

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

**Item No.** 5a

**Date of Meeting** June 28, 2011

**DATE:** June 22, 2011

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Melinda Miller, Director, Portfolio Management  
Betty Love, Real Estate Manager

**SUBJECT:** Third Amendment to lease with Seaview Boatyard West, Inc., at Shilshole Bay Marina

**Amount of this Request:** \$0.00

**Source of Funds:** N/A

**Revenue to the Port:** Approx. \$48,000.00 (over the remaining lease term)

**ACTION REQUESTED:**

Request for authorization for the Chief Executive Officer to execute a Third Amendment to the lease with Seaview Boatyard West, Inc. This amendment will result in \$2,901.52 additional annual revenue to the Port.

**SYNOPSIS:**

This Third Amendment to the lease will increase the premises leased by Seaview Boatyard West, Inc. (Seaview) by an additional 1,541 square feet for the duration of their lease term, expiring December 31, 2027.

**BACKGROUND:**

Seaview has operated a yard and boat repair facility at the south end of Shilshole Bay Marina since 1973 and has leased their current location since 1983. Seaview also operates similar yard and repair facilities throughout the state. In 1996, the Port and Seaview agreed to an expansion and improvement plan, which allowed the growth of Seaview operations at Shilshole to their current size.

Seaview allows boat owners with the required expertise to perform their own repairs and maintenance within the yard. When a higher level of expertise is required, Seaview's staff of skilled artisans can be engaged to do maintenance and repair work. Seaview employs approximately 32 employees at their Shilshole location.

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Seaview currently leases 62,884 square feet of space at the south end of Shilshole. The total space is comprised of yard space, a composter (travel lift) pier, a small administrative building, a boat repair building, a mast repair and storage area, and a boat wash area. Seaview also leases 300 linear feet of moorage near the "A" dock at Shilshole to support their operations.

Seaview has recently been rewarded for their long commitment to environmental protection. It has been announced that Seaview will receive the 2011 Environmental Excellence Award by the Association of Washington Businesses.

In anticipation of Commission authorization for the execution of the Third Amendment, an Early Occupancy Agreement was executed on June 7, 2011, allowing Seaview access to the increased premises to begin improvements.

### **MARKET CONDITIONS:**

In the Seattle Industrial Market, most of the tenant activity is occurring in the south end of the city. In the Ship Canal/Ballard market, local brokers confirm that warehouse space and vacant land are scarce, which has allowed the Port to maintain its rate in an otherwise declining real estate market. In addition, the increased commercial development in the submarket in recent years has contributed to the reduction in the industrial inventory.

According to brokers in the area, the rate for improved land is ranging from \$.15–\$.20/sf/month (\$1.80–\$2.40/sf/year). In a recent appraisal done by McKee & Schalka on the FVO Marine Ways Shipyard at Fishermen's Terminal, land was valued at \$.20/sf/month (\$2.40/sf/year). The subject location contains land/yard area, and the Port will be receiving \$.157/sf/mo (1.88/sf/year), which is the tenant's current base rent rate. The basic lease provides for market rent increases every five years. It is important to note that there are no broker commissions associated with this Amendment.

### **TERMS OF THE PROPOSED AMENDMENT:**

Term:	Sixteen years and six months commencing July 1, 2011.
Use:	Yard space.
Premises:	Premises consists of approximately 1,541 sf of yard space.
Base Rent:	1,541 rentable square feet @ \$.157 sf/month (\$1.88288 per sf/year) = \$2,901.52 annually.
Rent Increase:	The base rent shall be adjusted on every fifth anniversary of the initial lease term. The next adjustment is September 1, 2011.

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Port Improvements:                   The Port is responsible for removing operation/maintenance equipment from the premises.

All provisions of the basic lease, as previously amended, shall remain in full force and effect.

### **FINANCIAL ANALYSIS:**

#### **Source of Funds:**

No funds needed.

#### **Financial Analysis Summary:**

<b>CIP Category</b>	N/A																																				
<b>Project Type</b>	N/A																																				
<b>Risk adjusted Discount rate</b>	8.5%																																				
<b>Key risk factors</b>	- Tenant default risk is mitigated by surety cash deposit and surety bond in the amount of \$5,000 and \$32,000, respectively.																																				
<b>Project cost for analysis</b>	N/A																																				
<b>Business Unit (BU)</b>	Portfolio Management, Real Estate Division																																				
<b>Effect on business performance</b>	Net Operating Income after Depreciation for Year 1 through Year 5 is shown below <table border="1"><thead><tr><th><b>NOI (in \$000's)</b></th><th><b>2011</b></th><th><b>2012</b></th><th><b>2013</b></th><th><b>2014</b></th><th><b>2015</b></th></tr></thead><tbody><tr><td>Revenue</td><td>\$2</td><td>\$3</td><td>\$3</td><td>\$3</td><td>\$3</td></tr><tr><td>Expenses</td><td>\$0</td><td>\$0</td><td>\$0</td><td>\$0</td><td>\$0</td></tr><tr><td>NOI</td><td>\$2</td><td>\$3</td><td>\$3</td><td>\$3</td><td>\$3</td></tr><tr><td>Depreciation</td><td>\$0</td><td>\$0</td><td>\$0</td><td>\$0</td><td>\$0</td></tr><tr><td>NOI After Depreciation</td><td>\$2</td><td>\$3</td><td>\$3</td><td>\$3</td><td>\$3</td></tr></tbody></table>	<b>NOI (in \$000's)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	Revenue	\$2	\$3	\$3	\$3	\$3	Expenses	\$0	\$0	\$0	\$0	\$0	NOI	\$2	\$3	\$3	\$3	\$3	Depreciation	\$0	\$0	\$0	\$0	\$0	NOI After Depreciation	\$2	\$3	\$3	\$3	\$3
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### **ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:**

Alternative #1: Reject the Seaview expansion. This option is not deemed by staff to be the best alternative for the Port. The location of and services provided by Seaview at Shilshole Bay Marina is a benefit to our marina operation.

Alternative #2: If the Seaview lease is amended, the Port will gain benefits from better utilization of our land and continued high level of service for all the boats at Shilshole and increased revenue.

Recommended Action: Staff recommends Alternative #2.

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

- Third Amendment to lease with premises exhibit
- Shilshole Bay Marina site map

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:**

July 23, 1996	Lease with a 20-year term was reviewed and approved by the Commission.
October 6, 2006	First Amendment to renegotiate the rent; Commission review and approval was not required.
December 12, 2006	Second Amendment for the expansion of the premises and a term extension was reviewed and approved by the Commission.