

Item No.: 4A

Date of Meeting: April 2, 2019



**THE NORTHWEST**  
SEAPORT ALLIANCE  
Gateway to Solutions

# North Harbor Commercial Strategy Implementation

Presenters:

**Tong Zhu**, Chief Commercial Officer & Chief Strategy Officer

**Mike Campagnaro**, Director, Real Estate

**Scott Pattison**, Sr. Business Development Manager

**Jennifer Maietta**, Sr. Real Estate Manager

**Curt Stoner**, Sr. Real Estate Manager

# Action Requested

Request Managing Members of The Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or his delegate to execute:

1. Terminal 5 Term Lease with SSA Terminals (Seattle Terminals), LLC – a Joint Venture entity owned by SSAT and Total Investment Limited Sàrl (TIL)
2. Matson Step-In Rights Agreement for Terminal 5 Term Lease
3. Terminal 5 Interim Lease (Matson) with SSA Terminals, LLC (SSAT)
4. Terminal 46 Lease Termination with Total Terminals International, LLC (TTI)
5. Eighth Amendment to the Terminal 18 Lease with SSA Terminals, LLC (SSAT) and SSA Containers, Inc. (SSA) and Conditional Consent to Assignment to SSA Terminals (Seattle Terminals), LLC



# Key Objectives

- Develop strategic terminals consistent with the NWSA 10-year Strategic Business Plan to support future vessel needs in a financially sustainable manner
- Realign container cargoes while keeping terminal operations fluid
- Retain and grow long-term container volumes
- Retain and grow maritime, manufacturing and export jobs



# Background

- Vessels calling our gateway have grown from 4,800 TEUs in 1997 to more than 14,000 TEUs today
- In 2015, the NWSA identified Terminal 5 (T5) as a priority for strategic terminal investment to make “Big Ship Ready”
- A sustainable long-term T5 Lease requires North Harbor cargo realignment to ensure operational fluidity and to support volume growth
- This realignment includes signing a long-term T5 lease with a new SSAT and Total Terminals Investment Limited (TIL) joint venture, moving Matson to T5, terminating TTI’s Lease at Terminal 46 (T46), and amending and assigning the Terminal 18 (T18) lease



# 1. Key Elements of T5 Term Lease with SSA Terminals (Seattle Terminals), LLC - a Joint Venture entity owned by SSAT and Total Investment Limited Sàrl (TIL)

ARTICLE	LEASE TERM
<b>Lease Date</b>	Effective date is 4/3/2019; Subject to Lessor approval, Lessee will have access to Terminal 5 Premises for purposes of installing Lessee Alterations and Improvements.
<b>Rent Commencement</b>	3/16/2021 or upon substantial completion of Phase 1 construction for 30 years.
<b>Premises – Phase 1</b>	~65 acres rentable area, including Preferential Use North Berth (~1420' X ~185'), See Exhibit A–PHASE 1.
<b>Phase 2 Expansion</b>	Lessee will expand to 158.9 rentable acres as outlined in Exhibit A-Phase 2, on 1/1/2024 or before by written mutual agreement. Rent per acre for Phase 2 Premises will be at the then current blended per acre per year rate.



# 1. Key Elements of T5 Term Lease with SSA Terminals (Seattle Terminals), LLC – a Joint Venture entity owned by SSAT and Total Investment Limited Sàrl (TIL)

ARTICLE	LEASE TERM
<b>Phase 1 Plus – Option to Expand</b>	In lieu of Phase 2 Expansion, Lessee must exercise its Phase 1 Plus Option to expand from 60 acres to ~85 acres by written notice to Lessor no later than 6/30/2023, with an effective date of 1/1/2024 or earlier by written mutual agreement. See Exhibit A-PHASE 1 Plus. Under Phase 1 Plus, preferential use of the second berth is not included.
<b>Term</b>	Lease Effective Date is 4/3/2019 with a lease term of 30 years from rent commencement which shall be the later of 3/16/2021 or substantial completion of the T5 Phase 1 construction. The lease term can be extended for two (2) additional five (5) year terms upon mutual consent of the parties.
<b>Basic Rent</b>	Blended average of rentable area at \$150,000 per acre per year plus Washington State Leasehold Excise Tax (LET) currently assessed at 12.84% on 25% of rent, beginning upon rent commencement of Phase 1 Lessor Improvements.
<b>Escalation</b>	Annual minimum increase of 2%, or fifty percent (50%) of the Consumer Price Index, but not to exceed 5% in any year.
<b>Security Deposit</b>	6 months' Rent and LET plus continuing lease guaranty by SSAT & TIL, in their proportional share, for an initial total of 15 years on a declining basis with an equal limitation on Lessee in the event of default. NWSA Master Policy Resolution 7(b)(i) and (ii) provide that Container Terminal agreements require security equal to a minimum 12 month's rental (plus leasehold tax). Adjustments for security below 12 months requires Managing Members authorization. By a vote to approve the T5 Lease, the MM take the action required by the Master Policy Resolution.



