

PORT OF SEATTLE ECONOMIC DEVELOPMENT DIVISION BUSINESS PLAN

August 31, 2015

COMMITMENT:

The Port of Seattle creates economic opportunity for all, stewards our environment responsibly, partners with surrounding communities, promotes social responsibility, conducts ourselves transparently, and holds ourselves accountable. We will leave succeeding generations a stronger port.

"We stand ready to get to work, contribute resources and join the teams that pursue these initiatives"

Seattle Port Commission
Excerpt from Century Agenda

DIVISION MISSION:

To implement the Port of Seattle's Century Agenda creating quality jobs and driving economic prosperity throughout Washington State.

DIVISION VISION:

The Economic Development Division will implement initiatives that position the King County region for economic success:

- Organize and implement targeted efforts to raise the Port's and the region's image as a business location;
- Develop real estate projects that trigger public/private investment and job creation;
- Identify incubator and economic development projects where the Port's investment could trigger public/private investment, job creation, and return short and long term value to Port of Seattle operations (ex. boat building collective, etc.);
- Implement workforce development projects that support the Port's key sectors (ex. Airport Maritime, Manufacturing, and Construction);
- Increase international visitor traffic to the region through targeted tourism promotions; and
- Support and develop small business enterprises that can partner with the Port on public works projects, concession operations and other goods and services needs.

The Port of Seattle's Economic Development Division will also manage many of the Port's key properties including our Pier 69 Headquarters.

The Port is already recognized as a significant driver of regional economic growth. Successful implementation of this plan will bolster the Port's reputation as a statewide economic development engine. This will not happen overnight. Economic development is a long term investment. We are confident that this plan will produce some short term successes but also realistic that newer initiatives may take several years before they generate tangible economic impacts.

It is also important to recognize that economic development is a team sport. The Port does not have a franchise on economic development and we will not meet Century Agenda goals unless we work effectively with public and private partners in King County and throughout Washington State.

ECONOMIC DEVELOPMENT DIVISION – PRIORITY GOALS AND OBJECTIVES

GOAL: TANGIBLY SUPPORT PUBLIC AND PRIVATE INVESTMENT PROJECTS THAT CREATE NEW JOBS AND GENERATE NEW TAX REVENUES FOR THE PORT AND ITS LOCAL GOVERNMENT PARTNERS IN KING COUNTY AND WASHINGTON STATE;



Objective: Organize and implement targeted efforts to raise the Port’s and the region’s image as a business location		
Performance Measure	Performance Target	Actions
Organize and implement a cooperatively funded and managed marketing initiative that generates interest from expanding businesses interested in Port properties or coop partners’ facility options.	Generate leads from 80+ expanding businesses: <ul style="list-style-type: none"> • Participate in select prospecting missions, trade shows, and pertinent industry events • Host 8 prospective firms on site selection tours of the region 	Facilitate discussions with partners to develop coordinated marketing plan by Q3 2016: <ul style="list-style-type: none"> • Match port contributions towards initiative on a 1:1 basis; • Formalize partner/marketing alliance staffing plans • Develop tracking and performance measures to help manage and evaluate marketing initiative. Implement plan between Q3 2016-2017
Objective: Incubate and accelerate businesses that add short and long term value to Port of Seattle operations		
Performance Measure	Performance Target	Actions
Evaluate status, location, and extent of current accelerator and incubator initiatives in King County to discern whether and how the Port could accent small business formation and growth within the region	A complete inventory of incubators and accelerators within the Puget Sound region by Q2 2016 Recommendations regarding specific Port incubator/accelerator projects and investments by Q3 2016	Develop inventory of incubators and accelerators within Puget Sound: <ul style="list-style-type: none"> • Location • Focus • Results • Future plans Identify options for Port investments or initiatives that support existing or new incubators/accelerators.

<p>Evaluate broader incubator and economic development project investment options with Port, ADO and other economic development partners to discern how the Port could support business formation and growth throughout WA State</p>	<p>Develop an inventory of incubators and economic development projects within WA State by Q2 2017</p> <p>Provide recommendations regarding specific Port incubator and economic development projects and potential investments by Q3 2017</p>	<p>Develop inventory of incubators and economic development projects in Washington state</p> <ul style="list-style-type: none"> • Location • Focus • Results • Future plans <p>Identify options for Port investments or initiatives that support promising incubators or economic development projects adding jobs and value back to Port of Seattle operations.</p>
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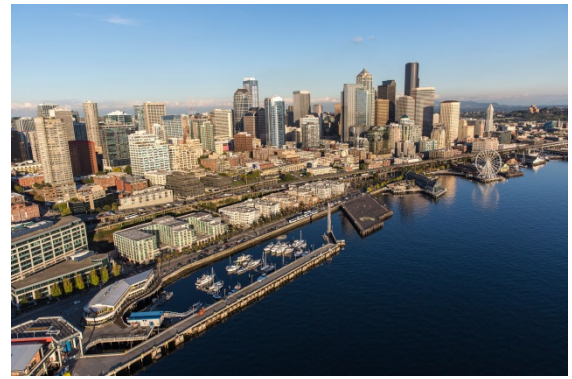
GOAL: USE OUR INFLUENCE AS A PORT TO DRIVE COMPETITIVENESS OF KEY INDUSTRY CLUSTERS THROUGH WORKFORCE DEVELOPMENT AND THE DEVELOPMENT OF EFFECTIVE SMALL BUSINESS SUPPLIER NETWORKS.



