

Item No.	7b supp
Date of Meeting	March 10, 2020

# 2020 Real Estate Strategic Plan

# Overview

1. Review 2016 plan and resulting Port real estate development initiatives completed or underway
2. Highlight goals and outcomes for new updated R/E Development Strategic Plan
3. Orient Commissioners about key dates and project milestones



# Why Port Real Estate Development?

## Leverage Real Estate to:

### 1. Support Century Agenda and top Port goals

- Grow as an international logistics hub
- Sustain fishing, cruise and other maritime industries
- Drive regional economic development opportunities
- Enhance and protect industrial lands
- Advance sustainability and energy efficiency

### 2. Generate revenue and jobs

### 3. Support Divisional Initiatives

# 2016 Real Estate Strategic Plan Recap

- 1. Completed research on Port properties** to identify zoning, assessed value, environmental history, previous uses, revenue generated, etc.
- 2. Identified highest and best uses** for Port properties
  - Developed specific plans for Port based on preferred development scenarios.
- 3. Evaluated non-Port property acquisition options**
  - Also prioritized sites adjacent to Port properties

# Real Estate Development Plan Implementation

## ☑ Developed Des Moines Creek Business Park

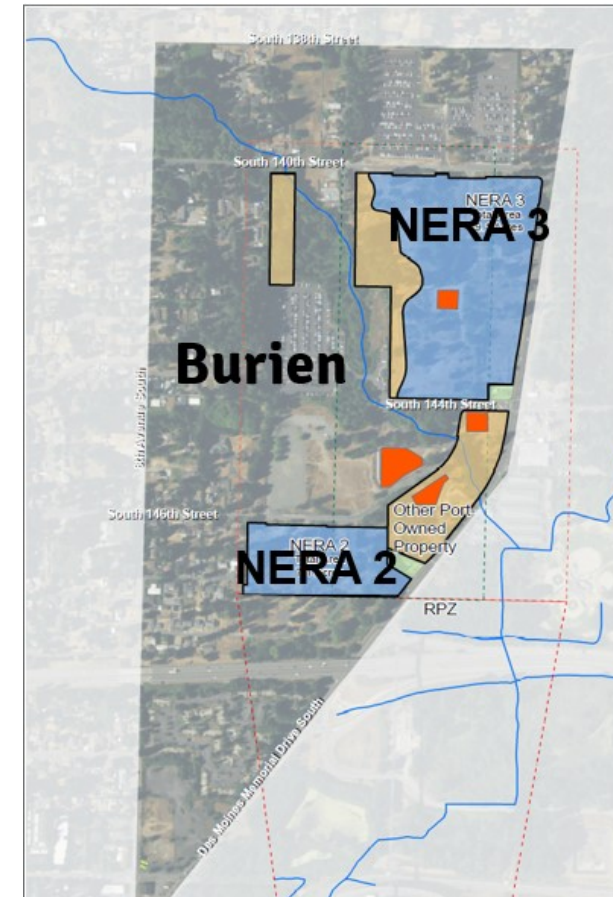
- Panattoni ground leases property from Port and develops 1.3 MM square feet of light industrial and office space. 2016 economic impact study showed 3500 jobs supported at site.

## ☑ Developed North East Redevelopment Area (NERA) property in Burien

- Panattoni ground leases property from Port and develops 459,000 square feet of light industrial warehouse space