# 1. Key Elements of T5 Term Lease with SSA Terminals (Seattle Terminals), LLC – a Joint Venture entity owned by SSAT and Total Investment Limited Srl (TIL)

ARTICLE	LEASE TERM
<b>Permitted Use</b>	Lessee: International and domestic marine container and cargo terminal operations; Lessor: Use of the Premises as required to support future additional terminal development and or other interim third-party marine terminal users.
<b>Cranes</b>	All cranes are Lessee sourced, funded, owned and maintained; Phase 1: 4 new cranes capable of working Ultra Large Container Vessels (ULCV) required on Premises by the latter of 3/16/2021 or 75 days following Lessor’s Substantial Completion of North dock; Phase 2: 4 additional new cranes on Premises by the latter of 1/1/2024.
<b>Cargo Handling Equipment</b>	Lessee sourced, owned and maintained; EPA Tier 4 emissions standard.
<b>Maintenance</b>	Lessee responsible for all maintenance and repairs except dock structure, sheet pile seawall, utilities beneath the paving system and Subsidence per Lease.
<b>Premises Security</b>	Lessee provided at Lessee cost, including guards, cameras, fencing and related security services and infrastructure; Lessee to accommodate Lessor’s Permitted Uses.



# 1. Key Elements of T5 Term Lease with SSA Terminals (Seattle Terminals), LLC – a Joint Venture entity owned by SSAT and Total Investment Limited S  rl (TIL)

ARTICLE	LEASE TERM
<b>Alterations &amp; Improvements</b>	<ul style="list-style-type: none"><li>• Lessor will upgrade the T5 North Berth to ULCV STS Crane standards in Phase 1 Alterations by 12/31/2020, the South Berth in Phase 2 Alterations by 12/31/2023, and dredge to -55 feet MLLW by 12/31/2023;</li><li>• Lessee will design, construct and pay for all pavement related improvements;</li><li>• Lessee will install and Lessor will reimburse Lessee for cost of stormwater treatment improvements (see stormwater, below);</li><li>• Reefers – Lessor will provide power to a single designated demarcation point in proximity to Lessee’s designated reefer area;</li><li>• Phase 2 – Lessee will construct at its cost additional wheeled and racked reefer stalls;</li><li>• Phase 1 Plus – Lessor will reimburse Lessee the cost of up to 640 wheeled reefer stalls (est. \$9 million).</li></ul>





# 1. Key Elements of T5 Term Lease with SSA Terminals (Seattle Terminals), LLC – a Joint Venture entity owned by SSAT and Total Investment Limited Sàrl (TIL)

ARTICLE	LEASE TERM
<b>Stormwater</b>	Permit held by Lessee; Lessor indemnifies Lessee for stormwater issues prior to Phase 1 Commencement Date; Lessee indemnifies Lessor for stormwater issues after Phase 1 Commencement Date; Lessor is responsible for the cost and Lessee is responsible for the design and construction of stormwater treatment systems for the entire ~185 acre terminal, including the Intermodal Yard as follows: if the projected cost of Lessee's design is in excess of \$30 million, the parties will discuss and agree to a budget in advance of construction; Lessee is responsible for permit compliance activities throughout the lease term.



# 1. Key Elements of T5 Term Lease with SSA Terminals (Seattle Terminals), LLC – a Joint Venture entity owned by SSAT and Total Investment Limited Sàrl (TIL)

ARTICLE	LEASE TERM
<b>Insurance</b>	Marine General Liability \$5/10M; Business Auto \$2M; Pollution \$2M; Property at replacement cost basis Employers Liability \$3M; Builders Risk during any Tenant Improvement construction Protection & Indemnity Liability \$2M; POS and NWSA as Additional Insureds on all policies.
<b>Shorepower</b>	Sufficient for one ULCV per berth.
<b>Radiation Portal Monitors</b>	Lessee is responsible for the sourcing and installation of CBP booths, Lessor is responsible for power to booths; The parties, in partnership with CBP will determine how to handle Radiation Portal Monitors (RPMs) with Lessor supplying power to the RPMs.
<b>Environmental Provisions</b>	As per T-5 Dept. of Ecology Consent Decree and Agreed Order; Lessee is indemnified by Lessor for pre-existing conditions.
<b>Reefer Plugs/Racks</b>	Lessee is responsible for the cost of maintaining and operating all existing reefer plugs as of Commencement Date in Phase 1.
<b>Noise, Air, Gate Management</b>	Lessee shall comply with all regulations relating to its terminal operations including stormwater, noise, gate management and air quality.



