

Item No.: 4A-supp
Date of Meeting: February 5, 2018



**THE NORTHWEST
SEAPORT ALLIANCE**
Gateway to Solutions

Overview briefing of NWSA North Harbor Commercial Strategy

Presenters: Kurt Beckett, Don Esterbrook,
Tong Zhu, Anne Porter

Briefing Requested

This is a public overview briefing and discussion of the:

- **NWSA North Harbor Commercial Strategy,**
- **Marine Terminal Lease Authorizations and**
- **Terminal 5 Modernization Program Authorization.**

Authorizations and commitments in this briefing reflect the intent of all parties therein.

All authorizations are pending parties' final review and approval.



Overview briefing has 5 main components:

- I.) **NWSA Marine Cargo Economic Impact Report**
- II.) **NWSA Strategic Business Plan – Purpose and Benefits**
- III.) **North Harbor Strategy Commercial Arrangement**
- IV.) **T-5 Modernization Program**
- V.) **Authorizations to Execute the Commercial Arrangement**



Motion Approved November 13, 2018

Motion of the NWSA Managing Members authorizing the Chief Executive Officer to:

- prepare the new North Harbor International Container Lease,
- complete Terminal 5 Modernization Project Bid documents and
- prepare for submission of a term lease agreement and a construction request at a 2019 first quarter meeting for Managing Member authorization





**THE NORTHWEST
SEAPORT ALLIANCE**
Gateway to Solutions

Item No.: XX-supp
Date of Meeting: Month, Day, Year

Briefing: Marine Cargo Economic Impact Analysis

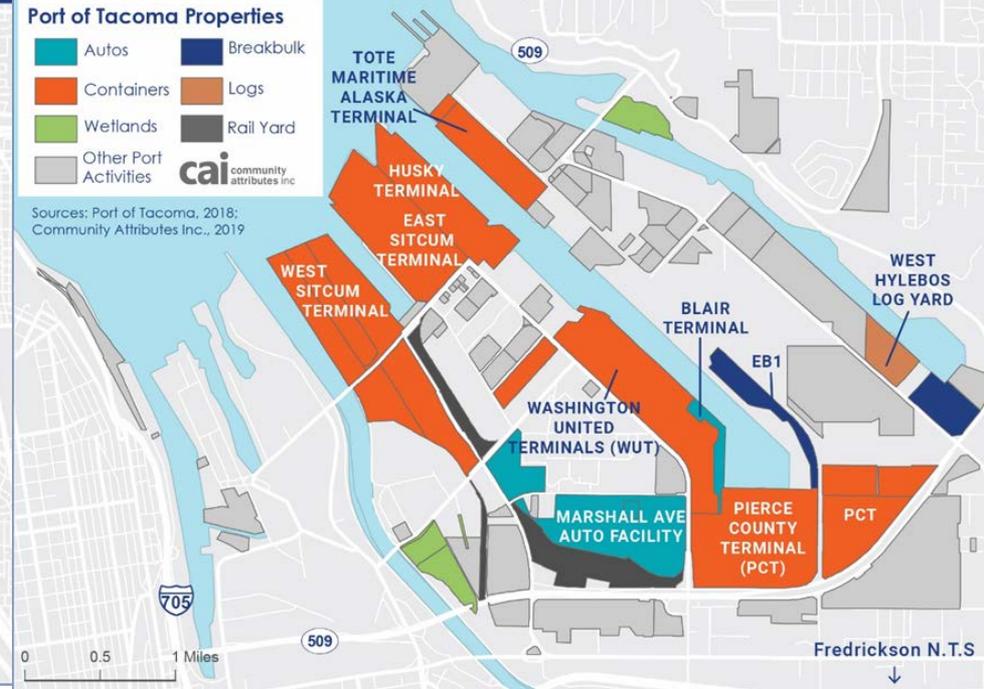
Presenter: Nick Demerice
Title: Director, Public Affairs

Economic Impact - Scope of Study

North Harbor Properties



South Harbor Properties



- Direct – impacts derived from the specific activity.
- Indirect- economic impacts including additional jobs, income and business output supported through upstream business-to-business transactions.
- Induced - household consumption expenditures.



Economic Impact – Output and Wages

- The Northwest Seaport Alliance (NWSA) represents one of the largest marine cargo gateways in the U.S. In 2017, more than 3.7 million twenty-foot equivalent units (TEUs) carrying 26.1 million metric tons of containerized cargo were handled at The Northwest Seaport Alliance across facilities at the Ports of Seattle and Tacoma.
- The majority of this cargo was international, though 700,000 TEUs were shipped to and from Alaska, Hawaii and other domestic locations.

