



# Terminal 91 Strategic Planning Update

# Terminal 91 Today



# Guiding Principles

## Driven by Century Agenda Guidelines

- Attract expansion of “core mission” customers
- Attract “broader types of economic activity” that comply with the existing industrial zoning
- Incorporate revenue streams expected from full, fair market value leases into the financial analysis in order to test the financial sustainability of total site development
- Explore models of sustainable growth

# Policy Questions

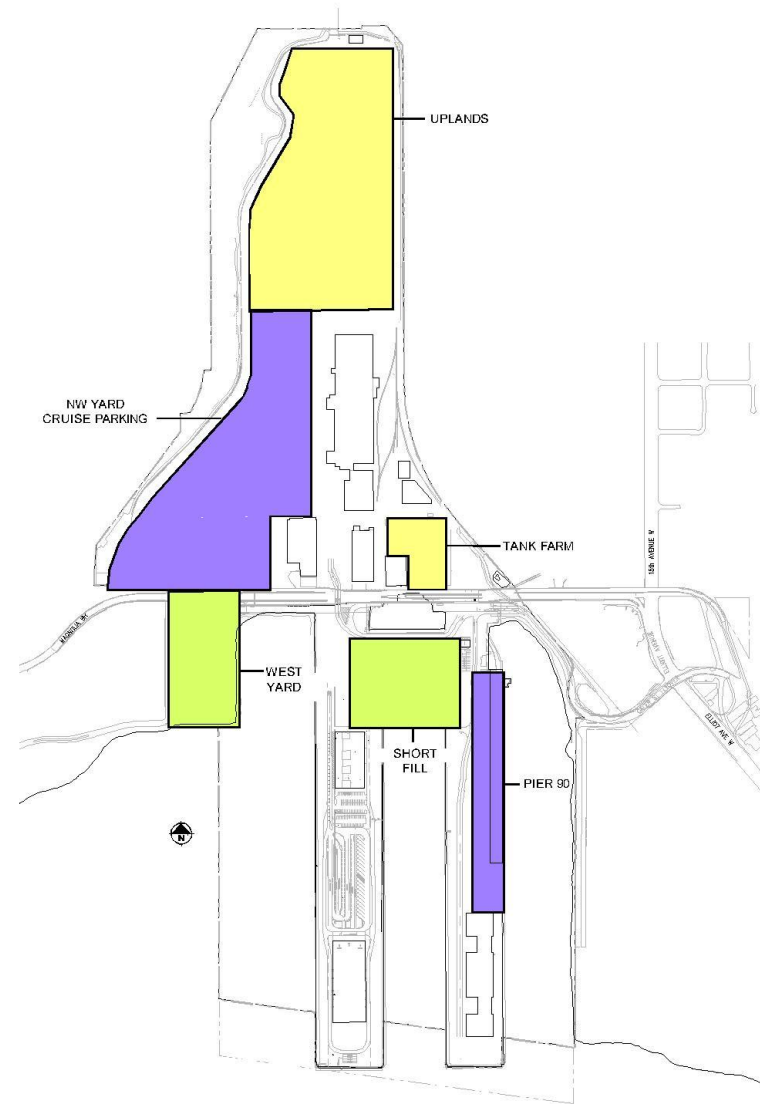
- What is the appropriate level of Port investment in new infrastructure?
- What is the optimal balance between:
  - ❖ Economic vitality/Jobs
  - ❖ Environmental stewardship
  - ❖ Financial goals
- How should any new investment be funded?

# Completed Work

- Identification of existing core mission tenant needs
- Industrial market assessment
- Site planning of Development Zones and Options
- Construction cost estimates for anticipated Port projects
- Financial analysis
- Economic benefits analysis