# T5 Terminal Layout

## PHASE 1

### TERMINAL 5 LEASE AREAS SSAT JOINT VENTURE - PHASE 1



**EXHIBIT A1**

02/22/2019

LEASEHOLD ACRES	PREFERENTIAL USE ACRES	COMMON USE ACRES	TOTAL ACRES	RENTABLE ACRES (COMMON ACRES @ 50%)
52.8	8.8	6.8	68.4	65.0



# T5 Terminal Layout

## PHASE 2

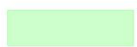
### TERMINAL 5 LEASE AREAS SSAT JOINT VENTURE - PHASE 2



SCALE: 1"=200'



LEASEHOLD  
USE AREA  
141.3 ACRES



PREFERENTIAL  
USE AREA  
17.6 ACRES

— = POS TERMINAL 5 BOUNDARY

#### EXHIBIT A2

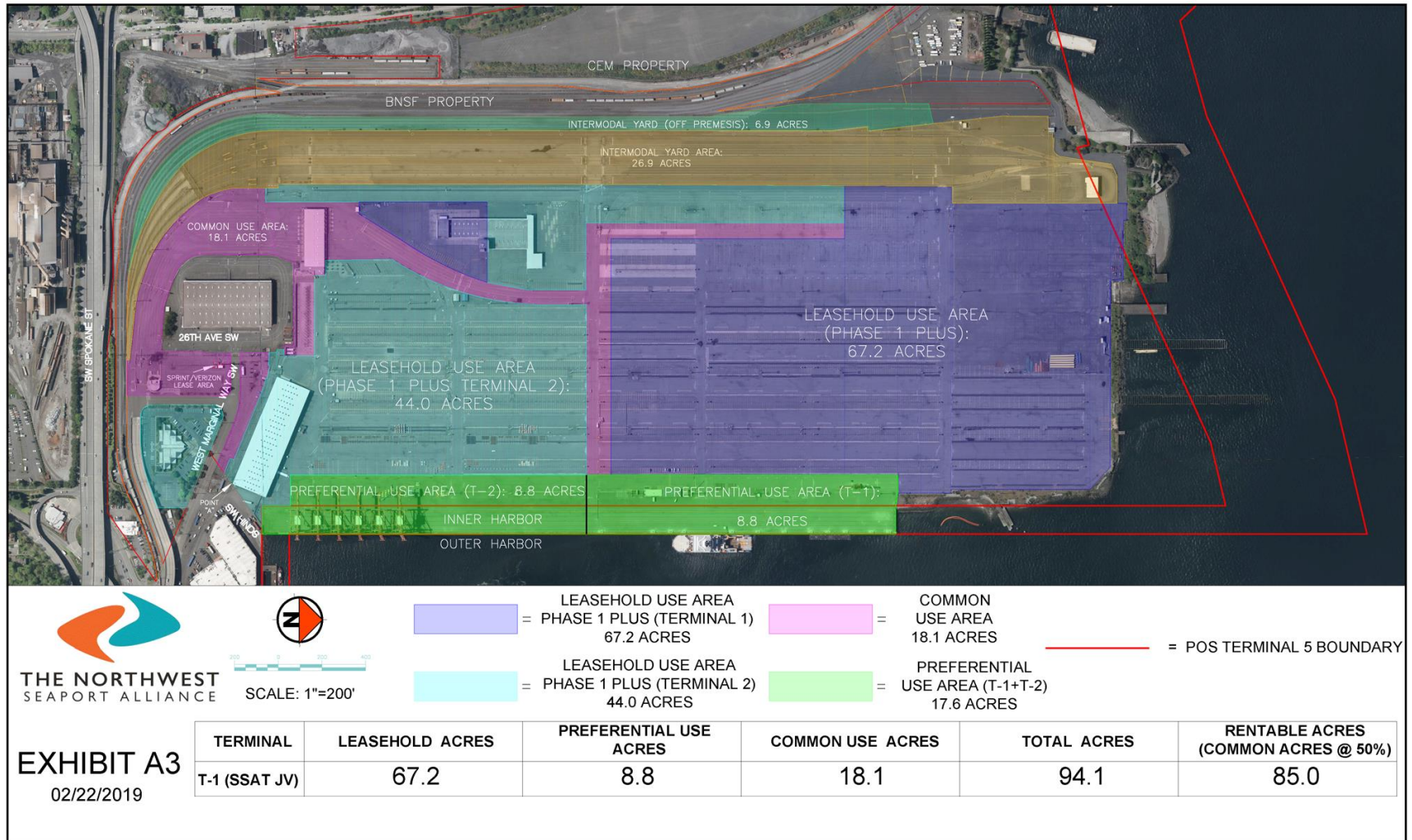
02/22/2019

LEASEHOLD ACRES	PREFERENTIAL USE ACRES	COMMON USE ACRES	TOTAL ACRES	RENTABLE ACRES
141.3	17.6	0	158.9	158.9

# T5 Terminal Layout

## PHASE 1 PLUS

### TERMINAL 5 LEASE AREAS SSAT JOINT VENTURE - PHASE 1 PLUS



# Environmental Impacts / Review

1. **T5 Term Lease with SSA Terminals (Seattle Terminals), LLC – a Joint Venture entity owned by SSAT and Total Investment Limited Sàrl (TIL)**
  - **Permitting:** City of Seattle land use and construction permit approvals stipulate actions both NWSA and the site operator must undertake. This includes a Gate Queue Management Plan and an On-Terminal Noise Plan. These requirements have been communicated to the operator and are incorporated in the lease by reference.
  - **Remediation:** This site has many covenants and conditions related to its long industrial history, which have been communicated to the operator and are incorporated in the lease by reference.
  - **Stormwater:** The operator will design and install necessary stormwater treatment system improvements, hold the permit, and perform all necessary Best Management Practices. NWSA will reimburse the operator for system design and construction.
  - **Air Quality:** The new use will be subject to limiting emissions of fine particulate from operations as defined in the Memorandum of Understanding with the Puget Sound Clean Air Agency, including specified threshold actions. There are multiple ways to meet the limit stipulated. The operator will use Tier 4 cargo handling equipment and promote shorepower use.





# Alternatives Considered and Their Implications

## 1. T5 Term Lease with SSA Terminals (Seattle Terminals), LLC – a Joint Venture entity owned by SSAT and Total Investment Limited Sàrl (TIL)

**Alternative 1:** Do not redevelop T5 to handle ultra-large container ships. This would preclude moving forward with North Harbor realignment. Moreover, it would limit future use of T5 to operations utilizing smaller ships, such as for breakbulk, roll-on roll-off, and domestic cargo, limiting revenues to the NWSA, reducing container volumes through the gateway below NWSA strategic goals and the economic impacts that would accrue to the region. NWSA staff does not recommend this alternative.

