

SPECIAL COMMISSION MEETING MINUTES
2023 Real Estate Study Session
Fabulich Center: 3600 Port of Tacoma Road, Fife, WA
December 12, 2022



The Port of Tacoma Commission met for a special meeting on **December 12, 2022** at the Fabulich Center, 3600 Port of Tacoma Road, Fife, WA. Commissioners Ang, Keller, McCarthy, Meyer and Marzano were present.

CALL TO ORDER | REAL ESTATE STUDY SESSION:

Commissioner Meyer called the meeting to order at **2:13 p.m.** He then led the Pledge of Allegiance. Commissioner Meyer also acknowledged that we are situated on the shores of the Salish Sea and reside on the ancestral lands of the Puyallup Tribe of Indians.

INTRODUCTION: Alisa Praskovich—Chief of Strategic Initiatives and Commission Relations for the Port of Tacoma, Eric Johnson—Executive Director, Gloria Fletcher (virtual)—Senior Manager of Real Estate and Economic Development, and Helen Hickman—Commission Clerk and Records Specialist.

Reviewed Agenda. Today's meeting is focused on the Port of Tacoma's non-licensed real estate portfolio.

Meeting objectives:

1. Understand current portfolio of the Port of Tacoma's non-licensed properties (those not currently leased to the Northwest Seaport Alliance)
2. Identify Actions: Develop a revised lease management policy and leverage real estate assets to achieve the Port's Strategic Economic Vitality Objectives

REAL ESTATE STUDY SESSION:

Background & History:

1. Reviewed a map of leased properties in 2016, just before the Northwest Seaport Alliance was formed.
2. Reviewed the real estate revenue from 2016 through 2022. Revenues are on an upward trend due to the increase in non-licensed (meaning non-Alliance) leased properties and an increase in the auto revenue sections. Until about 10 years ago, the Port had a substantial amount of available land, but most of what it owns now is currently leased, and the rest of the land is being cleaned up, so it can be leased.

Current Non-licensed Property Portfolio:

1. Reviewed a map of approximately 5,000 acres in the Tideflats, of which about 2,400 of those acres are owned by the Port of Tacoma. Within the Port-owned property, 1,100 acres are licensed to the Northwest Seaport Alliance and 585 acres are leased properties.
2. The Port has 103 leases broken down as follows:
 - Month-to-month: 52
 - 0-3 years: 26
 - 3-10 years: 4
 - 10-25 years: 15
 - 25+ years: 6

Although our month-to-month leases represent about half of the Port's tenants, the percentage of revenue does not account for half because our yard leases (based on yard space) do not generate revenue at the same rate as a lease with a building or ground space would.

3. Month-to-month leases increase annually based on the CPI.
4. In the next two years, we have 26 leases that will be coming due: 12 are yard space, 6 are office space, 3 are warehouse space and 3 are cell sites. Revenue from the yard space represents about half of that annual rent.

Lease Management – Current Approach:

1. Considerations:
 - a. Leases must align with the Port's Strategic Plan. It must follow the plan, support the Alliance, support our core business (including job growth) and environmental clean-up projects.

- b. Property assets are identified and considered in the lease. These include water and rail access, truck and chassis use, the utilities and fiberoptic connections.
 - c. Restrictions – Consider location, shape, and condition of property. Can you expand it? Does it have heavy lift capability? Some properties have drainage challenges or access issues. What is the turning radius for trucks? Some properties were purchased with bonds, which limit their use to water-dependent companies or use, in which case we must make assessments to certify they are in compliance with the bonds used to purchase that property.
 2. Highest & best use is determined by:
 - a. **Lease Rates** – The goal is to lease at market rate based on market data, brokers, appraisals.
 - b. **Lease Terms** – We must create robust lease agreements that protect the Port from liability and support environmental targets and goals.
 - c. **Future Development** – It must align with and support our Strategic Plan, including job growth.
 - d. **Terminal Support Focus** – Coordinating with NWSA for efforts associated with their tenants. Demolishing old buildings on properties currently owned by the Port.

