

Commissioners:

The materials you are receiving today for your Nov. 7 budget study session present my recommendation for the 2019 – 2023 Capital Improvement Plan and Tax Levy for maritime and economic development divisions. Enclosed are the slide deck presentation and one page descriptions of each project in the Capital Improvement Plan.

This year we held two retreats and two budget and capital investment study sessions to prepare us for a critical budget season. The Port team and I listened carefully to your guidance and built upon each conversation to create a plan for the Port's future.

Based on these conversations, my staff and I have prioritized our maritime and economic development capital needs using the criteria of Asset Stewardship, Financial Sustainability, and Community and the Environment.

This is the right time to take action on transformational investments that will keep us competitive for decades to come. Our focus on financial returns and asset stewardship, with a responsible use of taxpayer investment, will support our efforts to create regional economic and sustainability strategies and a greater platform for equity.

I look forward to our conversation on November 7th that will prepare us for the first reading of the 2019 budget and consideration of the plan of finance on November 13th, with final adoption on November 27th. We have tremendous work ahead, and I look further forward to working with you to get us across this finish line.

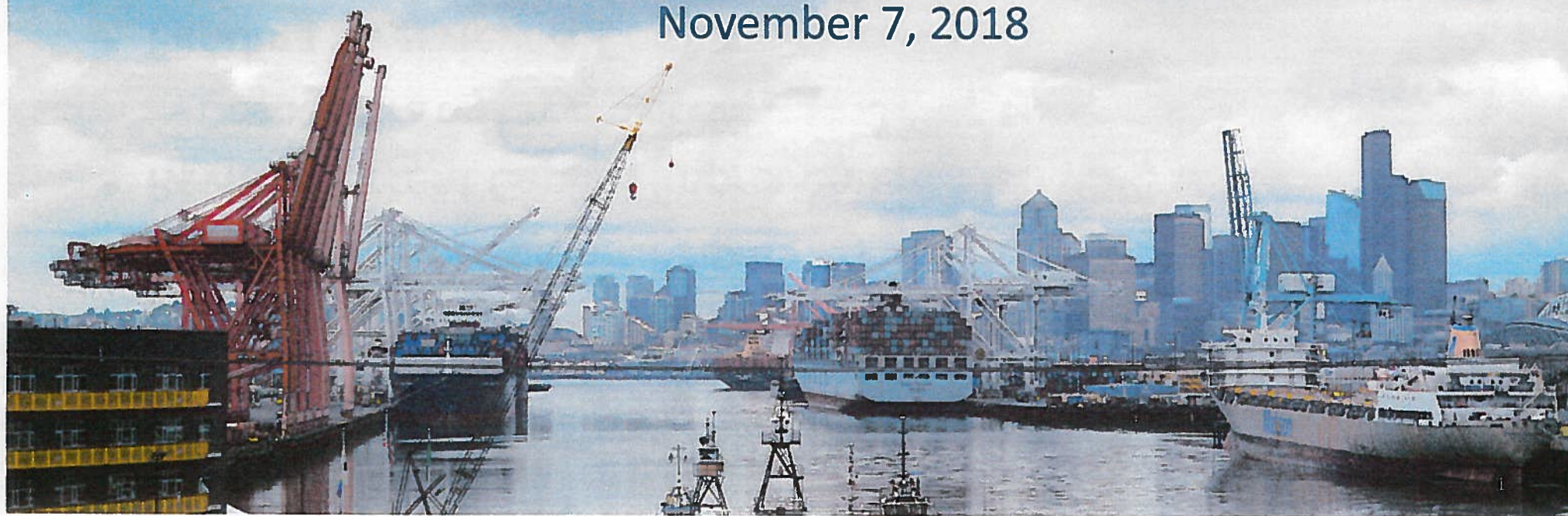
A handwritten signature in black ink, appearing to read "AP Metruck".

Stephen P. Metruck
Port of Seattle
Executive Director

Maritime and Economic Development CIP and Capital Funding

Sustaining the Working Waterfront

November 7, 2018



Agenda

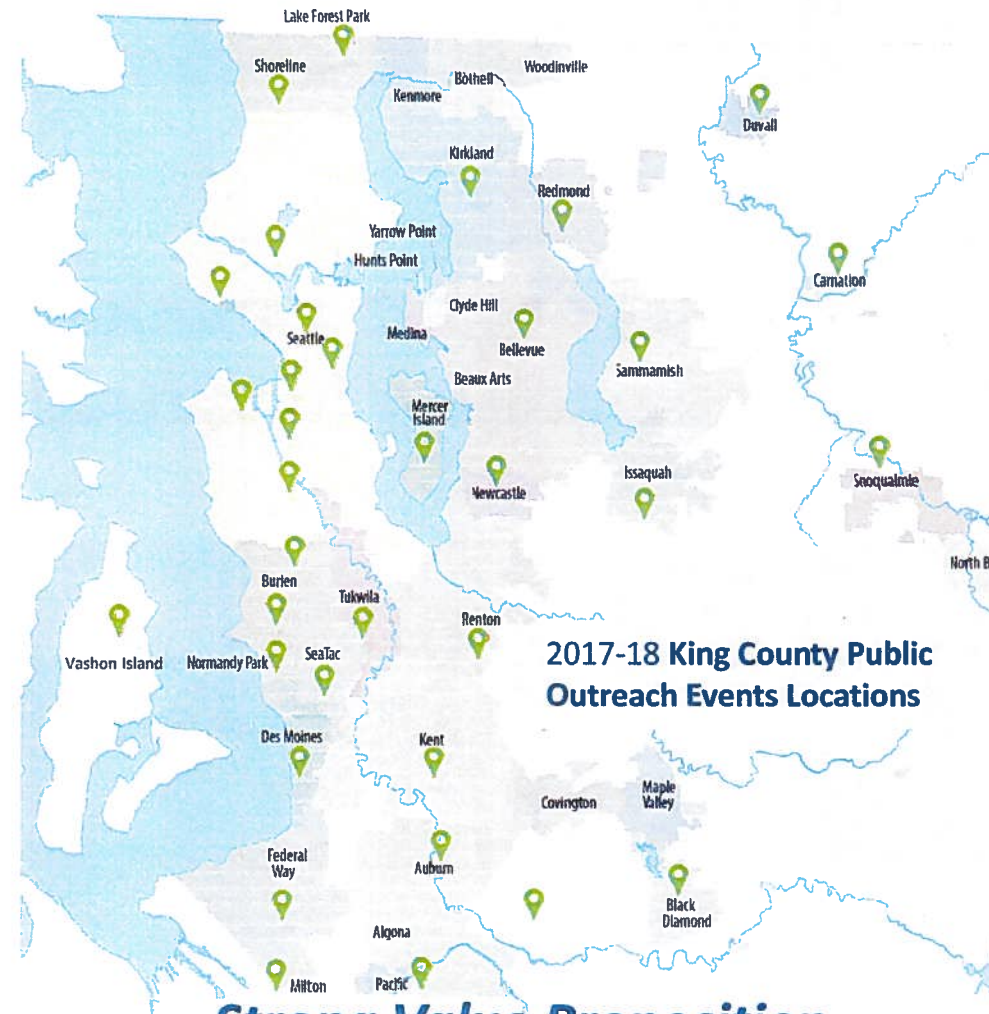
- Highlight Port Mission/Century Agenda/Values
- Working Waterfront Principles
- Review Current Capital Improvement Plan (CIP)
 - Deeper dive on key projects
- Funding Overview & Context
- Discuss Next Steps
 - Plan of Finance
 - Outreach strategy/key messages

The Port Advances Public Priorities and Values



**Maritime Industries, Transportation, Environment,
Economic and Workforce Development are Top Priorities**

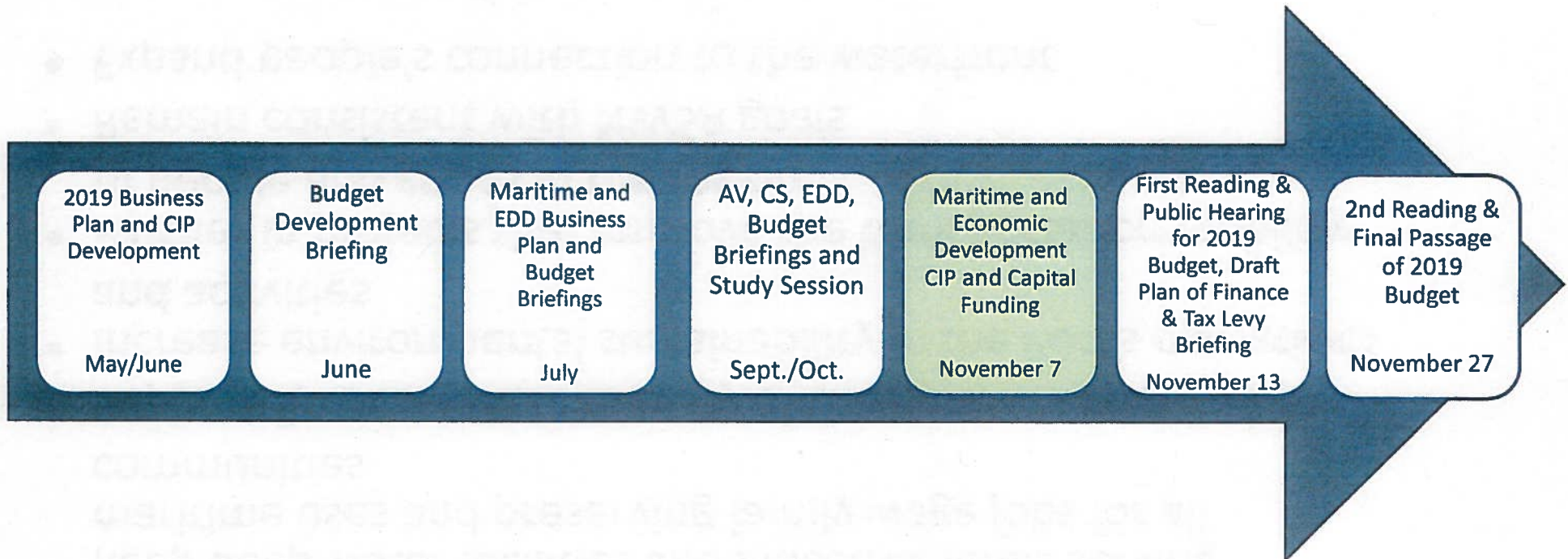
Community Engagement and Feedback



2017-18 King County Public Outreach Events Locations

Strong Value Proposition

Budget Timeline



Working Waterfront Principles

- Keep deep water facilities and industrial lands serving maritime uses and preserving family wage jobs for all communities
- Support financial sustainability of the Port
- Increase environmental sustainability in the Port's operations and activities
- Partner in projects that improve the transportation mobility of people and goods in the region
- Remain consistent with NWSA goals
- Expand people's connection to the waterfront