Objective: Increase workforce training to improve placement and wage progression opportunities in Airport, Maritime, Manufacturing and Construction industries		
Performance Measures	Performance Target	Actions
<p>Implement a regional strategy that supports quality jobs and training opportunities to ensure a pipeline of qualified workers in Port sectors.</p>	<p>Airport Employment Center: Increase workforce development services to meet Airport growth.</p> <ul style="list-style-type: none"> • 1,500 job placements • 410 individuals will attain job readiness and core employment skills <p>Completion of sectoral Career Pathways roadmap Increased employer participation (time \$) Leverage career pathways training through partnerships</p>	<p>OSR to help participate in RFP process, oversee contract compliance, metrics, forecasted outcomes and review of reported outcomes to support adjustments to the model and/or contracts.</p>

	Expand workforce development services in Maritime, Construction, and Manufacturing in place by Q3-2016	Obtain CEO and Commission approval for expanded strategies Develop/manage RFP process(s) to select providers to implement strategies Stakeholder Engagement to Support Formal Collaboration and Partnering (Multi-agency, multi-institution, employer) Manage program design & implementation
Objective: Increase the Proportion of Funds Spent by the Port with Qualified Small Business Firms on Construction, Goods and Services to 40% of the Eligible Dollars Spent		
Performance Measure	Performance Target	Actions
Implement the updated Port's small business program so it aligns with Century Agenda metrics.	Increase small business participation including M/W/DBE in 2016 to 33% 2017 to 35% 2018 to 36% 2019 to 38% 2020 to 40%	Work with CPO and Division leadership throughout the Port to establish goals for small business utilization. Work with the external small business stakeholders for comments/suggestions Implement expanded program by Q1-2016
Implement a race conscious DBE program for federally assisted projects (DBE program)	Implement by Q1-2016	Obtain CEO approval by Q3-2015 Propose the goal to the FAA in Q3-2015 and seek FAA approval by Q4-2015 Coordinate with CPO to update/amend all relevant documentation (solicitation documents and contracts)
Implement " PortSBE Generator " a small business accelerator program as supported by Commission.	Support the capacity development of at least 15 small business firms annually	Develop the small business accelerator structure by Q3-2015 and implement in Q4-2015
Publicly promote the updated opportunity listings to small and M/W/DBE Businesses	Quarterly	OSR to coordinate with CPO on said updates Ensure that information is distributed through relevant community organizations that support small business

GOAL: AGGRESSIVELY USE THE PORT'S REAL ESTATE ASSETS TO DRIVE JOB CREATION AND SUPPORT KEY INDUSTRY CLUSTERS.



Objective: Meet 2016 Financial Targets		
Performance Measure	Performance Target	Actions
Economic Development Division 2016 Net Operating Income (NOI)	<p>Net Operating Income of (\$x.xxx) million at 12/31/2016</p> <ul style="list-style-type: none"> • Portfolio & Asset Management NOI (\$x,xxx) <ul style="list-style-type: none"> ▪ Central Harbor Management Group (\$x,xxxK) ▪ Conference & Event Centers \$xxxK • Real Estate Development & Planning NOI (\$xK) • Eastside Rail NOI (\$xK) • Environmental Remediation Liability (\$.xK) 	<p>Continually monitor potential risks to Net Operating Income</p> <p>Develop plans to mitigate or offset potential losses resulting from these risks</p>
Objective: Maintain occupancy levels and rental rates at or favorable to the broader market		
Performance Measure	Performance Target	Actions
Occupancy of Commercial Buildings at year-end 2016	Year-end occupancy rate will be 90% or better	<p>Implement an ongoing leasing and marketing strategy for each property that includes recommendations for:</p> <ul style="list-style-type: none"> • Marketing • Asking rates based on market conditions • Concessions (i.e. improvement allowances and rent abatements) • Level of maintenance • Capital improvements • Utilization of outside broker