Lease Management – Key Elements

Consider what the Port needs overall, but stay within market parameters to remain competitive:

1. Align Real Estate Strategies with Port's Strategic Plan:
 - a. Enter into leases that support marine trade activity
 - b. Invest in assets that create job growth and support living-wage job creation
 - c. Develop and support land use and infrastructure policies, especially those that pertain to marine dependent use and waterfront properties
2. Leverage our real estate assets to achieve Portfolio Planning goals:
 - a. Continue to look at market benchmarks, not just within the south sound market, but also consider what other ports are doing to support a robust portfolio.
 - b. Consider our tenant mix and continue to partner with those who support our goals. We currently have a strong mix of industrial businesses who lease from the Port and those tenants are compatible with the others in the area.
 - c. Continue to review our revenue and expenses
3. Create policies and procedures that support the key elements of our lease management:
 - a. Make sure the lease process is the right one for us and includes best practices
 - b. Make sure the lease terms are as supportive as they can be
 - c. Create a lease escalation policy that remains competitive

DISCUSSION:

1. Commission stated that environmental leadership and considerations should remain at the top of our objectives and goals. It is absolutely a key part of our goals. Staff responded that environmental stewardship and financial strength are not mutually exclusive.
2. The City of Tacoma has hired a consultant to attract greener businesses. We have a false narrative with regards to the Tideflats. It's important that we list the types of companies who are our green business tenants in the Tideflats, as all of them are not heavy manufacturing businesses, Commission stated. Staff stated that we can create an overview of our portfolio, so the Commissioners have details when speaking in public.
3. Commission discussed the differences between long-term and month-to-month or short-term leases. Executive Director Johnson clarified that long-term leases are ground leases where the tenant (or private company) has a significant investment on the land. Tenants won't invest in the land without a long-term, multi-decade lease. The month-to-month leases are appealing to private companies who want the flexibility to leave if they need to and have no desire to invest in the property.

Lease Escalation Policy – Preliminary Recommendations

1. The goal is to align our leasing policies and procedures with industry best practices, while continuing to maintain consistent revenue from our non-licensed (non-Alliance) real estate and our Strategic Plan, in order to remain competitive and resilient in all market conditions.

2. Initial Recommendations:

- a. Revise our lease escalation process to reflect the current market conditions.
- b. Month-to-month leases will continue to receive CPI adjustments every 12 months.
- c. Use flat rate escalators for leases beyond one term, with market adjustments every five years. Term language will include both base and ceiling parameters, so the lease rate will continue to be competitive even with fluctuations.

DISCUSSION:

1. The Commission wants to ensure that the lease escalation policy is clear and unambiguous for flat rate escalators. Staff responded that the long-term lease language includes wording that after five years there will be a market check and in no circumstances would the new lease rate be less than the current rate, even if the market drops; there would be an adjustment. Currently, the escalators are between 3-4%, which is similar to the market right now. The intent is to communicate the process and potential outcomes on both sides stated within the lease language. The five-year reset is an opportunity for the tenant and the Port to address the new lease rate, go through the process and determine the outcomes. Commissioner McCarthy requested examples of the wording as a future reference were requested.
2. Commissioner Meyer stated that adjustments were sporadic in the past and he likes the idea of making the market adjustments every five years; but wanted to know how many of the leases had the adjustment language already included. Staff responded that most of our long-term leases have the market adjustment included, as they also go through regular appraisals. Our short-term leases are moving to month-to-month, which is based on the CPI.
3. Commission continued the discussion on the need to collect what we are owed vs. starting with a gradual increase for those that are behind on market value ensued. Some leases were behind on market value, as attention to this and increases weren't happening consistently in the past, so we should have been collecting more. The debate is between raising the fees to bring us to current market value or increasing on a continuum of time, so the business owners are not taking a 9% increase all at one time until we reach that ideal value.
4. The topic of small businesses and creating a policy to support start-ups or small businesses ensued. We need to look at our portfolio and make sure that what we offer small businesses doesn't take away from our other options, which is why fair market value is important. It can create a level playing field. Another option to consider in the future is creating or setting aside space for small businesses within the new center, but either way, we would need to address it from a policy standpoint to determine how much we are willing or able to invest.

