

REAL ESTATE DIVISION

A. 2008 BUDGET SUMMARY

TABLE VII-1: 2008 BUDGET SUMMARY

(in thousands)	2008 Budget
REVENUE:	
Services	20,730
Property Rentals	10,560
Security Grant and Contract Revenues	893
Total Revenue	32,183
OPERATING EXPENSES:	
Operations and maintenance	28,987
Earthquake repair expense - net	-
Law enforcement	1,110
Administration	1,721
Environmental	950
Total operating expenses before depreciation	32,767
OPERATING INCOME BEFORE DEPRECIATION	(584)
Depreciation	9,691
OPERATING INCOME AFTER DEPRECIATION	(10,275)
NON-OPERATING INCOME (EXPENSE) :	
Ad valorem tax levy revenue	9,746
Investment income - net	478
Revenue and capital appreciation bond interest expense	(3,761)
General obligation bond interest expense - net	(1,232)
Other expense - net	(65)
Total non-operating income - net	5,166
INCREASE (DECREASE) IN NET ASSETS	(5,109)
EMPLOYMENT (FTEs)	139.8
<p>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.</p>	

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B. BUSINESS PLAN FORECAST

TABLE VII-2: BUSINESS PLAN FORECAST

		(in 000's)						Compound Growth 2007-2012
	Notes	Budget 2007	Budget 2008	Forecast				
				2009	2010	2011	2012	
OPERATING BUDGET								
Operating Revenue	1	\$0	\$32,183	\$31,902	\$32,937	\$33,887	\$34,872	-
Operating & Maintenance Expense		\$0	\$29,936	\$29,636	\$30,537	\$31,459	\$32,395	-
Corporate Administrative Expense	2	0	1,721	1,852	1,991	2,141	2,301	-
Law Enforcement Costs		0	1,110	1,148	1,189	1,230	1,273	-
Total Operating Expense	1	0	32,767	32,636	33,717	34,830	35,969	-
Net Operating Income Before Depreciation		0	(584)	(734)	(780)	(943)	(1,097)	-
Total Depreciation Expense		\$0	\$9,691					
Net Operating Income After Depreciation		\$0	(\$10,275)					
								Total 2008-2012
Committed Capital Budget		\$0	\$118,638	\$13,018	\$5,975	\$2,250	\$2,173	\$142,054
Business Plan Prospective			4,175	4,346	3,514	2,450	4,900	19,385
TOTAL CAPITAL BUDGET	3	\$0	\$122,813	\$17,364	\$9,489	\$4,700	\$7,073	\$161,439

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Notes:

- 1) 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.
- 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.
- 3) See Section IX 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 the public;
- Provide services and facilities to 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, and;
- Ensure our businesses, facilities, and activities are the most efficient, “cleanest and greenest” in the country.

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 viability 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, Maintenance, Property Management & Leasing 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 facilities and provides a variety of other services. Its two commercial fishing moorage facilities, home to the North Pacific Fishing Fleet, provide space for more than 700 commercial fishing vessels as well as commercial work vessels and recreational vessels. Its three recreational marinas provide facilities for more than 1,500 recreational, commercial & some commercial fishing vessels.

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

Property Management & Leasing: leases conference facilities, office, retail and industrial buildings and commercial and industrial property.

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.

2008 REAL ESTATE DIVISION STRATEGIES

KEY INITIATIVES, GOALS AND MEASURES

HAVE ENSURED THE VITALITY OF THE PORT BY:

Achieving our financial objectives:

\$(526,943) NOI before Depreciation and Environmental Grants and Reserve. Each department will contribute to the total Division NOI as budgeted:

- Development & Planning NOI = \$(409,905)
- Harbor Services NOI = \$127,183
- Maintenance EXP= \$(10,334,800) org basis before chargeouts
- Property Management & Leasing NOI = \$(244,221)
- Facilities Management NOI = \$(1,844,854) org basis before chargeouts

Providing compelling value that will attract and retain customers, and which will further the Port's financial objectives by:

- Meeting key milestones in our capital plan.

Preserving our assets and increasing their utilization by:

- Maintaining 95% occupancy of commercial properties;
- Achieving moorage occupancy of: SBM-93%; HIM-90%; BHM-84%; FT-90% and MIC-75%;
- Developing and implementing asset management plans.

WE WILL HAVE DEVELOPED NEW BUSINESS AND ECONOMIC OPPORTUNITIES FOR THE REGION AND THE PORT BY:

- Reducing vacancies in properties and maximizing land value.

WE WILL HAVE ENHANCED PUBLIC UNDERSTANDING AND SUPPORT OF THE PORT'S ROLE IN THE REGION BY:

- Conducting monthly speaking engagements in the community;
- Providing 25 students with internships, apprenticeships and training;
- Striving to purchase at least 15% of all goods and services from qualified small or disadvantaged businesses.

