



**COMMISSION
AGENDA MEMORANDUM**

Item No. 4k

ACTION ITEM

Date of Meeting December 13, 2016

DATE: December 1, 2016

TO: Ted Fick, Chief Executive Officer

FROM: James Schone, Director, Aviation Business Development

SUBJECT: First Amendment to Lease with Fruit & Flower LLC, dba Floret

Amount of this request: \$0

Total estimated project cost: \$0

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute an amendment to the lease with Fruit & Flower LLC dba Floret ("Floret"), to add additional space and to modify the build-out deadline and lease expiration dates.

EXECUTIVE SUMMARY

Delta recently completed the buildout of its passenger lounge on Concourses A/B in the Main Terminal (see Exhibit A) which became billable premises under its Signatory Lease and Operating Agreement on October 20, 2016. A portion of this leasehold abuts the space that has been leased to Floret. Delta no longer needs a portion of this space and has agreed that this space could be removed from its lease and made part of the Floret lease. Floret was selected as the Preferred Respondent in June 2016 for a casual dining restaurant concept lease that was part of the Airport Dining and Retail (ADR) Lease Group 2. Adding this space to the Floret lease will enable that firm to add additional seating, thereby increasing much needed dining capacity.

This amendment adds approximately 256 square feet (to be verified prior to executing the amendment) to the leasehold premises (see Exhibit B).

The inclusion of this additional space will require Floret to resubmit its design proposal for Port approval. The deadline for the tenant to complete the agreed-upon improvements per the lease terms will therefore need to be extended from July 31, 2017 to September 5, 2017. The lease term expiration date will also need to be extended from August 31, 2027 to October 11, 2027. These dates may be subject to minor adjustment.

JUSTIFICATION

On August 11, 2015, the Port and Delta signed a tenant reimbursement agreement for the B2 Expansion for Delta Club (C800690/U00200) for purposes of building a passenger lounge. The construction was completed earlier this fall and the lounge opened on October 21, 2016. The space that is the subject of

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this proposed lease amendment is adjacent the Concourse A entrance to the lounge. This space is not needed for Delta’s lounge, and thus can be incorporated into the adjacent ADR tenant’s lease.

On December 8, 2015, Commission authorized the Port’s Chief Executive Office to conduct competitive solicitations and execute lease and concession agreements with selected proposers for 10 new small business-oriented opportunities in the ADR Program. This set of leasing opportunities was referred to as ADR Lease Group 2 (“LG 2”). One of these opportunities was Single Unit #6, a 1,816 square foot unit at the entrance to Concourse A. This location is immediately south of the entrance to the Delta Lounge. The proposed concept for this location was a casual dining restaurant. Bids were submitted for the 10 opportunities in LG 2 on February 22, 2016. Following evaluation of the proposals, Floret was chosen as the Preferred Respondent for this leasing opportunity. The lease for this space was negotiated during the summer of 2016 and was signed on October 4, 2016.

The Concourse A entrance to the Delta lounge abuts the northern end of the Floret leasehold. Approximately 256 square feet of this space is not built out for lounge purposes. Given the proximity of this space to the concourse and to a unit in the dining and retail program, the highest and best use of this space is to incorporate it into the restaurant which would allow Floret to increase its seating capacity. This additional seating is much needed given the rapid increase in passenger traffic during the past 3 years at Seattle-Tacoma International Airport. It is important to note that Delta will retain rights to the Concourse A-facing exterior wall associated with this space. This wall is currently used by Delta for promoting the entrance to its lounge.

DETAILS

	Current Lease Terms	Proposed
Term	10 years (until 8/31/2027)	10 years (until 10/11/2027)
Premises	CT-15	No change
Base Rent	\$420,000 (initial minimum annual guarantee); 8% of gross sales	No change

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not incorporate this space into the Floret leasehold.

Cost Implications: \$0

Pros:

- (1) This would allow Delta to continue leasing this space.
- (2) This would result in a guaranteed amount of rent to the Port each year, currently \$151.22 per square foot.

Cons:

- (1) This would not allow for the highest and best use of this space.

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- (2) This would not allow for an increase in the seating capacity at Floret, thereby not improving the amount of dining space available to the travelling public.

This is not the recommended alternative.

Alternative 2 – Approve this amendment

Cost Implications: \$0

Pros:

- (1) This would allow for the highest and best use of this space.
- (2) This would improve customer service for the travelling public by increasing the amount of seating available at Floret.

Cons:

- (1) None

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Currently, Delta pays the Port \$151.22 per square foot per year for use of this space. This rate for publicly accessible office space is set on an annual basis as part of the Signatory Lease and Operating Agreement between the Port and airlines that operate at Seattle-Tacoma International Airport. Removing this space from Delta’s lease will reduce its rent payments to the Port by approximately \$42,190 annually. However, Port staff estimate that Floret will be able to increase its sales due to the increased seating capacity. Floret will pay the Port an 8% concession fee on its gross sales. As such, Port staff expects to recover some, if not all, of the lost lease revenue as a result of Floret’s increased sales.

ATTACHMENTS TO THIS REQUEST

Exhibit A – map of leasehold premises for Delta Lounge and for Fruit and Flower LLC dba Floret

Exhibit B – amendment to the lease with Fruit & Flower LLC dba Floret

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

December 8, 2015 – The Commission authorized the Chief Executive Officer to conduct competitive solicitations and execute lease and concession agreements with selected proposers for ten new small business-oriented opportunities that constituted ADR Lease Group 2.

August 4, 2015 – Commission authorized execution of a tenant reimbursement agreement with Delta Air Lines for the construction of the B2 SkyClub.