# Planning Strategy

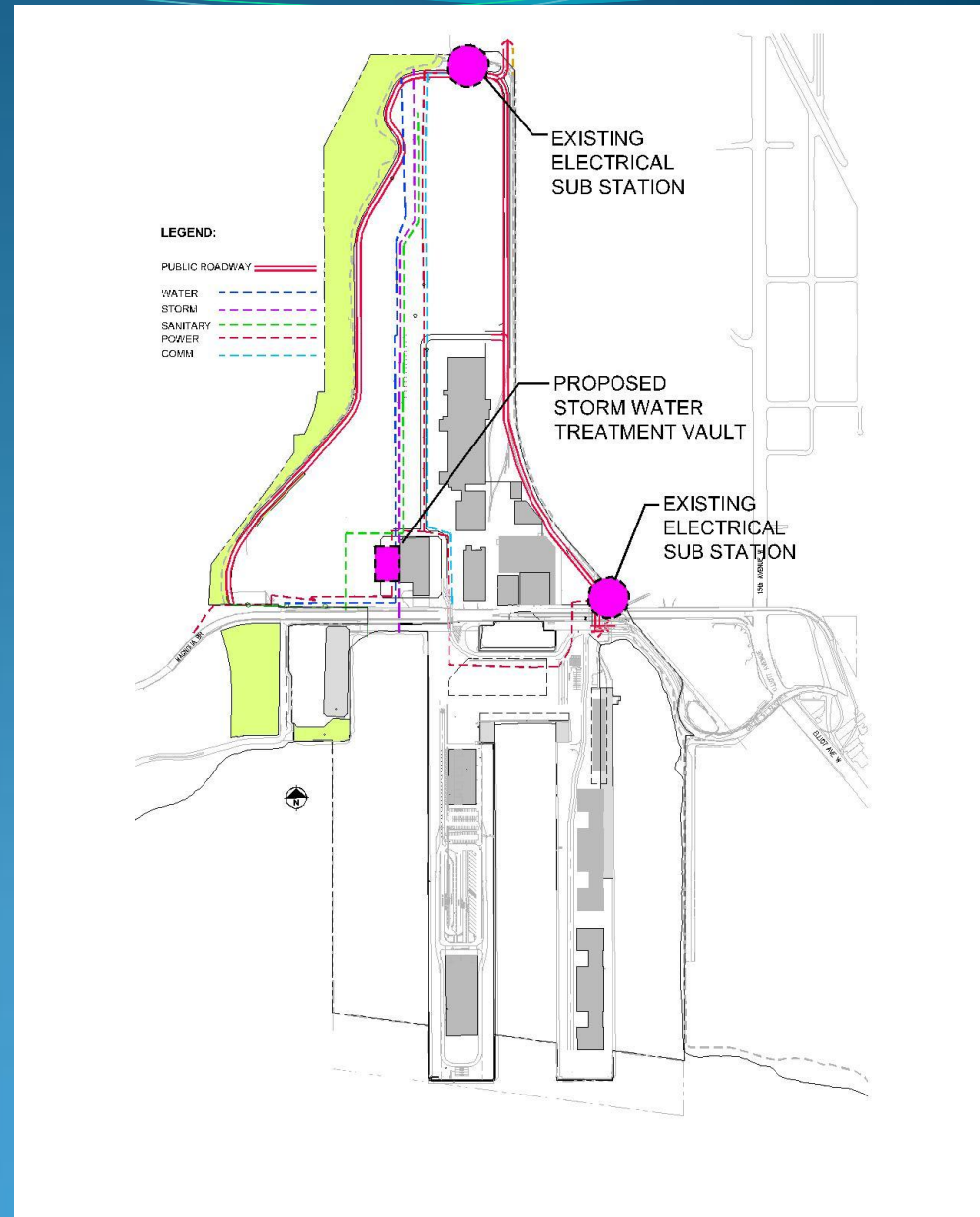
- Six zones
- Accommodate existing tenants expressed expansion needs
- Consolidate footprints and/or relocate activity south of the bridge
- Free up land available for new tenants



# Utility improvements north of bridge

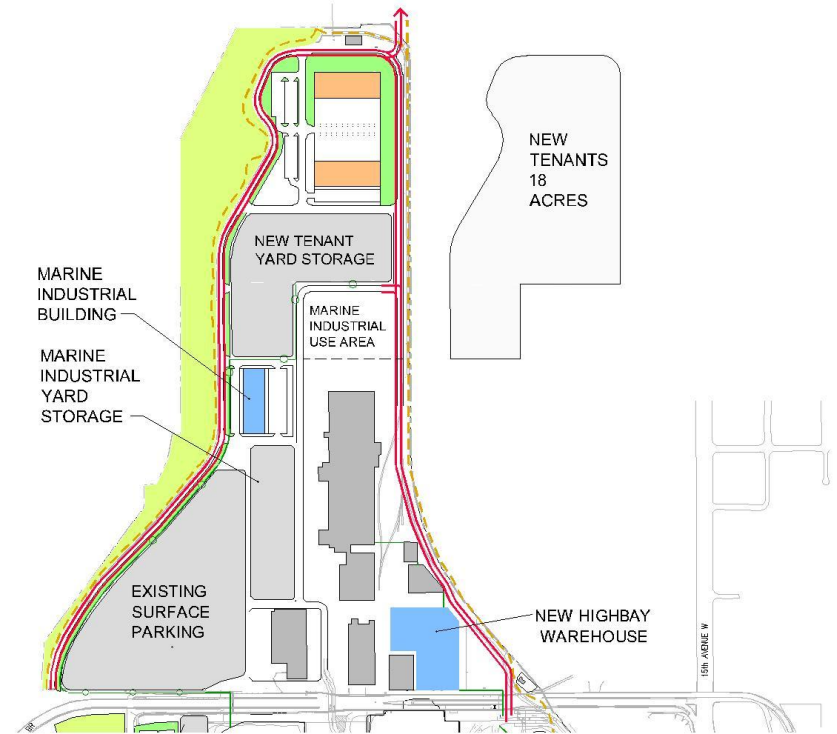
- New road network
- Integrated storm water system
- Upgraded electrical
- Water and Sewer
- Other

Cost: \$20 – \$24 million



# Zone Review North of Bridge

- Key Messages
  - Investments in utilities at best break even
  - Tank Farm is not ideal for new buildings
  - Positive NPV results from Port constructed industrial buildings are unlikely
  - Ground leasing as alternative means to meet existing tenant expansion should be considered





