

Real Estate Division Policy Briefing

Port of Seattle Commission
March 13, 2012

Purpose: To identify when circumstances are present that warrant competitive offering and when they warrant direct negotiation

Rationale: Competitive processes generally result in most effective result for the public, however, it

- Does not recognize pre-existing business relationships
- Does not permit effective tenant mix to minimize risk
- Does not yield best result if there is a limited field of interested parties
- Does not advance broader Port initiatives
 - Job creation
 - Green development
 - Infill development

Exclusions:

- Leases for terms of 10 years or less
- Airline signatory lease and operating agreement-- SLOA
- Leases with Federal, State, Local government
- Leases or easements with public utility

Competitive Process Alternatives

- Published public offering for RFI, RFQ, RFP, etc
- Listing with qualified commercial brokerages
- Targeted direct marketing to industry specific enterprises
- Offering published in trade and business journals

Direct Negotiation Exceptions

- Renewal of existing tenant relationship, presuming tenant is in good standing
- Expansion of existing tenant premises, presuming tenant is in good standing
- Lease would permit expansion of tenant mix to suit the Port's purposes by broadening the business base either horizontally or vertically
- Lease would promote an otherwise appropriate public use as determined by current initiatives...

Direct Negotiation Exceptions

- An unsolicited opportunity that advances a public use as determined by current initiatives
- Permits effective use of property otherwise encumbered by physical, legal, or environmental hurdles that makes it otherwise of limited utility
- Subsequent to an unsuccessful competitive process, a targeted opportunity presents itself

To commence a direct negotiation, the following conditions/constraints attach

- Staff will advise the CEO that a specific negotiation falls under one of the exceptions
- Staff will commence negotiations on an exploratory basis to confirm the merits of the exception
- Upon commencement of formal negotiations, staff will advise the CEO, who will, in turn, advise the commission
- Other appropriate due diligence/financial analysis/approval protocol applies

Discussion



- When, and under what conditions, would the Port acquire or dispose of certain assets?
- What are the conditions precedent to disposition?
- What disposition models are appropriate?
- What alternative disposition models may emerge?
- Exceptions to disposition to governmental subdivisions
- What is appropriate acquisition protocol

The default position is for the Port to retain ownership in all holdings directly necessary for Port operations

- When parcels are deemed to be marketable, these guidelines will apply
- These guidelines apply to all property types

Conditions precedent to disposition:

- Port has legal authority to convey
- Existing covenants, bond restrictions and permit conditions are complied with
- Port business units confirm the property is not needed for current or anticipated future operations
- Properties fall into Tier 2 or Tier 3 of the 2012 Century Agenda protocol
- Anticipated zoning for the property remains unchanged...

- Commercial properties are 95% leased
- Environmental considerations are factored into the value analysis
- Capital repairs are factored into the value analysis
- Market conditions are generally favorable to effective marketing effort

Disposition models:

- Sale to third party owners
- Long term ground lease to third party developers
- Land or building swap with third party
- Contribution of land to PPP development efforts so long as doing so does not violate appropriate legal constraints

- Alternative disposition models:
 - Up zone and sell or lease
 - Subdivide parcels for different uses, condominiumize
 - Sale-leaseback
- Sale to governmental subdivisions
 - Comply with statutes regarding intergovernmental transfers

Disposition of proceeds:

- Retire bonded indebtedness
- Book sale proceeds to the business unit responsible for the operations
- Re-invest in alternative properties
- Fund other Port initiatives

As a matter of confirming Port Commission policy:

- The Port will acquire necessary property at fair market value, recognizing buying opportunities may exist where the property is otherwise distressed
- The port will use its power of eminent domain when necessary
- Staff will examine alternative sources of funding for real estate acquisitions

Discussion

