

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**ACTION ITEM**

**Item No.** 6a  
**Date of Meeting** February 5, 2013

**DATE:** January 29, 2013  
**TO:** Tay Yoshitani, Chief Executive Officer  
**FROM:** Mike Campagnaro, Manager, Seaport Leasing and Asset Management  
Josh Peterson, Property Manager II, Seaport Leasing and Asset Management  
**SUBJECT:** Resolution No. 3674, Second Reading and Final Passage of the Port of Seattle declaring Cranes Nos. 65, 67, 80, 81, 82 and related spare parts as surplus and authorizing their sale to Total Terminals International LLC (TTI) as previously approved by Port Commission

**ACTION REQUESTED:**

Second Reading and Final Passage of Resolution No. 3674: A Resolution of the Port Commission of the Port of Seattle declaring certain personal property surplus (Port of Seattle Cranes No. 65, 67, 80, 81, 82 and related spare parts) for the Port of Seattle purposes; authorizing its sale to Total Terminals International LLC; and authorizing the Chief Executive Officer to execute all documents related to such sale or disposal.

**SYNOPSIS:**

The surplus of the cranes will allow the Port to complete the sale of the cranes as authorized by the Port Commission as part of the Thirteenth Amendment to the Lease with TTI at T-46. The Port will be responsible for paying any sales tax related to this sale, which will be funded from the General Fund.

As of November 30, 2012, the remaining net book value for the Paceco Cranes No. 65 and 67 and ZPMC Cranes No. 80, 81, 82 and related spare parts are approximately as follows:

**Container Cranes:**

Crane 65, Paceco (s/n 1354)	\$ 8,924
Crane 67, Paceco (s/n 1472)	-
Crane 80, ZPMC (s/n J101A-1)	\$ 3,184,529
Crane 81, ZPMC (s/n J101A-2)	\$ 3,184,709
Crane 82, ZPMC (s/n J101A-3)	\$ 3,184,709
Subtotal - Container Cranes:	<u>\$ 9,562,872</u>

**Crane Equipment:**

Crane Hook 190	\$ 31,748
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## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

January 29, 2013

Page 2 of 4

Heavy Lift Container Beam	-
Replacement ZPMC gearboxes (3)	-
Spreader Beam Trailer	-
Crane Lifting Beam 165	\$ 7,142
Crane Lifting Beam 166	\$ 3,743
Crane Lifting Beam 177	\$ 38,566
Crane Lifting Beam 178	\$ 38,357
Crane Lifting Beam 179	\$ 39,366
Crane Lifting Beam 182	\$ 39,366
Crane Lifting Beam 183	\$ 39,871
Crane Lifting Beam 185	\$ 126,993
Crane Lifting Beam 186	\$ 126,993
Crane Lifting Beam 187	\$ 126,993
Crane Lifting Beam 188	\$ 126,993
Crane Lifting Beam 189	\$ 126,993
Subtotal - Crane Equipment:	<u>\$ 873,123</u>

Total NBV of items to be surplusd: \$ 10,435,996

### **BACKGROUND:**

According to the Thirteenth Amendment to the T-46 Lease with TTI, the Port is obligated to sell Crane No. 65, 67, 80, 81, 82 and related spare parts to TTI. Cranes 65 and 67 were manufactured in 1987 and 1989 respectively; cranes 80, 81, and 82 were all manufactured in 2001.

### **PROJECT SCOPE OF WORK:**

#### ***Scope of Work:***

To complete the sale of the cranes and related spare parts to TTI, including any sales tax that may be owed, as previously approved by the Port Commission.

### **FINANCIAL IMPLICATIONS:**

#### ***Budget Status and Source of Funds:***

According to the terms of the 13<sup>th</sup> lease amendment for Terminal 46, the Port is responsible for any sales tax owed on this sale of cranes to TTI. Port counsel has not yet determined if sales tax is owed on this transaction.

If it is determined that sales tax is owed, the sales tax amount is estimated to be \$815,100 based on an aggregate fair market value of \$8,580,000 for these cranes. While the cash payment would be made in 2013, for accounting book purposes it will be amortized as a reduction in revenue over the remaining term of the TTI lease. This estimated annual reduction in revenue of \$63,086

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

January 29, 2013

Page 3 of 4

was not included in the 2013 operating budget, and would create an unfavorable variance in operating revenue.

If sales tax is owed, the unbudgeted payment will be funded from the General Fund.

### ***Financial Analysis and Summary:***

<b>CIP Category</b>	N/A
<b>Project Type</b>	N/A
<b>Risk adjusted discount rate</b>	N/A
<b>Key risk factors</b>	No new risk factors are associated with this planned sale of Port-owned cranes to TTI. Overall risk factors related to the 13 <sup>th</sup> lease amendment to the TTI lease at Terminal 46 were addressed in the Commission action approved on 12/11/2012.
<b>Project cost for analysis</b>	N/A
<b>Business Unit (BU)</b>	Container Operations
<b>Effect on business performance</b>	<p>The remaining net book value of these cranes and related equipment was \$10,435,996 as of 11/30/12. The net loss on sale of these cranes will be recorded as a non-operating loss.</p> <p>If sales tax is owed on the sale of these cranes, it will be amortized over the remaining term of the TTI lease and will be recorded as a reduction of revenue each year. If the sales tax obligation is \$815,100, the annual amortization of sales tax paid would be \$63,086/year.</p> <p>The loss of 2013 and beyond future crane rent to the Port as a result of the sale of these Port-owned cranes was included in the analysis for the 13<sup>th</sup> lease amendment to the TTI lease, approved by Commission on 12/11/2012.</p>
<b>IRR/NPV</b>	N/A
<b>CPE Impact</b>	N/A

### **STRATEGIC OBJECTIVES:**

This project supports the Port's Century Agenda goal to grow seaport container volume through retention of the viable tenant and operations at T-46. This action to surplus the cranes will allow for growth and development of marine and marine-related business at T-46.

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

- Resolution No. 3674

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

January 29, 2013

Page 4 of 4

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:**

- March 27, 2001 – Authorization of the Sixth Amendment to the lease relating to the purchase of cranes 80, 81, and 82.
- December 11, 2012 - Authorization of 13th Amendment to the lease with Total Terminals, Inc., at Terminal 46 including the selling of the cranes and related spare parts to TTI.
- January 22, 2013 – The Port Commission approved the First Reading of Resolution No. 3674, declaring Cranes Nos. 65, 67, 80, 81, 82 and related spare parts as surplus and authorized their sale to Total Terminals International LLC (TTI) as previously approved.