

**Item No. 7b\_Supp**  
**Date of Meeting:** October 14, 2014

# Real Estate Division 2015 Preliminary Operating & Capital Budgets

Commission Presentation  
October 14, 2014

# Real Estate Division Reorganization

- Harbor Services Group combined into the Portfolio and Asset Management Group.
- Water and land sides of key facilities will report up to a single senior manager position and will be reported on as single assets:
  - Fishermen's Terminal
  - Maritime Industrial Center
  - Shilshole Bay Marina
- Reorganization is underway. 2015 Budget reflects the new structure.
- For management reporting, effective with the 2015 Performance Reports.

# Real Estate Division Reorganization

## North Harbor Mgmt Group

Fishermen's Terminal

Waterside

Landside

Maritime Industrial Center

Waterside

Landside

Shilshole Bay Marina

Waterside

Landside

Other Marinas

Bell Harbor Marina

Harbor Island Marina

## Central Harbor Mgmt Group

Harbor Marina Corp Center (T102)

Central Waterfront

World Trade Center West

Bell Street Garage

Bell Street Retail Leases

Bell Street Office Leases

Terminal 34

Pier 69 Leases

Pier 2 Uplands and CEM

Other

# Key Assumptions

- Marina occupancy rate 95% consistent with 2014 Budget
- Fishing & Commercial occupancy rates FT 79% and MIC 70% approximately equal to 2014 Budget
- Commercial Properties target 95% occupancy at year-end 2015. 2014 Budget target was 92%
- Bell Harbor International Conference Center revenue up 5% from 2014 Budget
- Eastside Rail Corridor: Pending sales to Woodinville and Snohomish County close in first quarter 2015

# Org Revenues By Group

Real Estate Division Only

\$'s Thousands	2013 Actual	2014 Budget	2014 Forecast	2015 Budget	Incr (Decr)	
					15-'14 Budget Chg \$	%
<b>Revenue</b>						
Portfolio & Asset Management	29,636	30,453	30,444	31,485	1,032	3.4%
<i>Central Harbor Mgmt Group</i>	6,183	6,466	6,163	6,518	52	0.8%
<i>Conference &amp; Event Centers</i>	7,888	8,110	8,342	8,547	436	5.4%
<i>North Harbor Mgmt Group</i>	15,564	15,877	15,939	16,420	543	3.4%
Development & Planning	920	808	993	960	152	18.8%
Eastside Rail	(3)	7	11	0	(7)	-100.0%
Facilities & Maintenance	840	435	551	358	(77)	-17.6%
<b>Total Revenue</b>	<b>31,392</b>	<b>31,703</b>	<b>31,999</b>	<b>32,804</b>	<b>1,101</b>	<b>3.5%</b>

# Org Expenses By Group

Real Estate Division Expenses Only

\$'s Thousands	2013 Actual	2014 Budget	2014 Forecast	2015 Budget	Incr (Decr)	
					15-'14 Budget Chg \$	%
<b>Operating Expenses</b>						
Portfolio Management	16,144	17,673	17,222	18,727	1,053	6.0%
<i>Central Harbor Mgmt Group</i>	2,404	3,038	2,613	3,795	758	24.9%
<i>Conference &amp; Event Centers</i>	6,476	6,858	7,043	7,504	646	9.4%
<i>North Harbor Mgmt Group</i>	5,661	6,050	5,874	6,481	431	7.1%
<i>Portfolio Mgmt Admin</i>	1,604	1,727	1,693	947	(781)	-45.2%
Development & Planning	751	899	821	948	49	5.4%
Eastside Rail Corridor	205	170	1,131	210	40	23.2%
Maintenance	16,269	18,050	15,636	18,492	442	2.4%
Facilities	1,435	1,509	1,497	1,600	91	6.1%
Division Admin	393	410	402	419	10	2.4%
Envir Remed Exp/Other	2	600	0.32	250	(350)	-58.3%
<b>Total Operating Expenses</b>	<b>35,200</b>	<b>39,312</b>	<b>36,710</b>	<b>40,646</b>	<b>1,335</b>	<b>3.4%</b>

