

ITEM NO. 7a Supp

DATE OF  
MEETING March 1, 2011



# Real Estate Division Inventory

Port of Seattle Commission  
March 1, 2011

# Critical Question

- As a steward of publicly-owned assets, it is our role to maximize the return on publicly-owned investments. With regard to real estate positions, the most critical question is:
  - When do we:
    - (1) maximize current **return** on an asset and create a recurring revenue stream or
    - (2) maximize the current **value** of an asset and sell that asset or
    - (3) when do we do both?

# Critical Drivers

- Anticipated changes in the market
- Expeditious response to market opportunities
- Ongoing carrying, operating, and deferred maintenance costs
- Uses for funds
  - increase borrowing capacity,
  - retire debt,
  - support alternative initiatives,
  - lessen tax levy requirements

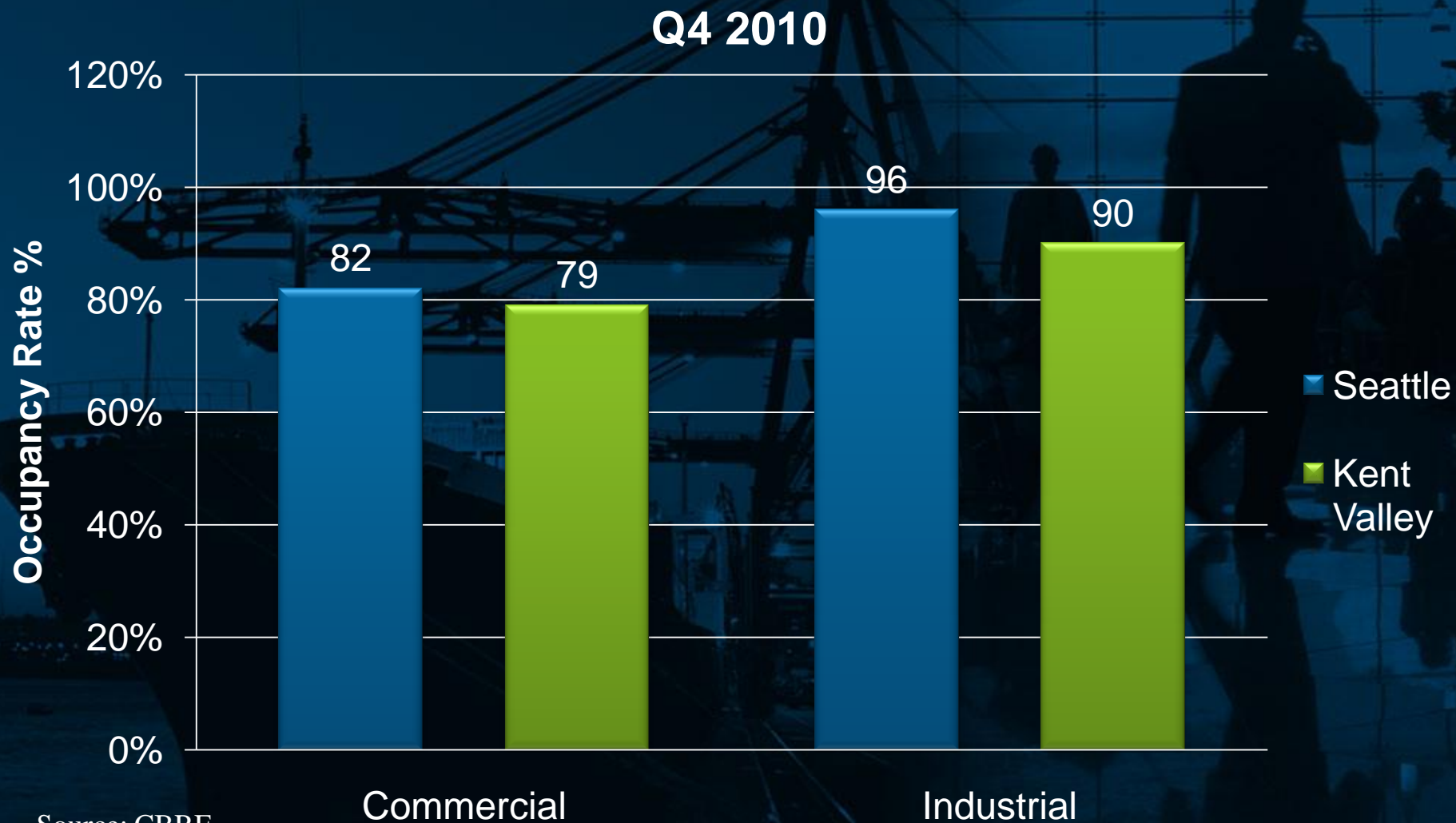
- Provides capital infusion for debt retirement/funding alternative obligations
- Minimizes future capital expenditure obligations
- Removes ongoing maintenance and operating expense obligation
- Reduces the public liability
- Returns lands to the tax roles
- May marginally reduce staffing costs.

