Item No.: <u>6e\_attach</u>

Meeting Date: <u>December 2, 2014</u>

## Doug Fox Site Improvements, Lease Amendment and Property Transfer



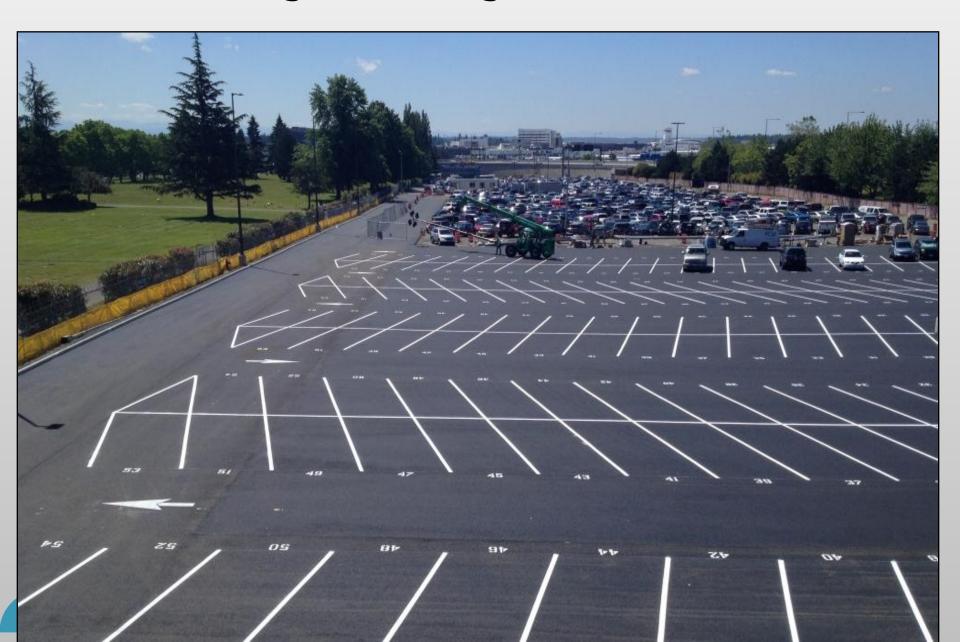
### **Doug Fox Parking Lot**



#### **Most Recent Commission Actions**

- 7/9/2014: Commission approved lease with ATZ, Inc. and a total project cost of \$5.118 million
- 10/8/2013: Commission approved increase to project costs, total of \$6.503 million
- Net Present Value: \$3.46 million
- Internal Rate of Return: 11.1%
- Payback Period 8 years

### **Doug Fox Parking Lot, North End**



- Construction expected to take up to 6 months longer than originally planned due to:
  - time taken to complete value engineering effort
  - increased scope of paving due to unknown conditions
  - delayed permitting from Washington State
    Department of Labor and Industries
  - weather delays
  - constructing improvements to the facility while maintaining tenant operations
- For this delay, requesting additional \$427k.
- Also requesting approval of transfer of sewer mains and manhole to Valley View Sewer District.

# Doug Fox Parking Lot- New Operations Building, South End



- Lease specifies relief if project is delivered late
- Have negotiated relief that accounts for delayed project completion as well as delay in delivering key elements of the project (signage, operations building and entrance/exit facility)
- Relief includes
  - 9 month extension of lease term and equivalent deferral of increases in percentage rent and Minimum Annual Guarantee
  - Rent and utility credits totaling \$25k
  - Completion of tenant improvements including infrastructure for the ATZ security cameras and variable messaging signs.

- With increased construction cost, tenant relief and updated forecast for revenues from the facility operator:
- Net Present Value: \$1.24 million,
- Internal Rate of Return 9%
- Payback Period 10 years

#### **Future Use of the Property**

- Until the Master Plan is completed in 2016, it is impossible to state future use of property.
- If determined that this can stay as a parking facility, there are multiple options.
- If determined that there is need as an alternative use, could end lease after first term and redevelop.

# Importance of this Facility

- During the past 15 years, the Doug Fox Parking Lot has generated nearly \$46 million in revenue to the Port.
- The new investment that has been made in this facility sets it up to be a significant, long-term contributor of non-aeronautical revenue.