Exhibit 21. Total Business Output Impacts by Segment, Mils 2017\$, 2017

	Direct	Indirect	Induced	Total
Containerized Cargo	\$4,537.6	\$2,267.7	\$2,917.3	\$9,722.6
Automobiles	\$308.8	\$136.8	\$197.8	\$643.4
Breakbulk, Logs and Other Cargo	\$1,012.2	\$452.0	\$555.1	\$2,019.4
Total	\$5,858.7	\$2,856.6	\$3,670.2	\$12,385.4

Sources: Washington State Office of Financial Management, 2017; Community Attributes Inc., 2019.

Exhibit 22. Total Labor Income Impacts by Segment, Mils 2017\$, 2017

	Direct	Indirect	Induced	Total
Containerized Cargo	\$1,502.5	\$703.1	\$988.6	\$3,194.1
Automobiles	\$108.4	\$41.2	\$67.0	\$216.6
Breakbulk, Logs and Other Cargo	\$291.9	\$127.8	\$188.1	\$607.8
Total	\$1,902.7	\$872.1	\$1,243.7	\$4,018.5

Sources: Washington State Office of Financial Management, 2017; Community Attributes Inc., 2019.



Economic Impact - Jobs

- The Northwest Seaport Alliance cargo handling activities in 2017 had a total economic impact to the state economy of 58,400 jobs (Exhibit 20); this equates to a jobs multiplier, measured as total jobs to direct jobs, of 2.9.

Exhibit 20. Total Jobs Impacts by Segment, 2017

	Direct	Indirect	Induced	Total
Containerized Cargo	14,900	11,900	18,700	45,500
Automobiles	1,300	700	1,300	3,300
Breakbulk, Logs and Other Cargo	3,900	2,100	3,600	9,600
Total	20,100	14,700	23,600	58,400

Sources: Washington State Office of Financial Management, 2017; Community Attributes Inc., 2019.



Economic Impact – State Tax Generation

- All this economic activity has significant impact on statewide tax generation.

Exhibit 19. Total Statewide Fiscal Impacts at The Northwest Seaport Alliance, Washington, Mils 2017\$, 2017

	Direct	Secondary	Total
B&O	\$12.5	\$26.8	\$39.3
Sales & Use Taxes	\$17.6	\$66.3	\$83.9
Other	\$3.2	\$9.4	\$12.6
Total	\$33.3	\$102.6	\$135.9

Exhibit 18. Statewide Fiscal Impacts by Segment of Activity at The Northwest Seaport Alliance, Washington, Mils 2017\$, 2017

	Direct	Secondary	Total
Containerized Cargo	\$25.1	\$81.7	\$106.8
Automobiles	\$2.7	\$5.3	\$8.0
Breakbulk, Logs and Other Cargo	\$5.5	\$15.6	\$21.1
Total	\$33.3	\$102.6	\$135.9

Sources: Washington State Department of Revenue, 2018; Washington State Employment Security Department, 2017; Community Attributes Inc., 2018.



Economic Impact - Other Industries

- The marine cargo activities of the NWSA have an impact comparable with other major Washington industry clusters.

Exhibit 23. Comparison of Total Economic Impacts between The NWSA and Other Industries and Industry Clusters in Washington State, Various Years

	Aerospace	Agriculture & Food Processing	Maritime Sector	NWSA
Study Year	2015	2013	2015	2017
Total Jobs	252,800	220,600	191,100	58,400
Direct Jobs	93,800	128,900	69,500	20,100
Direct Business Output (mils \$)	\$68,641	\$19,488	\$17,142	\$5,858
Jobs per Direct Job	2.70	1.71	2.75	2.91
Jobs/\$Mil Final Demand	3.68	11.32	11.15	9.97

Exhibit 24. Comparison of Direct and Total State Fiscal Impacts between The NWSA and Other Industries and Industry Clusters in Washington State, Various Years (mils 2017\$)

	Study Year	Direct	Total
Aerospace	2015	\$30.4	\$352.2
Agriculture & Food Processing	2013	\$86.4	\$342.1
Maritime Sector	2015	\$115.7	\$361.0
NWSA	2017	\$33.3	\$135.9





