

Item No.	6h supp
Date of Meeting	June 23, 2020

# Third Amendment to Ground Lease with Duke's Chowderhouse, LLC.

June 23, 2020

# Maritime/EDD Tenant Relief Program

- Terms approved by Commission/ED and within our Delegation of Authority
  - Defer all rent and other charges for four months (April-July) without interest.
    - » Tenant required to make commercially reasonable efforts to remain in operation and/or reopen consistent with public health orders.
    - » Tenant certifies it has been significantly impacted by COVID-19
  - Deferred payment plan commencing on 10/1/20 with payback in 12 months – but also negotiate payment plans to fit unique circumstances.
    - » Offer lease extension if tenant lease term is too short to payoff reasonably
- Proposed relief consistent with what done across the Port
  - Extended terms
  - Deferred rent
  - Waiver of MAG (percentage rent only)

# Background

- **All restaurants closed** by Governor's first order, March 23
  - Duke's 7 locations – Seattle, Bellevue, Kent, Southcenter, Tacoma
- Long-term lease (20+ years remaining)
- Seriously affected by COVID-19 and escalating construction costs
- Participating in deferral program with hope of lease amendment

# Duke's Current Ground Lease (as amended)

- Full Service Restaurant (9200 SF ground lease)
  - Amended twice to enlarge development pad as design evolved
- Rising construction costs and COVID-19 impacted feasibility
  - Construction costs than doubled over two+ years of design
    - \$4.3 million to \$8.3 million
- COVID-19 closed all restaurants, working with 8 landlords
- Committed to developing a smaller, more flexible facility

# Revised Proposal for Duke's Chowderhouse

- Revise business model and proposed development concept
  - COVID-19 is accelerating changes to restaurant industry
  - Smaller, contemporary “multi-modal” service (table served, mobile, and takeout)
  - Have requested **three years+** for redesign, permitting, and construction plus some buffer for uncertainties due to COVID-19

# Revised Terms for Ground Lease

- Proposed terms
  - Reduce square footage – 9200 SF to +-4500 SF
  - Defer construction rent for three years and pay back over lease term (effective 4/1/20), Post-construction rent will start no later than 4/1/23 or Substantial completion, whichever is earlier.
  - Same base terms: Rent per square foot, expiration, etc.

# Risks and Benefits

- Risks
  - Continued economic downturn may prevent Duke's from completing
- Benefits
  - Likely the only viable restaurant option at Shilshole
  - Highly desired amenity for Shilshole customers and will bring new visitors to SBM
  - Essentially no financial risk to Port since Duke's is financing
  - Retains revenue stream for this property