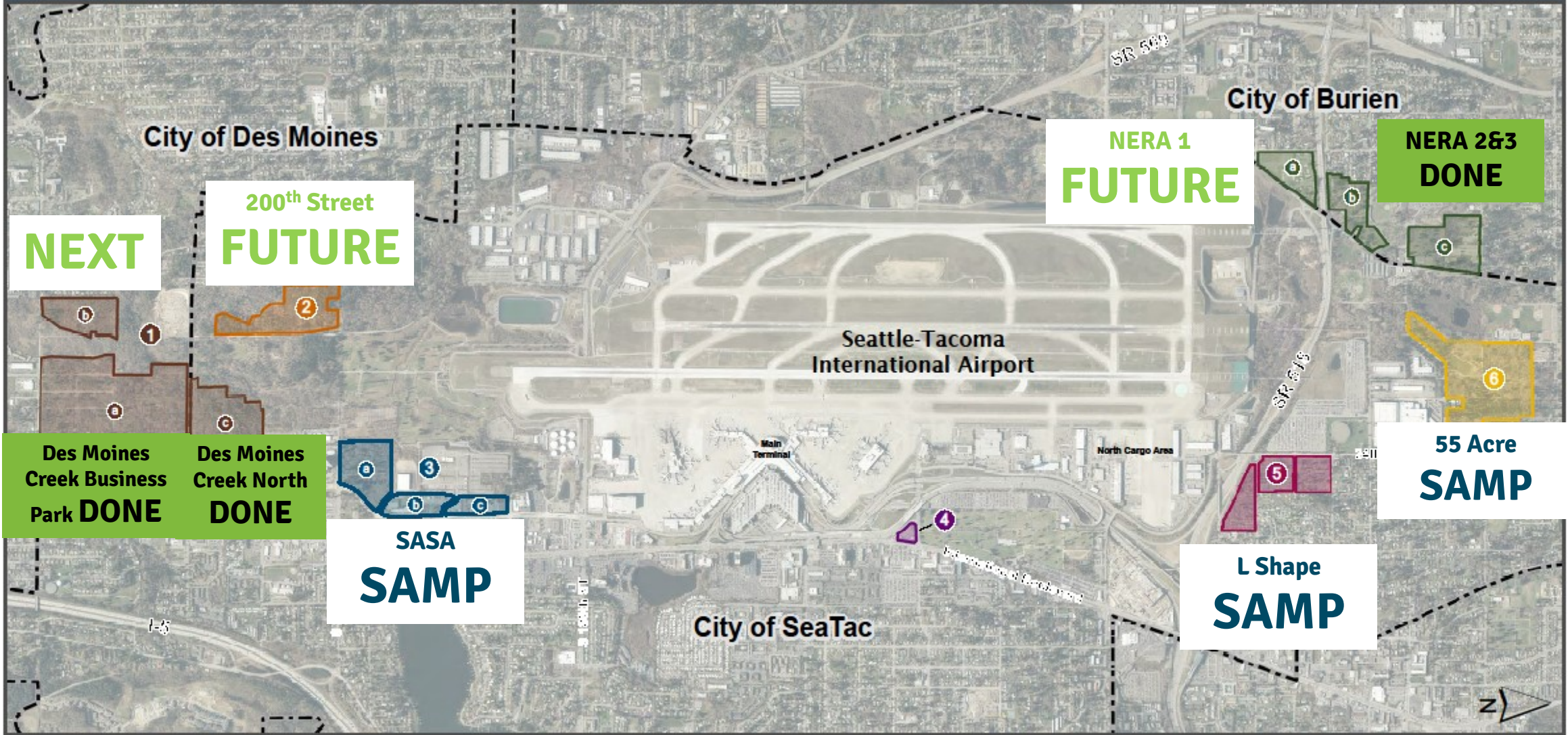
## ☑ Developed Des Moines Creek North property in Seatac

- Trammell Crow/IAC Development ground leases property and develops 460,000 square foot light industrial building





# Port of Seattle Economic Development Opportunities





## Real Estate Development Plan Implementation cont.

- ☑ Pending developments at Terminal 106 and Pier 2 based on ground lease RFPs
- ☑ Completed infrastructure assessment for Terminal 91 Uplands and now designing 100,000 square feet of light industrial flex facilities
- ☑ Purchased Salmon Bay Marina



# 2020 Real Estate Strategic Plan

- 1. Identify current market trends for industrial property** within the Puget Sound region and key Seattle submarkets (Ballard/Interbay and SODO).
- 2. Determine highest and best uses for select Port properties**
  - Identify development objectives and outcomes for each property
  - Determine whether any Port properties should be surplus/traded



Pier 2 and Jack Block Park



# 2020 Real Estate Strategic Plan

- 3. Identify strategic land acquisition opportunities** and develop evaluation methodology and standards for prioritizing purchase opportunities
- 4. Evaluate funding options and opportunities** to support priority Real Estate Development projects/initiatives
- 5. Provide implementation recommendations** that support the Port's ongoing Real Estate development initiatives



New Light Industrial Building at Des Moines Creek North Property

# Strong Puget Sound Industrial Market

## Strengths

- 4.7% Vacancy Rate (End of 2019)

