

# Economic Development Division 2016 Budget Briefing

October 13, 2015

# Economic Development Division

## **Portfolio & Asset Management**

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

CEM

Terminal 5 SE, Other

Conference & Event Centers

Bell Harbor International Conference Ctr

World Trade Center Club

Smith Cove Cruise Terminal (Events)

Eastside Rail Corridor

## **Real Estate Development & Planning**

Terminal 91 Uplands

Real Estate Development Admin

## **Office of Social Responsibility**

Workforce Development

Small Business

## **Pier 69 Facilities**

## **Tourism**

**Budget adjustments are made for prior years to ensure apple-to-apple comparison for the reorganization changes.**

# 2016 Budget Key Assumptions

- Commercial Properties target 93% occupancy at year-end 2016. 2015 forecasted occupancy at year-end 89%
- Bell Harbor International Conference Center revenue down 27% from 2015 Budget and 32% from 2015 Forecast
- OSR includes funding of Airport Employment Center and Comprehensive Career Pathways program
- Eastside Rail Corridor: Pending sale to Woodinville assumed to close in 2015

# Org Revenues By Group

Economic Development Division Only

| \$'s Thousands                        | 2014<br>Actual | 2015<br>Budget | 2015<br>Forecast | 2016<br>Budget | <i>Incr (Decr)</i><br>16-'15 Budget Chg |               | <i>Incr (Decr)</i><br>16-'15 Fcst Chg |               |
|---------------------------------------|----------------|----------------|------------------|----------------|-----------------------------------------|---------------|---------------------------------------|---------------|
|                                       |                |                |                  |                | \$                                      | %             | \$                                    | %             |
| <b>Revenue</b>                        |                |                |                  |                |                                         |               |                                       |               |
| Portfolio & Asset Management          | 15,059         | 15,065         | 16,032           | 13,038         | (2,027)                                 | -13.5%        | (2,994)                               | -18.7%        |
| <i>Central Harbor Mgmt Group</i>      | 6,135          | 6,518          | 6,709            | 6,750          | 232                                     | 3.6%          | 42                                    | 0.6%          |
| <i>Conference &amp; Event Centers</i> | 8,924          | 8,547          | 9,324            | 6,263          | (2,284)                                 | -26.7%        | (3,061)                               | -32.8%        |
| <i>Foreign Trade Zone Program</i>     | 0              | 0              | 0                | 25             | 25                                      | NA            | 25                                    | NA            |
| Development & Planning                | 1,046          | 960            | 907              | 626            | (334)                                   | -35%          | (281)                                 | -31%          |
| Eastside Rail                         | 12             | 0              | 7                | 1              | 1                                       | 17367%        | (6)                                   | -86%          |
| <b>Total Revenue</b>                  | <b>16,117</b>  | <b>16,025</b>  | <b>16,947</b>    | <b>13,666</b>  | <b>(2,360)</b>                          | <b>-14.7%</b> | <b>(3,282)</b>                        | <b>-19.4%</b> |

Revenue for 2016 impacted by construction at Pier 66

# Org Expenses By Group

## Economic Development Division Expenses Only

| \$'s Thousands                        | 2014<br>Actual | 2015<br>Budget | 2015<br>Forecast | 2016<br>Budget | Incr (Decr)             |              | Incr (Decr)           |             |
|---------------------------------------|----------------|----------------|------------------|----------------|-------------------------|--------------|-----------------------|-------------|
|                                       |                |                |                  |                | 16-'15 Budget Chg<br>\$ | %            | 16-'15 Fcst Chg<br>\$ | %           |
| <b>Operating Expenses</b>             |                |                |                  |                |                         |              |                       |             |
| Portfolio & Asset Management          | 11,842         | 12,246         | 11,874           | 10,362         | (1,884)                 | -15.4%       | (1,512)               | -12.7%      |
| <i>Central Harbor Mgmt Group</i>      | 2,773          | 3,795          | 2,875            | 2,938          | (857)                   | -22.6%       | 64                    | 2.2%        |
| <i>Conference &amp; Event Centers</i> | 7,392          | 7,504          | 7,999            | 6,439          | (1,065)                 | -14.2%       | (1,560)               | -19.5%      |
| <i>Portfolio Mgmt Admin &amp; FTZ</i> | 1,677          | 947            | 1,000            | 985            | 38                      | 4.0%         | (16)                  | -1.6%       |
| Development & Planning                | 829            | 948            | 788              | 1,675          | 727                     | 76.6%        | 887                   | 112.6%      |
| Eastside Rail Corridor                | 2,436          | 210            | 100              | 144            | (66)                    | -31.4%       | 44                    | 44.0%       |
| Office of Social Responsibility       | 2,115          | 2,312          | 2,228            | 3,542          | 1,231                   | 53.2%        | 1,314                 | 59.0%       |
| Tourism                               | 915            | 981            | 981              | 1,174          | 193                     | 19.7%        | 193                   | 19.7%       |
| Facilities                            | 1,486          | 1,600          | 1,426            | 1,538          | (62)                    | -3.9%        | 112                   | 7.8%        |
| Division Admin                        | 440            | 419            | 466              | 405            | (14)                    | -3.4%        | (61)                  | -13.1%      |
| Envir Remed Exp/Other                 | (3)            | 250            | 0                | 0              | (250)                   | -100.0%      | (0)                   | -100.0%     |
| <b>Total Operating Expenses</b>       | <b>20,060</b>  | <b>18,967</b>  | <b>17,864</b>    | <b>18,841</b>  | <b>(126)</b>            | <b>-0.7%</b> | <b>977</b>            | <b>5.5%</b> |

