COMMISSION
AGENDA MEMORANDUM

ACTION ITEM

Item No.	8f
Date of Meeting	October 28, 2025

DATE: September 29, 2025

TO: Stephen P. Metruck, Executive Director

FROM: Linda Springmann, Director of Cruise Business & Elliott Bay Operations
Marie Ellingson, Sr. Manager, Cruise Operations & Business Development

SUBJECT: **Terminal 91 Cruise Facility Lease Agreement**

ACTION REQUESTED

Request Commission authorization for the Executive Director to execute a Term Lease Agreement with Pacific Cruise Ship Terminals LLC (Metro Cruise) for Smith Cove Cruise Terminal at Pier 91. The proposed lease term is for five (5) years with a five (5) year option to extend, effective November 1, 2025.

EXECUTIVE SUMMARY

Smith Cove Cruise Terminal at Pier 91 was opened in April of 2009. The current lease of the cruise terminal manager expires at the end of October 2025. A Request for Proposals was issued on April 24, 2025, soliciting offers for a tenant to manage cruise operations. Key services include, but are not limited to, passenger flow, baggage operations both terminal and pier side, terminal security, traffic circulation, customer service, berthing plans, long term parking, accommodating access to accessibility equipment, crew store and services, and facility maintenance.

A diverse review panel was assembled to review the four proposals received. The panel included port representatives from Finance, Environmental, Facilities, and Cruise. Although all offerors were well qualified, the Port's assessment of the proposals revealed that Metro Cruise provided a proposal that generated the best overall value to the Port and yielded the greatest level of confidence in successful performance.

JUSTIFICATION

The port is expecting a record year in 2026 with 330 vessel calls and 2 million revenue passengers. The port will also welcome two new cruise lines to Seattle, MSC Cruises and Virgin Voyages. A multi-year lease agreement provides a greater degree of certainty to the port and the cruise lines than shorter-term alternatives. Metro Cruise demonstrated they would bring diverse perspectives and innovative ideas based on relevant experience in terminal management, security, and stevedoring.

LEASE TERM DETAILS

Preferential Use of the Terminal 91 Preferential Use Area – applies only to cruise vessels and associated ship activities during the cruise season.

Term	Five years with an option to extend five additional years at port discretion
Percentage Rent	Tenant shall pay the port 93.5% of the port directed cruise fees (passenger fee and dockage)
Flow Through Event Revenue	Tenant grants the port an event license. Tenant shall pay port 50% of flow-through event revenue
Additional Responsibilities	In addition to percentage rent, tenant shall pay taxes, insurance, operating expenses, utilities, maintenance & repairs, and any other cost associated with tenant's operations
Security	Tenant maintains corporate surety bond, letter of credit, or other security in the amount of $5,000,000
Tenants Operation of Premises	scheduling, security, passenger transportation, baggage operations, deliveries, stevedoring, hospitality services, long term parking, traffic control & directional signage, contracts for goods & services, billing, tours, marketing, compliance with 100% shore power of homeport vessels
New to Cruise Terminal Lease	Green Lease Terms that are now standard to Maritime lease are incorporated

ALTERNATIVES AND IMPLICATIONS CONSIDERED

To evaluate the implications and requirements of each operating model, cruise forecasts, income and expenses for the port, income and expenses for a third-party operator, potential capital programs, and future maintenance requirements were taken into consideration.

Alternative 1 – Port Self Operating (the port assumes all operations currently managed by a third party)

Pros:
(1) More operational control
(2) Potential for higher revenue

Cons:
(1) Higher direct costs and overhead budget
(2) Constrained by established organizational process and procedure risking the ability to respond in a timely manner to critical circumstances and time sensitive issues.
(3) Financial Risk

This is not the recommended alternative.

Alternative 2 – Enter into a lease agreement for management of the cruise terminal

<u>Pros:</u>

(1) Updated terms with increased profit share and more favorable terms
(2) Fixed lease payments provide financial stability
(3) Maintenance responsibilities and associated costs fall to tenant
(4) The port cannot achieve the same operational efficiencies as a third-party operator

<u>Cons:</u>

(1) Port responsible for capital programs
(2) May yield less revenue compared to alternative 1

This is the recommended alternative.

FINANCIAL IMPLICATIONS

The proposed agreement is structured as a revenue-sharing lease. The tenant will collect the passenger and dockage fees (per Terminal Tariff No. 5) from the cruise lines, and the Port will bill the tenant for its share of the fee revenue. The Port's revenue share of passenger and dockage fees would increase to 93.5% in the new agreement, which will have a positive impact on future cruise revenues to the Port.

Additional costs to the Port are minimal. The tenant will be responsible for leasehold taxes, insurance, operating expenses, utilities, maintenance & repairs, and any other cost associated with tenant's operations. The prior lease included annual capital and maintenance fund allowances that the Port provided the tenant for repair and maintenance, which are no longer included in the proposed lease and will reduce costs to the Port.

ATTACHMENTS TO THIS REQUEST

(1) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

December 14, 2021 – The Commission authorized to change the term of the Cruise Facility Lease Agreement for two years with two additional one-year extension options at the port's discretion (2024 – 2025)

October 22, 2019 – Commission action to extend Cruise Facility Lease Agreement for two years with two one-year extension options at the port's discretion (2020-2024)

September 11, 2012 – The Commission authorized seven years extension of Cruise Facility Lease Agreement (2013-2019)

December 11, 2005 – The Commission authorized Cruise Facility Lease Agreement (2006-2012)