



Item No. 9A_Supp
Date of Meeting: August 2, 2022

- T5 Third Amendment to Lease
- T5 Intermodal Yard Rail Use and License Agreement
- T18 Ninth Amendment

Presenter: Jennifer Maietta
Director, NWSA Real Estate

Action Requested

- **Third Amendment to the Terminal 5 Lease Agreement:**
Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to enter into the Third Amendment to the Terminal 5 Lease with SSA Terminals (Seattle Terminals), LLC to commit early to Phase 2 of the Terminal 5 Lease eliminating the Phase 1 Plus premises and to certain improvements and the financial responsibility for such improvements and to commence Phase 2 operation on January 1, 2024 in substantially the same form as presented.



Action Requested

- **Long-term “Intermodal Yard Rail Use and License Agreement” (IY Agreement) for Terminal 5:** Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to approve the IY Agreement for Terminal 5 for SSAT’s long-term use and management of the Terminal 5 intermodal yard in substantially the same form as presented..

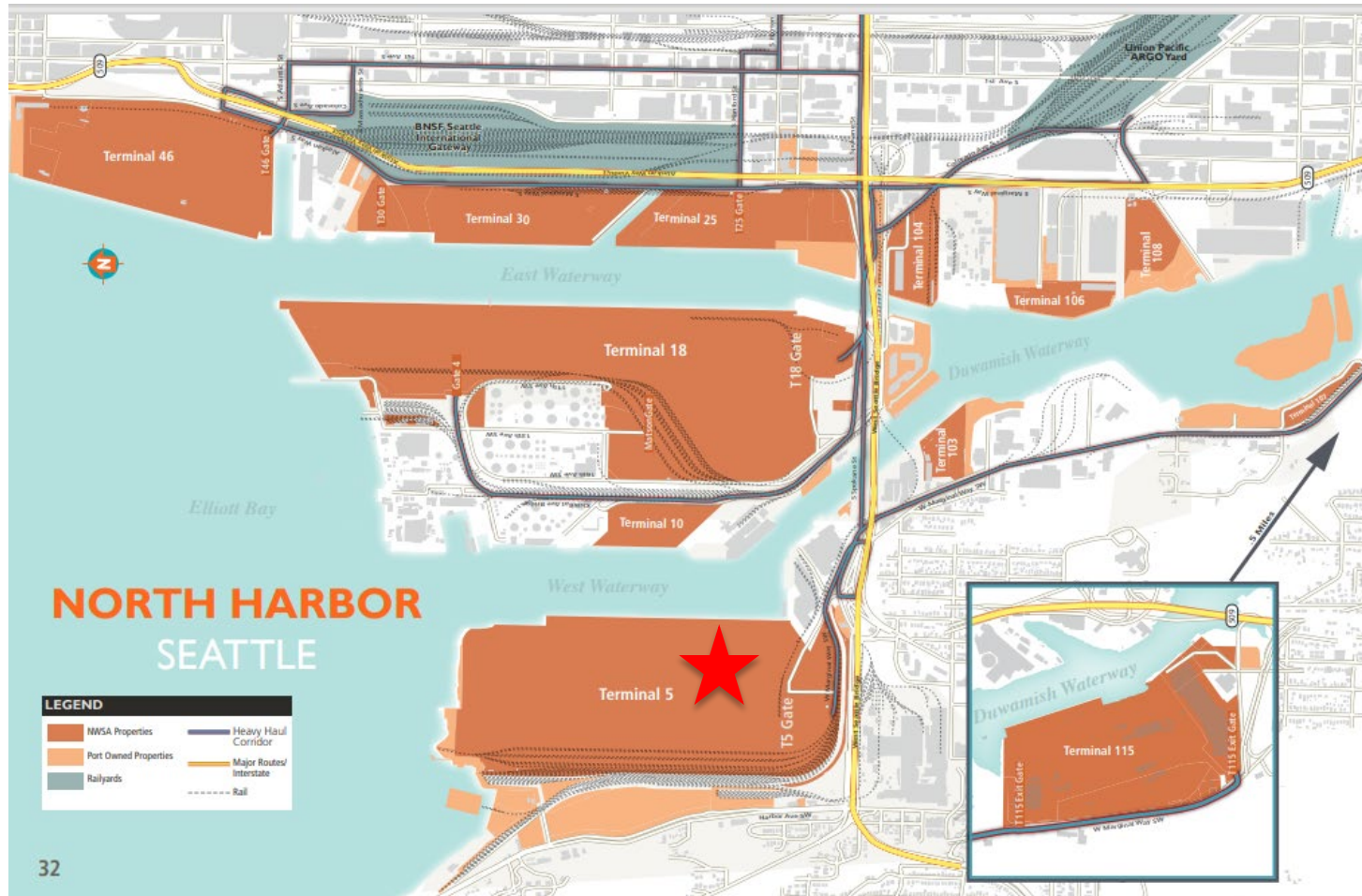


Action Requested

- **Ninth Amendment to the Terminal 18 Lease:** Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to approve the Ninth Amendment to the Terminal 18 Lease with SSA Terminals (Seattle Terminals), LLC to waive the Container Volume Lift Rate Fee over the Annual MAG Lifts at Terminal 18 for the calendar years of 2022 and 2023 in substantially the same form as presented.



