

## REAL ESTATE DIVISION

### A. 2010 BUDGET SUMMARY

**TABLE VII-1: 2010 BUDGET SUMMARY**

( in thousands)	2008 Actual	2009 Budget	2009 Forecast	2010 Budget
<b>REVENUE:</b>				
Services	23,138	20,101	19,851	19,728
Property Rentals	11,659	10,860	10,530	10,070
Security Grant and Contract Revenues	109	150	150	-
Total Revenue	34,906	31,111	30,532	29,798
<b>OPERATING EXPENSES:</b>				
Operations and maintenance	32,990	28,306	27,200	27,147
Law enforcement	1,692	1,082	1,082	1,269
Administration	3,561	4,878	4,049	4,539
Environmental	604	1,125	1,125	7,000
Total operating expenses before depreciation	38,847	35,391	33,456	39,956
<b>OPERATING INCOME BEFORE DEPRECIATION</b>	<b>(3,941)</b>	<b>(4,279)</b>	<b>(2,925)</b>	<b>(10,158)</b>
Depreciation	10,033	10,528	10,528	9,659
<b>OPERATING INCOME AFTER DEPRECIATION</b>	<b>(13,974)</b>	<b>(14,807)</b>	<b>(13,453)</b>	<b>(19,817)</b>
<b>NON-OPERATING (EXPENSE) INCOME :</b>				
Ad valorem tax levy revenue	13,101	13,840	13,840	21,493
Grants and donations	57	0	0	-
Investment income - net	215	85	85	72
Revenue and capital appreciation bond interest expense	(2,513)	(2,951)	(2,951)	(2,360)
General obligation bond interest expense - net	(1,321)	(10,245)	(10,245)	(1,307)
Public Expense	-	-	-	-
Other expense - net	9,365	(95)	(95)	(74)
Total non-operating income - net:	18,904	634	634	17,824
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>4,930</b>	<b>(14,174)</b>	<b>(12,819)</b>	<b>(1,993)</b>
<b>EMPLOYMENT (FTES)</b>	<b>147.6</b>	<b>151.1</b>	<b>149.1</b>	<b>154.8</b>

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**Note:**

The Real Estate Division was formed effective in 2008. It is composed of certain business groups and services that were formerly within the Seaport, Economic Development and Corporate Divisions.

## B. BUSINESS PLAN FORECAST

**TABLE VII-2: BUSINESS PLAN FORECAST**

(in 000's)	Notes	Budget 2009	Budget 2010	Forecast				Compound Growth 2009-2014
				2011	2012	2013	2014	
<b>OPERATING BUDGET</b>								
Operating Revenue		\$31,111	\$29,798	\$31,028	\$32,145	\$32,974	\$33,636	1.6%
Operating & Maintenance Expense	1	\$28,306	\$27,147	\$27,792	\$28,416	\$29,508	\$29,851	1.1%
Corporate Administrative Expense	2	4,879	4,539	4,786	5,045	5,317	5,604	2.8%
Law Enforcement Costs		1,082	1,269	1,313	1,359	1,407	1,456	6.1%
Environmental Reserve		1,125	7,000	1,125	1,125	1,125	1,125	0.0%
<b>Total Operating Expense</b>		<b>35,391</b>	<b>39,956</b>	<b>35,016</b>	<b>35,945</b>	<b>37,357</b>	<b>38,036</b>	<b>1.5%</b>
<b>Net Operating Income Before Depreciation</b>		<b>(4,280)</b>	<b>(10,158)</b>	<b>(3,988)</b>	<b>(3,800)</b>	<b>(4,383)</b>	<b>(4,400)</b>	<b>0.6%</b>
Total Depreciation Expense		\$10,528	\$9,659					
<b>Net Operating Income After Depreciation</b>		<b>(\$14,808)</b>	<b>(\$19,817)</b>					
								Total 2010-2014
<b>Committed Capital Budget</b>		\$116,289	\$15,346	\$16,300	\$5,156	\$1,725	\$1,781	\$40,308
<b>Business Plan Prospective</b>		2,100	5,620	12,000	16,505	18,200	9,000	61,325
<b>TOTAL CAPITAL BUDGET</b>	2	<b>\$118,389</b>	<b>\$20,966</b>	<b>\$28,300</b>	<b>\$21,661</b>	<b>\$19,925</b>	<b>\$10,781</b>	<b>\$101,633</b>

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**Notes:**

- 1) Excludes Environmental Reserve.
- 2) Consists of remaining Corporate costs to be allocated to Real Estate after direct charges have been coded to Business Groups and Divisions or other costs allocated to Divisions. Most costs are allocated using a formula based on Expenses and employees. For some departments specific allocation methodologies, such as employees for Human Resources & Development, are used.
- 2) See Section X for details of Capital Budget.

## **C. DIVISION MISSION STATEMENT**

Our mission is to:

- Efficiently and cost-effectively manage and develop our assets for the benefit of our customers and the public;
- Provide services and facilities to our customers, the public and for the commercial activities of local businesses;
- Maintain Fishermen's Terminal as the homeport to the North Pacific Fishing Fleet by providing facilities and services that support the commercial fishing and other maritime industries, including other commercial craft;
- Promote the economic health of our community;
- Ensure our businesses, facilities, and activities are the most efficient, “cleanest and greenest” in the country, and;
- Maintain the Eastside Rail Corridor for future infrastructure needs and enact an interim management plan to maximize the performance of the asset.

## **INTRODUCTION**

The Real Estate Division is committed to increasing the economic vitality of our region and generating new business opportunities for the Port. This will be accomplished by leveraging the Port’s partnerships with local and regional commercial and industrial businesses and real estate partners. The Real Estate Division also intends to identify and pursue opportunities that enhance the region’s long-term vitality and ultimately produce new revenue for the Port.

The Real Estate Division (RED) integrates the efforts of five functional workgroups: Real Estate Development & Planning, Harbor Services, Marine Maintenance, Portfolio Management and Pier 69 Facilities Management. These business and service groups oversee the development and management of various Port assets and vessel moorage facilities. Financial services, project management, facility planning, and environmental services are acquired from the Seaport Division.

Following are the five business groups and their functions:

**Real Estate Development & Planning:** Plans and facilitates the development of selected real estate assets currently within its own portfolio and provides development expertise and support to the Seaport and Aviation Divisions. The team also identifies and evaluates new opportunities outside the Port’s current portfolio and completes other transactions related to Port assets.

**Harbor Services:** Leases moorage/storage/yard facilities and provides a variety of services. Its two commercial fishing moorage facilities, home to the North Pacific Fishing Fleet, provide space for more than 600 commercial fishing vessels, commercial work vessels as well as recreational vessels. Its three recreational marinas provide facilities for more than 1,600 recreational, commercial & some commercial fishing vessels.