- Portfolio Management expense decrease result of lower Conference & Event Center activity due to construction at Pier 66 and lower tenant improvement and broker fee costs at leased properties due to higher occupancy.
- Increases in Office of Social Responsibility, Tourism, and Development & Planning reflect new and expanded initiatives. Details are provided on upcoming slides.

**2016 Expense Budget Supports Economic Development Strategic Initiatives**

# Full-Time Equivalents (FTEs)

|                                                                          |                           |
|--------------------------------------------------------------------------|---------------------------|
| <b><u>2015 Budget</u></b>                                                | <b>31.5</b>               |
| <b><u>2015 Changes</u></b>                                               |                           |
| Commercial Properties: Onsite Prop Rep Trf to Maintenance                | (1.0)                     |
| P69 Facilities                                                           |                           |
| Delete exempt FTE Assist Mgr Corp Facilities                             | (1.0)                     |
| Add non-exempt FTE Facilities Specialist                                 | 1.0                       |
| <b>Adjusted 2015</b>                                                     | <b><u>30.5</u></b>        |
| <b><u>2016 Budget</u></b>                                                |                           |
| <b>Staff Additions:</b>                                                  |                           |
| <i>Tourism: Program Assistant</i>                                        | 1.0                       |
| <i>OSR: 1 Graduate Intern ( .25 FTE) Offset no National Urban Fellow</i> | 0.3                       |
| <i>OSR: 4 High School Interns (each .25 FTE)</i>                         | 1.0                       |
| <b>Net Change</b>                                                        | <b><u>2.3</u></b>         |
| <b>Proposed 2016 Budget</b>                                              | <b><u><u>32.8</u></u></b> |