Objective: Generate New Revenue By Increasing Property Utilization		
Performance Measure	Performance Target	Actions
Generate additional revenue in Bell Street Garage	Increase advertising revenue Increase usage	Analyze benefit of third party advertising in appropriate locations in the garage. Develop marketing plan and implement as appropriate.
Continue mitigating impact of cruise terminal expansion at Pier 66.	Minimize impact to NOI	Collaborate with Maritime Division in planning for cruise expansion. Identify impacts, develop new revenue opportunities and mitigate risks to existing contracts.
Develop plan to refresh BHICC to align with completion of waterfront transportation projects (+3-5 years)	Preliminary plan completed by end of 2016.	Benchmark competitive facilities Develop design, project cost, and schedule for 3-5 year capital project.
Develop comprehensive real estate development strategic plan	Plan with recommendations completed by Q2 2016	Develop a strategic framework to guide: <ul style="list-style-type: none"> • real estate acquisition; • Property disposition; • Asset management; and • Investment decisions.
Support Airport's goal to grow annual revenues from leasing Airport property to \$5.1 million per year by the end of 2020 (Objective 3).	Lease revenues of \$2.8 million per year by end of 2018 Approve or disapprove potential deals; secure commission approval as needed	Properties in Burien: Northeast Redevelopment Areas 2 and 3: <ul style="list-style-type: none"> • Complete design and infrastructure planning using FAA pilot program funding from 2016-2018. • Secure Commission approval of a ground lease to a developer by end of 2016 • Coordinate entitlement permitting work with a development by end of 2016
		Properties in Des Moines: Des Moines Creek Business Park (87 acres): <ul style="list-style-type: none"> • Monitor completion of Phase 1 improvements by end of Q1 2016 • Finalize and execute Phase 2 ground lease to support the FAA regional office by end of Q1 2016; monitor completion of Phase 3

		<p>improvements (Q1 2016-Q3 2017)</p> <ul style="list-style-type: none"> Des Moines Creek Business Park 2 (17 acres) Collaborate with the City of Des Moines to prepare redevelopment plans and consummate necessary land swap by the end of 2016.
		<p>Properties in SeaTac: Des Moines Creek Business Park 3 (29 acres): Initiate conceptual planning by the end of 2016; prepare a redevelopment plan by end of 2017.</p>
Objective: Acquire or Dispose of Land and Real Property as Circumstances Warrant		
Performance Measure	Performance Target	Actions
Acquire or dispose of assets as circumstances warrant	Analyze individual properties/facilities and recommend strategies	Continuously review assets and implement long term asset management strategies
Objective: Maintain and operate Pier 69 Assets		
Performance Measure	Performance Target	Actions
Effectively manage deferred maintenance at Pier 69	<p>Pier 69 Facility Condition Index (FCI) is .07 or below</p> <p>FCI is calculated by dividing the cost of deferred maintenance by the current replacement value of the facility</p>	Ensure that preventive and predictive maintenance tasks are identified, optimally scheduled, and performed with quality workmanship
Successful planning and execution of capital improvement and expense projects	<p>P69 Beam Rehabilitation:</p> <ul style="list-style-type: none"> Budget: \$1.6 – 2 MM Completion by Q3 2016 <p>P69 DDC System Modernization:</p> <ul style="list-style-type: none"> Budget: \$745K Construction completion by Q3 2017 	Provide influential and decisive leadership to ensure that projects are correctly defined, scoped, and delivered on time and within budget.

GOAL: INCREASE INTERNATIONAL VISITOR TRAFFIC TO THE REGION AND INSTITUTE A SMALL COMMUNITIES TOURISM GRANT PROGRAM.



Objective: Make Sea-Tac Airport the West Coast “Gateway of Choice” for international travel		
Performance Measures	Performance Target	Actions
Number of tour products featuring our destination in the UK and other shared international markets with Visit Seattle	Increase UK tour products featuring the destination by 10% to 126; increase all other markets by 10% (partnership with Visit Seattle)	Aggressively pursue product development and joint promotion of the destination in the UK Develop strategic marketing plan with Visit Seattle for the 4 shared markets, and track product development
Advertising-equivalency of earned media as reported by international reps	Increase media coverage year over year by 5% in the UK and in shared markets (2014= \$3m in UK; \$27m across the 4 other shared markets)	Aggressively pursue travel trade and consumer media coverage Host international media in the destination Produce regular press releases, newsletters, social media and special event opportunities in international media markets
Attract new Meetings/Incentives travel to the destination	Identify and pursue at least one “MICE” (Meetings/Incentives) program from international tourism markets	Research and identify international opportunities for the business meetings trade Meet with and pursue MICE planners in international markets Invite partnership with local entities (i.e. Bell Harbor International Conference Center)
Objective: Double the economic value of cruise traffic to Washington State		
Performance Measures	Performance Target	Actions

Percentage increase in reported sales of cruise/stay packages with tour operators	Increase international cruise and stay products sold by 5%, based on 2016 program	With cruise line, train sales staff of key international tour operators Provide collateral and sales training tools
Objective: Maintain the Port's Leadership Role in the Tourism Industry and in Economic Development in the Region		
Performance Measures	Performance Target	Actions
Establish first tourism grant awards	Grant program developed and first awards in 2016	Develop and administer grant program, targeted for Washington communities/entities promoting mutually beneficial tourism programs
Participation by in-state tourism partners in the Port's tourism program, which represents avoided POS costs	Increase in-kind contributions by 5% (\$1 million was received in 2014; 2015 numbers will be available at year's end to set the 2016 target)	Actively develop relationships with tourism entities across the state, from Destination Marketing Organizations to individual lodging, restaurants and attractions Invite participation in in-kind opportunities and provide media coverage and tour product development