STRATEGIC BUSINESS PLAN

Seaport Alliance
May 6, 2015

PNW GATEWAY CRITICAL SUCCESS FACTORS



Increased terminal utilization



Productivity enhancements



Rail competitiveness



Infrastructure investment



Regulatory climate

GATEWAY OPTIMIZATION

Achieve 70% Utilization | Strategic Terminals | Double Volume

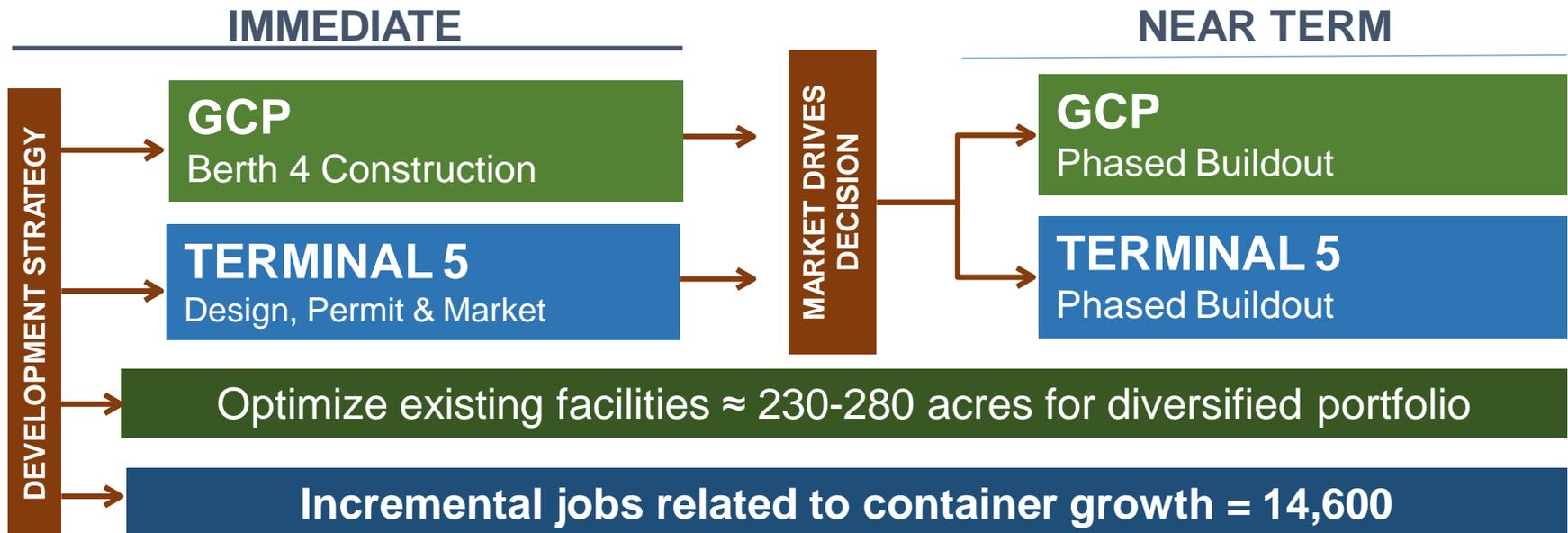
CURRENT

- ≈ 43% Utilization
- 3.4m TEU (3m Int'l)

10
YEARS

VISION 2025

- 70% Utilization
- 6m TEU (5m Int'l)



CUSTOMER FOCUSED SOLUTIONS

The Seaport Alliance will deliver the best value to customers, community and stakeholders

Internal Drivers



External Outcomes



Service Delivery

Team approach to deliver operational excellence



Facilities for the Future

Deliver flexible facilities plan and infrastructure for big ships & mega-alliances