- Eliminates a revenue producing asset that supports other obligations of the enterprise
- Removes revenue producing assets and increases the reliance upon the tax levy
- Removes the most attractive assets and burdens the public ownership with the least attractive assets
- Reduces the portfolio upon which overhead allocations are charged

- Provides income to support bonding capacity/acquisitions/future obligations
- Permits land uses that are consistent with market developments
- May decrease the reliance upon the tax levy
- May reduce future capital expenditure obligations
- Maintains portfolio upon which to allocate overhead

- Does not provide for one time capital infusion to retire debt/fund alternative objectives
- Requires ongoing obligations for maintenance and operating expenses
- Keeps land off the tax roles (notwithstanding leasehold excise tax generated)

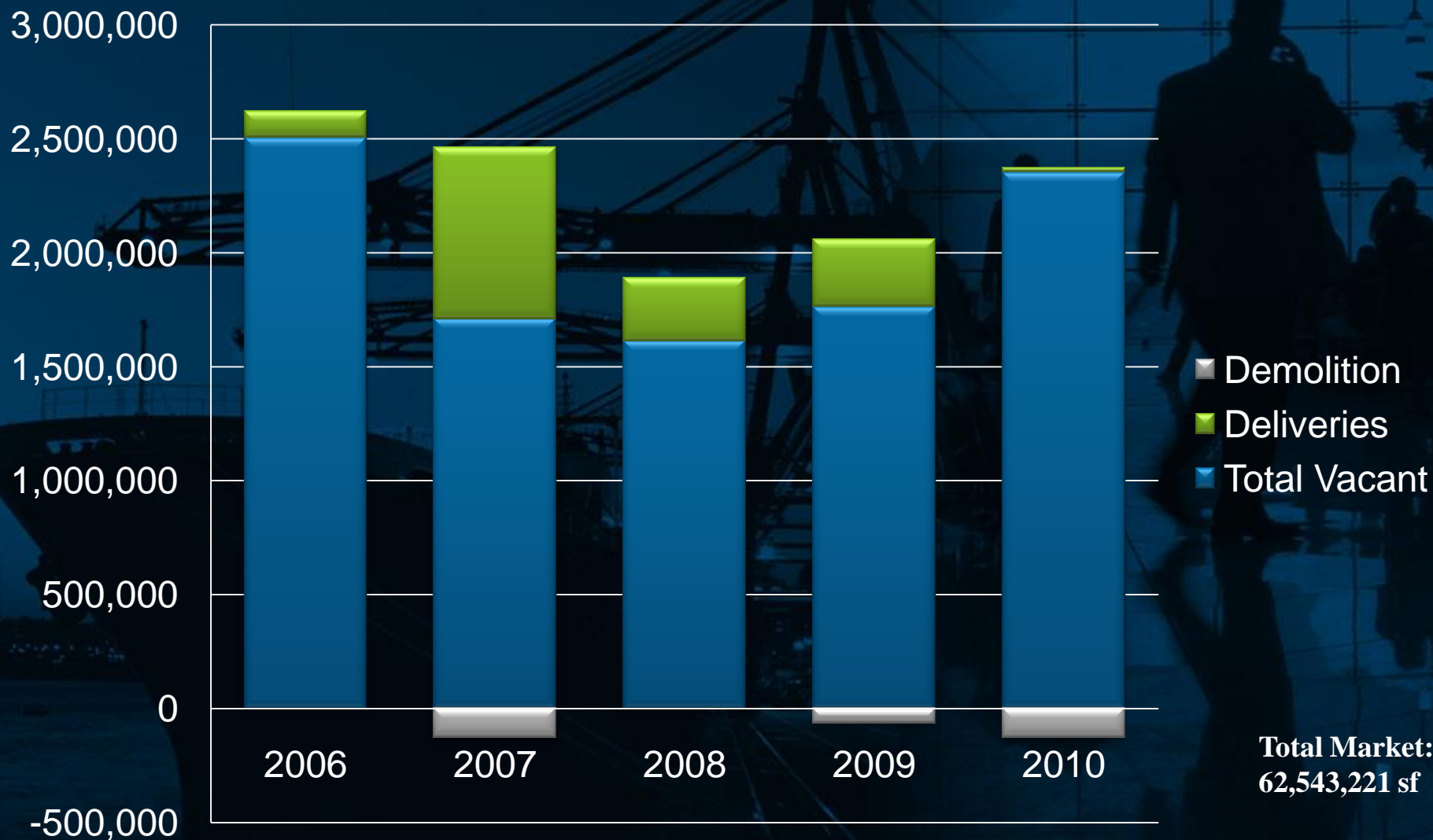
# Current Market Conditions



Source: CBRE



# Seattle Close-in Industrial Vacancy



# Planning & Development Activity



# Valuation Principles

- Rent assumptions:
  - Projections based on current rates increased by inflation
  - Building occupancies based on 2010 Budget average occupancy
- Expense assumptions:
  - Actual expenses where appropriate/2008 BOMA Experience Exchange Report (most current available)
  - Future years increased by inflation
- Cap rates:
  - 7.5%-9.5% @ 25 basis point increments
- Discount rates:
  - 8.0%-10.0% @ 25 basis point increments

# Valuation Principles

- Inflation assumption: 2.5%/year over 10 years
- Applied capital improvement expenditures consistent with plan of finance
- Assumes no brokerage/cost of sale charges
- Assumes all sites environmentally clean

# Tier 1 Properties

| Property                          | Occupancy | 2011 Cap Ex           |                       | 2012-2015<br>Cap Ex | Value          |                |
|-----------------------------------|-----------|-----------------------|-----------------------|---------------------|----------------|----------------|
|                                   |           | Revenue<br>Protection | Revenue<br>Generation |                     | Low            | High           |
