

**THE NORTHWEST SEAPORT ALLIANCE**  
**MEMORANDUM**

**MANAGING MEMBERS**  
**ACTION ITEM**

**Item No.** 7C  
**Date of Meeting** February 1, 2022

**DATE:** January 21, 2022

**TO:** Managing Members

**FROM:** John Wolfe, CEO

**Sponsor:** Tong Zhu, Chief Operating Officer and Chief Strategy Officer

**Project Manager:** Jennifer Maietta, Director, NWSA Real Estate

**SUBJECT:** Second Amendment to the SSAT Terminal 5 Lease

**A. ACTION REQUESTED**

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to approve the Second Amendment to the term lease by and between SSA Terminals (Seattle Terminals), LLC and the Northwest Seaport Alliance in substantially the same form as presented.

**B. SYNOPSIS**

The proposed Second Amendment to the Terminal 5 Lease only changes the configuration of the Phase 1 Premises to meet tenant current needs and has no financial impact. The Phase 1 Premises site plan requires modification to reflect a minor change in the Preferential Use area and to provide SSAT with full use of the Maintenance and Repair Building (M&R Building) to support current business operation. The overall total square footage of the revised Phase 1 Premises remains 65-acres with no change to the rent collected or use of the premises for Phase 1.

**C. BACKGROUND**

The Preferential Use area for the north berth modernization project linear footage was estimated at the time of the original lease negotiation. The final linear footage is within the approved construction contract range and upon completion is 1,370 linear feet. Thus, in the proposed Second Amendment to the Lease the original Phase 1 Site Plan Preferential Use area is reduced from 1,420 linear feet to 1,370 linear feet with the depth remaining the same resulting in the overall square footage being

reduced from 8.8 acres to 8.5 acres. Accordingly, with the incorporation of the full M&R Building the leasehold and common areas were adjusted slightly to make up this difference so that the total square footage remains the same. Since the overall total square footage of the revised Phase 1 Premises did not change and remains 65-acres these modifications do not affect the agreed upon Phase 1 rent in the Lease.

The original site plan allowed SSAT use of half of the M&R Building. In support of Phase 1 operations and additional rail and container yard operations under separate agreements, SSAT is requiring use of the full M&R Building, which is currently acceptable as there is not a second tenant at the terminal during Phase 1. During Phase 1 of the lease SSAT is operating out of the newly modernized north berth. The SSAT Phase 1 operations occurs jointly with the Phase 2 south berth modernization project. Thus, in practical sense, T5 is limited to SSA use while as the Phase 2 berth modernization is under construction. The terminal will remain a one-berth operation and use of the entire M&R Building does not impact it supporting another vessel operation. Upon completion of the Phase 2 south berth modernization project, SSAT will either select the Phase 1 Plus or Phase 2 lease options. Both Phase 1 Plus and Phase 2 site plans are already agreed upon in the Lease. The Phase 1 Plus option would allow for two-terminal operations and the M&R Building would revert to being shared equally between the current and a future tenant 50/50%. The Phase 2 option is where SSAT effectively leases the entire marine cargo terminal and thus would take the entire M&R Building.

Additionally, until either the Phase 1 Plus or Phase 2 options have commenced, to allow for flexibility related to SSAT's business operations it is proposed that Section 1.1.4 "Expanded Phase 1 Premises" is added to the lease to allow SSAT to quickly respond to the market demand by expanding the leasehold area of the Phase 1 Premises upon 30-days prior notification to NWSA to be approved at NWSA's sole discretion. Such, approval would be memorialized in an amendment to the lease expanding the premises only without requiring further Managing Member approval. The Phase 1 Premises could not be reduced, except that upon 30-days' prior notice, NWSA at its sole discretion may modify or terminate SSA's use of the Expanded Phase 1 Premises if 1) SSAT exercises the Phase 1 Plus Option or 2) NWSA has an alternate marine cargo use for the Expanded Phase 1 Premises.

Additionally, it is proposed that Section 1.1.5 "Pathway Common Area" be added as a new Section to the Lease to allow for SSAT to cross over any areas on the terminal during Phase 1 that are not otherwise contained within the Phase 1 Premises. This will allow for SSAT access to the M&R Building and to cross over other areas of the terminal to access their Premises. The Pathway Common Area is deemed to be a part of and included in the Phase 1 Common Areas and shall be managed as such, including for indemnity proposes in NWSA's favor.

Revised Terms:

- Section 1.1.1 “Phase 1 Leasehold Area” is revised to 49.8 Acres (from 52.8 acres)
- Section 1.1.2 “Phase 1 Preferential Use Area” is revised to 1,370 linear feet for a total of 8.5 acres (from 1,420 linear feet to 8.8 acres)
- Section 1.1.3 “Phase 1 Common Use Areas” is revised to 6.7 acres (from 6.8 acres)

Additional Terms:

- Section 1.14.4 “Expanded Phase 1 Premises” is added to allow for expansion of the Leasehold upon 30-days prior notification at Lessor’s discretion
  - Approval would be memorialized in an amendment to the lease expanding the premises only without requiring further Managing Member approval.
  - Lessor may upon 30-days prior notification may modify or terminate the expanded area if i) Lessee exercises Option 1 Plus or (ii) Lessor has an alternate marine cargo use for the Expanded Phase 1 Premises.
- Section 1.1.5 “Pathway Common Area” is added to allow SSA to cross over areas of the terminal that are not within their Premises
  - Deemed to be a part of and included in the Phase 1 Common Areas and managed as such, including indemnity purposes in NWSA’s favor.

**D. FINANCIAL IMPLICATIONS**

There is NO financial impact.

**E. ENVIRONMENTAL IMPACTS / REVIEW**

There are no changes to environmental impacts the due to the revised Phase 1 site plan.

**F. ATTACHMENTS TO THIS REQUEST**

- Computer slide presentation.
- Copy of Draft Second Amendment to the Terminal 5 Lease

**G. PREVIOUS ACTIONS OR BRIEFINGS**

April 3, 2019: Approval of the Terminal 5 Lease by the Managing Members.