# Real Estate Org Expense Budget

## Real Estate Division Expenses Only

\$'s Thousands	2014	2015	Incr (Decr)		Explanation
	Budget	Budget	Change	%	
<b>Baseline Budget</b>					
Salaries	6,724	7,327	603	9.0%	Increase Maint FTE's, Regraded positions
Benefits	2,609	2,953	344	13.2%	Increase Maint FTE's, Benefit increases
Wages & Benefits	9,412	9,573	161	1.7%	
OPEB	34	34	0	0.1%	
Salaries & Wages to Cap, Non-op, ERL	821	803	(18)	-2.1%	
<b>Total Payroll Costs</b>	<b>19,600</b>	<b>20,691</b>	<b>1,091</b>	<b>5.6%</b>	
<b>Net Payroll Exp (net of to capital, Non-op)</b>	<b>18,779</b>	<b>19,887</b>	<b>1,109</b>	<b>5.9%</b>	
Utilities	3,916	4,318	401	10.2%	Increased rates
Conf & Event Activity Op Exp/Mgt Fee	6,530	6,951	422	6.5%	Incr Conf & Event activity and higher costs
Conf & Event Activity - Furn & Equip Acq	233	456	223	95.9%	Facility improvements needed
Maintenance Outside Services	1,229	1,582	353	28.7%	2015 projects involve more outside work
Maintenance Materials & Vehicle Parts	905	1,061	155	17.2%	Increasing material costs
Overhead Allocated To Capital	(377)	(594)	(218)	57.8%	Increase OH Rate
Other O&M	4,015	4,180	164	4.1%	
<b>Total Baseline Budget</b>	<b>35,230</b>	<b>37,841</b>	<b>2,610</b>	<b>7.4%</b>	
<b>Initiatives</b>					
Tenant Improve, Broker Fees, Space Plan	1,127	1,071	(56)	-5.0%	
Maintenance Contingency	300	300	0	0.0%	
Net Shed related work	140	0	(140)	-100.0%	
Carpet Replacement	1,200	0	(1,200)	-100.0%	Completed in 2014
Concrete Beam Rehab	570	0	(570)	-100.0%	Now a capital project
W50 Building Demolition	0	975	975	NA	
Eastside Rail Corridor-Outside Services	144	210	66	45.8%	
<b>Total</b>	<b>3,481</b>	<b>2,556</b>	<b>(925)</b>	<b>-26.6%</b>	
<b>Total Operating Expenses</b>	<b>38,712</b>	<b>40,396</b>	<b>1,685</b>	<b>4.4%</b>	
Envir Remediation Liability	600	250	(350)	-58.3%	
<b>Total Expenses</b>	<b>39,312</b>	<b>40,646</b>	<b>1,335</b>	<b>3.4%</b>	

# Maintenance 2015 Significant Projects

\$'s Thousands

**Significant Maintenance Projects**

	<u>2015 Budget</u>
P66 beam and knuckle coating -10 year program (split RE/SEA)	130
Powerwash Bell Street Garage exterior wall (RE)	113
Remove asphalt around T102 parking lot (RE)	100
Piling replacement at MIC -one year shift of budget from FT (RE)	100
Vehicle propane project (RE)	100
Expense costs related to Maximo upgrade (RE)	100
Major Rail Road Track repair at T91 per ABAM report (SEA)	97
Horton Street Maintenance Facility repairs (MM)	85
Clean and seal docks at SBM (RE)	77
Repair protective coating building structure, west balcony roof truss at T91 (SEA)	75
Underwater survey of piles and wraps that support C173 (SEA)	69
N. End Maint Office Industrial Permit Inspection & Monitoring Corrective Actions (MM)	66
P69 chiller #2 rebuild (FAC)	56
Total	<u><u>1,168</u></u>