**Portfolio Management:** Leases, markets, and manages the Division’s portfolio of conference, office, retail, commercial, and industrial properties and works to enhance the value of the Division’s assets through strategic asset planning and repositioning. This business unit will also lead the asset management efforts related to the Eastside Rail Corridor and the enhancement of the Port’s Foreign Trade Zone.

**Marine Maintenance:** Provides comprehensive maintenance, repair and small capital services to properties and equipment in the Real Estate and Seaport Divisions.

**Pier 69 Facilities Management:** Provides management services for Port Headquarters, including the Pier 69 Motor Pool, Print Shop, Shipping & Receiving, and Mail/Messenger, the Portside Café and Pier 69 Conference Center.

## **BUSINESS STRATEGIES**

- Maximize occupancy rates at all properties to support Port business initiatives;
- Maximize vessel moorage occupancy and revenues at our five commercial and recreational facilities;
- Improve, maintain and update our facilities to meet new market demands and provide compelling value to current and future tenants.

## **TRIPLE BOTTOM LINE**

The Real Estate Division, as part of the Port of Seattle, is a public agency with a mission to accomplish public goals that provide economic benefits to the region as a whole. It must operate its properties like a business, relying on revenues from our customer base for most of its net operating income & continually finding ways to reduce expenses by operating efficiently & cost-effectively. Achieving a strong financial bottom line allows the Real Estate Division to invest in projects that benefit the entire community, both economically and environmentally. It is this combination of financial performance along with economic, as well as community and environmental benefits, that serves as the Real Estate Division's Triple Bottom Line:

### **Economic Benefits:**

We create economic benefits for the entire region through our business activities. All of our activities and each of our tenants create jobs and bring business income and tax dollars to the region and the state.

### **Community and Environmental Benefits:**

While community and environmental benefits are harder to quantify, they are an important part of the Port of Seattle's mission. The Real Estate Division is a steward of the environment. We improve the environmental condition of our property through our redevelopment and capital projects, providing new and/or improved public open spaces, taking steps to reduce air pollution, conserving energy and water, and ensuring facility activities are the cleanest & greenest, including recycling to reduce the amount of garbage we produce. The community also benefits from regional transportation projects made possible with our participation and leadership in both planning and funding as well as the economic benefits produced by our business activities.

### **Financial Sustainability:**

The most critical measure of the Real Estate Division's financial sustainability is a growing, positive Net Operating Income (NOI). Only with strong financial performance, can it provide the economic, community and environmental benefits that are the essence of its mission.

## **PARTNERSHIPS**

We would not be able to fulfill our mission without positive relationships with our stakeholders and partners. We are focused on:

- Meeting the needs of our customers by:
  - Facilitating customer relationships;
  - Strengthening relationships with our stakeholders and partnering with them wherever possible;
  - Developing new business opportunities.
- Approaching our relationship with labor honestly and with integrity, communicating effectively and working together under fair labor agreements.
- Respecting tribal sovereignty and tribal religious and cultural values in all consultations with our tribal neighbors.

## **2010 REAL ESTATE DIVISION STRATEGIES**

### **KEY STRATEGIES AND OBJECTIVES**

#### **STRATEGY: ENSURE PORT AND REAL ESTATE DIVISION GROUP VITALITY**

##### **KEY OBJECTIVE: Achieve Financial Objectives**

\$(3,157,622) NOI before Depreciation and Environmental Grants and Reserve. Each Business Group will contribute to the total Division NOI as budgeted:

- Real Estate Development & Planning                      NOI = \$(485,941)
- Harbor Services    NOI = \$(1,877,573)
- Portfolio Management    NOI = \$(436,101)
- Eastside Rail    NOI = \$(358,007)

##### **KEY OBJECTIVE: Increase Property Utilization**

- Maintaining 90% occupancy of commercial properties;
- Achieving moorage occupancy of: Recreational Marinas 94%, Fishing & Commercial facilities 78%.
- With the benefit of the condition assessment, develop a 20 year asset plan for Fishermen's Terminal.
- Complete design and permitting and start construction (during the October 2010 fish window) of the Maritime Industrial Center seawall replacement.
- North Bay- Prepare redevelopment strategy and issue developer RFP.
- Des Moines Creek Business Park- Negotiate and execute development agreement.

#### **STRATEGY: DEVELOP NEW BUSINESS AND ECONOMIC OPPORTUNITIES FOR THE REGION AND THE PORT**

##### **KEY OBJECTIVE: Build Relationships and Partnerships to Develop Business Opportunities for Local Businesses**

- Purchase at least 15% of all goods and services from qualified small businesses.

#### **STRATEGY: EXHIBIT ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS**

##### **KEY OBJECTIVE: Strive to Integrate Environmental and Business Objectives into our Organization**

- Maintain Clean Marina Washington/EnviroStar Certification at all facilities
- Zero tenant environmental regulatory violations
- No increase in electrical consumption at Pier 69 Facility from 2009 level
- Reduce landfill waste from shop by 10% from 2009 level

#### **STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION**

##### **KEY OBJECTIVE: Attract and Retain Valuable Employees and Provide a Culture of Clear Expectations and Accountability**

- Complete PREP plans with training, development, and diversity components for all employees
- Achieve a perfect safety score and zero accidents

## **REAL ESTATE DEVELOPMENT AND PLANNING**

### **MISSION**

The Real Estate Development and Planning team plans and facilitates development of selected real estate assets currently within the Port's portfolio. The team also identifies and evaluates acquisition opportunities outside the Port's current portfolio and completes ground leases and sales of Port assets. These activities are aimed at promoting regional economic vitality, facilitating job creation and retention, creating new revenue for the Port and the region, and enhancing the built and natural environment.

### **DESCRIPTION**

The team connects the Port's mission of creating regional economic vitality through three real estate-related initiatives:

*Initiative 1* advances planning and development of certain assets the Port currently owns (e.g., North Bay). Past strategic planning efforts underscored the Port's need to improve utilization of existing assets.

*Initiative 2* involves the identification and timely response to new opportunities and projects and, where appropriate, the completion of these transactions.

*Initiative 3* seeks to provide internal consulting services so as to establish a center of real estate planning and development expertise within the Port.

### **BUSINESS STRATEGY**

In 2010, the team will continue working on projects that will advance the Port's role in catalyzing regional economic development through improved asset utilization. The strategy will center on generating near-term revenue from those sites with such potential and continued progress on those sites that have a longer time horizon for new revenue and job generation. In addition, the team will continue to assist the Aviation Business Development group with its land development program in the cities of Des Moines, Burien and SeaTac and the Seaport Division in its search for off-dock lands.