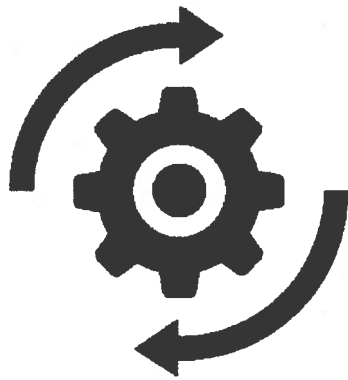
Capital Improvement Plan Prioritization

- Staff review of Capital Improvement Plan (CIP) began in June based on \$200 million funding capacity and the need to prioritize projects
 - Funding is already allocated to other contingent obligations, NWSA and allocated Central Services CIP
- Over \$210M in Maritime and Economic Development projects have been deferred until 2024 or beyond

Capital Improvement Plan Priorities

Asset Stewardship:

Maintaining the Port's capital assets and modernizing Seattle's working waterfront



Financial Sustainability:

Investing in projects that support maritime industries and the Port's long term funding capacity



Community and Environment:

Stewarding our environment responsibly, partnering with surrounding communities, and promoting social responsibility



2019-2023 – Full Priority Project List

2019 to 2023 Priority Projects

	Asset Stewardship	Financial Sustainability	Environment & Community	Readiness to Proceed	\$millions
Fishermen's Terminal Gateway Building		x		4	\$23.0
Bell Harbor Conference Center Modernization		x		4	\$9.9
Fishermen's Terminal Docks 3, 4 & 5 Fixed Pier Improvements	x			4	\$6.1
Salmon Bay Marina Docks D & E Replacement	x			4	\$5.9
Pier 66 HVAC Systems Upgrade	x			4	\$2.9
Terminal 117 Restoration			x	3	\$17.9
Fishermen's Terminal Maritime Innovation Center			x	3	\$10.5
New Cruise Facility (Assumes 50% Tenant Cost Share)		x		2	\$100.0
Terminal 91 Uplands Development		x		2	\$39.0
Terminal 91 Berth 6 & 8 Redevelopment	x			2	\$35.0
Waterfront Electrification			x	2	\$30.0
Harbor Mooring Dolphins		x		1	\$3.6
Small Projects/Projects Underway	-	-	-	-	\$24.7
Contingency	-	-	-	-	\$40.0
Total Maritime/Economic Development Priority Projects					\$348.5

Readiness to proceed: 4 = imminent 3 = needs permit/plan 2 = 1+ year out 1 = significant work needed

2019 to 2023 CIP (\$ in millions)

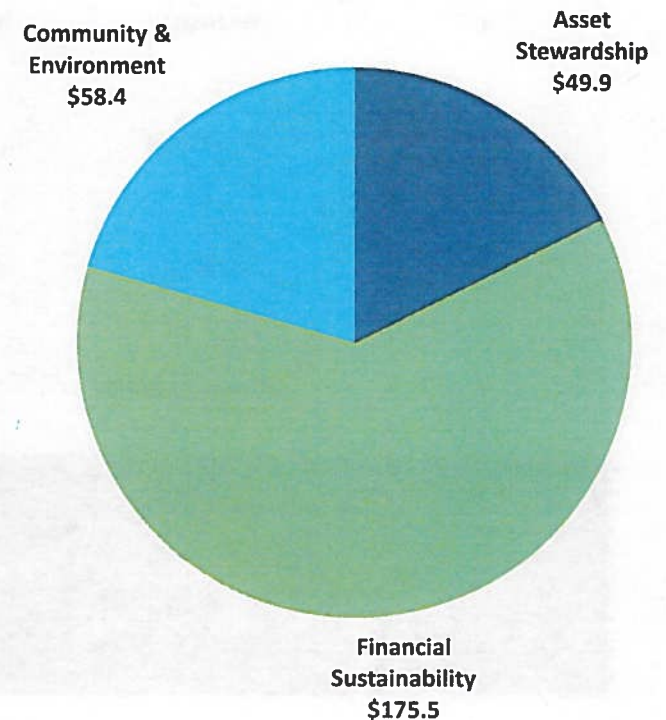


Chart does not include Contingency/Small Projects/Projects Underway or non MD/EDD Projects

Asset Stewardship

Capital Project (\$ in millions)	2019-2023 Cost (\$Ms)	Life/Safety Related	Operational	Financial Return or Revenue Preservation	Readiness to Proceed
Terminal 91 Berth 6 & 8 Redevelopment	\$35.0	No	Q4 2021	New Revenue*	2
Fishermen's Terminal Docks 3, 4, & 5 Fixed Pier Improvement	\$6.1	No	Q1 2021	Preserve	4
Salmon Bay Marina Docks D & E Replacement	\$5.9	Yes	Q3 2020	Preserve	4
Pier 66 HVAC Systems Upgrade	\$2.9	Yes	Q4 2021	Preserve	4

*Preliminary financial results not yet available

Readiness to proceed: 4 = imminent 3 = needs permit/plan 2= 1+ year out 1= significant work needed

Financial Sustainability

Capital Project	2019-2023 Cost (\$Ms)	IRR	NPV (\$Ms)	Est. NOI per year (\$Ms) [year] ¹	Payback (years)	Operational	Readiness to Proceed ⁴
New Cruise Facility ²	\$100.0	10-11%	\$267.3	\$5.03 [2022]	9	Q2 2022	2
Terminal 91 Uplands Development	\$39.0	5.5-6%	(\$8.7)	\$1.50 [2023]	17	Q3 2021	2
Fishermen's Terminal Gateway Building	\$23.0	5-5.5%	(\$6.9)	\$0.86 [2023]	20	Q3 2021	4
Bell Harbor Conference Center Interior Modernization ³	\$9.9	7-8%	\$2.2	\$0.23 [2021]	10	Q3 2020	4
Harbor Mooring Dolphins	\$3.6	6.5-7%	\$1.8	\$0.20 [2021]	11	Q3 2020	1

¹Initial Net Operating Income after Depreciation (does not include Allocations)

²Assumes 50% cost share with private investment. Financial return based on one sailing per week; approximately \$2M of NOI is in the form of revenue from NWSA for POS share of ground lease payment.

³Based on third-party conference center management company proforma, assumes modernization will double NOI of BHCC

⁴Readiness to proceed: 4 = imminent 3 = needs permit/plan 2= 1+ year out 1= significant work needed

Environment and Community Benefits

Capital Project	2019-2023 Cost (\$Ms)	Operational	Financial Return or Revenue Preservation	Readiness to Proceed
Waterfront Electrification	\$30.0	2022	N/A	2
Terminal 117 Restoration*	\$17.9	Q2 2020	TBD	3
Fishermen's Terminal Maritime Innovation Center	\$10.5	Q3 2021	TBD	3

*Does not represent the full project cost

Readiness to proceed: 4 = imminent 3 = needs permit/plan 2= 1+ year out 1= significant work needed

Projects Underway, Small Projects, & Contingency

Capital Project(s)	Cost (\$Ms)	Description/Examples
Projects Underway*	\$8.2	Shilshole Bay Marina (SBM): Restrooms, Paving, and Restaurant Site
Maritime Small Projects*	\$5.8	Terminal 91 (T91) Pier Stormwater Phase I, Pier 91 Bollards, Cruise Rideshare Canopy, T91 Liftstations, T91 Paint/Oil Containment Units, Maritime Industrial Center (MIC) Yard Lighting, T91 Lighting Upgrades, MIC A1 Building Renovation, Harbor Island Marina (HIM) Hazmat enclosure, SBM Wireless Meter Reading System, SBM Dinghy Racks, HIM E Dock Power Improvements, SBM Paving, SBM dry storage expansion, HIM Cameras
Economic Dev Small Projects*	\$2.6	Pier 66 Elevators, Conference Center Lighting Controls, Pier 66 Garage EV Charging
Fleet & Technology Projects	\$5.9	Vehicle and equipment replacements (Maintenance, Maritime, Economic Development)
Tenant Improvements	\$2.2	Capitalized tenant improvements for new leasing
Total	\$24.7	
Contingency**	\$40.0	Funds set aside for cost increases and unanticipated projects.

*Only projects with total cost of \$150K+ shown

**Note, the 2018 Capital Plan included a \$40M contingency for the 2018-2022 CIP.

Executive Director Recommendation: 2019-2023 Projects Funded with 3% Annual Levy Increase

3% Annual Levy Increase

	Asset Stewardship	Financial Sustainability	Environment & Community	Readiness to Proceed	\$millions
Fishermen's Terminal Gateway Building		x		4	\$23.0
Bell Harbor Conference Center Modernization		x		4	\$9.9
Fishermen's Terminal Docks 3, 4 & 5 Fixed Pier Improvements	x			4	\$6.1
Salmon Bay Marina Docks D & E Replacement	x			4	\$5.9
Pier 66 HVAC Systems Upgrade	x			4	\$2.9
Terminal 117 Restoration			x	3	\$17.9
Fishermen's Terminal Maritime Innovation Center			x	3	\$10.5
New Cruise Facility (Assumes 50% Tenant Cost Share)		x		2	\$100.0
Terminal 91 Uplands Development		x		2	\$39.0
Terminal 91 Berth 6 & 8 Redevelopment	x			2	\$35.0
Waterfront Electrification			x	2	\$30.0
Harbor Mooring Dolphins		x		1	\$3.6
Small Projects/Projects Underway	-	-	-	-	\$24.7
Contingency	-	-	-	-	\$40.0
Total Funded with 3% Annual Levy Increase*					\$348.5

*Current total estimated funding with 3% annual levy increase is \$340M

Readiness to proceed: 4= imminent 3= needs permit/plan 2= 1+ year out 1= significant work needed

2019 to 2023 CIP (\$ in millions)