Seattle Harbor - Terminal 5 Location




Current Terminal 5 Site Plan

TERMINAL 5 LEASE AREAS SSAT JOINT VENTURE - PHASE 2

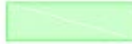



THE NORTHWEST
SEAPORT ALLIANCE


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

Background – T5 Third Amendment

- The current term lease provides SSAT the option to lease a portion of the terminal, Phase 1 Plus premises, by providing notice to the NWSA no later than June 30, 2023 or commence Phase 2 effective January 1, 2024.
- Due to the demands of the marine cargo business SSAT has elected to commit to the Phase 2 premises now, prior to the June 30, 2023, deadline and eliminate the Phase 1 Plus premises Option.
- As part of SSAT's commitment to the Phase 2 premises, SSAT has agreed to:
 - Coordinate and perform several Phase 2 construction projects for the terminal to be fully operational by January 1, 2024; and
 - Purchase, install and commission a minimum of (2) additional "Super Post Panamax" cranes.



T5 Third Amendment - Projects to be Amortized Into Additional Rent

- SSA will complete the following capital improvement projects:
 - Reefer Demarcation Project
 - Transtainer Runs installation
 - Phase II container yard paving
- The NWSA will complete the following:
 - Container Yard Expansion Project, which includes demolition of the CFS building, site preparation, stormwater, paving and access improvements as part of the container yard.
- The combined cost of the above projects will be recovered by the NWSA at a cost of capital of 5% over the term of the lease charged as Additional Rent.



Amortized Project Estimated Costs

DESCRIPTION	COST
Reefer Demarcation Project	\$15,200,000
Transtainer Runs installation	\$ 6,000,000
Phase II Container Yard Paving	\$15,000,000
Container Yard Expansion Project	\$11,800,000
TOTAL	\$48,000,000

- A high-level stochastic risk model has been run and the P-85 is \$52.9M and the P-100 is \$61.5M. Due to the accuracy of the estimates, the **additional authorized amount requested is \$61.5M.**
- The Amortized Capital Improvement Projects (Reefer Demarcation Project, Transtainer Runs Project and the Phase II Container Yard Paving Project) will be paid over the remaining lease term by the tenant as outlined above.
- The program currently has a 2020 MARAD PIDP grant that includes approximately \$33M for the Phase II Container Yard Paving Project. Staff has applied for a 2022 MARAD PIDP grant that includes approximately \$6.9M for the Container Yard Expansion Project.



Third Amendment - Premises

- The Phase 2 Premises (158.9 acres) would be permanently reduced by 5.5 acres to approximately 153.4 acres (17.6 acres Preferential Use/35.8 acres Leasehold Use Area)
- The eliminated acreage (5.5 acres) is non-functional for SSAT's operations primarily consisting of:
 - Administration Building;
 - Administration Building Parking Lot; and
 - Surrounding Surface Streets
- The Phase 2 Premises will temporarily be reduced for the Container Yard Expansion Project by approx. 5.8 acres for the duration of the project. (targeted completion 01/01/2025)



T5 Third Amendment Site Plan A

Container Yard Expansion Project

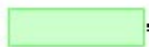
TERMINAL 5 LEASE AREAS SSAT JOINT VENTURE - PHASE 2(A)



SCALE: 1"=200'



LEASEHOLD
USE AREA
130.0 ACRES



PREFERENTIAL
USE AREA
17.6 ACRES



= POS TERMINAL 5 BOUNDARY

EXHIBIT A2

04/13/2022 (Rev.05/10/2022)

LEASEHOLD ACRES	PREFERENTIAL USE ACRES	COMMON USE ACRES	TOTAL ACRES	RENTABLE ACRES
130.0	17.6	0	147.6	147.6

T5 Third Amendment Site Plan B

Proposed Final Site Plan

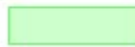
TERMINAL 5 LEASE AREAS SSAT JOINT VENTURE - PHASE 2(B)



SCALE: 1"=200'



LEASEHOLD
USE AREA
135.8 ACRES



PREFERENTIAL
USE AREA
17.6 ACRES



= POS TERMINAL 5 BOUNDARY

EXHIBIT A2

03/31/2022 (Rev.05/10/2022)