**Alternative 2:** Redevelop T5 without a lease commitment and revenue guarantee. Without revenues generated from this Lease, funding capacity for the Modernization Project would be constrained, and the potential of securing a future tenant under remunerative terms following completion of the investments would be speculative. This alternative does not guarantee North Harbor realignment. NWSA staff does not recommend this alternative.



# Alternatives Considered and Their Implications

## 1. Terminal 5 Term Lease with SSA Terminals (Seattle Terminals), LLC – a Joint Venture entity owned by SSAT and Total Investment Limited Sàrl (TIL)

**Recommendation:** Approve the T5 Term Lease with SSA Terminals (Seattle Terminals), LLC. This alternative would provide revenues to substantially fund necessary investments by the NWSA, would be complemented by tenant capital investments, increase the utilization of T5 to its highest and best use, increase the overall volume of containerized cargo and provide for environmental improvements in the North Harbor in alignment with NWSA strategic goals.





## 2. Key Elements of Matson Step-In Rights Agreement for Terminal 5 Term Lease

- Matson is committed to our gateway and needs to ensure it has a long term terminal operating commitment to serve Hawaii from our gateway. Matson is requesting step-in rights for the T5 Term Lease in the event either NWSA or SSA Terminals (Seattle Terminals), LLC terminates the Lease.
- The Matson Step-In Rights Agreement allows Matson to cure a SSA Terminals (Seattle Terminals), LLC default and be provided an Replacement Lease under substantially the same terms (Lease Term, Premises and Rent) as the T5 Term Lease.



### 3. Key Elements of T5 Interim Lease (Matson) with SSA Terminals, LLC (SSAT)

ARTICLE	LEASE TERM
<b>Premises</b>	60 acres total: 44 acres Exclusive Use Container Yard + 10 acres 1300 lineal feet Preferential Use South Berth + 4.35 Acres Construction Mitigation Area + Admin Building; See Exhibit A.
<b>Term</b>	23.5 months, 4/3/2019 to 3/15/2021.
<b>Rent</b>	2019-2021: \$31,250 Rent \$93,750 Preferential Use Fee per month. No escalation
<b>Security Deposit</b>	12 months Rent, Preferential Use Fee, LET: \$1,548,150.
<b>Premises Condition</b>	Lessee accepts T5 Premises “As-is” and is responsible for all costs to get the T5 Premises ready for Matson.
<b>Permitted Use</b>	Lessee: International and domestic marine container and cargo terminal operations; Lessor: Use of the Premises as required to support future additional terminal development and or other interim third-party marine terminal users.
<b>Maintenance</b>	Lessee is responsible for all maintenance and repairs of any improvements (above ground) necessary for Lessee’s use and operations at the Premises.