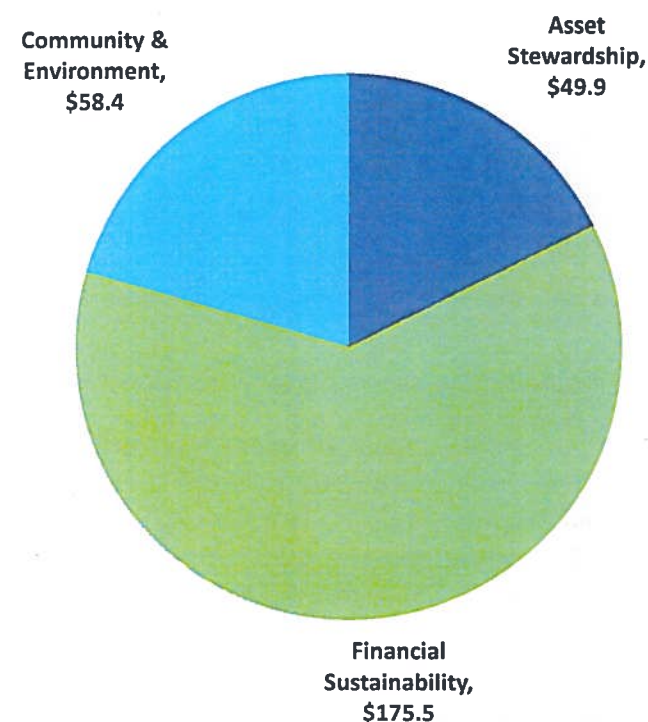


Chart does not include Contingency/Small Projects/Projects Underway or non MD/EDD Projects

2019-2023 Projects Funded at Current Funding Capacity

No Levy Increase

	Asset Stewardship	Financial Sustainability	Environment & Community	Readiness to Proceed	\$millions
Fishermen's Terminal Gateway Building		x		4	\$23.0
Bell Harbor Conference Center Modernization		x		4	\$9.9
Fishermen's Terminal Docks 3, 4 & 5 Fixed Pier Improvements	x			4	\$6.1
Salmon Bay Marina Docks D & E Replacement	x			4	\$5.9
Pier 66 HVAC Systems Upgrade	x			4	\$2.9
Terminal 117 Restoration			x	3	\$17.9
Fishermen's Terminal Maritime Innovation Center			x	3	\$10.5
New Cruise Facility (Assumes 50% Tenant Cost Share)		x		2	\$100.0
Harbor Mooring Dolphins		x		1	\$3.6
Small Projects/Projects Underway	-	-	-	-	\$24.7
Contingency	-	-	-	-	\$10.0
Total Funded at Estimated Current Funding Capacity*					\$214.5
Terminal 91 Uplands Development	*			2	\$39.0
Terminal 91 Berth 6 & 8 Redevelopment	*			2	\$35.0
Waterfront Electrification			*	2	\$30.0
Contingency	-	-	-	-	\$30.0

*Current total estimated funding with no levy increase is \$213M

Readiness to proceed: 4 = imminent 3 = needs permit/plan 2= 1+ year out 1= significant work needed

2019 to 2023 CIP (\$ in millions)

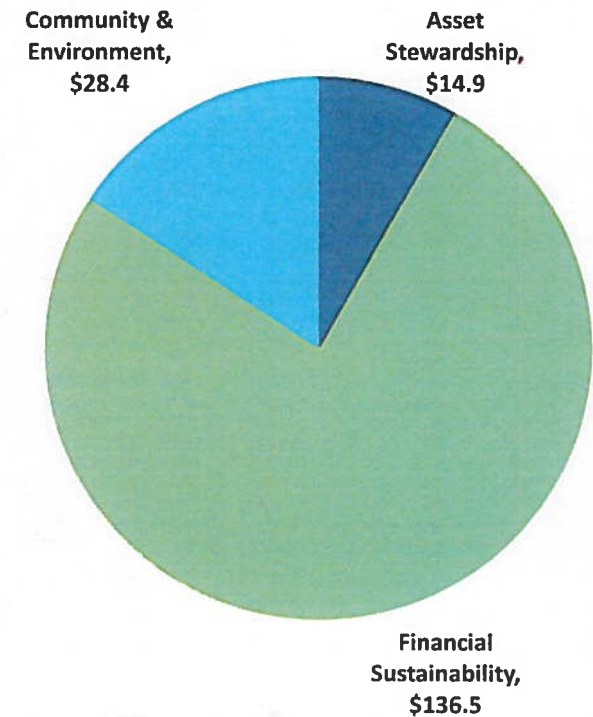


Chart does not include Contingency/Small Projects/Projects Underway or non MD/EDD Projects

Capital Project and Funding Options

- Funding Sources
- Funding Uses
- Tax Levy Background
- Taxpayer Impact

Sources of Non-Aviation Funding: 2019-2023

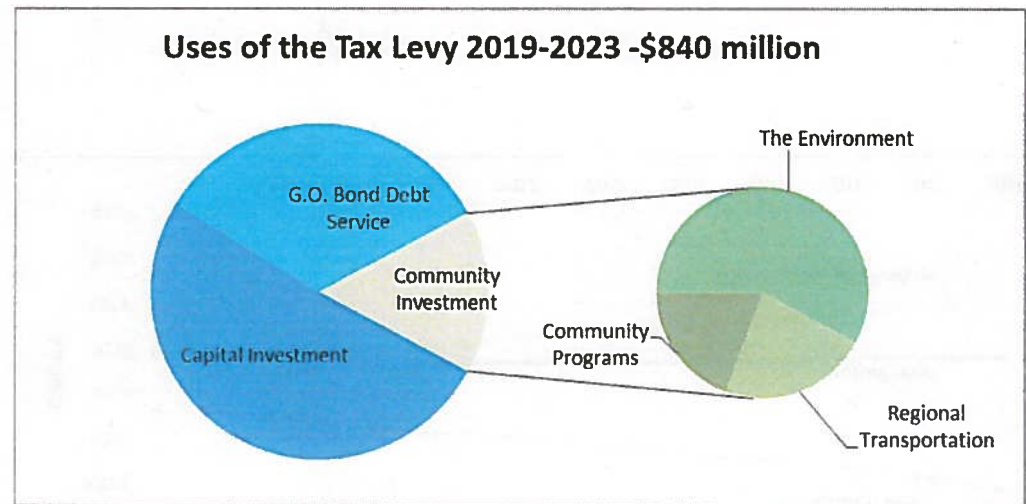
2019-2023 Funding Sources	\$ million
Operating cash flow and revenue bonds	245
Harbor Development Fund for T-5	66
Tax levy Assumes a 3% increase each year for the next five years	86
General Obligation Bonds	<u>277</u>
TOTAL	\$674

Uses of Non-Aviation Funds: 2019-2023

2019-2023 Spending	\$ million
POS share of NWSA and related projects	273
Allocated share of Central Services CIP	11
Strategic Reserve (potential obligations)	50
Available for Maritime, Economic Dev., and other projects	<u>340</u>
TOTAL	\$674

Tax Levy Uses

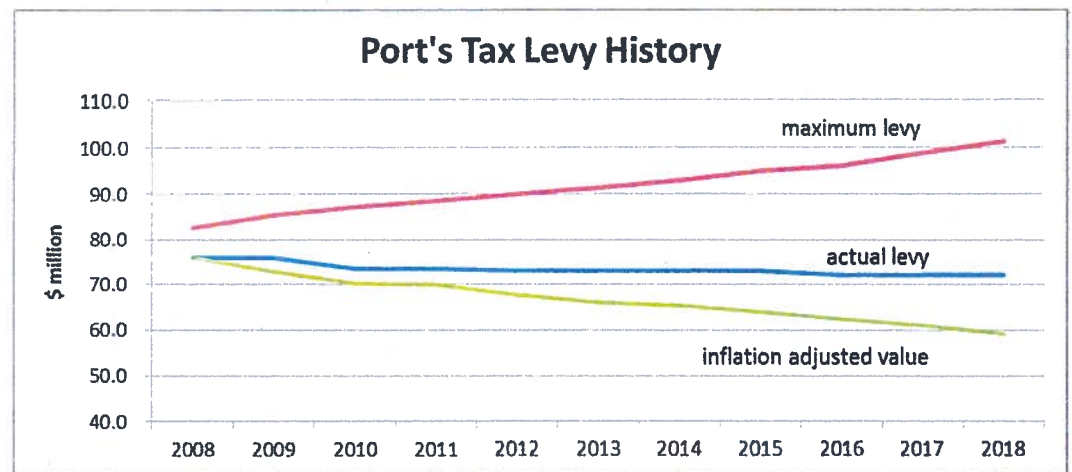
- In addition to capital projects, the Port's Property tax levy also funds:
 - Regional transportation mobility in partnership with other agencies
 - Many community benefits: workforce development, economic development, security enhancement in the City of SeaTac
 - Non-capital environmental projects



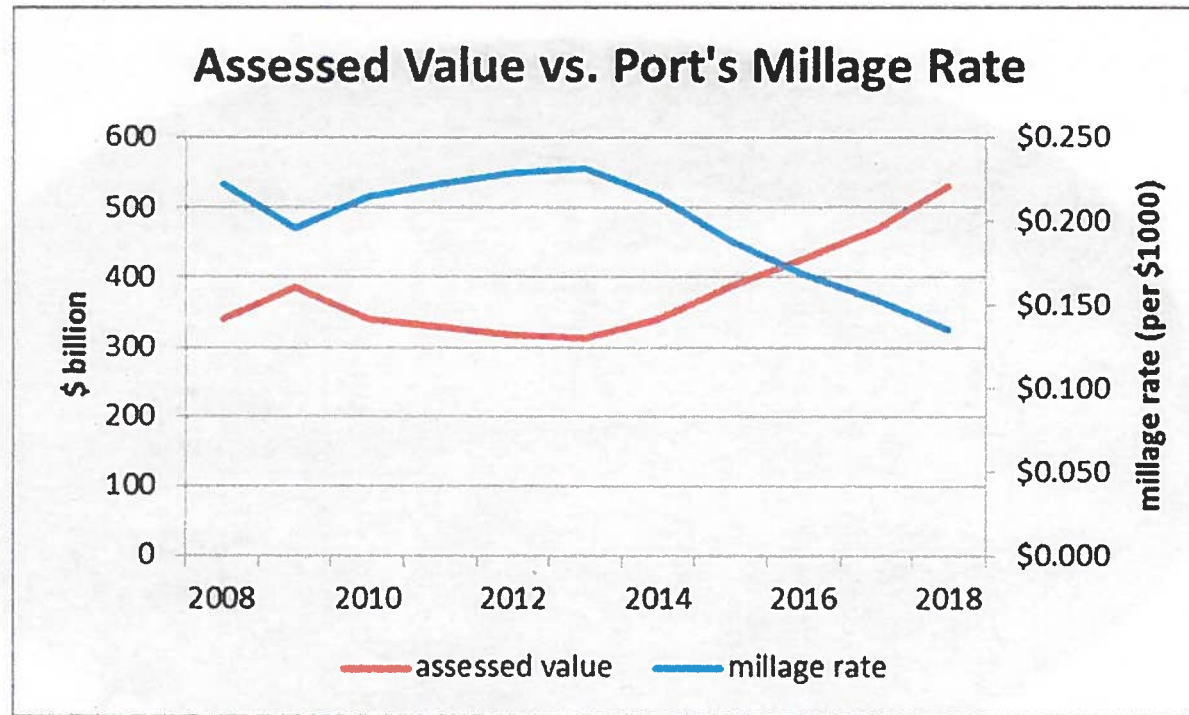
Increases in the other uses of the tax levy will decrease funding available for capital projects