LEASEHOLD ACRES	PREFERENTIAL USE ACRES	COMMON USE ACRES	TOTAL ACRES	RENTABLE ACRES
135.8	17.6	0	153.4	153.4

Third Amendment Key Terms

Term	Description
Premises	<p>Total Acres: 153.4 (permanently reduced by 5.5 Acres)</p> <p>At the commencement of Phase 2, Premises is temporarily reduced by 5.8 acres (CFS Area) for the duration of the Container Yard Expansion Project, then the 5.8 acres is reincorporated into the Phase 2 premises upon completion of the project.</p>
Commitment to Phase 2	All references to and implications of Phase 1 Plus are deleted
Term	Phase 2 shall commence the later of January 1, 2024 or substantial completion of Project B



Third Amendment Key Terms

Term	Description
Rental Rate	<p>The base rental rate is \$159,120 per acre per year to increase annually by CPI with a minimum of 2% or half of the CPI not to exceed 5%</p> <p>Plus, “<u>Additional Rent</u>” for the amortized Capital Improvement Projects based on a flat annuity payment over the remaining term of the lease at a cost of capital of 5%. Should Lessee terminate the lease early, Lessee shall be responsible for any unamortized amount for the Capital improvement Projects prior to the termination date.</p>
Container Volume Lift Rate Fee	<p>Lessee pays a “Container Volume Lift Rate Fee” (\$17.57 in 2021 to be indexed for inflation) when the volume for Terminal 5 exceeds 2,300 boxes per acre per year in a 12-month period upon commencement of Phase 2.</p>



Third Amendment Key Terms

Term	Description
Cranes	Lessee shall purchase, install and commission two (2) new Super Post-[Panamax cranes
Capital Improvement Projects	<p>The following costs of these Capital Improvements will be charged to SSA amortized over time as capital improvements additional rent:</p> <ul style="list-style-type: none"> - Reefer Demarcation Project - Transtainer Runs Installation - Phase 2 Container Yard Paving - Container Yard Expansion <p>Note: Lessee to complete the following capital improvement projects at NWSA expense (all as previously-approved by the Managing Members, incorporated into Lease to track the work):</p> <ul style="list-style-type: none"> - New Gatehouse Complex - Reefer power supply for phase 1 and phase 2 premises



Background – IY Agreement

- The NWSA executed an “Industry Track Agreement” with BNSF for Terminal 5, effective October 2021, which allows use of the BNSF owned rail yard tracks located within Terminal 5 and assigns maintenance and operational responsibilities of the track to the NWSA.
- NWSA is proposing to enter into a separate “Intermodal Yard Rail Use and License Agreement” (IY Agreement) with SSAT effective upon commencement of Phase 2, to commit to a long-term use of the Terminal 5 intermodal yard.
- The long-term IY Agreement would replace the current interim IY agreement with SSAT which will remain in place until the commencement of Phase 2.