# Zone Review

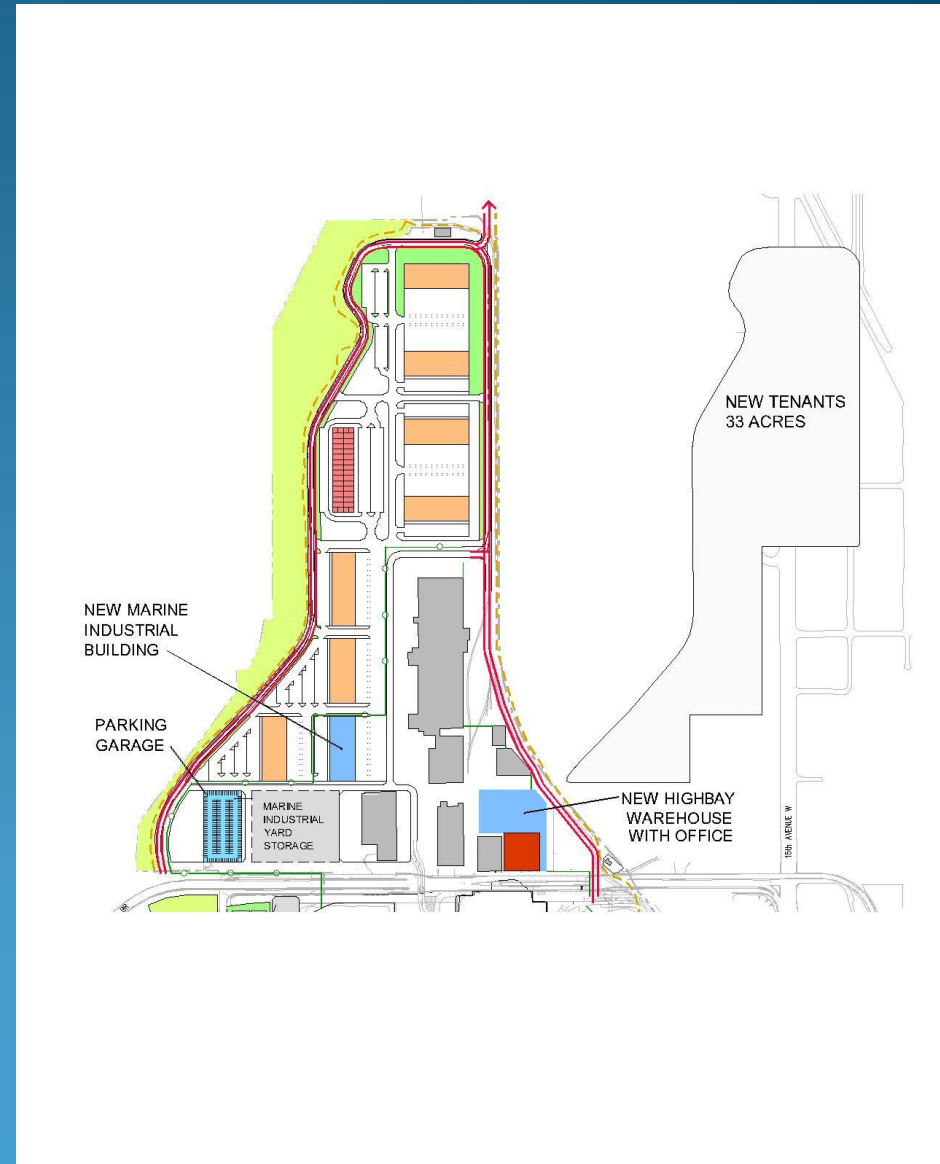
## North of Bridge - Continued

- Key Messages

- Investments in utilities cannot be recovered
- A garage may be worthy of consideration to efficiently use land and maximize economic benefits

- Key Issues

- Expected financial targets?
- Seek public partners for cost sharing of utilities?
- Invest in utilities or leave this to a 3<sup>rd</sup> party developer?
- Timing of investments?



