

MISSION:

- To manage Port owned real estate in a manner that earns a positive return on the public's investment;
- To be a catalyst for private investment by developing Port owned real estate in ways that will spur development by others; and
- To utilize existing and future assets in ways that will benefit operations and expansion of the existing Port business enterprises.

VISION:

To financially break even, division wide, by 2020

MAJOR AND NEW INITIATIVES:

- Implement projects from Fishermen's Terminal 25 Year Plan
- Implement projects from 2014 Site Plan update at Shilshole Bay Marina
- Increase utilization of Terminal 91 uplands acreage
- Des Moines Creek Business Park build out
- Ongoing – Evaluation of properties/facilities and recommend long-term strategies
- Implement Key Capital and Expense Projects:
 - Design of Shilshole Bay Marina Customer Service Buildings (restroom, showers, laundry, storage)
 - Design of paving improvements at Shilshole Bay Marina
 - Design Shilshole Bay Marina Fuel Float Building (1962)
 - Design Bell Harbor Marina Pile Wraps & Wavebreak Panels
 - Complete Pier 69 Beam Rehabilitation

STRATEGIES - SUMMARY:

- **Manage our finances responsibly - Increase the Real Estate Division's Net Operating Income by:**
 - Maintaining occupancy levels and rental rates at or favorable to the broader market
 - Increasing property utilization by offering and executing long term ground leases for land redevelopment
 - Acquiring or disposing of assets as circumstances warrant
- **Implement Century Agenda Strategies – Use our influence as an institution to promote small business growth and workforce development:**
 - Foster new business opportunities for local businesses
 - Increase work force training for local communities in trade, travel and logistics
 - Consider incubator development/land uses
- **Implement Century Agenda Strategies – Be the greenest, and most energy efficient port in North America:**
 - Integrate business friendly environmental objectives into our organization
 - Conduct business activities in environmentally appropriate ways
- **Consistently live by our values through our actions and priorities:**
 - Align leadership, people and systems with strategic priorities and plans
 - Strengthen a high integrity, continuous improvement culture
 - Increase organizational and individual ownership for safe and secure work practices and healthy living

- **Exceed Customer Expectations in Maintaining Assets including:**
 - Preventing recurrence of deferred maintenance backlog
 - Being aggressively defensive in asset management through 2016 to minimize economic damage related to the reconstruction of the seawall and the construction of the Alaskan Way tunnel and viaduct demolition

DIVISION DESCRIPTION:

The Real Estate Division integrates the efforts of five functional workgroups: Harbor Services, Portfolio & Asset Management, Real Estate Development & Planning, Marine Maintenance, and Pier 69 Facilities Management. Financial services, project management, and environmental services are acquired from the Seaport Division.

Following are the five business and service groups and their functions:

Harbor Services: Operates, leases and markets five marinas offering moorage/storage/yards and a variety of other products and services. Its two commercial fishing moorage facilities, home to the North Pacific Fishing Fleet, provide space for more than 600 commercial fishing vessels, commercial work vessels as well as recreational vessels. Its three recreational marinas provide facilities for more than 1,600 recreational, commercial fishing and commercial pleasure vessels and 13,000+ guest boaters.

Portfolio & Asset Management: Leases, markets, and manages the Division's portfolio of conference, office, retail, commercial, and industrial properties and works to enhance the value of the Division's assets through strategic asset planning and repositioning. This business unit will also lead the asset management efforts related to the Eastside Rail Corridor.

Real Estate Development & Planning: Plans and facilitates the development of selected real estate assets currently within its own portfolio and provides development expertise and support to the Seaport and Aviation Divisions. The team also identifies and evaluates new opportunities outside the Port's current portfolio and completes other transactions related to Port assets.

Marine Maintenance: Provides comprehensive maintenance, repair and small capital services to properties and equipment in the Real Estate and Seaport Divisions. Marine Maintenance also has the obligations to maintain the 23 park and public access properties owned by the Port of Seattle.

Pier 69 Facilities Management: Ensures functionality of Port Headquarters by integrating people, place, process, and technology. Operations include reception, motor pool, mailroom, shipping & receiving, conference center, and Clipper Café.

INDUSTRY ASSESSMENT:

The local real estate market is continuing to recover from the 'Great Recession' on literally all fronts. That makes for encouraging news for the broader market in a macro sense although specific submarket pressures will still adversely affect the Port of Seattle Real Estate Division holdings. This discussion will be divided into several component parts, each of which has a bearing on real estate strategies for the near future. More specific detail on many issues will appear in the individual business unit business plans; this is intended to provide an executive summary of the most critical influencers on our real estate for the next few years.

Development Cycle:

As we have discussed in the past, the development cycle/window has a bearing on real estate strategies going forward. As is typical with the expansion phase of the cycle, we see vacancy declining; new construction starts and deliveries on the horizon; rent growth is rising while the supply is constrained; cap rates are declining as a result of multiple investors pursuing the few offerings in the market.

The critical question relative to the Port's real estate is when to put it in play and not deploy it when the cycle shifts from expansion to contraction. Over-building or providing more capacity than the demand warrants triggers the contraction; vacancy rises; new construction abates, rents stabilize or decline if more new product

is delivered than the demand warrants; cap rates become volatile but higher as investors scramble to place capital and drive prices as low as the market will tolerate. We are still in the expansion phase; predicting when that will change is the magic of the real estate development world.

Regulatory/land use/ zoning:

Much of the real estate managed by the Real Estate Division is subject to the Shorelines Master Plan; it is currently being refreshed as required by state statute. As currently drafted, however (and pending review by the City Council and the Department of Ecology), additional setbacks from the water will further constrain the utility of some sites.

The continuing debate about the stadium district and the relocation/expansion of an NBA team will have an as yet unknown effect on real estate in SODO as the city contemplates new uses in the near south downtown neighborhoods.

The pending amendment to the comprehensive plan in the Interbay neighborhood will have an as yet undetermined effect on Port real estate in the north end of the harbor. The current proposal to upzone to Industrial Commercial from IG2 would raise the height limit to 65' from 45' and provide for unlimited office space compared to 10,000 square feet of accessory office in current zoning. Industrial sites with more dense entitlements will likely trade at higher prices as a result of greater utility; despite these higher sale prices, inventory is being reduced from the supply altogether. Feasibility analysis in the future for industrial uses will be more difficult if their business model cannot accommodate the higher ground rents/values.

Capital Markets:

During the recession almost all real estate developments dissolved into short term memory; underwriting and appraisal standards tightened and owners and developers found themselves in the unfortunate position of being unable to re-finance or to avoid capital calls as existing debt packages matured; foreclosures and deeds in lieu of foreclosure became the product of workouts of bad loans.

Other than the few self-financed developments/build to suits, little development was occurring. That dynamic has now shifted rather remarkably.

Capital is available for development, most notably in the local market for residential development, although some commercial and industrial deliveries are now in the pipeline. Vacancy rates for commercial now hover at 12% and industrial near 6%; this spurs development on both fronts. The net result of this increased appetite is a reduction of the number of building sites and an increase in the number of re-development sites. While the Port does not use conventional financing for our real estate projects, the demand for capital nonetheless drives the cost of capital upwards and clearly for those properties which would be developed by third party developers, the conventional financing constraints will apply.

Capital requirements:

Given the age of most of the industrial properties owned by the Port, the capital requirements are significant. As presented to the commission in prior briefings, the capital requirements through 2022 are presently estimated at \$101 million; the majority (\$85.2) million at Fishermen's Terminal and the Maritime Industrial Center based on staff's review of the coming needs. It is critical to note that none of the projects has been engineered or priced based on our protocol relative to capital projects; when those projects percolate to the surface further clarity to the capital required will become apparent.

Debt Service:

As of 12/31/2014, the real estate division will have an outstanding balance of revenue bond indebtedness of \$47.7 million, largely related to the re-development of Shilshole Bay Marina which was completed in 2008 and to the Pier 69 Facility. In 2016 through 2019, those bonds have significant debt service payments due; debt repayment or re-financing looms.

Deliveries/Projects in the Pipeline:

Projects in the pipeline, along with 2013 deliveries are heavily skewed toward residential development as mentioned above. 2013 saw 26 projects delivered in Seattle; 17 of those were residential projects. 2014 shows 45 projects under development of which 31 are residential. This continuing demand for residential will absorb some of the capital capacity in the market but not likely for other property types—developers and lenders alike evolve preferences for certain classes of opportunity so the market is somewhat segregated. Industrial deliveries in the pipeline at present are 17 projects with active permits, all either in SODO or Interbay.

Infrastructure Projects:

Greater detail of the challenges by the public infrastructure projects along the waterfront will appear in the Portfolio and Asset Management business plan; however, the overlap of the seawall construction, the removal of the Alaskan Way viaduct, the uncertainty of the re-development of the Colman Dock, the construction of the proposed waterfront park and public spaces all have a detrimental effect on the leasing of the bulk of the commercial space owned by the Port since it is centrally located in the center of all these public construction projects. We anticipate that, while the broader market improves, our ability to lease will rely on greater capital investments in the form of tenant improvement allowances.

BUSINESS ASSESSMENT:

HARBOR SERVICES

Recreational Boating:

The Port of Seattle's Recreational Boating business has done very well over the past two years. Demand and occupancy levels remain strong in monthly moorage at all facilities, achieving 95%+ occupancy at Shilshole Bay Marina and Harbor Island Marina. Bell Harbor Marina's off-peak seasonal monthly moorage remains strong.

Shilshole, which has the majority of monthly moorage, attributes its continued high level of success to the marina's location, state of the art docks designed with good maneuverability and wide navigation channels, a strong and active liveaboard community, and the customer experience focused service the staff provides. To off-set increasing costs and keep margins at current levels, it is apparent that we need to continue to look at implementing new revenue streams. Customer needs have led to new business ideas which require more study such as gear storage rental, off-season RV use, additional non-port events, expanding the liveaboard cap and adding food trucks. There are plans in place to address these as well as exploring the following: paid parking, other public transportation options since Metro bus service is no longer available on Seaview Ave.; providing Wi-Fi service to our customers which is now a common amenity in the industry; and soliciting development opportunities for an on-site restaurant (ground lease) to attract guest moorage customers and the public. The marina will be facing a number of major improvements over the next five years such as: replacement of 1960's restroom/shower/laundry buildings that are at the end of their usable life and do not meet the needs of many of our customers; repairs to utilities; repairs to the mile long parking lot/pavement; replacement of the fuel dock building (built in 1962); and rehab to two docks that were not addressed in the 2006-2008 Dock Replacement Project.

Bell Harbor Marina relies on short-term guest moorage revenues and remains the only marina with easy access to the downtown corridor primarily. In the off season, a portion of guest moorage is changed over to monthly moorage in order to increase revenues. Due to the down economy and high fuel prices, guest moorage demand has dipped for Bell Harbor for the past two years. However, as the local economy is showing signs of recovery, there is an optimistic belief that Bell Harbor has the highest potential for future growth in terms of occupancy and revenue. New floatation has recently been added to the docks that will help extend the life of this asset. In addition, the marina office has been remodeled to help better meet the needs of our customers. BHM is facing a significant capital improvement in the next several years to extend the life of the under pier pilings and wavebreak that protect the marina. BHM will eventually be affected by the waterfront construction which could have an impact on its revenues in the future.