WE WILL HAVE BEEN A LEADER IN TRANSPORTATION SECURITY BY:

- Meeting the milestones of the Port's security program;
- Increasing the Port's security score by continuing to reduce our vulnerability for security incidents in Port facilities.

WE WILL BE ON OUR WAY TO BEING THE GREENEST/CLEANEST AND MOST ENERGY EFFICIENT PORT IN THE U.S. BY:

- Incorporating sustainable asset management protocols;
- Identifying opportunities for reduction in utility consumption across the Division;
- Reducing garbage tonnage by 10% and increase recyclables by 10%;
- Incorporating sustainability metrics into all planning and developing projects.

WE WILL HAVE BEEN A HIGH PERFORMANCE WORKPLACE BY:

- Providing our staff with regular feedback and support by completing 100% of staff performance reviews one week before the anniversary date;
- Completing PREP plans with training, development, and diversity components;
- Achieving a perfect safety score and zero accidents by providing our staff with the necessary tools and training.

REAL ESTATE DEVELOPMENT AND PLANNING

MISSION

The Real Estate Development and Planning team plans and facilitates the development of selected real estate assets currently within the Port's portfolio. The team also identifies and evaluates opportunities outside the Port's current portfolio and completes other transactions related to 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 broad 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, CEM, etc.). 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. The economic environment of the past few years has highlighted new opportunities for the Port to take a more active role in regional real estate related economic development.

Initiative 3 seeks to provide internal consulting services and establish a center of real estate planning and development expertise within the Port. Such expertise will be integral to the Port achieving its overall mission.

BUSINESS STRATEGY

In 2008, the team will continue working on the North Bay project. It's anticipated that the zoning overlay needed to develop the preferred alternative will be approved by the Seattle City Council and that the Port Commission will adopt a long-term master plan for the site. In addition, marketing efforts aimed at attracting long-term tenants to the site will continue, along with community outreach to a range of stakeholders tracking the North Bay project's progress. Assuming commitments are received from one or more long-term tenants, the next phase of the North Bay project will begin. It involves the design and construction of the infrastructure needed to support new building development on the site.

The team will also continue participation in the development of the Seattle Central Waterfront Planning process as it evolves, monitor progress of the Colman Dock Expansion Project and complete the disposition of Pier 48.

The team will continue to assist Aviation Business Development with its land development program in Des Moines, Burien and SeaTac. In addition, the team expects to pursue other projects, as directed by Port Senior Management.

KEY STRATEGIES AND OBJECTIVES

Complete disposition of Pier 48 by end of 1st Quarter

Purchase and Sale Agreement executed by WSDOT and Port.

Achieve Commission authorization.

Close sale.

Facilitate decision and implementation of redevelopment options for the CEM site.

Feasibility analysis and further due diligence completed by end of 2nd Quarter.

Negotiate terms of long-term lease with selected developer.

North Bay

Secure approval of North Bay zoning overlay and begin design of first phase infrastructure.

Initiate and complete next steps on the Lora Lake site

Approach will depend on the outcome of the ongoing negotiations with the King County Housing Authority, King County, and the City of Burien.

Complete conceptual vision/master plan for the Northeast Redevelopment Area (NERA) in Burien

Finalize a Memorandum of Understanding with City of Burien regarding joint planning effort.

Select planning consultant(s).

Complete conceptual vision/plan.

Initiate approval process of conceptual plan with Port Commission and Burien City Council.

Sign a lease for the development of the Des Moines Creek Business Park

- Complete developer selection process.
- Reach agreement on ground lease with the selected developer.
- Negotiate reimbursement agreement with the FAA.
- Assist the selected developer, as needed, with entitlement and permitting.

Advance redevelopment planning on the 55-acre parcel in the City of SeaTac

- Complete access road study.
- Finalize approach with City of Sea-Tac on redevelopment planning per the amended Development Agreement.
- Complete concept plan.

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

		(in 000's)						Compound Growth 2007-2012
	Notes	Budget 2007	Budget 2008	Forecast				
OPERATING BUDGET				2009	2010	2011	2012	
Operating Revenue	1	\$ -	\$ 698	\$ 497	\$ 404	\$ 416	\$ 428	-
Operating & Maintenance Expense		0	919	938	966	993	1,022	-
Corporate Administrative Expense	2	0	188	200	212	224	238	-
Total Operating Expense	1	0	1,107	1,138	1,178	1,217	1,260	-
Net Operating Income Before Depreciation		\$0	(\$409)	(\$641)	(\$774)	(\$801)	(\$832)	-
Total Depreciation Expense		0	269					
Net Operating Income After Depreciation		(\$0)	(\$679)					
								Total 2008-2012
COMMITTED CAPITAL BUDGET	3		\$1,500	\$10,000	\$4,000	\$0	\$0	\$15,500

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Notes:

- 1) Real Estate Development and Planning was formed effective in 2008. It is made up of personnel and properties that were formerly within the Economic Development and Seaport Divisions.
- 2) 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.
- 3) See Section IX for details of Capital Budget.

