

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5d

Date of Meeting May 3, 2011

DATE: April 27, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Melinda Miller, Director, Portfolio Management
Rebecca Schwan, Real Estate Manager, Portfolio Management

SUBJECT: License Agreement between Comcast and the Port of Seattle to for High-Speed Internet Services at Fishermen's Terminal

Amount of this Request: \$00.00

Source of Funds: N/A

Total Project Cost: \$00.00

ACTIONS REQUESTED:

Request Commission authorization for the Chief Executive Officer to execute a ten-year license agreement, substantially as drafted in Attachment 1 and according to the terms laid out in this memorandum, with Comcast Cable Communications Management, LLC, to provide high-speed internet service at Fishermen's Terminal.

SYNOPSIS:

Over the past year, Port staff began receiving requests for faster internet service from current tenants at Fishermen's Terminal. As we were pursuing our options, Comcast Cable Communications LLC (Comcast) approached management at Fishermen's Terminal with a proposal to bring high-speed internet service to the facility. Comcast did an analysis and determined that the facility met their payback model and is proposing to cover all of the costs of installation and future maintenance. Proposed construction costs are over \$120,000. Comcast proposes to start by bringing service to the three main office buildings: Fishermen's Center (C-15), West Wall (C-3) and the Nordby Building (C-2). The capacity to provide service to all of the upland buildings will be included in the initial installation and will be reviewed in the future. These three buildings have the highest customer need and use and are currently 95% occupied.

The proposal has been reviewed by Port Legal, Risk, Engineering, Project Management and Maintenance departments. Comcast's construction plans are substantially complete. Once the agreement is executed, they will move forward with securing the appropriate permits. This license is non-exclusive and does not preclude any other service provider from bringing its services to the facility. Legal has determined that the agreement to provide service to our

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customers without an obligation to serve our customers represents adequate consideration to support the agreement from a legal standpoint.

Failure to proceed with the proposed license would negatively affect the ability of Fishermen's Terminal to attract new tenants and retain existing ones. Existing or prospective tenants with computer or data-heavy needs would be unable to conduct business effectively without the availability of higher speed internet. Several tenants have already expressed to the Port that they will not be able to renew their leases without faster internet speed, and one tenant left the West Wall Building in 2010 because of its inability to conduct business with the available internet options.

BACKGROUND:

Currently, the tenants at Fishermen's Terminal are using Internet Service Providers, such as Integra, Qwest and Clearwire. The problem is that the facility is over 14,000 feet away from the nearest co-location center. The farther away one is from the center, the slower the service. The strongest signal at Fishermen's Terminal is approximately .75 Megabits per second (Mbps) which is far below typical office user's expectation for internet speed. The only other option for our current customers is to get a dedicated T1 line from one of the providers that would give them 1.5 Megabits per second (Mbps) for approximately \$450.00 per month. A dedicated T1 line splits the 1.5 mbps between all employees in a given office. This is an expensive option and for many of the smaller tenants cost-prohibitive.

A typical package from Comcast for a small business owner is 10 Mbps download and two Mbps upload. A medium sized business (25 + employees) typically uses 20 Mbps download and 10 Mbps upload. Heavy users, such as digital media companies, would require even more. The system that Comcast proposes to bring in will offer phone, internet and video capabilities.

As an example, if this infrastructure existed at Fishermen's Terminal, one of our newer tenants, Maritime Training Services, which specializes in video sales, could get 22 Mbps and two phone lines for \$159/month.

MARKET CONDITIONS:

In order to be competitive in this market, the Port needs to provide its tenants with the option of having high-speed internet at a reasonable cost. Although Comcast is still working on bringing its services to some of the surrounding areas in this sub-market, these areas can already get faster internet due to their proximity to the co-location centers. The Port is competing with commercial space in the Central Business District, which does have this service, and has been offering low rates and various concessions to attract new tenants.

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TERMS OF THE PROPOSED LEASE:

The major elements of the proposed term lease are outlined below:

Term:	Ten years commencing on date of permit approval
Use:	High-speed internet service provided for sale to tenants at Fishermen's Terminal
Premises:	TBD upon receipt of final construction drawings
Base Rent:	N/A
Rent Increase:	N/A
Operating Expenses:	N/A
Port Improvements:	N/A
Insurance/Liability:	\$2 million General Liability.

FINANCIAL ANALYSIS:

Budget/Authorization Summary:

Previous Authorizations	\$0
Current request for authorization	\$0
Total Authorizations, including this request	\$0
Remaining budget to be authorized	\$0

Project Cost Breakdown:

Tenant Improvement Allowance	\$0
Leasing Broker Commission	\$0
Other	\$0
Total	\$0

Source of Funds:

N/A

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Financial Analysis Summary:

CIP Category	Revenue
Project Type	Tenant Improvements
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$0
Business Unit (BU)	Portfolio Management & Leasing, Real Estate Division
Effect on business performance	Net Operating Income (NOI) and NPV are unaffected.

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:

- Not Execute License Agreement: Not executing the proposed license would negatively affect our ability to attract new tenants and retain existing ones. Any new prospect with computer or data-heavy needs would not be able to conduct business at Fishermen's Terminal. This would include any creative, technology, or video production type company. Several tenants have already expressed to the Port that they will not be able to renew their leases if we do not provide the internet speed they need. In 2010, we lost a small office tenant in the West Wall Building due to its inability to conduct business with the available internet service.
- Execute Proposed License: Proceeding with the proposed license agreement will strengthen the Port's ability to attract new tenants and retain existing ones. We would become more competitive in this soft real estate market. Our tenants would collectively save thousands of dollars and dramatically increase their internet speeds. ***This is the recommended action.***

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OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

License Agreement.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

None.