Way, Tacoma, WA also known as Pierce County tax parcels 6965000240, 6965000230 and 6965000220. This entails authorizing the Executive Director or his designee to execute all additional documents and take any and all additional actions necessary or required in connection with the completion of the purchase.

## B. BACKGROUND

- The property recently became available for purchase in the summer of 2020.
- This property is located within the Port of Tacoma's "Strategic Area."
- The Port of Tacoma entered into a Purchase and Sale Agreement (PSA) on August 7, 2020 subject to the following: 1) Port Commission approval, 2) appraised valuation and 3) satisfactory due diligence review of the property including an environmental review.
- A master appraisal dated September 28<sup>th</sup>, 2020 indicates the property valuation is \$2,000,000.
- The property is currently leased to Premier Transport, Inc.
- This action was previously requested at the October 15, 2020 Commission meeting. The Commission did not vote on this request subject to the receipt of additional information.
- The PSA was amended to extend the Feasibility Period to October 30, 2020 and the closing date to within 10-days after the removal of the feasibility contingency.

## C. PROPERTY DESCRIPTION

- The property is 1.722 acres.
- Building improvements include one 3,014 square foot building, including 1,354 square feet of office and 1,660 square feet of warehouse.
- Zoning is Port Marine Industrial.

## D. PURCHASE TERMS

- Purchase Price: \$2,000,000.
- Earnest Money: \$50,000. The Earnest Money is refundable until Buyer provides notice to Seller that the Feasibility Contingency is satisfied.

- Feasibility Period is through October 30, 2020 (as amended).
- Closing Fees: Normal closing costs with Buyer responsible for recording fees, extended Title Policy coverage, one-half of escrow fees, and prorated utilities.
- Closing will occur within 10-days after the Port's notice of feasibility contingency satisfaction.
- The Port agrees to execute a lease to Premier Transport, Inc. which is controlled by the Seller. The lease will commence at closing and continue for a period of 36 months with two one-year extensions subject to mutual approval of parties.

#### **E. LEASE TERMS**

- Lease Premises: Approximately 1.722 acres.
- Use: Office, warehouse, truck and trailer parking.
- Lease Commencement Date: Upon closing of the real estate acquisition transaction.
- Lease Term: Three (3) years with two, one-year mutually approved lease extensions.
- Rent: \$10,300/mo. (123,600/yr.)
- Rent Escalation: Annual escalation based on CPI-U Seattle-Tacoma-Bellevue.
- Security Deposit: \$139,470 (one-year's rent + leasehold tax)
- Insurance Requirements:
  - \$2 Million general liability.
  - \$1 Million auto liability.
- All utilities are Lessee's responsibility.
- Lessor Maintenance/Repair Responsibility:
  - Foundation and exterior walls.
  - Major building electrical system.
  - Fire suppression system inspection.
  - Primary plumbing system.
  - Fire hydrant inspections and maintenance.
- Lessee Maintenance/Repair Responsibility:
  - Minor electrical repairs.
  - Secondary plumbing.
  - Storm water system.
  - Roof repair and maintenance.

#### **F. FINANCIAL SUMMARY**

- This acquisition is within the amount budgeted for acquisitions in the 2020 budget.
- The future lease of this property to Premier Transport, Inc. at approximately \$10,300/month is at market rate, is the highest and best use of the property, and produces an annual 6% return on investment which meets the market rate of return for similar properties in the area. The initial annual revenue is \$71,768 per acre.

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

The Port's Environmental Department's review of the property included both Phase 1 and 2 Environmental Reports. Some weathered diesel was detected in groundwater in the area of an old underground storage tank (UST) that was previously removed. Also, two sample locations found lead concentrations in groundwater that exceed cleanup levels. The lead is assumed to

have migrated on the property from adjacent properties. See attached graphic. The Environmental Team expects these three locations will only require future monitoring until the concentrations naturally attenuate. However, there may be grant funding available to complete a cleanup.

#### **H. FUTURE USE/BENEFIT TO PORT**

- This property is located within the Port's Strategic Focus Area.
- The property is ideally located to support future terminal expansion opportunities and provide support for the Port's core container business.
- This property is adjacent to other Port owned properties and meets the Port's goal of assembling properties in the area to create greater future opportunities and efficiencies provided by large contiguous properties.