### **KEY STRATEGIES AND OBJECTIVES**

#### **STRATEGY: ENSURE DIVISION AND DEVELOPMENT AND PLANNING GROUP VITALITY**

<b>Key Objective:</b> Maximize financial performance		
<b>Performance Measure:</b>		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
North Bay	Advance redevelopment of the site	<ul style="list-style-type: none"><li>• Prepare redevelopment strategy</li><li>• Draft and issue developer RFP</li></ul>
Des Moines Creek Business Park	Advance entitlement of the site	<ul style="list-style-type: none"><li>• Negotiate and execute new development agreement</li><li>• Close on acquisition of internal abandoned streets</li><li>• Negotiate and execute option agreement for potential retail component</li><li>• Complete plat vacation process</li></ul>

Burien—Northeast Redevelopment Area	Advance redevelopment of the area	<ul style="list-style-type: none"> <li>• Create redevelopment plan for Lora Lake apartments site that is tied to the environmental clean-up process</li> <li>• Begin implementation of NERA redevelopment strategy recommendations</li> </ul>
City SeaTac Sites	Advance redevelopment planning	<ul style="list-style-type: none"> <li>• Doug Fox Site: continue analysis and reach decision on long-term development potential of the site following completion of initial assessment in late 2009</li> <li>• 28<sup>th</sup> Avenue S area: begin preliminary redevelopment planning</li> </ul>
Acquisition/Sales	Complete purchase or sale of key sites	<ul style="list-style-type: none"> <li>• Purchase former Sunnydale substation site from Seattle City Light in Burien</li> <li>• Purchase Rickard property in SeaTac</li> <li>• Complete sale of Des Moines site to SCORE for use as a regional jail facility</li> </ul>

**STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION**

<b>Key Objective: Attract and retain valuable employees and provide a culture of clear expectations and accountability</b>		
<b>Performance Measure:</b>		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Maintain educated employee workforce.	90% of staff  90% of staff  100% of staff	<ul style="list-style-type: none"> <li>• Staff members will attend or participate in one diversity activity per year</li> <li>• Staff members will attend at least one local real estate class seminar or conference each quarter</li> <li>• Each employee will include a personal development plan in PREP</li> </ul>
Achieve staffing level needed to implement key initiatives.	100% of needed staff hired	<ul style="list-style-type: none"> <li>• Monitor impact of deferring filling the open position in 2010 in order to achieve budget target</li> </ul>

**TABLE VII-3: REAL ESTATE DEVELOPMENT AND PLANNING BUSINESS PLAN FORECAST**

(in 000's)	Notes	Budget 2009	Budget 2010	Forecast				Compound Growth 2009-2014
				2011	2012	2013	2014	
<b>OPERATING BUDGET</b>								
Operating Revenue		\$ 566	\$ 749	\$ 768	\$ 787	\$ 807	\$ 827	7.9%
Operating & Maintenance Expense		886	996	1,020	1,046	1,072	1,100	4.4%
Corporate Administrative Expense	1	199	240	251	264	277	291	7.9%
<b>Total Operating Expense</b>		<b>1,085</b>	<b>1,236</b>	<b>1,271</b>	<b>1,310</b>	<b>1,349</b>	<b>1,391</b>	<b>5.1%</b>
<b>Net Operating Income Before Depreciation</b>		<b>(\$519)</b>	<b>(\$486)</b>	<b>(\$503)</b>	<b>(\$523)</b>	<b>(\$542)</b>	<b>(\$564)</b>	<b>1.7%</b>
Total Depreciation Expense		220	221					
<b>Net Operating Income After Depreciation</b>		<b>(\$739)</b>	<b>(\$707)</b>					
								Total 2010-2014
<b>COMMITTED CAPITAL BUDGET</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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**Notes:**

- 1) Consists of remaining Corporate costs to be allocated to Lines of Business after direct charges have been coded to LOB's and Divisions or other costs allocated to Divisions. Most costs are allocated using a formula based on Expenses and employees. For some departments specific allocation methodologies, such as employees for Human Resources & Development, are used.

## **HARBOR SERVICES**

### **MISSION**

- Provide moorage facilities, equipment and services to fishing, commercial and recreational vessel operators. Be the homeport to the North Pacific Fishing Fleet.
- Manage cost-effective operations that deliver the best value for the customers' dollars, provide the level of services that will distinguish us from other moorage facilities, provide a rewarding work environment for our employees and promote a spirit of partnership within the communities that we serve.

### **DESCRIPTION**

Harbor Services provides moorage facilities in various locations throughout Seattle, and a full range of services, to meet the needs of a diverse group of vessel operators. These properties include: Fishermen's Terminal, Shilshole Bay Marina, Bell Harbor Marina, Harbor Island Marina (Terminal 102) and the Maritime Industrial Center, which together supply over 2,000 moorage slips for fishing, recreational, and other commercial vessels from 20' to 400'.

There are approximately 3,000 monthly moorage customers and 18,000 guest moorage visitors annually. Customers include: commercial and sport fishermen, commercial pleasure and workboat operators, recreational boaters, Tribal members and the largest live-aboard community in the State of Washington (approximately 550 people). There is a strong link between the facilities and the Ballard, Magnolia, Central Seattle Waterfront and West Seattle communities.

### **BUSINESS STRATEGY**

- Maintain customers.
- Maximize occupancy and revenues at our five commercial and recreational facilities.
- Improve & maintain facilities to provide compelling value to customers.
- Strive to be the cleanest and greenest harbor facilities in Puget Sound by following Marina Best Management Practices, continuing our various environmental programs and educating our customers & employees.

## **KEY STRATEGIES AND OBJECTIVES**

### **STRATEGY: ENSURE DIVISION AND HARBOR SERVICES GROUP VITALITY**

<b>Key Objective:</b> Maximize financial performance		
<b>Performance Measure:</b> Net Operating Income		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Harbor Services Group	\$(1,877,573)	
Fishing/Commercial	\$(3,113,461 )	Execute operations & marketing plans.
Recreational Boating	\$1,235,889	Execute operations & marketing plans.
Maintain occupancy of vessel moorage areas.	Weighted avrg. occupancy: Slips moorage: 94% Lineal moorage: 78%	Execute operations & marketing plans.
Develop 20-year plan for Fishermen's Terminal.	Complete planning analysis Q3.	Work with Portfolio Management & Planning to complete 20 year plan for the Terminal.
Develop plan for bringing FT storage lockers into code compliance.	Complete options analysis for solution recommendation to Commission by Q3.	Review alternatives, develop recommendations and seek Port Commission approval. Combine w/FT facility planning effort.
Determine operation of SBM fuel dock.	Completed Q4	Analyze alternatives for operation of SBM fuel dock i.e. Port operated or lease.
Determine solution to SBM parking lot improvement.	Completed Q4	Complete condition assessment, geotech work & determine most cost-effective alternative.
Begin construction of MIC Seawall Replacement.	Design/permitting Q2 Start construction Q4	Complete design & permitting and start construction October (fish window).

### **STRATEGY: DEVELOP NEW ECONOMIC OPPORTUNITY FOR THE REGION AND THE PORT**

<b>Key Objective:</b> Build relationships and partnerships to develop new business opportunities for the Port and local businesses to compete in the global economy.		
<b>Performance Measure:</b> % of operating & capital expenditures. Hire interns.		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Utilize small businesses.	15% of direct expense	When feasible, utilize qualified small businesses.

