



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8f

ACTION ITEM

Date of Meeting July 23, 2024

DATE: July 23, 2024
TO: Stephen P. Metruck, Executive Director
FROM: Kyra Lise, Director Real Estate Development
Rick Duncan, Director, AV Business & Properties

SUBJECT: STOC Lease Amendment 8 Contract Extension and Increase

Amount of this request: \$525,000
Total estimated project cost: \$525,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to take all necessary steps to approve and execute the lease extension of the SeaTac Office Center (AKA International Place), and the authorization for \$525,000 in additional funds to support costs associated with the extension of the current Port of Seattle lease. Majority of the funds have already been approved within the 2024 Budget and now require additional Commission authorization to extend the lease contract to December 31, 2024, and to increase the authorized funding for contract payments through the extension.

EXECUTIVE SUMMARY

Since 2015, the Port of Seattle has leased approximated 47,000 sf of office space (non-contiguous) at SeaTac Office Center (AKA International Place) an office property opposite the SEA Terminal property currently owned by STOC OWNER, LLC. The office and related parking supply leased by the Port has supported various Aviation related capital projects, mainly for Airport Building Department, Aviation Project Management, Port Construction Services, Central Procurement Office, Engineering teams and Port contractors. This leased location allows the Port to provide a flexible, near-terminal accommodation for employees and contractors supporting Aviation project delivery. The original lease term was for 5 years and included provisions for both rent on a per square foot basis as well as Common Area Maintenance (CAM) costs of which the Port was responsible for its pro-rata share.

The Port has authorized rent and CAM expenditures at STOC over the years in various annual budgets and has also renewed and modified the original the lease terms under various amendments; currently under a 7th amendment to the original 2015 lease.

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The term of the Lease is scheduled to expire on August 31, 2024. Landlord and Tenant desire to modify the Amended Lease to extend the Term of the Lease to December 31, 2024, and make certain other changes on the terms and conditions set forth in this Eighth Amendment. This request for \$525,000 is a one-time request to increase the total authorization for lease contract payments through the remainder of the year (2024). This extension and funding authorization will enable the Port to pay lease obligations through the end of 2024. Without authorization, our contract will end on August 31, 2024, and our budgeted lease payments will be depleted on August 31, 2024 – at the end of our existing lease term.

JUSTIFICATION

Over the years of this lease, the Port pursued some time extensions in leased space within the building, as well as a modest increase in additional parking usage. This incremental funding authorization request will enable the Port to pay our lease obligations through the end of the year.

Diversity in Contracting

No new contracting opportunity applies to this request.

DETAILS

Not Applicable

Scope of Work

Execute Lease Amendment 8.

Schedule

Q4 2024

Approving this request will have no incremental impact to the 2024 Budget This funding request is needed to allow the port to extend the term of the existing lease obligations under the remaining lease term.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Extend Lease for this facility

Cost Implications: \$525,000

Pros:

- (1) The Port intends to continue their occupancy of the STOC property past the current term and potential extension, under a new lease. This extension through the end of the year provides the Port with more time to negotiate terms to better meet our long term needs.

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- (2) Extending the lease allows our Port departments that currently work at the STOC to continue uninhibited and without interruptions in achieving their departmental goals.

Cons:

- (1) The Port intends to continue its occupancy of the STOC property past the current term provision under a new lease. Were we to delay an extension, this might scuttle ongoing discussions of the Port’s new lease.
- (2) Will leave existing departments that work in the lease without existing office infrastructure and will have to engage in a costly move.

This is the recommended alternative.

Alternative 2 – Do Not extend the lease at this facility

Cost Implications: Save \$525,000

Pros:

- (1) Preserves funds for other uses and office conversion projects among other port owned facilities.

Cons:

- (1) Requires Port to seek other office options, causing delays, unforeseen expenses and interruptions to operations.
- (2) No lease extension will require the port to lease elsewhere.
- (3) No extension will remove leasable area that the port currently has under its control, hampering its ability to hire and grow within the departments that operate out of the STOC.

This is not the recommended alternative.

FINANCIAL IMPLICATIONS

Dept	Description	Sept 2024	Oct 2024	Nov 2024	Dec 2024	FY 2024
AV/PMG, ENG, PCS, CPO	Opex	\$44,823	\$44,823	\$44,823	\$44,823	\$179,293
AV/PMG, ENG, PCS, CPO	Rent	\$68,194	\$68,194	\$68,194	\$68,194	\$272,777
ABD	Opex	\$4,262	\$4,262	\$4,262	\$4,262	\$17,047
ABD	Rent	\$6,295	\$6,295	\$6,295	\$6,295	\$25,180
All Above	Opex Reconciliation (2025 Budget)				\$30,000	\$30,000
Total		\$123,574	\$123,574	\$123,574	\$153,574	\$524,297

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ATTACHMENTS TO THIS REQUEST

- (1) Lease (Fully Executed, dated 7-1-2015; this is the main body of the current lease agreement which currently has 7 amendments in it's current form, however all lease issues referenced in this authorization are contained herein.)

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

February 27, 2024 – The Commission authorized an additional \$700,00 to support costs associated with the lease to meet lease obligations due to cost escalation higher than originally estimated.

August 1, 2023 – The Executive Director approved, under delegated authority, a \$294,000 amendment to the existing STOC lease agreement for the lease of additional parking stalls for employee parking through August 31, 2024

November 14, 2017 – The Commission authorized the Executive Director to approve a lease amendment for office space for two additional departments to move into the SeaTac Office Center (STOC) for \$6,829,000

October 24, 2017 – The Commission was briefed on a proposal to execute a lease amendment for office space for two additional departments to move into the SeaTac Office Center (STOC) for \$6,829,000

April 28, 2015 – The Commission was briefed on, and authorized, a request to execute a four-year lease agreement to provide office space for the IAF Program Management Group in the SeaTac Office Center (STOC) for \$1,995,285