

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

**COMMISSION AGENDA**  
**ACTION ITEM**

**Item No.** 4c  
**Date of Meeting** August 11, 2015

**DATE:** July 17, 2015  
**TO:** Ted J. Fick, Chief Executive Officer  
**FROM:** James R. Schone, Director, Aviation Business Development  
James Jennings, Manager, Aviation Properties  
Denise Trogdon, Senior Property Manager  
**SUBJECT:** One Year Extension to TSA Mezzanine Training Space Lease

**ACTION REQUESTED**

Request Commission authorization for the Chief Executive Officer to execute Lease Amendment No. 2 (Attachment 1) of the existing Mezzanine Lease (Exhibit A) with the Transportation Security Administration represented by the General Services Administration (TSA). This amendment extends the term of the lease for one additional agreement year and increases the rental rate.

**SYNOPSIS**

TSA has a lease for a training room located, pre-security, on the Mezzanine Level of the Main Terminal which expires September 2, 2015. TSA is currently working to improve their training efficiency by consolidating several training rooms, currently spread across the Airport. To do this, TSA has developed a tenant improvement project to consolidate these training functions post-security, but they need a one year lease extension to give them time to complete required renovations.

**BACKGROUND**

TSA has significant leased space throughout the Airport under three separate leases with the Port. Those three leases are commonly known as the Mezzanine Lease (1,844 square feet (sf)), Main Lease (8,338 sf) and C1 Building Lease (10,756 sf) for a total of 20,938 sf of leased space. The functions of these spaces vary between office, break room and training in support of their security checkpoint and baggage screening duties. Three leases exist because they were negotiated and occupied at three separate points of time, as well as some other key conditional lease terms.

The Mezzanine Lease was effective on September 3, 2008, and encompassed both an office area (1,924 sf) and a training area (1,844 sf). In September 2013, the Mezzanine Lease was amended

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to extend the term to September 2, 2015 and to reduce the area leased to 1,844 sf. TSA staff is in the process of designing a reconfiguration of the space TSA occupies in the C1 Building to include and consolidate this training function. A future Commission action will be necessary to approve the reconfiguration of space and add some additional square footage leased by TSA under the C1 Building lease. Approving this lease extension provides TSA the time it requires to reconfigure the space it leases in the C1 Building with the intent to consolidate the training function in the reconfigured C1 Space.

### **LEASE SUMMARY COMPARISON**

Below is a comparison of the key business terms of the current lease and amended lease.

	Current Lease Terms	Proposed Amended Lease Terms
<b>Term</b>	9/3/2008-9/2/2015	9/3/2015-9/2/2016
<b>Premises (Square Feet)</b>	1,844 sf	Unchanged
<b>Monthly Rent</b>	\$15,007.08	\$17,258.30
<b>Option to Terminate</b>		At the commencement of the 7 <sup>th</sup> month of the lease term, Lessee will have the option to terminate the lease with 30 days prior written notice

### **FINANCIAL IMPLICATIONS**

By extending this Lease for one additional year, and increasing the negotiated rental rate by 15% to \$112.31/sf/yr., the Port will realize an increase in revenue of \$27,014.64 during the lease extension. The lease rate at \$112.31 aligns with the GSA lease rate on 10,756 square feet in the C1 Building. This lease extension does not financially obligate the Port in any measurable way.

### **STRATEGIES AND OBJECTIVES**

The action supports our strategy to operate a world class international airport by insuring safe and secure operations. We achieve this objective through assisting our TSA partners in acquiring office space and facilities to facilitate improved security at the Airport.

### **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1)** – Allow the lease to terminate and require the tenant to vacate as prescribed in the underlying lease.

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Pros:

- Vacation of the mezzanine space at the expiration of the current term would add inventory to available space for lease to another tenant one year earlier.

Cons:

- The TSA would be put into a difficult position, without adequate space to operate and train their staff.
- The Port would lose the opportunity to extend the revenue stream for an additional year.

This is not the recommended alternative.

**Alternative 2)** – Allow the lease to expire and tenant to stay provisionally in a holdover state.

Pros:

- Allows TSA to remain in its current space without interruption until the C1 Building reconfiguration is complete.

Cons:

- A holdover situation would maintain the lease terms as currently written, including the lower lease rate of \$97.66/sf/yr. and the revenue stream would be on a month to month basis.
- We endeavor to avoid holdover situations whenever possible.

This is not the recommended alternative.

**Alternative 3)** – Execute the one-year lease extension.

Pros:

- Allows TSA the time it needs to complete its reconfiguration of the space it occupies in the C1 Building and to relocate the training space currently located on the mezzanine level.

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Cons:

- Would not align with the Port's partnership with TSA to support its efforts to reconfigure the space it leases in the C1 Building with the intent to consolidate the training function in the reconfigured C1 Space.

**This is the recommended alternative.**

### **ATTACHMENTS TO THIS REQUEST**

- Attachment 1 - Second Amendment to GSA Lease
- Attachment A – Site Plan

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

- On September 11, 2007, Commission approved the lease and construction of tenant improvements.
- On October 8, 2013, Commission approved Amendment No. 1 to extend the term of the lease for two additional agreement years and reduce the leasehold from 3,768 square feet to 1,844 square feet.