HARBOR SERVICES

MISSION

Provide moorage facilities, equipment and services that will retain and attract new customers to our fishing, commercial and recreational facilities and to be the homeport to the North Pacific Fishing Fleet, in order to enhance the economy of the region while maximizing net income to the Port of Seattle. We will manage cost-effective moorage 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 includes properties that provide a variety of moorages (landside support services are managed by the Properties and Leasing group) 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, Maritime Industrial Center, Bell Harbor Marina, Shilshole Bay Marina and Harbor Island Marina (Terminal 102), which together supply over 2,000 moorage slips for fishing, recreational, and other commercial and charter vessels from 20'-400'.

Harbor Services has the largest customer base within the Real Estate Division with approximately 3,000 moorage customers and approximately 18,000 guest moorage visitors annually. Customers include commercial and sport fishermen, commercial pleasure and workboat operators, recreational boaters (long and short-term), dry storage customers, Tribal members and the largest live-aboard community in the State of Washington (approximately 550 people). There is also a strong link between the facilities and the Ballard, Magnolia, Central Seattle Waterfront and West Seattle communities.

BUSINESS STRATEGY

- Complete major capital programs to replace docks and infrastructure at Shilshole Bay Marina and Fishermen's Terminal while maintaining day-to-day moorage operations. Do this in a manner that minimizes the impact on customers and the community during the construction process as best possible, while providing the highest level of customer service, through continuous coordination with the general contractor and subcontractors and regular communication with our stakeholders.
- Minimize the impact of dock construction on the net operating income of Shilshole and Fishermen's Terminal by keeping customers' vessels within the facility, coordinating with the construction so as not to vacate slips too early and getting vessels back into long-term slips as quickly as possible.
- Retain and attract vessel owners to the newly renovated Fishermen's Terminal and Shilshole Bay Marina moorages, by:
 - Developing and implementing marketing strategies that identify goods and services, competitive pricing, promotional messages and communication channels;
 - Maintaining and building strong relationships with current customers through customer service excellence (customer retention);
 - Gaining a better understanding and ability to anticipate customers' needs for services and distinguishing ourselves from other moorage facilities through benchmarking, surveys, needs assessment activities and face-to-face interactions;
 - Ensuring our policies, processes and procedures are efficient and customer/business friendly.
- Manage our activities by following the tenets of being a socially responsible steward within our communities.
- Strive to be the cleanest and greenest harbor facilities in Puget Sound by following facility Best Management Practices, continuing our various environmental programs and involving employees, customers, community and environmental agencies to identify additional improvements.

KEY INITIATIVES, GOALS AND MEASURES

STRATEGY: ENSURE DIVISION AND HARBOR SERVICES VITALITY

<u>Key Objective:</u> Maximize financial performance		
<u>Key Performance Indicator:</u> Achieve Harbor Services NOI before depreciation of \$127,183		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Fishing/Commercial	NOI: \$(2.013) million	Marketing and Operations will work together to execute the marketing and operations plans
Recreational Boating	NOI: \$2.140 million	Marketing and Operations will work together to execute the marketing and operations plans
Harbor Services Total	NOI: \$127,183	
Evaluate sale or lease of Harbor Island Marina	Q3	Work with Real Estate Properties & Seaport Finance departments to complete analysis and recommendation

<u>Key Objective:</u> Increase asset utilization		
<u>Key Performance Indicator:</u> Occupancy rates		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Achieve moorage occupancy to achieve maximum revenues Increase use of loading docks-FT	<u>Occupancy Annualized:</u> FT: 90% MIC: 75% SBM: 93% HIM: 90% BHM: 84%	Execute marketing and operations plans. Analyze and identify areas for new options to maximize moorage during peak seasons (complete Q1).
Achieve occupancy of net shed lockers FT (249) Evaluate increase to net locker capacity	98.5% Achieve net locker revenues	Keep lockers occupied including timely turnover (termination to assignment). Evaluate feasibility of reconfiguring net sheds (3 & 4) into two stories by 4 th Q.
Achieve maximum utilization of storage yards FT & MIC	Achieve storage revenues	Consolidate fenced storage areas & identify additional storage and/or work areas and possible expansion opportunities on the West Wall by 4 th Q. Continue to rearrange and organize current storage spaces to provide best utilization of storage area and the most revenue generating areas by 4 th Q.
Support increased demand for alternative transportation service, storage and/or parking needs at Shilshole Bay Marina	Complete proposal for a parking lot management plan for 2009 & beyond by Q4	Monitor use and demand for bike storage and/or parking. Monitor use of parking areas and develop recommendations for changes in parking lot usage. Participate in meetings with Metro regarding bus service along Seaview Avenue.
Meet customers' needs for products and services	Complete survey, benchmarking, and needs assessment by Q4.	Conduct customer survey and needs assessment; complete benchmarking with competitors; develop action plans and implement any needed improvements. Continue to implement Customer Service Program, i.e. C.A.R.E. (Courtesy, Accessibility, Responsiveness, Excellence), monitor and report customer feedback.
Complete Phase 1 of FT asset management plan (three phase program)	Q4 complete asset condition assessment; begin Ph. II (financial analysis)	Work with Seaport Project Management, Planning, Maintenance, and Engineering, to identify condition of all assets (water and land).