Harbor Island Marina is an aging facility. Plans are in place in 2014 to repair one of the docks (Commercial Dock E) that is in the worse condition. Future dock repair projects are planned to follow every two years. Harbor Island Marina has a lower price point that is attractive to many cost-conscious boaters. This has led to the marina realizing its highest occupancy for the past two years. We expect this trend to continue at least for another two years as we continue to make repairs. A challenge for marina pricing is its proximity to two concrete plants which produce dust on marina vessels.

Fishing and Commercial:

Commercial fishing vessel moorage demand remains steady with annual occupancy over 80%, even with the majority of our customers leaving to work in Alaska for various parts of the year. Small commercial fishing boats (<80') is the market that is most at risk due to the expense of operating a boat, owners retiring and boats relocating. We are able to compensate for this loss of business to some degree by providing monthly moorage for smaller recreational vessels which do not require year round moorage.

Daily moorage demand for use of the loading docks on the West Wall and the Northwest Dock continue to exceed supply at certain times of the year. Because many of our customers work in the same fisheries, they all have the same deadlines and plans and accommodating all of them during key times of the year is challenging.

Demand for gear storage, both inside and outside, continues to be strong with demand exceeding supply. Currently there are no ground floor storage lockers (net sheds) available and all outside fenced storage gear

does not fit into the fenced storage areas resulting in net pallets loaded with gear being placed throughout the terminal.

Dock and moorage assets at Fishermen's Terminal are all fairly new with the oldest dock now approaching thirty years old (Northwest Dock). Available shore power systems for the various sizes of boats continues to set us apart from our competition. Over the next ten years, the capital plan for the entire Fishermen's Terminal property calls for approximately \$90M in projects such as the NW Dock improvements, Docks 3 & 4 rehab, corrosion protection to seawalls, Net Shed buildings roof replacements, and the Maritime Industrial Center west and central pier resurfacing. These projects are subject to the overall Port of Seattle capital plan funding priorities.

The financial outlook for the terminal is projected to continue to be stable. The opportunity for increasing our revenues will come from increasing the number of recreational vessels, as the recapitalization of the distant water large vessel fishing fleet will, for the most part, replace old vessels with new ones, not necessarily adding vessels to their respective fleets. However, the recapitalization of the commercial fleet represents a stable and well managed industry. Moorage rates at the terminal for fishing and commercial vessels are comparable to the Puget Sound public ports market average. Recreational vessel rates are at market as compared to local marinas. Possible upland redevelopment, as proposed in the "Fishermen's Terminal 25 Year Plan", is designed to increase revenue opportunities by developing additional retail and office to help support Fishermen's Terminal financial goal to break even. The final redevelopment plan is contingent on the Port of Seattle Commission direction.

PORTFOLIO & ASSET MANAGEMENT

Leasing and Marketing:

The occupancy level of our Commercial Properties is currently at 90% compared to a broader Seattle market occupancy of 88%. We expect leasing activity to increase with improving economic conditions but will continue to wrestle with local challenges (e.g. transportation infrastructure projects) on the Central Waterfront and Duwamish. Corresponding increases in leasing activity are expected in most other submarkets.

Operations and Maintenance:

The commercial real estate industry's focus on energy efficiency has resulted in a downward trend in total operating expenses with approximately two-thirds of the savings achieved in the utility category, underscoring an industry focus on maximizing building efficiency.

A large portion of the operations and maintenance services related to the portfolio are provided through the Real Estate Division's Marine Maintenance Department. Our teams will continue to work together to improve operating efficiencies, reduce environmental impact, to budget appropriately, and to manage our expenses in order to maintain and improve the value of our portfolio of real estate assets.

Capital Investments/Improvements:

By the end of 2015, the Portfolio and Asset Management team is expected to have been involved in the oversight of over \$9.940M in capital investments being made in the commercial properties. Investments will be reflected in sustained existing revenues and improved operating efficiencies intended to position the properties for improving market conditions and opportunity for additional revenue.

REAL ESTATE DEVELOPMENT & PLANNING

The group's strength lies in the relatively well-located portfolio of underutilized sites in Seattle and surrounding the airport. This is particularly significant given the increasingly smaller supply of close-in, well-served industrial land available for development. The portfolio provides the group and the division with the best opportunity to improve financial performance by increasing revenue over both the short- and long-term. Disposition of the portfolio, however, will require a careful balancing of both financial and non-financial objectives—some of which can only be realized over a longer horizon—against potential short-term financial gains. This is a dilemma faced by most landowners. Better managing this circumstance is an opportunity for improvement, particularly given the favorable market conditions and the opportunities afforded by the upswing in the real estate market.

MARINE MAINTENANCE

Marine Maintenance has an assignment that is different from other local government entities. It is also different from that of Aviation Maintenance. The ages and types of properties are unique.

In a recent study by TokuSaku Consulting, data was collected and comparisons made against established benchmarks in clearly identifiable areas of maintenance.

Marine Maintenance compared favorably with a broad range of private and public maintenance organizations in cost of maintenance per rentable square foot.

Locally, in a cost per catch basin comparison to the University of Washington, Marine Maintenance performed at only two thirds the cost at UW. Similar results were noted in the comparison of fleet maintenance costs between Marine Maintenance and UW. (Full study to be submitted to Commission.)

CHALLENGES AND OPPORTUNITIES:

HARBOR SERVICES

Recreational Boating Challenges

- Keeping facilities available, customers satisfied and revenues coming in, during upcoming capital improvement projects including Seattle waterfront construction projects.
- Maintaining assets responsibly while continuing to generate enough revenue to realize a profit.
- Designing and rebuilding the Shilshole multi-use service buildings (restrooms/showers/laundry) in a way that will meet the needs of our customers and at a reasonable cost.
- Accommodating the needs of mega yachts, a growing business in Puget Sound albeit slow growing, e.g. power requirements, dock structure, and amenities for crew. Other ports are considering expanding assets to capture growing mega-yacht business in the region
- Implementing the requirements of new legislation such as the 2014 Derelict Vessel Bill.

Recreational Boating Opportunities

- Adding value to Shilshole Bay Marina and new revenues where possible through projects and grants such as: Seaview Boatyard expansion, customer service buildings (restrooms/showers/laundry), restaurant pad (ground lease), outdoor fitness trail, guest moorage kiosk, storage for boating equipment, and bringing in more boatshows and 3rd party events.
- Leveraging partnerships to create opportunities with Corinthian Yacht Club, The Adventuress, Seattle Yacht Club, Northwest Marine Trade Association, to name a few.
- Working with commercial customers to enhance SBM amenities.
- Utilizing new technologies to create efficiencies.

Fishing and Commercial Challenges:

- Potential for further slow decline of the small boat fishing fleet (<80').
- The price of fuel to vessel operators traveling to and from Alaska, likely at a new normal level.
- Poor weather conditions in June, July and August discouraging small recreational boat owners from taking moorage.
- Capturing the new business from the revitalization of the fleet.

Fishing and Commercial Opportunities:

- Retain business from commercial fishing customers who are recapitalizing their fleets.
- Continue to grow the recreational vessel fleet.

- Use visibility of the fishing and maritime industry economic impact results to promote legislation that would incentivise continued growth within the industry.

PORTFOLIO & ASSET MANAGEMENT

Commercial Properties Opportunities - Improving Revenue:

- The current real estate market appears to be trending toward continuing recovery which suggests more opportunities for improving future revenue.

Commercial Properties Challenges - Improving Revenue:

- Having experienced high vacancy rates over an extended period, landlords of commercial real estate will continue to aggressively pursue tenants looking for commercial space. Well-positioned and maintained properties that offer attractive amenity packages more readily benefit from improving market conditions.
- Compliance with legal, financial and regulatory aspects of public entity ownership of real property can result in having a less competitive edge than the private sector in the commercial real estate market (contracting procedures, security deposit requirements, and limited flexibility in negotiations). This is likely to be reflected in achievable lease rates at the lower end of the market range and/or lengthier vacancies through missed opportunities.
- Locations of several properties within the portfolio provide only limited amenities such as public transportation, shopping, dining, walking trails, etc.
- Updating and refurbishing aging infrastructure will require forward planning and capital investment.

Commercial Properties Opportunity – Improving Operating Efficiencies:

- Trends in lowering total operating expenses through maximizing building efficiency supports investments made in energy conservation initiatives.

Commercial Properties Challenges – Improving Operating Efficiencies:

- Improving operating efficiencies in properties with aging infrastructure and implementing energy conservation improvements will involve forward planning and capital investment.
- Increasing regulatory requirements increase maintenance costs.

Commercial Properties Opportunity – Seattle Waterfront Improvements:

- The rebuilding of the Seattle Waterfront over the next few years presents a distinct opportunity to leverage historical success and iconic heritage to update and refresh the Bell Street International Conference and Event Center, the Maritime Event Center, the World Trade Center West and World Trade Center Seattle in anticipation of renewed regional and international interest.

Portfolio & Asset Management Challenges – Seattle Waterfront Improvements:

There continues to be concern with local businesses that will be affected by the Alaskan Way Seawall Project. Perception in the market is that the disruption from the ongoing work currently underway on the waterfront will continue to negatively affect businesses along the entire waterfront for the next several years with the following potential impacts:

- Loss of traffic capacity and parking, commute time congestion
- Walking access is constrained, impacting tourist activity
- Customer, public, employee and supplier access to businesses are restricted and congested
- Negative impact to seasonal business volume from both the physical and perceptual blockages
- Negative impact of construction activity (i.e., noise, congestion, muck)
- Loss of key infrastructure on the waterfront that serve the public and customer needs
- Businesses along Piers 54-57 will be closed October, 2014 through June, 2015
- Potential tenant's employee access to waterfront office space may be impeded
- Limited shopping, activities, and dining choices for employees of potential office tenants
- Public and potential tenants may likely avoid the waterfront altogether

Conference & Event Center Challenges – Improving Revenue Opportunities:

- Trend toward “just-in-time” event planning and the shortening of lead time for events creates challenges in forecasting and logistics.
- Updating and refurbishing aging infrastructure will require forward planning and capital investment.
- Competitive market—although no new facilities are planned for 2015, a number of event space venues have recently opened or have been remodeled to be more attractive (the Red Lion on 5th Avenue, the Chihuly Garden and Glass, the Conference Center at the Washington State Convention Center, and MOHAI).
- Cruise activity and departure times often conflict with opportunities for planned events and has had a negative impact on event opportunities.
- Parking capacity is very low given capacity and demand, particularly at the Smith Cove Conference and Event Center.
- Transportation options are limited.

REAL ESTATE DEVELOPMENT & PLANNING

- Opportunity: relatively large portfolio of underutilized land, some of which can be positioned for disposition with minimal investment.
- Opportunity: current market conditions appear to be fairly favorable given the ongoing rebound of the real estate market.
- Challenge: market conditions are constantly in flux and ultimately drive the value that can be obtained for any particular site.
- Challenge: some of the sites in the portfolio has encumbrances—both physical and regulatory—that constrain development.