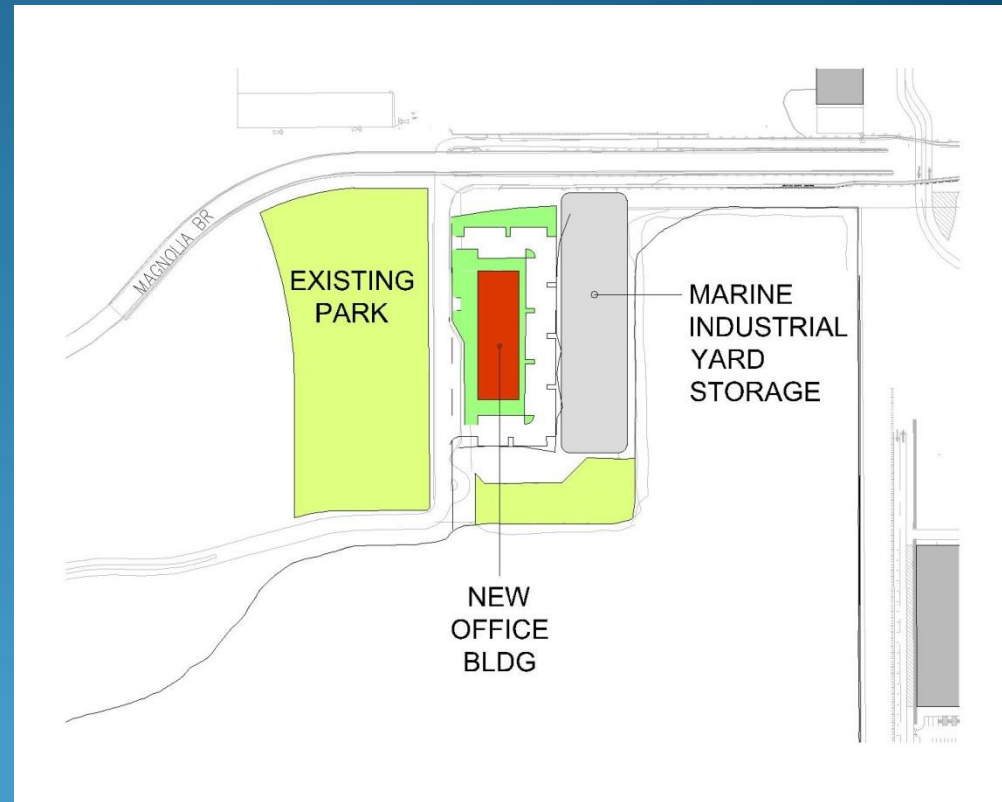
# Zone Review South of Bridge - West Yard

- Key Messages

- Demand for new office space not anticipated for several years
- Non-accessory office development requires zoning modification
- Ground leasing may provide a positive NPV

- Key Issue

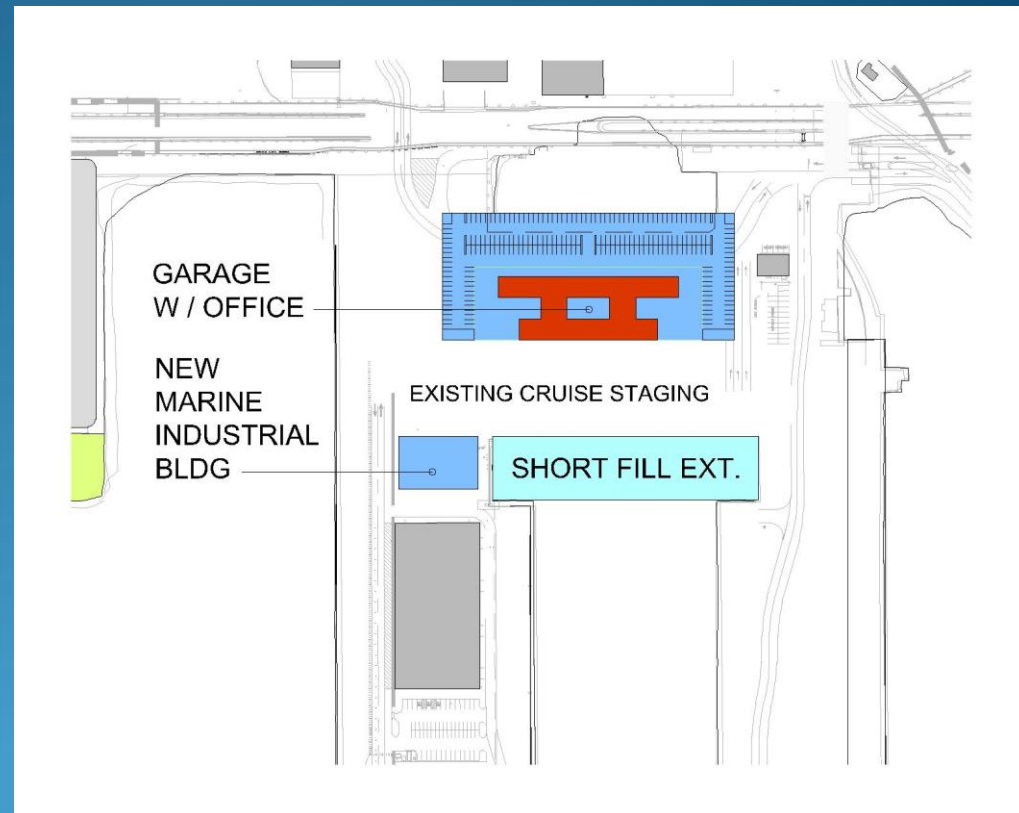
- Exploring potential land swap and CSO placement with City / County



# Zone Review South of Bridge - Shortfill

## Key Messages

- The existing use and configuration provides a positive NPV
- Opening up additional land north of the bridge for new tenants by investing south of the bridge may be costly to pursue