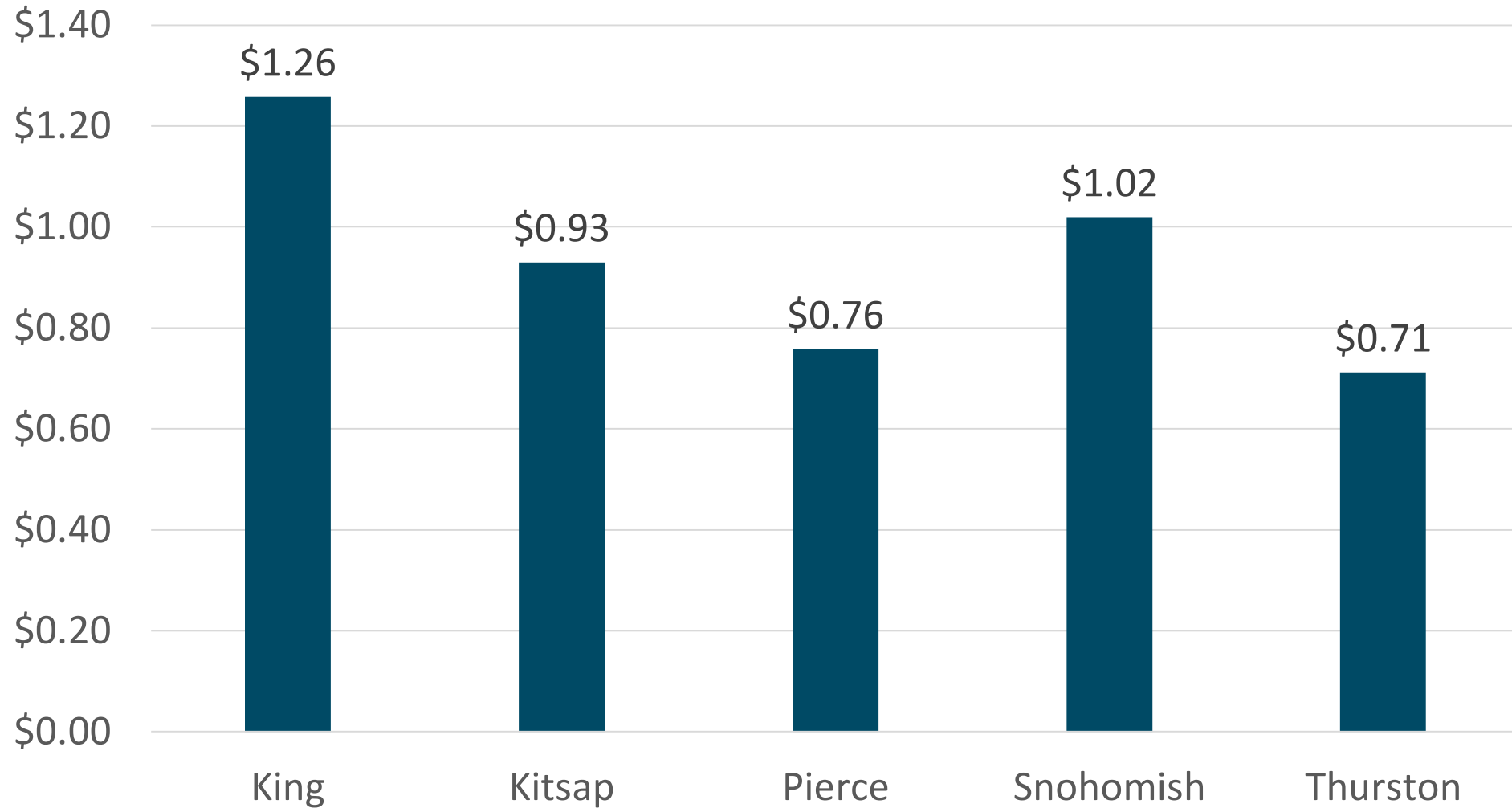
## Trends

- 6.71% average annual increase in rent over the last 5 years

## Growth

- 8,000,000sf of industrial leasing demand
- 64% of that industrial demand is for distribution/ecommerce\*

