COVER MEMO

Briefing Date/Time: September 28, 2026

Staff Contact/Title: Mike Reid, Director of Community and Economic Development, 360.764.5395, MikeR@PortOlympia.com

Subject: Washington State Department of Enterprise Services (DES) New Lease – 7510 New Market St SW

Purpose: ☒ Information Only ☐ Decision Needed

Type of Agenda Item:

- Advisory

Tenant Snapshot:

- Lease Name: Washington State DES – Print Facility
- Leased Address: 7510 New Market St SW, Tumwater, WA
- Lease Type: Ground Lease
- Lease Effective Date: 1979 (Original); New lease proposed for 2026
- Original Term: 35 years + 15-year option
- Use: State Print, Mail, Fulfillment, and Logistics Operations
- Employees: Approx. 50 FTEs

Background:

The Port and the State of Washington entered a land and facility lease in 1979 for 12.7 acres at 7510 New Market St SW, currently occupied by the DES Print & Mail facility (formerly the Washington State Department of Printing).

DES approached the Port earlier this year requesting a new long-term lease. The State intends to undertake significant capital improvements to the building and requires a longer-term agreement to ensure it can recover the value of those investments. The projects, estimated at $22.5 million and $24.9 million include structural reinforcement, upgraded plumbing and electrical systems, and full HVAC modernization.

The Port and DES have negotiated a new 20-year lease with reduced acreage (from 12.7 to 10.16 acres) and a graduated rental increase over the first four years. Additional provisions require DES to make frontage improvements along the eastern, southern, and western boundaries of the premises, consistent with City of Tumwater engineering standards and to be completed within 60 months of the lease's effective date.

Summary and Financial Impact:

Current rent: $2,651.46 per month, $31,817.52 annually

The new lease will utilize a rent schedule that articulates the monthly and annual rate charges for each year for the full twenty-year term. The full rent schedule is attached to cover memo.

Upon execution of the new lease the monthly rent will immediately increase to $4,425.69 for the remainder of 2026.

The rent schedule for the lease will be:

- 2027: $8,851.38 monthly, $106, 216 annually.
- 2028: $13,277.07 monthly, $159,324.84 annually.
- 2029: $17,702.76 monthly, $212,433.12 annually.
- 2030 - 2034: $19,118.98, $229,427.77 annually.
- 2035 – 2039: $21,108.90, $253,306.80 annually.
- 2040 – 2045: $23,305.95, $279,671.17 annually.
- 2045-2046: $25,731.63, $308,779.57 annually.

Staff will present for Commission action at the October 13th Commission meeting.

Alignment with Vision 2050:
This long-term lease supports Vision 2050 goals by ensuring the continued presence of a major state operational facility within the Port's Tumwater campuses. The DES Print & Mail program provides statewide services and maintains approximately 50 full-time employees, reinforcing regional employment and economic stability. The required frontage improvements align with Vision 2050's emphasis on infrastructure modernization, sustainability, and community-benefit development.

Environmental Considerations and Review:
There is no increased impact as the State plans to continue operate the same functions on site as it has previously. Some of the building improvements that the State is going to be investing in are associated with improved electrical systems and HVAC modernization.

Alternatives Considered:

- **Approve the DES New Lease:** Ensures long-term operational stability for the State's Print & Mail services, supports coordination on substantial capital improvements, secures predictable revenue for the Port, and obtains frontage enhancements such as sidewalks for community benefit.

- **Do Not Approve the DES New Lease:** Lease with DES will expire on November 30, 2029 and the current lease does not contemplate any further ability to extend. DES may be unable to complete planned facility upgrades, reducing operational efficiency and long-term viability of the Tumwater site. Building ownership would eventually revert to the Port or tenant would be required to remove all improvements.

Staff Recommendation:
Advisory only – no action at this time. Staff will be recommending to approve the new lease with the Department of Enterprise Services as presented.

Document(s) Attached/Below:
Rate Schedule
Map

7510 New Market ST SW Rate Schedule

Lease Year		*Rate Effective Date*	*Rate per SF*	*Rate Change Trigger Points*	*Parcel Size (SF)*	*Annual Gross Revenue*	*Monthly Payment Before LET*
0	Lease Commencement Date	**Lease Execution in 2026**	**0.1200**	**Lease rate change effective & invoiced**	**442,569**	**TBD**	**$4,425.69**
1		**1/1/2027**	**0.2400**	**Lease rate change effective & invoiced**		**$106,216.56**	**$8,851.38**
2		**1/1/2028**	**0.3600**	**Lease rate change effective & invoiced**		**$159,324.84**	**$13,277.07**
3		**1/1/2029**	**0.4800**	**Lease rate change effective & invoiced**		**$212,433.12**	**$17,702.76**
4		**1/1/2030**	**0.5184**	**8% increase of previous year. Lease rate change effective & invoiced**		**$229,427.77**	**$19,118.98**
5		1/1/2031	0.5288			$229,427.77	$19,118.98
6		1/1/2032	0.5393			$229,427.77	$19,118.98
7		1/1/2033	0.5501			$229,427.77	$19,118.98
8		1/1/2034	0.5611			$229,427.77	$19,118.98
9		**1/1/2035**	**0.5724**	**Lease rate change effective & invoiced**		$253,306.80	$21,108.90
10		1/1/2036	0.5838			**$253,306.80**	**$21,108.90**
11		1/1/2037	0.5955			**$253,306.80**	**$21,108.90**
12		1/1/2038	0.6074			**$253,306.80**	**$21,108.90**
13		1/1/2039	0.6195			**$253,306.80**	**$21,108.90**
14		**1/1/2040**	**0.6319**	**Lease rate change effective & invoiced**		**$279,671.17**	**$23,305.93**
15		1/1/2041	0.6446			**$279,671.17**	**$23,305.93**
16		1/1/2042	0.6575			**$279,671.17**	**$23,305.93**
17		1/1/2043	0.6706			**$279,671.17**	**$23,305.93**
18		1/1/2044	0.6840			**$279,671.17**	**$23,305.93**
19		**1/1/2045**	**0.6977**	**Lease rate change effective & invoiced**		**$308,779.57**	**$25,731.63**
20		1/1/2046	0.7117			**$308,779.57**	**$25,731.63**

Map of Premises