

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 7a

Date of Meeting November 22, 2011

DATE: November 15, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Tom Barnard, Research and Policy Analyst
Geri Poor, Regional Transportation Manager

SUBJECT: Century Agenda Committee: Discussion of Real Estate Goals

SYNOPSIS:

On October 11, 2011, the Century Agenda Committee convened the “Putting Real Estate to Work” roundtable, with representatives from the real estate development, maritime industrial, and public sectors.

In preparation for the roundtable, panelists considered these questions:

- How best can the Port deploy its Real Estate assets to support its other strategic goals?
- How does the Port decide when it is best to buy or sell our real estate assets?
- How can the Port change the mix and level of its assets to increase business and workforce opportunities?
- How should the Port decide when regional benefits justify Port subsidy?
- What role should the Port play in public and private real estate development, and what criteria are needed to guide these activities?
- How does the Port compete with other governments that are willing to discount land values in order to attract jobs?

Panelists engaged in a dynamic and far-ranging conversation that highlighted the Port’s effect in anchoring maritime, aviation and industrial uses near our facilities, as well as the Port’s role with other governments in providing infrastructure that supports the growing economic vitality of our region. Regarding development opportunities, panelists were particularly supportive of real estate public/private partnerships and outlined potential opportunities to share financial risk while fostering mutually beneficial business relationships. The Port’s “triple bottom line” approach was universally appreciated in the context of considering opportunities for developable areas, recognizing economic opportunities are not purely financial but also consist of commitments to its core businesses and constituencies, and obligations to maintain global competitive advantages. By committing to retain and foster core businesses and constituencies,

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the Port maximizes its global competitive advantages. The Port's real estate portfolio must support and further the primary mission of the agency: generating jobs and economic growth.

At this time, the Century Agenda Committee is not ready to submit 25-year goals for Commission approval, and is requesting Commission input at the meeting. Questions currently being considered are as follows:

- Should the Century Agenda include Real Estate goals at all, or are policy decisions in this area a means to achieve other goals?
- Given the dynamic nature of the Real Estate market, is it possible to state goals that are as concrete as those involving the Seaport and the Airport?
- How does the Port decide between multiple goals that may conflict with one another? For instance, should we proceed to develop a property that may have economic development benefits, but not pencil out on the Port's bottom line or vice versa?

REAL ESTATE GUIDING PRINCIPLES:

When the Port of Seattle began creating the Century Agenda in 2008, the Commission identified Real Estate as one of four key areas where policy needed to be established. The Commission completed the first stage of the Century Agenda's work on August 4, 2009, by adopting the "*Century Agenda: Expert Panels' Recommended Guiding Principles.*"

The adopted Guiding Principles that apply to Real Estate include the following:

1. Port-owned real estate assets serve a dynamic range of strategic interests that include job creation, resource stewardship and regional economic development. The Port should develop a tiered asset management system to provide an operational framework to address this range of interests.
2. Real estate activities should take into account the effect of Port operations on the affected land and discourage activities that would threaten the ability of the Port to perform its core mission. Facilities central to the Port's core mission should be identified as "essential public facilities."
3. To sustain the economic value of its holdings, the Port should invest in existing or new infrastructure to support its core mission and the operational requirements of its tenants.

In recent years, the Real Estate division has developed the tiered asset management system as recommended, and those efforts led directly to examining this subject through the 2011 roundtables. Since the October roundtable, both the Commission and Port staff have engaged in iterative discussions to develop strategic goals to further the real estate principles, leading to this conversation today.

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BACKGROUND:

Starting in 2008, the Port of Seattle began creating a “Century Agenda” — a comprehensive vision and strategic plan that focuses on the Port’s next quarter-century. The goal is to refresh the Port’s strategic plan, using a process that builds upon the accomplishments of the past century with a visionary look forward to the emerging challenges and opportunities of the 21st century.

In late 2010, the need for a formal process to finalize Century Agenda strategic goals prompted a proposal to form a temporary Port of Seattle Commission Committee, as provided for in the Commission’s Bylaws, to oversee the next steps in the Commission’s strategic planning process. On January 4, 2011, the Commission approved the Century Agenda Committee, made up of Commissioner Albro and Commissioner Creighton.

Roundtable topics held in 2011 have included the following:

- 1) Fostering Economic Growth – April
- 2) Moving Cargo: Logistics & Growing Exports – May
- 3) Moving People: Airport, Cruise Ships, & Tourism – June
- 4) Attracting Next Generation Industries – July
- 5) Achieving our Environmental Goals – August
- 6) Achieving our Community Values – September
- 7) Putting Our Real Estate to Work – October
- 8) Funding Our Strategic Goals – November

Port staff will provide a briefing on the final roundtable on “Funding Our Strategic Goals,” that was held on November 8, 2011, at the Commission meeting on December 6, 2011.

By January 2012, the Commission will review and synthesize the various preliminary strategic goals. After public review and discussion planned for the first half of 2012, the Commission will give final approval to the strategic goals and adopt the Century Agenda strategic plan.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Real Estate PowerPoint

PREVIOUS COMMISSION ACTIONS AND BRIEFINGS:

- On January 4, 2011, the Port of Seattle Commission established a temporary Century Agenda Committee to further engage in a strategic planning process to develop quantifiable overarching strategic goals for the Port of Seattle to pursue over the course of the next twenty-five years.

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- On March 8, 2011, the Port of Seattle Commission authorized for up to \$145,000 to meet the costs of the Century Agenda, including \$20,000 for a part-time intern to assist with organization and logistics, and \$30,000 to \$40,000 for audio-visual taping services. The funds come from the Commission's contingency funds. The Commission also received a monthly update briefing.
- On April 5, 2011, the Port of Seattle Commission received its second monthly briefing.
- On May 10, 2011, the Port of Seattle Commission approved a preliminary strategic goal to "Add 100,000 Port-related jobs in the next 25 years."
- On June 7, 2011, the Port of Seattle Commission approved the preliminary goals for "Moving Cargo" and approved a refined Century Agenda goal for "Fostering Economic Growth" of "Add 100,000 new Port-related jobs to the existing 200,000 jobs in the region that are attributable to the economic activity created by the Port of Seattle."
- On July 12, 2011, the Port Commission approved the goals that arose from the "Moving People" panel. It also heard a briefing on five-year milestones arising from the "Moving Cargo" panel.
- On August 9, 2011, the Port Commission held a discussion on possible goals that arose from the "Attracting Next Generation Industries" panel. It also heard a briefing on five-year milestones arising from the "Moving People" panel.
- On September 12, 2011, the Port Commission discussed staff proposed preliminary goals arising from the "Achieving our Environmental Goals" Roundtable. Port staff responded to requests for amending goals.
- On October 4, 2011, the Port Commission approved amended preliminary goals arising from the "Achieving our Environmental Goals" panel.
- On October 25, 2011, the Port Commission approved the preliminary goals arising from the "Achieving our Community Values" roundtable.
- On November 1, 2011, the Port Commission had a presentation and discussion on the five-year milestones for our environmental goals.