RE = Real Estate Div SEA = Seaport Div

MM = Marine Maint FAC = P69 Facilities



# Full-Time Equivalents (FTEs)

<b><u>2014 Budget</u></b>	<b>168.3</b>
<b><u>2014 Changes</u></b>	
Director Harbor Services	(1.0)
Manager North Harbor Facilities	1.0
<b>Adjusted 2014</b>	<b><u>168.3</u></b>
<b><u>2015 Budget</u></b>	
<b>Staff Additions:</b>	
<i>Maintenance</i>	
Project Specialist	1.0
Business Systems Specialist	1.0
Business Operations Supervisor	1.0
Work Order Intake Specialist	1.0
<b>Staff Reductions:</b>	
<i>Harbor Services</i>	
Intern	(0.8)
<b>Net Change</b>	<b><u>3.2</u></b>
<b>Proposed 2015 Budget</b>	<b><u><u>171.5</u></u></b>

# Real Estate Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

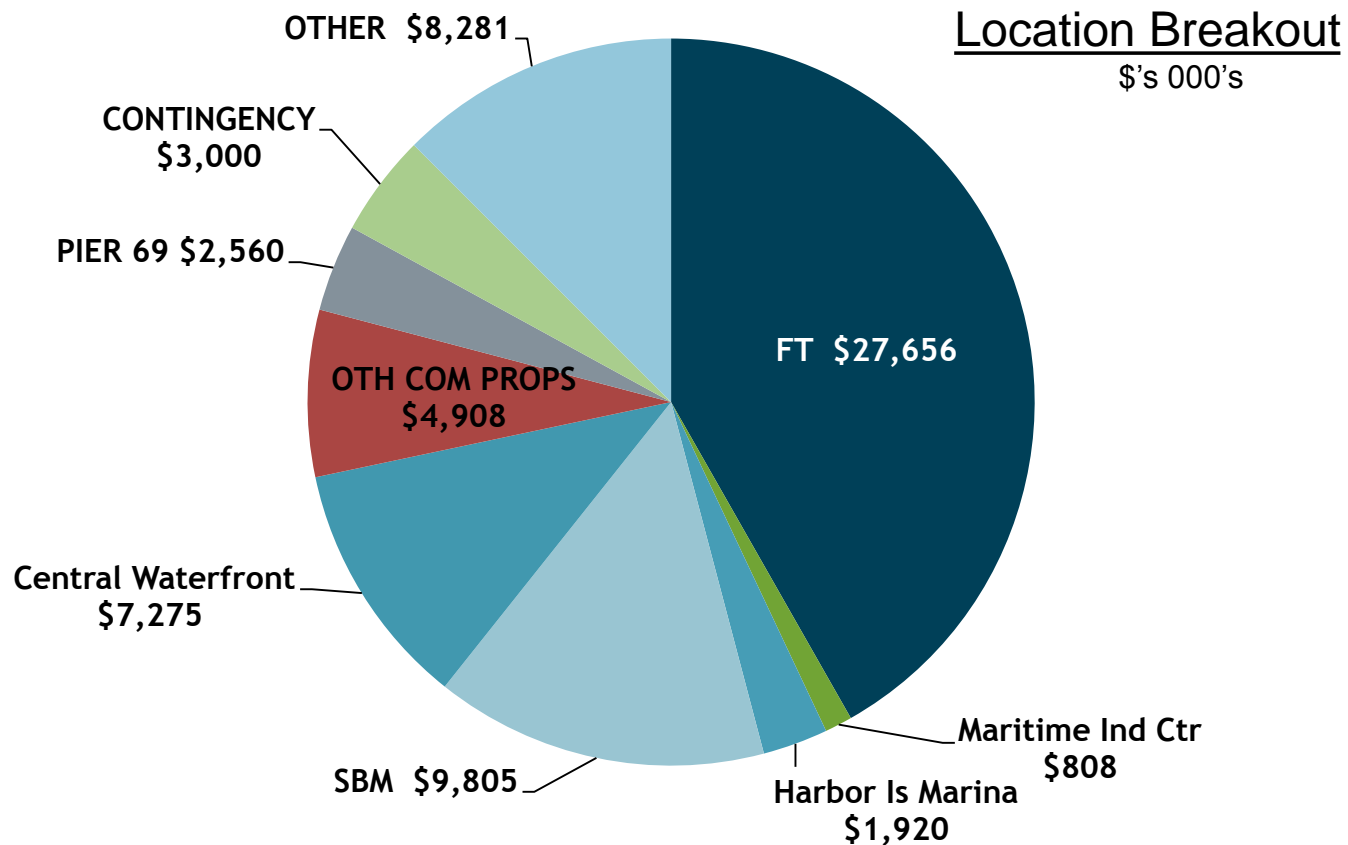
\$'s Thousands	2013	2014	2014	2015	<i>Incr (Decr)</i>	
	Actual	Budget	Forecast	Budget	15-'14 Budget Chg \$	%
<b>Revenues</b>						
Operating Revenues	22,904	23,244	23,192	23,970	726	3.1%
Conf & Event Ctr Revenue	7,958	8,132	8,364	8,580	447	5.5%
<b>Total Revenues</b>	<b>30,862</b>	<b>31,376</b>	<b>31,556</b>	<b>32,550</b>	<b>1,174</b>	<b>3.7%</b>
<b>Expenses</b>						
Real Estate Exp (excl Maint,P69,Conf)	10,370	11,553	10,832	11,965	412	3.6%
Conf & Event Ctr Expense	6,475	6,858	7,042	7,507	648	9.5%
Eastside Rail Corridor	205	170	1,131	210	40	23.2%
Maintenance Expenses	8,928	9,311	8,777	10,155	844	9.1%
P69 Facilities	172	126	126	133	7	5.3%
Envir Services & Planning	874	839	839	894	55	6.6%
Seaport Expenses (excl env svs)	408	471	471	483	12	2.6%
CDD Expenses	1,364	2,582	2,332	1,773	(809)	-31.3%
Police Expenses	1,378	1,391	1,391	1,291	(100)	-7.2%
Corporate Expenses	5,087	5,417	5,377	4,925	(492)	-9.1%
Envir Remediation Liability	2	600	0	250	(350)	-58.3%
<b>Operating Expenses</b>	<b>35,262</b>	<b>39,320</b>	<b>38,320</b>	<b>39,587</b>	<b>267</b>	<b>0.7%</b>
<b>Net Operating Income</b>	<b>(4,399)</b>	<b>(7,944)</b>	<b>(6,764)</b>	<b>(7,037)</b>	<b>907</b>	<b>11.4%</b>