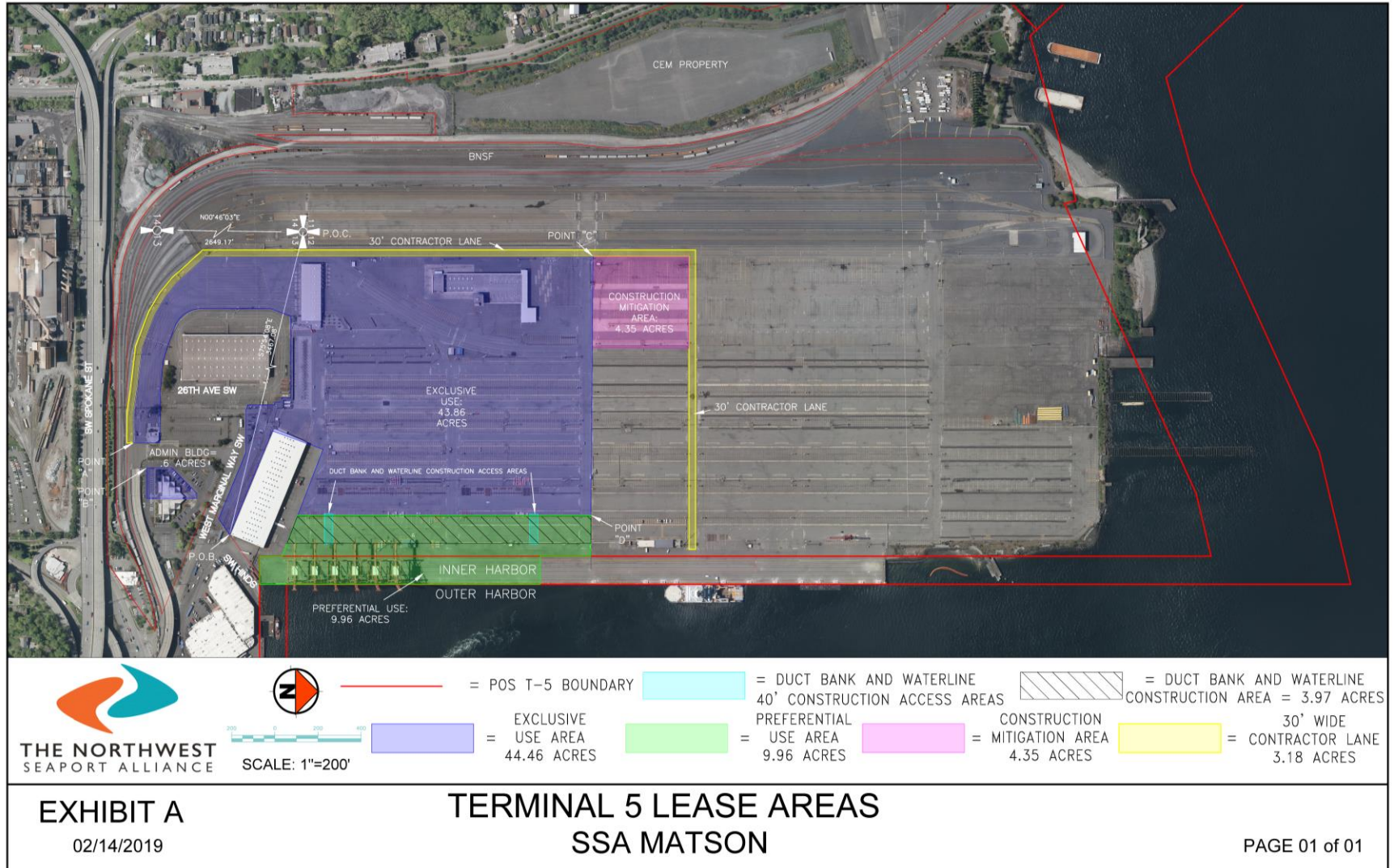
### 3. Key Elements of T5 Interim Lease (Matson) with SSA Terminals, LLC (SSAT)

ARTICLE	LEASE TERM
<b>Premises Security</b>	Lessee provided at Lessee cost; Lessee to accommodate Lessor's Permitted Use.
<b>Alterations &amp; Improvements</b>	Lessee is responsible for all Alterations & Improvements.
<b>Cranes</b>	Lessee bears all re-commissioning, maintenance & repair cost and responsibility for the 6 existing Paceco Cranes.
<b>Utilities &amp; Taxes</b>	Lessee cost and responsibility.
<b>Stormwater Permit</b>	Permit held by Lessee; BMPs performed by Lessee; Lessor indemnifies Lessee for stormwater issues prior to Lessee occupancy; Lessee indemnifies Lessor for stormwater issues after Lessee occupancy.
<b>Insurance</b>	Marine General Liability \$5M; Business Auto \$2M; Pollution \$2M; Property at replacement cost; Employer's Liability \$3M; Protection and Indemnity Liability \$2M.