Excluding addition of interns, number of FTE's flat from year to year

# Economic Dev Division Org Expense Budget

## Economic Development Division Expenses Only

| \$'s Thousands                                  | 2015          | 2016          | Incr (Decr)    |              | Explanation                                   |
|-------------------------------------------------|---------------|---------------|----------------|--------------|-----------------------------------------------|
|                                                 | Budget        | Budget        | Change         | %            |                                               |
| <b>Baseline Budget</b>                          |               |               |                |              |                                               |
| Salaries                                        | 2,815         | 2,906         | 91             | 3.2%         |                                               |
| Benefits                                        | 1,072         | 1,144         | 72             | 6.7%         |                                               |
| OPEB                                            | 20            | 22            | 2              | 7.5%         |                                               |
| Salaries & Wages to Cap, Non-op,ERL             | 0             | 0             | 0              | NA           |                                               |
| <b>Total Payroll Costs</b>                      | <b>3,907</b>  | <b>4,072</b>  | <b>164</b>     | <b>4.2%</b>  | Add Tourism Program Assistant, Interns        |
| Net Payroll Exp (Nnet of to Capital,Non-op,ERL) | 3,907         | 4,072         | 164            | 4.2%         |                                               |
| Utilities                                       | 1,995         | 1,647         | (347)          | -17.4%       | Surface Water Utility, Water, Sewer           |
| Contract Watchmen                               | 253           | 138           | (114)          | -45.2%       | Eliminate graveyard & holiday coverage at P69 |
| Conf & Event Op Exp, Mgmt Fee, FF&E             | 7,408         | 6,349         | (1,058)        | -14.3%       | Lower activity due to cruise build out        |
| Outside Services                                | 287           | 271           | (16)           | -5.5%        |                                               |
| Travel & Other Employee Expense                 | 194           | 272           | 78             | 40.6%        | Membership Econ Dev Council (fr Pub Affairs)  |
| Property Rental                                 | 644           | 587           | (57)           | -8.9%        | Reclass of payment to Port Jobs               |
| Other O&M                                       | 1,619         | 1,708         | 89             | 5.5%         |                                               |
| <b>Total Baseline Budget</b>                    | <b>16,306</b> | <b>15,045</b> | <b>(1,261)</b> | <b>-7.7%</b> |                                               |
| <b>Initiatives</b>                              |               |               |                |              |                                               |
| Tenant Improve, Broker Fees,Space Plan          | 869           | 324           | (545)          | -62.7%       | Higher Occupancy so less leasing activity     |
| Office of Social Responsibility                 | 880           | 1,995         | 1,115          | 126.7%       | Detail on following slide                     |
| Tourism                                         | 402           | 558           | 156            | 38.9%        | Detail on following slide                     |
| Misc Appraisals & Other Services                | 50            | 75            | 25             | 50.0%        |                                               |
| Consulting Services - RE Strategic Plan         | 0             | 600           | 600            | NA           |                                               |
| Co-op Business Development / FDI                | 0             | 100           | 100            | NA           |                                               |
| Eastside Rail Corridor - Outside Services       | 210           | 144           | (66)           | -31.4%       |                                               |
| Total                                           | 2,411         | 3,796         | 1,385          | 57.4%        |                                               |
| <b>Total Operating Expenses</b>                 | <b>18,717</b> | <b>18,841</b> | <b>124</b>     | <b>0.7%</b>  |                                               |
| Envir Remediation Liability                     | 250           | 0             | (250)          | -100.0%      |                                               |
| <b>Total Expenses</b>                           | <b>18,967</b> | <b>18,841</b> | <b>(126)</b>   | <b>-0.7%</b> |                                               |

# Office of Social Responsibility 2016 Initiatives

\$'s Thousands

## Office of Social Responsibility

|                                                                   | <u>2015 Budget</u> | <u>2016 Budget</u>  | <u>'16-'15<br/>Change</u> |
|-------------------------------------------------------------------|--------------------|---------------------|---------------------------|
| <b>New Requests</b>                                               |                    |                     |                           |
| <b>1. Comprehensive Career Pathways - Strategic Investments</b>   | <b>0</b>           | <b>1,125</b>        | <b>1,125</b>              |
| 1a. Airport Career Pathways Mapping & Strategy                    | 0                  | 75                  | 75                        |
| 1b. Airport Career Pathways Implementation (Year 1)               | 0                  | 100                 | 100                       |
| 1c. Maritime Workforce Development Initial Strategy               | 0                  | 150                 | 150                       |
| 1d. Core Plus (High School to Industry/Post Secondary Transition  | 0                  | 200                 | 200                       |
| 1e. Trades Regional Partnership                                   | 0                  | 350                 | 350                       |
| 1f. Manufacturing Industry/Truck Driving                          | 0                  | 150                 | 150                       |
| 1g. High School Intern Program Expansion (in Salaries & Benefits) | 0                  | 0                   | 0                         |
| 1h. Program Evaluation                                            | 0                  | 100                 | 100                       |
| <b>2. Port Jobs Six Month Contract Extension</b>                  | <b>100</b>         | <b>50</b>           | <b>(50)</b>               |
| <b>Continuing</b>                                                 |                    |                     |                           |
| Workforce Development Airport Sector                              | 410                | 450                 | 40                        |
| Workforce Development Construction Sector                         | 200                | 260                 | 60                        |
| Small Business Generator Program - Pilot Review                   | 100                | 100                 | 0                         |
| Small Business Generator Program                                  | 0                  | 10                  | 10                        |
| National Urban Fellowship Program                                 | 70                 | 0                   | (70)                      |
| <b>Total</b>                                                      | <b><u>880</u></b>  | <b><u>1,995</u></b> | <b><u>1,115</u></b>       |