MARINE MAINTENANCE

- Challenge: Changes in maintenance demands from Seaport and Real Estate may require reconfiguration of Marine Maintenance service delivery
- Challenge: Increasing regulatory compliance requirements increase maintenance costs for business units
- Challenge: Examine relocation of permanent Marine Maintenance shop which could offer opportunities to review delivery service model and cultivate new efficiencies, while creating interesting options for real estate related to current shop properties

REAL ESTATE DIVISION STRATEGIES AND OBJECTIVES

STRATEGY: MANAGE OUR FINANCES RESPONSIBLY - INCREASE REAL ESTATE DIVISION'S NET OPERATING INCOME

Objective: Meet 2015 Financial Targets		
Performance Measure	Performance Target	Actions
Real Estate Division 2015 Net Operating Income (NOI)	Net Operating Income of (\$TBD) million at 12/31/2015 <ul style="list-style-type: none"> • Real Estate Development & Planning NOI (\$TBD) • Harbor Services NOI (\$TBD) • Portfolio & Asset Management NOI (\$TBD) • Eastside Rail NOI (\$TBD) • Environmental Remediation Liability (\$TBD) 	Continually monitor potential risks to Net Operating Income Develop plans to mitigate or offset potential losses resulting from these risks
Objective: Achieve Target Occupancy while Maintaining Market Rates		
Occupancy of Commercial Buildings at year-end 2015	Year-end occupancy rate will be 90% or better	Develop and maintain an ongoing leasing and marketing strategy for each asset that responds to current commercial real estate market condition that include recommendations for: <ul style="list-style-type: none"> • Marketing • Asking rates based on market conditions • Concessions (i.e. improvement allowances and rent abatements) • Level of maintenance • Capital improvements • Utilization of outside broke
Achieve average moorage occupancy target for year	Recreational Marinas 94% Fishing & Commercial facilities 79%	All staff continue to provide an extraordinary customer service experience (GEM-Going the Extra Mile) through welcoming attitude, clean facilities and docks, continuance of the GEM program and events Operations and Marketing staff together review monthly the occupancy, demand and trends. Adjustments to action plans as needed

Objective: Generate New Revenue By Increasing Property Utilization		
Advance Fishermen's Terminal 25 Year Redevelopment Plan in conjunction with Century Agenda	Finalize recommendations of 25 Year Plan for Port Commission review and approval	Portfolio & Asset Management will continue to lead the 25 year planning process with the support of the Harbor Services Group focusing on gaining the Port of Seattle Commission approval
Advance site plan update at Shilshole Bay Marina	Implement recommendations from site plan updated in 2014	Portfolio & Asset Management will support and collaborate with the Harbor Services Group in implementing 2014 updated Shilshole Bay Marina site plan recommendations for both landside and marina improvements/assets
Terminal 91 Uplands revenue	Increase revenue and utilization of the vacant acreage	Identify and execute additional short-term leases Complete negotiation a long-term ground lease of the site or an alternative disposition strategy for the vacant acreage <i>Assumes developer RFP is issued in 2014</i>
Des Moines Creek Business Park (DMCBP) build-out	Owner's rep monthly reports indicating construction consistent with approved plans and specifications	Monitor construction of first improvements for consistency with the approved plans and specifications
	Second phase entitlements underway	Coordinate permitting and plan review work with developer for the second phase improvements
Redevelopment planning advanced on Burien Northeast Redevelopment Area (NERA)	Consultant selected and contract finalized	Finalize consultant selection and contract
	Monitor completion of consultant's scope on a monthly basis.	Manage the planning and design of the proposed infrastructure improvements as part of the FAA pilot program. <i>Assumes FAA pilot program application is submitted and approved by the FAA in 2014</i>
	Approve or disapprove potential deals; secure commission approval as needed	Review potential transactions from the listing broker; pursue transaction as warranted <i>Assumes listing broker is retained in 2014</i>
Objective: Acquire or Dispose of Assets as Circumstances Warrant		
Various acquisitions, sales, leases and easements analyzed and completed	Complete transactions if feasible	Transfer right-of-way needed by the City of SeaTac for the extension of 24 th Avenue S. that includes the former mobile home park property Monitor Sound Transit's compliance with the temporary construction easements associated with the Link light rail extension to South 200 th Street
Acquire or dispose of assets as circumstances	Analyze individual properties/facilities in the	Consistently review assets and implement long term asset management strategies

warrant	portfolio and recommend long-term strategies	
---------	--	--

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES - USE OUR INFLUENCE AS AN INSTITUTION TO PROMOTE SMALL BUSINESS GROWTH AND WORKFORCE DEVELOPMENT

Objective: Foster New Business Opportunities for Local Businesses		
Performance Measure	Performance Target	Actions
Utilize small businesses	15% of operating and capital expenditures	When feasible, utilize qualified small businesses Track purchasing and contracting activities
Objective: Increase Work Force Training for Local Communities in Trade, Travel and Logistics		
Utilize apprentices and interns in Marine Maintenance	Five apprentices and twelve interns per year	Continue outreach to schools and support organizations Work with Aviation to share programs such as Career Workplace Exploration in Skilled Trades (CWEST)

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES – BE THE GREENEST AND MOST ENERGY EFFICIENT PORT IN NORTH AMERICA

Objective: Integrate Business Friendly Environmental Objectives into our Organization		
Performance Measure	Performance Target	Actions
Support Port Environmental Department’s Tenant Compliance Program	Visit at least four properties per quarter	Real Estate managers and member(s) of environmental staff will inspect selected properties to ensure tenant compliance with lease environmental requirements
Implement an energy efficiency improvement to outdoor yard and dock lighting at Shilshole Bay Marina and Fishermen’s Terminal	Complete by Q4 2015	Shilshole Bay Marina: Pending review of the 2014 energy efficiency evaluation, complete construction of the outdoor yard and dock lighting at the property (rebate by Seattle City Light) Fishermen’s Terminal: Complete an energy efficiency audit and a cost benefit analysis of outdoor yard and dock lighting improvements
Maintain or reduce electrical consumption at P69 Headquarters	Electrical consumption is within 5% of 2014 (Port of Seattle occupied space) ENERGY STAR score is within 2 points of 2014 score (entire P69 site)	Monitor and maintain building systems to ensure that system components operate as designed Continue to explore opportunities to reduce electrical consumption
Purchase of lower emission type vehicles	100% of vehicles purchased are lower emission types	Use Fleet Replacement Program to find opportunities and control purchases
Objective: Conduct Business Activities in Environmentally Appropriate Ways		
Maintain Clean Marina Washington/EnviroStar	Certification maintained and/or achieved by Q4	Fishermen’s Terminal: Maintain regulatory requirements to achieve EnviroStar

certifications at Fishermen's Terminal and recreational marinas		recertification by year-end Recreational marinas: Maintain standards to satisfy regulatory certification requirements (certified every three years; 2013 was last certification)
Maintain EnviroStar and Salmon Safe certifications at Marine Maintenance facilities	Certification is renewed at all facilities by Q4	Ensure EnviroStar compliance Ensure Salmon Safe compliance
Environmental regulatory compliance	Zero regulatory violations	Continually educate customers about Best Management Practices (BMP's) and agency regulations including enforcement Train 100% of available Marine Maintenance staff and craftspeople in annual safety training day and communicate regulatory changes in monthly safety meetings

STRATEGY: CONSISTENTLY LIVE BY OUR VALUES THROUGH OUR ACTIONS AND PRIORITIES

Objective: Align Leadership, People and Systems with Strategic Priorities and Plans		
Performance Measure	Performance Target	Actions
PREP Plans include clear accountabilities, measures, and linkages to goals	100% PREP Plans include clear accountabilities and measures, and linkages to goals	Managers meet with employees to ensure understanding of accountabilities, measures and linkages
PREP reviews are completed on time	100% of PREP plans are completed on time	Employees and managers complete PREPS on time
Objective: Strengthen a High Integrity, Continuous Improvement Culture		
Identify and implement work process improvements	Identify two new tools to improve effectiveness and/or efficiency	Projects to be determined (see business and service group business plans)
Implement either enhancements to the Marina Management System or a 3 rd party marina management system	Implement by end of Q4 2015	Working with Information & Communications Technology, implement and complete the work plan including training of 100% of staff
% Participation in diversity activities	100% of staff	Staff members will attend or participate in one diversity activity per year
% Personal development plan in PREP	100% of staff	Each employee will include a personal development plan in PREP
Objective: Increase Organizational and Individual Ownership for Safe and Secure Work Practices and Healthy Living		
Fishermen's Terminal Net Shed Buildings	Complete the planned improvements by year-	<ul style="list-style-type: none"> Continue extensive communications and coordinate with PCS and FT customers to complete interior net locker improvements

Code Compliance improvements are completed	end 2015	on schedule <ul style="list-style-type: none"> Coordinate with Maintenance and customers any other planned improvements to the interior of lockers so as to disrupt fishing customers the least & gain cost efficiencies
Harbor Services attains perfect score on the Health and Safety Plan audit	100% on year-end 2015 Health and Safety Plan audit (published in Q1)	100% of employees complete all requirements and training as specified in the facility safety plans
Maintain and update P69 Facilities' Continuity of Operations Plan (COOP) document	Complete plan update before end of Q3 2015	Ad hoc updates (contact information, etc.) are done throughout the year. Plan review/update is completed before end of Q3

STRATEGY: EXCEED CUSTOMER EXPECTATIONS IN MAINTAINING ASSETS

Objective: Maintain Assets		
Performance Measure	Performance Target	Actions
Implement key projects:	Harbor Services: <ul style="list-style-type: none"> Complete design of SBM customer service center buildings (restroom, showers, laundry, storage) by Q4 Complete SBM Fuel Float building replacement by Q4 Complete design of Bell Harbor Marina Pile Wraps & Wavebreak panels by Q4 	Gain Commission funding approval for all projects. Work with Project Management to assist with completion of improvements per plan Complete Customer and Community Communications and Coordination Plan
	Pier 69 Facilities: <ul style="list-style-type: none"> P69 Beam Rehabilitation complete by Q4 2015 P69 HVAC System Major Component Strategy – Work with Engineering to compare replacement vs. renewal strategies, rough order of magnitude budget and schedule 	Provide influential and decisive leadership for Marine Maintenance, Seaport Project Management, and Engineering to ensure that projects are correctly defined, scoped, and delivered on time and within budget.

STRATEGY: BE AGGRESSIVELY DEFENSIVE IN ASSET MANAGEMENT THROUGH 2016 TO MINIMIZE ECONOMIC DAMAGE RELATED TO THE RECONSTRUCTION OF THE SEAWALL AND THE CONSTRUCTION OF THE ALASKAN WAY VIADUCT TUNNEL

Objective: Maintain Assets		
Performance Measure	Performance Target	Actions
Occupancy at properties impacted by construction	Optimize occupancy	Consider shorter term, aggressive rent proposals to maintain occupancy at impacted properties through the construction period
Activity at Bell Harbor International Conference Center	Optimize activity levels	Consider attractive pricing models for functions at Bell Harbor International Conference Center

This page is intentionally left blank

REAL ESTATE DIVISION 2015 BUSINESS PLAN

- **Appendix containing 2015 Business Plan Documents for:**
 - Harbor Services Pages A1-A8
 - Portfolio and Asset Management Pages A9-A15
 - Real Estate Development and Planning Pages A16-A18
 - Marine Maintenance Pages A19-A22
 - Pier 69 Facilities Management Pages A23-A25

This page is intentionally left blank

HARBOR SERVICES 2015 BUSINESS PLAN

MISSION:

- To operate recreational marinas and commercial fishing harbors in a way that distinguishes us from other marinas by: offering a full-range of products and services of value to vessel owners and commercial businesses; delivering extraordinary customer service; operating efficiently and cost-effectively; maximizing the return on the public's investment; providing a rewarding work environment for our employees; and promoting a spirit of partnership within the communities that we serve.
- We are the homeport to the North Pacific Fishing Fleet, the largest of its kind on the West Coast, and provide full-service facilities at Fishermen's Terminal and the Maritime Industrial Center that provide value to the commercial fishing fleet and other maritime businesses, while working toward achieving breakeven financial performance.