| <b>Tier 1</b>                     |           |                       |                       |                     |                |                |
| Fishermen's Terminal              | 86        | 9,450                 | 500                   | 24,479              |                |                |
| Maritime Industrial<br>Center     | 100       | 2,123                 | 0                     | 0                   |                |                |
| Bell Harbor Int'l<br>Conf. Center | 100       | 1,185                 | 0                     | 290                 | 26,593         | 34,101         |
| Bell Harbor Marina                |           | 60                    | 0                     | 0                   | Incl.<br>BHICC | Incl.<br>BHICC |
| Shilshole Bay Marina              |           | 200                   | 0                     | 1,815               | 53,452         | 71,261         |

# Tier 2 Properties

| Property                      | Occupancy | 2011 Cap Ex           |                       | 2012-2015<br>Cap Ex | Value  |        |
|-------------------------------|-----------|-----------------------|-----------------------|---------------------|--------|--------|
|                               |           | Revenue<br>Protection | Revenue<br>Generation |                     | Low    | High   |
| <b>Tier 2</b>                 |           |                       |                       |                     |        |        |
| World Trade Center<br>West    | 64        | 0                     | 0                     | 0                   | 11,582 | 15,181 |
| World Trade Center<br>Garage  |           | 0                     | 0                     | 0                   | 16,658 | 21,454 |
| Harbor Marina Corp.<br>Center | 70        | 100                   | 0                     | 2,330               | 12,749 | 17,172 |
| Pier 34                       |           | 0                     | 0                     | 0                   | 2,401  | 3,078  |
| Pier 2                        |           | 0                     | 0                     | 0                   | 2,990  | 5,554  |