STRATEGY: BE THE CLEANEST & GREENEST PORT IN THE U.S.

Key Objective:		
Key Performance Indicator:		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Maintain Clean Marina Washington/EnviroStar Certification	Maintain certification. Seminar Q2	Ensure requirements are met for compliance. Hold commercial Clean and Safe Practices seminar for FT/MIC customers.
Improve collection & disposal of waste	Reduce garbage tonnage by 10%; Increase recyclables by 10%	Analyze garbage collection process, identify improvements and implement Expand recycling program
Achieve zero regulatory violations	Zero violations	Continue to implement Best Management Practices, follow regulatory requirements and internal procedures. Communicate/educate customers through letters, open houses, training.

STRATEGY: BE SOCIALLY RESPONSIBLE

Key Objective: Ensure business activities meet the social responsibility guidelines		
Key Performance Indicator: Achieve small business goals		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Utilize small businesses	FT – 20% Rec. – 15%	When feasible, utilize qualified small businesses for direct purchasing
Provide opportunities to college interns	Interns hired Q2	Hire interns.

STRATEGY: BE A HIGH PERFORMANCE WORKPLACE

Key Objective: Provide Programs for a High Performance Organization		
Key Performance Indicator: Complete 100% of training & development plans, PREPs, safety audit & recognize employees' accomplishments		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
All PREPs completed one week prior to anniversary date.	100% one week early	Performance Reviews/PREPs
Ensure each employee has development and training plans in place	100% complete	Identify and complete training and development per employees' plans. Continue implementing Reward and Recognition Plan
Reward & Recognize Employees	Employee accomplishments recognized	
Maintain a safe workplace for all employees	100% on annual safety audit	Complete all requirements and training per Safety Plan. Conduct safety meetings and facility inspections and quickly repair items identified as safety concerns. Conduct periodic drills with staff to ensure understanding of various safety procedures.

TABLE VII-4: HARBOR SERVICES BUSINESS PLAN FORECAST

		(in 000's)						Compound
OPERATING BUDGET	Notes	Budget	Budget	Forecast				Growth
		2007	2008	2009	2010	2011	2012	2007-2012
Operating Revenue	1	\$0	\$10,656	\$11,377	\$11,808	\$12,179	\$12,632	-
Operating & Maintenance Expense		0	7,775	7,501	7,709	7,982	8,243	-
Corporate Administrative Expense	2	0	2,754	2,919	3,094	3,280	3,477	
Total Operating Expense	1	0	10,529	10,420	10,803	11,262	11,720	-
Net Operating Income Before Depreciation		\$0	\$127	\$957	\$1,005	\$917	\$912	-
Total Depreciation Expense		0	5,110					
Net Operating Income After Depreciation		(\$0)	(\$4,983)					
								Total
COMMITTED CAPITAL BUDGET	3		\$9,996	\$262	\$0	\$0	\$0	2008-2012
								\$10,258

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Notes:

- 1) Harbor Services was formerly within the Seaport Division. It was transferred to the new Real Estate Division effective in 2008.
- 2) 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.
- 3) See Section IX for details of Capital Budget.

PROPERTY MANAGEMENT AND LEASING

MISSION

The mission of the Property Management and Leasing Group is to manage, maintain, market and lease the Division's portfolio of commercial and industrial properties and enhance the value of the managed assets by increasing income and reducing expenses.

DESCRIPTION OF MANAGED PROPERTIES

The Property Management and Leasing Group manages and leases properties that serve office, retail and industrial tenants and provide space for Real Estate and Seaport related businesses, as well as public access. Commercial properties located along the Port's central waterfront include Pier 66 (Bell Harbor International Conference Center and Odyssey Maritime Discovery Center), the World Trade Center Building and World Trade Center, Seattle, Pier 69 and parking garages. Other commercial properties are located at T-102 (Harbor Marina Corporate Center) and in Ballard (Fishermen's Terminal, the Maritime Industrial Center and Shilshole Bay Marina). Industrial properties include T-34, T-46, T-86 and T-5.