# Real Estate Division Capital Budget 2015-2019

Commission Review  
October 14, 2014

# Real Estate Capital Budget Review

- Overall 2015-2019 dollar amount of projects at ~\$66 million
- Virtually all projects are renewal and replacement
- Funding capacity for projects not yet determined



# Real Estate 2015 Capital Budget

## Capital Budget Summary By Status

\$'s in 000's

Commission Authorized/Underway  
 Pending 2014/2015 Authorization  
 Pending Future Authorization  
 Small Capital and Other  
 Total

	2015	2016	2017	2018	2019	2015-19
Commission Authorized/Underway	3,571	0	0	0	0	3,571
Pending 2014/2015 Authorization	3,270	10,165	4,480	1,294	0	19,209
Pending Future Authorization	1,545	8,166	7,332	3,550	8,474	29,067
Small Capital and Other	4,350	3,256	2,741	2,022	1,997	14,366
<b>Total</b>	<b>12,736</b>	<b>21,587</b>	<b>14,553</b>	<b>6,866</b>	<b>10,471</b>	<b>66,213</b>

# Real Estate 2015 Capital Budget

## Commission Authorized\*/Underway

\$'s in 000's

	2015	2016	2017	2018	2019	2015-19
P69 Built-Up Roof Replacement	100	0	0	0	0	100
SBM Central Seawall Replacement	790	0	0	0	0	790
FT Net Shed 9 Roof Replacement	30	0	0	0	0	30
FT C15 HVAC Improvements	108	0	0	0	0	108
FT C-2 (Nordby) Roof & HVAC	383	0	0	0	0	383
P69 Roof Beam Rehabilitation	2,160	0	0	0	0	2,160
<b>Total</b>	<b>3,571</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,571</b>

