



**COMMISSION
AGENDA MEMORANDUM**

Item No. 7b

BRIEFING ITEM

Date of Meeting March 10, 2020

DATE: February 26, 2020

TO: Stephen P. Metruck, Executive Director

FROM: Dave McFadden, Managing Director, Economic Development Division
Kyra Lise, Director, Real Estate & Economic Development

SUBJECT: Real Estate Strategic Plan Update

EXECUTIVE SUMMARY

Port staff is starting to develop a new real estate strategic plan. Our team will be working with the Heartland LLC (HTLand) to evaluate current Port properties and analyze sites throughout King County that could be acquired or controlled by the Port to support the Century agenda, our key lines of business and other top Port priorities.

Staff will brief the Commission on previous plan results as well as 2020 plan goals and timelines. Port staff then will work HTLand and internal and external advisory groups to develop the new plan between March and September.

CURRENT PLANNING EFFORT

The plan will address the certain key questions and issues related to the Port's real estate portfolio and help guide the priorities of the Real Estate development team for the next 3-5 years:

1. Identify current market trends for industrial property within the Puget Sound region and key Seattle submarkets (Ballard/Interbay and SODO).
2. Evaluate 2016 plan strategies and results to determine lessons learned that should guide current planning efforts
3. Determine highest and best uses for key Port properties
 - Identify development objectives and outcomes for each property
 - Update plans, strategies, timelines and finance proformas for each property
 - Recommend whether any Port properties should be sold/traded
4. Identify strategic land acquisition opportunities and develop evaluation methodology and standards for prioritizing purchase opportunities
5. Evaluate funding options and opportunities to support priority Real Estate Development projects/initiatives
6. Provide implementation recommendations that support the Port's ongoing Real Estate development initiatives

Industrial Market Trends *Placeholder for Irwin Park's industrial market snapshot*

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Properties Being Evaluated

The Economic Development Division has taken a comprehensive look at the Port’s real estate portfolio. Staff is focusing the real estate strategic plan on every Port property that can support industrial or commercial development. This does exclude Seaport Alliance terminals, sites impacted by the SAMP, sites nearing development like NERA in Burien, and a few small sites (ex. Terminal 16/17).

The following properties will be evaluated during the strategic planning process:

- Salmon Bay Marina
- Terminal 91
- Fishermen’s Terminal
- Terminal 91 Uplands
- Pier 69
- Harbor Marina Corporate Center
- World Trade Center West

For a variety of reasons, the following properties will not be evaluated:

SAMP impacted: 55 acre, L-Shape, 13 acre and SASA

Fully developed: Des Moines Creek Business Park, Des Moines Creek North, NERA 2 and 3, Maritime Industrial Center

NWSA properties: Terminals 5,10, 18, 25, 30, 46, 103, 104, 105, 107, 108, 115 and 117

Current/pending RFPs: Des Moines Creek West, CEM, Pier 2 and Terminal 106

Timelines/Milestones

The current strategic planning schedule includes 13 meetings/briefings:

Timelines/ Milestones	Feb	Mar	April	May	June	July	August	September	October
Port RE Team		1	2	3	4	5	6	7	
External Advisory Committee			1		2			3	
Port Commission		1				2			3

Staff is organizing an internal real estate team that will meet monthly to help guide the project. We will also establish an external advisory committee to review progress, findings and recommendations. Three Commission briefings are also scheduled during the planning effort.

Successful real estate development initiatives can help support the Century Agenda and top Port goals:

- Grow as an international logistics hub
- Sustain fishing, cruise and other maritime industries

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- Advance equitable economic development
- Enhance and protect industrial lands
- Advance sustainability and energy efficiency
- Generate income to help sustain Port operations and investments

ADDITIONAL BACKGROUND

The Port of Seattle’s real estate development department is working on a new real estate strategic plan that will update the plan we completed in 2016. Matt Anderson with the Heartland LLC (HTLand) will help lead this planning effort again. We are pleased with the actionable plan he developed four years ago that has driven tangible real estate development projects:

- Development of NERA 2 & 3 properties in Burien
- Development of Des Moines Creek North property in SeaTac
- Terminal 91 Uplands light industrial facility development (in design)
- Pier 2 lease for long term water taxi terminal (negotiating lease with King County)
- Terminal 106 redevelopment (negotiating lease with prime respondent)

NERA 2 & 3

Port staff leased the site to Panattoni through a competitive RFP. Panattoni leased the properties for \$0.88 per square foot or \$1,004,319/year. Lease includes base rent and market rate adjustments over term of lease (55 years + two-ten-year options to extend). Panattoni built two buildings totaling 458,000 square feet. The new facilities collectively support approximately 100 employees. The tenant mix includes distribution companies and aviation supportive logistics. Linear Logistics occupies a facility on an adjacent NERA property that was developed by the City of Burien.

Des Moines Creek North

Port staff leased the site to Trammel Crow through a competitive RFP. Trammel Crow leased the properties for \$0.85 per square foot or \$831,974/year. Lease includes base rent and market rate adjustments over term of lease (55 years + (2) two - (10) ten-year options to extend). Trammel Crow built one building totaling 465,000 square feet. Tenants include Amazon and Alaska Airlines.

Terminal 91 Uplands Development

Port staff is currently in the beginning of the design stage of phase 1 of the Terminal 91 Uplands. Phase 1 will include two 50,000 square foot light industrial buildings to support maritime manufacturers and fishing industry suppliers in the Ballard Interbay Manufacturing Industrial Center (“BINMIC”). These light industrial buildings will be developed by the Port of Seattle and leased at a market rate. The permitting will include a Major Phased Development land use permit. This will allow additional and future development at Terminal 91 for the next 15 years.

Pier 2 Redevelopment

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Port staff issued an RFP in 2017 to redevelop Pier 2. Staff is currently negotiating a lease with the preferred respondent to the RFP and expects to finalize a lease agreement this summer.

Terminal 106 Redevelopment

Port staff is currently negotiating a lease provided to us by the top proposer from the RFP that was issued last spring (2019).

Salmon Bay Marina Acquisition

The Port of Seattle purchased this property in 2018. It is adjacent to Fishermen’s Terminal and was identified as a strategic acquisition in the 2016 Real Estate strategic plan.

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ATTACHMENTS TO THIS BRIEFING

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

October 25, 2016 – The Commission was brief on the real estate strategic plan.

March 8, 2016 – The Commission was briefed on the development of a real estate plan.