

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

BUSINESS ITEM- E-5

PREPARED BY: Roger Quiroga Director of Economic Development August 28, 2017

SUBJECT: Discuss and Consider First Amendment to Lease Agreement Between the Board of Trustees of the Galveston Wharves and the Galveston Port Facilities Corporation to Increase the Amount of Square Feet Currently Occupied by Del Monte Fresh Produce N.A. Inc., by an Additional 104,181 Square Feet

BACKGROUND: Due to an increase in volume and expected future growth from containerization, Del Monte Fresh Produce N.A. Inc., and Port staff have been working together to consolidate additional square footage for their operation. This additional space will enable Del Monte to create a more efficient workflow of their current operation and provide additional space for future growth.

RECOMMENDATIONS: The Board of Trustees is respectfully requested to listen to the briefing of the Interim Port Director and approve the First Amendment between the Board of Trustees of the Galveston Wharves and the Galveston Port Facilities Corporation to increase the amount of square feet currently occupied by Del Monte Fresh Produce N.A. Inc., by an additional 104,181 square feet.

Respectfully Submitted By:



Peter Simons, Interim Port Director

DATE ACTION TAKEN: _____

Approved: _____
Disapproved: _____
Deferred To: _____
Incorporated into Minutes: _____

Motion By: _____
Seconded By: _____
Unanimous: Yes _____ No _____
By: _____

PORT OF GALVESTON
Briefing

**DISCUSS AND CONSIDER FIRST AMENDMENT TO LEASE AGREEMENT
BETWEEN THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES AND THE
GALVESTON PORT FACILITIES CORPORATION TO INCREASE THE AMOUNT OF
SQUARE FEET CURRENTLY OCCUPIED BY DEL MONTE FRESH PRODUCE N.A.
INC. BY AN ADDITIONAL 104,181 SQUARE FEET**

Background

Due to an increase in volume and expected future growth from containerization, Del Monte Fresh Produce N.A., Inc. and Port staff have been working together to consolidate additional square footage for their operation. This additional space will enable Del Monte to create a more efficient workflow of their current operation and provide additional space for future growth.

Current Situation

Over the past several months, Port staff has been working with Del Monte to determine how many additional square feet we could add to their footprint to help them with their future needs. Del Monte's growth over the last couple of years has been mostly flat. They have increased their volume significantly from 2007 through 2015, roughly 2.5 times. From there they have held mostly steady. Del Monte does expect to see an increase when they move to containers as they ramp up their commercial cargo program. Del Monte is also opening up a distribution center in Houston this summer, which could help increase volume through the port, but numbers are not yet available.

Fiscal Impact

The current monthly Lease payment for 254,271 square feet of space is \$7,948.89. The additional square footage of 104,181 will generate an additional \$3,256.85 in monthly revenue. Therefore, the new monthly payment will be \$11,205.74 or \$134,468.88 annually. The effective date of the new payment amount will be October 1, 2017.

Staff Recommendation

The Board of Trustees is respectfully requested to listen to the briefing of the Interim Port Director and approve the First Amendment between the Board of Trustees of the Galveston Wharves and the Galveston Port Facilities Corporation to increase the amount of square feet currently occupied by Del Monte Fresh Produce N.A. Inc., by an additional 104,181 square feet.