Customer Satisfaction

Ease of doing business
Reliability
Operational Efficiency
Cost of doing Business



Return to Community & Stakeholders

Job Creation
Cargo Growth
Financial Sustainability



*Achieve
Ambitions*

Outlook for the Drivers and Rules of Global Trade

Fabulich Center, Tacoma

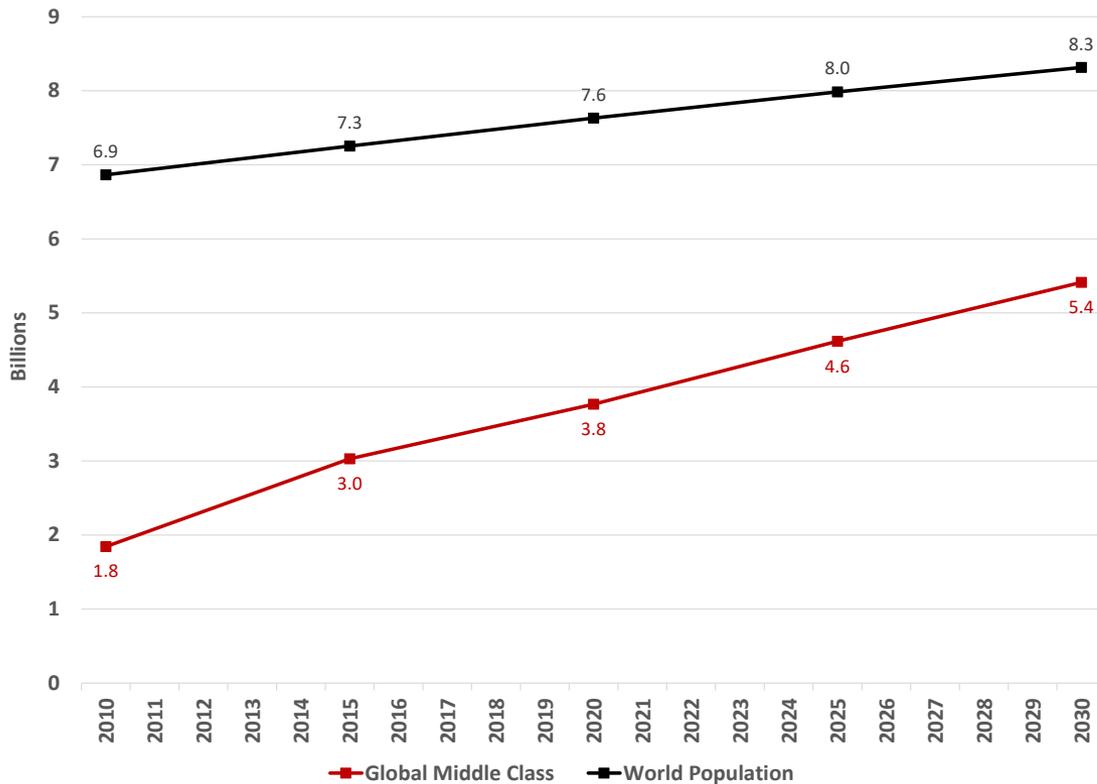
September 4, 2018

Dr. Walter Kemmsies

Chief Economist, PAGI Group, JLL
(Port, Airport & Global Infrastructure)

The global middle class is a significant opportunity for NWSA

World population and OECD global middle class projections



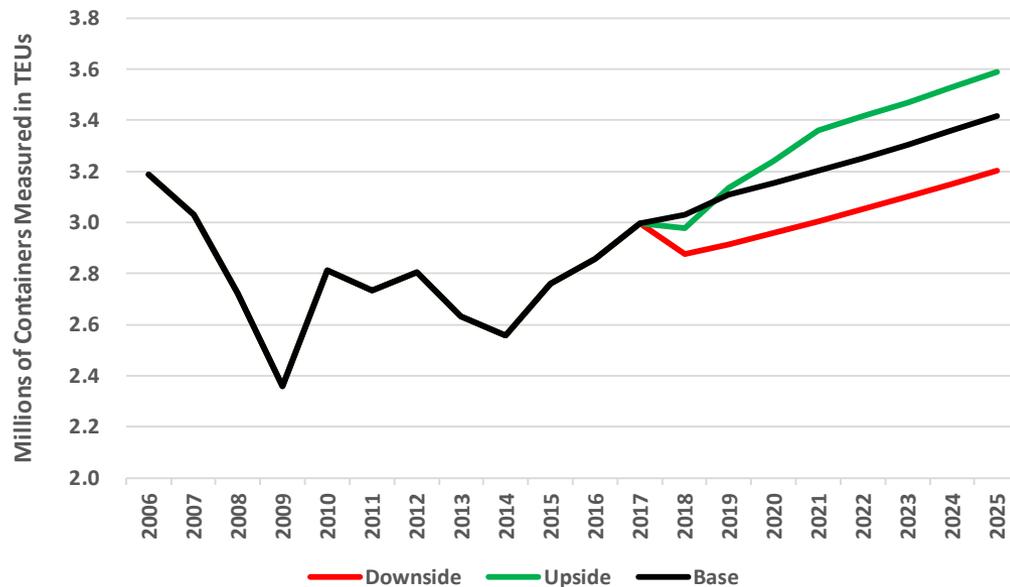
For US GDP growth to be sustained above 3% it will be necessary to sell into this market

US exports are the focus of the current national economic policy

• NWSA international container volume forecasts



NWSA international container volume projections



Base case assumes US GDP growth to slow from 3% in 2018 to 2% in 2023-2025 and NWSA benefits from congestion at competing West Coast ports

Downside case assumes some loss of volumes with China in 2018 and a larger permanent loss as of 2019, offset by growth with other North and South Asia trade lanes

Upside case assumes that trade renegotiations are successfully concluded by early 2019 with China imports resuming their previous levels and growth and additional export growth to China

Additional “outside the gates” investment could substantially boost NWSA volume growth. This is not included in the trend forecasts shown here.