## Average Monthly Rental Rates Per County (\$/sf/mo as of Feb 2020)



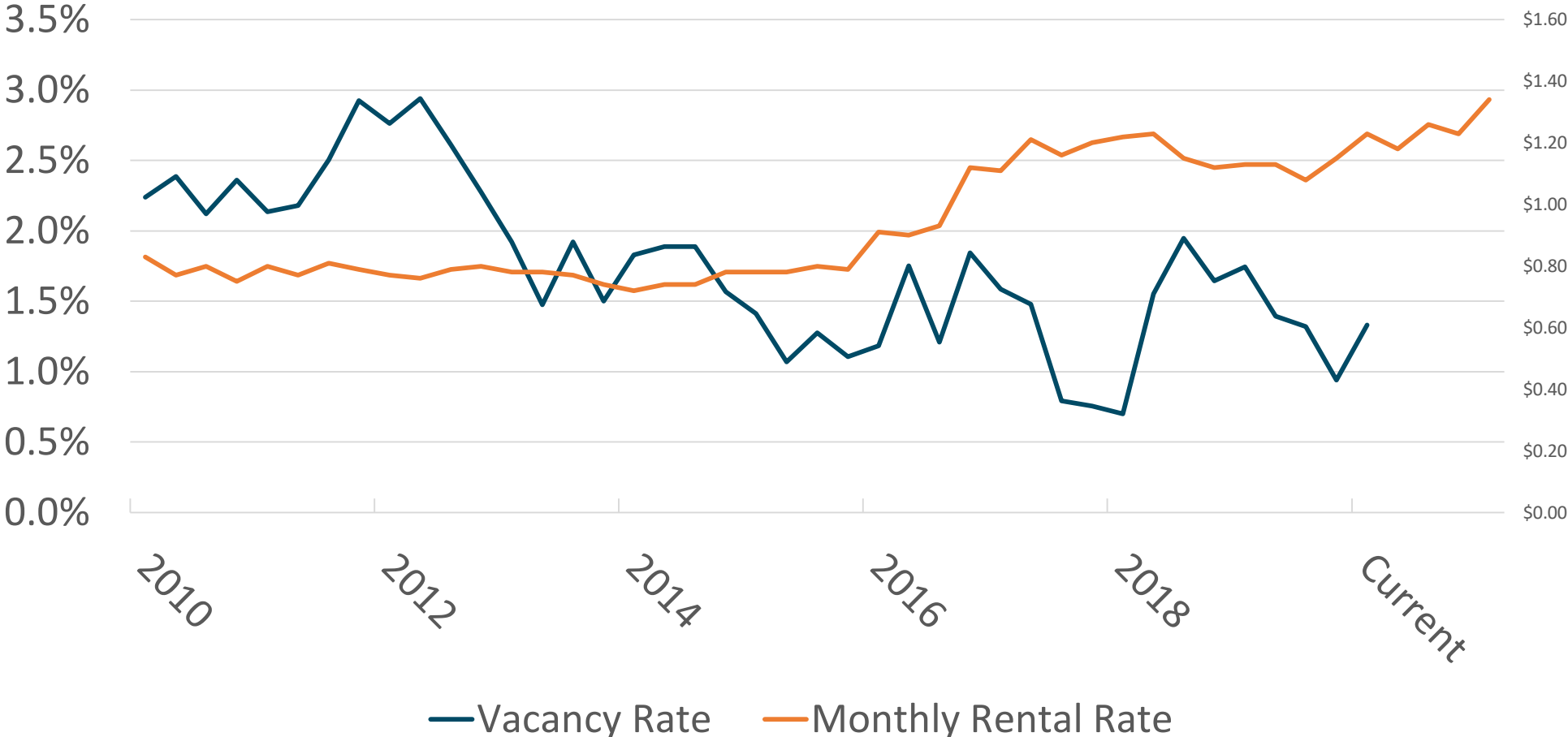
King and Pierce County are the primary industrial real estate centers of the Puget Sound region. The County average rates are based on new and existing product,