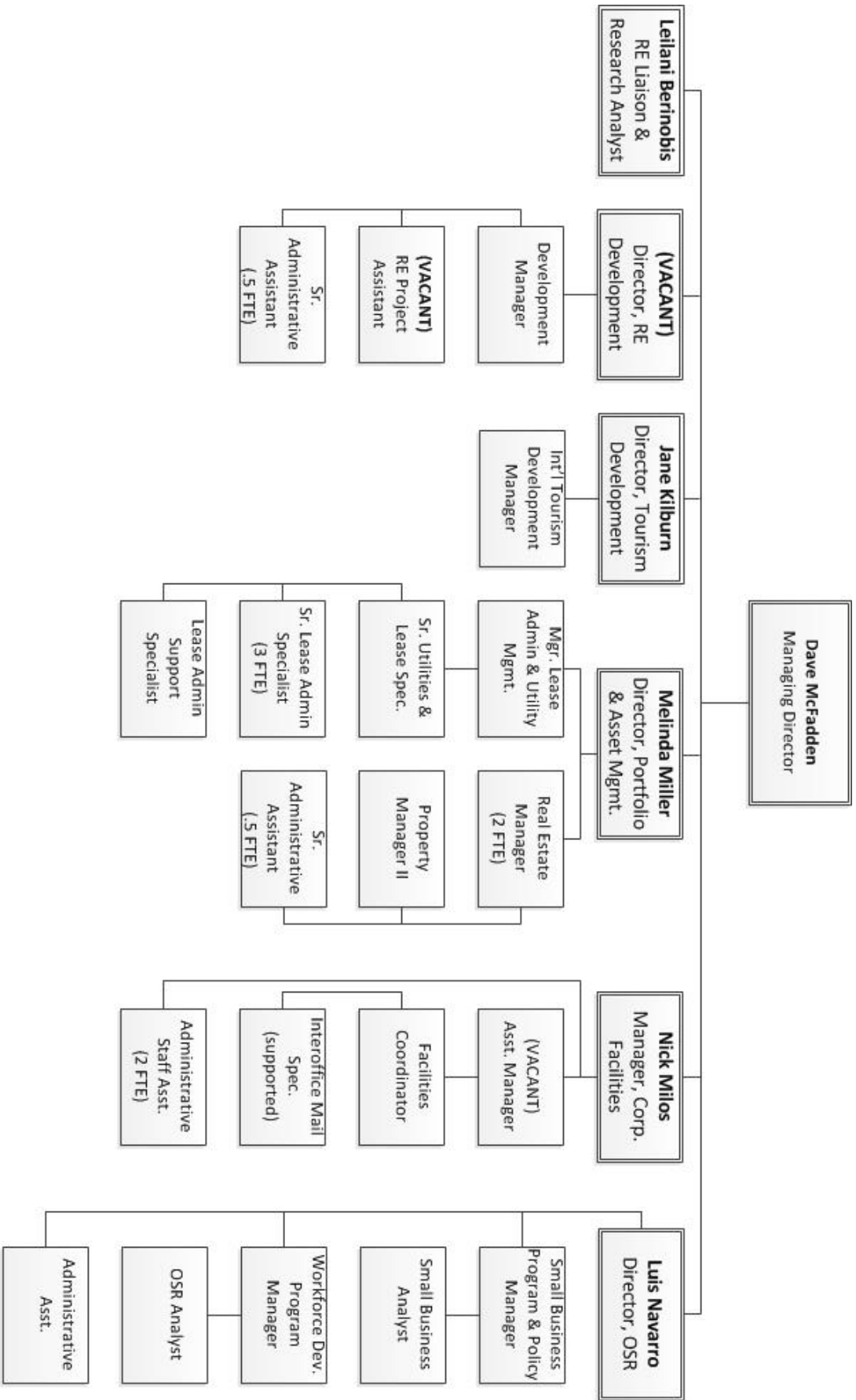
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LINING UP FOR JOBS AT HANFORD

QUALITY JOBS = ECONOMIC DEVELOPMENT



ECONOMIC DEVELOPMENT DIVISION
AUGUST 2015

ECONOMIC DEVELOPMENT DIVISION

The division is comprised of the following five business and service groups:

Real Estate Development & Planning

Plans and facilitates the development of selected real estate assets currently within its own portfolio and provides development expertise and support to the Maritime and Aviation Divisions. The team also identifies and evaluates new opportunities outside the Port's current portfolio and completes other transactions related to Port assets.

Portfolio & Asset Management

Leases, markets, and manages the Division's portfolio of conference, office, retail, commercial, and industrial properties and works to enhance the value of the Division's assets through strategic asset planning and repositioning. This business unit will also lead the asset management efforts related to the Eastside Rail Corridor. It is organized into two groups:

Central Harbor Management Group

manages markets, leases and plans for Economic Development Division assets located from Terminal 91 to Pier2/CEM in West Seattle. This includes various retail, office and industrial properties, the conference and event centers, and the Eastside Rail Corridor.