DESCRIPTION:

Harbor Services operates five marinas in various locations throughout Seattle (listed below). There are over 2,000 moorage slips and approximately 3,000 customers, which includes the North Pacific fishing fleet and a 550-person liveaboard community at Shilshole Bay Marina. In addition, there are approximately 13,000 guest boaters annually. We offer a full range of both waterside and landside products and services to meet the needs of a diverse group of vessel operators and other commercial businesses. We work closely with the Portfolio Management Department which leases and manages certain assets on each of the five properties.

Vessels based at Fishermen's Terminal fish for a wide range of species including salmon, halibut, cod, crab, shrimp, pollock and tuna. Vessel types include crabbers, gillnetters, longliners, purse seiners, trawlers and trollers. Depending on gear type and species, these vessels may fish anywhere along the Pacific Coast, from Alaska to California, but Alaska is by far the biggest destination for vessels homeported here. The fleet based at Fishermen's Terminal and the Maritime Industrial Center, and throughout the Puget Sound region, accounts for about 40 percent of the landed U.S. fish catch every year.

Port facilities are:

- Bell Harbor Marina on the Seattle Central Waterfront
- Fishermen's Terminal at the north end of Seattle on the Lake Washington Ship Canal
- The Maritime Industrial Center to the west of Fishermen's Terminal on the Ship Canal
- Harbor Island Marina at the southwest end of Seattle at Terminal 102
- Shilshole Bay Marina in the north end of Seattle, west of Ballard, next door to Golden Gardens Park

These facilities provide floating moorage slips, fixed piers, inside and outside storage, cranes/hoists, fuel dock/store and other products and amenities, as well as supporting services to fishing, recreational, commercial and Tribal vessels up to 400' and to other commercial businesses.

Providing extraordinary customer service (GEM-Going the Extra Mile) is our primary focus. Customers include: commercial and sport fishermen; commercial pleasure and work boat operators; recreational boaters including mega-yacht owners; Tribal members; and other commercial businesses such as boating charters, sailing clubs, yacht brokers, parasail operator, kayak rental, a fuel dock operator, Corinthian Yacht Club, Seattle Yacht Club, International 14 Fleet, Seaview West Boatyard, Un-Cruise, to name a few.

There is a strong link between each of the facilities and our neighboring communities of Ballard, Magnolia, Central Seattle Waterfront and West Seattle.

STRATEGIES:

- Meet or exceed net operating income targets. Focus on new revenue streams and expense reduction opportunities.
- Meet or exceed vessel moorage occupancy goals while maintaining market rates. Focus on retaining customers and seeking out new business.
- Maintain assets to meet market demands and provide compelling value to our customers, while focusing on earning a return on the public's investment. Analyze future capital improvement alternatives considering total cost of ownership and impact to the bottom line.
- Promote environmental stewardship by operating clean and green marinas/harbors and further educating customers and the public.
- Support the Century Agenda and its maritime jobs objective by growing boating through partnerships with organizations involved in the engagement of youth in maritime activities/events and boating programs.
- Enhance public safety and security by minimizing the risks of loss, both economic and physical, to the public.
- Ensure continued development of our employees.

INDUSTRY ASSESSMENT:

Recreational Boating:

Nationwide, marinas are cautiously optimistic about the slow but steady growth in the Recreational Boating industry. New boat sales are making gains in Washington State according to industry organizations and analysts. Most boat sales continue to come from the used boat market, however, new boat sales are just showing improvement as new sport fishing boat sales remain strong despite the recent economic downturn. Helping to increase boat sales is the improving access to consumer boat loans, which has led to increased boat loans (2013 data).

The industry continues to be challenged by trending barriers such as the affordability of boats and boating, making boating more attractive to younger generations and minorities, and the emerging regulatory restrictions through taxes and reduced access to water. In addition, boaters' expectations are driving up marina operating costs by demanding moorage facilities to be more innovative in their approach toward customization, automation and personalization. Amenities, finishes, and architectural details once considered high-end and reserved for the most luxurious marinas are making their way into the mainstream.

Fishing and Commercial:

The long-term financial forecast for the commercial fishing industry is stable mainly due to sustainable fisheries in the Bering Sea and Gulf of Alaska. The Alaska fisheries are recognized as the most successfully managed fisheries in the world, ensuring the success of the industry in the future. In 2014, salmon fisheries are expected to be strong, however, halibut fisheries are expected to be soft. The forecast for 2015 has not yet been released.

Fishing and commercial boat operations continue to remain strong in the Puget Sound region. Revitalization of the large boat fleet is a good indicator of the health of the industry and commercial fishing companies continue to plan for, and are starting to build, new boats to replace aging fishing vessels.

In addition to new vessel construction, the Puget Sound region benefits from dollars spent on maintenance and improvements to commercial fishing boats in the off season. According to a 2012 economic impact study by the Workforce Development Council of Seattle and King County, there were 57,700 workers and \$30 billion impact by the maritime industry to our region.

Although Alaska ports are working to build better infrastructure to support the small boat fleets, Puget Sound continues to be very attractive for off season moorage for all sizes of commercial boats due to better weather conditions conducive to working on boats as well as an established parts and service network.

Ecological threats to commercial fishing seem to have subsided with the EPA decision to not support the development of the Pebble Mine in Bristol Bay and NOAA's finding that commercial fishing does not negatively impact the stellar sea lion, which benefits the large vessel trawl fleet distant water fishers.

BUSINESS ASSESSMENT:

Recreational Boating:

The Port of Seattle's Recreational Boating business has done very well over the past two years. Demand and occupancy levels remain strong in monthly moorage at all facilities, achieving 95%+ occupancy at Shilshole Bay Marina and Harbor Island Marina. Bell Harbor Marina's off-peak seasonal monthly moorage remains strong.

Shilshole, which has the majority of monthly moorage, attributes its continued high level of success to the marina's location, state of the art docks designed with good maneuverability and wide navigation channels, a strong and active liveaboard community, and the customer experience focused service the staff provides. To off-set increasing costs and keep margins at current levels, it is apparent that we need to continue to look at implementing new revenue streams. Customer needs have led to new business ideas which require more study such as gear storage rental, off-season RV use, additional non-port events, expanding the liveaboard cap and adding food trucks. There are plans in place to address these as well as exploring the following: paid parking, other public transportation options since Metro bus service is no longer available on Seaview Ave.; providing Wi-Fi service to our customers which is now a common amenity in the industry; and soliciting development opportunities for an on-site restaurant (ground lease) to attract guest moorage customers and the public. The marina will be facing a number of major improvements over the next five years such as: replacement of 1960's restroom/shower/laundry buildings that are at the end of their usable life and do not meet the needs of many of our customers; repairs to utilities; repairs to the mile long parking lot/pavement; replacement of the fuel dock building (built in 1962); and rehab to two docks that were not addressed in the 2006-2008 Dock Replacement Project.

Bell Harbor Marina relies on short-term guest moorage revenues and remains the only marina with easy access to the downtown corridor primarily. In the off season, a portion of guest moorage is changed over to monthly moorage in order to increase revenues. Due to the down economy and high fuel prices, guest moorage demand has dipped for Bell Harbor for the past two years. However, as the local economy is showing signs of recovery, there is an optimistic belief that Bell Harbor has the highest potential for future growth in terms of occupancy and revenue. New floatation has recently been added to the docks that will help extend the life of this asset. In addition, the marina office has been remodeled to help better meet the needs of our customers. BHM is facing a significant capital improvement in the next several years to extend the life of the under pier pilings and wavebreak that protect the marina. BHM will eventually be affected by the waterfront construction which could have an impact on its revenues in the future.

Harbor Island Marina is an aging facility. Plans are in place in 2014 to repair one of the docks (Commercial Dock E) that is in the worse condition. Future dock repair projects are planned to follow every two years. Harbor Island Marina has a lower price point that is attractive to many cost-conscious boaters. This has led to the marina realizing its highest occupancy for the past two years. We expect this trend to continue at least for another two years as we continue to make repairs. A challenge for marina pricing is its proximity to two concrete plants which produce dust on marina vessels.

Fishing and Commercial:

Fishermen's Terminal/The Maritime Industrial Center:

Commercial fishing vessel moorage demand remains steady with annual occupancy over 80%, even with the majority of our customers leaving to work in Alaska for various parts of the year. Small commercial fishing boats (<80') is the market that is most at risk due to the expense of operating a boat, owners retiring and boats relocating. We are able to compensate for this loss of business to some degree by providing monthly moorage for smaller recreational vessels which do not require year round moorage.

Daily moorage demand for use of the loading docks on the West Wall and the Northwest Dock continue to exceed supply at certain times of the year. Because many of our customers work in the same fisheries, they all

have the same deadlines and plans and accommodating all of them during key times of the year is challenging.

Demand for gear storage, both inside and outside, continues to be strong with demand exceeding supply. Currently there are no ground floor storage lockers (net sheds) available and all outside fenced storage gear does not fit into the fenced storage areas resulting in net pallets loaded with gear being placed throughout the terminal.

Dock and moorage assets at Fishermen's Terminal are all fairly new with the oldest dock now approaching thirty years old (Northwest Dock). Available shore power systems for the various sizes of boats continues to set us apart from our competition. Over the next ten years, the capital plan for the entire Fishermen's Terminal property calls for approximately \$90M in projects such as the NW Dock improvements, Docks 3 & 4 rehab, corrosion protection to seawalls, Net Shed buildings roof replacements, and the Maritime Industrial Center west and central pier resurfacing. These projects are subject to the overall Port of Seattle capital plan funding priorities.

The financial outlook for the terminal is projected to continue to be stable. The opportunity for increasing revenues will come from increasing the number of recreational vessels, as the recapitalization of the distant water large vessel fishing fleet will, for the most part, replace old vessels with new ones, not necessarily adding vessels to their respective fleets. However, the recapitalization of the commercial fleet represents a stable and well managed industry. Moorage rates at the terminal for fishing and commercial vessels are comparable to the Puget Sound public ports market average. Recreational vessel rates are at market as compared to local marinas. Possible upland redevelopment, as proposed in the "Fishermen's Terminal 25 Year Plan", is designed to increase revenue opportunities by developing additional retail and office to help support Fishermen's Terminal financial goal to break even. The final redevelopment plan is contingent on the Port of Seattle Commission direction.

CHALLENGES AND OPPORTUNITIES:

Recreational Boating:

Challenges

- Keeping facilities available, customers satisfied and revenues coming in, during upcoming capital improvement projects including Seattle waterfront construction projects.
- Maintaining assets responsibly while continuing to generate enough revenue to realize a profit.
- Designing and rebuilding the Shilshole multi-use service buildings (restrooms/showers/laundry) in a way that will meet the needs of our customers and at a reasonable cost.
- Accommodating the needs of mega yachts, a growing business in Puget Sound albeit slow growing, e.g. power requirements, dock structure, and amenities for crew. Other ports are considering expanding assets to capture growing mega-yacht business in the region.
- Implementing the requirements of new legislation such as the 2014 Derelict Vessel Bill.