Tax Levy History

- Tax levy is now \$72 million (2018)
 - Due to inflation, since 2008, the real dollar value of the tax levy is worth \$59 million
 - Previous levy decreases and inflation have reduced purchasing power since 2008 by \$100 million
 - Local inflation in 2017 was 3% and has averaged 2% over the past 10 years

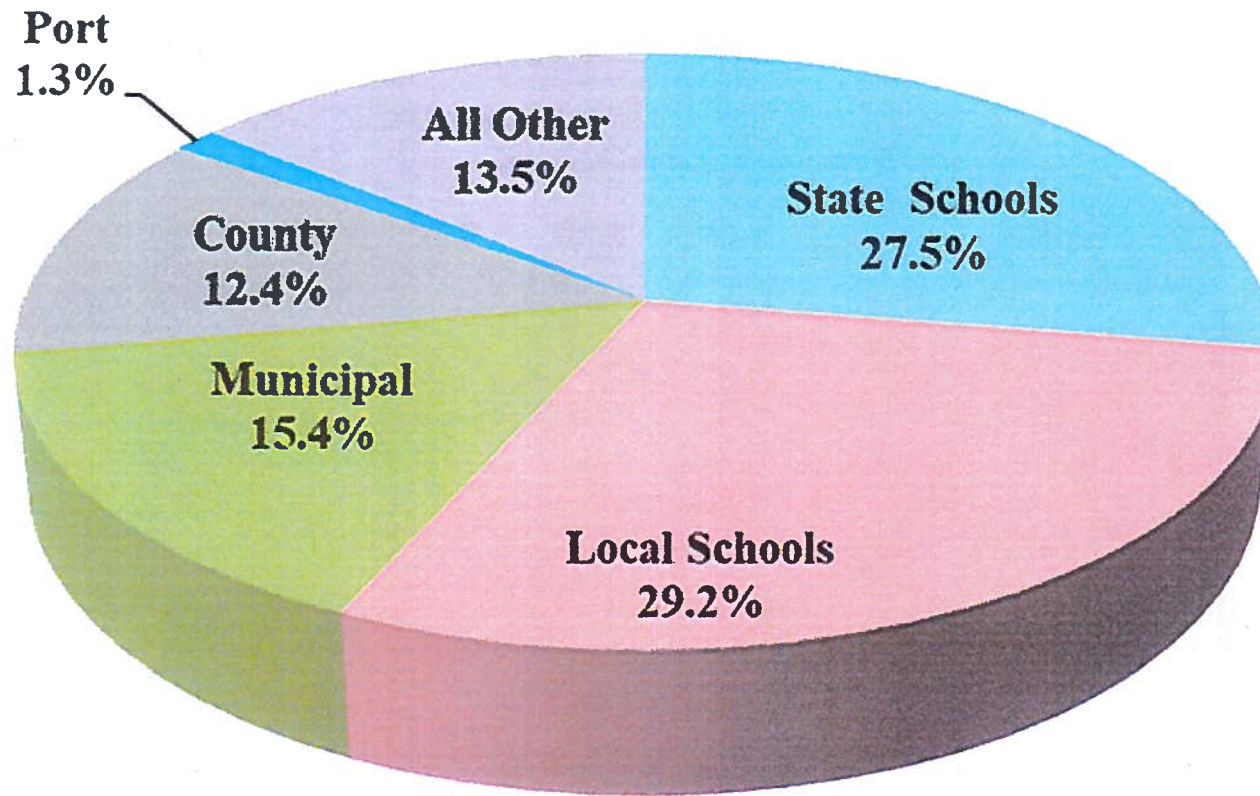


The Levy Rate is a Function of Assessed Value



As assessed value increases, the millage rate declines

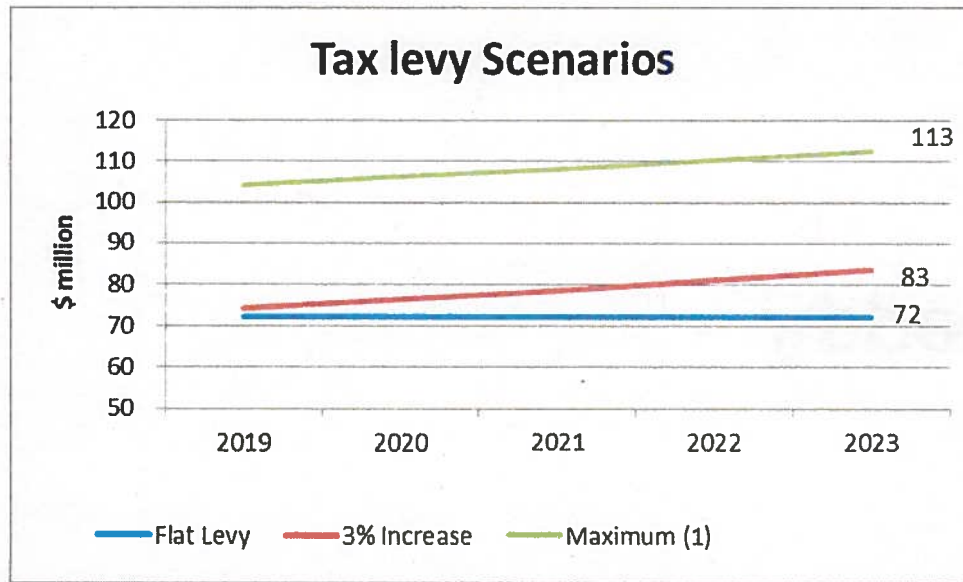
2018 King County Property Tax Distributions



In 2018, the median homeowner paid \$5,925 in total property tax with \$69 going to the Port.

Of the \$5.6 billion of property taxes paid in King County, just over 1.3% (\$72 M) goes to the Port

Taxpayer Impact



(1) Projected based historical increase to maximum levy amount

	Levy Amount (\$ M)	Millage Rate (per \$1000)	Median Taxpayer Cost
2018 (1)	72.0	\$0.1352	\$ 68.82
2019 (2)			
flat levy	72.0	\$0.1196	\$ 68.17
3% increase	74.2	\$0.1232	\$ 70.21

(1) per King County, the median home value was \$509,000

(2) based on (1), median home value in 2019 is estimated to be \$570,000

A 3% increase to the tax levy amount will add \$1.39 to the median home owner's tax in 2019 compared to 2018.

Appendix

Much of the Port's Tax Levy is already allocated to non-capital spending

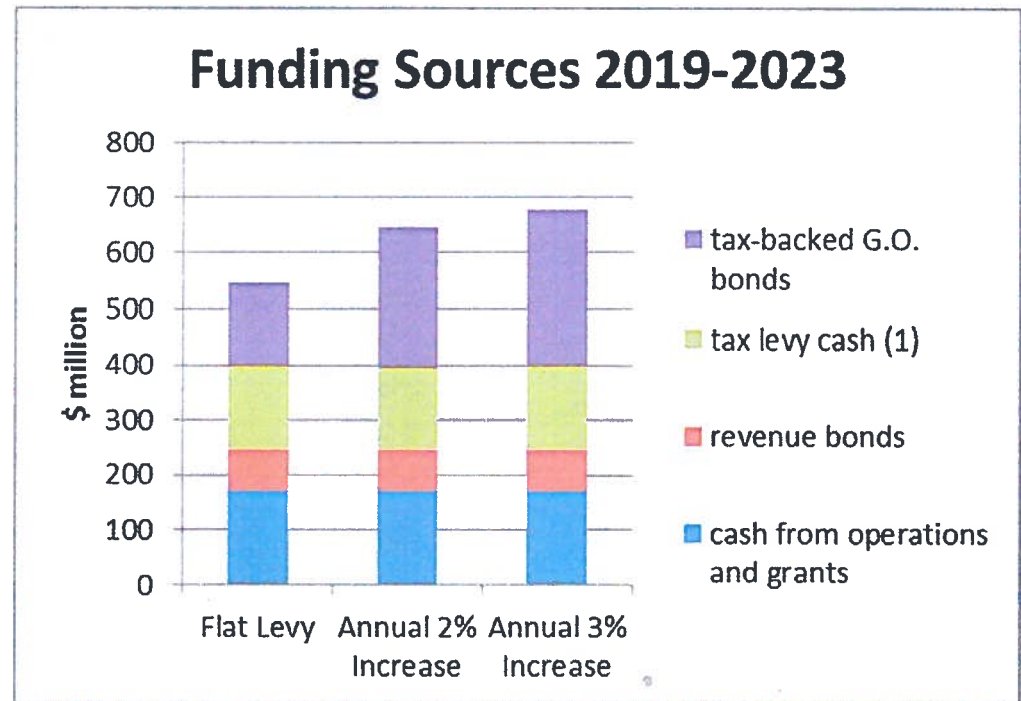
Total Uses of the Tax Levy 2019-2023

	\$ million
Available for Capital	362.7
Harbor Development Fund T-5 capital	66.0
G.O. Bond debt service - existing	200.5
G.O. Bond debt service - new projects	78.7
Environmental Expenditures	76.7
Regional Transportation	30.1
Economic Development	14.0
Airport Community Support (1)	11.7
	<hr/> 840.3