### **STRATEGY: EXHIBIT ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS**

<b>Key Objective:</b> Strive to integrate environmental and business objectives into our organization.		
<b>Performance Measure:</b> EnviroStar certification maintained. Zero regulatory violations.		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Maintain Clean Marina Washington/EnviroStar Certifications.	Certification is renewed (all facilities).	Staff will ensure Clean Marina compliance requirements are met to maintain EnviroStar ratings.

Enforce Marina Best Management Practices (BMP's) & agency regulations.	Zero regulatory violations.	Staff educates customers & enforces BMP's when on the docks, follows regulatory requirements and carries out internal environmental procedures.
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**STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION**

<b>Key Objective:</b> Attract and retain valuable employees and provide a culture of clear expectations and accountability		
<b>Performance Measure:</b> Employee PREP plans completed. 100% on safety audit.		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Maintain an educated employee workforce.	100% of PREP plans include training, development & diversity components.	All employees will include the components in their PREP plans.
Maintain a safe workplace for all employees.	100% safety score and zero accidents.	100% of employees complete all requirements and training as identified in Facility Safety Plans.

**TABLE VII-4: HARBOR SERVICES BUSINESS PLAN FORECAST**

(in 000's)		Budget 2009	Budget 2010	Forecast				Compound Growth 2009-2014
OPERATING BUDGET	Notes			2011	2012	2013	2014	
Operating Revenue		\$11,559	\$11,260	\$11,550	\$11,957	\$12,340	\$12,730	1.9%
Operating & Maintenance Expense		8,951	9,771	9,982	10,161	10,796	10,670	3.6%
Corporate Administrative Expense	1	3,387	3,367	3,535	3,712	3,897	4,092	3.9%
<b>Total Operating Expense</b>		<b>12,338</b>	<b>13,138</b>	<b>13,517</b>	<b>13,873</b>	<b>14,693</b>	<b>14,762</b>	<b>3.7%</b>
<b>Net Operating Income Before Depreciation</b>		<b>(\$779)</b>	<b>(\$1,878)</b>	<b>(\$1,967)</b>	<b>(\$1,916)</b>	<b>(\$2,353)</b>	<b>(\$2,032)</b>	<b>21.1%</b>
Total Depreciation Expense		6,083	5,320					
<b>Net Operating Income After Depreciation</b>		<b>(\$6,862)</b>	<b>(\$7,198)</b>					
								Total 2010-2014
<b>COMMITTED CAPITAL BUDGET</b>	2	<b>\$1,598</b>	<b>\$2,522</b>	<b>\$3,711</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,233</b>

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**Notes:**

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- 2) See Section X for details of Capital Budget.

## **PORTFOLIO MANAGEMENT**

### **MISSION**

The mission of the Portfolio Management Department is to lease and manage the Division's diverse real estate portfolio of assets to achieve their maximum value with a focus on innovative strategic planning. We will accomplish our goals and provide our services with professionalism, integrity, respect for the environment and in support of the regional economy.

### **DESCRIPTION**

We manage, maintain, market, and lease the Division's portfolio of commercial and industrial properties and work to enhance the value of our assets by regularly evaluating the overall performance of our portfolio to determine the best use and configuration and also continually working to increase income and reduce expenses. We also administer leases and manage utility billing for both the Real Estate and Seaport Divisions.

The Portfolio is comprised of properties that serve office, retail and industrial tenants. Commercial properties located along the Port's central waterfront include:

- Pier 66 (Bell Harbor International Conference Center and former Odyssey Maritime Discovery Center).
- World Trade Center West and World Trade Center, Seattle.
- Bell Street Parking Garage.
- Pier 69.

Other commercial properties are located at:

- T-102 (Harbor Marina Corporate Center).
- Ballard (Fishermen's Terminal, the Maritime Industrial Center and Shilshole Bay Marina).
- West Seattle (CEM and Pier 2).
- Interbay (Tsubota).

Industrial properties include:

- Parts of T-34, T-46, T-86 and T-5.
- Eastside Rail Corridor.

### **BUSINESS STRATEGY**

We will achieve our projected net operating income for 2010 by focusing on tenant retention, new lease opportunities and expense controls, selectively evaluating our portfolio to identify new revenue-generating opportunities. We will create and implement strategic re-development plans for our existing assets as required. We will manage and maintain our assets to meet the needs of our tenants and customers and preserve and enhance each asset's value by employing appropriate levels of maintenance, repair, and environmental controls.

## **MARKET FORECAST**

(Reference: World Trade Center West Listing Broker Seattle GVA, Jeff Huntington, Grubb & Ellis; 2<sup>nd</sup> Qtr 2009

The downturn in the economy, the impending large quantity of space to be added to the market from large users, and the completion of new office space in the Seattle Central Business District (CBD) are projected to cause the vacancy rates in downtown Seattle to rise in 2010. The broader market vacancy through the 2<sup>nd</sup> quarter of 2009 is 14%. Amazon will vacate approximately 600,000 square feet moving to new space; add an additional 2,500,000 million square feet of new construction with no positive absorption and vacancy rates are expected to climb as high as 30%. The Washington Mutual/Chase vacancies still continue to negatively affect the market. The CBD vacancy rate should peak-out during the third quarter of 2010. Rental rates are projected to decline another 10% to 15% through the 2<sup>nd</sup> quarter of 2010. The glut of vacant space on the market will give leverage to tenant in negotiating new leases that may include lower rents, larger tenant improvement allowances, and longer lease terms.

The World Trade Center West Building is located within a unique niche of the waterfront submarket. There is limited public transportation and our parking is not easily accessed from Alaskan Way. The broad awareness of the upcoming seawall replacement and viaduct construction may also impact our ability to attract new tenants. According to our brokers (GVA Kidder Matthews) the projected market rate for this building is now in the range of \$18.00 to \$22.00 per rentable square foot for fully serviced space which is down from \$24.00 to \$27.00/sf projected in the 2009 budget. Our tenants generally pay increases in operating expenses over a base year. It is expected that market rents for the building will remain stagnant or drop slightly as the overall market declines due to increased vacancy.

### **Retail**

Slower leasing activity through 2009 and into the second quarter of 2010 is expected as retailers tailor their expansion plans for 2010 based on this year's sluggish sales, according to Grubb & Ellis Retail Market Trends Summer of 2009. Asking rents for the ending second quarter 2009 are in the range of \$25.00 to \$47.00 per square foot in the CBD. Last year's announcement by Starbucks to close one hundred stores and the observation that other retailers are scaling back growth plans may lead to continued softening in asking rents over the next year.