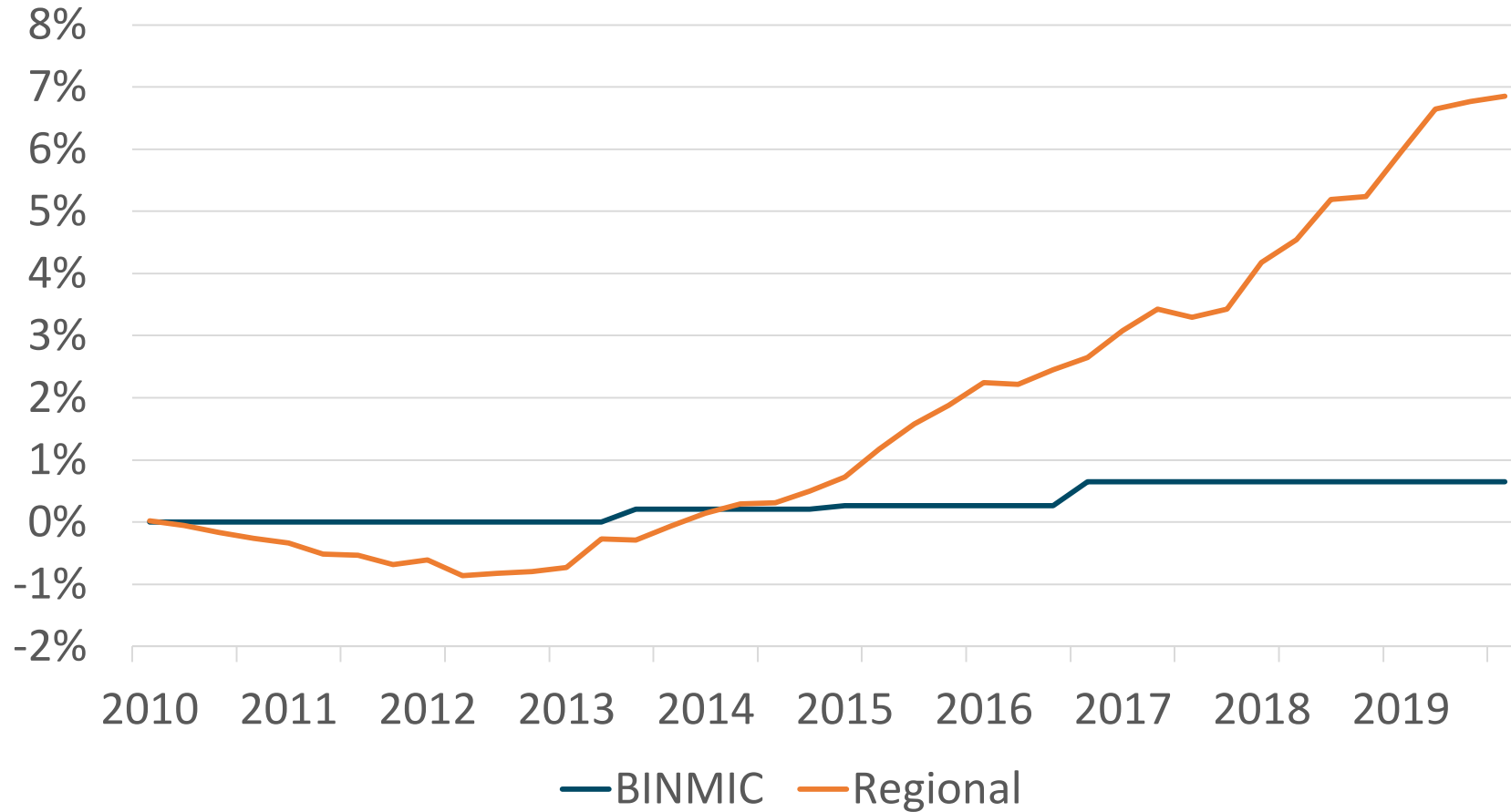
# Ballard Interbay Submarket Summary

- \$1.83/sf/mo + NNN for new flex product
- CoStar Q2 2017 Flex Submarket quoted rates of \$22.14/sf/year.
- ~328,500sf to 547,500sf of industrial and flex real estate demand
- There is approximately 225,063sf of vacant space in the BINMIC
- No new industrial/flex product delivering in the next 12 months
- Majority of the BINMIC requirements are less than 10,000sf requirements
  - Truck Access: Despite the prime location, truck access limits growth for larger tenants, but drives growth for users requiring space in the 10,000 SF range.