A summary was given by Alisa Praskovich. The Lease Escalation Policy will be presented at either the January or February Commission meeting. Commissioner Meyer recommended a work group session to occur in January to give the public a chance for comment.

Eric Johnson thanked the Real Estate team for their presentation today.

PRESIDENT'S DISCUSSION ITEMS

Commission Boards and Work Groups

1. Encouraged the Commissioners to give feedback to Judi in order to get assignments determined by the January meeting.
2. Commissioner Meyer also asked the other Commissioners to make suggestions for their NWSA committees, as changes may need to be made.

DISCUSSION:

1. The body decides the committee members for the NWSA Governance. In the past, the two co-chairs from each Commission (Port of Tacoma & Port of Seattle) serve on the committee, along with one other Commissioner from each area. It was suggested that Commissioner Keller serve next year as the incoming President for the Port of Tacoma.

2. It was further suggested that perhaps the former co-chairs, along with the two incoming co-chairs for each, serve on NWSA Governance, so that it would lend to more continuity.
3. Argument was made that that there was great progress made in this past year with regard to tribal agreements and payment, with very little progress in the previous year. Must rely on people that are making progress. This warrants further conversation, but Commissioner Meyer feels strongly that the new co-chair for Port of Tacoma should serve on this committee.
4. Commissioner McCarthy stated we are at a critical stage in looking at what should be licensed properties, how we should value them, how we should look at the income because we are at a 60-40 split, and we need to protect our interests. Currently, the Port of Seattle is earning 60% of the income, but the Port of Tacoma is paying 60% of the expenses, so adjustments need to be made.
5. Commissioner Ang doesn't consider the above to be a Commission governance issue. In the future, the significant issue will be how we invest and lease real estate.
6. Port of Tacoma needs to get our policies in place because we are the ones with non-licensed properties that are likely to be added to licensed properties. We need to figure out our programs, policies, and priorities. It will take the co-chair to make sure to represent the body on the internal working group. This is where the reconciliation will need to happen.
7. Executive Director Johnson added the importance of recognizing the Port of Tacoma's position with its non-licensed real estate. It was a difficult process in the past to come up with equitable options because the markets are so different between Tacoma and Seattle. We need to determine the best way for the Port to position its assets and still support the Alliance. We can come up with options and present them in the future.
8. It was suggested that we use the Strategic Business Initiatives Work Group to address this issue more and determine options in the future.

Executive Director Annual Evaluation

1. Commissioners McCarthy and Keller worked on revising the evaluation process for the Executive Director, which was modeled after Pierce Transit's evaluation tool. They received input from Eric and Jean West, Chief Human Resources Officer, and requested feedback from all commissioners. Eric's current job description, as it currently stands, was reviewed in the process.
2. The annual evaluation will be conducted in April 2023.
3. Sample draft attached to end of this document.

ANNOUNCEMENTS / COMMISSIONER COMMENTS

Commissioner Keller: Asked Alisa and staff to put together a reference book, as a tool for the incoming President. It includes a delegation of authority quick reference. Please let Alisa know if anyone else would like one.