Opportunities

- Adding value to Shilshole Bay Marina and new revenues where possible through projects and grants such as: Seaview Boatyard expansion, customer service buildings (restrooms/showers/laundry), restaurant pad (ground lease), outdoor fitness trail, guest moorage kiosk, storage for boating equipment, and bringing in more boatshows and 3rd party events.
- Leveraging partnerships to create opportunities with Corinthian Yacht Club, The Adventuress, Seattle Yacht Club, Northwest Marine Trade Association, to name a few.
- Working with commercial customers to enhance SBM amenities.
- Utilizing new technologies to create efficiencies.

Fishing and Commercial:

Challenges:

- Potential for further slow decline of the small boat fishing fleet (<80’).
- The price of fuel to vessel operators traveling to and from Alaska, likely at a new normal level.
- Poor weather conditions in June, July and August discouraging small recreational boat owners from taking moorage.
- Capturing the new business from the revitalization of the fleet.

Opportunities:

- Retain business from commercial fishing customers who are recapitalizing their fleets.
- Continue to grow the recreational vessel fleet.
- Use visibility of the fishing and maritime industry economic impact results to promote legislation that would incentivise continued growth within the industry.

2015 STRATEGIES AND OBJECTIVES

STRATEGY: MANAGE OUR FINANCES RESPONSIBLY – INCREASE THE REAL ESTATE DIVISION’S NET OPERATING INCOME

Key Objective: Meet 2015 Financial Targets		
Performance Measure	Performance Target	Actions
Harbor Services Total	NOI before depreciation of (\$TBD)	<ul style="list-style-type: none"> • Review performance monthly and adjust spending to meet the target. • Execute the Marketing Plan and the Operations Plan. • Work collaboratively with Seaport Maintenance to identify and implement efficiencies throughout the year. • Analyze additional revenue streams and implement where feasible.
Fishing & Commercial Vessel Services	NOI before depreciation of (\$TBD)	<ul style="list-style-type: none"> • Same actions as above.
Recreational Boating	NOI before depreciation of \$TBDK	<ul style="list-style-type: none"> • Same actions as above.
Key Objective: Achieve Target Occupancy While Maintaining Market Rates		
Performance Measure	Performance Target	Actions
Achieve moorage occupancy target by year-end.	Total Fishing: 79% FT: 79% MIC: 70% Total Recreational: 94% SBM: 95% HIM: 95% BHM: 74%	<ul style="list-style-type: none"> • All staff continue to provide an extraordinary customer service experience (GEM-Going the Extra Mile) through a welcoming attitude, clean facilities and docks, continuance of the GEM Program and events. • Operations and Marketing staff together review monthly the occupancy, demand and trends. Adjustments to action plans as needed.
Increase daily and monthly recreational moorage at	Increase daily and monthly recreational	<u>Fishermen’s:</u> <ul style="list-style-type: none"> • Continue to implement where possible

Fishermen's Terminal	moorage over 2014 Actual	<p>extending summer moorage availability at the beginning and end of the summer</p> <ul style="list-style-type: none"> Continue outreach to recreational customers letting them know moorage is available and about the quality of our product via boat shows, NMTA, meeting with customers and marine vendor groups <p><u>Recreational:</u></p> <ul style="list-style-type: none"> Implement Marketing strategies/plans specifically targeting guest moorage at SBM & BHM through targeted marketing, event advertising, creative partnerships and outreach
----------------------	--------------------------	--

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES – USE OUR INFLUENCE AS AN INSTITUTION TO PROMOTE SMALL BUSINESS GROWTH AND WORKFORCE DEVELOPMENT

Objective: Foster New Business Opportunities for Local Businesses		
Performance Measure	Performance Target	Actions
Utilize small businesses	15% of direct expense.	<ul style="list-style-type: none"> When feasible, utilize qualified small businesses
Objective: Increase Work Force Training for Local Communities in Trade, Travel and Logistics		
Develop a partnership with other maritime groups to help expand youth maritime programs	Q4	<ul style="list-style-type: none"> Work with Corinthian Yacht Club, Seattle Yacht Club, NW Marine Trade Assn. and/or the Adventuress, etc. to develop a program that exposes youth to boating and the maritime industry
Hire interns	Hire by Q2	<ul style="list-style-type: none"> Hire an intern at FT and create a maritime learning experience

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES – BE THE GREENEST, AND MOST ENERGY EFFICIENT PORT IN NORTH AMERICA

Objective: Integrate Business Friendly Environmental Objectives into our Organization		
Performance Measure	Performance Target	Actions
Implement an energy efficiency improvement to outdoor yard & dock lighting at SBM & FT	Q4	<ul style="list-style-type: none"> SBM: Pending review of the 2014 energy efficiency evaluation, complete construction of outdoor yard & dock lighting at the property (rebate by Seattle City Light) FT: Working with Environmental, complete an energy efficiency audit and cost-benefit analysis of outdoor yard & dock lighting improvements. Decide if a project should be created and implemented in 2016.
Objective: Conduct Business Activities in Environmentally Appropriate Ways		
Performance Measure	Performance Target	Actions
Maintain Clean Marina Washington/EnviroStar	Certification maintained and/or achieved Q4	<ul style="list-style-type: none"> FT: Maintain regulatory requirements to achieve EnviroStar recertification by year-

Certifications		<p>end</p> <ul style="list-style-type: none"> SBM/BHM/HIM: Maintain standards to satisfy regulatory certification requirements (certified every three years; 2013 last certification)
Enforce Marina Best Management Practices (BMP's) & agency regulations.	<p>Zero regulatory violations.</p> <p>BMP Update Q4</p>	<ul style="list-style-type: none"> Marina staff continually educate customers about the BMP's & agency regulations including enforcement. Review FT & Recreational BMP's annually with Environmental and update as needed

STRATEGY: CONSISTENTLY LIVE BY OUR VALUES THROUGH OUR ACTIONS AND PRIORITIES

Objective: Increase Organizational and Individual Ownership for Safe and Secure Work Practices and Healthy Living		
Performance Measure	Performance Target	Actions
FT Net Shed Buildings Code Compliance improvements are completed	Complete the planned improvements by year-end	<ul style="list-style-type: none"> Continue extensive communications and coordinate with PCS and FT customers to complete interior net locker improvements on schedule Coordinate with Maintenance and customers any other planned improvements to the interior of lockers so as to disrupt fishing customers the least & gain cost efficiencies
Attain perfect score on the Health & Safety Plan audit	100% on YE 2014 Safety Plan audit (published Q1)	<ul style="list-style-type: none"> 100% of employees complete all requirements and training as specified in the facility Safety Plans
Objective: Align Leadership, People and Systems with Strategic Priorities and Plans		
Performance Measure	Performance Target	Actions
PREP Plans include clear accountabilities, measures, and a Personal Development Plan	<ul style="list-style-type: none"> Complete meetings with 100% of employees by end of January 100% of PREP plans are completed on time 	<ul style="list-style-type: none"> Managers meet with employees to ensure understanding of accountabilities, measures including linkages of their work to the 2015 Division and Harbor Services strategies, goals, and actions Employees and Managers complete PREPS on time

Objective: Strengthen a High Integrity, Continuous Improvement Culture

Performance Measure	Performance Target	Actions
Implement either enhancements to the Marina Management System or a 3 rd party marina management system	<ul style="list-style-type: none"> • Q4 	<ul style="list-style-type: none"> • Implement and complete the Work Plan including training of 100% of staff, working with ITC
Implement work process improvements utilizing the Lean process	<ul style="list-style-type: none"> • Q1 process review & prioritization • Implement one new process improvement by year-end • Complete written procedures for key positions Q4 	<ul style="list-style-type: none"> • SBM: Review all operation processes and prioritize by Q1 • FT and SBM: Review boatcheck process and automate it and the Maximo/Maintenance Work Order Process using new technology--IPad Mini • Develop and complete written job procedures for FT and SBM Front Desk & Moorage Coordinator positions
% Participation in diversity activities	100% of staff	Staff members will attend or participate in one diversity activity per year
% Personal development plan in PREP	100% of staff	Each employee will include a personal development plan in PREP; completion by year by year-end

STRATEGY: EXCEED CUSTOMER EXPECTATIONS IN MAINTAINING ASSETS

Objective: Effectively Maintain Assets to Provide Compelling Value to our Customers

Performance Measure	Performance Target	Actions
Implement capital projects	<ul style="list-style-type: none"> • Complete design of SBM customer service center buildings (restroom, showers, laundry, storage) Q4 • Complete design of SBM Fuel Float Building Replacement Q4 • Complete SBM lower "A" Dock improvements Q4 • Implement planning and design of SBM Paving improvements Q4 • Complete design of BHM Pile Wraps & Wavebreak panels Q4 	<ul style="list-style-type: none"> • Gain Commission funding approval for all projects. Work with Project Management to assist with completion of improvements per Plan • Complete Customer and Community Communications and Coordination Plan working with Public Affairs

PORTFOLIO & ASSET MANAGEMENT 2015 BUSINESS PLAN

MISSION:

The mission of the Portfolio and Asset Management Department is to strategically position the Real Estate Division's diverse portfolio of commercial real estate assets to achieve positive return on the public's investment through effective asset management while ensuring compliance with all legal, financial, and regulatory aspects of public entity ownership of real property. Our goals will be accomplished with professionalism, integrity, and respect for the environment in support of the mission of the Real Estate Division and in alignment with the Port's Century Agenda.

STRATEGY:

The Portfolio and Asset Management Department's mission for 2015 will be achieved by managing and maintaining the Port's assets with a focus on tenant retention and attraction, appropriate marketing and leasing strategies and effective expense controls while meeting the needs of our tenants and customers. We will continually and selectively evaluate the various assets within our portfolio to identify and pursue new revenue-generating opportunities and to implement strategic redevelopment plans for existing assets to respond to changing market conditions and improve the value of each asset.

DESCRIPTION:

Portfolio and Asset Management is responsible for the management of and planning for the Real Estate Division's real estate portfolio consisting of commercial, office, retail, industrial, and hospitality properties. The department will work to enhance the value of each asset through:

- Continual research and analysis of the local and regional commercial real estate market conditions
- Ongoing evaluation of the overall performance of each asset in the portfolio
- Development and implementation of effective marketing and leasing strategies for each asset
- Collaboration and partnership with Real Estate's Marine Maintenance Department to ensure appropriate levels of maintenance and operating efficiencies for each asset
- Pursuit of new revenue opportunities and sources through analysis of alternative uses of existing assets and appropriate acquisition or disposition opportunities
- Effective administration of lease transactions for the Real Estate and Seaport Divisions
- Effective management and administration of all Port utility programs

INDUSTRY ASSESSMENT

COMMERCIAL REAL ESTATE MARKET (Puget Sound Region):

The Puget Sound Region's commercial real estate market kicked off the first quarter 2014 on a positive note with strong property sales, new tenants to the market, and the expansion of software & technology firms which have resulted in improving vacancy rates and relatively more stabilized asking rates.

