



**COMMISSION
AGENDA MEMORANDUM**

ACTION ITEM

Item No.	<u>8d</u>
Date of Meeting	<u>January 27, 2026</u>

DATE : January 8, 2026

TO: Stephen P. Metruck, Executive Director

FROM: Blaine Burk, Aviation Real Estate Portfolio Manager III
Jason Johnson, Assistant Director Airline Affairs & Aviation Properties

SUBJECT: STOC Innspace Term Lease

ACTION REQUESTED

Request Commission authorization for the Executive Director to execute a term Lease Agreement with Innspace, LLC at SeaTac Office Center (STOC) to lease 4,193 square feet of office space for a term of 70 months.

EXECUTIVE SUMMARY

Innspace has been a tenant at STOC since 2023, they currently occupy 2,617 square feet on the fourth floor of the South Tower (Suite 415). The Port has tentatively agreed to a new lease for Innspace to relocate to a 4,193 square feet suite on the eleventh floor (Suite 1106) for an initial term of 70 months. Prior to occupancy, Innspace will invest approximately \$500,000 in tenant improvements. In lieu of a tenant improvement allowance, the Port proposes to abate base rent for the first 10 months (approximately \$80,365 of value). The lease also includes two 2-year renewal options, subject to Port approval.

Since acquiring STOC, the Port has experienced steady improvements in occupancy. This proposed lease would further strengthen that trend, increasing the building's occupancy rate to approximately 90%. The transaction reflects continued demand for space at STOC.

JUSTIFICATION

Suite 1106 is due for refresh, with its last renovation completed in 2005, and would benefit from significant upgrades toward Class A office standards. Innspace will fund and complete these improvements without any reimbursement by the Port. Upon lease termination, at the Port's option, all improvements will remain with the Port, enhancing the long-term value of the space. The lease begins at a base rent of \$23.00 per square foot annually plus operating expenses, with annual increases tied to CPI. Over the 70-month term, the lease is projected to generate approximately \$510,000 in revenue. Additionally, the suite Innspace would be vacating, Suite

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415, is in highly desirable condition and size, making it an attractive option for prospective tenants. The lease will be executed using a lease form approved by Port Legal.

LEASE DETAILS

Effective Date	Estimated to be February 1, 2026
Rent Commencement Date	Earlier of Substantial Completion of Tenant Improvements or November 1, 2026
Rental Rate Adjustments	Beginning in month 25 of the lease, the Monthly Base Rent will increase annually based on the Consumer Price Index (CPI) and will continue to adjust every 12 months thereafter.
Permitted Use	Innspace, LLC shall use the Premises for general office use.
Security Requirement	6 months' base rent
Insurance Requirement	General Liability Coverage: \$5 million per occurrence Auto Liability Coverage: \$1 million per occurrence

ALTERNATIVES AND IMPLICATIONS CONSIDERED**Alternative 1 – Do not lease Suite 1106 to Innspace**

Cost Implications: Risk losing \$510,00 of rental revenue over the initial term

Pros:

- (1) Suite 1106 would remain available for other potential tenants.
- (2) Avoids immediate rental abatement and broker commission costs.

Cons:

- (1) Innspace may choose to vacate STOC entirely if a long-term lease solution is not offered, resulting in the loss of an existing tenant.
- (2) The Port would miss the opportunity to have Suite 1106 upgraded, delaying potential improvements and long-term value enhancement.

This is not the recommended alternative.

Alternative 2 – Enter into lease with Innspace for Suite 1106

Cost Implications: \$510,000 of rent revenue over the initial lease term.

Pros:

- (1) The Port would retain a STOC tenant under beneficial financial terms.
- (2) The Port regains control of Suite 415, giving flexibility to strategically place tenants that align with Port priorities.

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- (3) Upon lease termination of Suite 1106, all improvements will remain with the Port, enhancing the long-term value of the space.

Cons:

- (1) Suite 1106 would be unavailable for other potential tenants.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

The proposed lease is expected to generate approximately \$510,000 in rental revenue over the initial 70-month term. The Port will incur a broker commission of \$27,315 as part of this transaction. Additionally, Suite 415, vacated by Innspace, is expected to be leased in its current “as-is” condition, with no tenant improvement allowance provided, which helps reduce future financial commitments.

When factoring in the 10-month rent abatement, base rental rates, and annual CPI-based increases, the overall financial outlook of this lease remains positive for the Port, offering long-term value through both revenue generation and capital improvements retained at lease end.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

October 22, 2024 – The Commission authorized the acquisition of STOC and the assumption of all STOC leases.