Lease Administration & Utilities Group

processes and administers all agreements for both the Economic Development and Maritime Divisions. This includes monitoring for compliance with all agreement terms including insurance, surety, lease provisions, and amendments. The team also reads meters, processes payments, and bills customers for over 255 utility meters.

Foreign Trade Zone #5

manages and markets use of the Port's Foreign Trade Zone for the benefit of businesses that import goods from other countries.

Office of Social Responsibility

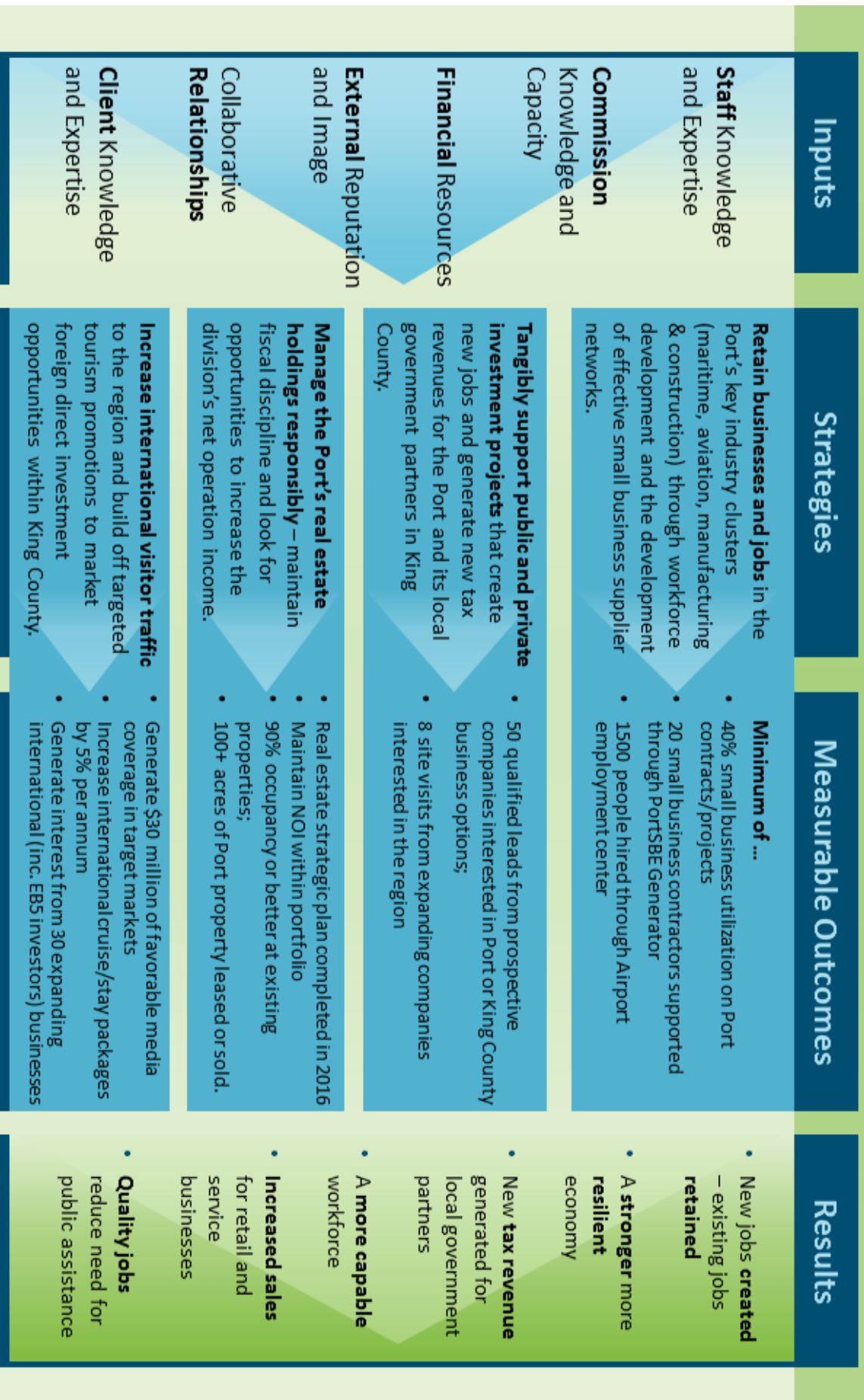
Office of Social Responsibility (OSR) manages the Port of Seattle's efforts to promote small business growth and workforce development. OSR manages the Small Business Development and Inclusion Program; (2) the Port's Workforce Development initiatives; and (3) leads the Port's Annual Community Giving Campaign and staff voluntarism efforts.

Tourism Development

The Tourism program focuses on attracting visitors from five key direct-flight overseas markets: Japan, China, the United Kingdom, France and Germany. Tourism partners with Visit Seattle and the Washington Tourism Alliance to promote our destination through public relations and special promotions with travel trade, consumer and social media. The Port of Seattle team develops and maintains relationships throughout the state and region with the shared goal of increasing the economic benefits of international tourism.