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

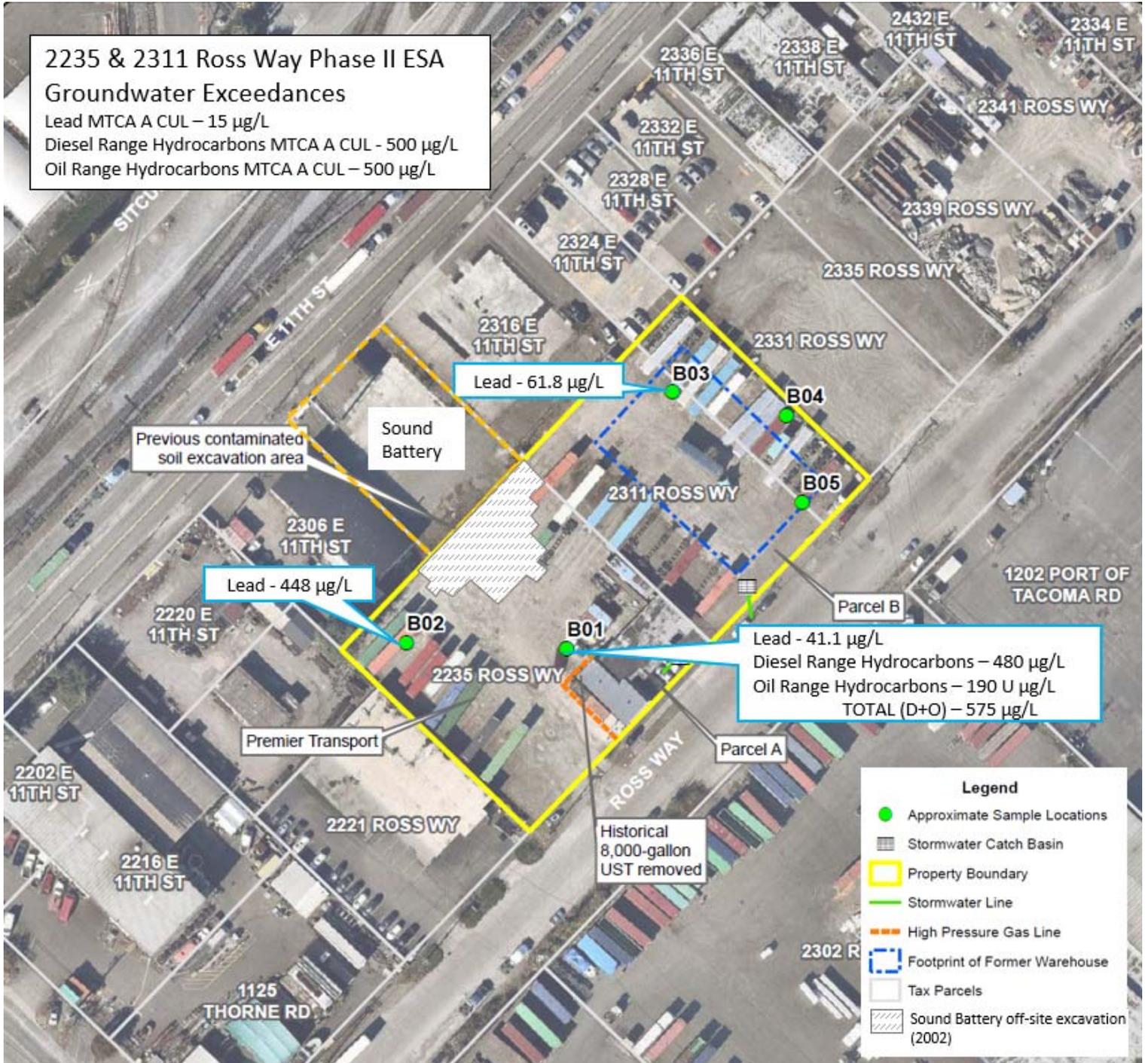
- No short-term improvements or investments are anticipated for this property.
- Job retention – The new lease with Premier Transport Inc. will maintain six jobs on site and twenty-three truck driving positions on the tide flats.
- Premier Transport, Inc. and affiliate companies have worked at this location since 1986 providing local drayage and support to many Port tenants.

#### **J. TIMEFRAME / PROJECT SCHEDULE**

- August 7, 2020 - Purchase and Sale Agreement Effective Date.
- October 30, 2020 – End of Inspection and Due Diligence periods. Port (Buyer) to waive due diligence contingency upon Commission approval.
- November 9, 2020 - Closing on or before this date.

#### **K. NEXT STEPS**

Upon Commission approval, Executive Director or his designee will execute any and all documents and take any and all additional actions necessary or required in connection with the completion of this purchase.