Source: JLL PAGI

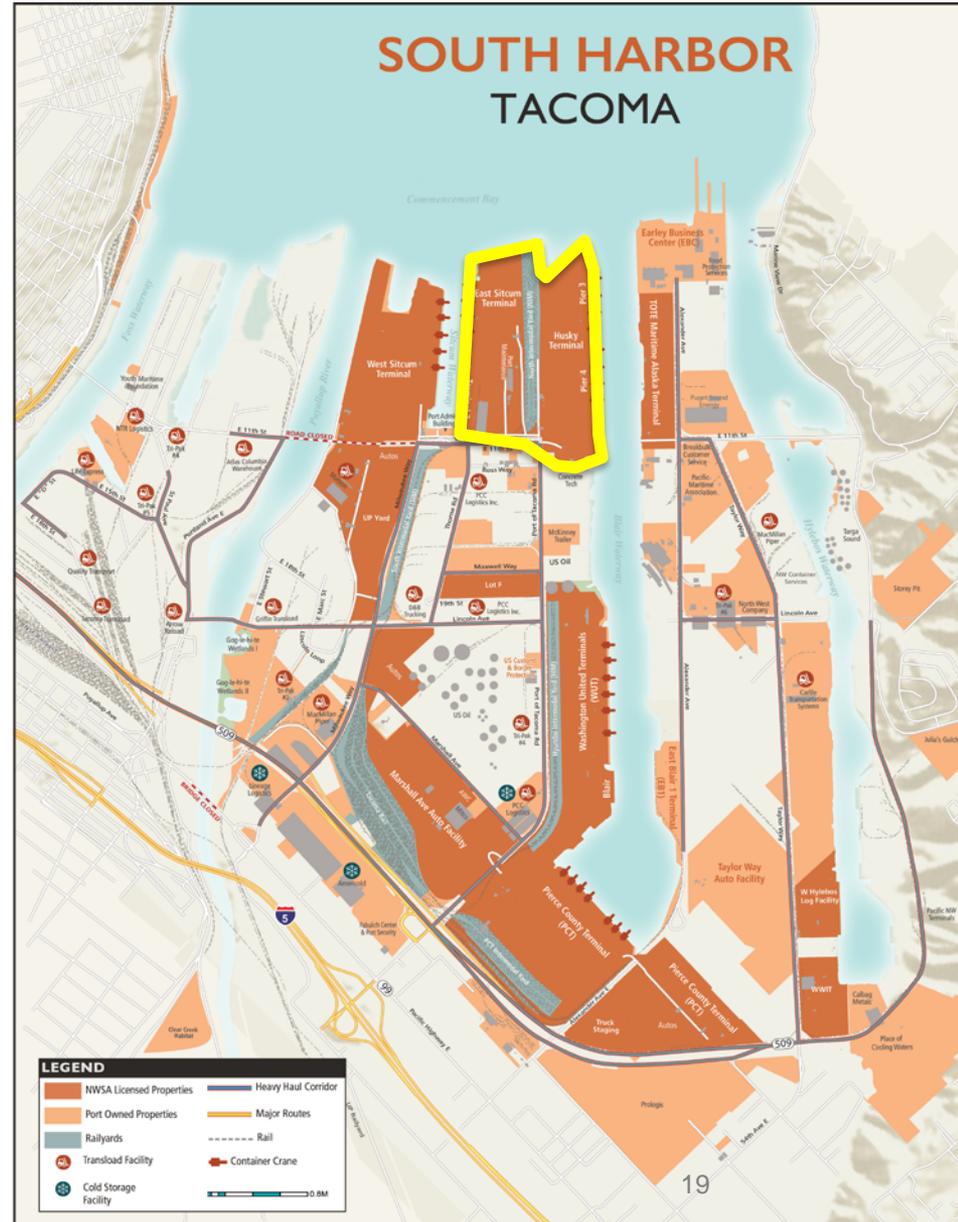
- **Strategic implications**
- *Export cargo growth – focus on NWSA’s strengths*
- *Infrastructure investment – identify and invest in infrastructure needed to support both imports and exports*
- *Supply chain enhancements – support and stimulate investment in infrastructure outside NWSA’s port-owned property*

Source: Oxford, JLL



Strategic Initiatives – Investing in Key Infrastructure

T-5 & General Central Peninsula (GCP)



Authorizations to Execute the Commercial Arrangement

- 1) Terminal 5 Long-term Lease Authorization**
- 2) Terminal 5 SSAT-Matson Lease Authorization**
- 3) Terminal 46 TTI Lease Termination Authorization**
- 4) Terminal 18 SSA Lease Amendment**
- 5) Terminal 5 Modernization Project Construction Authorization**
- 6) One-time Membership Interest Affirmation Authorization**

*Today's briefing precedes the February 26, 2019 NWSA Managing Member Public Meeting where commissioners intend to act upon these authorizations.



Key Commercial and Operational Objectives for North Harbor Strategy

- Realign container cargoes while keeping terminal operations fluid throughout the harbors
- Develop strategic terminals in both harbors to support future vessel needs and long-term volume growth
- Retain and grow marine cargo
- Retain and grow maritime, manufacturing & export jobs

Note: All authorizations are pending parties' final review & approval



Key Elements of Draft Term Sheet

MATSON HAWAII BUSINESS AT T5

1. Parties intend for Matson Hawaii business to move from T30 to T5

- Lessee: SSA Terminals (SSAT)
- Premises: 60 acres
- Basic Rent: \$3 million plus leasehold tax (LET) for 21 months
- Term: April 1, 2019 - December 31, 2020