### **Close-In South Seattle Sub-Market**

(Reference: CB Richard Ellis, Grubb & Ellis and Cushman & Wakefield, 1st Q 2009 reports)

Industrial – Leasing activity has fallen off dramatically since December 2008. Typical land rents average \$.15-.20/sf/mo and bare land is scarce. More softening in the overall industrial leasing is expected as the economy continues to sputter and the home décor business, which is a key sector served by this sub-market, continues to slow. Flex park vacancy rates in South Seattle are climbing.

Office – At the end of Q1 2009, vacancies for all classes of office stood at 17% (14.4% direct) in South Seattle. The south end (including Tukwila and the Kent Valley) was at 18%. The Close-In South Seattle sub-market performs best when the CBD office market is thriving. Rents for newer/well kept properties are in the \$15-17 NNN range. There have been more signs of weakening in the CBD, with vacancies increasing and rents declining. Rent concessions continue to increase and tenant allowances are becoming more generous. Unemployment rates in Washington reached 9.2 in May. All signs point to a prolonged/painful slump through 2009.

## **Ship Canal/Ballard Submarket**

(Reference: Cannon Commercial RE Services 2009, Grubb & Ellis 1st Q 2009 and Cushman and Wakefield 1st Q 2009)

Although Seattle's office market began last year as one of the strongest in the nation in terms of supply and demand and anticipated rent growth, it is clear that this market is starting to feel the effects of the recessionary economy. That being said, the Ship Canal office submarket has a number of forces that have kept vacancy rates low. They include the University of Washington, the Bio-Medical Industry, Seattle Pacific University and the Maritime Industry. The attractiveness and popularity of Fremont, Ballard and Wallingford are also factors that have allowed the majority of buildings in the area to retain tenants and sustain more demand than other office submarkets.

Class B Office – The Institute for Systems Biology is positioned to acquire all 110,000 sf of the Lakeview Building on 34<sup>th</sup> street due to Federal stimulus money. Once this happens the vacancy rate will be 9% in the Ship Canal submarket. Several groups funded by UW continue to lease space on the north side of the canal. Market rates vary from \$20.00 - \$23.00/sf/NNN for nicer well-kept Class B office space but several brokers I spoke to said a landlord would be lucky to get \$19.00/sf/NNN today for “like new” space. The groups willing to pay market rate are government related, involve cutting edge technology or are involved in industries like renewable energy. Even with the strong factors mentioned above the submarket is losing some ground. According to Cannon RE, office demand for Class B and C office has decreased which will spur an increase in vacancy. Rates will continue to drop but should stabilize in 2011 and remain flat for some time after that.

Industrial – Most of the tenant activity is occurring in the south end industrial market. Average warehouse rates are around \$.55/sf/mo. Land is ranging from \$.15-.20/sf/mo. Although there is no clear broker reporting on Industrial properties in the Ship Canal/Ballard market, local brokers confirm that warehouse space and vacant land are scarce.

## KEY STRATEGIES AND OBJECTIVES

### **STRATEGY: ENSURE DIVISION AND PORTFOLIO MANAGEMENT GROUP VITALITY**

<b>Key Objective:</b> Maximize financial performance.		
<b>Performance Measure:</b>		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Administrative expense.	\$1,219,212 (org basis)	<ul style="list-style-type: none"> <li>Monthly review and adjustment in spending to meet target</li> </ul>
Commercial/Industrial Property NOI.	(\$2,982,468)	<ul style="list-style-type: none"> <li>Monthly review and adjustment in spending to meet target</li> </ul>
Third Party NOI.	\$2,546,366	<ul style="list-style-type: none"> <li>Monthly review and adjustment in spending to meet target.</li> </ul>
Maintain occupancy of Commercial Buildings at 90% or above in 2010.	Year-end occupancy rate will be 90% or better.	<ul style="list-style-type: none"> <li>Real estate managers will work with the Director to refine the leasing strategy for each asset to respond to current market conditions.</li> </ul>
Adopt FT Industry & Properties Enhancement Strategy.	Complete planning analysis by end of 3rd Quarter.	<ul style="list-style-type: none"> <li>Portfolio Mgmt will work with Harbor Services and a consultant to formulate an enhancement strategy.</li> </ul>
Review performance of all assets and identify highest priority properties for asset plan development.	Asset condition report and asset plan for Fishermen's Terminal underway by end of Q3.	<ul style="list-style-type: none"> <li>Portfolio Mgmt will work with Harbor Services and a consultant to develop asset plan in parallel with the asset condition report</li> </ul>

### **STRATEGY: DEVELOP NEW ECONOMIC OPPORTUNITY FOR THE REGION AND THE PORT**

<b>Key Objective:</b> Build relationships and partnerships to develop new business opportunities for the Port and local businesses to compete in the global economy.		
<b>Performance Measure:</b> 10 % of Total Expenditures for Goods and Services.		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Utilize small businesses	10% of total expenditures for goods and services (in conjunction with Maintenance)	<ul style="list-style-type: none"> <li>The majority of contracts for our group are led in conjunction with Maintenance and are reflected in their statistics. When feasible, utilize qualified small businesses to provide consulting and real estate services such as surveys, appraisals, brokerage, and market studies.</li> </ul>

**STRATEGY: EXHIBIT ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS**

<b>Key Objective:</b> Strive to integrate environmental and business objectives into our organization.		
<b>Performance Measure:</b> Zero tenant regulatory violations.		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Support Port Environmental Department's Tenant Compliance Program.	Visit at least four properties per quarter.	<ul style="list-style-type: none"> <li>Real Estate managers and member(s) of environmental staff will inspect selected properties to ensure tenant compliance with lease environmental requirements.</li> </ul>
Identify new "green" initiatives	1 new "green" initiative identified by end of Q2.	<ul style="list-style-type: none"> <li>All staff participates to identify new "green" initiative that can be adopted.</li> </ul>

**STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION**

<b>Key Objective:</b> Attract and retain valuable employees and provide a culture of clear expectations and accountability.		
<b>Performance Measure:</b> Clarify Division and Department Mission and Goals and encourage on-going education of staff.		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Maintain educated employee workforce.	Portfolio Management Team structure, accountabilities, and development plans reviewed, clarified and updated by end of 1Q (underway in 2009).	<ul style="list-style-type: none"> <li>In conjunction with Human Resources and Organizational Development, we will review the functions, workflow, and work assignments of the team to ensure effective coverage. Revised development plans for each staff member will ensure ongoing competency in new accountabilities</li> </ul>
Identify work process improvements.	Identify one new tool to improve effectiveness.	<ul style="list-style-type: none"> <li>Team will work together to identify new work or technology tools to improve effectiveness (eg rent rolls, Sharepoint, etc)</li> </ul>

