



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8c

ACTION ITEM

Date of Meeting May 10, 2022

DATE: April 20, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Jeff Moken, Interim Director, Aviation Business & Development
Denise Trogon, Sr. Property Manager, Aviation Business & Development

SUBJECT: Five Year Extension to the GSA/TSA Main Lease and GSA/TSA C1 Building Lease

ACTION REQUESTED

Request Commission authorization for the Executive Director to execute Lease Amendment No. 27 and No. 28 (Exhibit A attached) of the existing Main Lease and Lease Amendment No. 5 (Exhibit B attached) of the C1 Building Lease with the General Services Administration (GSA) for the current non-operations occupancy of Transportation Security Administration (TSA).

EXECUTIVE SUMMARY

GSA has two leases for TSA's non-operations occupancy in the terminal at Seattle-Tacoma International Airport – the Main Lease, largely comprised of breakrooms and training spaces throughout the airport and the C1 Building lease, which covers TSA's consolidated administration offices. GSA is funded for lease costs of not more than 5-year terms and at the expiration of each 5-year term, an amendment to extend each lease for an additional 5 years must be executed. The two leases are written on GSA templates and GSA must keep the two leases as separate documents. Lease Amendment No. 27 of the Main Lease and Lease Amendment No. 5 of the C1 Lease extend the co-terminus terms for 5 additional agreement years and update the rental rates; Lease Amendment No. 28 of the Main Lease includes additional space in the IAF, effective May 10, 2022.

JUSTIFICATION

Supporting the GSA/TSA with these lease extensions provides the Port additional time to develop the C1 Building project scope, schedule, and budget, and allows GSA/TSA the time it requires to vacate the C1 Building with the intent to move some functions off airport or other location yet to be determined within the airport. The lease extensions also support the Port's Century Agenda goal to meet the region's air transportation needs at Sea-Tac Airport for the next 25 years and encourages the cost-effective expansion of domestic and international passenger and cargo service. We achieve this objective through assisting our TSA partners in managing office space

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and facilities to increase organizational efficiencies that ultimately will facilitate improved security at the Airport.

LEASE SUMMARY COMPARISON

The current terms and proposed amended terms of the two leases are as follows:

Main Lease	Current terms	Amended terms
Term	11/1/2018-1/20/2022	1/21/2022-1/20/2027
SF Leased	7,935 sf – 2 years; reduced to 6,917 sf for 2 years	6,701 sf*
Rent Annually	\$1,101,774.75 – year 1 \$1,295,468.10 – year 2 \$1,129,269.42 – year 3 \$1,187,372.22 – year 4 \$4,713,884.49 – Total rent	\$988,732.55 – year 1 \$1,102,984.00 – year 2 \$1,198,607.87 – year 3 \$1,266,421.99 – year 4 \$1,419,003.76 – year 5 \$5,975,750.17 – Total rent
C1 Building Lease	Current terms	Amended terms
Term	1/22/2019-1/20/2022	1/21/2027
SF Leased	10,756 sf – 2 years; reduced to 6,335 sf for 2 years	6,335 sf*
Rent	\$1,493,470.60 – year 1 \$1,756,024.56 – year 2 \$1,034,252.10 – year 3 \$1,087,466.10 – year 4 5,371,213.36 Total rent	\$934,729.25 – year 1 \$1,042,741.00 – year 2 \$1,133,141.45 – year 3 \$1,197,251.65 – year 4 \$1,341,499.60 – year 5 \$5,649,362.95 – Total rent
*Change in leased sf due to consolidation of TSA functions and C1 project enabling move		

FINANCIAL IMPLICATIONS

By extending the two Leases for an additional five years and increasing the negotiated rental rate (based on Finance and Budget rate forecast), the Port will realize total revenue over the five-year term extension of \$11,625,113.12. This lease extension does not financially obligate the Port in any measurable way.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Allow the leases to expire and tenant to stay provisionally in a holdover state

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Cost Implications: No increase in rental revenue

Pros:

- (1) Provides the Port with flexibility to terminate the leases with 30 days' notice.
- (2) Potential for return of terminal space that could be occupied by a tenant not otherwise accommodated.

Cons:

- (1) The Port would miss the opportunity to secure rental revenue for at least a full year, at the proposed increased rate.
- (2) GSA/TSA by policy does not permit holdovers.
- (3) Does not support TSA's mission in managing its facility efficiencies supporting the critical security function they provide at the Airport.

This is not the recommended alternative.

Alternative 2 – Execute the 5-year lease extension for each lease.

Cost Implications: Increased rental revenue over extended lease term.

Pros:

- (1) Satisfies the occupancy needs of TSA to fulfill their critical security function at Sea-Tac.
- (2) Progressively increased rental revenue over the 5-year term provides commitment from GSA/TSA for space.
- (3) Provides for increases to current rental rate and ultimately non-aeronautical revenue.

Cons:

- (1) The space will not be available to potential tenants not otherwise accommodated in the terminal.

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- (1) Exhibit A – Lease Amendment No. 27 and No. 28 to GSA Main Lease
- (2) Exhibit B – Lease Amendment No. 5 to GSA C1 Building Lease
- (3) Exhibit C – Plan depicting spaces leased

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

Main Lease #000307

- On May 12, 2009, Commission approved Amendment 18 to extend the lease for an additional three (3) years and increase the rental rate, covering hold over period that expired on October 31, 2010

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- On October 5, 2010, Commission approved Amendment to extend the lease for an additional three (3) years and increase the rental rate
- 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.
- On October 9, 2018, Commission approved Amendment No. 25 of the existing Main Lease to extend the term of the lease for three additional agreement years and increases the current rental rates.

C1 Building Lease #000995

- On January 15, 2008, the Port Commission executed a 10 (ten) year Lease Agreement (Lease) with the United States General Services Administration (GSA), on behalf of the Transportation Security Administration (TSA) for the construction of tenant improvements in the C1 Building
- On January 31, 2006, the Port Commission authorized the C1 Project to spend \$800,000, as part of a \$25,300,000 request for the C1 Building Interim and Final Baggage Screening Systems project to design and build tenant improvements in the C1 Building on behalf of the TSA.
- On October 24, 2006, the Port Commission authorized an additional \$488,000 to the C1 Project for a total of \$1,288,000 for the TSA tenant improvements. This amount is expected to be fully reimbursed back to the C1 Project by the GSA/TSA, as a part of the 10-year lease agreement with the Port.
- On August 14, 2007, the Port Commission authorized a \$6,000,000 Tenant Reimbursement CIP (CIP C800154). As part of that authorization, Port staff is required to bring any project requesting funds more than \$200,000 before the Commission for specific authorization.
- On February 24, 2015, Commission approved Amendment No. 1 to construct administrative office space and tenant improvements, to prepare contract documents; perform construction services; execute and award outside professional services agreement; advertise and award major and small works contracts; pre-purchase material and equipment; provide contract administration and execution on behalf of GSA and TSA for the construction of tenant improvement requiring an authorization of \$1,312,000 of Tenant Reimbursement CIP funds.

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- On October 9, 2018, Commission approved Amendment No. 2 of the existing Main Lease to extend the term of the lease for three additional agreement years and increases the current rental rates.