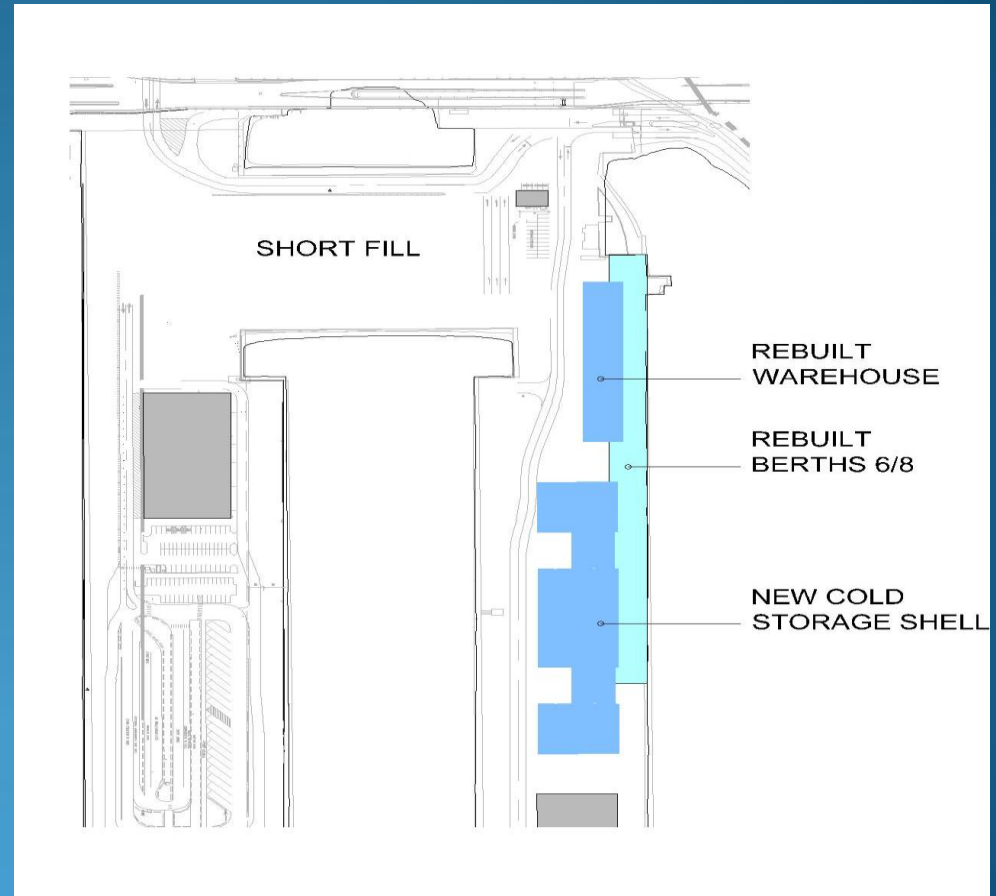
# Zone Review South of Bridge – Pier 90

- Key Messages

- Positive NPV results from Port constructed industrial buildings are unlikely
- Rebuilding berths 6 / 8 has significantly negative impact on financial results

- Key Issue

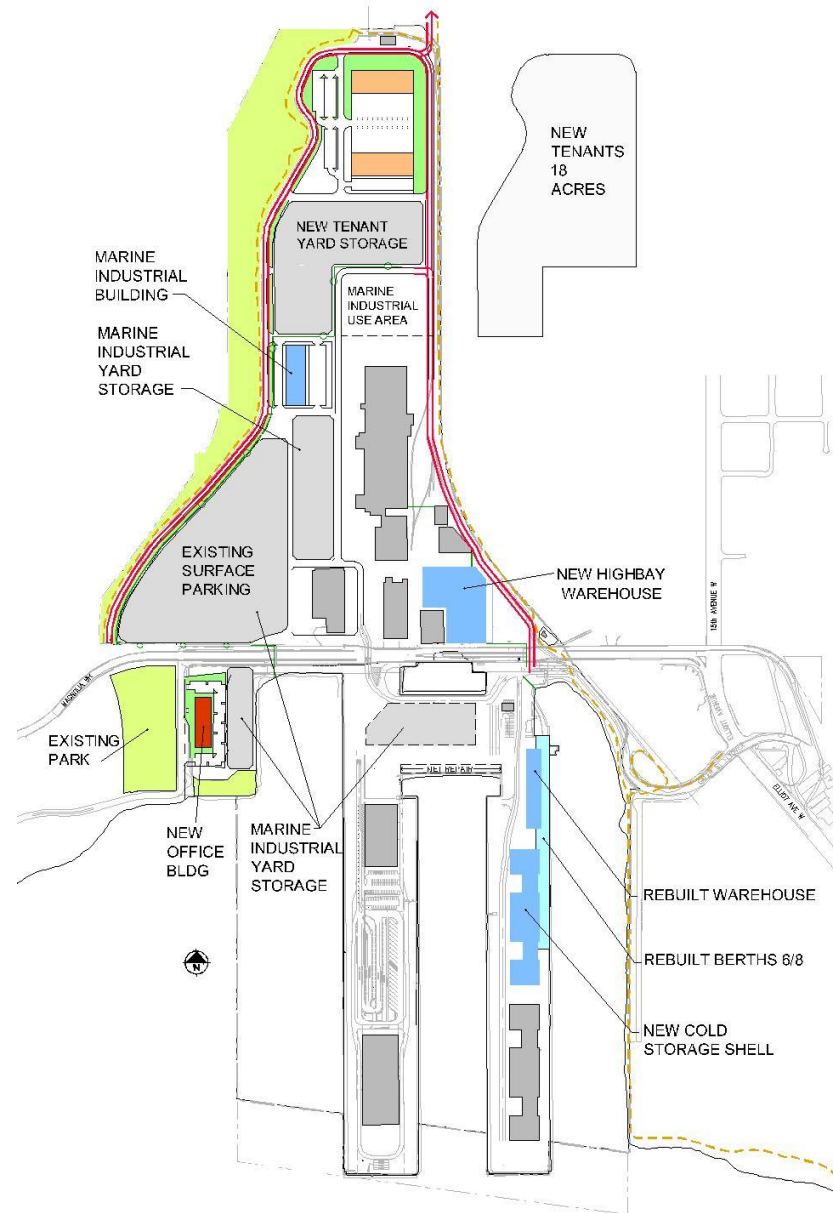
- Consider berth construction as an asset management investment and remove from financial results