COMMERCIAL OFFICE, RETAIL, INDUSTRIAL AND HOSPITALITY PORTFOLIO

The portfolio consists of mixed use properties situated within various local submarkets as follows:

NORTH HARBOR - (Ballard/Ship Canal/Interbay)

Fishermen's Terminal	Office, Retail, Maritime, and Industrial
Maritime Industrial Center	Office, Maritime, and Industrial
Shilshole Bay Marina	Office and Retail
Tsubota	Industrial, Retail, Land
Terminal 91 Uplands	Industrial
Terminal 86	Retail

Office Rates (North Harbor):

Class B & C Office vacancies have continued to decrease. The Ship Canal Market vacancy is currently at 6.5%, Ballard/University District at 2% and lower Queen Anne/Lake Union at 8.9%. The attractiveness and popularity of Fremont, Magnolia, Ballard and Wallingford will continue to allow many buildings in the area to retain tenants and sustain more demand than some of the other office submarkets.

The Maritime Industry has a large presence in the Ship Canal/Ballard submarket and has not been lured away by the more attractive rates and incentives that have been offered in other submarkets. Market rental rates for Class B office spaces are ranging from \$16.50-\$19.50/sf/NNN for nicer well-kept space, with rates closer to \$16.50/sf/NNN for space with aging improvements. Many properties in this sub-market are still offering concessions that include a combination of abated rent and up to \$40.00/SF for tenant improvements. According to most industry reports, rates should continue to increase as consistent leasing and positive absorption ease the pressure on landlords.

Industrial Rates (North Harbor):

The Puget Sound Industrial market is expected to continue to improve through 2015. Demand for industrial users remains high. Total regional vacancy rate is well below 7% with the Kent Valley at 5.83% and Seattle/Close-In market at 3.79%.

Warehouse/distribution rental rates are expected to hold steady or improve slightly through 2015 with the Kent Valley averaging \$0.39/sf/month, and Seattle/Close-In averaging \$0.65/sf/month and Ship Canal area averaging around \$0.55/sf/month. Industrial land is ranging from \$0.15 - \$0.20/sf/month. The Ship Canal submarket is an extremely tight market and inventory is down.

CENTRAL HARBOR (Waterfront/Denny Regrade/Downtown Seattle)

World Trade Center West	Office and Retail
World Trade Center Seattle	Conference and Events, and Office
Bell Street Garage	Parking and Storage
Pier 66	Conference and Events, Office, and Retail
Pier 69	Office, Warehouse, Parking, Storage, and Water Dependent Tenants

Office Rates (Central Harbor):

The regional construction pipeline is currently more robust than since prior to the recession and the significant gap between urban and suburban rental rates will continue to widen. Owners who have embraced the move toward creative open office space will gain traction with tenants who are favoring buildings with abundant natural light, open floor plans, modern materials, and generous amenities such as state-of-the-art fitness facilities with showers, large conference facilities and collaborative spaces with the latest technology.

The Downtown Seattle office market is experiencing vacancies at 11.5% and the Waterfront/Denny Regrade submarket, where the World Trade Center West building is located, is experiencing vacancies at 10.3%.

Class A office rents have remained relatively flat and the submarket is currently averaging \$27.23/sf/year full service—which represents a 1.8% decrease over the prior year.

Retail Rates (Central Harbor):

Waterfront/Denny Regrade retail submarket ended the first quarter of 2014 with a total vacancy rate at 3.0%. Retail rents within the submarket ended the quarter with an average rate of \$15.83/sf/year which represents a 5.3% increase over prior year.

CONFERENCE AND EVENT CENTERS - Local Event Market Conditions

Bell Harbor International Conference Center	Pier 66
Maritime Event Center	Pier 66
World Trade Center Seattle	Central Waterfront
Smith Cove Conference and Event Center	Terminal 91

Columbia Hospitality, Inc. (CHI) is currently responsible for the management of the Port’s conference and event centers. CHI is reporting that conventions in the Seattle downtown core are down 14% from 2013. 2015 is expected to only be slightly better. CHI is cautiously optimistic about business growth opportunities, indicating that meeting planning budgets are coming back, suggesting a trend toward groups getting back together after a period of budgeting constraints over the past few years that negatively impacted the market and are expecting limited change in supply in the Seattle’s Conference and Event Center market through 2015. A number of significant local hotel projects (some with substantial event space) have been announced or are in planning stage. Several competing facilities have been updated, renovated and/or expanded within the past eighteen months.

SOUTH HARBOR, WEST SEATTLE (*Georgetown/Duwamish, West Seattle*)

Terminal 34	Office, Maritime Training, and Parking
C.E.M. Site	Industrial Land
Pier 2 East and West	Industrial Land
Terminal 5SE	Restaurant, Retail, and Non-Profit Storage
3300 Harbor Avenue SW	Land

LOWER DUWAMISH (*Georgetown/Duwamish, West Seattle*)

T-102 Harbor Marina Corporate Center	Flex (Office, Warehouse, and Storage)
--------------------------------------	---------------------------------------

Flex and Industrial Rates (South Harbor/Lower Duwamish):

Historic data indicates that the Flex market has experienced the least stability in vacancies and rental rates in recent history. The Lower Duwamish area is considered to be a marginalized submarket as it is an industrial area impacted by heavy terminal truck and train traffic and, with these challenges, this submarket is expected to improve at a slower pace than other submarkets. The surrounding area is currently experiencing vacancies at 10% with market rental rates for flex warehouse at \$6.13-6.20/sf/year NNN and office ranging \$9.60-\$14.00/sf/year NNN. Many properties in this submarket and competing submarkets are offering concessions that include a combination of abated rent and sizable allowances for tenant improvements. Industrial land is ranging from \$0.15-\$0.20/sf/month NNN.

OTHER - Eastside Rail Corridor

The transfer of ownership of the remaining fifteen (15) miles of Eastside Rail Corridor to the City of Woodinville and Snohomish County is expected to be fully completed by year-end 2014. In 2015, staff time will be allocated to the rail corridor for various wind-down activities such as archiving documents and responding to questions from the various new ownership groups as well as for conducting due diligence on prospective “Transfer Property” identified by King County per the Eastside Rail Corridor Purchase and Sale Agreement. When a transfer property is approved by the Port Commission, staff time will be required for subsequent negotiations, appraisal activity and administrative efforts involved with a Purchase Agreement of the transfer property subject to Commission approval.

BUSINESS ASSESSMENT:

Leasing and Marketing:

The occupancy level of our Commercial Properties is currently at 90% compared to a broader Seattle market occupancy of 88%. We expect leasing activity to increase with improving economic conditions but will

continue to wrestle with local challenges (e.g. transportation infrastructure projects) on the Central Waterfront and Duwamish. Corresponding increases in leasing activity are expected in most other submarkets.

Operations and Maintenance:

The commercial real estate industry's focus on energy efficiency has resulted in a downward trend in total operating expenses with approximately two-thirds of the savings achieved in the utility category, underscoring an industry focus on maximizing building efficiency.

A large portion of the operations and maintenance services related to the portfolio are provided through the Real Estate Division's Marine Maintenance Department. Our teams will continue to work together to improve operating efficiencies, reduce environmental impact, to budget appropriately, and to manage our expenses in order to maintain and improve the value of our portfolio of real estate assets.

Capital Investments/Improvements:

By the end of 2015, the Portfolio and Asset Management team is expected to have been involved in the oversight of over \$9.940M in capital investments being made in the commercial properties. Investments will be reflected in sustained existing revenues and improved operating efficiencies intended to position the properties for improving market conditions and opportunity for additional revenue.

CHALLENGES AND OPPORTUNITIES:

Opportunities - Improving Revenue:

- The current real estate market appears to be trending toward continuing recovery which suggests more opportunities for improving future revenue.

Challenges - Improving Revenue:

- Having experienced high vacancy rates over an extended period, landlords of commercial real estate will continue to aggressively pursue tenants looking for commercial space. Well-positioned and maintained properties that offer attractive amenity packages more readily benefit from improving market conditions.
- Compliance with legal, financial and regulatory aspects of public entity ownership of real property can result in having a less competitive edge than the private sector in the commercial real estate market (contracting procedures, security deposit requirements, and limited flexibility in negotiations). This is likely to be reflected in achievable lease rates at the lower end of the market range and/or lengthier vacancies through missed opportunities.
- Locations of several properties within the portfolio provide only limited amenities such as public transportation, shopping, dining, walking trails, etc.
- Updating and refurbishing aging infrastructure will require forward planning and capital investment.

Opportunity – Improving Operating Efficiencies:

- Trends in lowering total operating expenses through maximizing building efficiency supports investments made in energy conservation initiatives.

Challenges – Improving Operating Efficiencies:

- Improving operating efficiencies in properties with aging infrastructure and implementing energy conservation improvements will involve forward planning and capital investment.
- Increasing regulatory requirements increase maintenance costs.

Opportunity – Seattle Waterfront Improvements:

- The rebuilding of the Seattle Waterfront over the next few years presents a distinct opportunity to leverage historical success and iconic heritage to update and refresh the Bell Street International Conference and Event Center, the Maritime Event Center, the World Trade Center West and World Trade Center Seattle in anticipation of renewed regional and international interest.

Challenges – Seattle Waterfront Improvements:

There continues to be concern with local businesses that will be affected by the Alaskan Way Seawall Project. Perception in the market is that the disruption from the ongoing work currently underway on the waterfront will continue to negatively effect businesses along the entire waterfront for the next several years with the following potential impacts:

- Loss of traffic capacity and parking, commute time congestion
- Walking access is constrained, impacting tourist activity
- Customer, public, employee and supplier access to businesses are restricted and congested
- Negative impact to seasonal business volume from both the physical and perceptual blockages
- Negative impact of construction activity (i.e., noise, congestion, muck)
- Loss of key infrastructure on the waterfront that serve the public and customer needs
- Businesses along Piers 54-57 will be closed October, 2014 through June, 2015
- Potential tenant’s employee access to waterfront office space may be impeded
- Limited shopping, activities, and dining choices for employees of potential office tenants
- Public and potential tenants may likely avoid the waterfront altogether
-

Challenges – Improving Revenue Opportunities (Conference & Event Center)

- Trend toward “just-in-time” event planning and the shortening of lead time for events creates challenges in forecasting and logistics.
- Updating and refurbishing aging infrastructure will require forward planning and capital investment.
- Competitive market—although no new facilities are planned for 2015, a number of event space venues have recently opened or have been remodeled to be more attractive (the Red Lion on 5th Avenue, the Chihuly Garden and Glass, the Conference Center at the Washington State Convention Center, and MOHAI).
- Cruise activity and departure times often conflict with opportunities for planned events and has had a negative impact on event opportunities.
- Parking capacity is very low given capacity and demand, particularly at the Smith Cove Conference and Event Center.
- Transportation options are limited.