Note\*: Includes projects where some portion of the budget is authorized by Commission

# Real Estate 2015 Capital Budget

## Pending 2014/2015 Authorization

\$'s in 000's

	2015	2016	2017	2018	2019	2015-19
SBM Paving	30	670	130	400	0	1,230
SBM Restrms/Service Bldgs Replace	225	2,750	2,450	0	0	5,425
Bell Harb Marina Wavebreak/Pile Wraps	600	3,000	200	0	0	3,800
Marina Mgt Sys Replacement	350	150	0	0	0	500
FT Paving/Storm Upgrades	250	1,700	1,700	894	0	4,544
Harbor Island Marina E Dock	470	0	0	0	0	470
SBM Fuel Dock Bldg Improvement	160	900	0	0	0	1,060
Bell St Garage Art Inst Elevator Upgrade	350	0	0	0	0	350
FT C15 Building Tunnel Improvement	700	0	0	0	0	700
FT C14 (Downie) Roof & HVAC	135	995	0	0	0	1,130
<b>Total</b>	<b>3,270</b>	<b>10,165</b>	<b>4,480</b>	<b>1,294</b>	<b>0</b>	<b>19,209</b>

# FT Paving / Storm Drain Upgrades

(Alligator Cracking and Failed Asphalt)





# Bell Harbor Marina Wavebreak & Pile Wraps



# Pier 69 Concrete Beam Rehabilitation



# Real Estate 2015 Capital Budget

## Pending Future Authorization

\$'s in 000's	2015	2016	2017	2018	2019	2015-19
Mar Maint N Office Site Improvement	500	0	0	0	0	500
RE BHICC Roof Fall Protection	420	0	0	0	0	420
T102 Bldg Roof HVAC Replacement	300	3,068	0	0	0	3,368
FT 25 Year Plan Improvements	250	618	0	0	0	868
FT Net Shed 3,4,5 & 6 Roof Rpl	75	2,480	0	0	0	2,555
SBM Lower A Dock Impr.	0	600	0	0	0	600
Harbor Island Marina C Dock	0	500	0	0	0	500
FT Dock 4 Fixed Pier Corr Protect	0	200	3,300	0	0	3,500
FT Dock 3 Fixed Pier Improvmt	0	200	2,800	0	0	3,000
MIC West & Central Piers Resur	0	0	558	150	0	708
FT S Wall West End Improvements	0	0	174	1,500	0	1,674
Harbor Island Marina ABD Dock	0	0	0	500	0	500
FT W Wall N Fender Replacement	0	0	0	200	2,750	2,950
FT W Wall N Sht Pile Crsn Protect	0	0	0	200	2,575	2,775
FT Net Shed Electrical System	0	0	0	0	2,149	2,149
FT S Wall Cl Fndr Rp & Cor Protect**	0	0	0	0	0	0
FT W Wall S Sht Pile Cor Protect**	0	0	0	0	0	0
FT Net Shed 10 Roof Overlay**	0	0	0	0	0	0
FT Net Shed 11 Roof Overlay**	0	0	0	0	0	0
RE: Contingency Renew & Replace	0	500	500	1,000	1,000	3,000
<b>Total</b>	<b>1,545</b>	<b>8,166</b>	<b>7,332</b>	<b>3,550</b>	<b>8,474</b>	<b>29,067</b>

Note: For projects marked with asteriks \*\*, the cash investment is forecasted to take place in the 2020-2024 timeframe.

# Real Estate 2015 Capital Budget

## Small Projects

\$'s in 000's

	2015	2016	2017	2018	2019	2015-19
Small Capital Projects	2,680	1,640	1,085	500	500	6,405
Preliminary Planning	250	250	250	250	250	1,250
RE Technology Projects	250	250	250	250	250	1,250
RE Fleet Replacement	870	816	856	722	697	3,961
Tenant Improvements - Capital	300	300	300	300	300	1,500
<b>Total</b>	<b>4,350</b>	<b>3,256</b>	<b>2,741</b>	<b>2,022</b>	<b>1,997</b>	<b>14,366</b>