Item No.: 7A  
Date of Meeting: October 29, 2020

# Property Acquisition: 2235 and 2311 Ross Way, Tacoma, WA

Presenter:

Scott Francis  
Director of Real Estate  
Port of Tacoma

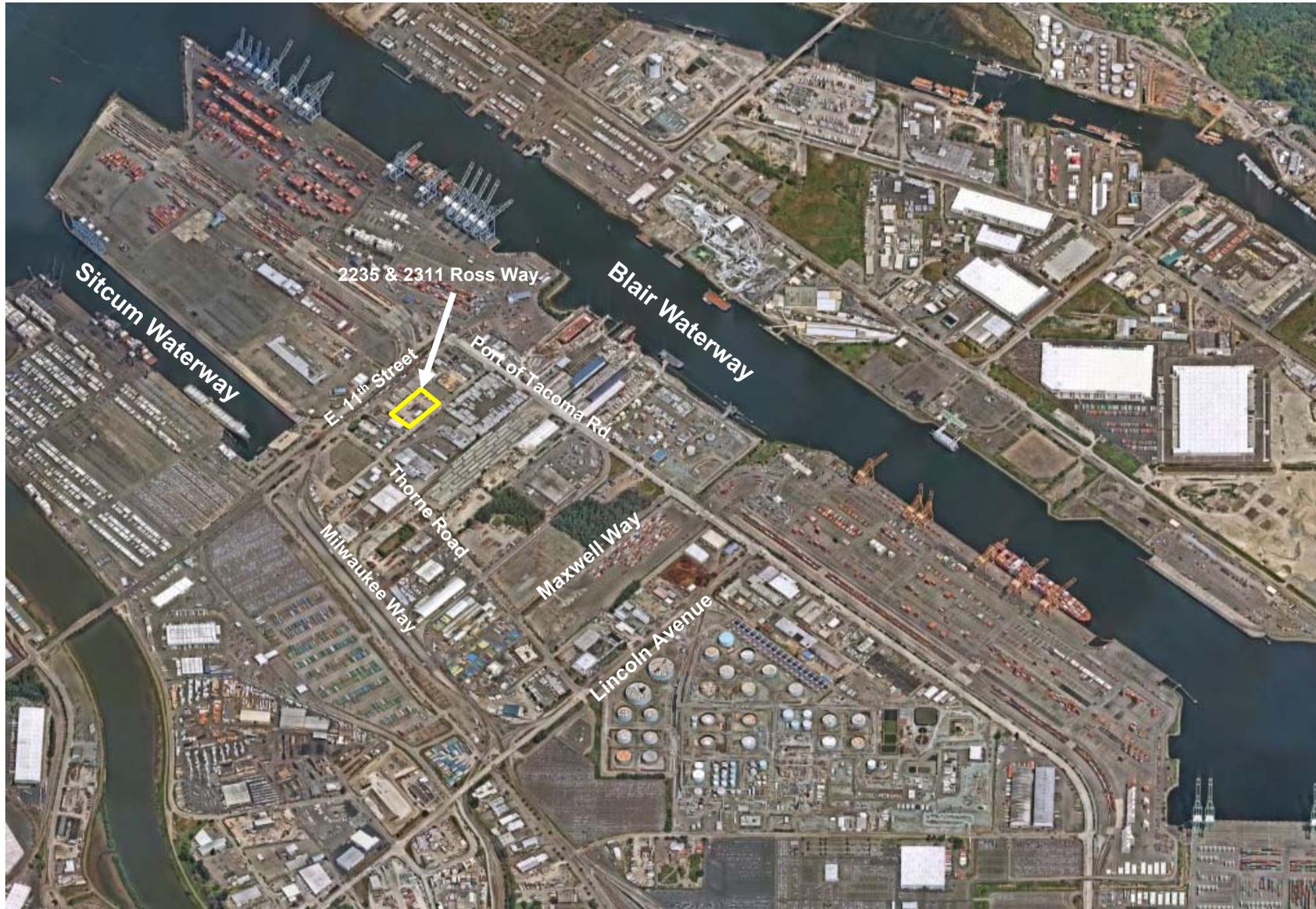


# Action Requested



Authorization for the Executive Director or his designee to complete the execution of the Purchase and Sale Agreement dated August 7, 2020 and amended on October 21, 2020 with Transport Ventures, LLC (Seller) for the property located at 2235 and 2311 Ross Way, Tacoma, WA also known as Pierce County tax parcels 6965000240, 6965000230 and 6965000220. This entails authorizing the Executive Director or his designee to execute all additional documents and take any and all additional actions necessary or required in connection with the completion of the purchase.