Key Elements of Draft Term Sheet

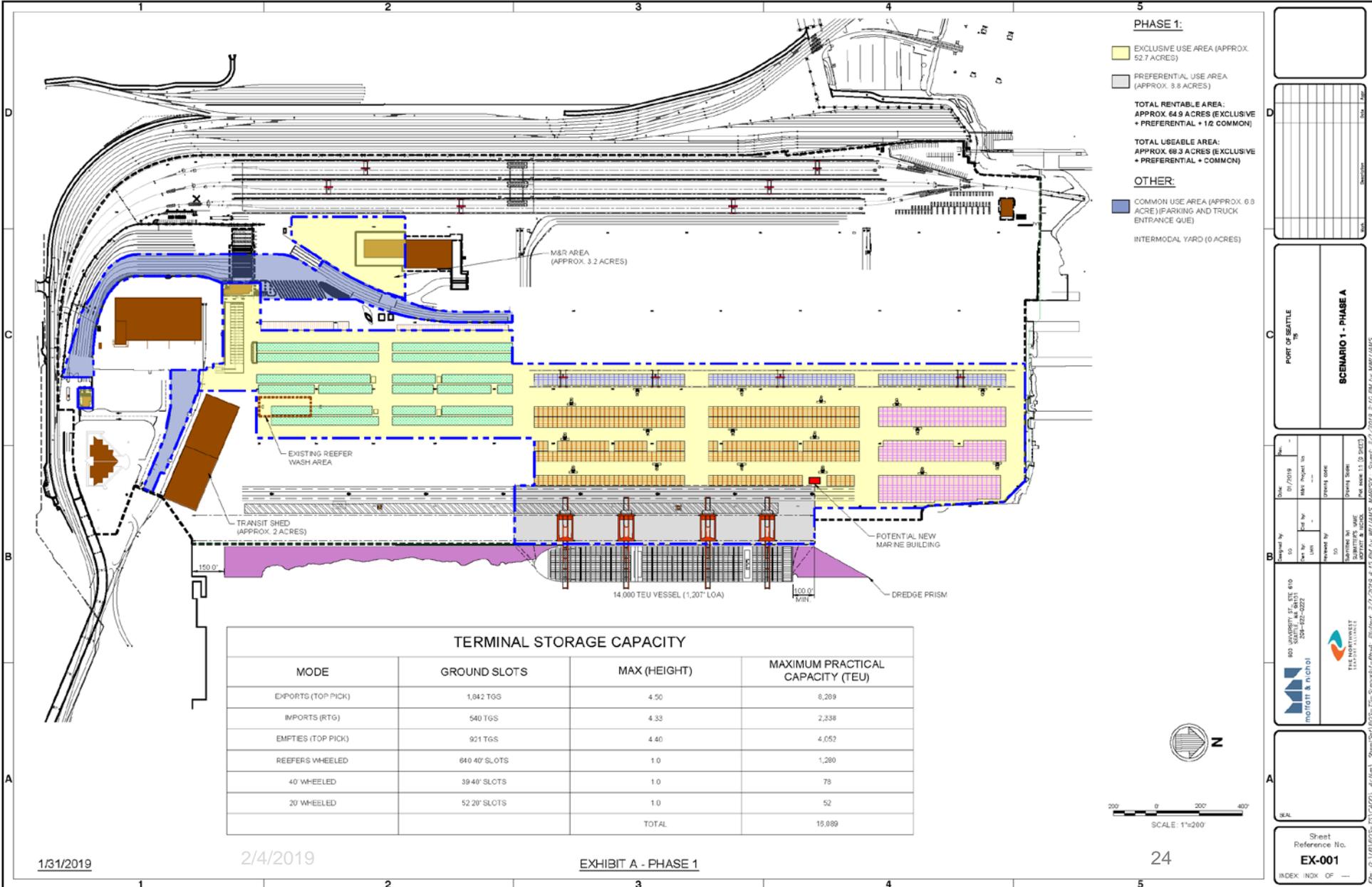
T5 PHASE 1

2. Parties intend to enter into a long-term lease at T5

- Lessee: SSAT and other participants
- Premises: 65 acres
- Basic Rent: \$150k/acre/year plus leasehold tax (LET) beginning January 1, 2021 or on completion of T5 Phase I
- Term: April 1, 2019 - 32 years, with two five-year extension options at mutual agreement

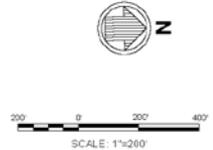


T5 Draft Terminal Layout – Phase 1



- PHASE 1:**
- EXCLUSIVE USE AREA (APPROX. 52.7 ACRES)
 - PREFERENTIAL USE AREA (APPROX. 9.8 ACRES)
- TOTAL RENTABLE AREA:**
APPROX. 64.9 ACRES (EXCLUSIVE + PREFERENTIAL + 1/2 COMMON)
- TOTAL USEABLE AREA:**
APPROX. 68.3 ACRES (EXCLUSIVE + PREFERENTIAL + COMMON)
- OTHER:**
- COMMON USE AREA (APPROX. 6.9 ACRES) (PARKING AND TRUCK ENTRANCE QUEUE)
 - INTERMODAL YARD (0 ACRES)