(1) Includes Highline Schools, City of SeaTac security and Airport Community Ecology (ACE)

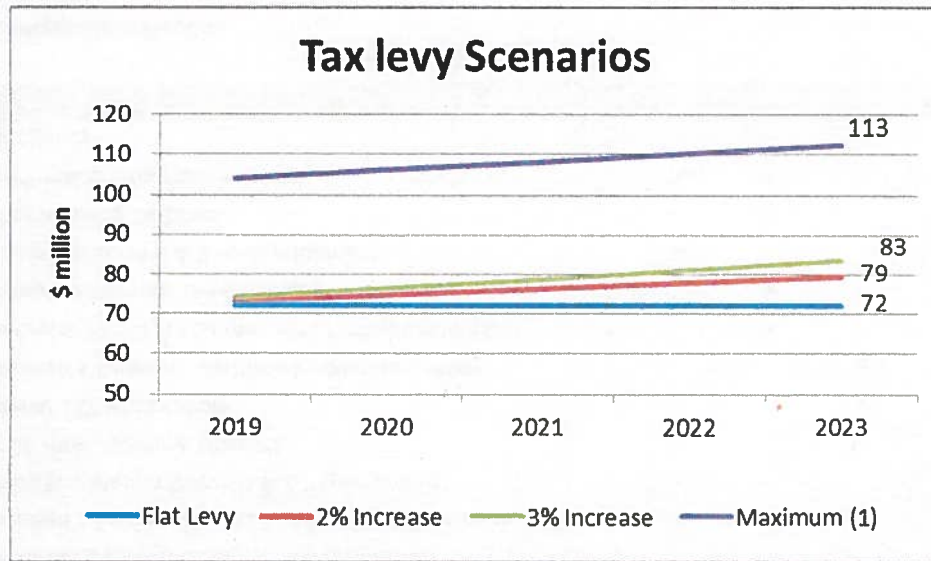
Tax levy Options

- A flat \$72 million tax levy over the next five years does not provide sufficient funding for the recommended CIP; the Port would need to forgo over \$100 million of investment opportunities
- By increasing the amount of the tax levy each year for the next five years, the Port can add capacity and keep up with inflation



(1) Includes the Harbor Development Fund

Tax Levy Scenarios: Taxpayer Impact



(1) Projected based on past experience

	Levy Amount (\$ M)	Millage Rate (per \$1000)	Median Taxpayer Cost
2018 (1)	72.0	\$0.1352	\$ 68.82
2019 (2)			
flat levy	72.0	\$0.1196	\$ 68.17
2% increase	73.4	\$0.1220	\$ 69.53
3% increase	74.2	\$0.1232	\$ 70.21

(1) per King County, the median home value was \$509,000

(2) based on (1), median home value in 2019 is estimated to be \$570,000

A 3% increase to the tax levy amount will add \$1.39 to the median home owner's tax in 2019 compared to 2018.

2019-2023 Projects Funded with 2% Annual Levy Increase

2% Annual Levy Increase

	Asset Stewardship	Financial Sustainability	Environment & Community	Readiness to Proceed	\$millions
Fishermen's Terminal Gateway Building		x		4	\$23.0
Bell Harbor Conference Center Modernization		x		4	\$9.9
Fishermen's Terminal Docks 3, 4 & 5 Fixed Pier Improvements	x			4	\$6.1
Salmon Bay Marina Docks D & E Replacement	x			4	\$5.9
Pier 66 HVAC Systems Upgrade	x			4	\$2.9
Terminal 117 Restoration			x	3	\$17.9
Fishermen's Terminal Maritime Innovation Center			x	3	\$10.5
New Cruise Facility (Assumes 50% Tenant Cost Share)		x		2	\$100.0
Terminal 91 Uplands Development		x		2	\$39.0
Terminal 91 Berth 6 & 8 Redevelopment	x			2	\$35.0
Harbor Mooring Dolphins		x		1	\$3.6
Small Projects/Projects Underway	-	-	-	-	\$24.7
Contingency	-	-	-	-	\$30.0
Total Funded with 2% Annual Levy Increase*					\$308.5
Waterfront Electrification			x	2	\$30.0
Contingency	-	-	-	-	\$10.0

*Current total estimated funding with 2% annual levy increase is \$310M

Readiness to proceed: 4 = imminent 3 = needs permit/plan 2 = 1+ year out 1 = significant work needed

2019 to 2023 CIP (\$ in millions)

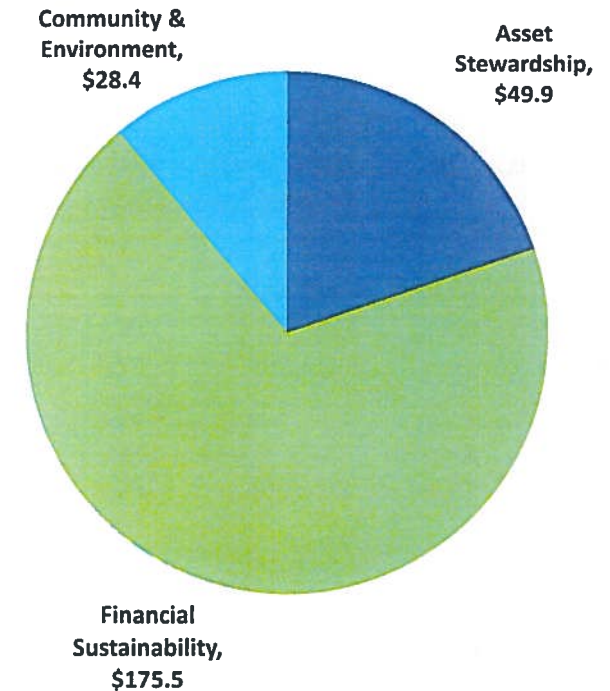
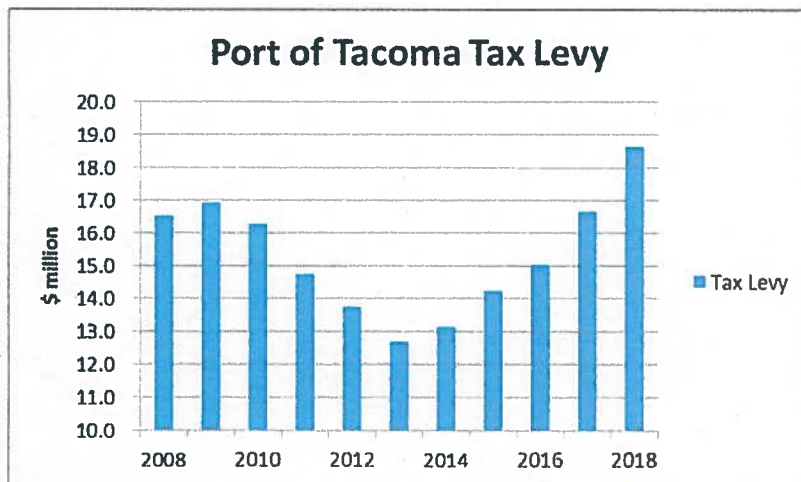


Chart does not include Contingency/Small Projects/Projects Underway or non MD/EDD Projects

Tacoma Flat Rate Levy: Staff Does Not Recommend

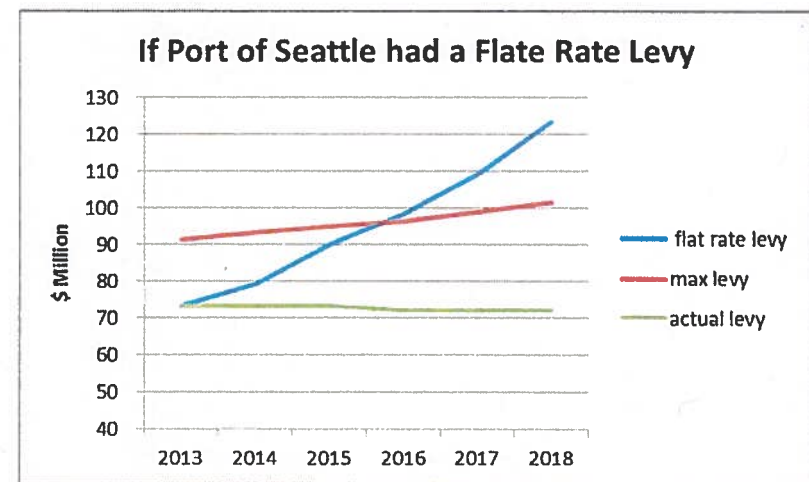
Levy becomes volatile making levy planning difficult

- Port of Tacoma lost 25% of its levy, then it grew by 47%



Growth in Assessed Value can outpace the annual increase in the maximum levy

- If the Port held it's rate flat, it would have reached its maximum levy



Asset Stewardship - Maritime Industry Economic Growth and Efficiency



Terminal 91 Berth 6 and 8 Redevelopment

This project preserves port assets that are essential to maritime industry economic growth and efficiency through redevelopment of pier moorings.

TOTAL COST: \$35 MILLION

PROJECT SUMMARY

Redevelop the vessel pier moorings and adjoining apron areas of Berths 6 and 8 along the northeast side of Pier 90 at Terminal 91 to help meet fishing fleet and commercial vessel demand.

Redevelopment includes:

- Demolition of approximately 62,250 sf of condemned existing timber apron and 830 LF of seawall (northerly portion of Berth 6 and entire Berth 8)
- Removal and relocation of existing gangway, floats and boathouses, small office structure, and reconstruction of approximately 830 LF concrete apron structure at 600 pounds per square foot.
- Project assumes no additional overwater coverage. Dredging would be under a separate project.