# Option #1

## Economic Benefits

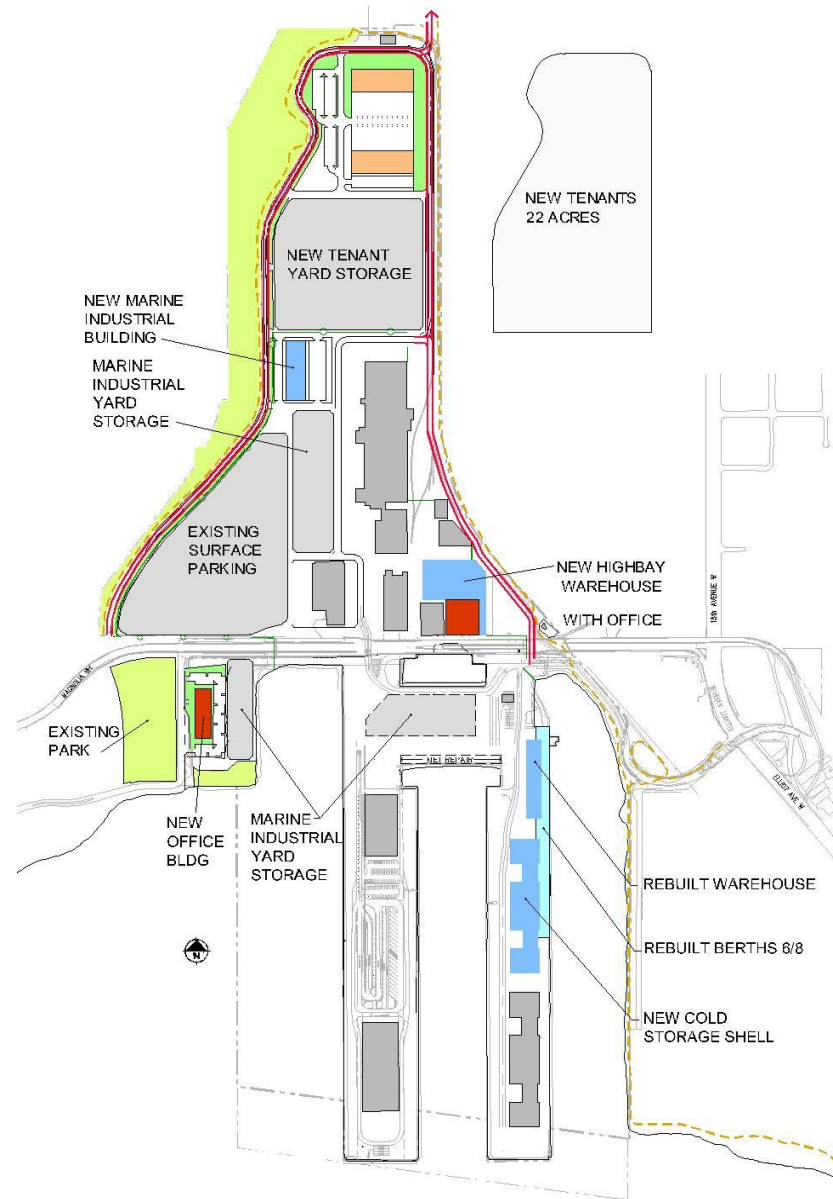
	Option 1
Jobs	
Direct	388
Induced	323
Indirect	<u>218</u>
Total	929
Income (\$1000)	
Direct	\$22,797
Induced	\$11,676
Indirect	<u>\$9,947</u>
Total	\$44,420
Direct Business Revenue (\$1000)	\$75,064
State and Local Taxes (\$1000)	\$4,131