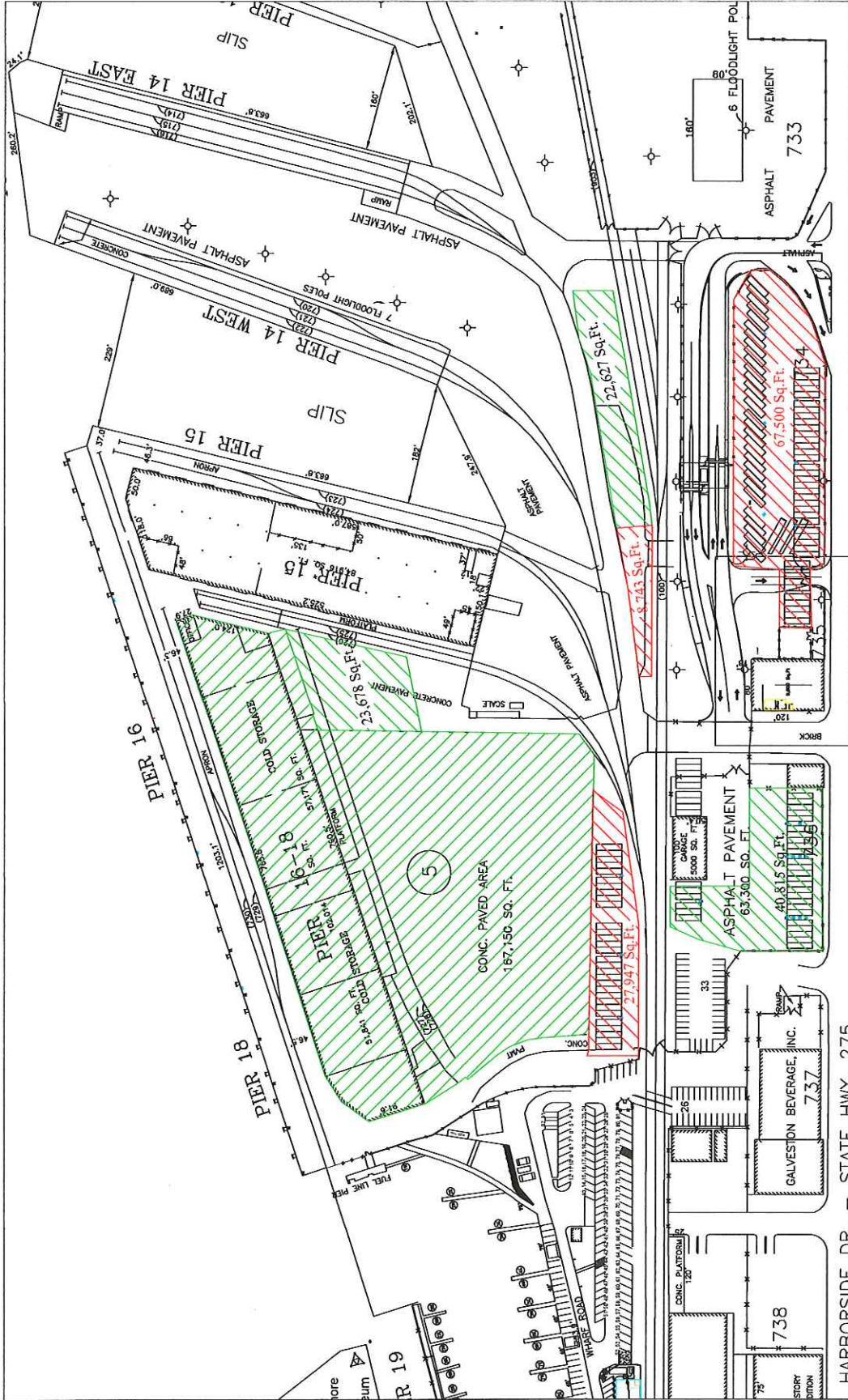


EXHIBIT A
Del Monte Fresh Fruit
August, 2017
Current 254,271 Sq.Ft.
New 104,181 Sq.Ft.

PUBLIC 675
 HOUSING

677
 UNIVERSITY OF
 TEX. MEDICAL BR.

678

HARBORSIDE DR. - STATE HWY. 275

33

63,300 SQ. FT.

ASPHALT PAVEMENT

40,815 SQ. FT.

27,947 SQ. FT.

CONC. PAVED AREA

167,150 SQ. FT.

PIER 16

PIER 15

PIER 14 WEST

PIER 14 EAST

733

67,500 SQ. FT.

ASPHALT PAVEMENT

72,627 SQ. FT.

6

FLOODLIGHT POLES

ASPHALT PAVEMENT

733

ASPHALT PAVEMENT

CONCRETE

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

ASPHALT PAVEMENT

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 (the "City"), and **GALVESTON PORT FACILITIES CORPORATION**, a local government corporation created by the City ("Lessee").

WHEREAS, Lessor and Lessee entered into a Lease Agreement dated May 1, 2009 (the "Lease"), under the terms of which Lessor leased to Lessee certain property at the Port of Galveston in Galveston, Galveston County, Texas; and

WHEREAS, Lessor and Lessee would like to amend the Lease 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 Lease):

1. Article 1 of the Lease is deleted in its entirety and the following language is substituted in its place:

ARTICLE 1 - DEMISE OF LEASED PREMISES

Lessor, for and in consideration of the fees, charges and other sums payable by Lessee hereunder and the covenants and premises contained in this Agreement and to be kept, performed and observed by Lessee, and subject to the reservations and restrictions contained in this Agreement, does hereby lease and demise to Lessee, and Lessee does hereby lease and accept from Lessor, the Terminal as outlined on Amended Exhibit A, which is attached to this Agreement and incorporated by reference ("Leased Premises").

TO HAVE AND TO HOLD the Leased Premises, together with all rights, privileges, easements, appurtenances and other interests belonging to or in any way pertaining to the Leased Premises, subject to the terms of this Agreement. This Agreement, and the rights of the Lessee hereunder, are subject, however, to (i) all federal, state and local law, and (ii) all restrictions, covenants, conditions, reservations, encumbrances, and easements, if any, relating to the Leased Premises, but only to the extent they are still in effect and shown of record in the Galveston County real property records or apparent from visual inspection.

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

Section 3.02 - Amount of Ground Rent. Lessee will pay Lessor ground rent in a sum equal to \$81,095.83 per year, subject to adjustment as provided in Section 3.06 below, until October 1, 2017. Beginning on October 1, 2017, Lessee will pay Lessor ground rent in a sum equal to \$134,468.88 per year, subject to adjustment as provided in Section 3.06 below.

EFFECTIVE as of October 1, 2017.

LESSOR

**BOARD OF TRUSTEES OF
THE GALVESTON WHARVES**

By: _____
Peter S. Simons, Interim Port Director

Approved as to form:

Counsel to the Board of Trustees
of the Galveston Wharves

LESSEE

**GALVESTON PORT
FACILITIES CORPORATION**

By: _____
Peter S. Simons, President

SCHEDULE OF EXHIBITS

Amended Exhibit A – Description of Leased Premises [Article 1]