ADJOURNMENT

With no further business, Commissioner Meyer adjourned the meeting at **3:31 p.m.**

Deanna Keller, President
Port of Tacoma Commission

Attest:

John McCarthy, Secretary
Port of Tacoma Commission
Helen Hickman, Clerk of the Port
Port of Tacoma

Executive Director, Port of Tacoma Job Description

Job Summary
<p>The Executive Director is responsible for developing and implementing new business and partnership opportunities for lines of business specific to the Port of Tacoma (Port). Will execute and implement the strategic plan adopted by the Commission and oversee periodic reviews and amendments to the plan. The five primary elements are Economic Vitality, Organizational Success, Environmental Leadership, Transportation Advocacy and Community Connections</p> <p>The Executive Director will ensure Port's successful long-term financial performance and sustainability.</p> <p>Key accountability measurements include identifying and implementing economic development opportunities, effectively managing and creating opportunities for real estate holdings (both developed and undeveloped), identifying projects for brownfield sites, helping manage and improve transportation corridors within the Port complex, and working with Port, community, local and regional government to ensure and promote environmental stewardship and sustainable growth.</p>
Essential Functions
<p>1. Ensures the long-term financial and competitive stability of the Port through smart business and investment decisions, long-range strategic planning, and effective goal setting. Stays actively informed on critical activities and communicates to ensure that the Port consistently achieves its financial and organizational goals and objectives.</p>
<p>2. Identifies and implements economic development opportunities that provide benefit for the Port of Tacoma and its local and regional business partners and citizens. Identifies opportunities and delivers new business ventures and revenue producing services and is ultimately responsible for the success of those projects. Identifies strategic real estate opportunities within the Port District, and works with the Commission to advance the goals of the strategic plan through real estate acquisitions and communications.</p>
<p>3. Ensures timely completion of monthly and annual financials, budget, tax, CPI, debt and bond management and other financial measures which are regularly reported to the Commission. Ensures annual documents are in compliance with all Port policies as well as Federal, State and Local regulations. Assists the Commission in identifying appropriate policy interpretation of the Charter with the NWSA and assure that all POT licensed properties have appropriate intergovernmental agreements with encouraged key performance indicators for their management and operation for best and highest use of Port properties.</p>
<p>4. Implements all elements of the strategic plan with regular updates to the Commission on progress and any challenges, with at least one strategic retreat per year to discuss priorities and to gather Commission input.</p>
<p>5. Works with the Puyallup Tribe of Indians to maintain a positive and cooperative relationship, using the Puyallup Lands Claims Settlement as the foundational agreement for interactions and communications.</p>
<p>6. Represents the Port of Tacoma externally by fostering productive and mutually beneficial relationships with local, regional, national and international constituents with particular attention to customers, employees, labor, community and other organizations in support of the Port's vision, mission and goals.</p>
<p>7. Creates and fosters a culture with honest, open communication and ensures transparency in decision making. Facilitates constructive communication as appropriate between Port Commission</p>

Executive Director, Port of Tacoma Job Description

and Port staff, with the understanding that primary communication and direction to port staff come from the Executive Director but that communications directly between Commission and staff can be both beneficial and efficient.
8. Supervises, manages and leads either directly or through Service Agreements with the NWSA, all of the staff and employees of the Port of Tacoma. Provides top level executive leadership to his employees, particularly those who report to him and develop an effective evaluation tool to help guide them. Ensures implementation of Collective Bargaining Agreements with represented staff and is responsible for successful negotiation of successor CBAs with all represented units of the Port staff.
9. Supports the Commissioners in their roles as community leaders, Port leaders, policy developers and other decision-making functions as provided by law and the Master Policy directive. Facilitates constructive communication and cooperation among and between Port Commissioners, within the bounds of the Open Public Meetings Act.
10. Ensures and promotes the Port of Tacoma's environmental and community stewardship. Ensures that the Port of Tacoma follows and supports the Northwest Ports Clean Air Strategy. Implements and follows the Environmental Action Plan for the Port of Tacoma (South Harbor).
Other Functions
Knowledge, Skills and Abilities
Strong financial acuity (experience managing P&L and balance sheet, annual budget and CPI) is required and familiarity with bond issuance and debt management.
Demonstrated negotiation skills, political acuity, excellent client/customer relations skills and exceptional public speaking and presentation skills are required.
Demonstrated ability to work collaboratively with Boards of Directors, elected and appointed leaders of other Ports, federal and state officials, leaders of regulatory agencies and citizen groups.
Demonstrated ability to influence public policy outcomes consistent with the Port's mission.
Education and Experience Requirements
Bachelor's Degree is required, and an advanced degree is strongly preferred.
Ten years management experience in the port or maritime industry is preferred with at least five at the senior executive level. Specific background related to maritime real estate and economic development is preferred with proven success related to projects involving land use, permitting and zoning. Familiarity with building and environmental laws and regulations is preferred.

