

## Attachment B

### Portfolio Management and Analysis Process

(From Port of Seattle Harbor Development Strategy 21, adopted June 26, 2001)

#### Purpose

- To inform good decision making about Port properties by providing and analyzing information on business factors and the real estate context.
- A management tool to identify and highlight tradeoffs and opportunity costs among business options and real estate values.

#### Principles

- All properties should be included.
- Portfolio management reviews should be presented to the Port Commission annually, as part of the budget process.
- Properties should be evaluated on a rolling review cycle, with every property assessed at least every 5 years.
- The frequency and depth of review should be determined by business/property characteristics

#### Use longer cycle (up to 5 years) for:

- Stable businesses with long-term leases
- Fully developed, stable real estate assets

These properties could be evaluated using a "short form" format, recognizing that such a "short form" analysis may turn up issues that would require subsequent "long form" analysis.

#### Use shorter cycle (1 to 2 years) for:

- Underperforming businesses
- Properties with expiring leases
- Properties that are vacant or about to become vacant
- Critical properties in flux should be put on "watch list" and reviewed annually

These properties would require a "long form" analysis, i.e. a more detailed evaluation.

#### Evaluation Process

##### 1. Evaluate Current Business Prospects & Performance

##### Business Outlook

- Relationship to core business - how mission-critical?
- Growth and revenue potential
- Is business affected by cyclical versus structural changes?
- Potential for process improvements
- Capital investments and major maintenance needs

## **Performance Measurement**

- **Financial Performance - covers all costs?**
  - Is there an imputed subsidy rate? Does the business cover operating expense, corporate allocations, depreciation?
- **Business-to-land market value**
  - What is the land value and how does it compare with the business income?
- **Annual holding cost -- opportunity cost of current activities, practices**
  - Revenue foregone on vacant or underutilized property
  - Costs associated with holding site -- debt service, maintenance
  - Other?
- **Economic benefits -- based on Port standardized economic impact measures to be developed for the Triple Bottom Line**
- **Community and environmental benefits assessment -- based on Triple Bottom Line measures**

## **2. Analyze Business/Real Estate Options**

### **Identify Options:**

- Hold land in current use
- Hold with interim uses
- Disposition
- Property redevelopment
- Relocation of business to other sites
- Other business/real estate uses

### **Analyze Options:**

- **Business and Real Estate Issues**
  - Identify criteria, strategic priorities (i.e. maritime uses, waterfront, etc.)
  - Identify range of business uses
  - Real estate analysis of property
- **Performance Measurement of Alternative Options Measured Against Status Quo and Minimum Thresholds/Targets**
  - Potential financial returns
  - Economic benefits - based on Port-standardized economic impact measures
  - Community and environmental benefits

## **3. Develop Property-Specific Plan for Management of the Asset**

- **For underperforming properties:**
  - Develop improved performance plan

- **Exit strategy**
- **For “holding” properties:**
  - **Planned holding period and action plan for period**
  - **Develop exit strategy**
  - **Properties noted on “hold list” -- list should be prioritized by strategic value and relative performance and reevaluated annually in light of changing market conditions.**