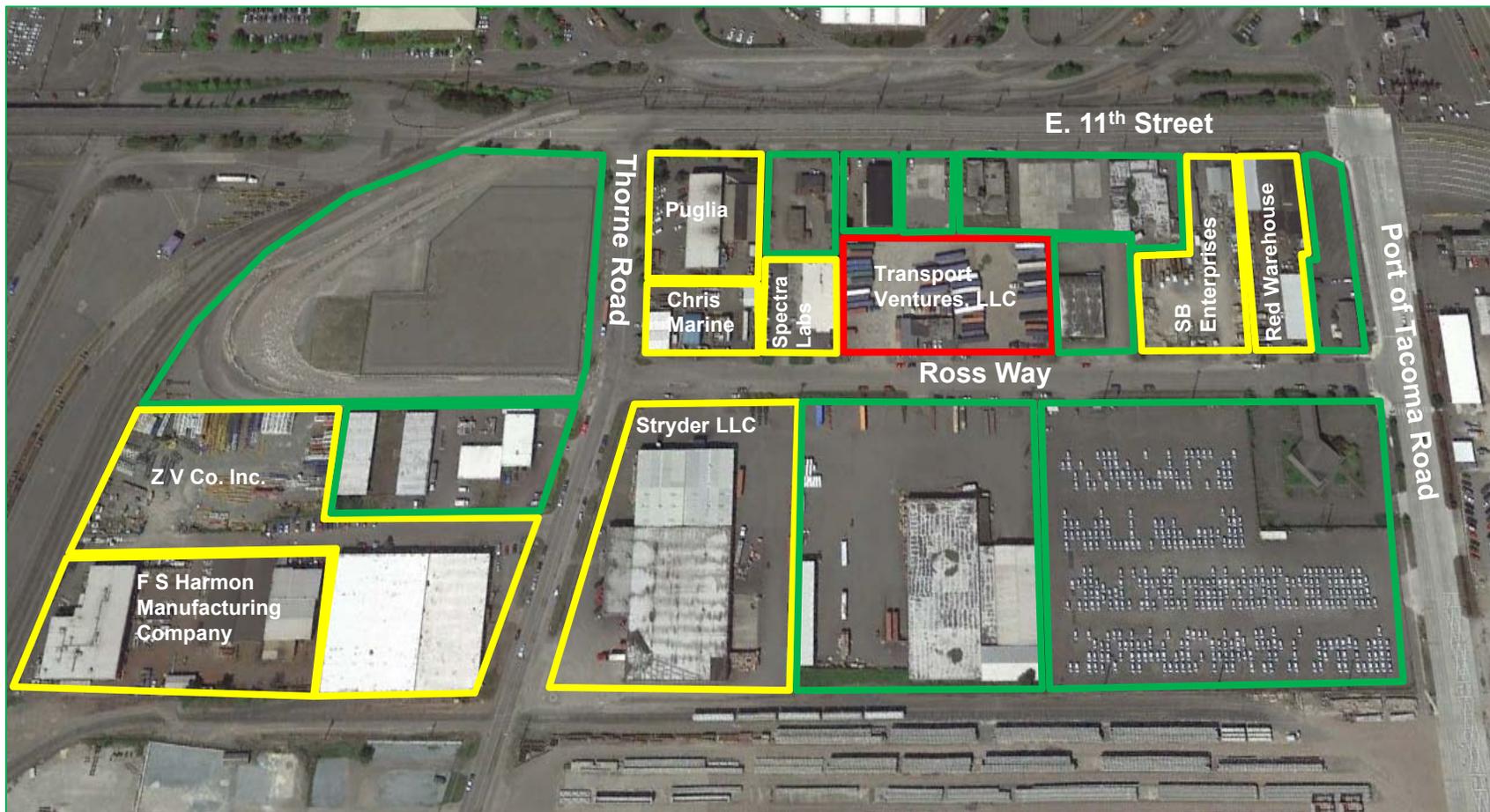
# 2235 and 2311 Ross Way



# 11<sup>th</sup> Street and Ross Way Corridor



- Port of Tacoma Owned Properties
- Privately Owned Properties
- 2235 & 2311 Ross Way PSA Property Transport Ventures, LLC



# 2235 and 2311 Ross Way



# 2235 and 2311 Ross Way



# Background



- The property became available for purchase in August 2020.
- The property is strategically located on the tide flats.
- The Port of Tacoma entered into a Purchase and Sale agreement on August 7, 2020 subject to the following:
  1. Port Commission approval
  2. appraised valuation, and
  3. satisfactory due diligence review of the property including an environmental review.
- The appraised valuation is \$2,000,000.
- The property is currently leased to Premier Transport, Inc.