**TABLE VII-5: PORTFOLIO MANAGEMENT BUSINESS PLAN FORECAST**

(in 000's)	Notes	Budget 2009	Budget 2010	Forecast				Compound Growth 2009-2014
				2011	2012	2013	2014	
<b>OPERATING BUDGET</b>								
Operating Revenue		\$ 18,407	\$ 17,347	\$ 18,257	\$ 18,937	\$ 19,351	\$ 19,591	1.3%
Operating & Maintenance Expense		17,525	15,580	15,970	16,369	16,778	17,198	-0.4%
Corporate Administrative Expense	1	2,375	2,202	2,313	2,428	2,550	2,677	2.4%
<b>Total Operating Expense</b>		<b>19,900</b>	<b>17,783</b>	<b>18,283</b>	<b>18,797</b>	<b>19,328</b>	<b>19,875</b>	<b>0.0%</b>
<b>Net Operating Income Before Depreciation</b>		<b>(\$1,493)</b>	<b>(\$436)</b>	<b>(\$26)</b>	<b>\$140</b>	<b>\$23</b>	<b>(\$284)</b>	<b>-28.2%</b>
Total Depreciation Expense		4,225	4,118					
<b>Net Operating Income After Depreciation</b>		<b>(\$5,718)</b>	<b>(\$4,554)</b>					
								Total 2010-2014
<b>COMMITTED CAPITAL BUDGET</b>	2	<b>\$2,911</b>	<b>\$3,104</b>	<b>\$7,849</b>	<b>\$856</b>	<b>\$125</b>	<b>\$181</b>	<b>\$12,115</b>

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**Notes:**

- 1) Consists of remaining Corporate costs to be allocated to Lines of Business after direct charges have been coded to LOB's and Divisions or other costs allocated to Divisions. Most costs are allocated using a formula based on Expenses and employees. For some departments specific allocation methodologies, such as employees for Human Resources & Development, are used.
- 2) See Section X for details of Capital Budget.

**TABLE VII-6: EASTSIDE RAIL BUSINESS PLAN FORECAST**

(in 000's)	Notes	Budget 2009	Budget 2010	Forecast				Compound Growth 2009-2014
				2011	2012	2013	2014	
<b>OPERATING BUDGET</b>								
Operating Revenue		\$ 150	\$ 155	\$ 158	\$ 162	\$ 166	\$ 171	-
Operating & Maintenance Expense		665	513	525	538	552	566	-
Corporate Administrative Expense		0		0	0	0	0	-
<b>Total Operating Expense</b>		<b>665</b>	<b>513</b>	<b>525</b>	<b>538</b>	<b>552</b>	<b>566</b>	<b>-</b>
<b>Net Operating Income Before Depreciation</b>		<b>(\$515)</b>	<b>(\$358)</b>	<b>(\$367)</b>	<b>(\$376)</b>	<b>(\$386)</b>	<b>(\$395)</b>	<b>-</b>
Total Depreciation Expense		0	0					
<b>Net Operating Income After Depreciation</b>		<b>(\$515)</b>	<b>(\$358)</b>					
								Total 2010-2014
<b>COMMITTED CAPITAL BUDGET</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## MARINE MAINTENANCE

### MISSION

The mission of the Marine Maintenance Department is to maintain, upgrade, improve and preserve, as directed, the assets owned by the Real Estate and Seaport Divisions. We conduct our activities in a manner that fosters customer service, environmental responsibility and conservation, as well as competitive business practices.

### STRATEGIES AND VALUES

Maintenance disciplines include automotive, carpentry, marine carpentry, electrical, general labor, custodial labor, landscape labor, painting, plumbing, sprinkler-fitting (fire protection), sheetmetal, welding, truck driving and sign writing. Most maintenance activities required by Port assets are available through the Marine Maintenance Shop, as are small capital construction services and environmental and safety compliance support activities.

### BUSINESS STRATEGY

Our business strategy is to fulfill the maintenance needs of our customers while acting as stewards of the assets in the public trust. Marine Maintenance fully supports the Port's business, community and environmental strategies with programs focused on Economics, Equity - Social Responsibility, Environment, Employee Engagement.

### KEY STRATEGIES AND OBJECTIVES

#### **STRATEGY: ENSURE DIVISION AND MARINE MAINTENANCE GROUP VITALITY**

<b>Key Objective:</b> Maximize financial performance		
<b>Performance Measure:</b> Budget and performance targets met.		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Meet Authorized Budget	+/- 2%	<ul style="list-style-type: none"><li>• Dept. financial health</li></ul>
Reduce Trouble Calls/ Urgent Maintenance	20%	<ul style="list-style-type: none"><li>• Increase PM/Reduce Trouble Calls</li></ul>

#### **STRATEGY: DEVELOP NEW ECONOMIC OPPORTUNITY FOR THE REGION AND THE PORT**

<b>Key Objective:</b> Build relationships and partnerships to develop new business opportunities for the Port and local businesses to compete in the global economy		
<b>Performance Measure:</b> Use resources, such as OSR, to engage with local, small and disadvantaged businesses to meet department and Port goals.		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Utilize small businesses	15% of total expenditures for goods and services.	<ul style="list-style-type: none"><li>• Utilize qualified small businesses to provide consulting and contracting services.</li><li>• Purchase materials from small business vendors when possible and economically feasible.</li></ul>

**STRATEGY: EXHIBIT ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS**

<b>Key Objective:</b> Strive to integrate environmental and business objectives into our organization		
<b>Performance Measure:</b> Compliance with existing programs and initiation of new endeavors related to the “Cleanest, Greenest, Most Cost-effective” Port programs.		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Identify ways to be cleaner & greener by involving employees	Implement employee suggestions	<ul style="list-style-type: none"> <li>Solicit and implement at least 6 “cleaner and greener” alternatives from employees for new products or business practices. Document successes.</li> </ul>
Ensure efficient collection & disposal of garbage & ensure recycling	Reduce garbage tonnage. Increase recyclables.	<ul style="list-style-type: none"> <li>Reduce landfill waste from shop by 10%</li> <li>Increase tonnage of recycled materials by 10%.</li> </ul>
Comply with environmental regulations in the conduct of our activities.	100% Compliance	<ul style="list-style-type: none"> <li>Train 100% of available staff and craftspeople in annual safety training day.</li> <li>Communicate regulatory changes during monthly safety meetings.</li> </ul>
Comply with safety regulations.	100% Compliance	<ul style="list-style-type: none"> <li>Train 100% of available staff and craftspeople in annual safety training day.</li> <li>Communicate regulatory changes quarterly through input to the Health and Safety Management Report and monthly safety meetings.</li> <li>Achieve 90% on Marine Maintenance Safety Evaluation Status performance measures.</li> </ul>

**STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION**

<b>Key Objective:</b> Attract and retain valuable employees and provide a culture of clear expectations and accountability		
<b>Performance Measure:</b> Employee participation in diversity events, training and performance planning and appraisal.		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Maintain educated employee workforce.	90% of staff  30% of staff  100% of staff	<ul style="list-style-type: none"> <li>Staff members will attend or participate in one diversity activity per year.</li> <li>Staff members will attend at least one local class, seminar or conference each year.</li> <li>Each non-represented employee will include a personal development plan in PREP.</li> </ul>

## **PIER 69 FACILITIES MANAGEMENT**

### **MISSION**

To provide and maintain a safe, secure, comfortable, productive and efficient workplace.