SERVICE STRATEGY

Achieve budgeted net operating income for 2008 by focusing on tenant retention, new lease opportunities and expense controls. Manage and maintain properties to meet the needs of our tenant customers and preserve and enhance each property's value by employing appropriate levels of maintenance, repairs and environmental controls.

KEY STRATEGIES AND OBJECTIVES

STRATEGY: ENSURE DIVISION AND PROPERTY MANAGEMENT AND LEASING GROUP VITALITY

Key Objective: Maximize Financial Performance		
Key Performance Indicator: Achieve NOI Before Depreciation for Managed Properties of \$(244,221)		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Administrative Expense	\$(1.031) million	<ul style="list-style-type: none">The Manager of the Property Management and Leasing Group will review administrative budget monthly with Lease Administration Supervisor.
Commercial/Industrial Property NOI.	\$(3.748) million	<ul style="list-style-type: none">The Manager of the Property Management and Leasing Group will review property leasing plans with property managers quarterly.The Manager of the Property Management and Leasing Group will review property operating budgets with property managers monthly.
Third Party NOI.	\$3.504 million	<ul style="list-style-type: none">Assigned property managers will meet with Third Party Contractors monthly to review property operating budgets.
Key Objective: Increase Asset Utilization		
Key Performance Indicator: Occupancy Rate for Commercial Properties		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Maintain occupancy of Commercial Buildings at 95% or above in 2008.	Year-end occupancy rate will be 95% or better.	<ul style="list-style-type: none">Property managers will work with the Manager of the Property Management and Leasing Group to develop a leasing strategy for each managed property.

STRATEGY: CREATE ECONOMIC OPPORTUNITIES.

Key Objective: Expand opportunities for small, minority-owned, women-owned and emerging business enterprises as port contractors and suppliers		
Key Performance Indicator: % of Operating and Capital Expenditures		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Utilize small businesses	15% of operating and capital expenditures	<ul style="list-style-type: none"> When feasible, utilize qualified small businesses to provide consulting and real estate services such as surveys, appraisals, brokerage and market studies

STRATEGY: EXHIBIT ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS

Key Objective: Assure regulatory compliance in the leasing, construction and operation of our facilities and delivery of our services		
Key Performance Indicator: Zero tenant regulatory violations		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Support Seaport Environmental Department Tenant Compliance Program.	Visit at least four properties per quarter.	<ul style="list-style-type: none"> Property managers and member(s) of environmental staff will inspect selected properties to ensure tenant compliance with lease requirements.

STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION

Key Objective: Build a highly motivated and well-trained work group		
Key Performance Indicator: Use PREP reviews as a tool to increase employee understanding of Business Group and Division goals, encourage on-going education of staff and promote workplace safety		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
All PREP's completed by anniversary date.	100% of PREP's completed by anniversary date.	<ul style="list-style-type: none"> Require each staff member to complete PREP's one month prior to anniversary date of employment.
Maintain educated employee workforce.	90% of staff 90% of staff 100% of staff	<ul style="list-style-type: none"> Staff members will attend or participate in one diversity activity per year. Staff members will attend at least one local real estate class seminar or conference each quarter. Each employee will include a personal development plan in PREP.
Maintain a safe workplace for all employees.	100% of staff will complete required safety training courses by year-end.	<ul style="list-style-type: none"> The Manager of the Property Management and Leasing Group will ensure that all staff members have completed required courses.

TABLE VII-5: PROPERTY MANAGEMENT AND LEASING BUSINESS PLAN FORECAST

(in 000's)		Budget 2007	Budget 2008	Forecast				Compound Growth 2007-2012
OPERATING BUDGET	Notes			2009	2010	2011	2012	
Operating Revenue	1	\$ -	\$ 19,633	\$ 20,028	\$ 20,725	\$ 21,292	\$ 21,812	-
Operating & Maintenance Expense		-	17,784	17,910	18,435	18,909	19,397	-
Corporate Administrative Expense	2	-	2,093	2,218	2,351	2,492	2,642	-
Total Operating Expense	1	0	19,877	20,128	20,786	21,401	22,039	-
Net Operating Income Before Depreciation		\$0	(\$244)	(\$100)	(\$60)	(\$109)	(\$226)	-
Total Depreciation Expense		-	4,312					
Net Operating Income After Depreciation		\$0	(\$4,556)					
								Total 2008-2012
COMMITTED CAPITAL BUDGET	3		\$1,572	\$681	\$375	\$200	\$523	\$3,351

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Notes:

- 1) Property Management was formerly within the Seaport Division. It was transferred to the new Real Estate Division effective in 2008.
- 2) 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.
- 3) See Section IX for details of Capital Budget.