Developing capable employees for key industries



# Tourism 2016 Initiatives

\$'s Thousands

Tourism

|                                       | <u>2015<br/>Budget</u>     | <u>2016<br/>Budget</u>     | <u>'16-'15<br/>Change</u>  |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| <b><u>1. New Requests</u></b>         |                            |                            |                            |
| Tourism Grant Program                 | \$0                        | \$50                       | \$50                       |
| Enhance International Tourism Program | 0                          | 50                         | 50                         |
| <b><u>2. Continuing</u></b>           |                            |                            |                            |
| <b>Personal Services</b>              |                            |                            |                            |
| United Kingdom Contract               | 187                        | 250                        | 63                         |
| Other International/Visit Seattle     | 157                        | 157                        | 0                          |
| Writing/Design                        | 0                          | 38                         | 38                         |
| <b>Other Contracted Services</b>      |                            |                            |                            |
| Cruise Plus & General Tourism Promo   | 58                         | 0                          | (58)                       |
| Brochure Printing, One Sheeter        | 0                          | 13                         | 13                         |
| <b>Total</b>                          | <b><u><u>\$402</u></u></b> | <b><u><u>\$558</u></u></b> | <b><u><u>\$156</u></u></b> |

Tourism Grant Program supports small communities in King County

# Economic Development Budget Summary

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

| \$'s Thousands                           | 2014<br>Actual | 2015<br>Budget | 2015<br>Forecast | 2016<br>Budget | <i>Incr (Decr)</i><br>16-'15 Budget Chg |             | <i>Incr (Decr)</i><br>16-'15 Fcst Chg |             |
|------------------------------------------|----------------|----------------|------------------|----------------|-----------------------------------------|-------------|---------------------------------------|-------------|
|                                          |                |                |                  |                | \$                                      | %           | \$                                    | %           |
| <b>Revenues</b>                          |                |                |                  |                |                                         |             |                                       |             |
| Operating Revenues                       | 7,310          | 7,528          | 7,672            | 7,449          | (79)                                    | -1%         | (223)                                 | -3%         |
| Conf & Event Ctr Revenue                 | 8,957          | 8,580          | 9,357            | 6,296          | (2,284)                                 | -27%        | (3,061)                               | -33%        |
| <b>Total Revenues</b>                    | <b>16,267</b>  | <b>16,108</b>  | <b>17,029</b>    | <b>13,745</b>  | <b>(2,363)</b>                          | <b>-15%</b> | <b>(3,284)</b>                        | <b>-24%</b> |
| <b>Expenses</b>                          |                |                |                  |                |                                         |             |                                       |             |
| Econ Dev Exp (excl P69, Conf, OSR, Tour) | 4,823          | 5,006          | 4,026            | 4,993          | (13)                                    | 0%          | 967                                   | 24%         |
| Conf & Event Ctr Expense                 | 7,374          | 7,504          | 7,999            | 6,439          | (1,065)                                 | -14%        | (1,560)                               | -20%        |
| Eastside Rail Corridor                   | 2,436          | 210            | 100              | 144            | (66)                                    | -31%        | 44                                    | 44%         |
| Office of Social Responsibility          | 57             | 447            | 363              | 1,511          | 1,064                                   | 238%        | 1,148                                 | 316%        |
| Tourism                                  | 915            | 981            | 981              | 1,174          | 193                                     | 20%         | 193                                   | 20%         |
| Maintenance Expenses                     | 3,897          | 3,732          | 3,595            | 3,153          | (578)                                   | -15%        | (441)                                 | -12%        |
| P69 Facilities                           | 64             | 46             | 41               | 177            | 131                                     | 285%        | 136                                   | 332%        |
| Maritime Expenses                        | 581            | 554            | 554              | 403            | (151)                                   | -27%        | (151)                                 | -27%        |
| CDD Expenses                             | 361            | 307            | 293              | 609            | 302                                     | 98%         | 316                                   | 108%        |
| Police Expenses                          | 476            | 454            | 452              | 169            | (285)                                   | -63%        | (283)                                 | -63%        |
| Corporate Expenses                       | 2,566          | 1,698          | 1,675            | 3,850          | 2,152                                   | 127%        | 2,175                                 | 130%        |
| Envir Remediation Liability              | (3)            | 250            | 0                | 0              | (250)                                   | -100%       | 0                                     | NA          |
| <b>Operating Expenses</b>                | <b>23,546</b>  | <b>21,188</b>  | <b>20,078</b>    | <b>22,623</b>  | <b>1,434</b>                            | <b>7%</b>   | <b>2,544</b>                          | <b>13%</b>  |
| <b>Net Operating Income</b>              | <b>(7,279)</b> | <b>(5,080)</b> | <b>(3,049)</b>   | <b>(8,878)</b> | <b>(3,797)</b>                          | <b>-75%</b> | <b>(5,828)</b>                        | <b>191%</b> |

Net Operating Income impacted by construction at Pier 66 and increase in Corporate Allocations