# T5 Terminal Layout

## SSAT (MATSON) LEASE



# Environmental Impacts / Review

## 3. T5 Interim Lease (Matson) with SSA Terminals, LLC (SSAT)

- **Permitting:** This interim use lease will operate as a continuation of former container cargo operations, consistent with previous T5 use authorizations and not be subject to the 2019 permit requirements.
- **Remediation:** No change to normal lease requirements.
- **Stormwater:** The tenant will hold the stormwater permit for a defined Stormwater Premises in the south berth. This area holds the backland operations for SSAT / Matson. This defined area is exclusive of any area covered by a construction general stormwater permit and the preferential use area. The tenant is responsible for BMPs on the preferential use area.
- **Air Quality:** The interim use lease will operate consistent with previously approved air quality requirements as a continuing marine terminal use.



# Alternatives Considered and Their Implications

## 3. T5 Interim Lease (Matson) with SSA Terminals, LLC (SSAT)

**Alternative:** Do not move Matson's Hawaii service from T30 to T5. This would preclude North Harbor cargo realignment at T46, T18, T30 and T5. NWSA staff does not recommend this alternative.

**Recommendation:** Approve the Interim T5 SSAT (Matson) Lease. Having Matson move to T5 during Phase 1 construction provides more space for international cargo at T18 and T30 and positions the NWSA to implement the North Harbor Strategy. This is the recommended alternative.



## 4. Key Elements of T46 Lease Termination with Total Terminals International, LLC (TTI)

ARTICLE	PROPOSED TERMS
<b>Premises</b>	Approximately 87.6 acres including berth area.
<b>Term</b>	The Lease will terminate the sooner of the Lessee providing written confirmation of performance of all terms under the Termination Agreement or 12/31/2019.
<b>Cessation of Operations</b>	<p>The Lessee may cease operations prior to the Termination date by providing at least thirty (30) days prior written notification to Lessor (“Cessation Date”). Cessation shall mean the:</p> <ul style="list-style-type: none"><li>• Departure of all vessels; and</li><li>• Ceasing of all terminal and shipping operations; and</li><li>• Removal of all containers from the Premises, except that 250 empty containers may remain on Premises through the Termination Date.</li></ul>



## 4. Key Elements of T46 Lease Termination with Total Terminals International, LLC (TTI)

ARTICLE	PROPOSED TERMS
<b>Payment</b>	<p>The Lessee will continue to pay the monthly Payments and any other charges due under the Lease through the Cessation Date (“Termination Payment”).</p> <ul style="list-style-type: none"><li>• Any remaining Payments from the earlier of the Cessation Date or the Termination Date through December 31, 2019 will be paid by the SSA Terminals (Seattle Terminals), LLC.</li><li>• 50% of the net fees received under “secondary use” rights by the NWSA following the Cessation Date through the Termination Date will be credited back to the SSA Terminals (Seattle Terminals), LLC.</li></ul>





## 4. Key Elements of T46 Lease Termination with Total Terminals International, LLC (TTI)

ARTICLE	PROPOSED TERMS
<b>Cranes</b>	<p>The five (5) cranes on the Premises owned by the Lessee shall be removed at Lessee's sole cost and expense no later than the Termination Date and the Lessee shall be responsible for the cost of any repairs and/or damage caused by the removal of the cranes.</p> <ul style="list-style-type: none"><li>• Lessee will notify Lessor by 7/1/2019 if any cranes are available for purchase, Lessor may purchase for \$1.00 per crane with notification to Lessee of its intent to purchase no later than 7/15/2019 and the purchase and sale will close no later than 7/31/2019, otherwise the Lessee shall remove the cranes by the Termination Date.</li><li>• Insurance obligations under the Lease shall remain in effect until the cranes are removed from the Premises.</li><li>• Lessee will have a Grace Period through April 30, 2020, except that if the Termination Date is after November 1, 2019 but before December 31, 2019 the Grace Period will be extended through June 30, 2019. During the Grace Period a Late Removal Fee will be charged in the amount of \$5K/Mo per crane. After the Grace Period the Late Removal Fee increases to \$150K/Mo per crane or prorated at \$5K/Day per crane. Late payments will incur 8% interest per year.</li></ul>



## 4. Key Elements of T46 Lease Termination with Total Terminals International, LLC (TTI)

ARTICLE	PROPOSED TERMS
<b>Dock Rehabilitation Impacts</b>	Major dock repairs are being performed by the Port started in early 2018 and will continue through 2019. Monthly rent abatement related to operational impacts will continue through the Cessation Date.
<b>Settlement Litigation</b>	(Pending Resolution) The NWSA and TTI will work together to settle lawsuit with Puget Sound Keeper Alliance currently under litigation.