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.

DESCRIPTION

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 the Small Business and Environmental Stewardship Initiatives, as well as internship and apprenticeship programs.

KEY STRATEGIES AND OBJECTIVES

STRATEGY: ENSURE DIVISION AND MAINTENANCE GROUP VITALITY		
Key Objective: Contribute to the financial success of departments we serve		
Key Performance Indicator: Budget Compliance		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Meet Authorized Budget	+/- 2%	<ul style="list-style-type: none">Dept. financial health
Key Objective: Facilitate Asset Utilization		
Key Performance Indicator:		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Reduce Trouble Calls/ Urgent Maintenance	20%	<ul style="list-style-type: none">Increase PM/Reduce Trouble Calls
STRATEGY: CREATE ECONOMIC OPPORTUNITIES.		
Key Objective: Expand opportunities for small, minority-owned, women-owned and emerging business enterprises as port contractors and suppliers		
Key Performance Indicator: 20% of Operating and Capital Expenditures		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Utilize small businesses	20% of operating and capital expenditures	<ul style="list-style-type: none">Utilize qualified small businesses to provide consulting and contracting services.Purchase materials from small business vendors when possible and economically feasible.

STRATEGY: EXHIBIT ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS		
<u>Key Objective:</u> Be the greenest/cleanest and most energy efficient port in the U.S.		
<u>Key Performance Indicator:</u> Increase EnviroStars Awards for Shop Activities		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Continue with existing efforts	Reduce Aerosol Use	<ul style="list-style-type: none"> Eliminate Aerosol products wherever possible. Document reduction.
Identify ways to be greener & cleaner by involving employees	Implement employee suggestions	<ul style="list-style-type: none"> Meet with groups to identify ideas/improvements & develop plan for which ones can be implemented. Document successes.
Ensure efficient collection & disposal of garbage & ensure recycling	Reduce garbage tonnage. Increase recyclables.	<ul style="list-style-type: none"> Analyze garbage collection process (consolidate, outsource) & implement improvements. Expand recycling program Market programs and communicate to Port & community.
Key Objective: Assure regulatory compliance in the maintenance, construction and operation of our facilities and delivery of our services		
Key Performance Indicator: Zero regulatory violations		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Comply with environmental regulations in the conduct of our activities.	100% Compliance	<ul style="list-style-type: none"> Complete all training required, Assure appropriate communication of changes in regulations.
Comply with safety regulations.	100% Compliance	<ul style="list-style-type: none"> Complete all training required. Assure appropriate communication of changes in regulations.
Comply with agreements with other agencies	100% Compliance	<ul style="list-style-type: none"> Follow Permit Requirements, etc.
STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION		
Key Objective: Build a highly motivated and well-trained work group		
Key Performance Indicator: Use PREP reviews as a tool to increase employee understanding of Business Group and Division goals, encourage on-going education of staff		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
All PREP's completed by anniversary date.	100% of PREP's completed by anniversary date.	<ul style="list-style-type: none"> Require each staff member to complete PREP's one month prior to anniversary date of employment.
Maintain educated employee workforce.	90% of staff 30% of staff 100% of staff	<ul style="list-style-type: none"> Staff members will attend or participate in one diversity activity per year. Staff members will attend at least one local class, seminar or conference each year. Each non-represented employee will include a personal development plan in PREP.

PIER 69 FACILITIES MANAGEMENT

MISSION

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

DESCRIPTION

The department provides the following services:

- Facilities management services for Pier 69 site;
- Management of the Commute Trip Reduction (CTR) program for Pier 69 site;
- Management and operation of the Pier 69 Motor Pool;
- Management and operation of the Print Shop, Shipping & Receiving, and Mail/Messenger;
- 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;
- Management of Corporate Emergency Operations and Business Continuity program;
- Administration of access control and surveillance systems for Pier 69 site.

SERVICE STRATEGY

- Hire and retain high performing, service oriented personnel;
- Operate and maintain headquarter facilities with an emphasis on continuous improvement, outstanding customer service, 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;
- Champion our corporate emergency operation and business continuity program by organizing communication tests and table top exercises, as well as performing regular reviews and updates.