Pier 69 Facilities Management

Ensures functionality of Port Headquarters by integrating people, place, process, and technology. Operations include reception, motor pool, mailroom, shipping & receiving, conference center, and Clipper Café.



Economic Development Division 2015 Budget Overview

Revenue

Commercial Real Estate	\$6,518,000
Conference/Event Ctr	\$8,547,000
Eastside Rail Corridor	\$ 12,000
Real Estate Development	<u>\$ 960,000</u>
Total Operating Revenue	\$16,025,430

Expenses

Commercial Real Estate	\$3,795,000
Conference/Event Center	\$7,504,000
Portfolio Mgmt Admin.	\$ 947,000
Eastside Rail Corridor	\$ 210,000
Real Estate Development	\$ 948,000
Office of Social Responsibility	\$2,312,000
Tourism	\$ 981,000
Facilities	\$1,600,000
Division Admin.	<u>\$ 419,000</u>
Total Operation Expenses	\$18,967,000 (does not include corporate allocations)

Capital Budget

CIP Number	Project Description	Page	2015	2016
C800314	P69 Built-Up Roof Replacement		533	40
C800698	P69 Roof Beam Rehabilitation		185	1,974
C800691	Pier 69 Carpet Replacement		179	
C800196	T102 Bldg Roof HVAC Replacemt		200	6,050
C800814	BHICC Fit & Finish			
C800115	Fleet Replacement		934	302
C800730	RE: 2015 Small Projects		505	
C800244	RE Technology Projects		250	250
C800359	RE: 2011 Small Projects		57	
C800537	RE: 2013 Small Projects		3	
C800815	ED: 2016 Small Projects			120
C800562	ED: 2017 & Beyond Small Proj			
C800126	Tenant Improvements -Capital		790	300
C800749	Bell St Gar Al Elevtr Upgrade		25	325
C800813	P66 Elevator 2,3,4 Upgrades		240	1,360
TOTAL COMMITTED			3,901	10,721
C800670	P69 DDC System Modernization			25
C800216	RE: Contingency Renew.&Replace			500
C800732	RE BHICC Roof Fall Protection		-	420
TOTAL BUSINESS PLAN PROSPECTIVE			-	945

ECONOMIC SNAPSHOTS

Local Real Estate Market:

Industrial:

The local industrial real estate market remains strong but growth appears to be slowing. According to Colliers International, Seattle's industrial market should see greater than average growth over the foreseeable future as new supply meets still growing demand, bringing the overall market to equilibrium. Rental rates increased modestly quarter over quarter and may level off in the next 12 to 18 months as new supply hits the market to meet demand. The vacancy rate is 4.8% market wide, down 1% year over year. In the Kent Valley, which includes the airport market, the vacancy rate is just 3.9%. The Seattle vacancy is even lower at 2.26%.

Commercial:

The local commercial real estate market continues to be dominated by the technology industry, which accounts for 90% of preleases and more than 60% of tenants currently in the market. According to Colliers International, demand continues to far outpace supply. Large block contiguous space available is limited in existing buildings, driving large users toward new construction in employee-favored, amenity-rich locations. Throughout 2015, vacancy will hold steady or even fall slightly, even as new construction begins to deliver. Global tech companies continue their expansion into the Puget Sound market – growing head count, expanding operations and absorbing large blocks of space.

Tourism:

Tourism is the state's fourth-largest export industry according to Gross Domestic Product (GDP). Visitors to Washington State in 2014 spent \$19 billion and generated \$1.7 billion in local and state tax revenues. Travel and tourism supported more than 163,400 jobs and generated earnings (payroll) in excess of \$5 billion in our state. International visitors spend an average of 5 times more than domestic travelers, and one job is created here at home for every 35 international visitors who visit the area, according to the US Travel Association. Since the state closed the office of tourism in 2011, the POS has held a leadership role in funding and governing the Washington Tourism Alliance, which has a budget of about \$500,000 compared to competing western states with tourism budgets ranging from \$7-50 million.

BUSINESS ASSESSMENT:

PORTFOLIO & ASSET MANAGEMENT

Leasing and Marketing:

The occupancy level of our Commercial Properties is currently at 90% compared to a broader Seattle market occupancy of 90.7%. We expect leasing activity to increase with improving economic conditions but will continue to wrestle with local challenges (e.g. transportation infrastructure projects) on the Central Waterfront and Duwamish. Corresponding increases in leasing activity are expected in most other submarkets.

Operations and Maintenance:

The commercial real estate industry's focus on energy efficiency has resulted in a downward trend in total operating expenses with approximately two-thirds of the savings achieved in the utility category, underscoring an industry focus on maximizing building efficiency.

A large portion of the operations and maintenance services related to the portfolio are provided through the Maritime Division's Marine Maintenance Department. Our teams will continue to work together to improve operating efficiencies, reduce environmental impact, to budget appropriately, and to manage our expenses in order to maintain and improve the value of our portfolio of real estate assets.