JUSTIFICATION

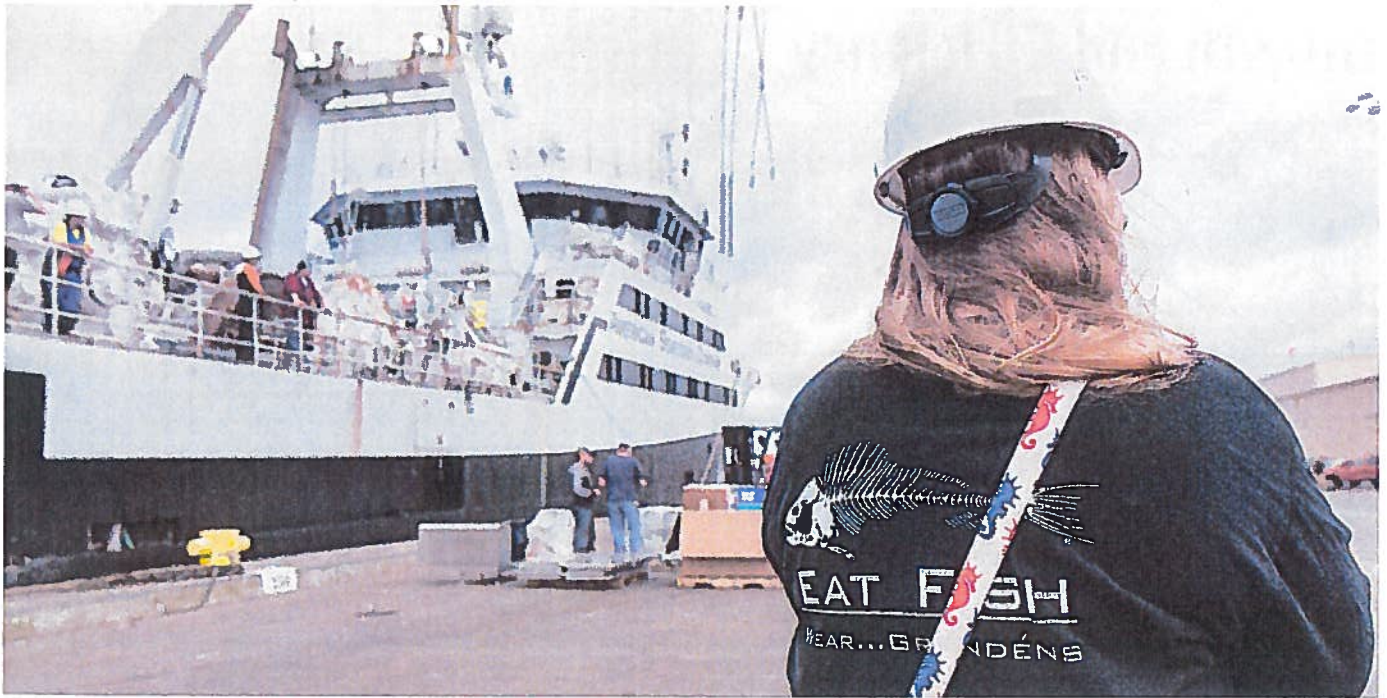
Asset and revenue preservation.

CENTURY AGENDA/LONG RANGE PLAN

This project supports the Port's Century Agenda by restoring capabilities of Pier 90 structure similar to the remaining Terminal 91 aprons.

BUSINESS PLAN OBJECTIVES

- Work with the terminal operators, fishing industry, tug boats, and other dock users to maximize the use of docks and upland buildings providing net income to the Port.
- Invest in strategic capital improvements to ensure long term viability of the North Pacific Fishing Fleet.



SUSTAINABILITY AND LIFE CYCLE COSTS

The Port will integrate sustainability and equity into review and design process for this project.

This project requires environmental permitting and review. Likely permits/approvals include:

- State Environmental Policy Act (SEPA) Review
- City of Seattle Shoreline Substantial Development Permit
- City of Seattle Construction Permit

Estimated Completion Date: Q4 2021

Asset Stewardship - Maritime Industry Economic Growth and Efficiency



Salmon Bay Marina Docks D and E Replacement

This project preserves port assets that are essential to maritime industry economic growth and efficiency through dock replacements and improvements.

TOTAL COST: \$5.9 MILLION

PROJECT SUMMARY

- Replacement of floating Docks D and E with new dock configuration permitted under the existing Master Use Permit (MUP).
- Work includes demolition of existing docks, dredge of area to 16' draft and replacement of docks with 12' wide concrete floating docks approximately 170' and 150' long, respectively.

JUSTIFICATION

- The Salmon Bay Marina site inspection report concluded existing docks have limited useful life remaining.

CENTURY AGENDA/LONG RANGE PLAN

- Use our influence as an institution to promote small business growth and workforce development.
- Increase customer satisfaction

BUSINESS PLAN OBJECTIVES

- Maximize the use of docks to provide net income to the Port by providing functional, safe and reliable docks for current and prospective customers.
- Meet or exceed future needs for recreational boating operations.
- Meet or exceed other future commercial operational boating operations.

Estimated Completion Date: Q3 2020

Asset Stewardship - Maritime Industry Economic Growth and Efficiency



Fishermen's Terminal Docks 3, 4, 5 Fixed Pier Improvements

This project preserves port assets that are essential to maritime industry economic growth and efficiency through improvements to dock facilities.

TOTAL COST: \$6 MILLION

PROJECT SUMMARY

- Install structural pile jacket on FT Docks 3 and 4 steel piling from the splash zone to 2 feet below the mudline to prevent corrosion and enhance pile capacity.
- Install pile wrap in the splash zone and cathodic protection system on Dock 5 steel piling.

JUSTIFICATION

Asset preservation

CENTURY AGENDA/LONG RANGE PLAN

Asset preservation

BUSINESS PLAN OBJECTIVES

Improve and maintain facilities to continue to support fishing industry and maintain assets that provide value to customers.

FINANCIAL ANALYSIS SUMMARY

This project preserves approximately \$370k in revenue per year.

Estimated Completion Date: Q1 2021

Asset Stewardship - Maritime Industry Economic Growth and Efficiency



Pier 66 HVAC Systems Upgrade

This project preserves port assets that are essential to maritime industry economic growth and efficiency through modernization of facilities.

TOTAL COST: \$2.9 MILLION

PROJECT SUMMARY

Comprehensive upgrade to replace remaining outdated HVAC controls, including one existing Cooling Tower, VFD's and other miscellaneous equipment as noted in the latest HVAC assessment for the facility.

JUSTIFICATION:

Upgrading the HVAC system is critical to tenants and customers while preserving the revenue of two significant business units.

CENTURY AGENDA/LONG RANGE PLAN

- Retain existing business by providing much needed modernization to the 24 year old international conference and event center areas that occupies the 3rd floor and the newly expanded cruise terminal.

- Maintain existing assets and improve their flexibility of use to ensure optimal financial performance is achieved.
- Invest in technological improvements to increase effectiveness of the facility to provide the same services our competitors are able to provide.
- Support the Port's Century Agenda goal of advancing this region as a business gateway by fostering collaboration, ideas exchange, and relationship building among attendees.

BUSINESS PLAN OBJECTIVES

- Ensure facility meets the expectations of occupants and is able to compete with other new or recently updated similar facilities in Seattle.
- Protect local jobs and maintain facility at a standard that retains existing customers and attracts new customers.

SUSTAINABILITY AND LIFE CYCLE COSTS

This project may require environmental permitting and review. Likely permits/approvals include:

- SEPA Exemption
- Shoreline Exemption
- ECA compliance

We are assuming that there will be no ground disturbance or increase in footprint.

Permitting effort is expected to be minor.

ALTERNATIVES CONSIDERED AND IMPLICATIONS

Alternative 1: Maintain Status Quo

- Though capital funds would not be expended with this option, maintenance cost will increase.
- The conference center and cruise terminal would likely lose potential business and revenue would also be affected.

Staff could proceed with implementing upgrades to portions of the facility, and complete the remaining improvements at a later time.

- Staff believes this would affect customer experience and the costs to implement the remaining upgrades would only increase due to inflation/escalations.



- This is not the recommended alternative.

Alternative 2: Proceed with the design and replacement of the HVAC control systems including the replacement and installation of various controls equipment and one cooling tower.

- This will reduce future risks and consequences to the HVAC system, including tenant and staff disruptions, should a failure occur.
- This is the recommended alternative.

Estimated Completion Date: Q4 2021

Long-Term Financial Sustainability



Fishermen's Terminal Redevelopment

This project improves the long term-financial stability of the Port by developing new light industrial space and creating new jobs.

TOTAL COST: \$24.5 MILLION (2019-2023: \$23 MILLION)

PROJECT SUMMARY

- New "Gateway" Building (in the area of the existing vacant bank building and Net Sheds 7 & 8) providing approximately 60k SF of new light industrial space for complementary maritime businesses. LEED Certification is targeted for the proposed building.
- General associated FT facility improvements including parking restriping, lighting upgrades, wayfinding signage, and new public interpretive displays.

JUSTIFICATION

- The market for light industrial real estate is still strong. Current rents are climbing 3% per year and vacancy rates are 3% across the region.
- The Port has received numerous inquiries from established fishing and maritime suppliers, many of which are well established and creditworthy.
- Strong markets and tenant interest is offset by possibility of recession over the next five years.

CENTURY AGENDA/LONG RANGE PLAN

- Continue to grow the economic value of the fishing and maritime cluster including the number of local jobs and business revenue
- Prioritize uses that support the commercial fishing industry, with a focus on anchoring the North Pacific fishing fleet

BUSINESS PLAN OBJECTIVES

- Develop new light industrial space and create new jobs
- Generate new revenue and ensure FT's economic viability
- Advance maritime industry innovation
- Enhance public awareness of the terminal and fishing industry
- Modernize overall property

PRELIMINARY FINANCIAL ANALYSIS SUMMARY

PROJECTED IRR: 5-5.5%
NPV: (6.9M)
PAYBACK: 20 YEARS

Long-Term Financial Sustainability



Bell Harbor International Conference Center Modernization

This project improves the long-term financial stability of the Port by advancing the region by generating future revenue.

TOTAL COST: \$11 MILLION (2019-2023: \$9.9 MILLION)

PROJECT SUMMARY

Modernize Bell Harbor International Conference Center by improving both aesthetics and functionality of space.