Executive Director: Eric Johnson
date.

Date:Click or tap to enter a

Evaluation Period

From: April 2022

To: April 2023

Submitted by:Click or tap here to enter text.

The following pages define significant areas of responsibility for the Executive Director (ED). In each section, examples of performance and responsibility are articulated to better explain each subject heading. Please rate the ED's performance based on the following categories and include comments. Boxes checked 1 or 5 must have substantiating comments added.

5=Excellent	almost always exceeds the performance standard
4=Very Good	generally exceeds the performance standard
3=Good	generally meets the performance standard
2=Fair	occasionally meets the performance standard
1=Poor	rarely meets the performance standard

I. **MANAGEMENT OF THE ORGANIZATION:** Effectively runs the operation of the Port. Creates a collaborative, team building environment for staff. Recognizes the accomplishments of staff and other agencies working on behalf of the Port. Supports professional growth and opportunity within the Port. Accepts full accountability for staff and the outcomes of Port projects or decisions. Supervises, manages and leads staff effectively. Identifies Port problems and takes remedial action.

Rating: 1☐ 2☐ 3☐ 4☐ 5☐

Comments:Click or tap here to enter text.

II. **EXECUTION OF POLICY:** Understands and complies with policies and procedures governing the Port. Implements policy fairly and consistently based on Commission decisions and goals as well as applicable laws and regulations. Works toward accomplishing identified Commission goals. Presents matters in a factual, analytical way. Coordinates Commission policy decisions to staff, departments, other organizations, and the community.

Rating: 1☐ 2☐ 3☐ 4☐ 5☐

Comments:Click or tap here to enter text.

III. **FINANCIAL MANAGEMENT:** Properly prepares and manages the budget. Demonstrates ingenuity and creativity in approaching budgetary matters, including long-range revenues and expenditures for the Port.

Rating: 1☐ 2☐ 3☐ 4☐ 5☐

Comments:Click or tap here to enter text.

IV. **RELATIONSHIP WITH THE COMMISSIONERS:** Provides regular updates to the Commissioners, keeping members informed about current and critical issues. Makes an effort to be accessible to

Commissioners. Handles issues that are brought by the Commissioners in a consistent and timely manner. Maintains an honest and professional relationship with Commissioners. Keeps a positive attitude and approach to new ideas, issues, and complaints raised by Commission members. Support the Commissioners in their roles and community leaders, Port leaders, policy developers and other decision-making functions as provided by law and the Master Policy directive.

Rating: 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Comments:Click or tap here to enter text.

V. **COMMUNITY AND INTERGOVERNMENTAL RELATIONS:** Makes an effort to understand general community issues and concerns. Remains involved and active in the community. Represents the Port well and in a professional and positive manner. Works proactively with the media. Works effectively with community organizations. Educates the community on Port of Tacoma's goals. Regarded as a leader by government officials. Maintains positive relationships with surrounding cities and counties. Cooperates with municipal, county, and state agencies when appropriate.

Rating: 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Comments:Click or tap here to enter text.

VI. **LONG-RANGE PLANNING:** Ensures long-term financial and competitive stability. Stays actively informed on critical activities and communicates to ensure that the Port consistently achieves its financial and organizational goals and objectives.

Overall Rating: 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Comments:Click or tap here to enter text.