### **DESCRIPTION**

The department provides the following services.

- Facilities management services for Pier 69 site.
- Management of Commute Trip Reduction (CTR) program for Pier 69 site.
- Management and operation of the Pier 69 motor pool.
- Management and operation of print shop, shipping & receiving, and mail/messenger services.
- Management of the Portside Café.
- Management and operation of the conference center, interior conference rooms, commission chambers, and atrium for staff, outside visitors, and customers.
- Real Estate Division liaison for emergency operations and continuity of operations program.
- Administration of access control and surveillance systems for Pier 69 site.

### **SERVICE STRATEGY**

- Hire, retain, and develop high performing, service oriented personnel.
- Operate and maintain headquarter facilities with an emphasis on continuous improvement, outstanding customer service, optimal staffing levels, environmental stewardship, and proactive maintenance.
- Partner effectively with Port maintenance departments.
- Partner effectively with outsourced service providers. Major outsourced functions include HVAC maintenance, elevator maintenance, janitorial services, and building security services.
- Represent Real Estate Division in emergency operations and continuity of operations program by participating in the planning and execution of communication tests and table top exercises, as well as participating in regular reviews and updates.

## **KEY STRATEGIES AND OBJECTIVES**

### **STRATEGY: ENSURE DIVISION AND PIER 69 FACILITY MANAGEMENT GROUP VITALITY**

<b>Key Objective:</b> Maximize financial performance		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Manage within authorized budget	+ /- 5% of approved budget	Review performance monthly for variance and make adjustments to spending if necessary.
Maintain cafeteria subsidy	Subsidy percentage does not exceed that of 2009	Work with cafeteria manager to explore opportunities to improve performance.
Maintain or increase print shop chargeback percentage	Chargeback percentage does not decrease from 2009	Maintain optimal staffing level; continue focus on customer service and quality assurance.

**STRATEGY: DEVELOP NEW ECONOMIC OPPORTUNITY FOR THE REGION AND THE PORT**

<b>Key Objective:</b> Build relationships and partnerships to develop new business opportunities for the Port and local businesses to compete in the global economy		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Utilize small businesses	10% of total expenditures for goods and services.	Where feasible, utilize qualified small businesses.

**STRATEGY: EXHIBIT ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS**

<b>Key Objective:</b> Strive to integrate environmental and business objectives into our organization		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Maintain or reduce electrical consumption	Electrical consumption does not exceed that of 2009	Monitor and maintain building systems to ensure that system components operate as designed. Continue to look for opportunities to reduce electrical consumption.

**STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION**

<b>Key Objective:</b> Attract and retain valuable employees and provide a culture of clear expectations and accountability		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
All staff participate in professional development	100% staff participation	Each staff member will identify at least one development goal in their PREP plan.
All staff participate in required safety training	90% of training is completed	Training is in accordance with Health & Safety department training plan and training classes.

**STRATEGY: BE A LEADER IN TRANSPORTATION SECURITY**

<b>Key Objective:</b> Reinforce and coordinate security and public safety programs for all port assets		
<b>Performance Objective</b>	<b>Performance Target</b>	<b>Task/Activity/Program/Initiative</b>
Maintain and update P69 FM COOP document	annual and periodic updates	Plan is updated annually. Periodic updates (contact information, etc.) are done throughout the year.
Participate in the planning and execution of communication tests	three per year	Assist Seaport Emergency Manager with the planning and execution of tests.
Tabletop exercise	one per year	Assist Seaport Emergency Manager with the planning and execution of the tabletop exercise.
Ensure that all Real Estate Division COOP plans are maintained and updated	annual and periodic updates	Assist Seaport Emergency Manager by reminding responsible parties of the need for plan maintenance and by offering responsible parties support.

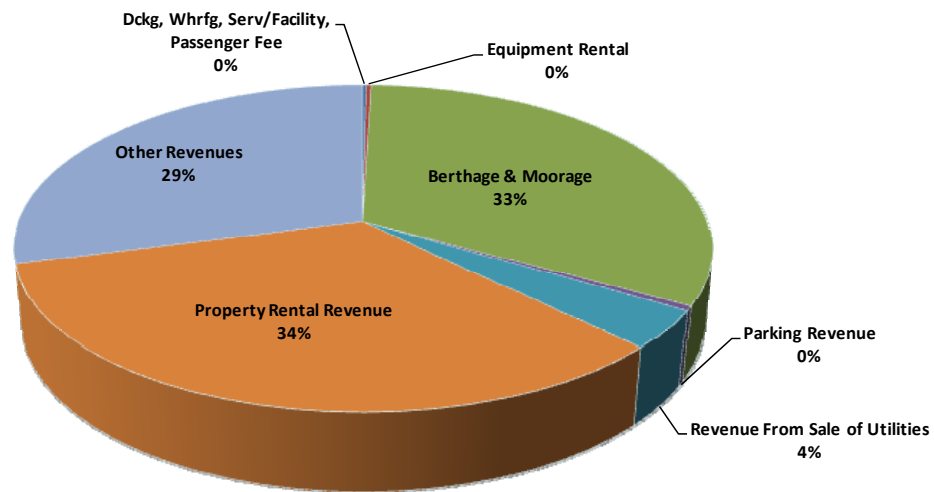
**D. REAL ESTATE OPERATING BUDGET SUMMARY**

**TABLE VII-7: REVENUE BY ACCOUNT**

(in 000's)	2008	2009	2010	% Change
<b>Revenue by Account</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>	<b>2010 Bud- 2009 Bud</b>
<b>Operating Revenue</b>				
Dckg, Whrfg, Serv/Facility, Passenger Fee	60	\$57	\$58	1.8%
Equipment Rental	62	72	82	13.9%
Berthage & Moorage	9,073	10,131	9,747	-3.8%
Parking Revenue	132	65	131	101.5%
Revenue From Sale of Utilities	1,083	1,238	1,151	-7.0%
Property Rental Revenue	11,636	10,860	10,070	-7.3%
Other Revenues	13,155	8,687	8,683	0.0%
<b>Total Operating Revenue</b>	<b>\$35,202</b>	<b>\$31,111</b>	<b>\$29,923</b>	<b>-3.8%</b>

