

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No.	6e
Date of Meeting	April 14, 2009

DATE: March 25, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Burke, Senior Manager, Container Leasing and Operations
Michael Campagnaro, Manager, Container Leasing and Operations

SUBJECT: Second Amendment to lease with SSA Terminals (Seattle), LLC for Terminal 25/30.

ACTION REQUESTED:

Request for Port Commission authorization to authorize the Chief Executive Officer to execute a second amendment to lease with SSA Terminals (Seattle), LLC (“SSAT Seattle”) for Terminal 25/30 to make modification to the Leased Premises and Premises Rent paragraphs.

BACKGROUND:

On April 11, 2006, the Port Commission authorized the First Amendment to the Terminal 25/30 (“T25/30”) lease, committing the Port to relocating the cruise terminal and developing the remainder of Terminal 30 back into a container terminal. The original T25/30 lease had approximately 1.86 acres of limited use area in the southern section of Terminal 25. The use of this area was limited to longshore parking or similar limited operations due to the expected development of the chill facility at Terminal 25 South and the construction of the monorail. This area is rented at 50% of the blended rate due to the expected limitations. SSAT Seattle has requested the Port remove this area from the lease and replace it with approximately 0.93 acres of full use container yard by moving the southern boundary south by approximately 71.59 feet. This replacement area would be rented to SSAT Seattle at the full blended rate, making this land swap revenue-neutral for the Port. This arrangement also creates a more effective area for both the Port and SSAT Seattle.

In addition, several minor modifications need to be made to the lease. Per the provisions of SSAT Seattle’s Terminal 25/30 lease, certain billing changes occurred as result of the completion of the connector bridge that connects Terminal 25 to Terminal 30 (formerly Terminal 28), and the development of a certain expansion area at Terminal 25. A recent survey of the areas was completed and revealed a discrepancy in area size as stated in the lease.

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Additionally, Port staff discovered that the Terminal 30 limited load area designated in the original lease as rented at 75% of the blended rate was incorrectly increased to 100% of the blended rate. This limited use area is the old dock at the south end of Terminal 30 and the loads are restricted by the strength of that dock. Such load-restricted areas are typically rented at 75% of the blended rate at other container terminals. The proposed Second Amendment to SSAT Seattle's lease will outline the correct premises and rent changes at Terminal 25/30. The billing changes outlined in this proposed amendment have been implemented.

MAJOR ELEMENTS OF THE PROPOSED SECOND AMENDMENT TO LEASE:

Listed below are the major elements of the proposed T25/30 second amendment to lease with SSAT Seattle:

- **Premises:** The premises paragraph is amended to document the addition of certain expansion area as provided for in the Base Lease and Restated First Amendment, and to convert certain property areas to Container Yard area. The currently leased 1.86 acres, Limited Use Auxiliary area, at Terminal 25 that is currently at 50% of the Eagle Rate, will be removed in its entirety and replaced with 0.93 acres of Container Yard, which is adjacent to the Terminal 25 Container Yard area.

The proposed second amendment also provides for the formal addition of 43,876 square feet of container yard expansion area at Terminal 25 together with the addition of the 10,613 square foot bridge connecting Terminal 25 and Terminal 30, effective November 1, 2007 as was provided for in the lease. Lastly, the proposed second amendment documents that the removal of the former land bridge area containing 5,668 square feet from the lease.

- **Rent:** The rent for the new Container Yard area shall be equal to the Port's blended rate for container yard land. The new 0.93 acres, (exchanged for the 1.86 acres Limited Use Auxiliary area at Terminal 25 that is currently at 50% of the Eagle Rate) will be billed at 100% of the Eagle Rate.

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:

Amend the Lease Alternative. – Amend the existing T25/30 lease with SSAT Seattle to reflect changes in Premises and Rent. This alternative will make the south end of Terminal 25, which is currently vacant, more accessible and will allow the Port to lease Terminal 25 South. *This is the recommended alternative.*

Do nothing alternative. – This alternative does not allow the Port to maximize container land or achieve the related economic benefits of leasing Terminal 25 South.

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FINANCIAL ANALYSIS:

Source of Funds

No funds needed.

Financial Analysis Summary

Business Unit (BU)	Container Operations
Effect on business performance	This lease amendment will have no effect on business performance. All components of this lease amendment which impact rental income have already been implemented, based on a letter to the tenant dated 2/18/09, as explained in the Background section of this Commission Memo.

ENVIRONMENTAL BENEFITS:

None

ADDITIONAL INFORMATION:

The lease was assigned from SSA Terminals, LLC to SSA Terminals (Seattle), LLC on April 18, 2008. SSA Terminals (Seattle), LLC is a partnership between SSA Seattle, LLC, Matson Seattle, LLC and China Shipping Terminals (USA), LLC.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- April 11, 2006 – Authorization to execute First Amendment (revised to “Restated First Amendment” effective August 8, 2007) to the lease with SSAT Seattle at Terminal 25/30.
- February 14, 2006 – Authorization for final design of the Terminal 30 container terminal and the relocated Pier 91 Cruise Terminal.
- October 25, 2005 – Project-wide Authorization to expand the Terminal 25 container yard northward and construct a bridge to connect Terminal 25 and Terminal 30 in the amount of \$13,787,000.
- January 11, 2005 – Project-wide authorization to Terminal 25 and Terminal 28 container terminal development for \$17,725,000.

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- December 14, 2004 – Authorization to execute a lease with SSAT Seattle for Terminal 25 and associated land at Terminal 30 and funding for design and permits in the amount of \$2,275,000 to make future improvements to Terminal 25 and Terminal 28 in support of the new lease agreement.