Capital Investments/Improvements:

By the end of 2016, the Portfolio and Asset Management team is expected to have overseen roughly \$4.2M in capital investments being made in the commercial and hospitality properties. Investments will be reflected in sustained existing revenues and improved operating efficiencies intended to position the properties for improving market conditions and opportunity for additional revenue.

REAL ESTATE DEVELOPMENT & PLANNING

The group's strength lies in a relatively well-located portfolio of underutilized sites in Seattle and surrounding the airport. This is particularly significant given the increasingly smaller supply of close-in, well-served industrial land available for development. The real estate portfolio is one of the Economic Development Division's best means of increasing revenue and related job creation. Disposition of the portfolio, however, will require a careful balancing of both financial and the non-financial objectives described in the Century Agenda and applying both a short and long-term filter to potential transactions.

OFFICE OF SOCIAL RESPONSIBILITY

Small business owners are beginning to feel better about the business environment, but many minority and women owned businesses still believe that they do not have access to the same opportunities, because of the lack of a more inclusive small business programs in the public agencies. Regarding workforce development, the CEO and the Port Commission have committed to support the region's pipeline of qualified workers, which in turn will support the employers in Port sectors.

TOURISM

The Washington Tourism Alliance (WTA) was successful in having a study plan approved by the state legislature in 2014, and enabling legislation was introduced in spring 2015. It will be resubmitted in 2016 for passage. The statewide funding goal is \$7.5 million, which the initial plan said would be raised from industry sector participants in roughly this proportion: Lodging, 32%; Food service, 28%; Attractions, 13%; Retail, 19%; and Transportation, 8%. This funding plan depends also on the continued significant program funding from the international tourism partnership (Port of Seattle and Visit Seattle).

On a parallel course, the Port of Seattle and the Port of Walla Walla convened a "Tourism Ports Task Force" in 2013, in order to discuss ports' potential role in statewide tourism promotion. The Task Force has concluded that Tourism Ports should contribute to the WTA, once the enabling legislation is in place. The ports' contribution would be incremental to the WTA's legislated collection and potentially other sectors would also contribute, such as tribes, wineries, etc. Ports funding method and levels have not been determined.

It is time now, with the increasing global visibility of Seattle, to re-energize the Port's long-standing promotion of the region as a year-round leisure destination. In addition, we are promoting a "cruise-and-stay" program that encourages international cruise passengers to extend their stay in the area. International visitors are "high value", as they spend more time and more money on vacation than domestic travelers. These "long-haul" travelers typically have up to 3 weeks of vacation, and often visit multiple destinations in one trip. This focus is a successful niche for us, generating multiple international media stories and earning a "Port of the Year" designation from a German cruise publication. Promotion partnerships with one cruise line (NCL) in Germany and the United Kingdom resulted in an increase of 26% and 40% cruise and stay bookings through Seattle, respectively, indicating that this opportunity is ripe.

Our area is featured in hundreds of individual tour products among our 5 target markets, and media coverage in these markets for 2014 was valued at more than \$30.6 million, a record year. (Media value is calculated by determining how much paid advertising would cost for the equivalent number of pages, inches or seconds/minutes in the same media). Additionally, partners throughout the state contributed 1 million in in-kind services to support our program.

CHALLENGES AND OPPORTUNITIES:

PORTFOLIO & ASSET MANAGEMENT

Commercial Properties

Opportunities - Improving Revenue:

- The current real estate market appears to be trending toward continuing recovery which suggests more opportunities for improving future revenue.

Challenges - Improving Revenue:

- Having experienced high vacancy rates over an extended period, landlords of commercial real estate will continue to aggressively pursue tenants looking for commercial space. Well-positioned and maintained properties that offer attractive amenity packages more readily benefit from improving market conditions.
- Compliance with legal, financial and regulatory aspects of public entity ownership of real property can result in having a less competitive edge than the private sector in the commercial real estate market (contracting procedures, security deposit requirements, and limited flexibility in negotiations). This is likely to be reflected in achievable lease rates at the lower end of the market range and/or lengthier vacancies through missed opportunities.
- Locations of several properties within the portfolio provide only limited amenities such as public transportation, shopping, dining, walking trails, etc.
- Updating and refurbishing aging infrastructure will require forward planning and capital investment.
- Improving operating efficiencies in properties with aging infrastructure and implementing energy conservation improvements will involve forward planning and capital investment.
- There continues to be concern with local businesses that will be affected by the Alaskan Way Seawall Project. Perception in the market is that the disruption from the ongoing work currently

underway on the waterfront will continue to negatively affect businesses along the entire waterfront for the next several years with the following potential impacts.