# Option #2

## Economic Benefits

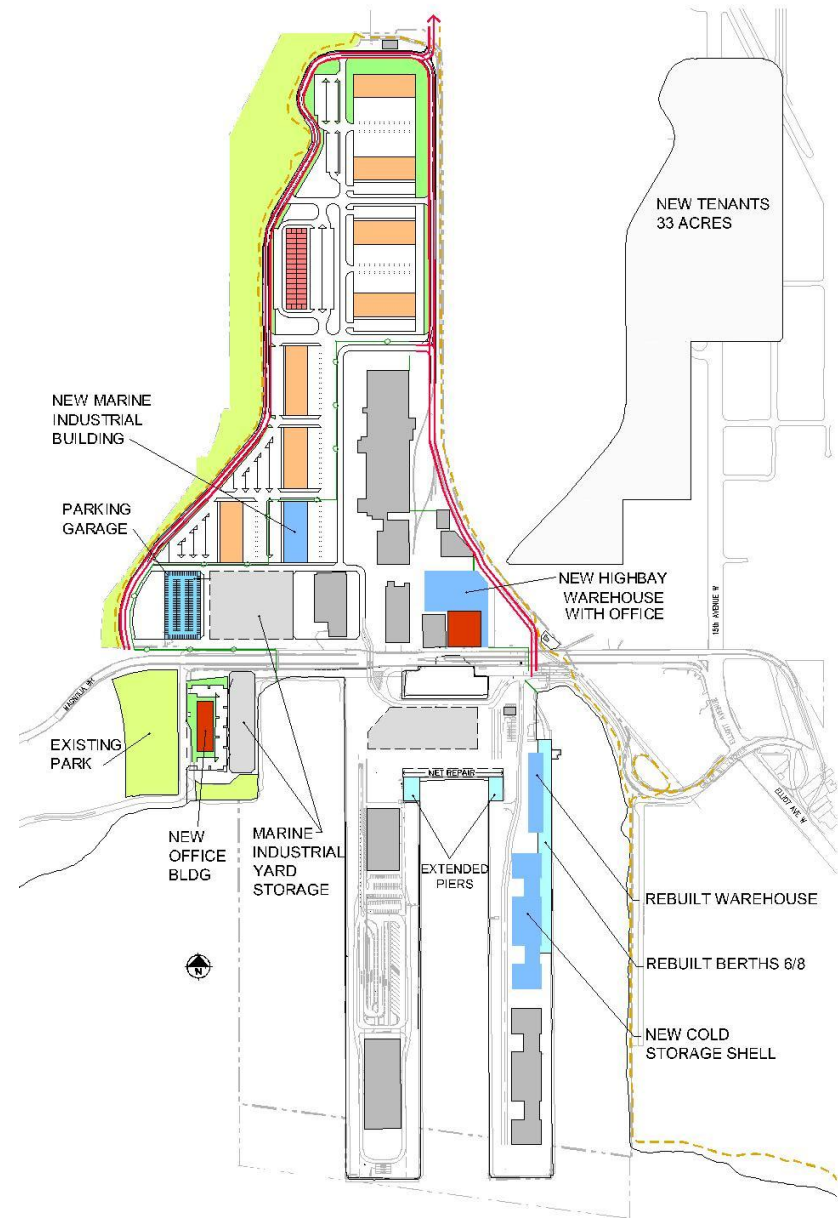
	Option 2
Jobs	
Direct	506
Induced	437
Indirect	295
Total	<u>1,238</u>
Income (\$1000)	
Direct	\$30,746
Induced	\$15,804
Indirect	<u>\$13,568</u>
Total	\$60,118
Direct Business Revenue (\$1000)	\$103,049
State and Local Taxes (\$1000)	\$5,591



# Option #3

## Economic Benefits

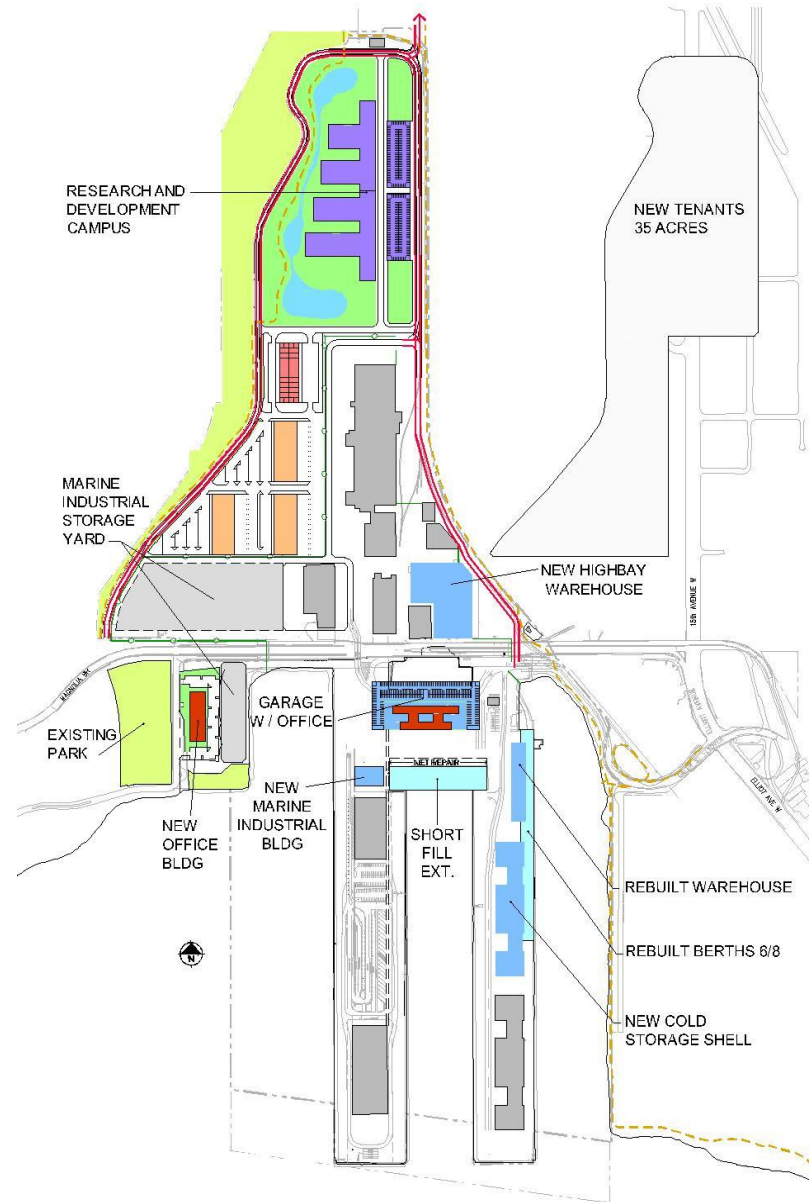
	Option 3
Jobs	
Direct	783
Induced	648
Indirect	<u>458</u>
Total	1,890
Income (\$1000)	
Direct	\$44,367
Induced	\$23,431
Indirect	<u>\$21,351</u>
Total	\$89,149
Direct Business Revenue (\$1000)	\$157,231
State and Local Taxes (\$1000)	\$8,291