MODE	GROUND SLOTS	MAX (HEIGHT)	MAXIMUM PRACTICAL CAPACITY (TEU)
EXPORTS (TOP PICK)	1,842 TGS	4.50	8,289
IMPORTS (RTG)	540 TGS	4.33	2,338
EMPTIES (TOP PICK)	921 TGS	4.40	4,052
REEFERS WHEELED	640 40' SLOTS	1.0	1,280
40' WHEELED	39 40' SLOTS	1.0	78
20' WHEELED	52 20' SLOTS	1.0	52
TOTAL			15,089



PORT OF SEATTLE
T5

SCENARIO 1 - PHASE A

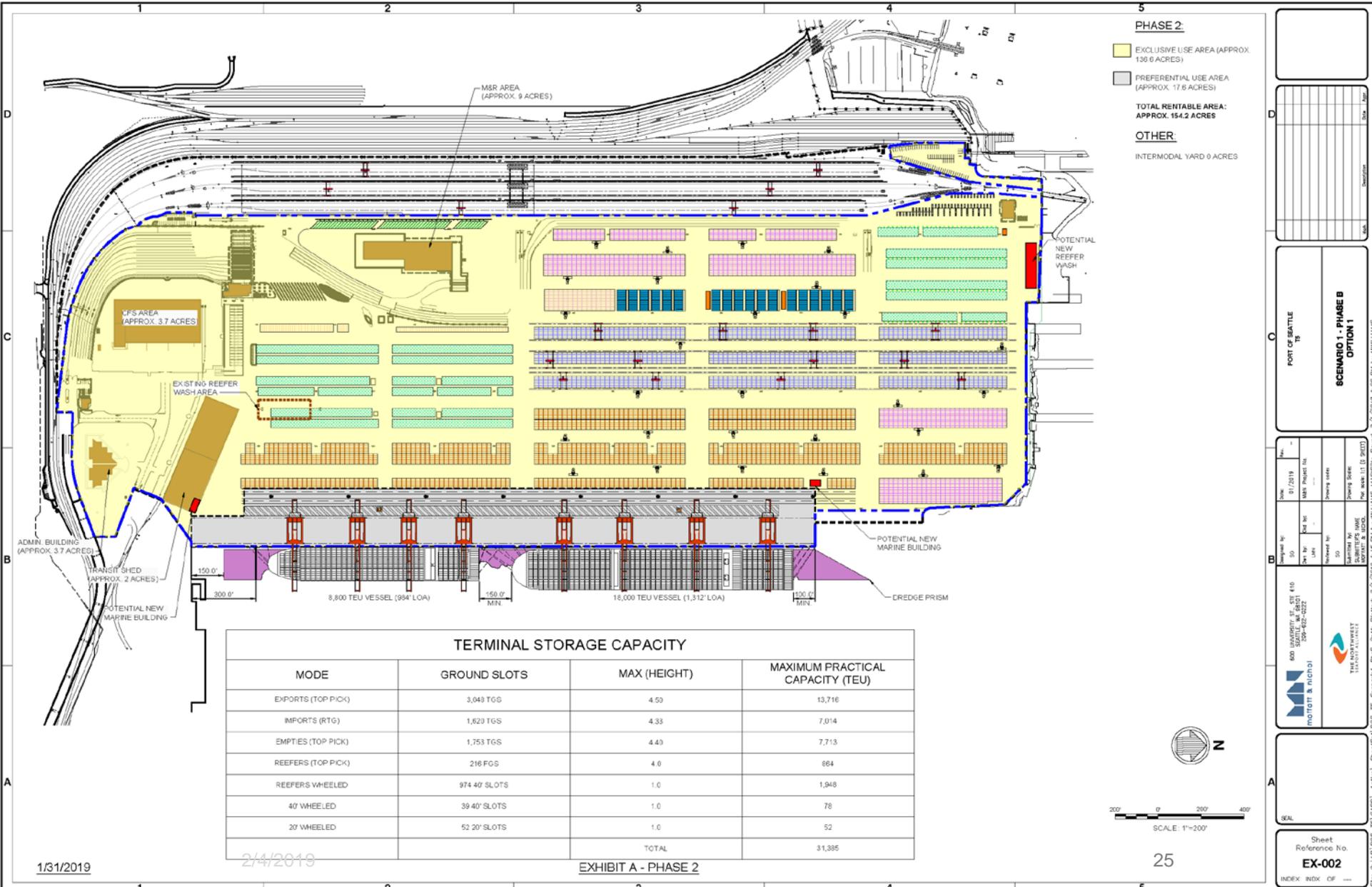
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Sheet Reference No.
EX-001
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T5 Draft Terminal Layout – Phase 2



Key Elements of Draft Term Sheet

T18 Amendment

3. Parties intend to amend T18 lease

- Lessee: SSAT
- Term:
 - Waive the Intermodal Yard (IY) fee retroactive January 1, 2019 through the remaining term of the lease
 - Terminate the Most Favored Nation (MFN) clause