KEY INITIATIVES, GOALS, AND MEASURES

<p>INITIATIVE: BE A LEADER IN TRANSPORTATION SECURITY</p> <ul style="list-style-type: none">• GOAL: Continue to improve Emergency Operations and Business Continuity program.<ul style="list-style-type: none">• Measure 1: Organize and conduct at least one tabletop exercise;• Measure 2: Organize and conduct at least three communication tests;• Measure 3: Organize and conduct a complete review and update of the plan.
<p>INITIATIVE: BE THE GREENEST/CLEANEST AND MOST ENERGY EFFICIENT PORT IN THE U.S.</p> <ul style="list-style-type: none">• GOAL: Maintain focus on energy conservation<ul style="list-style-type: none">• Measure: Reduce electrical consumption by 2%• GOAL: Improve our recycling program.<ul style="list-style-type: none">• Measure: Identify and implement at least one enhancement to our current program
<p>INITIATIVE: SOCIAL RESPONSIBILITY</p> <ul style="list-style-type: none">• GOAL: Utilize Small Businesses when possible<ul style="list-style-type: none">• Measure: 15%
<p>INITIATIVE: BE A HIGH PERFORMANCE WORKPLACE</p> <ul style="list-style-type: none">• GOAL: Complete all PREP reviews by anniversary date.<ul style="list-style-type: none">• Measure: 100% of reviews are completed on or before anniversary date.• GOAL: Focus on working safely and achieve zero accidents<ul style="list-style-type: none">• Measure 1: 100% of required staff safety training is completed;• Measure 2: Zero accidents are recorded.• GOAL: Improve performance of Print Shop.<ul style="list-style-type: none">• Measure: Increase chargeback percentage by 5%.

D. REAL ESTATE OPERATING BUDGET SUMMARY

TABLE VII-6: REVENUE BY ACCOUNT

(in 000's)	2006 Actual	2007 Budget	2008 Budget	% Change 2008 Bud- 2007 Bud
Revenue by Account				
<u>Operating Revenue</u>				
Dckg, Whrfg, Serv/Facility, Passenger Fee	-	-	\$61	-
Distribution & Storage	-	-	-	-
Marine Services	-	-	-	-
Equipment Rental	-	-	64	-
Berthage & Moorage	-	-	9,305	-
Parking Revenue	-	-	73	-
Revenue From Sale of Utilities	-	-	1,185	-
Property Rental Revenue	-	-	10,560	-
Other Revenues	-	-	10,935	-
Total Operating Revenue	\$0	\$0	\$32,183	-

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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.

FIGURE VII-1: REAL ESTATE DIVISION REVENUE ACCOUNT

OPERATING REVENUE

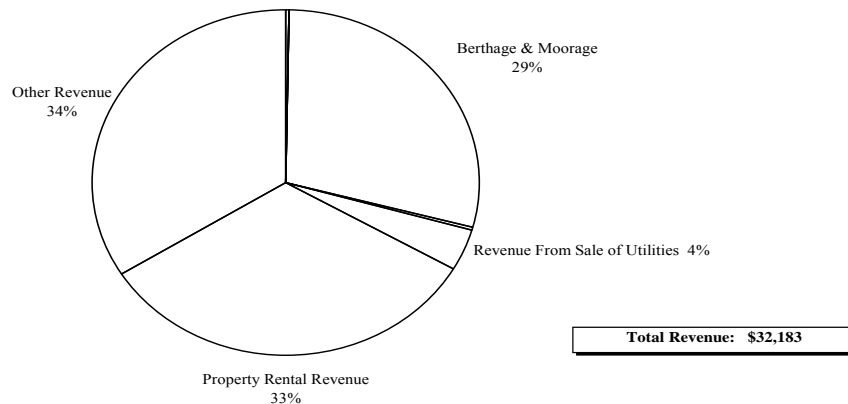


TABLE VII-7: OPERATING & MAINTENANCE EXPENSES BY ACCOUNT

(in 000's)	2006	2007	2008	% Change
Expense by Account	Actual	Budget	Budget	2008 Bud- 2007 Bud
Salaries, Wages, Benefits & Wrkmns Comp	-	-	\$13,628	-
Equipment Expense	-	-	451	-
Utilities	-	-	2,883	-
Supplies & Stock	-	-	808	-
Outside Services	-	-	3,037	-
Travel & Other Employee Expenses	-	-	131	-
Promotional Expenses	-	-	51	-
Other Expenses	-	-	11,655	-
Divisional Allocation	-	-	(1,324)	-
Subtotal	0	0	31,321	-
Charges to Capital Projects	-	-	(1,385)	-
Total Division Expense	0	0	29,936	-
<u>Corporate Allocation:</u>				
Law Enforcement			1,110	
Administration			1,721	
Total Corporate Allocation			2,831	
Total Operating Expense	-	-	\$ 32,767	-

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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.