# Alternatives Considered and Their Implications

## 4. T46 Lease Termination with Total Terminals International, LLC (TTI)

**Alternative:**

Do not terminate the T46 lease with TTI. This alternative continues lease revenue through lease expiration of 12/31/2025. This alternative would preclude North Harbor realignment. NWSA staff does not recommend this alternative.

**Recommendation:**

Terminate the T46 lease which allows TTI's parent company to extend their commitment to the NWSA gateway to 2051 for the T5 Term Lease via a joint venture partnership with SSAT.



## 5. Key Elements of Eighth Amendment to the T18 Lease with SSA Terminals, LLC (SSAT) and SSA Containers, Inc. (SSA) and Conditional Consent to Assignment to SSA Terminals (Seattle Terminals), LLC

ARTICLE	PROPOSED TERMS
<b>Term</b>	<ul style="list-style-type: none"><li>Extend the end date of the lease term from 8/2/2039 to 10/27/2049, its fifty (50) year statutory limit. Lessee existing option to extend the lease for up to ten (10) additional years shall become a mutual option.</li></ul>
<b>Rent</b>	<ul style="list-style-type: none"><li>The T18 Lease is modified to acknowledge the parties agree that the T46, TTI lease termination shall not result in a Market Rate Adjustment as provided in this Terminal 18 lease.</li></ul>
<b>Intermodal Yard Facility Charges</b>	<ul style="list-style-type: none"><li>The IY Facility charges assessed on each Intermodal Lift at Terminal 18 will be deleted from the lease effective 1/1/2019.</li></ul>
<b>Most Favored Nation</b>	<ul style="list-style-type: none"><li>Most Favored Nation (MFN), is hereby deleted in its entirety</li></ul>



## 5. Key Elements of Eighth Amendment to the T18 Lease with SSA Terminals, LLC (SSAT) and SSA Containers, Inc. (SSA) and Conditional Consent to Assignment to SSA Terminals (Seattle Terminals), LLC

ARTICLE	PROPOSED TERMS
<b>Maintenance</b>	The parties agree to resolve disagreement over certain required maintenance on the terminal relating to asphalt and subsurface repairs by sharing the estimated repair cost of \$1.2 million. Lessee will complete the work and the NWSA share of the cost will be the lesser of 50% of the total cost or \$600,000.



## 5. Key Elements of Eighth Amendment to the T18 Lease with SSA Terminals, LLC (SSAT) and SSA Containers, Inc. (SSA) and Conditional Consent to Assignment to SSA Terminals (Seattle Terminals), LLC

ARTICLE	PROPOSED TERMS
<b>Assignment</b>	Effective July 1, 2019 the lease will be assigned to SSA Terminals (Seattle Terminals), LLC, the same entity under the Terminal 5 lease. This assignment is being made with the following understanding:
<b>New Lease Agreement</b>	Subject to future NWSA Managing Member approval, the parties are in agreement to enter into negotiations within the next sixty (60) days on a new lease agreement for Terminal 18 that is substantively the same as the existing Terminal 18 lease. The new lease is intended to be effective July 1, 2019 and co-terminates with T5 term lease. The parties agree that the lease security and continuing lease guaranty will be calculated the same as the Terminal 5 lease. Additionally, the parties agree that the default remedies under the lease will mirror the default remedy calculation as under the Terminal 5 lease. If the new lease is not fully executed the Conditional Consent to Assignment becomes effective on July 1, 2019.



# Alternatives Considered and Their Implications

## 5. Eighth Amendment to the T18 Lease with SSA Terminals, LLC (SSAT) and SSA Containers, Inc. (SSA) and Conditional Consent to Assignment to SSA Terminals (Seattle Terminals), LLC

**Alternative:** Do not amend the T18 lease agreement with SSAT and Conditional Consent to Assignment. The NWSA will continue to collect intermodal fees to the extent that SSAT's customers choose to use the T18 intermodal facility. This alternative does not support the NWSA strategy of incentivizing SSAT's water carrier customers to use the T18 on-dock rail facilities. NWSA staff does not recommend this alternative.

**Recommendation:** Amend the T18 lease and Conditional Consent to assignment. This will remove barriers and deductively motivate SSAT's customers to use the T18 on-dock intermodal facility rather than truck drayage. This action is intended to increase on-dock use of the intermodal facility and decrease local truck drayage to and from the off-dock BNSF and Union Pacific rail yards that have air pollution and local roadway congestion consequences.