2015 STRATEGIES AND OBJECTIVES

STRATEGY: MANAGE OUR FINANCES RESPONSIBLY - INCREASE REAL ESTATE DIVISION’S NET OPERATING INCOME

Objective: Meet 2015 Financial Targets		
Performance Measure	Performance Target	Actions
Administrative expense	\$TBD thousand (org basis)	-Monthly budget variance review and adjustment in spending to meet target
Commercial/Industrial Property NOI	(\$TBD) thousand	-Monthly budget variance review and adjustment in spending to meet target -Continue collaboration and partnership with Marine Maintenance to manage the maintenance and repair costs effectively -Effective and timely management of collection of revenues
Conference & Event Centers NOI	\$TBD thousand	-Monthly budget variance review and adjustment in spending to meet financial targets -Continue collaboration and partnership with CHI and Marine Maintenance to manage the maintenance and repair costs effectively -Effective and timely management of collection

		of revenues
Objective: Achieve Target Occupancy while Maintaining Market Rates		
Occupancy of Commercial Buildings at year-end in 2015	Year-end occupancy rate will be 90% or better	Develop and maintain an ongoing leasing and marketing strategy for each asset that responds to current commercial real estate market conditions that include recommendations for: -marketing -asking rates based on market conditions -concessions (i.e. improvement allowances and rent abatements) -level of maintenance -capital improvements -utilization of outside broker
Objective: Generate New Revenue By Increasing Property Utilization		
Advance Fishermen's Terminal 25 Year Redevelopment Plan in conjunction with the Century Agenda	Finalize recommendations of 25-Year Plan for Port Commission review and approval	Portfolio and Asset Management will continue to lead the 25 year planning process with the support of the Harbor Services Group focusing on gaining Port of Seattle Commission approval
Advance Site Plan Update at Shilshole Bay Marina	Implement recommendations from updated site plan	Portfolio and Asset Management will support and collaborate with the Harbor Services Group in implementing 2015 Updated Shilshole Bay Marina Site Plan recommendations for both landside and marina improvements/assets

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES - USE OUR INFLUENCE AS AN INSTITUTION TO PROMOTE SMALL BUSINESS GROWTH AND WORKFORCE DEVELOPMENT

Objective: Foster New Business Opportunities for Local Businesses		
Performance Measure	Performance Target	Actions
Utilize small businesses	10% of total expenditures for goods and services (in conjunction with Maintenance)	The majority Portfolio and Asset Management's contracts are provided in conjunction with operations and maintenance provided through Marine Maintenance and are reflected in their department reporting. When feasible, will utilize qualified small businesses when contracting through our Central Procurement Office to provide consulting and real estate services such as surveys, appraisals, brokerage, and market studies

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES – BE THE GREENEST AND MOST ENERGY EFFICIENT PORT IN NORTH AMERICA

Objective: Integrate Business Friendly Environmental Objectives into our Organization.		
Performance Measure	Performance Target	Actions
Support Port Environmental Department's Tenant Compliance Program.	Visit at least four properties per quarter.	Real Estate managers and member(s) of environmental staff will inspect selected properties to ensure tenant compliance with lease environmental requirements
Identify new "green" initiatives	1 new "green" initiative identified by end of Q3.	All staff participate in effort to identify new "green" initiative that can be adopted. Green initiatives to be considered include energy conservation projects involved in lighting, heating and cooling; water conservation and recycling programs

STRATEGY: CONSISTENTLY LIVE BY OUR VALUES THROUGH OUR ACTIONS AND PRIORITIES

Objective: Strengthen a High Integrity, Continuous Improvement Culture		
Performance Measure	Performance Target	Actions
Identify and implement work process improvements	Identify and implement one new work process improvement tool and further develop existing tools	Team will identify and implement new work or technology tools to improve effectiveness and consistency Further develop Portfolio and Asset Management's utilization of Sharepoint to improve effectiveness in management of resources, information gathering, records retention, etc. involved in the management of commercial real estate Further develop and formalize Portfolio and Asset Management's written procedures for the numerous and varying processes involved with managing commercial real estate
% Participation in diversity activities	100% of staff	Each staff member will attend or participate in one diversity activity per year
% Attendance in real estate classes, seminars or conferences	90% of staff	Each staff member will attend at least two real estate classes, seminars or conferences
% Personal development plan in PREP	100% of staff	Each staff member will include a personal development plan in PREP Director will develop and implement team workshops related to real estate issues that involve senior management

REAL ESTATE DEVELOPMENT AND PLANNING 2015 BUSINESS PLAN

MISSION:

The Real Estate Development and Planning team plans and facilitates development of selected real estate assets currently within the Port's portfolio. The team also identifies and evaluates acquisition opportunities outside the Port's current portfolio and completes ground leases and sales of Port assets.

BUSINESS STRATEGY:

In 2015, the team will continue to work toward completing transactions that will generate new, near-term revenue. The team will also continue planning on sites that have a longer horizon for new revenue and job generation. In addition, the team will continue to assist the Aviation Division with its off-airfield land development program in the cities of Burien, Des Moines and SeaTac and the Seaport Division with key initiatives as needed.

DESCRIPTION:

The team connects to the Port's mission of creating regional economic vitality by: (i) advancing the planning and development of certain assets the Port currently owns and (ii) identifying and analyzing new opportunities and projects and, where appropriate, completing these transactions.

INDUSTRY ASSESSMENT:

The real estate market continues to rebound from the severe downturn of a few years ago. According to Colliers International, developers delivered over three million square feet of new industrial development in first quarter of 2014 driven by strong tenant demand for new space. Nearly two-thirds of this space was preleased with nearly one million square feet available throughout the region as of the end of the first quarter of 2014. This new space increased regional vacancy rates, but given current demand, the space is not expected to remain vacant very long. All markets throughout the region are experiencing positive absorption except for the close-in Seattle market. However, the vacancy rate in Seattle remains only 4% compared to 5.5% across the region. In the Kent Valley, which includes the airport market, speculative industrial development has returned based on strong tenant demand for new space and rising rents. There are over 3 million square feet of proposed industrial development scheduled for delivery through the end of 2014.

BUSINESS ASSESSMENT:

The group's strength lies in the relatively well-located portfolio of underutilized sites in Seattle and surrounding the airport. This is particularly significant given the increasingly smaller supply of close-in, well-served industrial land available for development. The portfolio provides the group and the division with the best opportunity to improve financial performance by increasing revenue over both the short- and long-term. Disposition of the portfolio, however, will require a careful balancing of both financial and non-financial objectives—some of which can only be realized over a longer horizon—against potential short-term financial gains. This is a dilemma faced by most landowners. Better managing this circumstance is an opportunity for improvement, particularly given the favorable market conditions and the opportunities afforded by the upswing in the real estate market.

CHALLENGES AND OPPORTUNITIES:

- Opportunity: relatively large portfolio of underutilized land, some of which can be positioned for disposition with minimal investment.
- Opportunity: current market conditions appear to be fairly favorable given the ongoing rebound of the real estate market.
- Challenge: market conditions are constantly in flux and ultimately drive the value that can be obtained for any particular site.

- Challenge: some of the sites in the portfolio has encumbrances—both physical and regulatory—that constrain development.

2015 STRATEGIES AND OBJECTIVES

STRATEGY: MANAGE OUR FINANCES RESPONSIBLY - INCREASE REAL ESTATE DIVISION’S NET OPERATING INCOME

Objective: Generate New Revenue By Increasing Property Utilization		
Performance Measure	Performance Target	Actions
Terminal 91 Uplands revenue	<ul style="list-style-type: none"> • Increase revenue and utilization of the vacant acreage 	<ul style="list-style-type: none"> • Identify and execute additional short-term leases • Complete negotiation a long-term ground lease of the site or an alternative disposition strategy for the vacant acreage <ul style="list-style-type: none"> ○ <i>Assumes developer RFP is issued in 2014</i>
Des Moines Creek Business Park (DMCBP) build-out	<ul style="list-style-type: none"> • Owner’s rep monthly reports indicating construction consistent with approved plans and specifications • Second phase entitlements underway 	<ul style="list-style-type: none"> • Monitor construction of first improvements for consistency with the approved plans and specifications • Coordinate permitting and plan review work with developer for the second phase improvements
Redevelopment planning advanced on Burien Northeast Redevelopment Area (NERA)	<ul style="list-style-type: none"> • Consultant selected and contract finalized • Monitor completion of consultant’s scope on a monthly basis. • Approve or disapprove potential deals; secure commission approval as needed. 	<ul style="list-style-type: none"> • Finalize consultant selection and contract • Manage the planning and design of the proposed infrastructure improvements as part of the FAA pilot program. <ul style="list-style-type: none"> ○ <i>Assumes FAA pilot program application is submitted and approved by the FAA in 2014</i> • Review potential transactions from the listing broker; pursue transaction as warranted <ul style="list-style-type: none"> ○ <i>Assumes listing broker is retained in 2014</i>
Redevelopment planning advanced on various City SeaTac sites	<ul style="list-style-type: none"> • 28th Avenue S. Site: <ul style="list-style-type: none"> ○ Relocation plan completed; 	<ul style="list-style-type: none"> • 28th Avenue S. Site: <ul style="list-style-type: none"> ○ Complete plan and timeline for clearing this area of tenants in

Objective: Generate New Revenue By Increasing Property Utilization		
Performance Measure	Performance Target	Actions
	<ul style="list-style-type: none"> ○ implementation started ○ Joint planning scoped and completed • L-Shaped Site: <ul style="list-style-type: none"> ○ Approve or disapprove potential deals; secure commission approval as needed. • DMCBP – Area 3: <ul style="list-style-type: none"> ○ Scope and initiate conceptual planning. 	<ul style="list-style-type: none"> ○ preparation for development ○ Complete additional long-term planning with the City of SeaTac in conjunction with the City’s station area plan • L-Shaped Site: <ul style="list-style-type: none"> ○ Review potential transactions from the listing broker; pursue transaction as warranted <ul style="list-style-type: none"> ▪ <i>Assumes listing broker is retained in 2014</i> • Conceptual planning scoped and started.
Various acquisitions, sales, leases and easements analyzed and completed	<ul style="list-style-type: none"> • Complete transactions if feasible 	<ul style="list-style-type: none"> • Transfer right-of-way needed by the City of SeaTac for the extension of 24th Avenue S. that includes the former mobile home park property • Monitor Sound Transit’s compliance with the temporary construction easements associated with the Link light rail extension to South 200th Street

STRATEGY: CONSISTENTLY LIVE BY OUR VALUES THROUGH OUR ACTIONS AND PRIORITIES

Objective: Strengthen a High Integrity, Continuous Improvement Culture		
Performance Measure	Performance Target	Actions
% Participation in diversity activities	100% of staff	<ul style="list-style-type: none"> • Staff members will attend or participate in one diversity activity per year
% Attendance in professional development class, seminars or conferences	90% of staff	<ul style="list-style-type: none"> • Staff members will attend at least two professional development classes, seminars or conferences
% Personnel development plan in PREP	100% of staff	<ul style="list-style-type: none"> • Each staff member will include a personal development plan in PREP and complete the proposed elements

MARINE MAINTENANCE 2015 BUSINESS PLAN

MISSION:

The mission of the Marine Maintenance Department is to maintain, preserve, upgrade, improve and enhance, as directed, the assets owned by the Real Estate and Seaport Divisions. We conduct our activities in a manner that fosters competitive business practices, customer service and benefit to the public and local businesses, as well as environmental responsibility and conservation.

We serve in support of the Century Agenda and tie our departmental goals to that plan and to the mission and goals of the Real Estate Division.

STRATEGY:

Our business strategy is to fulfill the maintenance and property stewardship needs of our partners and customers while acting as stewards of the assets in the public trust.