Preliminary scope items include:

- Reconfiguration of front lobby/reception and conference room area.
- Creation of expanded leasable area
- Operable/stacking walls and access control/separation of areas for event use
- Replacement of carpet
- Upgrade of audio/visual equipment and installation of energy efficient lighting and new lighting controls
- Upgrade electrical power, wireless infrastructure, and mechanical systems
- Reconfigure spaces/adding seating in Bay Auditorium
- installation of new window coverings

JUSTIFICATION:

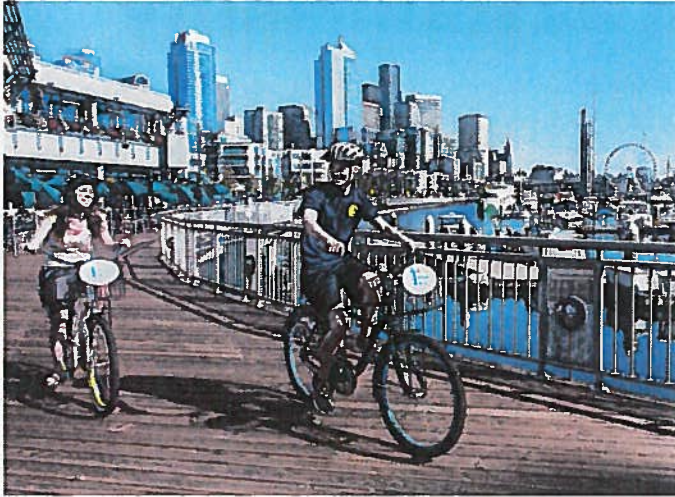
BHICC occupies a niche position in the local conference and event market as a mid-sized, flexible event space. It will be able to compete in the future as long as it is brought up to date. This market is strong and projected to remain strong. Strong markets and user interest could be offset by the risk over time of economic downturn and possible decline in demand for events.

CENTURY AGENDA/LONG RANGE PLAN

Supports the Port's Century Agenda goal of advancing this region as a business gateway by fostering collaboration, ideas exchange, and relationship building among attendees.

BUSINESS PLAN OBJECTIVES

- Maintain existing assets and improve their flexibility of use to ensure optimal financial performance is achieved.
- In order to remain competitive, invest in technological improvements to increase effectiveness and enable this facility to provide the same audio visual and digital wayfinding services its competitors provide.



PRELIMINARY FINANCIAL ANALYSIS SUMMARY*

PROJECTED IRR: 7-8%
NPV: \$2.2M
PAYBACK: 8.9 YEARS

* Based on proforma estimates from CHI.

OVERVIEW OF THE BELL HARBOR INTERNATIONAL CONFERENCE CENTER

Bell Harbor International Conference Center (BHICC) has been a major success over the past twenty-two years. It has helped anchor Seattle's waterfront revitalization, generated significant international interest in the region, contributed significant economic impacts to the region and become an asset that contributes to the Port's bottom line.

ACHIEVEMENTS

BHICC has achieved multi-faceted success beyond the successes described above. Its contribution to the local economy over the past twenty-two years is estimated at \$250M. Efforts to support the Port's green initiatives resulted in being awarded the 4 Star Envirostar Rating and Code of Sustainability Award – Gold Tier. In addition, because of its operational success, BHICC is a two time recipient of the National Planners Choice Award.

INTERNATIONAL VISITORS

Validating the "International" in its name, BHICC has garnered exposure all over the world. The World Trade Center Seattle (WTCSE) also welcomes guests from many different countries on an ongoing basis:

- Hosted guests from over 96 different countries
- Staged almost \$15 million in international business (10% of the total revenue from groups with attendees from all over the world)

STRONG PARTNERSHIPS

The Port and Columbia Hospitality (CHI) have been strong partners from the beginning. They were initially selected to help the Port develop the unique business model of a non-residential conference center. While they had many years' experience in event production and management, the Port was their first client in the role of conference center manager. Together, a successful and profitable business was developed that met the Port's goals and objectives.

In advance of the initial contract expiration in 2012, Port staff (in conjunction with well-known consultant David Smith & Co) initiated a national Request for Proposal for a management company. It was a very competitive process and the Port received multiple credible proposals but ultimately Columbia Hospitality was unanimously selected for another term.

Since its inception, CHI has steadily grown its portfolio, creating one of the largest hospitality management companies based in the Northwest. Columbia employs more than 3,000 team members at properties in Washington, Idaho, Montana, California, Arizona and Hawaii. In addition to expanding their management portfolio, CHI has consulted on over 200 hospitality projects worldwide.

HISTORY OF FINANCIAL PERFORMANCE

- The Port of Seattle's Conference and Event Centers have welcomed over 2 million local, regional, national, and international visitors (Well over 100,000 guests per year).
- Hosted over 30,000 events (Over 1,500 every year).

Estimated Completion Date: Q3 2020

Long-Term Financial Sustainability



Harbor Mooring Dolphins

This project improves the long-term financial stability of the Port by increasing moorage capacity for maritime barge and commercial vessels.

TOTAL COST: \$3.6 million

PROJECT SUMMARY

Construct four new steel dolphins approximately 50' from the shore line, identical in nature to T18 N Dolphins.

JUSTIFICATION

- The market for dolphins in the harbor has been increasing. With the likely decommissioning of the dolphins at Pier 2, there will be a shortage of barge moorage near the mouth of the river.
- Staging areas are needed for barges awaiting harbor tugs to transport into the river and for loaded barges waiting to be picked up for long-haul runs to Alaska and elsewhere.
- Additionally, with the continued increase in size and numbers of cruise vessels calling at the Port of Seattle, we have seen an increase in fuel barge demand locally.

CENTURY AGENDA/LONG RANGE PLAN

- The new dolphins will help continue to position the Puget Sound as a premier logistics hub by providing additional capacity for maritime barges and commercial vessels.

- Dolphins will help the Port increase the value of fishing and maritime cluster.
- The new dolphins will accommodate fuel barges that are in higher demand due to the continued growth of Cruise operations in our harbor.

BUSINESS PLAN OBJECTIVES

- Maintaining an adequate supply of functional industrial moorage for barges and other commercial vessels is essential to a healthy working port and harbor. The supply of industrial moorage in our harbor has declined, while demand for such moorage has grown.
- Federal security requirements for moorage of fuel barges have exacerbated the shortage of suitable moorage for that sector.
- This project would restore moorage capacity that was removed from service due to age and deterioration.

PRELIMINARY FINANCIAL ANALYSIS SUMMARY

PROJECTED IRR: 6.5-7%

NPV: \$1.8M

PAYBACK: 11 YEAR

Estimated Completion Date: Q3 2020

Long-Term Financial Sustainability



Terminal 91 Uplands

This project improves the long-term financial stability of the Port by creating infrastructure to support new jobs, generate new revenue, and advance maritime innovation.

TOTAL COST: \$39 MILLION

PROJECT SUMMARY

Develop two 50,000 square foot light industrial buildings and associated site infrastructure improvement including, but not necessarily limited to: paving, water, sanitary sewers, storm sewers, lighting, electrical power, natural gas, communications, and landscaping.

JUSTIFICATION:

- The market for light industrial real estate is still strong. Current rents are climbing +3% per year and vacancy rates are under 2% across the region.
- The Port has received numerous inquiries from established fishing and maritime suppliers, many of which are well established and creditworthy.
- Strong markets and tenant interest is offset by possibility of recession over next five years. The Port may face lower occupancy rates at these facilities during the downturn especially if they are leased to multiple tenants.

CENTURY AGENDA/LONG RANGE PLAN

- The new facilities will support fishing and maritime supply chain companies needing to expand within the Ballard/Interbay Manufacturing Industrial Center.
- The Port has received strong interest from expanding fishing equipment manufacturers and maritime manufacturing companies who want to locate new facilities proximate to the fishing fleet and maritime supply chain.
- These new facilities will be part of the Port's maritime innovation center where companies collaborate to grow and modernize operations.

BUSINESS PLAN OBJECTIVES

- Support new jobs
- Generate new revenue
- Advance maritime innovation

PRELIMINARY FINANCIAL ANALYSIS SUMMARY

PROJECTED IRR: 5-6%

NPV: (8.71M)

PAYBACK: 17 YEARS

Estimated Completion Date: Q3 2021

Long-Term Financial Sustainability



New cruise terminal

This project improves the long-term financial stability of the Port by developing a new cruise berth and passenger terminal to leverage the global demand for cruise and support an increased economic benefit for the region, while maintaining our deep water facilities for maritime use.

TOTAL COST: \$100 MILLION in Port cost (assumes 50% cost share with private investment)

PROJECT SUMMARY

- Provide a new fourth cruise berth alongside continuing container operations to support an efficient and productive use of Seattle's working waterfront as well as remaining consistent with Northwest Seaport Alliance goals.
- Work with our partners and key stakeholders to ensure we develop a facility that will provide strong public benefits and opportunities to celebrate our region's rich heritage.
- The project will support deep water facilities and industrial lands serving maritime uses and preserving family wage jobs for all communities.

JUSTIFICATION:

- Strong demand for the Alaska cruise market creates opportunities to increase both Port revenues and economic benefits to the region.
- A new berth complements state and local economic development goals to increase tourism revenue and increase connectivity to the redeveloped Seattle waterfront.
- The cruise industry currently generates \$500 million a season in revenue for local businesses. In providing another cruise berth, the Port will support broadening that benefit for the region.

- Expand the public's access to the waterfront and set a new standard for walkability, sustainability and connectivity.

CENTURY AGENDA/LONG RANGE PLAN

- The new terminal will support our goal to double the economic value of the cruise traffic to Washington state.
- Growing our cruise business will support the advancement of our region as a leading touring destination and business gateway.
- The new facility will also support economic opportunities for small business and women and minority business enterprise growth.

BUSINESS PLAN OBJECTIVES

- Increase cruise revenue while growing the benefits of cruise for our regional economy.
- Develop a new cruise terminal with additional big ship berth capacity and future expansion.
- Build support of cruise business with our community and local business.

PRELIMINARY FINANCIAL ANALYSIS SUMMARY

PROJECTED IRR: 10-11%

NPV: \$267.3M

PAYBACK: 9 YEARS

Estimated Completion Date: Q2 2022

Community and Environmental Health



Waterfront Electrification - Shore Power at Pier 66

This project benefits community and environmental health through investments in the reduction of maritime emissions and is an important step in our plan to provide reliable, efficient, clean, and resilient power throughout the harbor.

TOTAL COST AND PROJECT COST BREAKDOWN

\$30 MILLION

PROJECT SUMMARY

- Perform on-site and off-site work to create dual voltage 20 MW shore power system for the single cruise ship berth at Pier 66 and other cruise and container ship facilities.
- Take next steps towards electrifying the Seattle waterfront, building upon success at Terminal 91 and the Smith Cove Cruise Terminal and plans to provide shore power at Terminal 5.
- Perform on-site and off-site work to create dual voltage 20 MW shore power system for the single cruise ship berth at Pier 66.
- Off-site costs include an upgrade to the utility for adequate 20 MW load capacity. This work amounts to more than one mile of trenching through busy downtown streets to lay new conduits, ductbanks, and cables.
- On-site work includes new conduits, cables, and the installation of new equipment such as transformers, switchgears, cables, and a cable positioning device at the bullrail.