# Economic Development Division 2016 Capital Budget

October 13, 2015

# Economic Development 2016 Capital Budget

## Capital Budget Summary By Status

\$'s in 000's

|                                 | 2016          | 2017         | 2018         | 2019         | 2020         | 2016-20       |
|---------------------------------|---------------|--------------|--------------|--------------|--------------|---------------|
| Commission Authorized/Underway  | 8,856         | 625          | 0            | 0            | 0            | 9,481         |
| Pending 2015/2016 Authorization | 1,685         | 0            | 0            | 0            | 0            | 1,685         |
| Pending Future Authorization    | 945           | 1,253        | 1,000        | 1,000        | 3,000        | 7,198         |
| Small Capital and Other         | 972           | 1,772        | 1,285        | 1,104        | 1,104        | 6,237         |
| <b>Total</b>                    | <b>12,458</b> | <b>3,650</b> | <b>2,285</b> | <b>2,104</b> | <b>4,104</b> | <b>24,601</b> |

**Overall 2016-2020 dollar amount of projects at \$24.6 million**  
**Funding Capacity for projects not yet determined**

# Economic Development 2016 Capital Budget

## Commission Authorized\*/Underway

\$'s in 000's

|                                 | 2016         | 2017       | 2018     | 2019     | 2020     | 2016-20      |
|---------------------------------|--------------|------------|----------|----------|----------|--------------|
| T102 Bldg Roof HVAC Replacement | 6,050        | 100        | 0        | 0        | 0        | 6,150        |
| P69 Roof Beam Rehabilitation    | 2,766        | 25         | 0        | 0        | 0        | 2,791        |
| P69 Built-Up Roof Replacement   | 40           | 0          | 0        | 0        | 0        | 40           |
| Pier 66 Fit & Finish            | 0            | 500        | 0        | 0        | 0        | 500          |
| <b>Total</b>                    | <b>8,856</b> | <b>625</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>9,481</b> |

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

All projects are renewal and replacement

# Economic Development 2016 Capital Budget

## Pending 2015/2016 Authorization

\$'s in 000's

P66 Elevator 2,3,4 Upgrades  
Bell St Gar Art Inst Elevator Upgrade  
**Total**

|                                       | 2016         | 2017     | 2018     | 2019     | 2020     | 2016-20      |
|---------------------------------------|--------------|----------|----------|----------|----------|--------------|
| P66 Elevator 2,3,4 Upgrades           | 1,360        | 0        | 0        | 0        | 0        | 1,360        |
| Bell St Gar Art Inst Elevator Upgrade | 325          | 0        | 0        | 0        | 0        | 325          |
| <b>Total</b>                          | <b>1,685</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>1,685</b> |

All projects are renewal and replacement

# Economic Development 2016 Capital Budget

## Pending Future Authorization

\$'s in 000's

|                                           | 2016       | 2017         | 2018         | 2019         | 2020         | 2016-20      |
|-------------------------------------------|------------|--------------|--------------|--------------|--------------|--------------|
| Econ Dev Pier 66 Roof Fall Protection     | 420        | 14           | 0            | 0            | 0            | 434          |
| P69 Dir Digital Ctrl System Modernization | 25         | 739          | 0            | 0            | 0            | 764          |
| Econ Dev Contingency Renew & Replace      | 500        | 500          | 1,000        | 1,000        | 3,000        | 6,000        |
| <b>Total</b>                              | <b>945</b> | <b>1,253</b> | <b>1,000</b> | <b>1,000</b> | <b>3,000</b> | <b>7,198</b> |

All projects are renewal and replacement

# Economic Development 2016 Capital Budget

## Small Projects

\$'s in 000's

Small Capital Projects  
Fleet Replacement  
Econ Dev Technology Projects  
Tenant Improvements - Capital  
**Total**

|                               | 2016       | 2017         | 2018         | 2019         | 2020         | 2016-20      |
|-------------------------------|------------|--------------|--------------|--------------|--------------|--------------|
| Small Capital Projects        | 120        | 1,195        | 735          | 500          | 500          | 3,050        |
| Fleet Replacement             | 302        | 27           | 0            | 54           | 54           | 437          |
| Econ Dev Technology Projects  | 250        | 250          | 250          | 250          | 250          | 1,250        |
| Tenant Improvements - Capital | 300        | 300          | 300          | 300          | 300          | 1,500        |
| <b>Total</b>                  | <b>972</b> | <b>1,772</b> | <b>1,285</b> | <b>1,104</b> | <b>1,104</b> | <b>6,237</b> |

Individual projects under each category in this grouping have a cost of \$300,000 or less