

Item No. 7d_Supp
Date of
Meeting Aug. 17, 2010



Port of Seattle Real Estate Division 2011 Business Plan

August 17, 2010

Division Objectives

- Implement SAO audit recommendations, as appropriate
- Provide for NOI consistent with 2010 levels, notwithstanding recognition of deferred maintenance costs
- Commence execution of deferred maintenance obligations
- Provide for amended real estate policies as necessary with regard to:
 - Purchase and sale of properties
 - Competitive process requirements
 - Establishment of asset ranking system

Operating Revenues expected to be favorable by approximately 3% relative to 2010 Budget

- **Positive trailing indicators:**
 - Third party revenue 15% favorable as the hospitality market continues to strengthen.
 - Market conditions continue to tighten, albeit with aggressive owner contributions
- **Exposures/ risks:**
 - Potential higher vacancies in commercial properties and recreational marinas
 - Eastside Rail Corridor
 - Deferred maintenance costs
 - SAO audit compliance implications
 - Tenant improvement allowances

Real Estate Division Financial Overview

<i>In \$ Thousands</i>	2008 Actual	2009 Actual	2010 Forecast	2010 Budget	2010 Bud Var \$	2010 Bud Var %
Operating Revenue	34,797	30,132	29,947	29,798	149	1%
Total Revenue	34,797	30,132	29,947	29,798	149	1%
Direct Expenses	36,355	27,525	31,046	30,949	(97)	-0.3%
Divisional Allocations	(3,413)	(3,200)	(3,750)	(3,802)	(52)	-1%
<u>Corporate Allocations</u>	<u>5,253</u>	<u>5,244</u>	<u>5,808</u>	<u>5,808</u>	<u>0</u>	0%
Total Expense	38,195	29,569	33,105	32,956	(149)	-0.5%
Net Operating Income (NOI)	(3,398)	563	(3,158)	(3,158)	0	0%

Financial Overview Harbor Services

Harbor Services	2008	2009	2010
<u>\$'s in 000's</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Revenue	10,491	11,402	11,260
Direct Expenses	<u>5,694</u>	<u>6,077</u>	<u>7,149</u>
Income from Operations	4,797	5,324	4,111
Divisional Allocations	1,589	1,937	2,622
Corp Allocations	<u>2,904</u>	<u>3,089</u>	<u>3,367</u>
Net Operating Income	304	298	(1,878)
Depreciation	<u>5,187</u>	<u>5,423</u>	<u>5,320</u>
Net Income	(4,883)	(5,124)	(7,198)

Financial Overview

Portfolio Management

Portfolio Mgmt Group	2008	2009	2010
<u>\$'s in 000's</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Revenue	22,720	17,646	17,347
Direct Expenses	<u>14,849</u>	<u>12,826</u>	<u>13,614</u>
Income from Operations	7,871	4,820	3,732
Divisional Allocations	2,478	2,193	1,966
Corp Allocations	<u>2,157</u>	<u>1,966</u>	<u>2,202</u>
Net Operating Income	3,235	661	(436)
Depreciation	<u>4,323</u>	<u>4,299</u>	<u>4,118</u>
Net Income	(1,088)	(3,638)	(4,554)

Financial Overview

RE Development & Planning

RE Dev & Planning	2008	2009	2010
<u>\$'s in 000's</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Revenue	1,270	807	749
Direct Expenses	<u>7,902</u>	<u>727</u>	<u>713</u>
Income from Operations	(6,632)	80	37
Divisional Allocations	161	207	283
Corp Allocations	<u>191</u>	<u>190</u>	<u>240</u>
Net Operating Income	(6,985)	(318)	(486)
Depreciation	<u>523</u>	<u>227</u>	<u>221</u>
Net Income	(7,508)	(545)	(707)

Financial Overview Eastside Rail Corridor

Eastside Rail Corridor	2008	2009	2010
<u>\$'s in 000's</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Revenue	0	0	155
Direct Expenses	<u>0</u>	<u>79</u>	<u>513</u>
Income from Operations	0	(79)	(358)
Divisional Allocations	0	0	0
Corp Allocations	<u>0</u>	<u>0</u>	<u>0</u>
Net Operating Income	0	(79)	(358)
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Net Income	0	(79)	(358)