# Financial Implications

## Source of Funds

- The 2019-2023 Capital Investment Plan allocates \$319,000,000 (\$14.2 million of previously authorized spending occurred prior to 2019) for this program, of which \$0 has been spent
- Both homeports' staff have identified funding mechanisms for the remaining investment
- Each homeport has capacity to secure funding for its share of the T5 Modernization Program





# Financial Implications

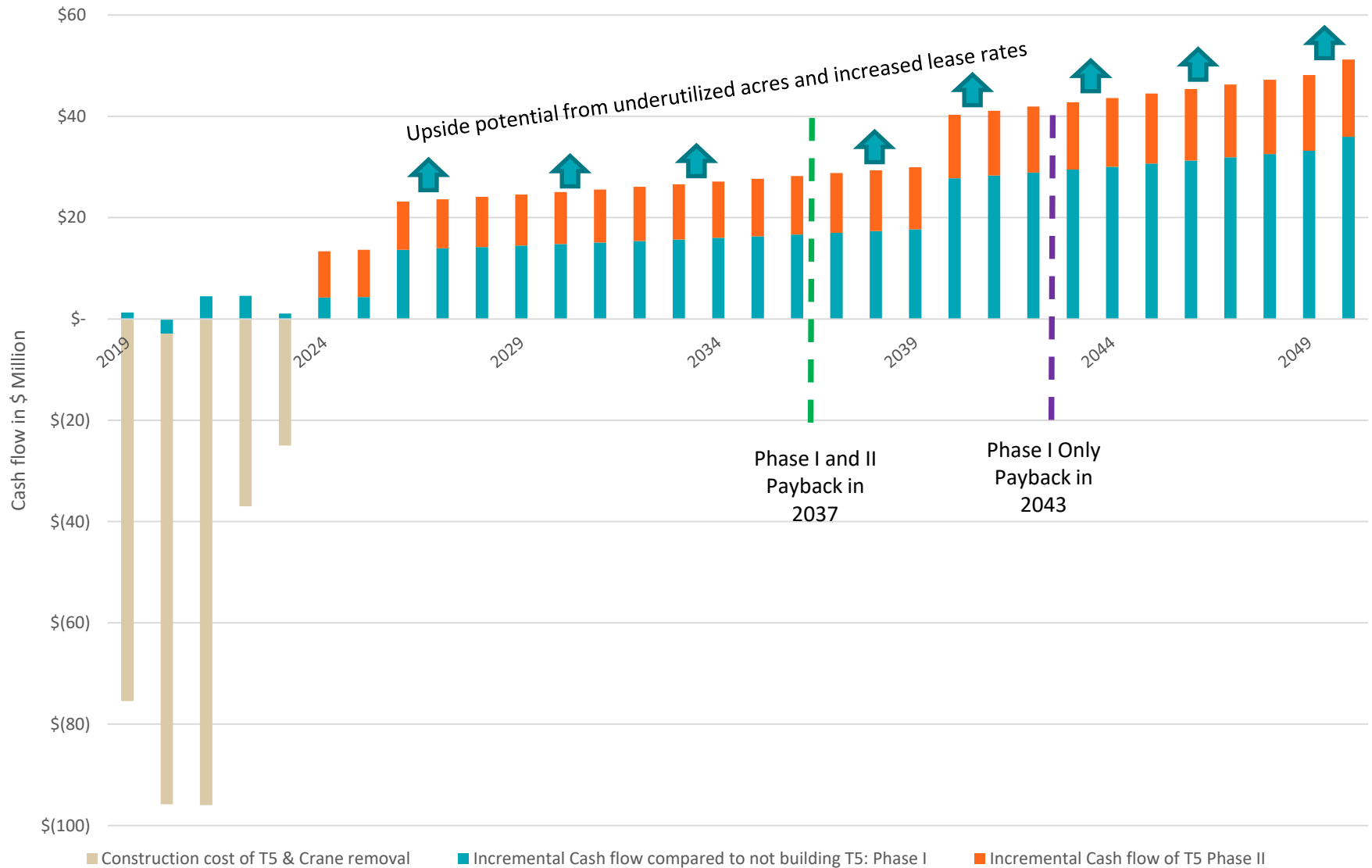
## Financial Impact

- The authorization of these leases and the subsequent authorization of the T5 modernization program result in mutually acceptable rates of return for the respective homeports.
- The approximate payback period is between 18-24 years depending on expansion to T5 Phase 2 or Phase 1 Plus respectively.
- Termination of the TTI lease will result in an estimated \$2.5 million non-cash write-off of the remaining amortization balance of a payment to TTI in 2012 for considerations associated with lease amendment 13.



# Forecasted Incremental Cash Flow

## Thirty Two Year North Harbor Cash Flow



# Action Requested

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