- We conduct Preventive Maintenance and Corrective Maintenance to properly safeguard Port assets
- We engage in expense and capital improvements to support partner departments' business strategies
- We fully support the Port's business, community and environmental strategies with programs focused on Economics, Equity - Social Responsibility, Environment, and Employee Engagement.
- We conduct our business activities in support of the Real Estate Division Strategic Goals to:
 - Maintain occupancy levels and rental rates at or favorable to the broader market
 - Prevent recurrence of the deferred maintenance backlog
 - Offer and execute long term ground leases for land redevelopment
 - Acquire or dispose of assets, as circumstances warrant
 - Be aggressively defensive in asset management through 2016 to minimize economic damage related to the reconstruction of the seawall and the construction of the Alaskan Way tunnel and viaduct demolition

DESCRIPTION:

Maintenance disciplines include automotive, carpentry, marine carpentry, electrical, general labor, painting, plumbing, sprinkler-fitting (fire protection), sheetmetal, welding, truck driving, sign writing, HVAC maintenance and elevator/escalator maintenance. Maintenance also provides services such as storm water pollution prevention, custodial labor, landscape labor, regulatory compliance and regulated materials management which fall into the property stewardship area. Most maintenance activities required by Port assets are available through the Marine Maintenance Shop, as are public works including small capital construction services and environmental and safety compliance support activities.

INDUSTRY ASSESSMENT:

Maintenance services are provided in many different ways to local industries. Contract, ad hoc, emergency response and fixed crew maintenance are all evident locally. There is no directly comparable market for the breadth of services Marine Maintenance provides.

BUSINESS ASSESSMENT:

Marine Maintenance has an assignment that is different from other local government entities. It is also different from that of Aviation Maintenance. The ages and types of properties are unique.

In a recent study by TokuSaku Consulting, data was collected and comparisons made against established benchmarks in clearly identifiable areas of maintenance.

Marine Maintenance compared favorably with a broad range of private and public maintenance organizations in cost of maintenance per rentable square foot.

Locally, in a cost per catch basin comparison to the University of Washington, Marine Maintenance performed at only two thirds the cost at UW. Similar results were noted in the comparison of fleet maintenance costs between Marine Maintenance and UW. (Full study to be submitted to Commission.)

CHALLENGES AND OPPORTUNITIES:

- Challenge - Changes in maintenance demands from Seaport and Real Estate may require reconfiguration of Marine Maintenance service delivery
- Challenge - Increasing regulatory compliance requirements increase maintenance costs for business units
- Opportunity – Examine relocation of permanent Marine Maintenance Shop, which could offer opportunities to review service delivery model and cultivate new efficiencies, while creating interesting options for Real Estate related to the current Shop properties.

2015 STRATEGIES AND OBJECTIVES

STRATEGY: MANAGE OUR FINANCES RESPONSIBLY - INCREASE REAL ESTATE DIVISION'S NET OPERATING INCOME

Objective: Meet 2015 Financial Targets - Conduct Marine Maintenance Activities Efficiently and Cost-Effectively		
Performance Measure	Performance Target	Actions
Meet Authorized Budget	+/- 2%	Monthly review and adjustment in spending to meet target
Reduce Trouble Calls Reduce Urgent Maintenance	<15% <15%	Increase Preventative Maintenance Reduce Trouble Calls
Increase level of Planned Work	40% of total non-emergent work	Continue Planner activity, measure results Devise measure and track Track Schedule breakers to facilitate reduction
Expand Maximo Mobility Pilot	Fifty (50) users processing work remotely	Acquire units Measure remote usage
Evaluate MM Shop location	Full analysis, with recommendations	Analyze needs, location, cost and benefits of new location v. current

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES – USE OUR INFLUENCE AS AN INSTITUTION TO PROMOTE SMALL BUSINESS GROWTH AND WORKFORCE DEVELOPMENT

Objective: Foster New Business Opportunities for Local Businesses		
Performance Measure	Performance Target	Actions
Utilize small businesses	15% of operating and capital expenditures	Track purchasing and contracting activities
Objective: Increase Work Force Training for Local Communities in Trade, Travel, and Logistics		
Increase work force training, job and business opportunities for local communities in trade, travel and logistics	Five Apprentices and Twelve Interns per year	Utilize Apprenticeships and Internships Continue outreach to schools and support organizations Work with Aviation to share programs such as Career Workplace Exploration and Skilled Trades (CWEST)

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES – BE THE GREENEST, AND MOST ENERGY EFFICIENT PORT IN NORTH AMERICA

Objective: Integrate Business Friendly Environmental Objectives into our Organization. Conduct Marine Maintenance Activities in Compliance with Port Goals and Values		
Performance Measure	Performance Target	Action
Compliance with existing programs and initiation of new endeavors	Maintain reduced tonnage of landfill waste and increased tonnage of recyclables.	Zero increase in landfill waste from shop. Ensure efficient collection & disposal of garbage & ensure recycling
Compliance with environmental regulations in the conduct of our activities.	100% Compliance	Meet or exceed agency requirements for storm water leaving Port owned or operated facilities. Train 100% of available staff and craftspeople in annual safety training day. Communicate regulatory changes during monthly safety meetings.
Maintain EnviroStar and Salmon Safe Certification	Certification is renewed at all facilities	Ensure EnviroStars Compliance Ensure Salmon Safe Compliance
Reduce air pollutants and carbon emissions Continue to improve Shop Emissions profile	100% of vehicles purchased are lower emissions types	Track and reduce travel miles by Marine Maintenance vehicles Use Fleet Replacement Program to find opportunities and control purchases
Identify new “green” initiatives	1 new “green” initiative identified by end of Q3.	All staff participates to identify new “green” initiative that can be adopted.

STRATEGY: CONSISTENTLY LIVE BY OUR VALUES THROUGH OUR ACTIONS AND PRIORITIES

Objective: Strengthen a High Integrity, Continuous Improvement Culture		
Performance Measure	Performance Target	Action
Identify work process improvements.	Identify one new tool to improve efficiency.	Identify new work or technology tools to improve effectiveness (eg workflow, Akwire, etc) Participate in LEAN programs
% Participation in diversity activities	100% of staff	<ul style="list-style-type: none"> Staff members will attend or participate in one diversity activity per year
% Attendance in classes, seminars or conferences	30% of staff	<ul style="list-style-type: none"> Staff members will attend or participate in one development activity per year
% Personal development plan in PREP	100% of staff	<ul style="list-style-type: none"> Each non-represented employee will include a personal development plan in PREP
Staff and craft personnel involved in development opportunities.	Six (6) people actively engaged in development	<ul style="list-style-type: none"> Opportunities documented and reported
% Compliance – Workplace Integrity initiatives and Code of Conduct	100% of staff	<ul style="list-style-type: none"> All employees will comply with Workplace Responsibility initiatives and Code of Conduct

PIER 69 FACILITIES MANAGEMENT 2015 BUSINESS PLAN

MISSION:

To provide, operate, and maintain a safe, secure, comfortable, productive, and efficient workplace.

STRATEGY:

Ensure functionality of the Pier 69 site by integrating people, place, process, and technology, with emphasis on fiscal discipline, effective asset management, continuous process improvement, outstanding customer service, optimal staffing levels, and environmental stewardship.

DESCRIPTION:

The department provides facilities management services for the Pier 69 site, including:

- Asset management
- Space management and planning
- Energy management
- Management and operation of mailroom, shipping/receiving
- Management and operation of conference center, commission chambers, and atrium meeting spaces
- Management and administration of access control, visitor management, and surveillance systems
- Management and administration of Pier 69 motor pool
- Management and contract administration of outsourced services
- Parking management and administration
- Operations and maintenance support for site tenants
- HQ reception services
- Administration of site Commute Trip Reduction (CTR) program

INDUSTRY ASSESSMENT:

The facility management profession continues to evolve and is becoming more complex. Expectations include lower operating costs, increased productivity and efficiency, and a sharper focus on sustainability. Enhanced business acumen is essential.

The aging workforce is a reality – hiring and retaining top talent, effective professional development, and succession planning are more important than ever.

An aging building stock poses significant challenges as well. At the same time, building systems are becoming more sophisticated and more reliant upon ever-changing technology. Space management strategies are being forced to adapt to the increasing use of mobile communications and cloud-based computing.

The need for effective facility management is increasing, and the outlook for the profession is strong.

BUSINESS ASSESSMENT:

Pier 69 Facilities Management exercises fiscal discipline through effective cost containment, optimal staffing levels, effective asset management, and strategic timing of major capital and operating expenditures.

Combined operating and maintenance expenses have been effectively contained over the past 10 years, with an average annual expense of \$2.1M or \$9.62/sf. Staffing levels over the same period have been reduced from a high of 12 FTE to the current 6 FTE through attrition and closure of the ineffective print shop. An asset renewal/replacement plan is well established and underway. The facility earned the ENERGY STAR for buildings designation in 2010.

We strive to provide outstanding customer service, and continually look for opportunities to improve our processes and increase our value to the organization.

CHALLENGES AND OPPORTUNITIES:

- Maintenance of the 84 year old pier structure
- Maintenance, renewal, replacement, and modernization of major facility systems and components that are near the end of service life
- Hiring and retaining top talent
- Succession planning

2015 STRATEGIES AND OBJECTIVES

STRATEGY: MANAGE OUR FINANCES RESPONSIBLY - INCREASE REAL ESTATE DIVISION'S NET OPERATING INCOME

Objective: Meet 2015 Financial Targets		
Performance Measure	Performance Target	Actions
Manage within authorized budget	Actual expenses are within 5% of approved budget	Review performance monthly for variance and make adjustments to spending if necessary.

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES – USE OUR INFLUENCE AS AN INSTITUTION TO PROMOTE SMALL BUSINESS GROWTH AND WORKFORCE DEVELOPMENT

Objective: Foster New Business Opportunities for Local Businesses		
Performance Measure	Performance Target	Actions
Utilize small and disadvantaged businesses	10% of operating expenditures	Utilize qualified small and disadvantaged businesses where feasible.

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES – BE THE GREENEST AND MOST ENERGY EFFICIENT PORT IN NORTH AMERICA

Objective: Integrate Business Friendly Environmental Objectives into our Organization		
Performance Measure	Performance Target	Actions
Maintain or reduce electrical consumption	Electrical consumption is within 5% of 2014 (POS occupied space) ENERGY STAR score is within 2 points of 2014 (Entire site)	Monitor and maintain building systems to ensure that system components operate as designed. Continue to explore opportunities to reduce electrical consumption.

STRATEGY: CONSISTENTLY LIVE BY OUR VALUES THROUGH OUR ACTIONS AND PRIORITIES

Objective: Strengthen a High Integrity Continuous Improvement Culture		
Performance Measure	Performance Target	Actions
All staff participate in professional development	100% compliance	Each staff member will identify at least one development goal in their PREP plan.
All staff complete required training	100% compliance	All training as listed in LMS is either completed or scheduled.
Objective: Increase Organizational and Individual Ownership for Safe and Secure Work Practices and Healthy Living		
Performance Measure	Performance Target	Actions
Maintain and update P69 FM COOP document	Complete plan update before end of Q3.	Ad hoc updates (contact information, etc.) are done throughout the year. Plan review/update is completed before end of Q3.

STRATEGY: EXCEED CUSTOMER EXPECTATIONS IN MAINTAINING ASSETS

Objective: Maintain Assets		
Performance Measure	Performance Target	Actions
Successful execution of capital improvement and expense projects	P69 Beam Rehabilitation <ul style="list-style-type: none"> Budget: \$1.6 – 2M (estimate) Completion by Q4 2015 Split project – both expense and capital improvement elements	Provide influential and decisive leadership for Marine Maintenance, Seaport Project Management, and Engineering partners to ensure that projects are correctly defined, scoped, and delivered on time and within budget.
	P69 HVAC System Major Component Strategy <ul style="list-style-type: none"> Work with Engineering to compare replacement vs renewal strategies Develop rough order of magnitude budget and schedule 	