- The feasibility and availability of using renewable energy and lower cost alternatives would be explored during design.

JUSTIFICATION

- To be the greenest and most energy efficient port in North America, shore power is emerging as the most effective technique to reduce Port-related maritime air emissions here in the Northwest.
- The project would significantly reduce greenhouse gas emissions from cruise vessels at berth, improving air quality for the highest density of employment and residences in its proximity.

BUSINESS PLAN OBJECTIVES

- Determine customer needs and deliver. Norwegian Cruise Lines has now retrofitted some of their vessels with shore power, therefore the Port of Seattle can leverage that investment to reduce emissions in our harbor.
- Reliability of shore power is important to our customers and higher capacity equipment would allow the Port to meet customer needs for the upcoming years as vessels' electrical demands increase.



SUSTAINABILITY AND LIFE CYCLE COSTS

The Port is in the process of implementing improvements to its project review and design process to integrate sustainability and equity into project development for capital development projects.

This project requires environmental permitting and review. Likely permits/approvals include:

- State Environmental Policy Act (SEPA) Review
- City of Seattle Shoreline Substantial Development Permit
- City of Seattle Construction Permit

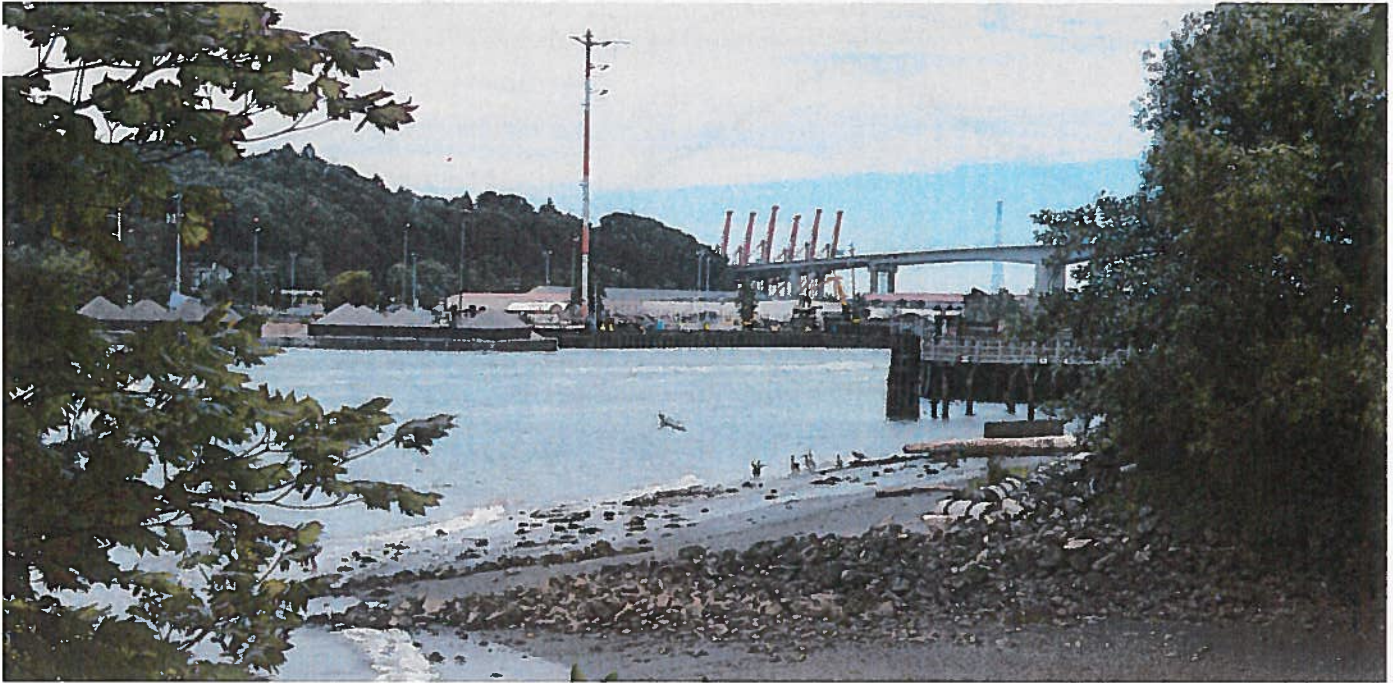
Approvals from the U.S. Army Corps of Engineers and the Washington Department of Fish and Wildlife may also be required depending on location and the need of equipment. Complex permitting effort required.

ALTERNATIVES CONSIDERED AND IMPLICATIONS

An alternative to shore power is a requirement for the vessels to burn cleaner fuels while in the harbor. However the air quality and economic benefits are not as great and we now find ourselves in the situation of the customer having invested considerable capital into making the vessel ready to accept shore power.

Estimated Completion Date: 2022

Community and Environmental Health



Terminal 117 Duwamish River Habitat Restoration and Public Access Project

This project benefits community and environmental health through investments in fish and wildlife habitat restoration and access to parks and green space.

TOTAL COST AND PROJECT COST BREAKDOWN

Staff intends to request **\$17.9 million** in 2019, pending agency approvals.

*Does not represent full project cost.

PROJECT SUMMARY

Construct a 13-acre habitat restoration project at T117. This terminal is in the South Park neighborhood and the project will provide needed public access to the river.

JUSTIFICATION

- This project will improve fish and wildlife habitat, supporting chinook recovery goals. It will also include educational environmental interpretation.
- Shoreline public access will be incorporated into the project, benefiting our near-Port neighbors. Facilities will include a hand-carry boat launch, pier, viewpoint, seating, bike rack, lighting, public art, and trails.

CENTURY AGENDA/LONG RANGE PLAN

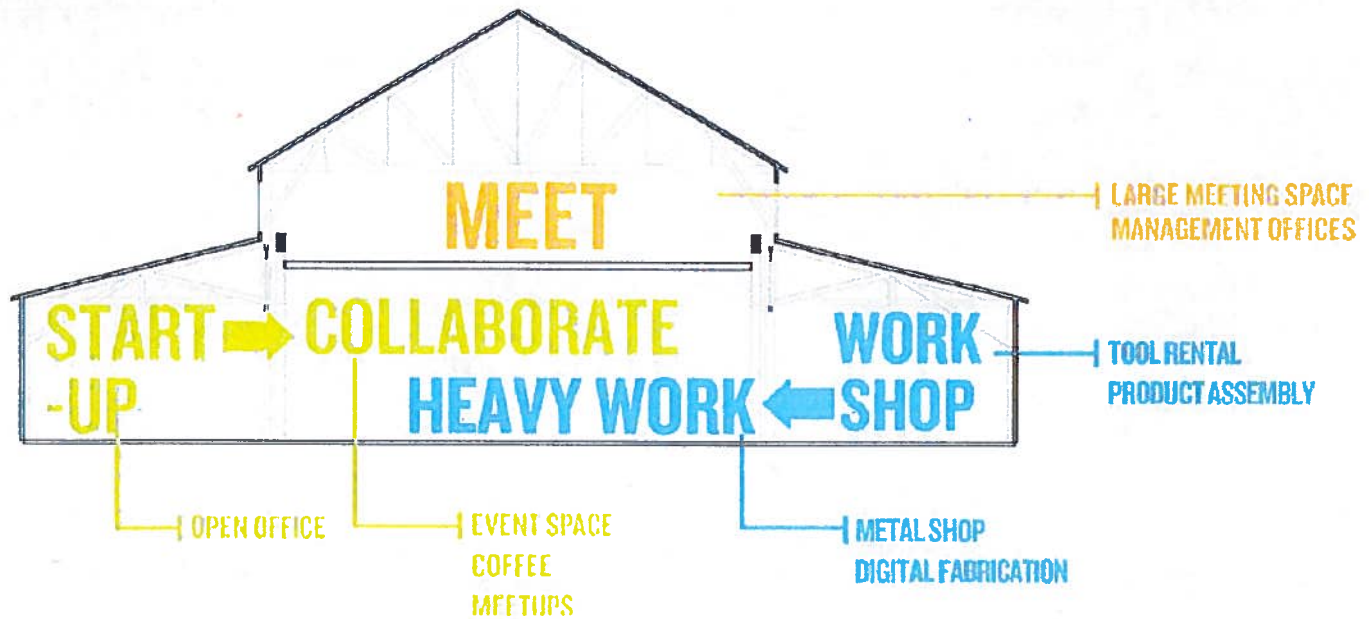
- The project will create 13 acres of fish and wildlife habitat that will contribute to the Century Agenda goal to “create, restore, or enhance 40 additional acres of habitat on the Green-Duwamish Watershed and Elliott Bay.”
- The project will support LRP objectives related to greenhouse gas emission reductions by sequestering carbon in upland and wetland plants.

BUSINESS PLAN OBJECTIVES

Shoreline public access features will benefit South Park, an environmental justice community, along the Port’s fence line.

Estimated Completion Date: Q2 2020

Modernizing Seattle's Working Waterfront



Maritime Innovation Center

This project preserves the Port's historic Ship Supply Building and renovates it into an innovation center that can help drive maritime industry growth and entrepreneurship.

TOTAL COST: \$10.5 MILLION

PROJECT SUMMARY

Renovation of the existing Seattle Ship Supply Building to a core and shell level of completion to support the Maritime Innovation Center and a larger maritime innovation district.

JUSTIFICATION:

- The Port of Seattle's Maritime Innovation Center will help the region's maritime industry adopt advanced technologies and stimulate innovative entrepreneurship.
- Promoting knowledge transfer, business incubation, and workforce development are the biggest needs in terms of addressing maritime innovation challenges and opportunities.
- This Innovation Center can help sustain maritime industries and help the Port of Seattle modernize operations and key lines of business.

CENTURY AGENDA/LONG RANGE PLAN

- Continue to grow the economic value of the fishing and maritime cluster including the number of local jobs and business revenue

BUSINESS PLAN OBJECTIVES

- Advance maritime industry innovation
- Enhance public awareness of the terminal and fishing industry
- Modernize overall property and create a facility that supports maritime industry events and initiatives.

PRELIMINARY FINANCIAL ANALYSIS SUMMARY

PROJECTED IRR: XXX

NPV: X

PAYBACK: XX YEARS

Estimated Completion Date: Q1 2022