# BINMIC Vacancy and Rental Rates (2010 to Feb 2020)



# BINMIC vs Puget Sound Region (Percent Change in Total Available SF)





# Port of Seattle Properties Being Evaluated

- 200<sup>th</sup> Street
- NERA 1
- Salmon Bay Marina
- Fishermen's Terminal
- Terminal 91
- Terminal 91 Uplands
- Pier 69
- Harbor Marina Corporate Center
- World Trade Center West

# Port-Owned Properties Are NOT Being Evaluated

## SAMP Impacted

55 acre

L-shape

13 acre

SASA

## Fully Developed

Des Moines Creek Business Park

Des Moines Creek North

NERA 2 and 3

Maritime Industrial Center

## NWSA Properties

Terminal 5

Terminal 10

Terminal 18

Terminal 25

Terminal 30

Terminal 46

Terminal 103

Terminal 104

Terminal 105

Terminal 107

Terminal 108

Terminal 115

Terminal 117

## Current /Pending RFPs

Des Moines Creek W (releasing RFP in May)

CEM (releasing RFP in May)

Pier 2 (negotiating ground lease)

Terminal 106 (negotiating ground lease)

# Planning Calendar

	Feb	Mar	April	May	June	July	August	September	October
Port RE Team		✓	✓	✓	✓	✓	✓	✓	
External Advisory Committee			✓		✓			✓	
Port Commission		✓				✓			✓

The Real Estate Strategic Plan will be completed by October:

- An internal Port Real Estate team will meet monthly to guide the consulting team’s work
- An external advisory group will meet three times during the planning project to review progress and provide input
- Staff will also brief the Commission three times to highlight plan progress and key findings
- Additional community engagement is anticipated as specific RE Development projects are authorized and implemented



# APPENDIX

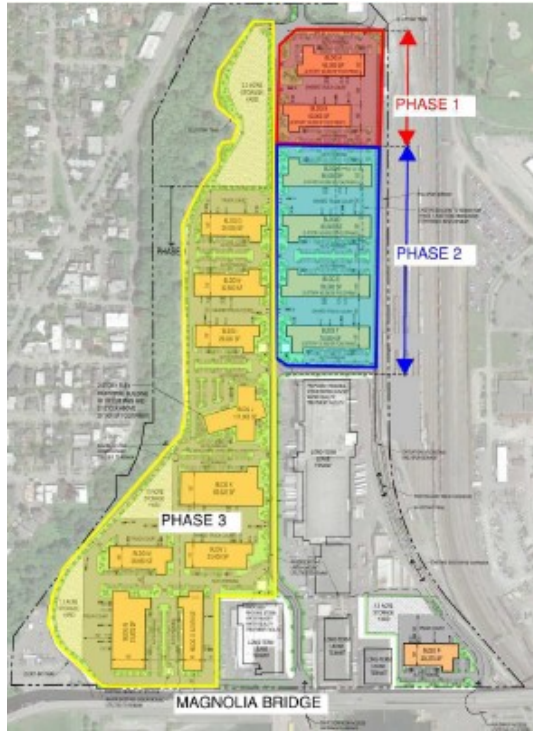


# Development at Terminal 91

- Designing two 50,000 square foot planned light industrial flex buildings at northeast end of Terminal 91 Uplands
- \$39 Million earmarked -- Part of 2020-2024 Capital Improvement Plan
- Master planning will start in Q4
- Will seek additional design funding in early 2021
- Will start construction in 2022 and deliver new buildings by Q3 2023



# Terminal 91 Uplands Infrastructure Study



	Square Footage of Building Development	Infrastructure Costs
Phase 1	100,000	<b>\$700k</b>
Phase 2	300,000	<b>\$5M</b>
Phase 3	300,000 to 600,000	\$28.3M
<b>TOTAL</b>	<b>700,000 to 1,000,000</b>	<b>\$34M</b>

## P1

- Off-site connection to City sanitary sewer to north
- New Port electrical transformer & communications pedestals
- Minor natural gas relocation