FIGURE VII-2: REAL ESTATE DIVISION EXPENSE BY ACCOUNT

(\$ in 000's)

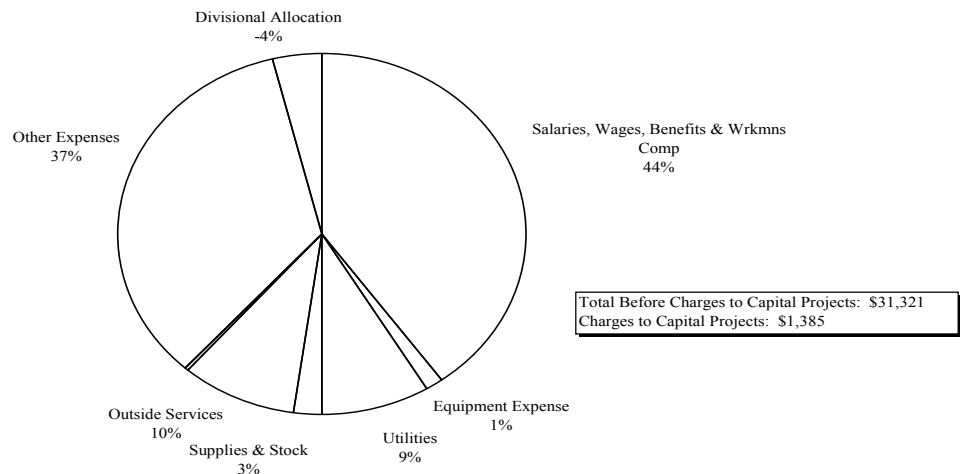


TABLE VII-8: EXPENSE BY DEPARTMENT

(in 000's)	2006 Actual	2007 Budget	2008 Budget	% Change 2008 Bud - 2007 Bud
BY DEPARTMENT				
REVENUE				
Property Mgmt & Leasing			\$ 19,633	-
Harbor Services			10,656	-
Development and Planning			698	-
Environmental Grants and Reserve			893	-
Facilities Development & Management			303	-
Total Operating Revenue	-	-	\$ 32,183	-
OPERATING EXPENSE				
Business Groups:				
Property Mgmt & Leasing	\$0	\$0	\$12,622	-
Harbor Services	-	-	4,322	-
Development and Planning	-	-	557	-
Total Business Group Expense	-	-	17,500	-
Lines of Service:				
Facilities Development & Management			2,148	
Maintenance			10,335	
Contingency			240	
Environmental Grants and Reserve			950	
Real Estate Administration			405	
Total Line of Services Expense	-	-	14,078	-
Total Division Expense	\$ -	\$ -	\$ 31,578	-

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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.

E. STAFFING

The following Table VII-5 outlines the Full-Time Equivalents (FTEs) for both the regular and other categories in the Real Estate Division. The Real Estate Division is budgeting 139.8 FTE's. 125.8 FTE's were transferred from the Seaport Division and 3.0 FTE's were transferred from Economic and Trade Development. 11 FTE's were transferred from Corporate.

TABLE VII-9: REAL ESTATE DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions)		2007 Budget	2007 Est. Act.	2008 Budget	% Change 2008 Bud - 2007 Bud
BY DEPARTMENT	Notes				
Real Estate Administration	1	0.0	0.0	3.0	
Harbor Services	1	0.0	0.0	29.0	
P69 Facilities Management	2	0.0	0.0	11.0	
Development and Planning	3	0.0	0.0	3.0	
Property Management & Leasing	1	0.0	0.0	10.5	
Maintenance	1	0.0	0.0	81.3	
TOTAL REAL ESTATE DIVISION					
REGULARS		0.0	0.0	137.8	
Limited Duration		0.0	0.0	0.0	
Temporary		0.0	0.0	0.0	
Interns		0.0	0.0	2.0	
On Call		0.0	0.0	0.0	
Commissioner		0.0	0.0	0.0	
TOTAL ECONOMIC DEVELOPMENT					
DIVISION		0.0	0.0	139.8	

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Notes:

- 1) Real Estate Administration, Harbor Services, Property Management and Seaport Maintenance with 125.8 FTEs were transferred from the Seaport Division.
- 2) P69 Facilities Management with 11 FTEs were transferred from the Corporate Division.
- 3) Development and Planning with 3 FTEs were transferred from the former Economic Development Division

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 IX.

TABLE VII-10: REAL ESTATE DIVISION CAPITAL BUDGET SUMMARY

(\$ in 000's)	2008 Budget	2008-2012 CIP	% of Total
Committed Capital Projects			
Development and Planning [2]	\$1,500	\$15,500	1.3%
General Real Estate	105,570	112,945	89.0%
Harbor Services	9,996	10,258	8.4%
Property Management & Leasing	1,572	3,351	1.3%
Total	\$118,638	\$142,054	100.0%
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FIGURE VII-3: REAL ESTATE DIVISION COMMITTED CAPITAL BUDGET

