

Item: 3
Date: 12/12/22

Port of Tacoma Real Estate Study Session

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December 12, 2022



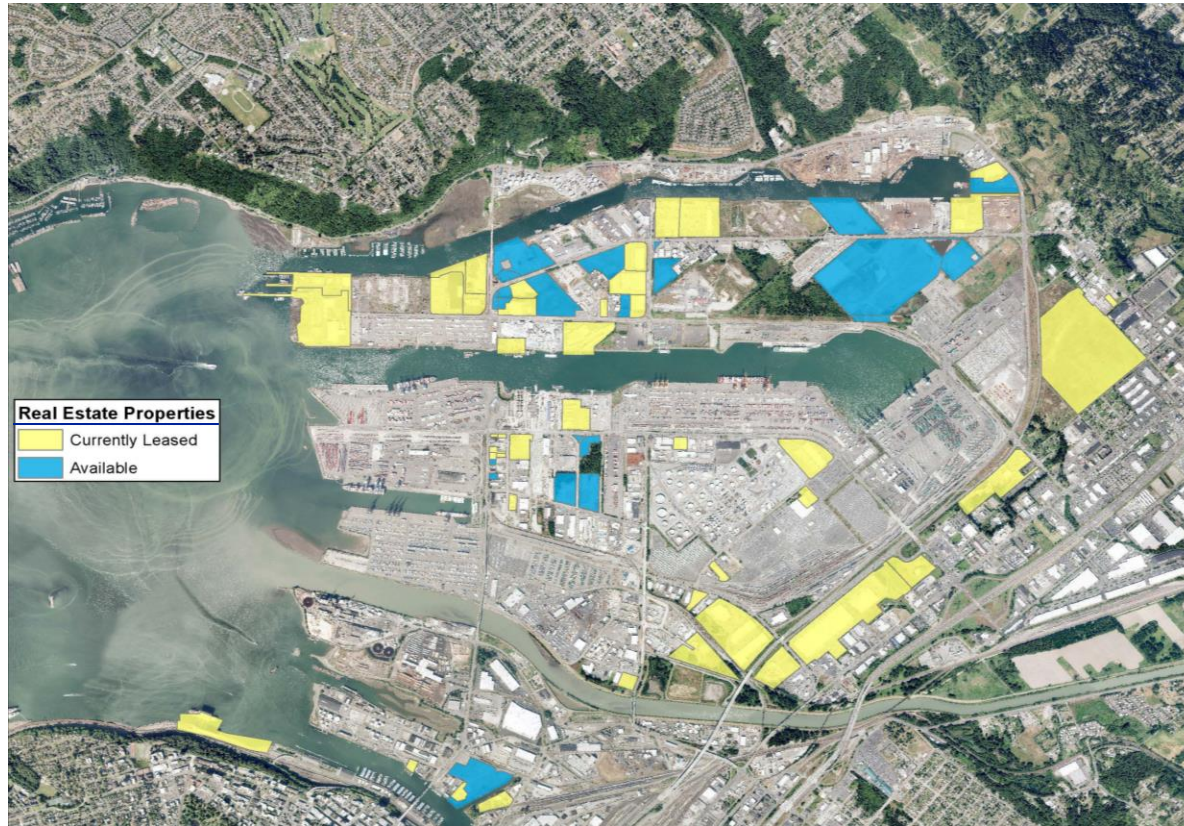
Study Session Agenda

- Session overview and key objectives
- Relevant real estate background and history – set the stage
- Port of Tacoma Non-licensed real estate overview
- Lease management – current approach
- Preliminary lease management recommendations
- Wrap-Up & summarize key outcomes and next steps