# Background Continued



- This action was previously presented to the Commission at the October 15, 2020 Commission meeting. The Commission did not vote on this action subject to the receipt of additional information.
- On October 21, 2020, the PSA was amended to extend the Feasibility Period to October 30, 2020 and the closing date was extended to within 10-days after the removal of the feasibility contingency.

# Property Description



- The property is 1.722 acres.
- Building improvements includes one 3,014 square foot building, including 1,354 square feet of office and 1,660 square feet of warehouse.
- The yard area is partially paved and completely fenced.
- Zoning is Port Marine Industrial.

# Purchase Terms



- Purchase Price: \$2,000,000.
- Earnest Money: \$50,000. EM is refundable until Buyer provides notice to Seller that the feasibility contingency is satisfied.
- Feasibility Period is through October 30, 2020 (as amended).
- Closing Fees: Normal closing costs with Buyer responsible for recording fees, extended Title Policy coverage, one-half of escrow fees, and prorated utilities.
- Closing will occur within 10-days after the Port's notice to Seller of feasibility contingency satisfaction.

# Purchase Terms Continued



- The Port agrees to execute a lease to Premier Transport, Inc. which is controlled by the Seller. The lease will commence at closing and continue for a period of three years with two one-year lease extensions subject to the mutual approval of parties.

# Lease Terms



- Lease Premises: Approximately 1.722 acres.
- Use: Office, warehouse, truck and trailer parking.
- Lease Commencement Date: Upon closing of the real estate acquisition transaction.
- Lease Term: Three (3) years with two, one-year mutually approved lease extensions.
- Rent: \$10,300/mo. (\$123,600/yr.)
- Rent Escalation: Annual escalation based on CPI-U Seattle-Tacoma-Bellevue.
- Security Deposit: \$139,470 (one-year's rent + leasehold tax).

# Lease Terms Continued



- Insurance Requirements:
  - \$2 Million general liability.
  - \$1 Million auto liability.
- All utilities are Lessee's responsibility.
- Lessor Maintenance/Repair Responsibility:
  - Major building electrical system.
  - Fire suppression system inspection.
  - Primary plumbing system.
  - Fire hydrant inspections and maintenance.
- Lessee Maintenance/Repair Responsibility:
  - Minor electrical repairs.
  - Secondary plumbing.
  - Storm water system.
  - Roof repair and maintenance.

# Environmental Review



The Port's Environmental Department's review of the property included both Phase 1 and 2 Environmental Reports.

## **Phase II results:**

- No detections in soil greater than MTCA Method A Unrestricted levels was found.
- Lead and petroleum contamination was detected in groundwater. However, sample results are likely biased high due to sampling methods.
  - Some weathered diesel was detected in groundwater in the area of a previously removed storage tank.
  - Two sample locations found lead concentrations in groundwater that exceed cleanup levels. The lead is assumed to have migrated from adjacent properties.

# Environmental Review Continued



## **Conclusions:**

Weathered petroleum is currently at or below cleanup level. Petroleum concentrations will continue to attenuate primarily through degradation.

Lead in groundwater is likely associated with the adjacent Sound Battery site. Phase II results are likely biased high due to sample turbidity. Lead in groundwater, if present, will continue to attenuate via the completed source treatment actions, as well as other attenuation processes - dispersion, diffusion, and sorption/precipitation to soil.