Intermodal Yard Site Plan

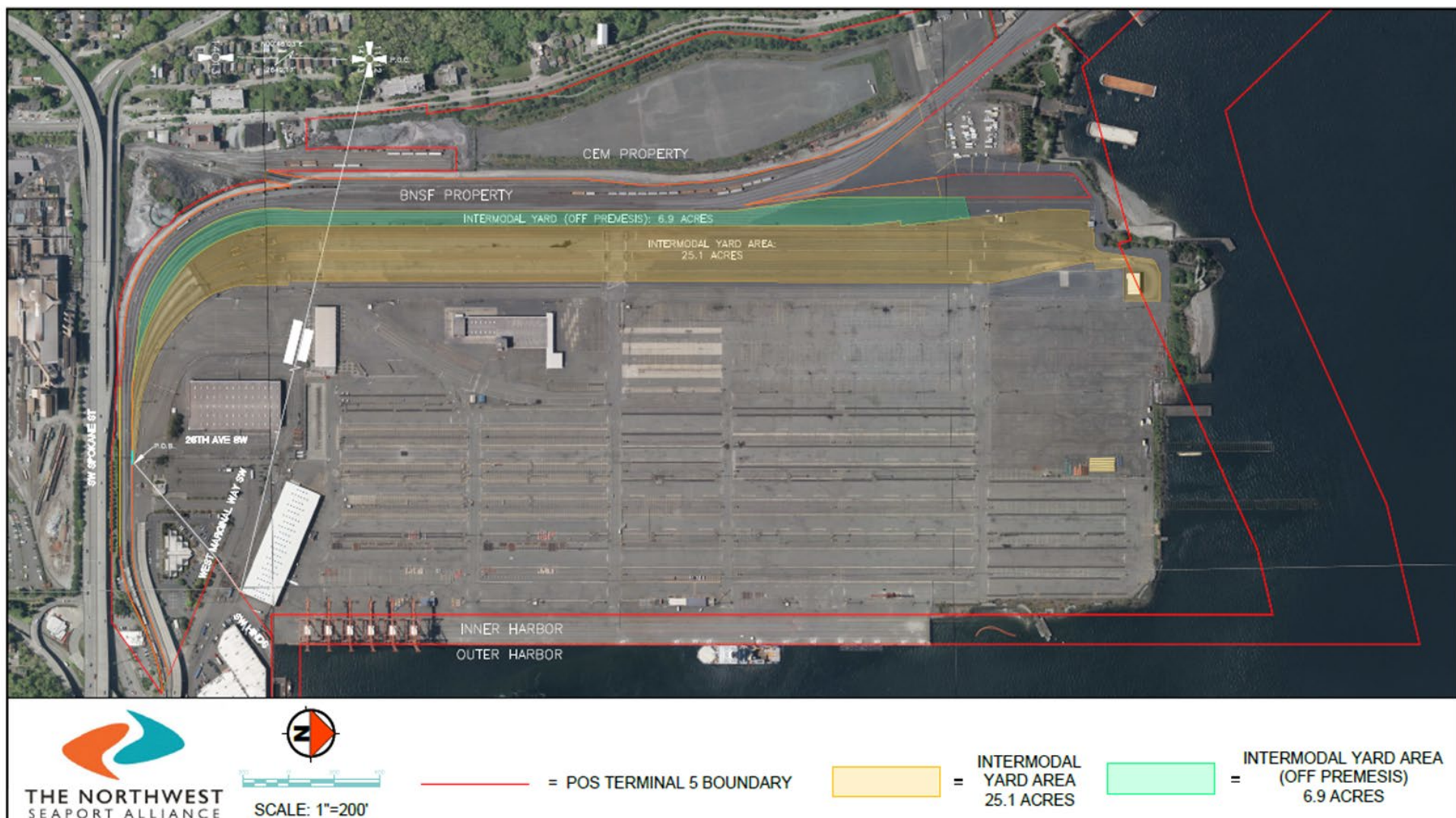


EXHIBIT A

05/12/2021

TERMINAL 5
INTERMODAL YARD

PAGE 01 of 01

IY Agreement Key Terms

Term	Description
Premises	Intermodal Yard is approximately 25.1 acres
Term	Commence upon commencement of Phase 2 and terminate upon termination of the T5 Lease Agreement
Use	<ul style="list-style-type: none">• SSAT shall use the Intermodal Yard (IY) for all activities related to the loading and discharging of boxes and containers (and/or non-containerized cargos, as applicable) by rail to and from Lessee's Vessels, and for SSAT's operations.• SSAT has preferential use of the IY.• Owner reserves the right to a secondary preferential right to use the Intermodal Yard.



IY Agreement Key Terms

Term	Description
Rail Yard Facility Charge	<p>SSAT will pay an annual Rail Yard Facility Charge payment equivalent to the actual number containers handled by SSAT per Agreement Year (“<u>Container Volume Amount</u>”) multiplied by the then-current Tariff 300 rate for the rail intermodal yard (the “<u>Use Fee</u>”).</p> <p>SSAT guarantees a minimum volume of 130,000 containers handled by SSAT at the Intermodal Yard per year defined as the Minimum Annual Guarantee (“<u>MAG</u>”).</p>
Maintenance & Repair	<p>To be performed by SSAT in accordance with the Industry Track Agreement at the NWSA’s expense to be reimbursed quarterly to SSAT with an annual true-up. NWSA may set up and pay directly for preventative maintenance items.</p>
Utilities	<p>All utility charges including stormwater will be the responsibility of SSAT</p>



Background & Key Terms

Ninth Amendment to the Terminal 18 Lease

- In consideration of and as a condition of SSAT entering into the Third Amendment to the Terminal 5 Lease, NWSA would amend the Terminal 18 Lease to waive the “Container Volume Lift Rate Fee” at Terminal 18 for the calendar years of 2022 and 2023.



Financial Implications

- The original financial model discussed during the approval of the T5 expansion was based on an entire strategy for the Seattle harbor including T18, T30, T46 and T5. That model assumed that T5 Phase 2 would be leased starting 2024 and assumed a lease of the 25-acre intermodal yard. The original model and lease did not assume any additional costs associated with the Amortized Capital Improvement Projects .
- Assuming long term revenue from a customer on all available acres at T46, approval of these three agreements, along with the Managing Member-approved short-term lease of T46 to the US Coast Guard, result in a return similar to the rate of return presented in the original Seattle Harbor strategy which authorized the T5 reconstruction.



Actions Requested

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