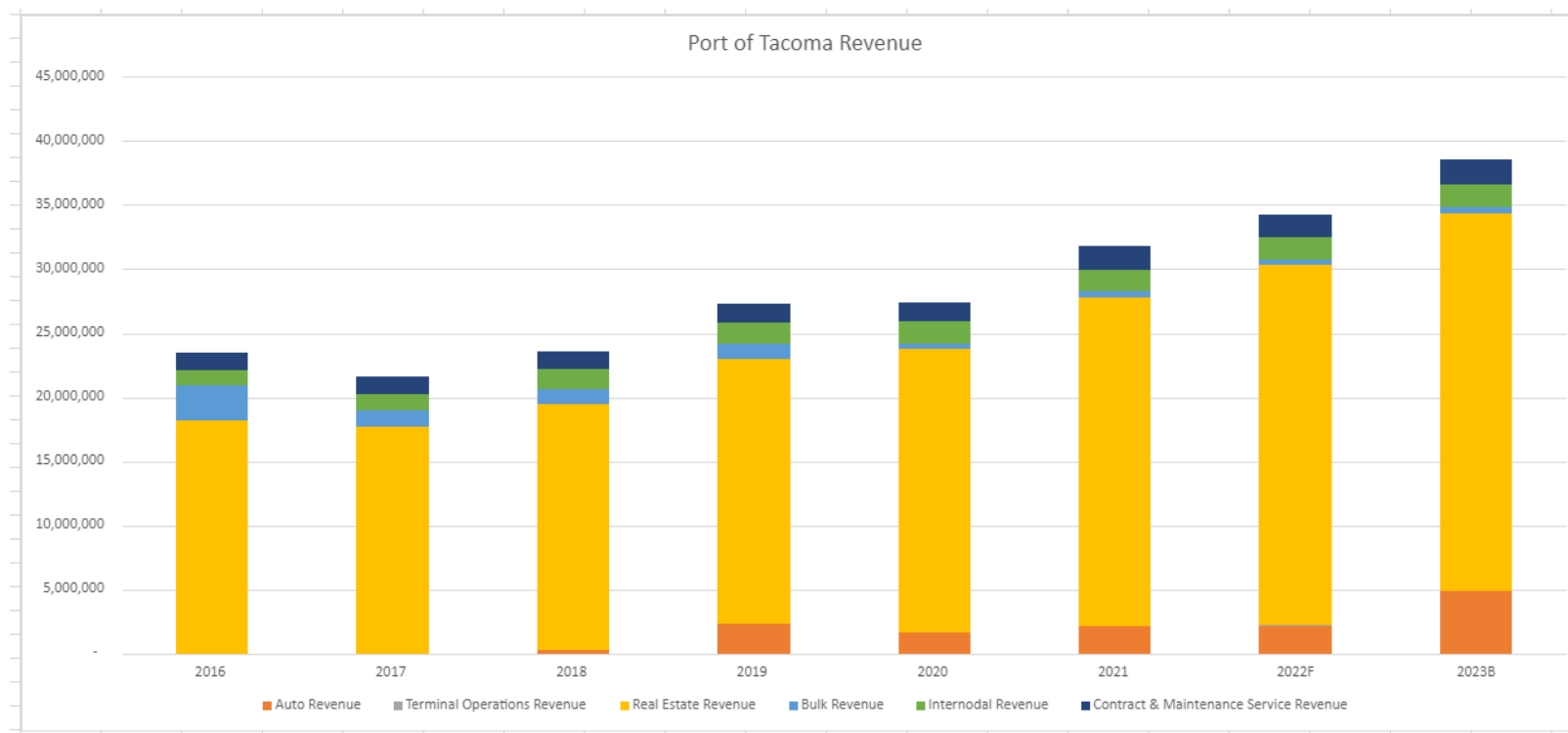
Session Objectives

- Understand the current construct and management approach to Port of Tacoma's non-licensed properties
- Identify actions to:
 - Develop a revised lease management policy; and
 - Leverage the real estate assets to achieve the Port's Strategic Economic Vitality Objectives

