

**PORT OF GALVESTON
REQUEST FOR DISCUSSION AND
TRUSTEES ACTION**

**BUSINESS
ITEM**

PREPARED BY: Brett Milutin Deputy Port Director November 15, 2022

SUBJECT: Discuss and Consider for Approval an Amendment to the Land Lease Agreement between the Board of Trustees of the Galveston Wharves and Suderman Contracting Stevedores for an Additional Twelve Months Beginning on September 1, 2023, and Expiring on August 31, 2024 for Twenty-Two Acres of Space in the U.P. "Rockyard" and Pier 34.

BACKGROUND: Suderman Contracting Stevedores, also known as Metro Ports, was acquired by Nautilus International Holding Corporation in 2011. The Suderman companies serve a diverse array of cargo and cruise sectors, including dry bulk, project cargo, wind energy, and the passenger industry. Suderman Contracting Stevedores has been a principal business partner for bringing new business opportunities to the community and the Port. Metro Ports and the Port of Galveston have developed a strong and beneficial relationship with several wind turbine manufacturers. Galveston looks to remain a central Port of entry for wind cargo for the near and foreseeable future.

ADDITIONAL INFORMATION ATTACHED: No _____ Yes x

RECOMMENDATIONS: Port staff respectfully requests the Board of Trustees of the Galveston Wharves to listen to the briefing by the Deputy Port Director and approve the amendment to extend the land lease agreement between the Board of Trustees and Suderman Contracting Stevedores for an additional one year.

Respectfully Submitted By:


Rodger Rees, Port Director/CEO

DATE ACTION TAKEN: _____

Approved: _____

Motion By: _____

PORT OF GALVESTON Briefing

Discuss and Consider for Approval an Amendment to the Land Lease Agreement between the Board of Trustees of the Galveston Wharves and Suderman Contracting Stevedores for an Additional Twelve Months Beginning on September 1, 2023, and Expiring on August 31, 2024, for Twenty-Two Acres of Space in the U.P. "Rockyard" and Pier 34.

Background

Suderman Contracting Stevedores, also known as Metro Ports, was acquired by Nautilus International Holding Corporation in 2011. The Suderman companies serve a diverse array of cargo and cruise sectors, including dry bulk, project cargo, wind energy, and the passenger industry. Suderman Contracting Stevedores has been a principal business partner for bringing new business opportunities to the community and the Port. Metro Ports and the Port of Galveston have developed a strong and beneficial relationship with several wind turbine manufacturers. Galveston looks to remain a central Port of entry for wind cargo for the near and foreseeable future.

Current Situation

For over fifteen years, Suderman Contracting Stevedores also known as Metro Ports has been the primary handler of all wind components calling the Port of Galveston. In 2022, the Port along with the entire national wind energy industry, suffered a significant decline of imported wind components due to the expiration of the Production and Incentive Tax Credits in 2021. On August 16, 2022, the President signed into law, the Inflation Reduction Act which includes new and revised tax credits through 2033. The industry expects the development of new wind farms to begin in late 2023 or early 2024. In order for Metro Ports to firm up contracts with these developers for the import of wind components, they require a commitment of available space. Providing this lease extension allows Metro Ports to begin contractual negotiations and move forward with the return of a robust volume of wind cargo.

Fiscal Impact

For the term of this extension, beginning on September 1, 2023, the annual rate per acre, will increase from \$42,201 to \$43,637 or 3%. The forecasted revenue for this land lease extension is \$521,604

Staff Recommendation: Port staff respectfully requests the Board of Trustees of the Galveston Wharves approve the current lease amendment to extend Suderman Contracting Stevedores for an additional one year.

Attachment

FIRST AMENDMENT TO LEASE AGREEMENT

This agreement (the "Agreement") is entered into by and between the **BOARD OF TRUSTEES OF THE GALVESTON WHARVES** ("Lessor"), a separate utility of the City of Galveston, Texas, and **SUDERMAN CONTRACTING STEVEDORES, INC.**, a Texas corporation ("Lessee").

WHEREAS, Lessor and Lessee entered into a Lease Agreement dated September 1, 2020 (the "Lease Agreement"), under the terms of which Lessor leased approximately 10 acres in the area known as the Southern Rock Yard at the Port of Galveston (the "Port") and 12.3 acres on the uplands located south of Pier 34 at the Port to Lessee to conduct business operations at the Port in Galveston, Galveston County, Texas, as more fully described therein; and

WHEREAS, Lessor and Lessee would like to amend the Lease Agreement as set forth herein.

NOW, THEREFORE, for and in consideration of the sum of \$10 and other valuable consideration, the parties mutually agree as follows (any capitalized word not otherwise defined in this Agreement has the meaning given to it in the Operating Agreement):

1. Section 2.01 of the Lease Agreement is deleted in its entirety, and the following language is substituted in its place:

Section 2.01 - Commencement and Termination Date. This Agreement is for a period of four years ("Term"), commencing on the Effective Date and terminating on August 31, 2024, unless sooner terminated as provided herein. Either party may terminate this Agreement, with or without cause, by giving the other party 30 days written notice.

2. Section 2.02 of the Lease Agreement is deleted in its entirety, and the following language is substituted in its place:

Section 2.02 –Renewal Options. [Intentionally Deleted.]

3. Section 3.02 of the Lease Agreement is deleted in its entirety, and the following language is substituted in its place:

Section 3.02 – Amount of Rent. Commencing on the Effective Date until August 31, 2021, Lessee will pay Lessor rent, in advance, in a sum equal to \$73,590.00 for each month during the Term ("Rent"). From September 1, 2021 until August 31, 2022, Rent shall be adjusted to a sum equal to \$ 75,797.70. From September 1, 2022 until August 31, 2023, Rent shall be adjusted to a sum equal to \$78,071.63. From September 1, 2023 until this Agreement terminates, Rent shall be adjusted to a sum equal to \$ 80,413.78 for each month during the remainder of the Term.

4. Section 3.03 of the Lease Agreement is deleted in its entirety, and the following language is substituted in its place:

Section 3.03 –Rent Escalation. [Intentionally Deleted.]

5. Except as herein amended, which amendments are effective as of the effective date of this Agreement, the terms of the Lease Agreement remain in full force and effect and are hereby ratified and confirmed.

EFFECTIVE as of November [], 2022.

[SIGNATURES CONTINUED ON NEXT PAGE]

LESSOR:

**BOARD OF TRUSTEES OF
THE GALVESTON WHARVES**

By: _____
Rodger E. Rees, Port Director/CEO

Approved as to form:

Anthony P. Brown
Legal Counsel to the Board of Trustees
of the Galveston Wharves

LESSEE:

**SUDERMAN CONTRACTING STEVEDORES,
INC.**

By: _____
Name: _____
Title: _____