# Tier 3 Properties

| Property                         | Occupancy | 2011 Cap Ex           |                       | 2012-2015<br>Cap Ex | Value            |                  |
|----------------------------------|-----------|-----------------------|-----------------------|---------------------|------------------|------------------|
|                                  |           | Revenue<br>Protection | Revenue<br>Generation |                     | Low              | High             |
| <b>Tier 3</b>                    |           |                       |                       |                     |                  |                  |
| Terminal 91 Uplands              | 69        | 0                     | 0                     | 0                   | 67,039           | 80,659           |
| CEM Site                         | 1         | 0                     | 0                     | 0                   | 9,110            | 9,110            |
| Tsubota Steel Site               | 11        | 0                     | 0                     | 0                   | 2,619            | 4,863            |
| Terminal 5 SE                    | 10        | 0                     | 0                     | 0                   | (62)             | (31)             |
|                                  |           |                       |                       |                     |                  |                  |
| <b>Total Tiers 1, 2 &amp; 3:</b> |           |                       |                       |                     | <b>\$205,831</b> | <b>\$264,102</b> |
|                                  |           |                       |                       |                     |                  |                  |
| Pier 69                          |           | 1,625                 |                       | 1,503               | \$15,500         | \$22,621         |
| Eastside Rail Corridor           |           | 0                     | 0                     | 0                   |                  |                  |

Notes: Includes all business plan prospective projects; excludes tenant improvements; excludes overhead projects

# Commercial Properties

| Property                          | Occupancy | 2011 Cap Ex           |                       | 2012-2015<br>Cap Ex | Value  |        |
|-----------------------------------|-----------|-----------------------|-----------------------|---------------------|--------|--------|
|                                   |           | Revenue<br>Protection | Revenue<br>Generation |                     | Low    | High   |
| World Trade Center<br>West        | 64        | 0                     | 0                     | 0                   | 11,582 | 15,181 |
| World Trade Center<br>Garage      |           | 0                     | 0                     | 0                   | 16,658 | 21,454 |
| Bell Harbor Int'l<br>Conf. Center | 100       | 1,185                 | 0                     | 290                 | 25,593 | 34,101 |
| Harbor Marina Corp.<br>Center     | 70        | 100                   | 0                     | 2,330               | 12,749 | 17,172 |
| Pier 34                           | 100       | 0                     | 0                     | 0                   | 2,401  | 3,078  |
| Terminal 5 SE                     | 100       | 0                     | 0                     | 0                   | (62)   | (31)   |



# Industrial Properties

| Property                      | Occupancy | 2011 Cap Ex           |                       | 2012-2015<br>Cap Ex | Value  |        |
|-------------------------------|-----------|-----------------------|-----------------------|---------------------|--------|--------|
|                               |           | Revenue<br>Protection | Revenue<br>Generation |                     | Low    | High   |
| Fishermen's Terminal          | 86        | 9,450                 | 500                   | 24,479              |        |        |
| Maritime Industrial<br>Center | 100       | 2,123                 | 0                     | 0                   |        |        |
| Terminal 91 Uplands           | 69        | 0                     | 0                     | 0                   | 67,039 | 80,659 |
| CEM Site                      | 1         | 0                     | 0                     | 0                   | 9,110  | 9,110  |
| Tsubota Steel Site            | 11        | 0                     | 0                     | 0                   | 2,619  | 4,863  |
| Pier 2                        | 5         | 0                     | 0                     | 0                   | 2,990  | 5,554  |

# Marina Properties

| Property                            | Occupancy | 2011 Cap Ex           |                       | 2012-2015<br>Cap Ex | Value                   |                         |
|-------------------------------------|-----------|-----------------------|-----------------------|---------------------|-------------------------|-------------------------|
|                                     |           | Revenue<br>Protection | Revenue<br>Generation |                     | Low                     | High                    |
| Shilshole Bay Marina                | 98        | 200                   | 0                     | 1,815               | 53,452                  | 71,261                  |
| Bell Harbor Marina                  |           | 60                    | 0                     | 0                   | Incl.<br>BHICC          | Incl.<br>BHICC          |
| Harbor Island Marina                | 70        | 0                     | 0                     | 0                   | 1,700                   | 1,700                   |
| <b><u>Total All Properties:</u></b> |           |                       |                       |                     | <b><u>\$205,831</u></b> | <b><u>\$264,102</u></b> |
| Pier 69                             |           | 0                     | 0                     | 1,503               | \$15,500                | \$22,621                |
| Eastside Rail<br>Corridor           |           | 0                     | 0                     | 0                   |                         |                         |

## Policy Questions/discussion

- Competitive processes--RFP vs. direct negotiation
- Protocol upon when to consider for sale
- Distinguish between a 'for profit' portfolio and a 'not for profit' portfolio