Lookback to Port of Tacoma Properties in 2016

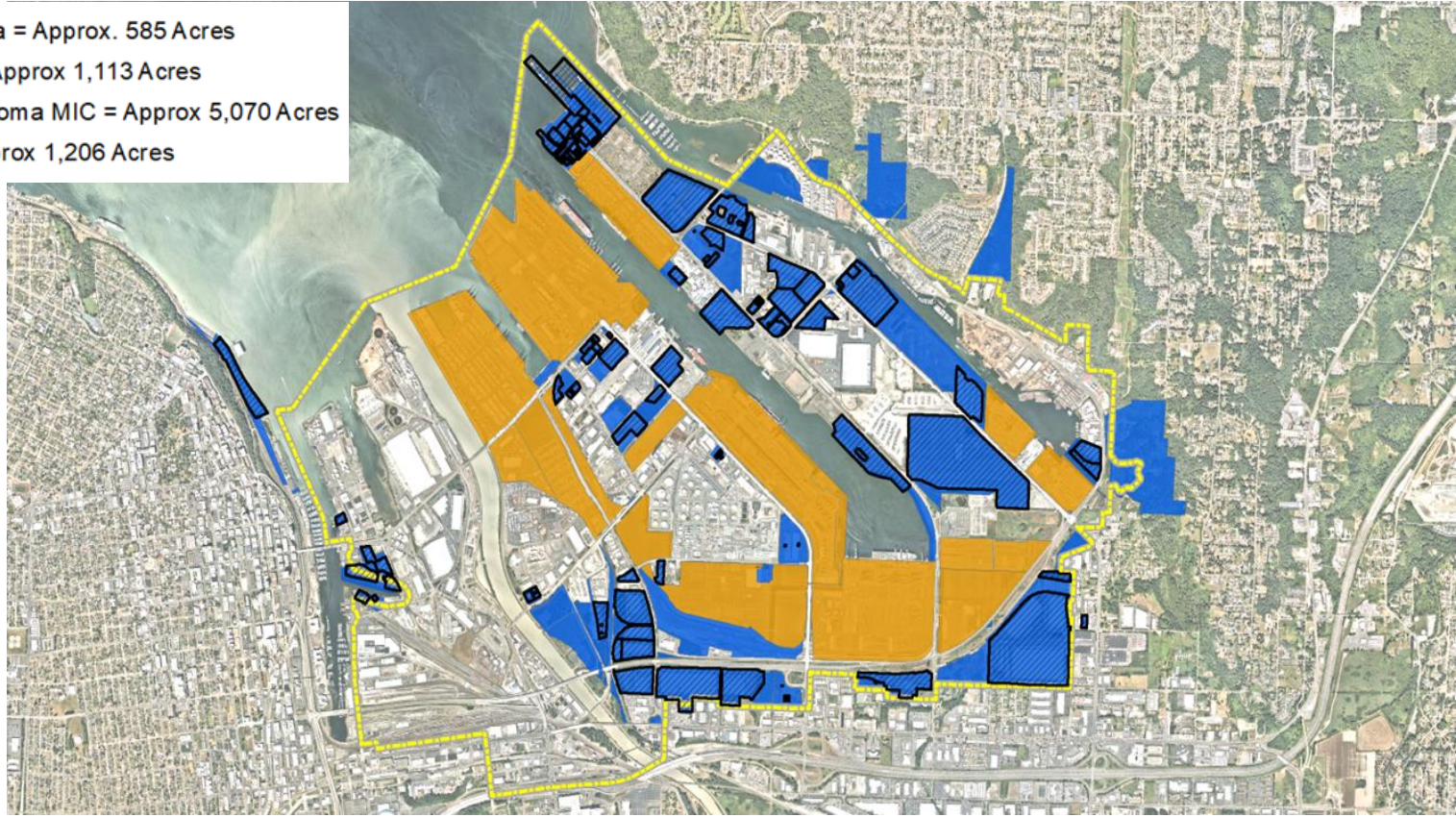
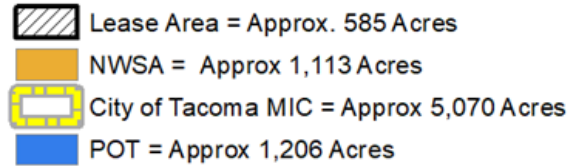