## P2

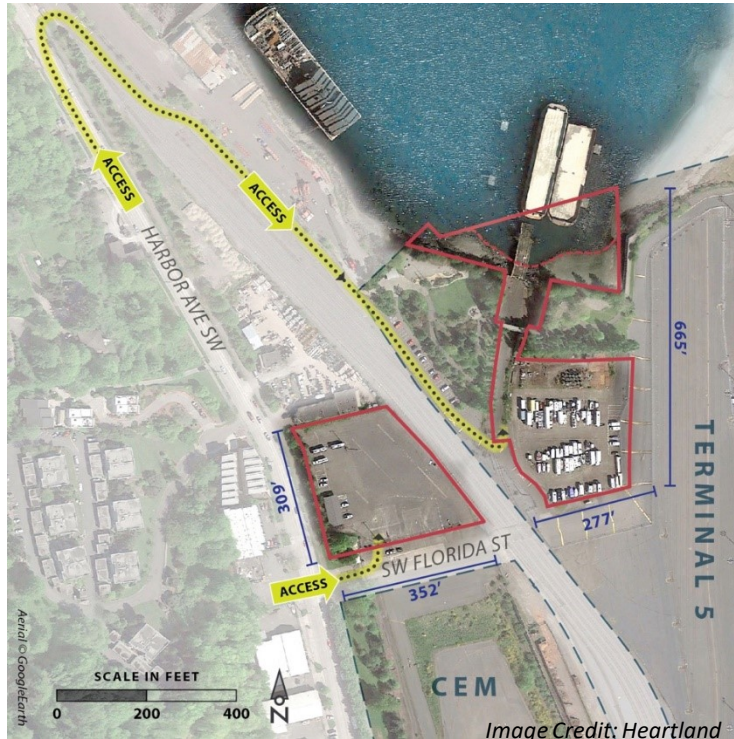
- New sanitary sewer main sized for full 1 million sf development
- New regional storm drain water quality treatment facility
- New Port electrical transformer

## P3

- Construction of central arterial access road & associated utility corridor
- Replacement of existing 42" storm drain main within western development footprint with new pipe in utility corridor
- Add cooling fans to 2 existing site electrical substations to increase site power capacity (by Seattle City Light)

Defining Utilities and Infrastructure Needed to Support Future Development

# Pier 2



## Basic Info

- Total Acreage: +/-5.5
- Usable Acreage: +/-4.8
- Zoning: IG-1 & IG-2
- Current Use
  - Boat and vehicle storage
  - Jack Block Park

**Current Status: Negotiating long term ground lease with King County to support development of water taxi terminal**



*Aerial of Pier 2. The Terminal. Photo: 2007*



# CEM Property



Image Credit: Heartland

## Basic Info

- Total Acreage: 25
- Usable Acreage: ~12
- Zoning: IG-2/U-85'
- Current Use: Vacant
- Constraints
  - Presence of the landfill cap.
  - Existing truck access to site is limited.
  - Site configuration is irregular.

**Current Status: Planning to issue RFP to redevelop CEM property in Q2 2020**

# T106



Image Credit: Heartland



Image Credit: Port of Seattle. Marine Properties. 2014.

## Basic Info

- Total Acreage: 31.2
- Usable Acreage: 17.4
- Current Bldg Sqft: 598,030
- Zoning: IG-1 85'
  - Heavy industrial, 85' height limit.

**Current Status: Negotiating long term ground lease with preferred respondent to RFP issued in 2019**



# 55-Acre (Under SAMP Review)



Image Credit: Heartland

## Basic Info

- Total Acreage: 55.7
- Usable Acreage: 31
- Zoning: Aviation Commercial (AVC)
- Current Use
  - City Park Ground Lease on a portion of the site.
- Constraints
  - Wetlands and associated buffers.
  - Steep slopes are present on the site.

# L-Shaped (Under SAMP Review)



Image Credit: Heartland

## Basic Info

- Total Acreage: 26.2
- Zoning: Aviation Commercial (AVC)
- Current Use
  - Raw Land

## Potential Alternatives

- Ground lease for port supportive uses.
- POS development of 375,000SF Air Cargo Facility.



# 200<sup>th</sup> Street



Image Credit: Heartland

## Basic Info

- Total Acreage: 47.2
- Usable Acreage: 27.7
- Constraints
  - Wetlands
  - Steep slopes
  - Potential access issues

## Potential Alternatives

- Support SAMP impacted airport facilities.
- Ground lease for Port supportive uses when SR509 extension is under construction or complete.

## Actions

- Study existing infrastructure and land grading feasibility.
- Wait for completion of SR 509.