# Option #4

## Economic Benefits

		Option 4
Jobs		
Direct		3,198
Induced		3,936
Indirect		<u>3,050</u>
Total		10,185
Income (\$1000)		
Direct		\$241,422
Induced		\$142,611
Indirect		\$159,580
Total		\$543,613
Direct Business Revenue (\$1000)		\$1,191,319
State and Local Taxes (\$1000)		\$50,556





# FINANCIAL RESULTS

<i>Zone</i>		<i>Option 1</i>	<i>Option 2</i>	<i>Option 3</i>	<i>Option 4</i>
Pier 90	Scenario Port Investment NPV	Berth & Buildings \$73.9 (\$40.4)	Berth & Buildings \$73.9 (\$40.4)	Berth & Buildings \$73.9 (\$40.4)	Berth & Buildings \$73.9 (\$40.4)
Shortfill	Scenario Port Investment NPV	Yard with No Fill \$0.0 \$3.3	Yard with No Fill \$0.0 \$3.3	Apron Extension - Notches \$8.8 (\$4.3)	Full Apron with Garage \$111.3 (\$67.8)
NW Yard	Scenario Port Investment NPV	Existing Cruise Parking \$0.4 \$2.6	Existing Cruise Parking \$0.4 \$2.6	Garage & Leases \$33.6 \$0.8	Development & Yard \$0.5 \$10.1
Tank Farm	Scenario Port Investment NPV	Warehouse \$22.0 (\$9.7)	Warehouse & Office \$26.7 (\$10.4)	Warehouse & Office \$26.7 (\$10.4)	Warehouse \$22.0 (\$9.7)
West Yard	Scenario Port Investment NPV	Development & Yard \$0.5 \$3.3	Development & Yard \$0.5 \$3.3	Development & Yard \$0.5 \$3.3	Development & Yard \$0.5 \$3.3
Uplands	Scenario Port Investment NPV	Development & Yard \$0.9 \$15.1	Development & Yard \$0.9 \$15.1	Development \$0.9 \$13.4	Development \$0.9 \$13.4
Utilities	Scenario Port Investment NPV	\$22.7 (\$17.4)	\$23.4 (\$17.9)	\$25.3 (\$19.4)	\$26.6 (\$20.4)
<b>Total</b>	<b>Port Investment NPV IRR</b>	<b>\$120.4 (\$43.2) 5.8%</b>	<b>\$125.8 (\$44.4) 6.0%</b>	<b>\$169.7 (\$56.9) 6.5%</b>	<b>\$235.6 (\$111.5) 4.5%</b>

Note: \$ (000,000's)

# Status Quo

- Key Messages
  - Investments in berth reconstruction and storm water management systems are likely to be needed
  - Removing estimated asset management costs significantly improves financial results but projected return remains negative
  - If no significant investment is authorized, staff will likely seek longer term leases for open storage
- Key Issue: What is optimal balance between economic benefits and financial goals?



# FINANCIAL RESULTS - Continued

- The financial results excluding costs associated with asset management issues are shown below. Though results improve significantly, all options retain a negative NPV.

		Option 1	Option 2	Option 3	Option 4
<b>Total</b>	<b>Port Investment</b>	<b>\$68.0</b>	<b>\$73.4</b>	<b>\$117.7</b>	<b>\$183.8</b>
(excluding Berth & Stormwater costs)	<b>NPV</b>	<b>(\$4.5)</b>	<b>(\$5.6)</b>	<b>(\$18.5)</b>	<b>(\$73.3)</b>
	<b>IRR</b>	<b>10.3%</b>	<b>10.1%</b>	<b>9.0%</b>	<b>5.8%</b>

Note: \$ (000,000's)

# NEXT STEPS

- Outreach to current tenants and the public
- Additional analysis
- Prepare recommended development option
- Commission briefing this fall on recommended option