Port's Real Estate Revenue Growth

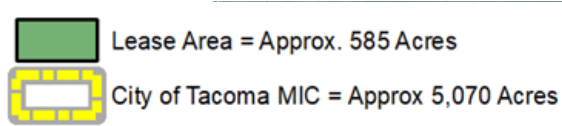


Non-Licensed Real Estate Portfolio Summary

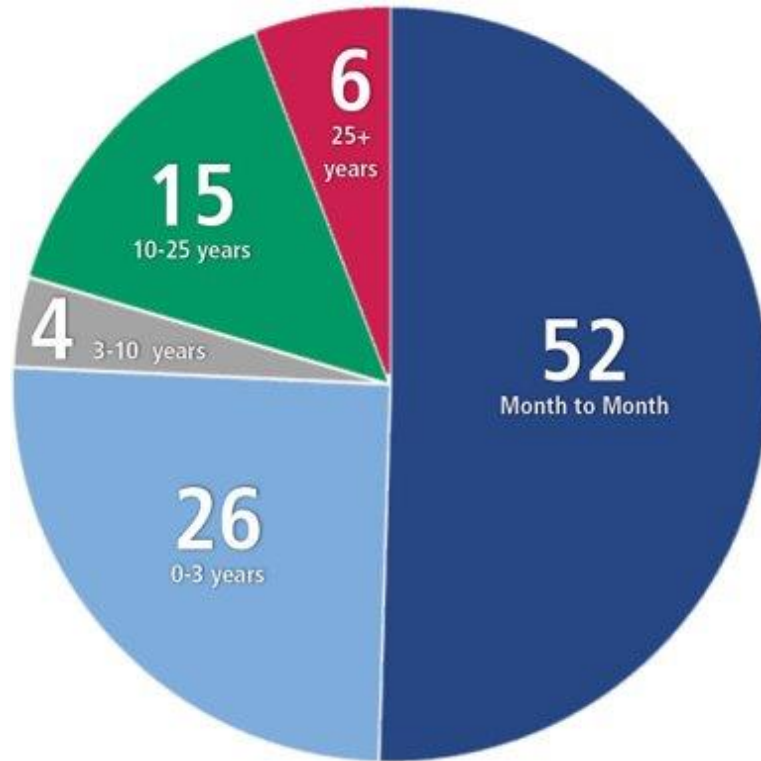
Port-Owned Properties



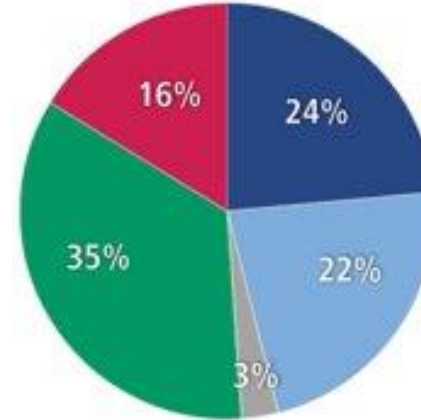
Non-Licensed Real Estate Portfolio Summary Leased Properties



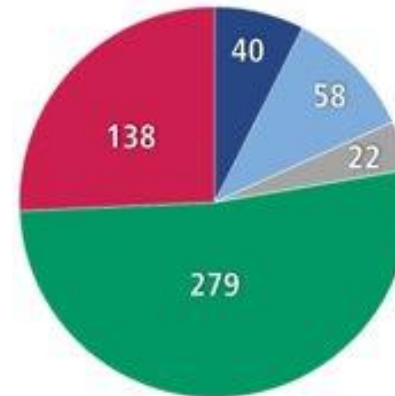
Non-Licensed Real Estate Portfolio Lease Breakdown