# SeaTac Properties Strategy Summary (2016)

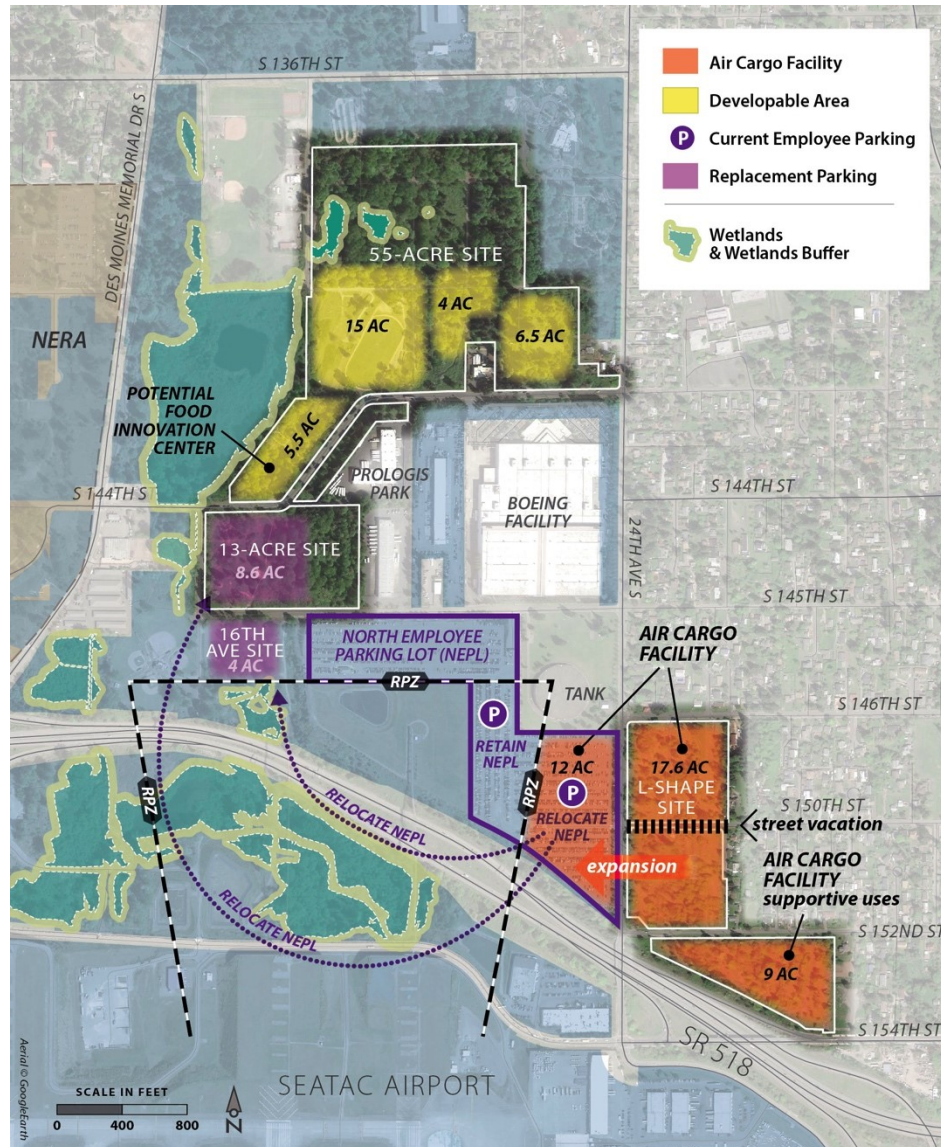


Image Credit: Heartland

## Development Alternative

- 375,000 SF new air cargo facility
- Relocate employee parking lots
- 350KSF on remaining usable land of the 55-Acre Site

## Site Specific Strategies

### 55-acre Site

- Ground lease for port supportive use.
- Develop 20,000 SF Food Innovation Center on the SW corner of the 55-acre site.

### 13-acre Site

- Relocation site for employee parking.

### 16th Ave South Site

- Relocation site for employee parking.

### L-Shaped Site

- Develop 375,000 SF class-A air cargo facility on the L-shaped site.

### Current Employee Parking Lot (12-acre)

- Develop as future expansion of air cargo facility.