VII. **STRATEGIC PLAN:** Ensures that a current, well-constructed strategic plan is currently in operation and all organizational decisions are referenced to the Plan. An on-going monitoring process is apparent and communicated to the Commission and community. Effective implementation of Strategic Plan as adopted in 2021 by the Commission.

ECONOMIC VITALITY: Identifies opportunities and delivers new business ventures and revenue producing services and is ultimately responsible for the success of those projects. Identifies and implements economic development opportunities that provide benefits for the Port of Tacoma and its local and regional business partners and citizens.

Rating: 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Comments:Click or tap here to enter text.

VIII. **ORGANIZATIONAL SUCCESS:** Creates and fosters a culture with honest, open communication and ensures transparency in decision making. Facilitates constructive communication and cooperation among and between Port Commissioners, within the bounds of the Open Public Meetings Act. Supervises, manages and leads either directly or through Service Agreements with the NWSA, all of the staff and employees of the Port of Tacoma. Provides top level executive leadership to all employees, particularly those who report to him/her. Facilitates constructive communication as appropriate between Port Commission and Port staff.

Rating: 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Comments: [Click or tap here to enter text.](#)

IX. **ENVIRONMENTAL LEADERSHIP:** Identifies projects for brownfield sites to be put into productive use. Identifies properties for mitigation and a plan for such mitigation. Follows and supports the Northwest Ports Clean Air Strategy. Ensures, on a regular basis, tenants are complying with all environmental regulations. Communicates out to the community the work the Port is doing to mitigate the effects of climate change.

Rating: 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Comments: [Click or tap here to enter text.](#)

X. **TRANSPORTATION ADVOCACY:** Helps manage and improve transportation corridors within the Port complex. Develops and communicates legislative priorities for transportation projects to improve freight and community mobility in and around the Port. Identifies and applies for grants to achieve transportation improvement projects.

Rating: 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Comments: [Click or tap here to enter text.](#)

XI. **COMMUNITY CONNECTIONS:** Works with the Puyallup Tribe of Indians to maintain a positive and cooperative relationship using the Puyallup Land Claims Settlement as the foundational agreement for interactions and communications. Works as the key staff communicator from the Port of Tacoma to various community agencies and organizations. Directs communications from the Port of Tacoma to Pierce County agencies on a regular basis that reaches out into the community.

Rating: 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Comments: [Click or tap here to enter text.](#)

XII. **LEADERSHIP:** Provides the Commissioners, staff and the organization with real solutions and creative alternatives to issues and problems. Anticipates and responds to issues. Assures that decisions are thoughtful, objective, consistent with pertinent past practices, and are legal and ethical. Makes use of sound administrative practices. Leads the organization through effective direction and management of people and tasks.

Rating: 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Comments: [Click or tap here to enter text.](#)

XIII.. **PROFESSIONALISM:** Deals effectively and appropriately with the public and other organizations. Devotes time and energy to the job. Demonstrates high ethical standards in the organization. Effectively utilizes subordinates' skills when delegating. Stays active in professional organizations and regional issues. Feedback from the public and community leadership is positive.

Rating: 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Comments: [Click or tap here to enter text.](#)

XIV.. **INTERFACE WITH THE NORTHWEST SEAPORT ALLIANCE:** Effectively collaborates with the Northwest Seaport Alliance staff. Assists the Commission in identifying appropriate policy interpretation of the Charter with the NWSA and assures that all POT licensed properties have appropriate intergovernmental agreements with encouraged key performance indicators for their management and operation for best and highest use of Port properties.

Rating: 1☐ 2☐ 3☐ 4☐ 5☐

Comments:Click or tap here to enter text.

ACHIEVEMENTS: Identify a few of the top achievements or strong points you observed in the ED over the past year.

Click or tap here to enter text.

OBJECTIVES: List two to three performance objectives which you feel are important for the ED for the coming year.

Click or tap here to enter text.

OTHER COMMENTS:

Click or tap here to enter text.

TOTAL SCORE: Click or tap here to enter text.

AVERAGE RATING: Click or tap here to enter text.