



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 8b

**ACTION ITEM**

**Date of Meeting** December 15, 2020

**DATE:** November 23, 2020

**TO:** Stephen P. Metruck, Executive Director

**FROM:** Melinda Miller, Director, Portfolio and Asset Management  
Stephanie Jones Stebbins, Managing Director Maritime

**SUBJECT:** Second Amendment to Lineage Amended and Restated Lease (L#003345)

**Amount of this request:** \$0

**Total estimated project cost:** \$0

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to approve and execute the Second Amendment to the Amended and Restated Lease that Lineage Logistics has with the Port.

**EXECUTIVE SUMMARY**

Staff is recommending the approval and execution of the Second Amendment, substantially as depicted in draft as attached, to the Amended and Restated Lease (the "A&R Lease"), which the Commission had authorized to execute on December 10, 2019. Upon such Commission action, Terminal 91 tenant, Lineage Logistics, had assumed the ground lease which is the predecessor to the A&R Lease and purchased Buildings W-391 and W-392 from Trident Seafoods. The A&R Lease converted the existing four 5-year options to one 20-year term and added two 10-year options, totaling 40 years. The Second Amendment requiring Commission approval will change two sections of the A&R Lease: (1) Amending and restating Section 13.2 Assignment and Sublease to add and clarify related terms; and (2) Adding a new Section 21, Leasehold Mortgage, to stipulate terms and conditions under which Lessee is allowed to obtain leasehold mortgage within the confines of the A&R Lease.

**JUSTIFICATION**

Lineage Logistics (formerly City Ice) has been an exemplary tenant of the Port for many years. They are considered the industry's leading innovator in temperature-controlled supply chain and logistics. Their organizational mission aligns closely with the Port's in that they use technology to advance sustainability and lessen environmental impact, promote food safety, increase distribution efficiency, and minimize supply chain waste.

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As a result, Lineage helps customers ranging from Fortune 500 companies to small family-owned businesses increase the efficiency and protect the integrity of their temperature-controlled supply chain.

Similar to previous commission action on this lease, this requested action of executing the Second Amendment to the A&R Lease echoes Port's Century Agenda's Mission Statement of "...advancing trade and commerce, promoting industrial growth and stimulating economic development" and supports the following Century Agenda's objectives –

- 1) Double the economic value of the fishing and maritime cluster industries.
- 2) Increase workforce training, job and business opportunities for local communities in maritime, trade, travel and logistics.
- 3) Anchor the Puget Sound urban-industrial land use to prevent sprawl in less developed areas.
- 4) Meet all increased energy needs through conservation and renewable sources.

This requested action for said maritime industrial properties at Terminal 91 also contributes to and aligns with the Maritime Division's overall business strategies:

- 1) Assure financial sustainability by accomplishing a positive net operating income after depreciation by 2024.
- 2) Increase the economic impact of the Maritime Division by leveraging the "ocean economy."
- 3) Be the greenest Port in North America by integrating environmental sustainability into Port business processes and investment decisions.
- 4) Develop, maintain and operate maritime facilities to ensure long-term viability and efficiency to meet our customer's needs.

The intent of the Second Amendment of the A&R Lease is to support the continued industrial uses at Terminal 91 and reflect changes in Lineage's overall restructuring and allow Lessee to obtain leasehold mortgage on a ground lease to finance capital improvement projects that Lineage Logistics intended to carry out with acquiring Buildings 391 and 392 and assuming the ground lease from Trident.

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

In this case, there will only be two alternatives: (1) Not approving the Second Amendment (2) Approving the Second Amendment.

**Alternative 1** – Not approving the Second Amendment to the A&R lease.

Cost Implications: There are no cost implications to the Port.

Pros:

- (1) No need to make changes to the already approved and executed A&R lease.

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Cons:

- (1) Create hurdles for tenant to obtain leasehold mortgage financing on a ground lease.
- (2) Tenant may not be able to perform tenant improvements and make capital investments to the Buildings 391 and 392, as they had intended to by assuming the ground lease from Trident Seafoods and extending the lease term.

This is not the recommended alternative.

**Alternative 2** – Approving the Second Amendment to the A&R lease.

Cost Implications:

There are no cost implications to the Port.

Pros:

- (1) Facilitate tenant’s business changes and needs in association of its occupancy and use of the leased premises.
- (2) Maintain and strengthen the long-term tenancy and ensure market rate-based rent revenue from this lease.

Cons:

- (1) Slight increase in risk associated with tenant’s business restructuring and leasehold mortgage. The risk has been analyzed and mitigated in terms laid out in the Second Amendment. For details, please refer to the draft of the Second Amendment to the A&R Lease in the substantially agreed form attached hereto.

***This is the recommended alternative.***

**ATTACHMENTS TO THIS REQUEST**

Second Amendment to the Amendment and Restated Lease with Lineage Logistics

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

December 10, 2019 – The Commission authorized for the Executive Director to execute (1) the assignment of the ground lease from Trident Seafood to Lineage Logistics at Terminal 91, and (2) the amendment and restatement of the assigned lease to convert the existing four 5-year options to one 20-year term and to add two 10-year options to renew and updated lease language.

February 24, 2004 – The Commission authorized for the Managing Director, Seaport Division, to: (1) consent to a sublease, (2) consent to a lease assignment; and, (3) amend certain lease terms, all to effect the transfer of CityIce Cold Storage Company’s interest in a lease with the Port at Terminal 91 to Trident Seafoods Corporation.

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September 9, 1999 – The Commission approved an Assignment and Assumption of Lease and Consent of Port of Seattle wherein the Port acknowledged that Tyson had acquired Arctic Alaska Seafoods, Inc’s interest in the Lease and approved an assignment of the Lease from Tyson to Trident.

September 6, 1990 – The Commission approved a thirty-year ground lease between the Port and Arctic Alaska Seafoods, Inc for the lessee to construct, own and operate a cold storage facility at Terminal 91. Terminal 91 Realty was a partnership consisting of Arctic Alaska Seafoods, Inc. (“Arctic”) and SeaPro Cold Storage (“SeaPro”).