Capital Projects

**REAL ESTATE DIVISION
DRAFT 2011 CAPITAL PLAN 08/03/2010**

Committed	2011	2011-2015
<u>HARBOR SERVICES</u>		
MIC Seawall Replacement	1,573	1,573
FT NW Dock East Fender Sys Repl	4,671	4,671
<u>PORTFOLIO MANAGEMENT</u>		
FT S. Wall Reconstruction	3,000	3,000
FT C15 HVAC Improvements	400	3,868
Bell St Garage Safety Improve.	0	55
Tenant Improvements-Capital	775	2,742
<u>OTHER</u>		
RE Green Port Initiative	150	900
Fleet Replacement	600	3,000
Maintenance Shop Solution	300	300
Small Projects	990	2,990
P69 N Apron Piling Cathodic	1,400	2,903
Other	500	2,500

Bus Plan Prospective	2011	2011-2015
<u>HARBOR SERVICES</u>		
Shilshole Bay Marina Fuel Dock	100	1,000
Central Seawall Replacement	0	915
FT Net Shed Solution	500	16,600
<u>PORTFOLIO MANAGEMENT</u>		
FT Paving/Storm Upgrades	750	1,500
FT C14 (Downey) Bldg Imp	0	450
T102 Bldg Roof Replacement	100	2,430
Bell Harb Lighting Ctrl Upgrade	550	550
FT C-2 Bldg Roof & HVAC Rplmnt	50	1,175
P66 Chiller Upgrades	350	350
FT C-15 Bldg Subsidence Imp	150	2,500
<u>OTHER</u>		
Contingency Renew & Replace	3,000	17,000

TOTAL COMMITTED

\$14,359

\$28,502

TOTAL BUS PLAN PROS

\$5,550

\$44,470

- Master planning and land development:
 - North Bay
 - Complete development options study
 - Initiate the environmental review process
 - Engage the City and other stakeholders in the planning process
 - Des Moines Creek
 - Complete new development agreement with City
 - Finalize possible retail option agreement with City

- Other Projects:
 - Complete SCORE negotiation and transfer title
 - Respond as appropriate to the GSA/FAA office requirement for SeaTac and Des Moines sites
 - Continue collaboration City of Burien on the Northeast Redevelopment Area
 - Continue collaboration City of SeaTac on the 28th Avenue S. area
 - Complete second land swap with WSDOT

- Property management
 - Achieve net operating income and occupancy targets
 - Fishermen's Terminal
 - Complete asset condition examination and adopt 20 year asset plan
 - Complete FVO lease renewal and seawall replacement
 - Conduct due diligence and prepare to receive title to Downey building
 - Examine alternatives for energy conservation measures utilizing utility company incentive plans
 - Pursue development of CEM site
- Lease & utilities administration
 - SAO audit compliance
 - Examine alternatives and select lease administration accounting/software packages
 - Complete department organizational review
 - Real estate policy review and recommendations

- Financial performance:
 - Achieve net operating income target
- Fishermen's Terminal:
 - Complete asset condition examination and adopt 20 year asset plan
 - Implement net locker solution
 - Commence NW Dock East Fender Pile Replacement
- Maritime Industrial Center:
 - Complete seawall replacement project
- Shilshole Bay Marina:
 - Revise long term master plan
- Complete enterprise risk assessment/plan.

P69 Facilities Management

- Achieve flat utility consumption over 2010
- Perform space planning forecast for 2012
- Continue improvement of emergency operations & business continuity program
- Conduct three communication drills and one tabletop exercise

Marine Maintenance

- Manage expense budgets within 2%
- Continue Green & Sustainability Initiatives
 - Zero increase in landfill waste
 - Stormwater compliance
 - Energy Conservation
- Parks and public access—22 sites, 63 acres
- Deferred maintenance
 - Multiple projects underway