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**FIGURE VII-1: REAL ESTATE DIVISION REVENUE ACCOUNT**



**Total Revenue: \$29,923**

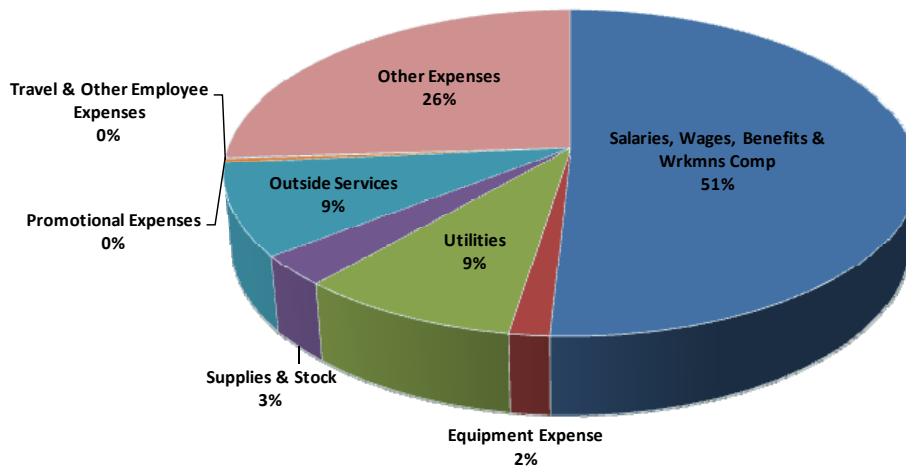
**TABLE VII-8: OPERATING & MAINTENANCE EXPENSES BY ACCOUNT**

(in 000's)	2008	2009	2010	% Change
<b>Expense by Account</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>	<b>2010 Bud- 2009 Bud</b>
Salaries, Wages, Benefits & Wrkmns Comp	14,772	\$15,839	\$16,895	6.7%
Equipment Expense	1,313	537	544	1.3%
Utilities	2,635	3,074	2,988	-2.8%
Supplies & Stock	1,346	1,157	1,009	-12.8%
Outside Services	8,862	2,795	3,042	8.8%
Travel & Other Employee Expenses	86	131	127	-3.1%
Promotional Expenses	38	42	32	-23.8%
Other Expenses	10,050	8,906	8,621	-3.2%
<b>Total O&amp;M without Environmental</b>	<b>39,102</b>	<b>32,481</b>	<b>33,258</b>	<b>2.4%</b>
Environmental Reserve	604	1,125	7,000	522.2%
<b>Total O&amp;M with Environmental</b>	<b>39,706</b>	<b>33,606</b>	<b>40,259</b>	<b>19.8%</b>
Charges to Capital Projects	(482)	(1,306)	(1,631)	24.9%
<b>Total Division Expense</b>	<b>39,223</b>	<b>32,300</b>	<b>38,629</b>	<b>19.6%</b>

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**FIGURE VII-2: REAL ESTATE DIVISION EXPENSE BY ACCOUNT**

(\$ in 000's)



<b>Total Before Charges to Capital Projects: \$40,259</b> <b>Charges to Capital Projects: \$1,631</b> <b>Total Expense: \$38,629</b>
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**TABLE VII-9: REAL ESTATE REVENUE AND EXPENSE BY DEPARTMENT**

(in 000's)				
<b><u>BY DEPARTMENT</u></b>	<b>2008 Actual</b>	<b>2009 Budget</b>	<b>2010 Budget</b>	<b>% Change 2010 Bud - 2009 Bud</b>
<b>REVENUE</b>				
Property Mgmt & Leasing	\$ 22,587	\$ 18,407	\$ 17,347	-5.8%
Harbor Services	10,538	11,559	11,260	-2.6%
Development and Planning	1,181	566	749	32.3%
Environmental Grants and Reserve	1	150	-	-100.0%
Eastside Rail Corridor	-	150	155	3.3%
Facilities Development & Management	275	279	288	3.2%
Marine Maintenance	619	-	125	
<b>Total Operating Revenue</b>	<b>\$ 35,202</b>	<b>\$ 31,111</b>	<b>\$ 29,923</b>	<b>-3.8%</b>
<b>OPERATING EXPENSE</b>				
<b>Business Groups:</b>				
Property Mgmt & Leasing	\$12,347	\$12,499	\$11,475	-8.2%
Harbor Services	4,179	4,318	4,513	4.5%
Development and Planning	496	586	574	-2.0%
<b>Total Business Group Expense</b>	<b>17,022</b>	<b>17,403</b>	<b>16,562</b>	<b>-4.8%</b>
<b>Lines of Service:</b>				
Facilities Development & Management	1,995	1,973	1,913	-3.0%
Maintenance	11,971	10,951	12,298	12.3%
Contingency		-		
Eastside Rail Corridor		484	484	0.0%
Environmental Grants and Reserve	604	1,125	7,000	522.2%
Real Estate Administration	356	363	372	2.5%
Real Estate Capital to Expense	7,274	-		
<b>Total Line of Services Expense</b>	<b>22,200</b>	<b>14,896</b>	<b>22,067</b>	<b>48.1%</b>
<b>Total Division Expense</b>	<b>\$ 39,223</b>	<b>\$ 32,300</b>	<b>\$ 38,629</b>	<b>19.6%</b>

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**E. STAFFING**

The following Table VII-10 outlines the Full-Time Equivalents (FTEs) for both the regular and other categories in the Real Estate Division. The Real Estate Division is budgeting 154.8 FTE's, which is 3.7 higher than 2009.

**TABLE VII-10: REAL ESTATE DIVISION STAFFING**

<b>STAFFING</b> (Full-Time Equivalent Positions)					<b>% Change</b>
<b>BY DEPARTMENT</b>	<b>Notes</b>	<b>2009 Budget</b>	<b>2009 Est. Act.</b>	<b>2010 Budget</b>	<b>2010 Bud - 2009 Bud</b>
Real Estate Administration		2.0	2.0	2.0	0.0%
Harbor Services		29.8	30.8	31.8	6.7%
P69 Facilities Management		10.0	9.0	8.0	-20.0%
Development and Planning		3.0	3.0	2.0	-33.3%
Portfolio Management		13.0	13.0	13.0	0.0%
Marine Maintenance		93.3	91.3	98.0	5.0%
<b>TOTAL REAL ESTATE DIVISION</b>		<b>151.1</b>	<b>149.1</b>	<b>154.8</b>	<b>2.4%</b>

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**F. REAL ESTATE DEVELOPMENT CAPITAL BUDGET**

The business plan summaries at the beginning of this section provide the context for the following capital budget for the Real Estate Division. For more detail refer to Capital Budget, Section X.

Table VII-11 provides a summary of the Real Estate Division's 2010 capital budget.

**TABLE VII-11: REAL ESTATE DIVISION CAPITAL BUDGET SUMMARY**

(\$ in 000's)	<b>2010 Budget</b>	<b>2010-2014 CIP</b>	<b>% of Total</b>
<b>Committed Capital Projects</b>			
General Real Estate	\$9,720	\$21,960	63.3%
Harbor Services	2,522	6,233	16.4%
Portfolio Management	3,104	12,115	20.2%
<b>Total</b>	<b>\$15,346</b>	<b>\$40,308</b>	<b>100.0%</b>

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**FIGURE VII-3: REAL ESTATE DIVISION COMMITTED CAPITAL BUDGET**

