

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No.: 7b

Date of Meeting: May 24, 2011

DATE: May 16, 2011
TO: Tay Yoshitani, Chief Executive Officer
FROM: Mark C. Griffin, Director, Real Estate Development
SUBJECT: Tsubota Steel Site Request for Proposals

BACKGROUND:

The Port acquired the 3.4 acre Tsubota Steel site in April, 2005. At the time, the Port was engaged in a large-scale redevelopment planning effort that encompassed the Port's Terminal 91 uplands site just west of the Tsubota site and a few other adjacent sites not owned by the Port. The Tsubota site has been under short-term lease since its acquisition. Because the site lacks a direct tie to the Port's operations, the Port's Century Agenda planning identifies it as a "Tier 3" property. These facts coupled with what appears to be an improving real estate market—based in part on staff receiving several unsolicited inquiries to buy or lease the site last year—prompted staff to issue a request for proposals (RFP) on February 8, 2011. Staff published the RFP in the Daily Journal of Commerce and Puget Sound Business Journal and forwarded the RFP to an e-mail list of real estate developers and investors.

BRIEFING OUTLINE:

The RFP offered respondents the option to either (i) long-term lease the entire site or (ii) purchase the entire site, both on an "as is, where is" basis. The Port received one, non-responsive purchase proposal before the submission deadline and one, non-responsive lease proposal after the submission deadline.

- Acquisition Proposal. This response proposes acquisition of only the northern portion of the site or approximately 1.3 of the 3.4 total acres, which is inconsistent with the RFP's offered terms. The \$2 million proposed purchase price equates to \$35 per square foot. A larger, nearby site with the same zoning recently listed for sale at \$51 per square foot. The proposed purchase price thus appears to be substantially below market. In addition, under this proposal the Port would retain the southern portion of the site. This configuration would result in even greater access and traffic challenges from the existing traffic signals, bus rapid transit lane, and restrictions on north-bound turns on 15th Avenue W.
- Lease Proposal. This response proposes leasing the site for 15 years with two, 5-year options to extend the lease term. The proposal requests the Port contribute as much

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as \$1.8 million in site/tenant improvements despite the RFP's "as is, where is" requirement. The proposed rent stream has a negative net present value when the requested improvements are included in the return on investment analysis.

Neither proposal improves the Port's current position. Staff recommends declining both proposals and continuing short-term lease of the site until the real estate market further improves.

OTHER DOCUMENTS ASSOCIATED WITH THIS BRIEFING:

- PowerPoint presentation.