

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5d

Date of Meeting July 27, 2010

DATE: June 16, 2010

TO: Tay Yoshitani, Chief Executive Officer

FROM: James R. Schone, Director, Aviation Business Development

SUBJECT: Lease Cancellation Agreement between the Port of Seattle and Starwood Hotels & Resorts Worldwide, Inc., as successor of the Sea-Tac Hotel Venture LLC

ACTION REQUESTED:

Request for Commission authorization for the Chief Executive Officer to execute a Lease Cancellation Agreement for the Hotel Ground Lease (Lease), to build a hotel project that failed to receive approval from the Federal Aviation Administration. The lease was originally executed between the Port of Seattle (Port) and Sea-Tac Hotel Venture LLC (Lessee) in June 1998.

SYNOPSIS:

In June 1998, the Port and Lessee executed a Lease to allow the Lessee to build a hotel on airport property. The Lease was subject to project financing and to approval from the Federal Aviation Administration (FAA).

Following the execution of the Lease, the FAA initiated a radar reflectivity study that determined the project was not feasible. As a result of the FAA determination, the Port was not able to proceed with the project. However, the lease was never officially cancelled. Subsequent to the FAA decision, the Lessee was purchased by another organization, and staff changes as a result of that transaction made it difficult for the Port to obtain agreement on the lease termination.

This lease cancellation is important from the standpoint of removing possible encumbrances to future hotel development at the Airport should such development ever be pursued again.

This request is to formally cancel the original Lease. There is no economic impact caused by the cancellation.

SCOPE OF AGREEMENT:

Term/Effective

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Date: Fifty-two years from the Commencement Date: The date on which possession of the Premises is delivered to Lessee and the FAA has issued its approval.

STRATEGIC OBJECTIVES:

Cancellation of the Lease supports the Port's strategy to "Ensure Airport and Seaport Vitality" by removing possible encumbrances to future hotel development.

FINANCIAL IMPLICATIONS:

None. The Lease never commenced so rent or other financial obligations were never triggered.

ECONOMIC IMPACTS:

There is no economic impact.

ENVIRONMENTAL SUSTAINABILITY/COMMUNITY BENEFITS:

Not applicable.

TRIPLE BOTTOM LINE SUMMARY:

Not applicable.

PROJECT SCHEDULE:

Not applicable.

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:

Not applicable.

PREVIOUS COMMISSION ACTION:

September 9, 1997, Commission approved the Executive Director to execute a Hotel Ground Lease between the Port of Seattle and Sea-Tac Hotel Venture LLC at Seattle-Tacoma International Airport.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Lease Cancellation Agreement