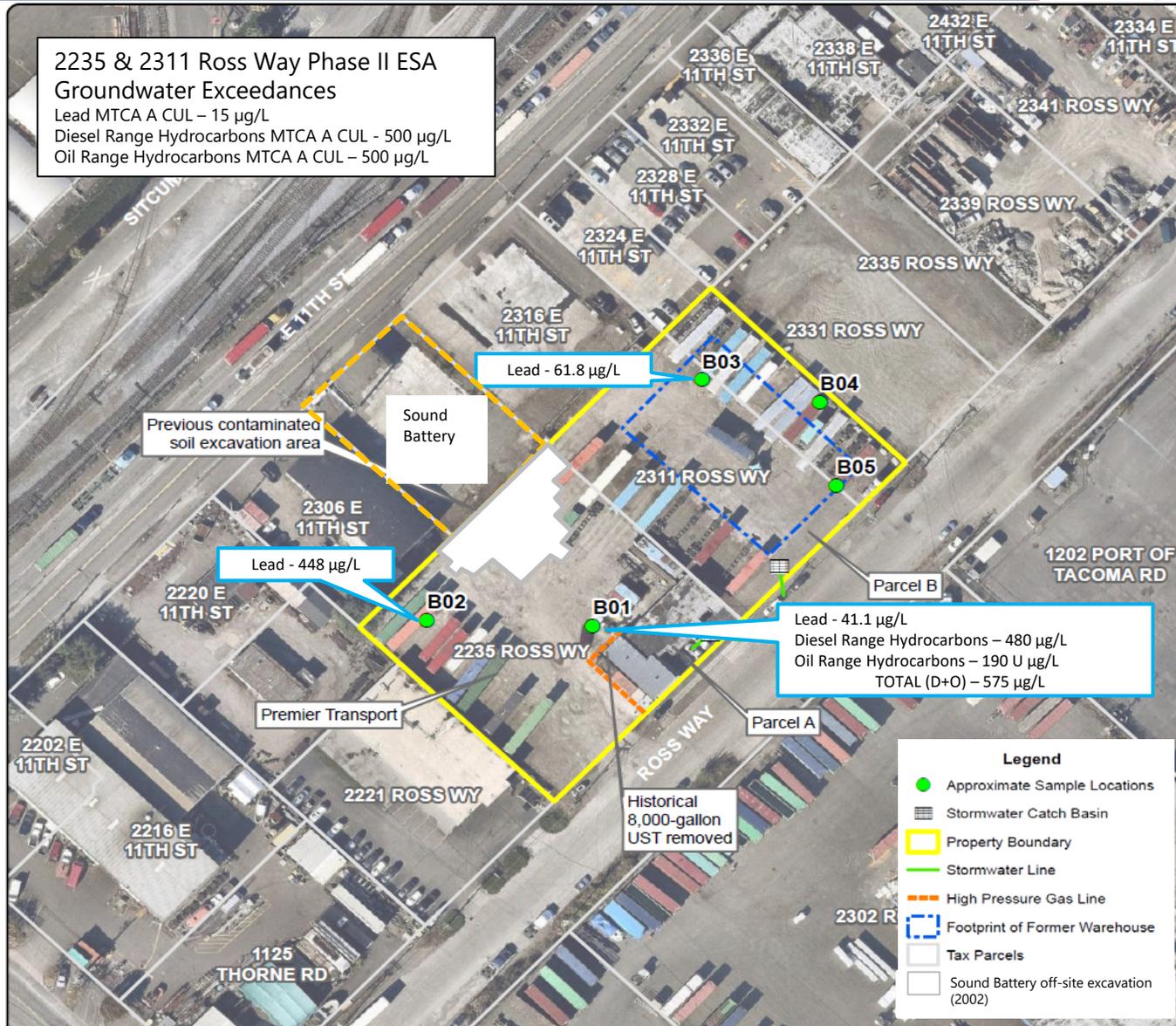
# Environmental Review Continued



## **Recommendations:**

- Staff recommends installing 3 monitoring wells at B01, B02, and B03 to measure the presence and attenuation of groundwater contamination over time.
- Staff are pursuing an EPA brownfield Commerce grant to offset these costs.

# Environmental Review



# Financial Summary



- This acquisition price is within the amount budgeted for land acquisitions in the 2020 budget.
- The future lease of this property to Premier Transport at approximately \$10,300/month is at market rate, is the highest and best use of the property, and produces an annual 6% return on investment which meets the market rate of return for similar properties in the area. The initial revenue is \$71,768 per acre.

# Future Use/Benefit to Port



- This property is located within the Port's Strategic Focus Area.
- The property is ideally located to support future terminal expansion opportunities and provide support for the Port's core container business.
- This property is adjacent to other Port owned properties and meets the Port's goal of assembling properties in the area to create greater future opportunities and efficiencies provided by large contiguous properties.

# Economic Investment/Job Creation



- No short-term improvements or investments are anticipated for this property.
- Job retention – The new lease with Premier Transport Inc. will maintain six jobs on site and twenty-three truck driving positions on the tide flats.
- Premier Transport and affiliate companies have worked at this location since 1986 providing local drayage and cargo support operations to many Port tenants and businesses.

## Action Requested

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