Key Elements of Draft Term Sheet

Termination of TTI Lease at T46

4. Parties intend T46 for other cargo & maritime use

- Cargo realignment at T18, tentative mid-year 2019 to support T5 redevelopment
- Early termination of current Total Terminals International, LLC (TTI) lease
- *NWSA non-containerized cargo (project/breakbulk)*
- *Container support yard for international containers*
- *Accommodate tenant relocation from T5 (Foss)*
- *Port of Seattle investigating additional cruise berth/facility*



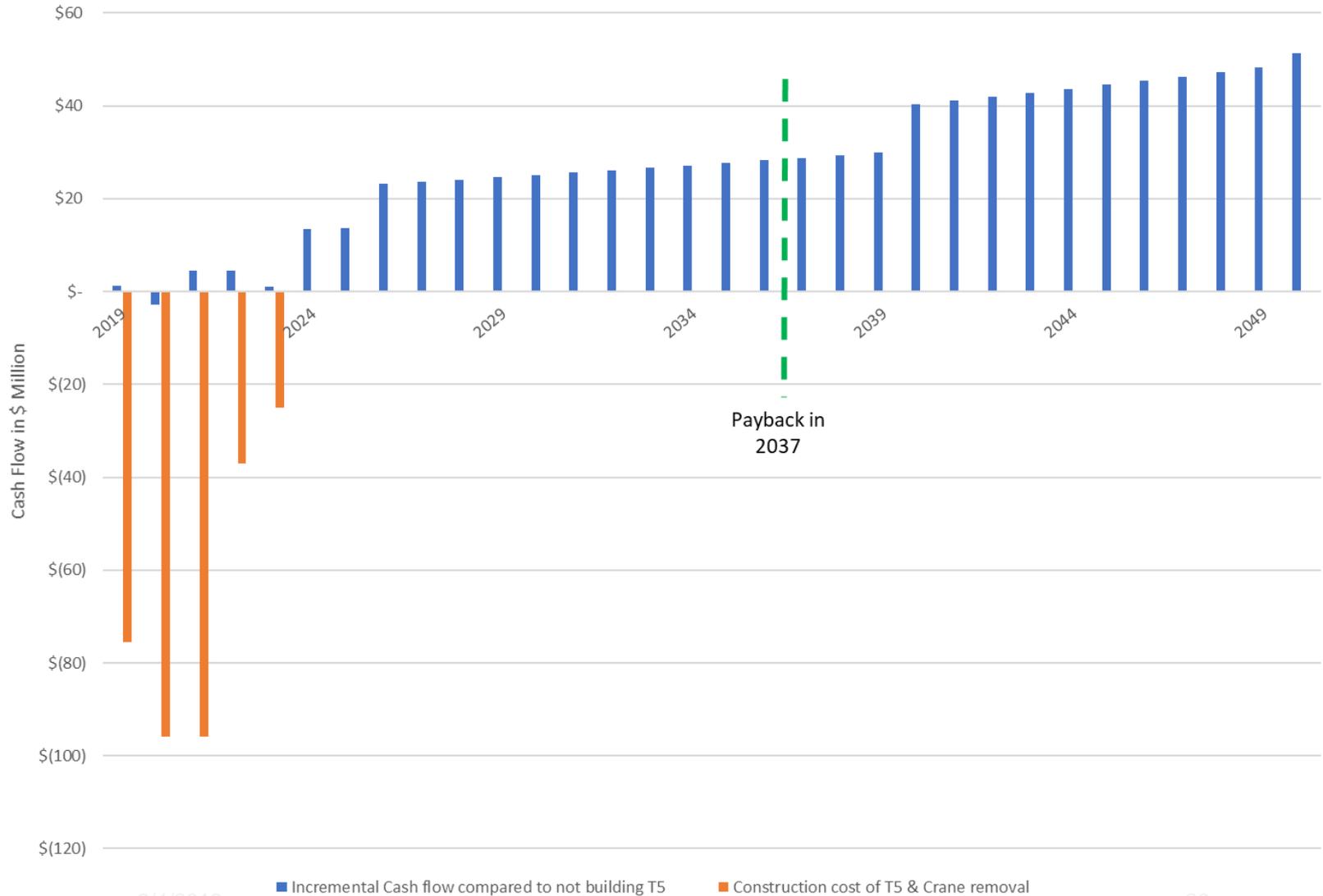
Key Cash Flow Assumptions

- Total program cost for T5 is \$340M
- Lessee pays \$150k/acre/year beginning January 1, 2021



Projected Cash Flow

Thirty Two Year North Harbor Cash Flow



Potential Public Action Items on February 26, 2019

- SSAT Matson T5 lease
- SSAT JV T5 lease
- T18 lease amendment
- Termination of TTI lease
- Terminal 5 Modernization Program authorization, including major construction project authorization