- Loss of traffic capacity and parking, commute time congestion
 - Walking access is constrained, impacting tourist activity
 - Customer, public, employee and supplier access to businesses are restricted and congested
 - Negative impact to seasonal business volume from both the physical and perceptual blockages
 - Negative impact of construction activity (i.e., noise, congestion, muck)
 - Loss of key infrastructure on the waterfront that serve the public and customer needs
 - Potential tenant's employee access to waterfront office space may be impeded
 - Limited shopping, activities, and dining choices for employees of potential office tenants
 - Public and potential tenants may likely avoid the waterfront altogether
 - No public transportation along Alaskan Way
- The multiple organizational changes in progress and more coming make it difficult to continue process improvement and performance metrics development with significant unknowns.
 - The Northwest Seaport Alliance and Surface Water Utility both present potential for many system configuration challenges, changes to various reports, SharePoint workflow design, and support staff assignments. Until more detail has been developed, we are proceeding to analyze the most likely outcomes in order to be prepared for implementation in a timely manner when the organization structures have been finalized.

Conference & Event Centers

Opportunities:

- Continued Investment – The rebuilding of the Seattle Waterfront over the next few years presents a distinct opportunity to leverage historical success and iconic heritage to update and refresh the Bell Harbor International Conference and Event Center, the Maritime Event Center and the World Trade Center Seattle in anticipation of renewed regional and international interest.
- Leveraging Paul Schell Center – The renaming of Bell Street Pier provides another opportunity to leverage on ongoing investment in the facilities at Pier 66. Additionally, renaming the entire complex at Pier 66 would also greatly enhance the visibility and search profile of the Conference Center and the cruise terminal.

Challenges:

- Hotel room supply – Seattle is an increasingly popular destination and hotel room supply is currently down thereby limiting the ability to leverage good rates for out of town conference business.
- Increasingly short lead times in the market – There is a continuing trend toward “just-in-time” event planning and the shortening of lead time for events creates challenges in forecasting and logistics.

- Aging facilities - Updating and refurbishing aging infrastructure will require forward planning and capital investment.
- Competitive market—although no new facilities are planned for 2015, a number of event space venues have recently opened or have been remodeled in the past year to be more attractive (the Motif, the (Marriott) Renaissance Hotel, the Westin Hotel, the Chihuly Garden and Glass, the Conference Center at the Washington State Convention Center, and MOHAI).
- Schedule conflicts - Cruise activity and departure times often conflict with opportunities for planned events and has a negative impact on event opportunities.
- Parking capacity at Pier 91, Smith Cove Conference and Event Center, is very limited and inconveniently located. Also, transportation options to the site are limited.
- The prospective expansion of the cruise program at Pier 66 may constrain event operations.

REAL ESTATE DEVELOPMENT & PLANNING

- Opportunity: Relatively large portfolio of underutilized land, some of which can be positioned for disposition with minimal investment.
- Opportunity: Current market conditions appear to be fairly favorable given the overall strength of the regional and national economy.
- Challenge: Market conditions are constantly in flux and ultimately drive the value that can be obtained for any particular site.
- Challenge: Some of the sites in the portfolio have encumbrances—both physical and regulatory—that constrain development.

OFFICE OF SOCIAL RESPONSIBILITY

Small Business Challenges

- How best to respond to the under-representation of minority and women in port contracting, as documented by the 2014 disparity study.
- How to ensure the accurate collection, tracking and reporting of participation by ethnicity in Port business opportunities.
- Develop an effective rebranding of the Port’s Small Business Program to “Small Business & Inclusion Program”.

Small Business Opportunities

- Recommending procurement policy changes in response to the results of the disparity study.
- Rebranding and refreshing the Port’s Small Business Program to “Small Business & Inclusion Program” to ensure broad appeal and participation.
- Coordination with the Airport Minority Advisory Council (AMAC) and Port teams of a regional conference in 2016 for small business opportunities at the airport in construction, professional services, purchased goods and services and the ADR Program..

Workforce Development Challenges

- How to maximize the Port’s legislative authority and funding available for workforce development.
- How best to identify other sources of Expansion Funds – Levy, General Fund, Tenant Charges, Contractor Labor Hour Charges.
- Draft resolutions needed to support/enable new strategy.
- How to support the Commission’s Quality Jobs Strategy.

Workforce Development Opportunities

- The Port Commission has publicly expressed an interest in the expansion of the workforce development strategy.
- The CEO has expressed support in continued Port investments and in the program expansion.
- Source(s) of Expansion Funds – Levy, General Fund, Tenant Charges, Contractor Labor Hour Charges.
- Resolution as needed to support/enable new strategy.
- Quality Jobs – implementation, enforcement, and impact measurement.

TOURISM

- **Opportunity:** Build on “cruise-and-stay program” by investing in joint promotions with cruise lines and tour agencies, and target cruise media for coverage, focusing on the United Kingdom and Germany as top cruising markets in the world.
- **Opportunity:** Develop, build and re-invigorate off-season programming for targeted markets, partner with top-producing tour agencies and key media for promotion.
- **Opportunity:** Develop and execute grant program to further encourage partners in King County, Puget Sound and the state to invest in tourism promotion.
- **Challenge:** *Constraint from growth due to lack of foundational state funding and Port of Seattle /Visit Seattle funding that has not even kept pace with inflation and currency values.*