Port Tenants by Term

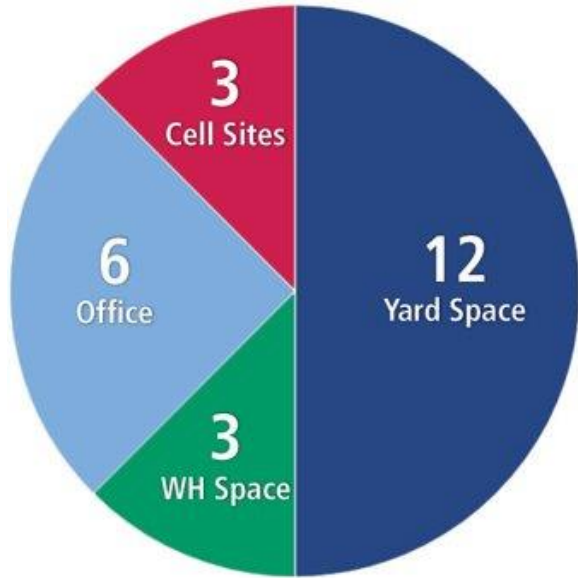


Percentage of
revenue by Term

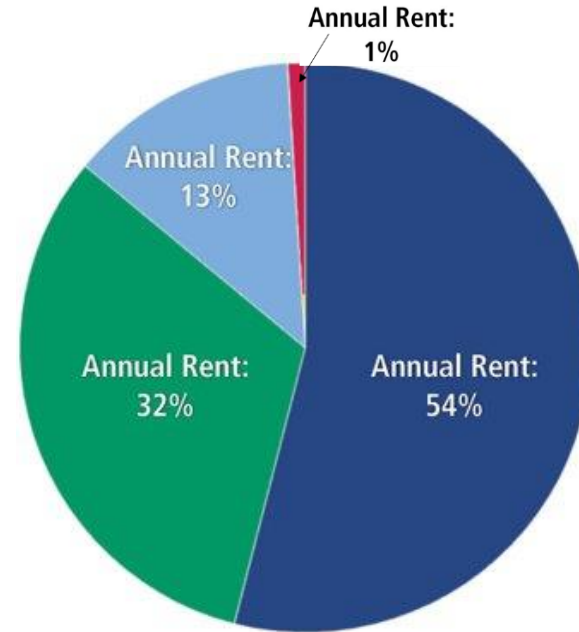


Leased acreage
by Term

Non-Licensed Real Estate Portfolio – Leases Expiring by December 31, 2025



Tenants by Property Type



Revenue by Property Type

Lease Management – Current Approach

- Lease Considerations
 - Port Strategic Plan
 - Property Assets
 - Property Restrictions
- Highest and Best Use
 - Lease Rates
 - Lease Terms
 - Future Development
 - Terminal Support Focus

Lease Management – Key Elements

Strategic Planning

- Align Real Estate Strategies with Port Strategic Plan
- Support marine trade activity (EV-1)
- Invest in assets that support living-wage job creation (EV-2)
- Land Use and Infrastructure policies (EV-3)

Portfolio Planning

- Leverage our real estate assets to achieve Port Strategic Goals.
- Market Benchmarks
- Tenant Mix
- Revenue & Expenses

Policies & Procedures

- Lease Process (Decisions, Templates, Best Practices)
- Lease Terms (Rate, Use, Term, Security Deposits, Insurance, Maintenance & Repair)
- Lease Escalations

Lease Management – Preliminary Recommendations, Lease Escalations

- **Goal:**
 - Align our leasing policies and procedures with industry best practices, while maintaining consistent revenue from our non-licensed Real Estate.
- **Purpose:**
 - Remain competitive and resilient in all market conditions
- **Preliminary Recommendations:**
 - Revise lease escalation process to reflect current market conditions.
 - Month-to-Month leases will continue to receive CPI adjustments every 12 months.
 - Flat rate escalators will be used for leases that go beyond 1 year term, with a market adjustment every 5 years.
 - Lease language would accommodate 'floor' and 'ceiling' parameters.

Next Steps

- Summarize key recommendations of the work session and evaluate for incorporation into future lease management approach
- Prepare to present lease management recommendations at the January Commission meeting for action
- Begin development of an updated real estate vision and strategy that supports Port of Tacoma's foundational goals

Five foundational goals



Questions & Discussion



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